Public Document Pack

Service Director – Legal, Governance and Commissioning
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Monday 16 November 2020

Notice of Meeting

Dear Member

Corporate Governance and Audit Committee

The **Corporate Governance and Audit Committee** will meet in the **Virtual Meeting - online** at **10.00 am** on **Tuesday 24 November 2020.**

The items which will be discussed are described in the agenda and there are reports attached which give more details.

Julie Muscroft

Service Director – Legal, Governance and Commissioning

Kirklees Council advocates openness and transparency as part of its democratic processes. Anyone wishing to record (film or audio) the public parts of the meeting should inform the Chair/Clerk of their intentions prior to the meeting.

The Corporate Governance and Audit Committee members are:-

Member

Councillor Will Simpson (Chair)
Councillor Kath Pinnock
Councillor Steve Hall
Councillor John Taylor
Councillor Paola Antonia Davies
Councillor Susan Lee-Richards
Councillor Donald Firth

When a Corporate Governance and Audit Committee member cannot be at the meeting another member can attend in their place from the list below:-

Substitutes Panel

Conservative	**Green**	**Independent**	**Labour**	**Liberal Democrat**
B Armer	K Allison	C Greaves	M Akhtar	A Munro
V Lees-Hamilton		T Lyons	M Sokhal	A Pinnock
N Patrick			M Kaushik	J Lawson
M Thompson			H Uppal	A Marchington
R Smith				

Ex Officio Members

Councillor Graham Turner
Councillor Elizabeth Smaje
Councillor Paul Davies

Agenda
Reports or Explanatory Notes Attached

Pages

1: Membership of the Committee

This is where Councillors who are attending as substitutes will say for whom they are attending.

2: Interests — 1 - 2

The Councillors will be asked to say if there are any items on the Agenda in which they have disclosable pecuniary interests, which would prevent them from participating in any discussion of the items or participating in any vote upon the items, or any other interests.

3: Minutes of Previous Meeting — 3 - 6

To approve the Minutes of the meeting of the Committee held on 23 September 2020

4: Admission of the Public

Most debates take place in public. This only changes when there is a need to consider certain issues, for instance, commercially sensitive information or details concerning an individual. You will be told at this point whether there are any items on the Agenda which are to be discussed in private.

5: Deputations/Petitions

The Committee will receive any petitions and hear any deputations from members of the public. A deputation is where up to five people can attend the meeting and make a presentation on some particular issue of concern. A member of the public can also hand in a petition at the meeting but that petition should relate to something on which the body has powers and responsibilities.

In accordance with Council Procedure Rule 10 (2), Members of the

Public should provide at least 24 hours' notice of presenting a deputation.

6: Public Question Time

The Committee will hear any questions from the general public. Due to Covid 19 restrictions, questions must be emailed to executive.governance@kirklees.gov.uk no later than 10am on 23 November

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7: Half Yearly Monitoring report on Treasury Management activities 2020/21 — 7 - 28

To consider a report detailing treasury management operational activity covering the period 1 April to 30 September 2020.

Contact officers

James Anderson	Head of Accountancy Service	01484 221000
Rachel Firth	Finance Manager	01484 221000

8: Information Governance Annual Report 2019/20 — 29 - 74

To report on the main Information Governance events and activities for the year 2019/20

Contact: Katy Deacon – Information Governance Manager and Data Protection Officer

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9: Annual Governance Statement 2019/20 — 75 - 96

To request the Committee approve the Statement ahead of it being signed off by the Chief Executive & the Leader and published with the Annual Accounts.

Contact: Simon Straker, Audit Manager

10: External Audit Update — 97 - 146

To receive the attached update report.

11: Approval of the Council's final accounts for 2019/20

147 - 302

The report updates Members on the final accounts and audit processes for 2019/20 and asks Members of this Committee to approve the Council’s Statement of Accounts for 2019/20 and a final version of the Annual Governance Statement.

Contact: James Anderson, Head of Accountancy

12: Appointment of a Trustee of the Joshua Wood Charity

303 - 306

The purpose of this report is to seek the Corporate Governance and Audit Committee’s endorsement of the nomination of the Council’s Trustee of the Joshua Wood Charity

Contact: Martin Dearnley Head of Risk, Corporate Strategy & Public Health

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13: Quarterly Report of Internal Audit Q2 2020/21 - July 2020 to September 2020

307 - 310

To provide information about internal audit work in Quarter 2 of 2020/21.

Contact: Martin Dearnley, Head of Risk & Internal Audit

14: Exclusion of the Public

To resolve that under Section 100(A)(4) of the Local Government Act 1972, the public be excluded from the meeting during consideration of the following items of business on the grounds that they involve the likely disclosure of exempt information as defined in Part 1 of Schedule 12A of the Act.

15: Quarterly Report of Internal Audit Q2 2020/21 - July 2020 to September 2020

311 - 326

Contact: Martin Dearnley, Head of Risk & Internal Audit

KIRKLEES COUNCIL

COUNCIL/CABINET/COMMITTEE MEETINGS ETC
DECLARATION OF INTERESTS

Corporate Governance and Audit Committee

Name of Councillor

Item in which you have an interest	**Type of interest (eg a disclosable pecuniary interest or an "Other Interest")**	**Does the nature of the interest require you to withdraw from the meeting while the item in which you have an interest is under consideration? [Y/N]**	**Brief description of your interest**

Signed: ………………………………………… **Dated:** ……………………………………..

NOTES

Disclosable Pecuniary Interests

If you have any of the following pecuniary interests, they are your disclosable pecuniary interests under the new national rules. Any reference to spouse or civil partner includes any person with whom you are living as husband or wife, or as if they were your civil partner.

Any employment, office, trade, profession or vocation carried on for profit or gain, which you, or your spouse or civil partner, undertakes.

Any payment or provision of any other financial benefit (other than from your council or authority) made or provided within the relevant period in respect of any expenses incurred by you in carrying out duties as a member, or towards your election expenses.

Any contract which is made between you, or your spouse or your civil partner (or a body in which you, or your spouse or your civil partner, has a beneficial interest) and your council or authority -

- under which goods or services are to be provided or works are to be executed; and
- which has not been fully discharged.

Any beneficial interest in land which you, or your spouse or your civil partner, have and which is within the area of your council or authority.

Any licence (alone or jointly with others) which you, or your spouse or your civil partner, holds to occupy land in the area of your council or authority for a month or longer.

Any tenancy where (to your knowledge) - the landlord is your council or authority; and the tenant is a body in which you, or your spouse or your civil partner, has a beneficial interest.

Any beneficial interest which you, or your spouse or your civil partner has in securities of a body where -
(a) that body (to your knowledge) has a place of business or land in the area of your council or authority; and
(b) either -

the total nominal value of the securities exceeds £25,000 or one hundredth of the total issued share capital of that body; or

if the share capital of that body is of more than one class, the total nominal value of the shares of any one class in which you, or your spouse or your civil partner, has a beneficial interest exceeds one hundredth of the total issued share capital of that class.

Contact Officer: Leigh Webb

KIRKLEES COUNCIL

CORPORATE GOVERNANCE AND AUDIT COMMITTEE

Wednesday 23 September 2020

Present:	Councillor Will Simpson (Chair) Councillor Martyn Bolt Councillor Kath Pinnock Councillor Steve Hall Councillor John Taylor Councillor Susan Lee-Richards
Observers:	Councillor Elizabeth Smaje Councillor Paul Davies
Apologies:	Councillor Paola Antonia Davies

1 Membership of the Committee

Apologies for absence were received on behalf of Councillor Paola Antonia Davies.

2 Minutes of Previous Meeting

That the Minutes of the previous meeting, held on 22 July 2020, be approved as a correct record.

3 Interests

No interests were declared.

4 Admission of the Public

It was noted that all agenda items would be considered in public session.

5 Deputations/Petitions

None received.

6 Public Question Time

No questions were asked.

7 Bad Debts Write Off

The Committee received a report which set out detail of written off debt during the 2019-2020 financial year. The report advised that, overall, debts written-off totalled £5.74m; as a percentage of debt raised in the year this equated to 1.16%. The previous year 2018-19, £5.9m was written off; equivalent to1.24% of debt raised. In percentage terms it was reported that this is an improving trend. The equivalent write-offs in 2017-18 were £5.5m and the percentage was1.31% of debt raised. It was explained that whilst write off in 2019-20 were actually less compared to 2018-19, the potential true impact of income collection recoverability as a result of COVID may start to become more apparent in future years depending on how the pandemic and the impact on the economy unfolds.

The Committee were advised that the write offs for Adult Social Care debt related to the collection and recovery of adult social care charges and that the write-offs within Finance and Transactional Services mainly related to housing benefit overpayment recovery.

In terms of the Housing Revenue Account, the Committee were advised that the write off figure of £0.46m included former tenant liable costs which would be covered by set aside bad debt provision.

A summary of the schedule of debts written off during the past 12 month period, including an analysis of the reasons for write-off, was set out at Appendix A of the considered report. It was noted that, whilst the debt had been written off, the debt would continue to be pursued if there was a change in terms of the prospect for recovery.

RESOLVED - That the 2019-2020 bad debts write off information be received and noted.

8 Informing the Audit Risk Assessment for Kirklees Metropolitan Council

The Committee received a report providing an update on the final accounts process for 2019/20. It was reported that the Council's external auditor Grant Thornton has asked that council officers complete 'Fraud, Laws and Regulation Letter to Management' which was appended to the report. In addition, the report also set out a request for the Chair of Corporate Governance and Audit to undertake a similar exercise, details of which were also appended to the report.

It was explained that External Audit will use these assurance letters to support their overall opinion on the Audited Statement of Accounts and Annual Governance Statement which will be presented to this Committee for approval on 24 November 2020.

RESOLVED - That the risk assessment document, 'Informing the Audit Risk Assessment' for Kirklees Metropolitan Council' be endorsed and approved for submission to Grant Thornton External Audit.

9 Audit Progress Report and Sector Update

The Committee received the External Audit Finding Report, setting out progress as at 9 September 2020, submitted by Grant Thornton.

The report set out an update in respect of Covid-19 and outlined the impact on working arrangements and the accounts and audit opinion. It was reported that the revised statutory target for the 2019-2020 opinion was 30 November 2020. Information was set out providing in-depth insight into the impact of Covid-19 on financial reporting in the local government sector, including operational challenges, government support schemes and external scrutiny process.

With regard to the Council's Housing Benefit Subsidy claim, Teacher's Pension return and Housing Pooled Capital Receipts return, it was reported that findings would be submitted to the Committee in January 2021.

During discussion of this item, Members of the Committee highlighted the vital role of the Committee in respect of financial planning in the current uncertain circumstances and highlighted the need to be flexible in terms of the potential for additional meetings.

RESOLVED - That the Audit Progress report and Sector Update be received and noted.

10 Corporate Customer Standards Annual Report 2019-2020

The Committee received the Corporate Customer Standards Annual report which provided an update on complaint handling for the year 2019/20; a review of the Ombudsman; Third Stage Complaints; and details of the Whistleblowing Complaints received.

The Committee was advised that the report had been informed by the Local Ombudsman Annual Report that had been published in July 2020.

The report detailed complaints statistics for Kirklees that included: the number of Ombudsman upheld complaints; the numbers of complaints received both at third stage and at Ombudsman; an overview of the factors which had impacted on the number of complaints; and whistleblowing concerns.

The Committee was also advised of the approach that the council took when dealing with serial complainers.

With regard to changes and trends since last year's report it was highlighted that there has been an increasing number of complaints about discrimination potentially as a result of the recent BLM (Black Lives Matter) protests which have further highlighted these concerns. The report acknowledged the importance of investigating such complaints so as to give assurance to the public but stated that they can be complex and lengthy complaints to consider. It was explained that it can be difficult to assure and confirm there is no unconscious bias is in the system and much of the work administered by the council is based upon government legislation.

RESOLVED – That the Corporate Customer Standards Annual Report 2019/20 be received and noted.

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Name and date of meeting: **Corporate Governance and Audit Committee**
24 November 2020

Cabinet
15 December 2020

Council
13 January 2021

Title of report: **Half Yearly Monitoring report on Treasury Management activities 2020/21**

Purpose of report

The Council has adopted the CIPFA Code of Practice on Treasury Management. It is a requirement of the Code that regular reports be submitted to Members detailing treasury management operational activity. This report is the mid-year for 2020/21 covering the period 1 April to 30 September 2020.

Key Decision - Is it likely to result in spending or saving £250k or more, or to have a significant effect on two or more electoral wards?	**No**
Key Decision - Is it in the Council's Forward Plan (key decisions and private reports?)	**Key Decision: Yes** **Private Report/Private Appendix: N/A**
The Decision - Is it eligible for call in by Scrutiny?	**No**
Date signed off by Strategic Director and name **Date signed off by Service Director** **Is it also signed off by the Service Director Legal Governance and Monitoring?**	**N/A** **Eamonn Croston – 13 November 2020** **Julie Muscroft – 13 November 2020**
Cabinet member portfolio	**Corporate** **Graham Turner**

Electoral wards affected: **N/A**
Ward councillors consulted: **N/A**
Public or Private: **Public**
GDPR: This report contains no information that falls within the scope of General Data Protection Regulations.

1 Summary

1.1 The report gives assurance that the Council's treasury management function is being managed prudently and pro-actively. External investments, including £10.0 million invested in the Local Authorities Pooled Investment Fund (LAPF), averaged £53.4 million during the period at an average rate of 0.41%. Investments have ranged from a peak of £144.1 million in April and a low of £15.0 million in June. The high investment balance in April was due to receiving Covid19 support grant of £12.2 million and Business Rates relief grant for 2020/21 of £11.7 million from Central Government on 27 March 2020 and Business grants on 1 April 2020 of £113.7 million. The Business grants did not start to be paid out to local businesses until mid-April.

1.2 Balances were invested in line with the approved treasury management strategy (see Appendix 1), in instant access accounts or short-term deposits.

1.3 The treasury management revenue budget is £22.1 million. This is covered in more detail at paragraph 2.17 later in this report.

1.4 In-year treasury management performance is in line with the treasury management prudential indicators set for the year (see Appendix 4).

2 Information required to take a decision

2.1 The treasury management strategy for 2020/21 was approved by Council on 12 February 2020. The over-riding policy continues to be one of ensuring the security of the Council's balances. The Council aims to invest externally balances of around £30 million, largely for the purpose of managing day-to-day cash flow requirements, with any remaining balances invested "internally", offsetting borrowing requirements.

2.2 The investment strategy is designed to minimise risk, with investments being made primarily in instant access accounts or short-term deposits, with the major British owned banks and building societies, or Money Market Funds. Diversification amongst counterparties is key. The additional cash received in April was mainly invested in the Debt Management Office (DMO) which is an Executive Agency of Her Majesty's Treasury.

<u>Economic Context</u>

2.3 *The following economic update has been provided via our external advisors Arlingclose (paragraphs 2.4 to 2.9 below):*

2.4 The spread of the coronavirus pandemic dominated during the period as countries around the world tried to manage the delicate balancing act of containing transmission of the virus while easing lockdown measures and getting their populations and economies working again. After a relatively quiet few months of Brexit news it was back in the headlines towards the end of the period.

2.5 The Bank of England (BoE) maintained Bank Rate at 0.1% and its Quantitative Easing programme at £745 billion. The potential use of negative interest rates was not ruled in or out by BoE policymakers, but then a comment in the September Monetary Policy Committee meeting minutes that the central bank was having a harder look at its potential impact than was previously suggested took financial markets by surprise.

2.6 Government initiatives continued to support the economy, with the furlough (Coronavirus Job Retention) scheme keeping almost 10 million workers in jobs, grants and loans to businesses and 100 million discounted meals being claimed during the 'Eat Out to Help Out' (EOHO) offer.

2.7 GDP growth contracted by a massive 19.8% (revised from first estimate -20.4%) in Q2 2020 (Apr-Jun) according to the Office for National Statistics, pushing the annual growth rate down to -21.5% (first estimate -21.7%). Construction output fell by 35% over the quarter, services output by almost 20% and production by 16%. Recent monthly estimates of GDP have shown growth recovering, with the latest rise of almost 7% in July, but even with the two previous monthly gains this still only makes up half of the lost output.

2.8 The headline rate of UK Consumer Price Inflation (CPI) fell to 0.2% year/year in August, further below the Bank of England's 2% target, with the largest downward contribution coming from restaurants and hotels influenced by the EOHO scheme. The Office for National Statistics' preferred measure of CPIH which includes owner-occupied housing was 0.5% y/y. In the three months to July, labour market data showed the unemployment rate increased from 3.9% to 4.1% while wages fell 1% for total pay in nominal terms (0.2% regular pay) and was down 1.8% in real terms (-0.7% regular pay). Despite only a modest rise in unemployment over the period, the rate is expected to pick up sharply in the coming months as the furlough scheme ends in October. On the back of this, the BoE has forecast unemployment could hit a peak of between 8% and 9%.

2.9 Ultra-low interest rates and the flight to quality continued, keeping gilts yields low but volatile over the period with the yield on some short-dated UK government bonds remaining negative. The 5-year UK benchmark gilt yield started and ended the June–September period at -0.06% (with much volatility in between). The 10-year gilt yield also bounced around, starting at 0.21% and ending at 0.23% over the same period, while the 20-year rose from 0.56% to 0.74%. 1-month, 3-month and 12-month bid rates averaged 0.02%, 0.06% and 0.23% respectively over the period.

Investment Performance

2.10 The Council invested an average balance of £43.4 million externally (excluding the LAPF) during the period (£29.9 million in the first six months of 2019/20), generating £64k in investment income over the period (£127k in 2019/20). The LAPF investment of £10.0 million generated £155k of dividend income (£5.0 million invested in 2019/20 generated £68k). Appendix 7 shows a comparative average net monthly balances invested over the last 3 years.

2.11 Balances were invested in instant access accounts, short term deposits and the LAPF. Appendix 1 shows where investments were held at the start of April, the end of June and September by counterparty, by sector and by country.

2.12 The Council's average investment rate for the period was 0.41%. This is lower than the average in the same period in 2019/20 of 0.56%. This is mainly due to the bank base rate moving to an incredibly low level of 0.10%. Returns on liquid cash balances were 0.15% and 3.56% on the LAPF (after deducting charges). The actual gross dividend yield quoted from the fund on Net Asset Value was 4.26% at the end of September for the last 12 months, and the fund size was £1,155.8 million (4.35% and £1,173.1 million respectively for the 12 months to September 2019).

2.13 Appendix 3, provided by Arlingclose, compares the Council's performance against other Local Authorities at the end of September. In order to gain better rates of return, the majority of Local Authorities with a higher rate of return have further external investments creating a more diverse portfolio.

Borrowing Performance

2.14 Long-term loans at the end September totalled £381.5 million (£385.9 million 31 March 2020) and short-term loans £48.5 million – (£40.4 million 31 March 2020). There has been no new long-term borrowing so far this year, however the mid-year liability benchmark highlights that there is an expectation of new additional long term borrowing of £52.4 million. The Council is waiting for the results of the PWLB consultation before considering long term borrowing for the general fund. This is detailed further in paragraph 2.30.

2.15 Fixed rate loans account for 84.5% of total long-term debt giving the Council stability in its interest costs. The maturity profile for fixed rate long-term loans is shown in Appendix 2 and shows that no more than 10.6% of fixed rate debt is due to be repaid in any one year. This is good practice as it reduces the Council's exposure to a substantial borrowing requirement in future years when interest rates might be at a relatively high level.

2.16 Appendix 5 sets out in year repayments on long term borrowing and also further re-payments for the next 6 months.

Revenue Budget Monitoring

2.17 The treasury management revenue budget is £22.1 million. The change in Minimum Revenue Provision (MRP) policy allowed for a planned release of £9.1 million MRP budget over-provision in 2020/21. As part of the Council approved budget strategy update report 2021/22, this is now due to increase to £13.7 million with the additional £4.6 million to move to reserves to support 2021/22 year's budget gap. The revised MRP policy is to provide for MRP on the basis of the asset life to which external borrowing is incurred rather than the older version of a 4% reducing balance of the Capital Financing Requirement (CFR). The MRP calculation is used to determine the amount of revenue resources that need to be set aside annually by the Council to meet its debt obligations.

Prudential Indicators

2.18 The Council is able to undertake borrowing without central government approval under a code of practice called the Prudential Code. Under this Code, certain indicators have to be set at the beginning of the financial year as part of the treasury management strategy.

2.19 The purpose of the indicators is to contain the treasury function within certain limits, thereby reducing the risk or likelihood of an adverse movement in interest rates or borrowing decision impacting negatively on the Council's overall financial position. Appendix 4 provides a schedule of the indicators set for treasury management and the latest position.

Borrowing and Investment – General Strategy for 2020/21

2.20 The Capital Financing Requirement (CFR) represents the Council's underlying need to finance capital expenditure by borrowing or other long-term liability arrangements.

2.21 An authority can choose to finance its CFR through internal or external borrowing or a combination of the two.

2.22 Forecast changes in the Capital Financing Requirement (CFR) and how these will be financed are shown in the balance sheet analysis at Table 1 below:

Table 1: Balance Sheet Forecast

	Actual 2019/20 £m	**Strategy Estimate 2020/21 £m**	**Revised Forecast 2020/21 £m**
General Fund CFR - Non PFI	461.6	540.7	519.8
PFI	45.8	42.5	42.5
HRA CFR - Non PFI	175.3	167.7	170.3
PFI	50.5	48.1	48.1
Total CFR	733.2	799.0	780.7
Less: PFI debt liabilities (1)	96.3	90.6	90.6
Borrowing CFR	**636.9**	**708.4**	**690.1**
Financed via:			
Deferred Liabilities	3.9	3.7	3.7
Internal Borrowing	206.1	222.5	213.9
External Borrowing	426.9	482.2	472.5
Total	**636.9**	**708.4**	**690.1**
Investments	52.0	30.0	30.0

(1) £96.3m PFI Liability (£6.0m falling due in 2019/20)
(2) Deferred Liabilities = £1.0m Finance Lease (Civic Centre 1) & £2.8m Transferred Debt (Waste Management - Wakefield & Magistrates Debt Charges - Leeds)

2.23 The revised forecast takes into account the following factors;

a) General Fund CFR has reduced from £540.7 million in the 2020/21 Strategy to £519.8 million revised forecast due to slippage and re-profiling within the Capital Plan.

b) Internal borrowing in the 2020/21 Strategy was £222.5 million, this has now been revised down to £213.9 million due to higher than forecast use of reserves. Internal borrowing reflects the totality of General Fund, HRA revenue reserves, Capital Grant Reserves and Capital Receipts reserves.

2.24 The Council currently looks to maximise internal borrowing due to the relatively low rates of investment income available within the scope of the Treasury Management Strategy.

2.25 In October 2019 the Public Works Loan Board (PWLB) raised the cost of certainty rate borrowing by 1% to 1.8% above UK gilt yields as HM Treasury was concerned about the overall level of local authority debt and authorities borrowing to buy commercial assets primarily for yield without impeding their ability to pursue their core policy objectives of service delivery, housing, and regeneration. The PWLB launched a wide-ranging consultation on the PWLB's future direction which closed on 31 July 2020. New lending terms are expected at the end of the calendar year or at the start of the new financial year.

2.26 Short term borrowing rates however remain very low. Short term local to local funding up to 6 months in duration is currently available at the current bank rate of 0.1% or even slightly lower.

Future Treasury Management Strategy

2.27 The Council's overall Treasury Management Strategy will continue to maintain a relatively low risk strategy giving priority to security and liquidity, and as such invest an average of around £20 million externally in relatively short-term, liquid investments through the money markets, for the purpose of managing day-to-day cash flow requirements. Any remaining balances, net of investment in the LAPF, will be used internally, offsetting borrowing requirements. The investment strategy is designed to minimise risk, investments being made primarily in instant access accounts or short-term deposits, with the major British owned banks and building societies, or Money Market Funds.

2.28 The Treasury Management Code of Practice ensures management practices are in place for non-treasury management activity in addition to the existing 12 Treasury Management Practices (TMPs). This is identified at the end of this report (Appendix 6).

2.29 The updated CIPFA Prudential and Treasury Management Codes calls for more robust management of commercial activity and capital borrowing, acknowledging the increasing trend over more recent years for Councils to investment in commercial properties, funded by borrowing, with the key driver of this activity appearing to be the generation of revenue. The prudential code takes the same position as the statutory guidance, and it is clear that authorities must not borrow more than or in advance of their needs purely to profit from the investment of the extra sums borrowed.

2.30 Following the 1% increase in PWLB borrowing rates (as noted above in paragraph 2.25), Arlingclose suggest that PWLB rates are now relatively expensive (albeit reset to the rates they were 2 years previous) compared to alternative longer term funding sources, where Councils are considering longer term borrowing. The Council's current approach is to continue to borrow short term until the outcome of the PWLB consultation. Given the need to borrow longer term, the Council will however consider taking out HRA loans due the reduction in the margin on new borrowing via the HRA. The value of this discount is 1% below the rate at which the authority usually borrows from the PWLB. This will be subject to ongoing review in consultation with Arlingclose as to when during the year it may be more appropriate to borrow longer term.

Risk and Compliance issues

2.31 In line with the investment strategy, the Council has not placed any direct investments with companies as defined by the Carbon Underground 200.

3 Implications for the Council

3.1 Treasury management budget forecast will continue to be reported as part of the overall quarterly financial monitoring reporting cycle to Cabinet, through the remainder of the year.

4 Consultees and their opinions

This report was considered and endorsed at Corporate Governance and Audit Committee on 24 November 2020 and will be submitted to Cabinet for consideration on 15 December 2020. Arlingclose, the treasury management advisors to the Council, have provided the economic context commentary contained in this report.

5 Next steps

Following consideration at Corporate Governance & Audit Committee, this report will be presented to Cabinet on 15 December 2020 and then full Council on 13 January 2021.

6 Officer recommendations and reasons

Having read this report and the accompanying Appendices, Corporate Governance & Audit Committee are asked to:

6.1 Note the half-year treasury management performance in 2020/21 as set out in the report;

7 Contact officer

James Anderson	Head of Accountancy Service	01484 221000
Rachel Firth	Finance Manager	01484 221000

8 Background Papers and History of Decisions

CIPFA's Prudential Code for Capital Finance in Local Authorities.
CIPFA's Code of Practice on Treasury Management in the Public Services.
CIPFA's Treasury Management in the Public Services – Guidance notes
The treasury management strategy report for 2020/21 - Council 12 February 2020
Council Budget Strategy Update Report 2021/24 – Council 20 October 2020
Annual Report on Treasury Management 2019/20 - Annual Financial Outturn and Rollover Report 2019/20; Council 22 July 2020

9 Service Director responsible

Eamon Croston 01484 221000

Appendix 1

Kirklees Council Investments 2020/21

Counterparty		Approved Strategy Limit £m	Approved Strategy Credit Rating	Credit Rating Sept 2020*	1 April 2020 (opening) £m	Interest Rate	Type of Investment	30 June 2020 £m	Interest Rate	Type of Investment	30 September 2020 £m	Interest Rate	Type of Investment
Specified Investments													
LAPF Property Fund		10.0	-	-	10.0	-	***	10.0	-	***	10.0	-	***
Thurrock Council	L A	10.0	-	-	10.0	2.50%	18 Days						
Surrey County Council	L A	10.0	-	-	5.0	1.25%	3 Weeks						
DMO	Govt	Unlimited	-	AA-	0.0	-	-	4.6	0.01%	Overnight	0.0	-	-
Santander	Bank	10.0	F1	F1/A+	0.0	0.85%	35 Day Notice	0.0	0.47%	35 Day Notice	8.0	0.47%	35 Day Notice
Aberdeen Standard	MMF**	10.0	AAA-A	AAA	10.0	0.45%	MMF	5.3	0.25%	MMF	9.5	0.08%	MMF
Aviva	MMF**	10.0	Aaa-A2	Aaa*	6.6	0.45%	MMF	10.0	0.26%	MMF	10.0	0.06%	MMF
Deutsche	MMF**	10.0	AAA-A	AAA	2.9	0.36%	MMF	9.9	0.23%	MMF	9.4	0.06%	MMF
Goldman Sachs	MMF**	10.0	AAA-A	AAA	7.5	0.27%	MMF	0.2	0.05%	MMF	5.0	0.01%	MMF
					52.0			**40.0**			**51.9**		
Sector analysis													
Property Fund		10.0			10.0	19%		10.0	25%		10.0	19%	
Bank		10.0 each			0.0	0%		0.0	0%		8.0	16%	
MMF**		40.0			27.0	52%		25.4	63%		33.9	65%	
Local Authorities/Cent Govt		Unlimited			15.0	29%		4.6	12%		0.0	0%	
					52.0	100%		**40.0**	100%		**51.9**	100%	
Country analysis													
UK					25.0	48%		14.6	37%		18.0	35%	
MMF**					27.0	52%		25.4	63%		33.9	65%	
					52.0	100%		**40.0**	100%		**51.9**	100%	

*Fitch short/long term ratings, except Aviva MMF (Moody rating). See next page for key. The use of Fitch ratings is illustrative – the Council assesses counterparty suitability using all 3 credit rating agencies, where applicable, and other information on credit quality.

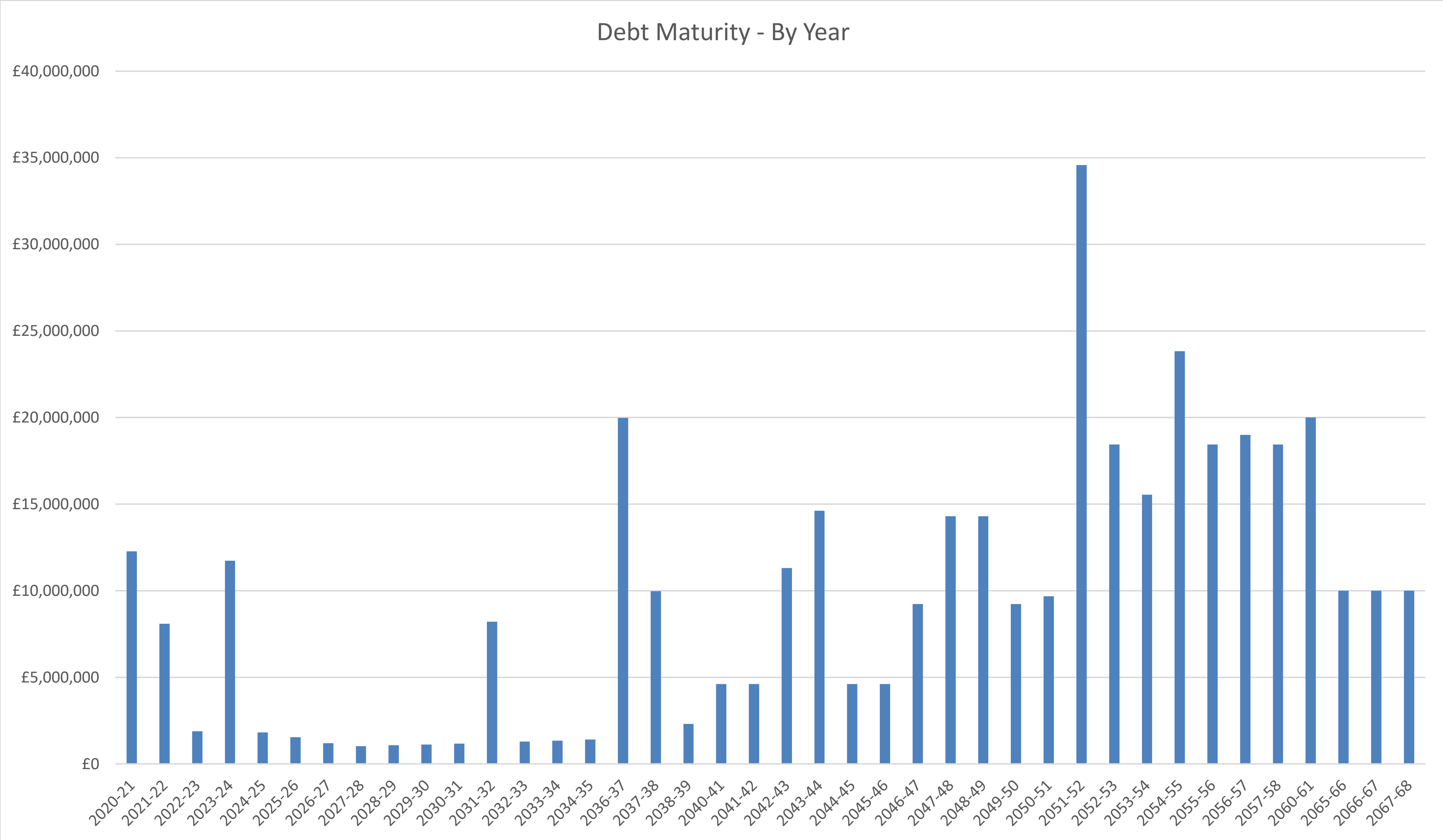
**MMF – Money Market Fund. These funds are domiciled in Ireland for tax reasons, but the funds are made up of numerous diverse investments with highly rated banks and other institutions. The credit risk is therefore spread over numerous countries, including the UK. The exception to this is the Aviva Government Liquidity Fund which invests directly in UK government securities and in short-term deposits secured on those securities.

***Specialised property fund available for Local Authority investors.

Key – Fitch's credit ratings: **Appendix 1 Continued**

		Long	Short
Investment Grade	Extremely Strong	AAA	F1+
	Very Strong	AA+	
		AA	
		AA-	
	Strong	A+	
		A	F1
		A-	
	Adequate	BBB+	F2
		BBB	
		BBB-	F3
Speculative Grade	Speculative	BB+	B
		BB	
		BB-	
	Very Speculative	B+	
		B	
		B-	
	Vulnerable	CCC+	C
		CCC	
		CCC-	
		CC	
		C	
	Defaulting	D	D

Appendix 2



Debt Maturity - By Year
£40,000,000
£35,000,000
£30,000,000
£25,000,000
£20,000,000
£15,000,000
£10,000,000
£5,000,000
£0
2020-21
2021-22
2022-23
2023-24
2024-25
2025-26
2026-27
2027-28
2028-29
2029-30
2030-31
2031-32
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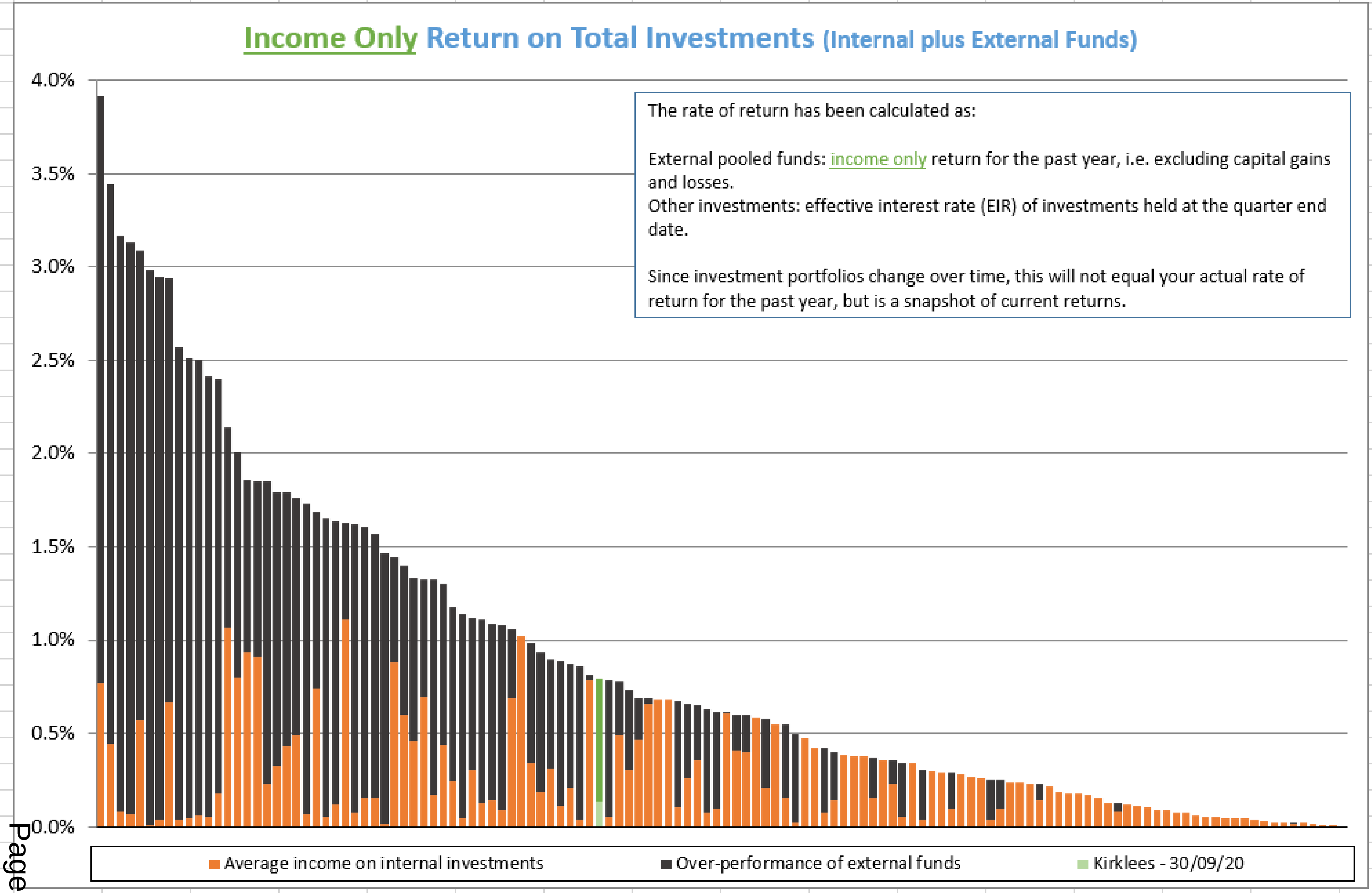
2065-66
2066-67
2067-68

Appendix 3


Income Only Return on Total Investments (Internal plus External Funds)
The rate of return has been calculated as:
External pooled funds: income only return for the past year, i.e. excluding capital gains and losses.
Other investments: effective interest rate (EIR) of investments held at the quarter end date.
Since investment portfolios change over time, this will not equal your actual rate of return for the past year, but is a snapshot of current returns.
4.0%
3.5%
3.0%
2.5%
2.0%
1.5%
1.0%
0.5%
0.0%
Average income on internal investments
Over-performance of external funds
Kirklees - 30/09/20

Treasury Management Prudential Indicators

Interest Rate Exposures

While fixed rate borrowing can contribute significantly to reducing the uncertainty surrounding future interest rate scenarios, the pursuit of optimum performance justifies retaining a degree of flexibility through the use of variable interest rates on at least part of the treasury management portfolio. The Prudential Code requires the setting of upper limits for both variable rate and fixed interest rate exposure:

	Limit Set 2020/21	Estimated Actual* 2020/21
Interest at fixed rates as a percentage of net interest payments	60% - 100%	84%
Interest at variable rates as a percentage of net interest payments	0% - 40%	16%

*The estimated actual is within the limits set.

Maturity Structure of Borrowing

This indicator is designed to prevent the Council having large concentrations of fixed rate debt needing to be replaced at times of uncertainty over interest rates.

Amount of projected borrowing that is fixed rate maturing in each period as a percentage of total projected borrowing that is fixed rate	Limit Set 2020/21	Est’d Actual 2020/21
Under 12 months	0% - 20%	4%
12 months to 2 years	0% - 20%	2%
2 years to 5 years	0% - 60%	5%
5 years to 10 years	0% - 80%	2%
More than 10 years	20% - 100%	87%

The limits on the proportion of fixed rate debt were adhered to.

Total principal sums invested for periods longer than 364 days

The Council will not invest sums for periods longer than 364 days.

Appendix 5

Long-term loans repaid during the period 01/04/20 to 30/09/20

	Amount £000s	Rate %	Date repaid
Salix - Annuity	139	0.00	1 April 20
PWLB (474647) - Maturity	4,613	8.50	10 Aug 20
PWLB (496956) - Annuity	369	4.58	29 Sept 20
Total	5,121		

Long-term loans to be repaid during the period 01/10/20 to 31/03/21

	Amount £000s	Rate %	Date to be repaid
Salix - Annuity	321	0.00	1 Oct 20
PWLB (475155) - Maturity	6,458	8.63	14 Feb 21
PWLB (496956) - Annuity	377	4.58	29 Mar 21
Total	7,156		

TREASURY MANAGEMENT PRACTICES

The following Treasury Management Practices (TMPs) set out the manner in which the Council aims to achieve its treasury management policies and objectives, and how it will manage and control those activities.

1. TMP 1 Risk management

The Service Director - Finance will design, implement and monitor all arrangements for the identification, management and control of treasury management risk, will report at least annually on the adequacy/suitability thereof, and will report, as a matter of urgency, the circumstances of any actual or likely difficulty in achieving the organisation’s objectives in this respect, all in accordance with the procedures set out in TMP6 Reporting requirements and management information arrangements. In respect of each of the following risks, the arrangements which seek to ensure compliance with these objectives are set out in the schedule to this document.

(i) Credit and counterparty risk management

The Council regards a prime objective of its treasury management activities to be the security of the principal sums it invests. Accordingly, it will ensure that its counterparty lists and limits reflect a prudent attitude towards organisations with which funds may be deposited, and will limit its investment activities to the instruments, methods and techniques referred to in TMP4 Approved Instruments, methods and techniques and listed in the schedule to this document. It also recognises the need to have, and will therefore maintain, a formal counterparty policy in respect of those organisations from which it may borrow, or with whom it may enter into other financing arrangements.

(ii) Liquidity risk management

The Council will ensure it has adequate though not excessive cash resources, borrowing arrangements, overdraft or standby facilities to enable it at all times to have the level of funds available to which are necessary for the achievement of its business/service objectives. The Council will only borrow in advance of need where there is a clear business case for doing so and will only do so for the current capital programme or to finance future debt maturities.

(iii) Interest rate risk management

The Council will manage its exposure to fluctuations in interest rates with a view to containing its net interest costs, or securing its interest revenues, in accordance with the amounts provided in its budgetary arrangements.

It will achieve these objectives by the prudent use of its approved financing and investment instruments, methods and techniques, primarily to create stability and certainty of costs and revenues, but at the same time retaining a sufficient degree of flexibility to take advantage of unexpected, potentially advantageous changes in the level or structure of interest rates. The above are subject at all times to the consideration and, if required, approval of any policy or budgetary implications.

(iv) Exchange rate risk management

The Council will manage its exposure to fluctuations in exchange rates so as to minimise any detrimental impact on its budgeted income/expenditure levels.

(v) Refinancing risk management

The Council will ensure that its borrowing, private financing and partnership arrangements are negotiated, structured and documented, and the maturity profile of the monies so raised are managed, with a view to obtaining offer terms for renewal or refinancing, if required, which are competitive and as favourable to the organisation as can reasonably be achieved in the light of market conditions prevailing at the time.

It will actively manage its relationships with its counterparties in these transactions in such a manner as to secure this objective and will avoid over-reliance on any one source of funding if this might jeopardise achievement of the above.

(vi) Legal and regulatory risk management

The Council will ensure that all of its treasury management activities comply with its statutory powers and regulatory requirements. It will demonstrate such compliance, if required to do so, to all parties with whom it deals in such activities. In framing its credit and counterparty policy under TMP1(i) Credit and counterparty risk management, it will ensure that there is evidence of counterparties' powers, authority and compliance in respect of the transactions they may effect with the Council.

The Council recognises that future legislative or regulatory changes may impact on its treasury management activities and, so far as it is reasonably able to do so, will seek to minimise the risk of these impacting adversely on the organisation.

(vii) Fraud, error and corruption, and contingency management

The Council will ensure that it has identified the circumstances which may expose it to the risk of loss through fraud, error, corruption, or other eventualities in its treasury management dealings. Accordingly, it will employ suitable systems and procedures, and will maintain effective contingency management arrangements, to these ends.

(viii) Market risk management

The Council will seek to ensure that its stated treasury management policies and objectives will not be compromised by adverse market fluctuations in the value of the principal sums it invests, and will accordingly seek to protect itself from the effects of such fluctuations.

2. **TMP2 Performance measurement**

The Council is committed to the pursuit of value for money in its treasury management activities, and to the use of performance methodology in support of that aim, within the framework set out in its Treasury Management Policy Statement.

Accordingly, the treasury management function will be the subject of ongoing analysis of the value it adds in support of the Council's stated business or service objectives. It will be the subject of regular examination of alternative methods of service delivery and of other potential improvements. The performance of the treasury management function will be measured using the criteria set out in the schedule to this document.

3. **<u>TMP3</u> Decision-making and analysis**

The Council will maintain full records of its treasury management decisions, and of the processes and practices applied in reaching those decisions, both for the purposes of learning from the past, and for demonstrating that reasonable steps were taken to ensure that all issues relevant to those decisions were taken into account at the time. The issues to be addressed and processes and practices to be pursued in reaching decisions are detailed in the schedule to this document.

4. **<u>TMP4</u> Approved instruments, methods and techniques**

The Council will undertake its treasury management activities by employing only those instruments, methods and techniques detailed in the schedule to this document, and within the limits and parameters defined in TMP1 Risk management.

Where the Council intends to use derivative instruments for the management of risks, these will be limited to those set out in its annual treasury strategy. The Council will seek proper advice when entering into arrangements to use such products.

5. **<u>TMP5</u> Organisation, clarity and segregation of responsibilities, and dealing arrangements**

The Council considers it essential, for the purposes of the effective control and monitoring of its treasury management activities, and for the reduction of the risk of fraud or error, and for the pursuit of optimum performance, that these activities are structured and managed in a fully integrated manner, and that there is at all times a clarity of treasury management responsibilities.

The principles on which this will be based is a clear distinction between those charged with setting treasury management policies and those charged with implementing and controlling these policies, particularly with regard to the execution and transmission of funds, the recording and administering of treasury management decisions, and the audit and review of the treasury management function.

If and when the Council intends, as a result of lack of resources or other circumstances, to depart from these principles, the Service Director - Finance will ensure that the reasons are properly reported in accordance with TMP6 Reporting requirements and management information arrangements, and the implications properly considered and evaluated.

The Service Director - Finance will ensure that there are clear written statements of the responsibilities for each post engaged in treasury management, and the arrangement for absence cover. The present arrangements are detailed in the schedule to this document.

The Service Director - Finance will ensure there is proper documentation for all deals and transactions, and that procedures exist for the effective transmission of funds. The present arrangements are detailed in the schedule to this document.

The delegation to the Service Director - Finance in respect of treasury management is set out in the schedule to this document. The Service Director - Finance will fulfil all such responsibilities in accordance with the Council's policy statement and TMPs and, as a CIPFA member, the Standard of Professional Practice on Treasury Management.

6. **<u>TMP6</u> Reporting requirements and management information arrangements**

The Council will ensure that regular reports are prepared and considered on the implementation of its treasury management policies; on the effects of decisions taken and the transactions executed in pursuit of those policies; on the implications of changes, particularly budgetary, resulting from regulatory, economic, market or other factors affecting its treasury management activities; and on the performance of the treasury management function.

As a minimum, the Council will receive:

- an annual report on the strategy and plan to be pursued in the coming year
- a mid-year review
- an annual report on the performance of the treasury management function, on the effects of the decisions taken and the transactions executed in the past year, and on any circumstances of non-compliance with the organisation's Treasury Management Policy Statement and TMPs.

The present arrangements and the form of these reports are detailed in the schedule to this document.

7. **<u>TMP7</u> Budgeting, accounting and audit arrangements**

The Service Director - Finance will prepare, and the Council will approve and, if necessary, from time to time amend, an annual budget for treasury management, which will bring together all of the costs involved in running the treasury management function, together with associated income. The matters to be included in the budget will at a minimum be those required by statute or regulation, together with such information as will demonstrate compliance with the TMPs. Budgeting procedures are set out in the schedule to this document. The Service Director - Finance will exercise effective controls over this budget, and will report any major variations.

The Council will account for its treasury management activities, for decisions made and transactions executed, in accordance with appropriate accounting practices and standards, and with statutory and regulatory requirements in force for the time being. The present form of this function's accounts is set out in the schedule to this document.

The Council will ensure that its auditors, and those charged with regulatory review, have access to all information and papers supporting the activities of the treasury management function as are necessary for the proper fulfilment of their roles, and that such information and papers demonstrate compliance with external and internal policies and approved practices. The information made available under present arrangements is detailed in the schedule to this document.

8. **<u>TMP8</u> Cash and cash flow management**

Unless statutory or regulatory requirements demand otherwise, all monies in the hands of the Council will be under the control of the Service Director - Finance and, with the exception of Secondary Schools' bank accounts, will be aggregated for cash flow purposes. Cash flow projections will be prepared on a regular and timely basis, and the Service Director - Finance will ensure that these are adequate for the purposes of monitoring compliance with TMP1(i)

Liquidity risk management. The present arrangements for preparing cash flow projections are set out in the schedule to this document.

9. **<u>TMP9</u> Money laundering**

The Council is alert to the possibility that it may become the subject of an attempt to involve it in a transaction involving the laundering of money. Accordingly, it will ensure that staff involved in treasury management activities are fully aware of their responsibilities with regards this. The present safeguards, including the name of the officer to whom any suspicions should be reported, are detailed in the schedule to this document.

10. **<u>TMP10</u> Training and qualifications**

The Council recognises the importance of ensuring that all staff involved in the treasury management function are fully equipped to undertake the duties and responsibilities allocated to them. It will therefore seek to appoint individuals who are both capable and experienced and will provide training for staff to enable them to acquire and maintain an appropriate level of expertise, knowledge and skills. The present arrangements are detailed in the schedule to this document.

The Service Director - Finance will ensure that Members of the committee providing a scrutiny function have access to regular training relevant to their responsibilities.

11. **<u>TMP11</u> Use of external service providers**

The Council recognises that responsibility for treasury management decisions remains with the organisation at all times. However, it also recognises the potential value of employing external providers of treasury management services, in order to acquire access to specialist skills and resources.

When it employs such service providers, it will ensure it does so for reasons which will have been submitted to full evaluation of the costs and benefits. It will also ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented and subjected to regular review. And it will ensure, where feasible and necessary, that a spread of service providers is used, to avoid over-reliance on one or a small number of companies.

Where services are subject to formal tender or re-tender arrangements, legislative requirements and the Council's Contract Procedure Rules will always be observed. The monitoring of such arrangement's rests with the Service Director - Finance, and details of the current arrangements are set out in the schedule to this document.

12. **<u>TMP12</u> Corporate governance**

The Council is committed to the pursuit of proper corporate governance throughout its businesses and services, and to establishing the principles and practices by which this can be achieved. Accordingly, the treasury management function and its activities will be undertaken with openness and transparency, honesty, integrity and accountability.

The Council has adopted and has implemented the key principles of the Code. This, together with the other arrangements detailed in the schedule to this document, are considered vital to the achievement of proper corporate governance in treasury management, and the Service Director - Finance will monitor and, if necessary, report upon the effectiveness of these arrangements.

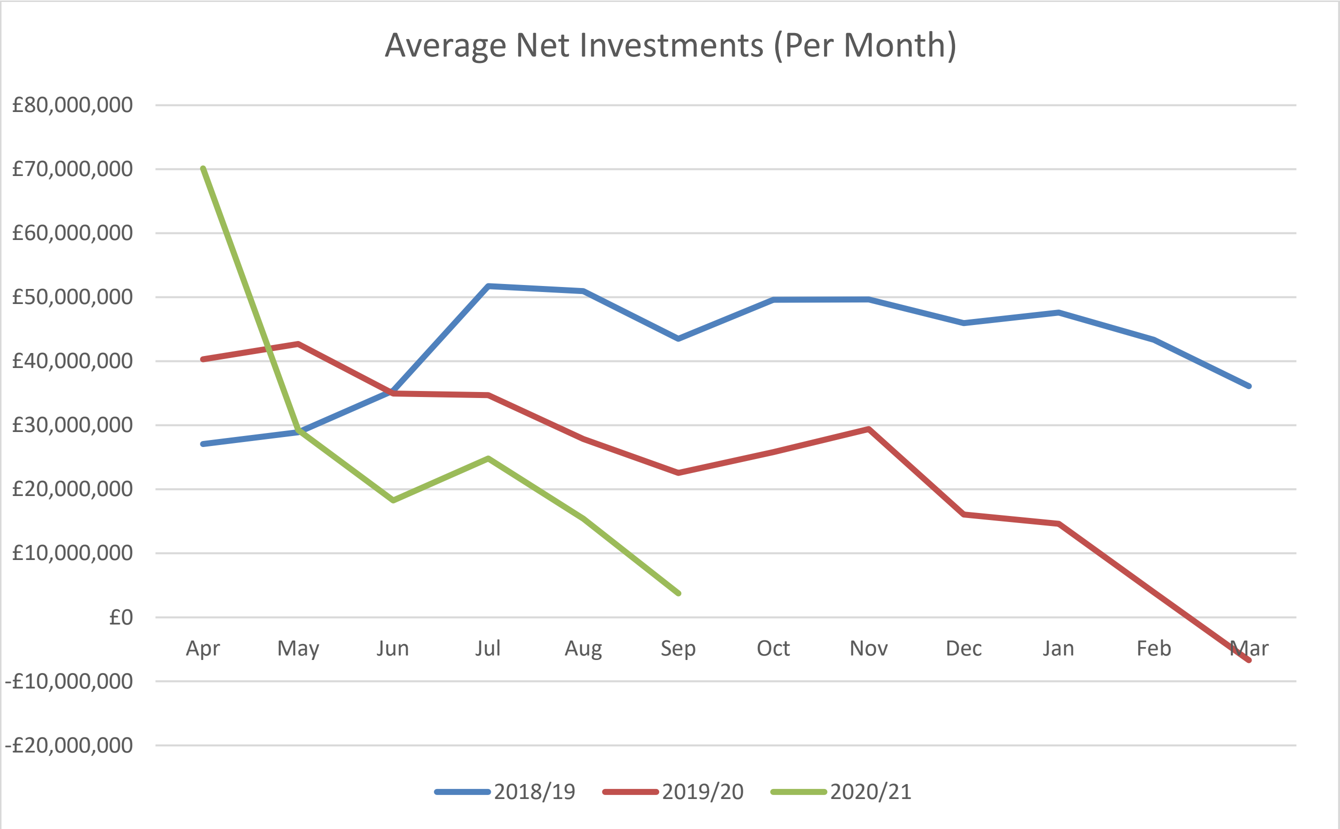
Management Practices for Non-Treasury Investments

The Council recognises that investment in other financial assets and property primarily for financial return, taken for non-treasury management purposes, requires careful investment management. Such activity includes loans supporting service outcomes, investments in subsidiaries, and investment property portfolios.

The Council will ensure that all investments are covered in the Capital and Investment Strategies, and will set out where appropriate, the Councils risk appetite and specific policies and arrangements for non-treasury investments. It will be recognised that the risk appetite for these activities may differ from that of treasury management.

The Council will maintain a schedule setting out a summary of existing material investments, subsidiaries, joint ventures and liabilities including financial guarantees and the organisations risk exposure.

Appendix 7



PWLB Borrowing Rates %								
	31/09/20	**31/03/20**	**31/10/19**	**09/10/19**	**08/10/19**	**29/03/19**	**29/03/18**	**31/03/17**
Annuity								
15 years	2.09	2.24	2.50	2.30	1.27	1.93	2.31	1.89
30 years	2.58	2.69	3.00	2.79	1.78	2.44	2.70	2.63
50 years	2.76	2.84	3.20	2.99	1.98	2.58	2.74	2.77
Maturity								
15 years	2.56	2.66	2.96	2.76	1.75	2.39	2.68	2.57
30 years	2.74	2.79	3.18	2.97	1.96	2.57	2.72	2.75
50 years	2.60	2.59	3.05	2.82	1.81	2.43	2.49	2.54

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Kirklees COUNCIL

Name of meeting: Corporate Governance & Audit Committee

Date: 24th November 2020

Title of report: Information Governance Annual Report 2019/20

Purpose of report: To report on the main Information Governance events and activities for the year 2019/20 including:

- Information Governance matters, particularly the implementation and impact of the new General Data Protection Regulation
- Information access requests under the Freedom of Information Act 2000, Environmental Information Regulations 2004 and Data Protection Act 2018
- confirmation of the council's compliance with the NHS Data Security and Protection Toolkit Accreditation
- The Information Security and Cyber Security improvements and activities
- An outline of the improvements and developments planned for 2020/21

This report is for information and comment.

Key Decision - Is it likely to result in spending or saving £250k or more, or to have a significant effect on two or more electoral wards?	**Not Applicable**
Key Decision - Is it in the Council's Forward Plan (key decisions and private reports)?	**Key Decision – No** **Private Report/Private Appendix – No**
The Decision - Is it eligible for call in by Scrutiny?	**Not Applicable**
Date signed off by Strategic Director & name **Is it also signed off by the Service Director for Finance?** **Is it also signed off by the Service Director for Legal Governance and Commissioning?**	**Jul**ie Muscroft – Service Director for Legal, Governance and Commissioning **13/11/2020**
Cabinet member portfolio	Cllr Graham Turner

Electoral wards affected: All

Ward councillors consulted: None

Public or private: Public

Has GDPR been considered? Yes

Summary
Information Governance should be seen in the context of wider corporate governance. The way in which we utilise, manage, retain, share and dispose of our information are the core components of robust information governance. It assists the council to reach a point where information and data becomes an asset and an enabler to the council and its communities. It is the foundation of delivering our wider intelligence vision.

This report seeks to set out the breadth of activity and challenges in the context of information governance as a whole. By way of an overview, headline actions include:

- Ongoing work and continued monitoring of information requests
- Work intended to improve the information governance culture within the organisation and minimise risk from non-compliance
- Reporting performance of the Council Services with respect to Information Access requests to the Information Governance Board
- Review information security incidents to identify Council Services where additional training and support is required
- Implementing initiatives to improve information and cyber security
- Delivering projects to update outcomes for records management

1. Information required to take a decision

None

2. Implications for the Council

3.1 Working with People

This report outlines how the council has performed in delivering information requests to individuals during 2019/20

3.2 Working with Partners

This report outlines how the council has collaborated with partners to support them to achieve their information related outcomes during 2019/20

2.3 Place Based Working

None

2.4 Climate Change and Air Quality

None

2.5 Improving outcomes for children

This report outlines the performance of the council to requests for personal information, often relating to children

2.6 Other (eg Legal/Financial or Human Resources) Consultees and their opinions

By law, the Council is required to adhere to The Data Protection Act 2018, The Freedom of Information Act 2000 and the Environmental Information Regulations 1998. This report does not raise any legal implications.

3. Next steps and timelines

In the context of wider corporate governance, it is important that the Council continues to have a strategic approach to information governance that ensures legislative compliance whilst realising the opportunities and benefits of robust practice.

The learning from the last 12 months and planned activity for the next reporting period (as set out in the Annual Report) will form the basis of the work programme for the Information Governance Board with a clear focus on continued compliance with the new General Data Protection Regulation. This work will be closely aligned to the strategic objectives of the council in the context of the Corporate Plan.

4. Officer recommendations and reasons

Members of the Information Governance Board were consulted on the contents of the attached report and endorse the information and proposals contained therein. The Annual report was considered by the Information Governance Board on October 16th where it was agreed that the report should be considered by Corporate Governance & Audit Committee.
The Information Governance Board would be grateful for any comments from Members on the content of this report and ideas of what items Members would find useful to have included in future Information Governance Annual Reports.

It has been noted previously that this annual report is becoming larger each year therefore, the key sections reporting on FOIA, EIR and DPA information requests have been significantly reduced. Specific reports relating to the legislative compliance statistics for 2020/21 are available on request.

The Committee are asked if a half yearly update would continue to be useful for 2020/21, with particular attention to the IG response to COVID-19 recovery.

5. **Cabinet Portfolio Holder's recommendations**

   The Cabinet Portfolio Holder has been kept updated, there are no comments to report.

6. **Contact officer**

   Katy Deacon – Information Governance Manager and Data Protection Officer

7. **Background Papers and History of Decisions**

   None

8. **Service Director responsible**

Julie Muscroft – Service Director for Legal, Governance and Commissioning

Information Governance Annual Report

2019/20

Contents

Executive Summary

This Information Governance Annual Report sets out how the Council has performed throughout 2019/20 against the Council's five pillars of Information Governance (IG):

- **Organisational Culture Change** - Services develop their Information culture and effectively allocate responsibilities for Information Assets within their Service.
- **Legislation compliance** with regards to Data Protection, Environmental Information, Freedom of Information and other accreditation activities
- **Information Sharing and Processing** - to enable Services to meet statutory duties and support integrated services and joint commissioning
- **Publication and Transparency** - the Council should adopt a strategic and shared approach to developing a publication scheme that is up to date, relevant and easy to navigate, which will involve a Council-wide approach, centrally co-ordinated, to manage and publish relevant information
- **Records Management** including email - to ensure the Council effectively manages and uses its paper and digital records

There have been significant achievements throughout the year including:

- The strategic leadership and management of IG for the Council has been prioritised and implemented, with mandates to the IG Board from Executive Team being raised and successfully actioned.
- The Kirklees Information Management Strategy outcomes are being progressed successfully.
- The Service Directors, who are also known as Information Asset Owners, have had training updates to help them improve the management and use of the information within their areas of responsibility to ensure information is collected and stored and used appropriately.
- Activities to ensure the complexities of the General Data Protection Regulation (GDPR) have been implemented with regular self-assessment checks being carried out by all services, demonstrating improved compliance.
- The Council has developed online systems to ensure Information Asset Register and Data Protection Impact Assessments are completed for every information asset in a way which reduces paperwork and complexity for officers.
- The Central Archive holds over 16,300 boxes of Council records, processing 25 boxes per week, and has supported Services to create 24 new/updated retention schedules.
- The Council now holds all of its paper records within its Central Archive Facility.
- The Council now has an approved Cyber Security Strategy which will help drive the Council's focus on ensuring all electronic data remains secure.
- The mandatory GDPR training programme has resulted in a 100% success rate for training around the new legislation.

These achievements required the combined work from the Council's Information Governance Team and the collaboration of Officers from all Directorates and partners from across the region. These examples of strong and joined up working practices provide confidence for the future development of the Information Governance culture within the Council.

An overview of the work carried out in 2019/20 can be found in the following pages. An outline for the work programme for 2020/21 is provided towards the end of this report, to enable understanding of how IG is being further developed and embedded within the Council in the coming year.

Introduction

Information Governance (IG) brings together all of the requirements, standards and best practice that apply to the handling of information on all media. It allows the Council to manage information in an appropriate, efficient and secure manner that balances the importance of maintaining confidentiality and individual privacy at the same time as promoting openness and transparency.

In order to achieve effective Information Governance practices the Council uses the tools within its Information Governance Framework. This framework ensures that the organisation and individuals have information that is accurate, meets legal requirements, is dealt with effectively and is secure. These are important foundations that support the Council's corporate plan and the service delivery requirements of the Council. The Framework sets out the Council's general approach to Information Governance and underpins and supports the Council's priorities in ensuring the achievement of the corporate plan.

This report covers the Council's performance against the five Information Governance pillars for the year 2019/20.

1. Organisational Culture Change

Governance

Over the last few years, the Council's focus on Information has predominantly been driven by legislation compliance. The Information Governance Team was established to co-ordinate and manage the requests for information from the public and their responses from Services. It was subsequently identified that in order to have a consistent and Council-wide approach to Information Governance a Director-led Board was required. This Information Governance (IG) Board was established and is chaired by the Council's Senior Information Risk Officer (SIRO).

In May 2018, the General Data Protection Regulation (GDPR) was introduced which required the Council to refresh its approach to Data Protection in line with the new legislation. GDPR required a new role of Data Protection Officer (DPO) to be appointed by the Council, which was completed in April 2018.

The IG Board has an established approach to policy review which means that all of the IG related policies are reviewed and updated annually at the IG Board. These Policies form part of the Information Governance Framework which provides the foundation for the Council's Information Governance work and supports the Council's approach to People, Place and Partnerships and the Council's outcomes.

The IG Board performs a council-wide, strategic role for Information Governance, supported by more operational task groups. The Terms of Reference for the IG Board can be found in Appendix A.

In 2019/20 the task groups which focused on GDPR implementation were maintained with a focus solely on GDPR implementation and strategic records management work. This has been working well and adding value to services, members and residents through the improved understanding of services around how to use and protect personal data more effectively. Privacy by design, records management and legislative compliance have been focus areas for the group this year.

The GDPR Implementation Task Group meets every month to be updated on developments and provide peer support for GDPR implementation activities. This ensures that GDPR implementation becomes business as usual within the Council and the authority continues to improve its compliance rates and embed understanding and knowledge.

The Electronic Records Management Task Group has concluded its work during this financial year. This has resulted in a strategic action by the IG Board, following a task group recommendation. This recommendation was to request that People Services to identify a solution to resolve the high-risk area of staff data Management as part of the new people strategy work during 2020/21.

Kirklees Information Management Strategy

The Information Management Strategy provides the bedrock for the activities relating to information between 2018 and 2021. The strategy was developed following extensive consultation with Council officers and Partners. A copy of the full Information Management Strategy can be found in Appendix B

A graphic of the status of the Information Management Strategy at the end of 2019/20 can be found below.

Measure of success	Current status	Reasoning
Meeting the ICO's minimally acceptable compliance rates for GDPR, FOI and EIR	Partially achieved by Q1 2020	Covid-19 situation has removed focus by services
Effectively managing all records, both paper and electronic	Partially achieved by Q1 2020	This is in progress but may not be completed by April 2021
Proactively sharing appropriate data with partners, with effective sharing agreements in place and reviewed annually	Achieved by Q1 2020	In place and improved information sharing gateway to be implemented by April 2021
Managing information security incidents and mitigating risk through thorough training and procedural improvement practices	Achieved by Q1 2020	In place and on-going improvements made by services and supported by IG Team
Privacy by Design and Default is embedded within working practices	Partially achieved by Q1 2020	This has been included in corporate project management guidance but needs to be consistently updated across the Council

Publishing information to the public, improving transparency and reducing information access demand	Not achieved by Q1 2020	Lack of resource and focus has meant this outcome is not likely to be achieved

The IG Board analysed the progress against the current strategy at the start of 2020/21 and determined that the strategy had been a success, but more development around information governance was required. Therefore, the board determined that for the year 2020/21 work would continue on the 2018/21 strategy alongside the development of a new information governance strategy for 2021/23.

Training and Awareness

Having a strong culture of Information Governance is vital to the success of many Council activities going forward and IG training has been mandatory for all Kirklees Council employees, volunteers, contractors or other individuals who may have access to council data for a number of years.

The mandatory training has been developed in a number of formats (online and paper based) to ensure that every individual working within the Council can access IG training.

The introduction of GDPR required all officers to complete the mandatory GDPR training as well as all contractors who would be accessing the Council's network. Officers who hadn't completed the training by the deadline were locked out of the system until they had completed the training.

This means the Council has a 100% record of training for GDPR awareness.

2. Legislation compliance

Data Protection

The topic of Data Protection is primarily focussed on the safe keeping of personal data about individuals. This is a very high priority for the Council and its partners, as we serve a diverse range of people and therefore data protection relates to a significant volume of data across the Council.

Legislation Changes – General Data Protection Regulation

The General Data Protection Regulation (GDPR) came into force on **May 25th 2018** and replaced the Data Protection Act (1998). Many of the concepts and principles of the old Data Protection Act (DPA98) are the same within the GDPR however there are some new elements and some significant enhancements, so the Council needed to approach data protection differently as an organisation.

Focus for 2019/20 was to work on changing cultures within the organisation. All of the Information Asset Owners (IAO) who are the council's Service Directors, were trained to understand their information responsibilities. They were also advised that to achieve their responsibilities this would require significant support. So, throughout the year services have identified information asset coordinators, who are individuals to help services identify their GDPR compliance requirements. These individuals have also been trained in their data protection responsibilities and meet every 2 months to learn about specific GDPR matters and support each other through action learning sets.

The IG Board and Executive Team have been updated regularly throughout the year on GDPR compliance. This is carried out through the GDPR assurance project. Every service is asked to complete a GDPR self-assessment on a regular basis to identify the status of each service with regards to their legislative compliance.

The results of the self-assessments can be found in Appendix C. These results, in graph form, identify the patterns towards compliance for the council. Unfortunately, the trends shown do not evidence significant movement towards full GDPR adoption across services. Therefore, there will be increased focus on support to services through 20/21 and the self-assessment approach will be reviewed by the GDPR Implementation Task Group. The ICO is developing a self-assessment tool, which will be analysed in the coming financial year, with a view to potentially adopting the regulator's tool on an ongoing basis.

Information Rights

The GDPR legislation has introduced a number of additional ways in which individuals can access the personal data held by an organisation. These rights are outlined on the information Commissioner's website but the list of rights are:

1. The right to be informed
2. The right of access
3. The right to rectification
4. The right to erasure
5. The right to restrict processing
6. The right to data portability
7. The right to object
8. Rights in relation to automated decision making and profiling.

Council services manage their own approach to achieving these rights, with the support of the IG team. The right to be informed is addressed by the publication of privacy notices on the Council's website and at providing privacy information at the appropriate time during contacts with individuals.

The other data protection rights requests are currently managed centrally from the Governance Service within the Information Governance Team and also within some specific service areas.

The published figures for right of access requests, known as Subject Access Requests (SARs), show a slight decrease of 9% on last year from 302 in 2018-19 to 293 in 2019-20.

The response rate by Kirklees Council to these requests has stayed the same as the previous year at 72% compliance. This is well below the ICO's required compliance rate of 90% within the statutory timescale (one month). The IG team keep a monthly record of compliance rates relating to service responses. One service area was causing significant rate reductions, so the IG manager worked with that service to identify an improved approach. This approach was actioned in January 2020, so performance improvements will only be visible in the 2020/21 annual report. More detail on these figures is available on request.

In 2019-20 the Council received 46 other rights requests which is a slight increase of 2 on the number received in 2018-19 (44) and achieved a 66% response rate within the timescale outlined above, which is higher than the than the 49% rate in 2018-19.

Disclosures

In addition to the Subject Access Requests received from individuals, the Council is committed to assisting the law enforcement agencies in their investigations whilst still achieving compliance with the Data Protection Act 1998. These requests are termed Disclosures.

There are no measured response deadlines for Disclosures; however, the Council uses the SAR response deadline measurement timescale (one month) to assist with monitoring performance around disclosures.

On that basis, in 2019-20 the Council received 420 disclosure requests which is a slight decrease of 2 on the number received in 2018-19 (422) and achieved a 81% response rate within the timescale outlined above, which is slightly higher than the than the 79% rate in 2018-19.

Freedom of Information Act 2000 & Environmental Information Regulations 2004

This section details how the Council has performed throughout the 2019/20 year in respect of information access requests received and processed under the Freedom of Information Act 2000 (FoI) and Environmental Information Regulations 2004 (EIR).

The Act and the Regulations require public authorities, including the Council to reply to information requests within 20 working days - either providing the information or saying why it cannot be provided.

The Council received 1547 requests during 2019-20 which is 113 less than the number received in 2018-19, which is a 7% decrease.

Monthly	Number
April 2019	137
May 2019	135
June 2019	118
July 2019	165

Quarterly	Number
Quarter 1	390
Quarter 2	409

August 2019	138		
September 2019	106		
October 2019	130		
November 2019	119	Quarter 3	348
December 2019	99		
January 2020	164		
February 2020	139	Quarter 4	400
March 2020	97		
Total	**1547**	**Total**	**1547**

The Council's compliance rate for responding to requests has decreased slightly to 87.7% which is below the Information Commissioner's Office (ICO) current minimum standard of 90% of responses should be sent out within deadline. It is an dip in performance in 2018-19, which was 89%.

The IG Board reviews FoI response figures at each meeting, which helps raise the profile of any specific difficulties when they arise. In addition to this, these figures are monitored on a quarterly basis by Executive Team and have been identified as requiring improvement through 2020/21. The key causes for a response rate below the ICO's minimum are

- a 17-day response time for services which is often not adhered to
- delays caused by lack of capacity within the IG team

To overcome these issues IG Board has identified that the time limit given to services needs to be reduced to 15 days and the resource within the IG team to support these responses needs to be improved throughout 2020/21.

Internal reviews and Complaints

The number of internal reviews carried out of the responses to requests has decreased slightly on the previous year, to 27 in 2019-20 from 33 in 2018-19. 64% were dealt with within the timescale set out in the EIR and suggested by the ICO for FoI. This timescale is not a statutory figure, it is 1 suggested which we work to adhere to. However, some reviews are straightforward, but some are very complex and require detailed investigation. Despite the internal review completion rate being an improvement on the previous year, the Council has some work to do to ensure that internal reviews are concluded in a more timely manner.

The number of complaints made to the ICO has increased from just 1 in 2018-19 to 4 in 2019-20. The ICO issued 2 Decision Notices in respect of 2 of the 4 complaints; the ICO does not require the council to take any steps on either. One of the complaints reached a local resolution so no Decision Notice is required. On the final complaint the Council re-issued a response to the applicant; no further action has been taken by the ICO on this to date. One complainant has appealed the Decision Notice to the First Tier Tribunal (Information Rights), the response to which is awaited.

More detail on the FoI and EIR response rates for 2019-20 be provided on request.

NHS Data Security and Protection Toolkit Accreditation

In 2018/19 NHS Digital replaced the IG Toolkit with the Data Security and Protection (DSP) Toolkit. Further details about this Toolkit and accreditation process can be found on the Toolkit website .

Achieving this standard requires significant resource investment and compliance with rigorous IG standards by the whole organisation. The DSP toolkit does not have a scoring mechanism, the local authority is defined as either passing or failing depending on its response to mandatory questions.

The successful submission for 2019/20 was made to NHS Digital in February 2020 once it had been verified by Internal Audit and signed off by the IG board. It demonstrates the strong and continued positive change across Council departments towards effective and secure information governance.

Information Security

Historically, whilst information security incidents occurred, they were not generally reported as there was not a wider awareness of what an information security incident was or what an individual should do about it. This can be demonstrated from past incident records, as seen below:

Annual Year	Number of incidents
2014/15	54
2015/16	49
2016/17	56
2017/18	93
2018/19	246

The introduction of GDPR in May 2018 brought a mandatory requirement to report high risk information security incidents to the Information Commissioner's Office within 72 hours of a breach occurring.

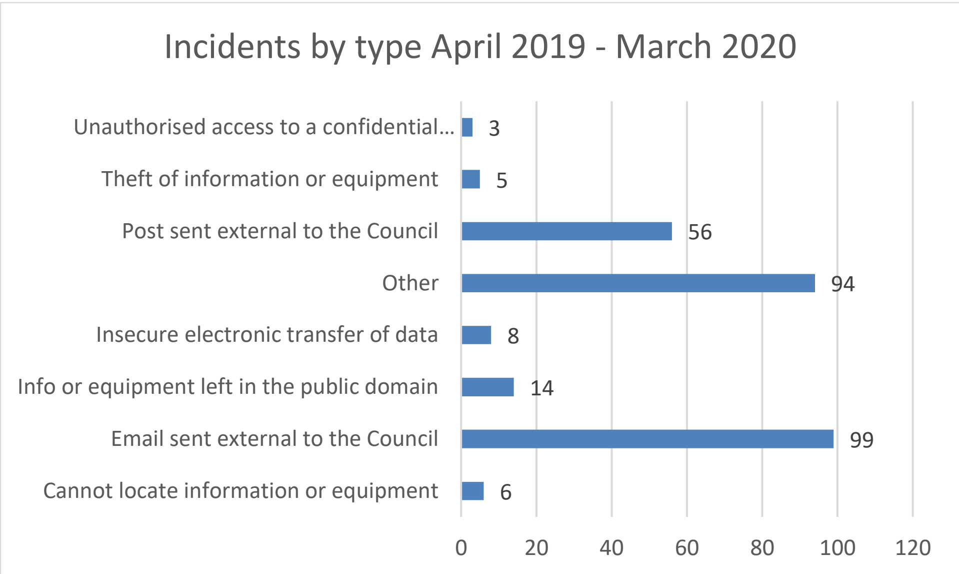
To enable the Council to respond appropriately, an online information security incident form was rolled out for all officers to utilise in the event of an incident. This was launched and promoted across the Council by the IG Team using the Spotlight system. The intranet pages on information security were also updated to correspond with this awareness raising. This was completed alongside and in addition to the GDPR communications messages which were shared with all teams. With this increased awareness around information security incidents and the improved reporting mechanism the situation around incidents changed dramatically

The online reporting tool has a scoring mechanism built into the software. The score of an incident is applied depending upon which answers the officer reporting selects. Therefore, an incident relating to an email containing a single individual's name and address being sent to the wrong recipient would score lower than an email containing the personal and health details of 500 individuals. This scoring approach allows the IG Team to conduct an initial assessment of the priority of the incidents coming in. If, after further investigation, it is considered that the incident meets the requirement to report, the incident details are raised with senior managers for their consideration before being raised with the SIRO with a recommendation to notify the ICO.

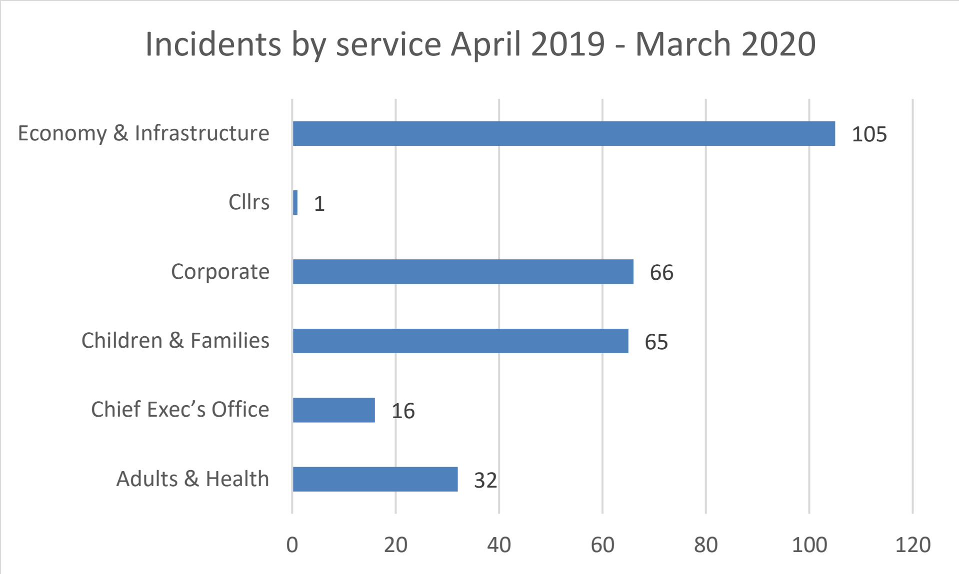
In the period 1 April 2019 to 31 March 2020, there were a total of **285** information security incidents reported through the online reporting form. There was only one incident which warranted reporting to the ICO during this period. This incident was reported on March 2, 2020 and it related to the council's failure to retain an ex-member of staff's work email account, despite being flagged to do so. The ICO investigated but took no further action. However, they made several recommendations, which the council is working to implement.

There were a few other incidents reported through other means, but on the whole, we have asked people to use the online form so that we have a comprehensive picture of reported incidents. In comparison, figures for incident reporting never exceeded 60 in the years before the online reporting form – and associated IG communications – was launched. Reporting increased fourfold since the introduction of the online form, and the number of incidents being reported through this form have remained consistent over the last 2 years.

The graph below gives an indication of the type of incidents received. It's clear from this that both post and emails sent externally continue to be the biggest information security risks for the Council. One of the continuing issues is around the use of the 'auto-complete' function in emails, which many staff rely on, and which they don't realise picks up addresses from any email accounts the staff member regularly uses. A rough visual analysis of the incidents categorised as 'other' shows that over half of the reported incidents classed as 'other' refer to planning objectors' details being filtered to the public website without appropriate redaction. Planning have put in place spot checks to identify these incidents earlier, but it does continue to be an issue.



The table below shows incidents split by service area.



The high number for Economy & Infrastructure in part reflects the planning issue referred to above. It's worth noting that higher numbers of incidents reported for one service or another do not necessarily mean that there are greater problems in that service area. It may instead point to that service having a higher level of awareness of (a) what constitutes an information security incident, and (b) the necessity of reporting such incidents.

3. Information Sharing and Processing

To achieve effective, streamlined services, both internally and with partners, it is vital that the information held is shared effectively and in line with the Data Protection Act. There are a range of reasons why data must be shared and there are also legislative reasons why data must not be shared. It is very important that the culture of the Council is focussed on achieving a modern and efficient approach to information sharing whilst maintaining data security and ensuring data sharing uses established legal gateways or the full consent of the individual. It is the role of the Information Governance team within the Council to perform the enabling role required by Council Services to ensure data can be shared with colleagues and Partners.

The council has established information sharing agreements with all of our Councillors and regular partners. Sharing agreements are often set up on an ad hoc basis, which means that relationships need to be developed by services. This can take some time, but it is a process which is fully supported by the IG team.

It is essential in the future that the sharing relationships are developed and strengthened, as the organisation will be working more closely with community partners to commission and deliver joined services which require sharing personal information.

To make this process more straightforward, the Council is one of the 45 signatories to the West Yorkshire Inter-Agency Information Sharing Protocol. This protocol sets out the requirements for the signatories to utilise when sharing information between each other, which makes the sharing process much more effective and efficient.

To go even further, during 2020/21 the ambition for the council is to adopt a nationwide Information Sharing Gateway. This gateway is becoming established throughout local authorities and health services across the country and we hope that we can encourage our partner organisations within Kirklees to join us in this ground-breaking approach to improved information sharing.

4. Publication and transparency

Open Data

The Local Government Transparency Code 2014 was initially published in May 2014 replacing the Code of Recommended Practice for Local Authorities on Data Transparency, first published in September 2011. The Code sets out the minimum data that local authorities must publish and data that the Government recommends local authorities to publish.

The regulations came into force in October 2014. At the same time the Department for Communities and Local Government [DCLG] published a revised version of the Code including some notable changes as well as a further recommendation that local authorities go further than its requirements and provide additional datasets with more detail. The Transparency Code has not been updated since 2015. During 2016, DCLG carried out a consultation on proposed changes to the Code. Since the consultation, there have been no updates made to the Code.

The code has two elements; information which must be published and information that is recommended for publication**.** In 2016, Kirklees Council published data and information, where available, to meet the mandatory requirements of the code. We also started to obtain data & information that would meet the recommended elements at this point.

Since 2017, this local emphasis on requesting data that meets the recommended element of the code has continued and some compliance improvements have been made. The continued focus on the recommended requirements is in preparation for a future anticipated request for all authorities to meet the recommended criteria.

The full detail of the situation up to the end of 2019/2020 can be found in Appendix D.

Collection for 2020/2021 data began in February 2020. The published data can be found here:
http://www.kirklees.gov.uk/beta/information-and-data/open-data-sets.aspx

5. Records Management

Record Management and the Central Archive

There has been a significant focus on bringing the Council's paper records into one storage facility, rather than paying external organisations to store and release those documents when we need them.

The Central Archive facility at Red Doles Lane currently holds 16,300 boxes of Council records which includes 3071 new boxes of records, 1835 of which are boxes which had previously been held in an offsite storage facility.

The majority of these new boxes relate to Children's files. Therefore, it is now possible to state that all Children's records are in one place, which has not been achieved at Kirklees Council for many years. The benefit of having all the records together means that we can link multiple files for a client, to ensure we know where all information relating to that individual is held.

The archive processes around 25 boxes per week, receiving recall requests, identifying the boxes within the archive, sending these out to services and logging them back into the archive on return.

Much work has been done with Services to ensure they are responsible for their own records and their record retention. The Council now has 24 retention schedules for services, held on the Council's intranet for all officers to refer to as they need to. In 2019/20 over 1336 boxes of records were destroyed in line with these retention schedules.

Risk Assessments and the Information Asset Register

The Information Management Strategy and GDPR have highlighted a number of key areas which require further development relating to the Council's awareness of the information it holds.

Before the Council can achieve its objective of having a strategic overview of information, it needs to identify all the information it holds. This knowledge is also a requirement of GDPR. To help achieve this outcome, the IG Team worked with IT colleagues to create an online Information Asset Register. This tool collects information about the data being created and stored so that the Council has a holistic understanding of the knowledge being generated throughout the organisation.

The Information Asset Register (IAR) is closely linked with the GDPR requirement to create a Data Protection Impact Assessment (DPIA) for each activity requiring the collection of personal data. A DPIA enables all of the legislative and risk-based information about a project/area of work to be outlined in one assessment

In the council's online system, if the service identifies they are collecting personal data they are taken to the DPIA platform where they complete this form, then pass through to the IAR. The IAR takes data from the DPIA so the officer only needs to complete the empty fields. If the asset does not contain personal data, the IAR can be completed without a DPIA.

In 2019/20 149 DPIA's were created by services using the new system. This process is expected to be reviewed throughout 2020/21, using the learning from a year's worth of experience and also the learning from the COVID-19 experience, when a short form DPIA was developed and utilised with great success.

Work Programme for 2020/21

In addition to the usual compliance activities and support for Services, the following projects and work programmes are planned for the 2020/21 financial year:

Records Management Digitisation Transformation – Identifying a road-map for digitisation of all paper records to improve the accessibility and availability of information whilst also improving the redaction accuracy and turn-around speed of information requests
Information Sharing improvements with Partners - information sharing, between organisations, is increasingly important. Next year we will spend time focusing on how this can be improved, so that information sharing becomes an accepted and acceptable activity within services and with partners.
Improving Information Governance training for officers and councillors - developing the Councils IG training for both officers and councillors is very important, particularly as we move into a world where GDPR is embedded within working practices.
Implementation of Cyber Security Strategy – developing and continually testing the IT network in line with the strategy to ensure that the objectives outlined in the strategy are fully delivered.

Information Governance Strategy consultation - the 2018/21 Information Management Strategy will be coming to an end in April 2021 and work needs to be done to tie off that strategy and identify priority areas to include in the new strategy.

Information governance board review - the IG board members decided in February 2020 to review the make-up and approach of the IG board over the coming year, with a new redesigned IG board to begin meeting in 2021/22

Conclusion

2019/20 has been a very busy year in terms of IG legislation implementation. There has been much learning and culture change required by teams, services and organisations to ensure that GDPR compliance is achieved.

The Kirklees Corporate Plan 2020/21 sets our direction and priorities for the current financial year. The IG team work to contribute to the corporate plan in the following ways:

- **Best Start**
  - Individual's records are available on request
- **Sustainable Economy**
  - the council is transparent with its financial records, available through the council's website and on request
- **Well**
  - support services to ensure health and social care records are maintained effectively, with strong links to partner health services
- **Safe and Cohesive**
  - establish effective Information Sharing Agreements with police and other partners
- **Independent**
  - support services to build information sharing relationships with partners
- **Clean and Green**
  - developing ways to ensure the council's records are securely maintained as digital records
- **Aspire and Achieve**
  - strengthen and expand information sharing relationships with schools, colleges and the University
- **Efficient and Effective**
  - raising awareness and understanding of council officers, to ensure smart record management, effective information governance and efficient legislative compliance

How will we do this:

- Promote IG awareness, work collaboratively and support services in preventing data breaches
- Implement training modules that improve and develop IG standards
- support services to carry out the IG compliance activities (including Information Sharing Agreements, Data Protection Impact Assessments, Information Security reporting)
- effectively record and securely hold the councils paper records
- monitor and update IG policies
- coordinate and support services to respond to information requests from the public

Good progress has been made to achieve the outcomes required in the Information Management Strategy. The council now has an effective Information Asset Register, which links to the councils Data Protection Impact Assessment system to enable an automatic generation of a Record of Processing Activity, an essential requirement of GDPR compliance.

The council now has all Information Asset Owners trained in their responsibilities, with many Information Asset Coordinators in place to support them. This is important to ensure that services have a robust approach to managing the information they collect and generate.

All services have been through two rounds of GDPR self-assessment, which allows them to identify the areas they need to develop for legislative compliance and also it allows them to celebrate the progress which they have made in order to achieve compliance.

The council response rate to information requests are still below the ICO required rate of 90%, but the information rights requests response rate has improved from last year.

Information requests	2019/20 response rate	Change from 2018/19
Subject Access Request	72%	0%
Information rights requests	66%	17% improvement
Freedom of Information requests	87.7%	2% reduction

There was an increase of 39 information security incidents reported and investigated by the IG team, with only one incident considered to be of high enough risk to report to the ICO. This incident did not result in any further action.

The council now holds all of the paper documents which it has generated through various means at the Central Archive facility at Red Doles Lane. This is a fantastic achievement and a very positive outcome of two years' work to identify where data may be held and work with services to bring the data back within the council's control.

The council has a 100% record of training for GDPR awareness, which is a very positive result and supports the approach to achieve organisational behaviour change which embeds legislative compliance.

The IG Board would like to thank the IG Team, GDPR Service representatives, FOI coordinators and SAR coordinators for their hard work throughout this very demanding year. Their work has resulted in some very good outcomes.

Appendices

Appendix A - Information Governance Board Terms of Reference

Information Governance Board

Terms of Reference

(Updated August 2018)

Purpose

The Information Governance Board provides a framework and strategic steer to the organisation in relation to Information Governance. The Board ensures that the Council safely uses its information assets to deliver its priorities and objectives legally, securely, effectively and efficiently.

The Board will:

- Develop and promote robust and consistent Information Governance practices across the Council;
- Embed the Kirklees Information Governance Framework throughout the organisation;
- Support and Advise the Council, Contractors and Partners on IG related matters
- Address Information Security risks and establish a risk management framework;
- Establish, monitor and oversee legal compliance with regards to Information Governance;
- Promote and support a transparent information culture;
- Develop and implement Council-wide communications around Information Governance and associated training.
- Support, advise and challenge Services on the implementation of and compliance with associated/relevant legislation and Council policy;
- Ensure the organisation complies with statutory requirements set out by the Information Commissioners Office (ICO).
- Research and advise on relevant new legislation in relation to FOI, EIR, Data Protection, Open Data, Information Security and Records Management;
- Identify and provide organisational development arising from new/amended policies/procedures and assist services in response to changing legislation;
- Support Services to share information with partners effectively and securely and to process information in a legal and safe manner.

- Develop and promote a transparent information culture across the Council, with an aim to having 90% of the Council's non-personal information in the public domain;

- Develop and implement Council wide communications around Information Governance and associated training.

Governance

The **Senior Information and Risk Owner** will chair the Information Governance Board. The SIRO has organisational responsibility for all aspects of Information Governance, including the responsibility for ensuring that Kirklees Council has appropriate systems and policies in place to maintain the security and integrity of Kirklees Council's information. The SIRO will consult with the Board to obtain guidance in relation to Information Governance decisions.

The **Caldicott Guardian** will be a member of the Board acting as the 'conscience' of an organisation. The Guardian actively supports work to enable information sharing where it is appropriate to share and advises on options for lawful and ethical processing of information. The Caldicott Guardian also has a strategic role, which involves representing and championing confidentiality and information sharing requirements.

The Data Protection Officer (DPO)

The DPO's tasks are defined in GDPR Article 39 as:

- to inform and advise the Council and its employees about their obligations to comply with the GDPR and other data protection laws;

- to monitor compliance with the GDPR and other data protection laws, and with the Council's data protection polices, including managing internal data protection activities; raising awareness of data protection issues, training staff and conducting internal audits;

- to advise on, and to monitor, data protection impact assessments;

- to cooperate with the supervisory authority; and

- to be the first point of contact for supervisory authorities and for individuals whose data is processed (employees, customers etc).

Information Governance Manager (IGM)

The IGM is responsible for providing specialist advice and support on all aspects of Information Governance and is also responsible for reviewing the policy and ensuring it is updated in line with any changes to national guidance or local policy.

Terms of Engagement

- Frequency of meetings – every two months

- Attendance at meetings to be substituted by representatives as required, ensuring all Directorates are represented.

- The Board will provide updates to the Executive Team, Management Board, Corporate Governance and Audit Committee, the Cabinet Member responsible for Information Governance and Cabinet as appropriate.
- The Board will be Chaired by Julie Muscroft, Senior Information Risk Owner and Service Director for Legal, Governance and Commissioning
- The Information Governance Manager will co-ordinate the Board meetings, generate the agenda on consultation with the Chair and distribute papers
- Representatives from all work areas will sit on the board, with non-members being invited to present papers as appropriate
- Communications Strategy – the Communications Plan is updated on a monthly basis in line with developments across the organisation

Review
The Board will review the relevance and value of its work on an annual basis.

A

Appendix B - Kirklees Information Management Strategy

<table>
<tr><td colspan="4">Document Overview</td></tr>
<tr><td colspan="4">Kirklees Council considers information to be a vital asset for the successful delivery of services and efficient management of resources.

It is important to ensure that information is efficiently managed and that appropriate policies, procedures and management accountability provide a robust governance framework for this information management.</td></tr>
<tr><td colspan="2">Intended Audience</td><td colspan="2">All employees and Councillors</td></tr>
<tr><td colspan="2">Linked Policy</td><td colspan="2">Information Governance Policy
Records Management Policy
Data Protection Policy
Information Sharing and Processing Policy
Information Security Policy</td></tr>
<tr><td colspan="4">Revision History</td></tr>
<tr><td>Version</td><td>Author</td><td>Reason for issue</td><td>Date</td></tr>
<tr><td>1.0</td><td>Katy Deacon</td><td>New Strategy</td><td>February 2019</td></tr>
<tr><td colspan="2">Date of next revision</td><td colspan="2">April 2021</td></tr>
</table>

Introduction

The purpose of this strategy is to outline the principles, vision and objectives Kirklees Council has for information management until April 2021. It sets out the approach to be taken to provide a robust framework around the use of information.

Accurate, timely and relevant access to information is vital to deliver the highest quality services. It is the responsibility of all staff to ensure information is used appropriately and in accordance with the supporting policies.

In this strategy, the term ‘information’ covers the breadth of structured and unstructured information such as records, data and documents. It also relates to any format, including electronic, hard copy or handwritten.

Kirklees wants to make better use of the information it has and to ensure teams have access to high quality information to deliver effective services. These provide the foundation for the Council objectives:

- **A Council which connects ideas, people and resources across boundaries of all kinds, supporting communities to harness and build on their strengths**
- **A Council focussed on creating trust and connections between institutions, businesses and citizens in Kirklees**
- **A Council which will be responsible for a consistent level of basic services, but will strive to maximise the impact of all services by collaborating with others; and**
- **A Council which safeguards vulnerable citizens, but wherever possible, seeks to develop a springboard, not simply a safety net, focussed on helping people to control their own lives and to stay safe and well.**

All employees have a role to play in helping the Council to manage information effectively. The quality and outcomes of strategic decisions the Council makes depend on the data we collect as part of our day to day jobs.

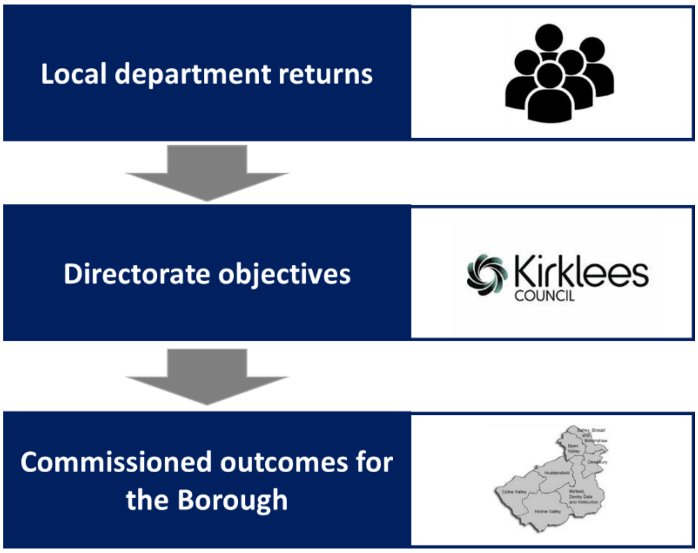


Figure 1 the value of information

Strategy objectives

During development of this strategy, we spoke with many staff across the organisation. Throughout these conversations, key themes consistently emerged. These themes have become the overarching objectives of the strategy. These are:

- To ensure we are embedding the requirements of the General Data Protection Regulation (GDPR)
- Using information to create a resource for decision making
- To unlock the value of data, where it sits and how it travels, allowing the Council to have a strategic overview of its information
- Support culture change – to improve awareness of the importance of information management and embed excellent IM practices throughout the organisation
- To improve citizen experience through 'tell us once'
- Train staff understand the value of information – in order to maximise access to high quality information in order for all staff to be able to unlock the value within
- Encourage collaborative working – by breaking down communication and technological barriers that prevent information from being shared appropriately
- Implement a more proactive information management function – focussing on communications, training and prevention rather than remediation
- Embed a collaborative culture - where knowledge is actively shared without compromising confidentiality
- Services work closely with IG and IT - to ensure appropriate infrastructure is available to support excellent information management

Information management principles

The following principles have been agreed:

- Better informed citizens and businesses
- Information is a valued asset
- Information is managed
- Information is fit for purpose
- Information is standardised and linkable

- Information is reused
- Information is published
- Information is stored once, so there is a single version of the truth wherever possible
- Knowledge is captured and used
- Information will be owned and proactively managed
- Information will be shared with partners', subject to relevant IG controls

Benefits

Whilst not necessarily immediately obvious, good information management provides many benefits to us all. These include:

For citizens

- Citizens are better informed
- Information is captured once and not repeated
- Better informed staff that are able to deal with queries and transactions quickly and accurately
- Confidence that the Council is using their personal information appropriately
- Better use of funding to ensure that Council money is used in the most appropriate way

For staff

- Access to high quality information needed to perform your job
- Confidence in knowing what to share and when it is appropriate to share
- Easier to search and use information, reducing wasted time trying to find or validate information
- Better awareness of your responsibilities resulting in a reduced risk of breaching policy or legislation
- Reducing the number of information access requests received by publishing more information as standard

Corporate Organisation - including members

- The Organisation and Members are better informed
- Members respond effectively to caseload enquiries
- Officers are confident their recommendations are based on true data and have strong evidential foundations
- Members are confident their decisions are effective and appropriate

For the business

- Enable the Council to assist with shared outcomes with Partners
- Reduce the risk of an information breach and resulting fine from the Information Commissioner
- Increase the efficiency of Council resources
- Access to accurate information in order to support policy and decision making
- Ability and preserved reputation of providing the highest quality service to its citizens
- Improved organisational knowledge of the information collected by teams

Challenges

Council funding pressures are well documented, and it has become a constant challenge to find more efficient and modernised ways of working in order to continue providing services with limited funding.

Becoming an intelligence led organisation is a significant shift from the way the Council currently operates, which we recognise will not happen overnight. Our organisational culture must adapt to a new more self-sufficient way of working. We recognise asking staff to work in a more digital way can be daunting and are committed to supporting staff through this change.

Across the business, the following challenges that may affect the ability of this strategy to be implemented have been identified, along with our proposed mitigation actions:

Challenge	Mitigating activities
Organisation going through significant change	New projects implemented with 'privacy by design and default' so that information risks are identified early in the process
Proliferation of information across many areas	An information asset register to be completed by all teams. This documents all information assets held by the Council and provides a firm basis for managing information moving forward. Agile working and collaboration technology to be implemented through the advanced adoption of Office 365, reducing the need for duplicate information stores
Staff being asked to do more with less (become more self-sufficient)	Training and support provided by the IG and IT teams
Current levels of IT competence & confidence with staff – being asked to work more digitally	Training and regular, bite size communications to support staff with new ways of working
Lack of control with records management	Centralised paper records storage and a new electronic document management system. Full information asset register to be completed to document all information assets held by the Council. This provides a firm basis for managing records moving forward.
Risk reporting and management	Information risks to be managed through the IG Board.
How to manage and recognise subject access requests	Training and communications for all staff.
Operational management and ownership of IG issues	Team managers asked to enhance understating and management of IG risks, with support from the IG team.

High level action plan

This section details the activities that will be undertaken to support implementation of this strategy. A summary of activity is shown in the diagram below.

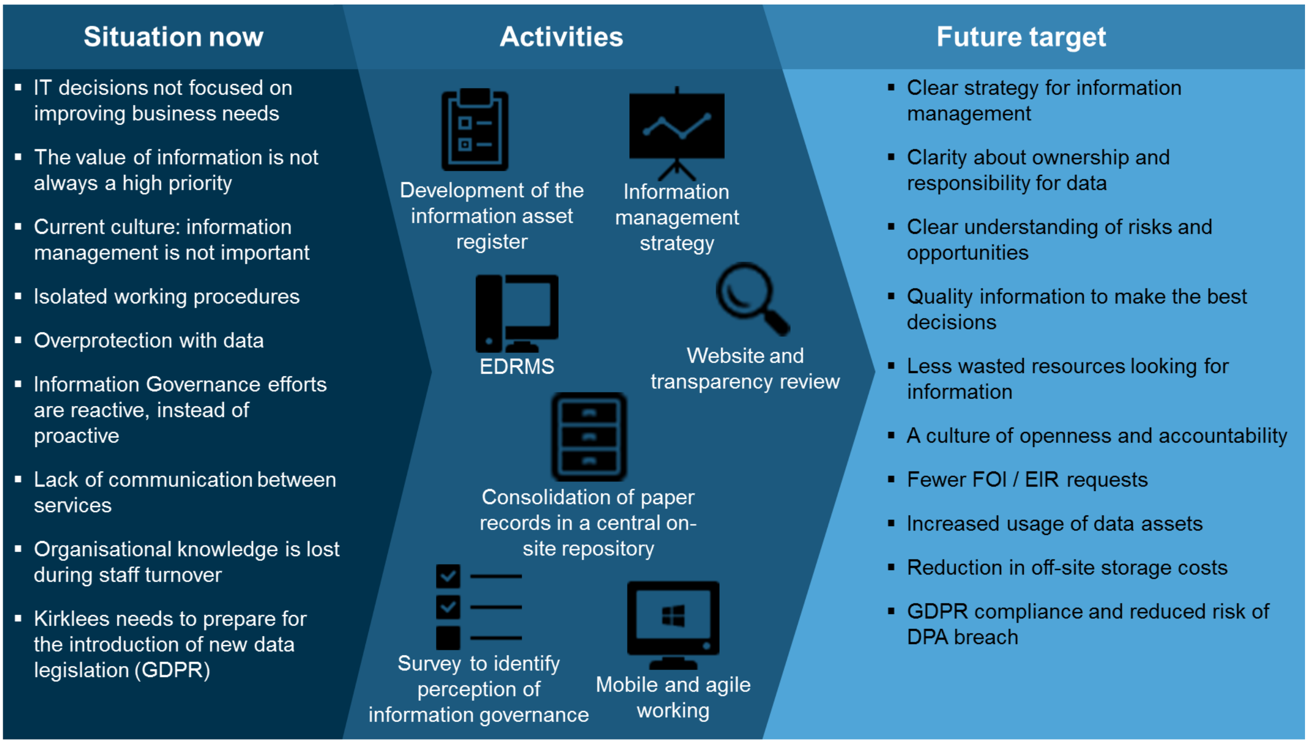


Figure 2 Future target model

Specific objectives

The following specific tasks are set to be achieved before 2021:

- Develop and maintain the information asset register
- Provide a simple and secure method for sharing confidential information
- Develop a programme of training and support for change
- Develop the intelligence hub – which will focus on data driven decision making for the Council
- Complete a meta data project that will improve the use of meta data and make information easier to use, retrieve and manage
- Build information management as standard into projects, processes and systems
- System rationalisation must be considered when purchasing new data driven systems
- Implement privacy by design and default where information governance considerations are taken into account at the start of new projects
- Proactively publish more information, in order to reduce information access demand and improve transparency for the general public

Current in-flight projects

The following projects are already underway:

- Implementation of the information asset register
- Mobile and agile working
- Digital by design
- Consolidation of paper records in a central on-site repository
- 'Spotlight' awareness raising
- Information Protection project – stage 1, labels and protective marking

Upcoming projects

The following project are planned to be mobilised soon:

- Website and transparency review
- Electronic Document Management System (EDRMS)
- Information Protection project – stages 2 and 3
- Development of the intelligence hub
- Survey to baseline current perception of staff around information governance in line with NHS Data Security and Protection Toolkit requirements

Training

We are committed to ensuring that staff have appropriate information governance training according to their role.

Training will be managed through the performance review system and linked with the People strategy.

Information Management training for all staff will be a development aim for 2019/20.

Standard offering for all staff

Standard data protection and information security training must be completed by all staff. The Council has invested in the Metacompliance 'Spotlight' solution that will deliver training in a more regular, bite size way that will support ongoing reminders and understanding of staff responsibilities.

Additional training for specialist staff

A training needs analysis will be undertaken to identify the training needs of employees that would benefit from advanced information management training, for example specialised courses for Information Asset Owners, General Data Protection regulations, or any of the topics in the table below.

Team managers are expected to liaise with the information governance team to plan relevant specialist training.

Confidentiality	Data Protection Act 2018	Freedom of Information
Records & document management	Information Security	Caldicott Principles
Appropriate information sharing	Incidents and data breaches	Information Risk Management

Figure 3 Example IM training courses

An example training needs analysis is included at Annex 1 for information.

Documents and records management

The supporting records management policy details specific requirements for document and records management.

However, there are three key areas of document management that are identified for improvement as part of this strategy. These are:

Email

More and more valuable discussion and resulting decisions are taken by email. There is a risk that this information remains in personal email folders, where wider colleagues or departments have no knowledge that the information exists. Council records must be saved in a corporate file structure, able to be accessed by appropriate staff.

In order to encourage timelier document management, the IG Board will be implementing email policies and releasing guidelines to incorporate the new Office 365 tools when these are rolled-out to the Council.

Document retention

The Council will proactively monitor when records (electronic - including information held in line of business systems, and paper) have been held for the required retention period, to ensure that information is not being kept longer than necessary. The Council will develop a Corporate Retention and Disposal Policy and maintain records of disposal. The Information Asset Owners will approve their services Retention Schedules and disposal logs with Information Asset Coordinators ensuring Services maintain their retention and disposal schedules.

The Information Protection Project will utilise the Office 365 tools to embed retention schedules within documents and enable the auto deletion function which comes with the new system. Proposals for this implementation will come to the IG Board for sign-off.

Archiving

Work is currently underway to consolidate paper records in the new central archive facility at Red Doles Lane. This is a formal, structured way of managing paper records ensuring that proper inventories are used to support retrieval and identify records ready for disposal or permanent preservation.

The IG Board has approved the requirement for maintaining records based on the individual rather than the department those individuals accessed.

Electronic records management is being tackled by the Electronic Records Management task group, which will identify key risk areas and propose solutions for IG Board consideration.

Information access

The Council provides the public access to information via the Freedom of Information Act, the Data Protection Act (for personal data) and the Environmental Information Regulations. Data sets are available through the Council's Observatory feature and this is provided by the Intelligence department to achieve the requirements of the Local Government Transparency Code (2014).

There are a number of changes required to current processes in order to remain compliant with changing legislation and ways of working. These are:

- GDPR reduces the time for responding to a DPA request from 40 to 30 days
- The Information Commissioner expects 90% compliance of FOI requests within the 20-working day limit
- The Council wants to reduce the demand (number of requests) by publishing more information proactively, allowing staff time to be repurposed
- The Council wants to ensure exemptions are applied fairly and appropriately, for example with regard to vexatious FOI requests. This may require collaboration across departments.
- The Local Government Transparency Code (2014) requires services to release data in a more accessible format

Publishing

We will publish a transparency and publication strategy by the end of 2018/19. This will cover how we proactively publish more information to (1) the public, via the website and (2) internally for use by the intelligence team.

We will analyse freedom of information requests received by the Council, to understand common or regularly requested information and use this identify information that could be published more proactively.

The transparency strategy will also provide a framework to ensure that the intelligence team is aware of all data assets within the Council using the information asset register entries and can use these easily to support its work. The Council is committed to ensuring the intelligence team has access to timely, accurate and consistent information.

Business continuity

The IG Board is responsible for the ongoing management of business continuity for data, ensuring risks are discussed and appropriate plans are prepared, should any adverse events take place.

Information security

Cyber-attacks are a significant organisational risk. Attacks are becoming more sophisticated and frequent. The Council's Cyber Security Strategy has received sign-off at IG Board and Executive Team. This strategy will be implemented over 2019/20 to ensure the Council is as protected as possible against future attacks.

There are a number of technical measures that IT implement in order to prevent information security breaches, however preventing breaches requires all staff to be vigilant. Spam email or 'phishing' attacks are on the rise and can trick staff into releasing information and causing a breach. We will implement regular communications and training throughout the course of this strategy, to remind and keep staff up-to-date with best practice recommendations.

Evidential weight

Disciplined information management will ensure the Council can evidence proper processes and show that information has not been mishandled, should it be admissible to a court.

Partnership working

Kirklees partners with a number of formal and voluntary organisations in order to provide services to local residents. We recognise the importance of transparent data sharing between partners, and as such commit to the following:

- All partners are expected to sign an Information Sharing Agreement with the Council
- Information is regularly published and made available which allows partners to plan services
- We will share information appropriately, and only when supported by an information sharing agreement
- We will publish transparent privacy notices to the public for all activities where personal data is collected or used

Measures of success

The IG Board will monitor the implementation of this strategy. It will use the following measures to track success:

- GDPR Self-Assessment reporting
- Information security reporting figures
- Information access requests compliance figures
- Data Security and Protection Toolkit assurance rating
- Ongoing involvement of IG Team resources within Services

A successful strategy creates a Council which by April 1st 2021 is:

- Meeting the ICO's minimally acceptable compliance rates for GDPR, FOI and EIR
- Effectively managing all records, both paper and electronic
- Proactively sharing appropriate data with partners, with effective sharing agreements in place and reviewed annually
- Managing information security incidents and mitigating risk through thorough training and procedural improvement practices
- Privacy by Design and Default is embedded within working practices
- Publishing information to the public, improving transparency and reducing information access demand

The success of this strategy will be monitored at IG Board meetings and reported in the Annual IG Report, which is approved by IG Board annually and presented to Elected Members for challenge at Corporate Governance and Audit Committee.

Appendix 1 – Example training needs analysis

Topic	Mandatory	Upper tier example content	Job roles
Confidentiality	Any particular confidentiality issues / wider threats Examples of consent forms / where to find them	Access to national data sets	Caldicott Guardian IG / records manager Frontline staff Team leader / Manager
Data protection (DPA)	Overview of the number of requests in the last year / month	How to deal with complex subject access requests	IG / records manager Team leader / manager FOI / SAR officers
Freedom of Information (FOI)	Specific 'where to go' advice. Overview of the number of requests in the last month / year	Complex FOI requests	IG / records manager Team leader / manager FOI / SAR officers
Records and document management	Show pictures of your file structure / off site archive procedure. Contact details of your records manager / where to go for advice. Point to any guidance available on the intranet.	File structures Scanning technology	IG / records manager Team leader / manager Frontline staff
Information security	Specific password requirements, screenshots of the different systems. Different access controls for different systems? Physical security. Business continuity overview	○	IG / records manager Team leader / manager IAO / IAA Frontline staff
Caldicott principles	Introduction to the principles The role of the Caldicott Guardian		Caldicott Guardian IG / records manager Team leader / manager
Appropriate information sharing	What agencies do we share with at the moment	○ National projects ○ Working with partners	Caldicott Guardian IG / records manager Frontline staff Team leader / manager
Systems overview	Any particularly important IG factors relating to the systems that staff member will use	○ System audits	IG / records manager Team leader / manager IAO / IAA SIRO

Topic	Mandatory	Upper tier example content	Job roles
Incidents and data protection breaches	How to identify and report an incident	○ Incident management ○ Route cause analysis ○ When to report to HSCIC ○ When to report to ICO ○ HSCIC incident reporting tool	Caldicott Guardian IG / records manager Front line staff Team leader / manager IAO / IAA SIRO
Secondary uses of information	What is considered a secondary use	○ Consent and fair processing ○ Anonymisation and pseudonymisation	Public health Caldicott Guardian SIRO

Appendix C - GDPR Self-Assessment

Self-Assessment Results Summary
The IG Team ran a Self-Assessment for Council Services to measure their work towards compliance against the 10 GDPR deliverables. These Self-Assessments had a 100% response rate and the results were reported to Executive Team and all of the Information Asset Owners.

The first GDPR Self-Assessment was conducted through October 2018, against 9 of the deliverables. GDPR had only been in place for around 5 months and therefore Services were expected to be performing at a ‘Planning’ or ‘Developing’ level. There was a selection of responses from ‘Not started’ through to ‘Established way of working’ however most of the responses were within the ‘Planning’ or ‘Developing’ levels.

The second GDPR Self-Assessment was conducted throughout March 2019, against all 10 GDPR deliverables. As GDPR had been in place for almost 12 months, Services were expected to be performing at an Implementing or Established way of working level. Whilst there was still a mixture of response levels from Services, the levels were more focussed on the Implementing and Established way of working areas.

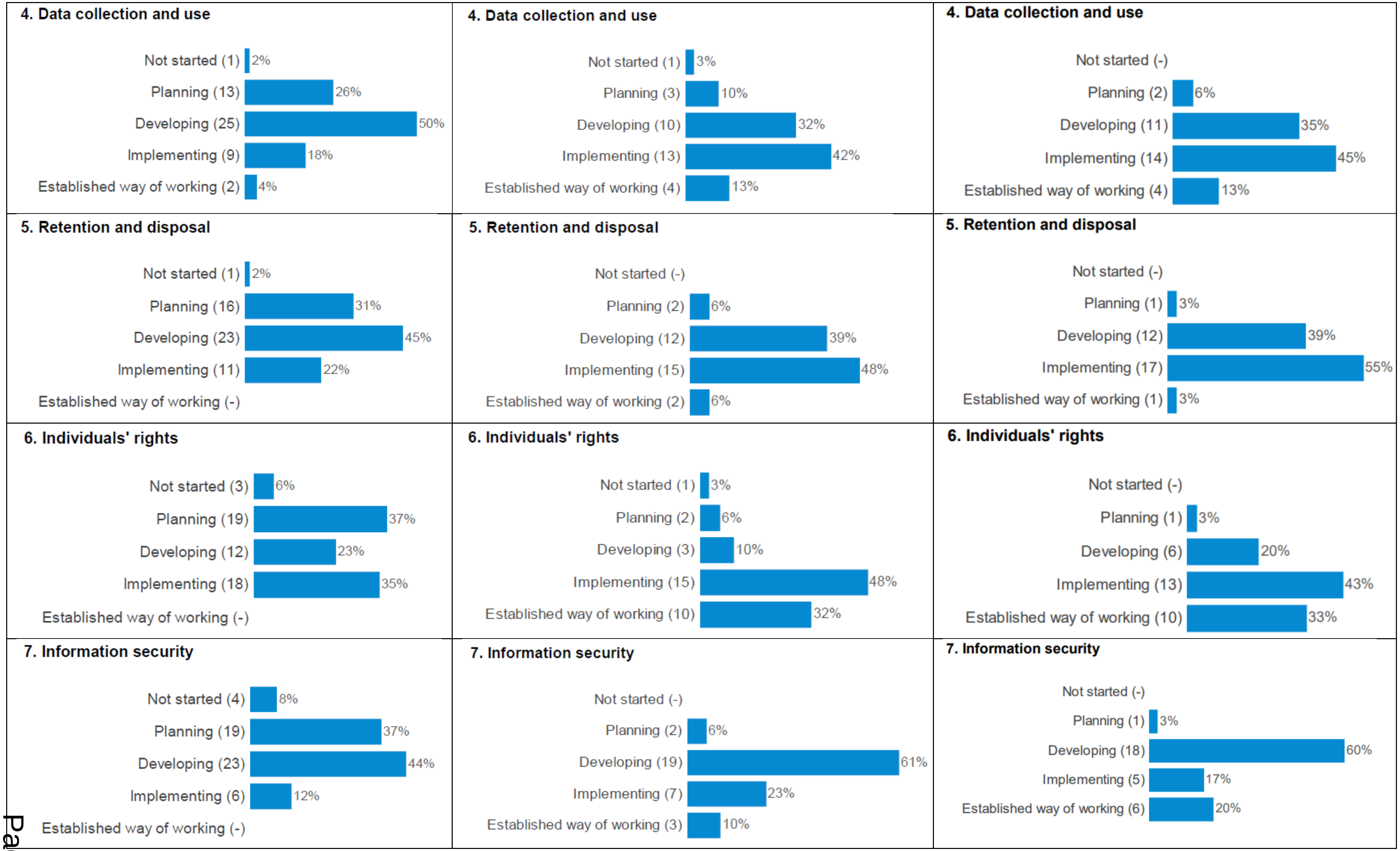
The third self-assessment was carried out during December 2019 and January 2020. The changes across each of the deliverables show less impact, and this will be taken on board by the GDPR implementation team throughout the coming period.

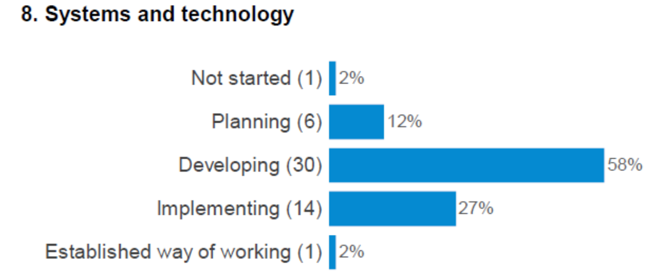
The graphs of the results for all Self-Assessments against each deliverable are shown below.

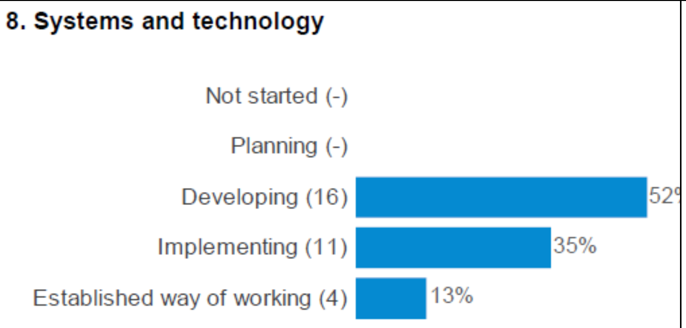
The Information Asset Owners (Service Directors) received the detailed spreadsheet with each Service’s scores and comments. The IG team are working with the Information Asset Coordinators and Services, to support their process development and progress compliance into the Established way of working level.

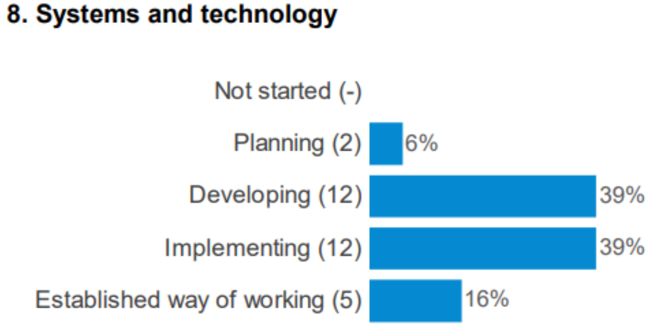
These scores have been presented to the IG Board for comment and further action.

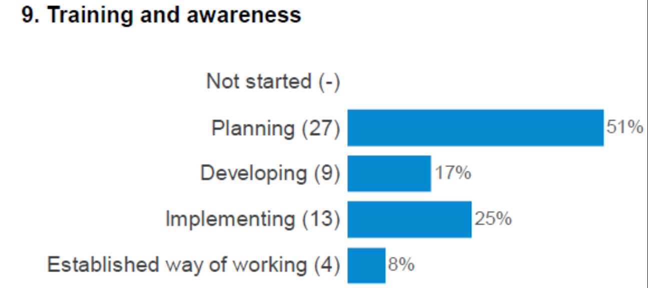
September 2018	April 2019	January 2020
1. Governance Not started (1) 2% Planning (12) 23% Developing (24) 45% Implementing (15) 28% Established way of working (1) 2%	**1. Governance** Not started (1) 3% Planning (1) 3% Developing (9) 29% Implementing (17) 55% Established way of working (3) 10%	**1. Governance** Not started (-) Planning (1) 3% Developing (7) 23% Implementing (19) 61% Established way of working (4) 13%
2. Assurance Not started (-) Planning (9) 17% Developing (26) 49% Implementing (15) 28% Established way of working (3) 6%	**2. Assurance** Not started (-) Planning (1) 3% Developing (9) 29% Implementing (17) 55% Established way of working (4) 13%	**2. Assurance** Not started (-) Planning (-) Developing (6) 19% Implementing (21) 68% Established way of working (4) 13%
3. Third party management Not started (4) 8% Planning (15) 30% Developing (19) 38% Implementing (10) 20% Established way of working (2) 4%	**3. Third party management** Not started (1) 3% Planning (1) 3% Developing (11) 37% Implementing (12) 40% Established way of working (5) 17%	**3. Third party management** Not started (-) Planning (3) 10% Developing (5) 17% Implementing (17) 59% Established way of working (4) 14%

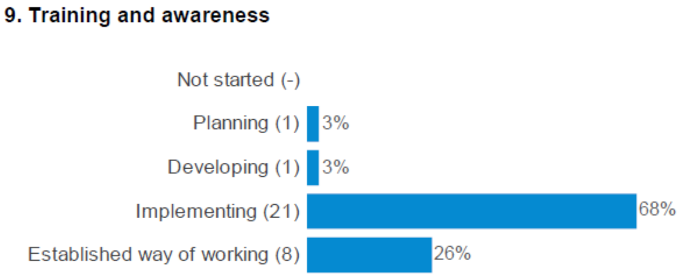

4. Data collection and use
Not started (1) 2%
Planning (13) 26%
Developing (25) 50%
Implementing (9) 18%
Established way of working (2) 4%
4. Data collection and use
Not started (1) 3%
Planning (3) 10%
Developing (10) 32%
Implementing (13) 42%
Established way of working (4) 13%
4. Data collection and use
Not started (-)
Planning (2) 6%
Developing (11) 35%
Implementing (14) 45%
Established way of working (4) 13%
5. Retention and disposal
Not started (1) 2%
Planning (16) 31%
Developing (23) 45%
Implementing (11) 22%
Established way of working (-)
5. Retention and disposal
Not started (-)
Planning (2) 6%
Developing (12) 39%
Implementing (15) 48%
Established way of working (2) 6%
5. Retention and disposal
Not started (-)
Planning (1) 3%
Developing (12) 39%
Implementing (17) 55%
Established way of working (1) 3%
6. Individuals' rights
Not started (3) 6%
Planning (19) 37%
Developing (12) 23%
Implementing (18) 35%
Established way of working (-)
6. Individuals' rights
Not started (1) 3%
Planning (2) 6%
Developing (3) 10%
Implementing (15) 48%
Established way of working (10) 32%
6. Individuals' rights
Not started (-)
Planning (1) 3%
Developing (6) 20%
Implementing (13) 43%
Established way of working (10) 33%
7. Information security
Not started (4) 8%
Planning (19) 37%
Developing (23) 44%
Implementing (6) 12%
Established way of working (-)
7. Information security
Not started (-)
Planning (2) 6%
Developing (19) 61%
Implementing (7) 23%
Established way of working (3) 10%
7. Information security
Not started (-)
Planning (1) 3%
Developing (18) 60%
Implementing (5) 17%
Established way of working (6) 20%

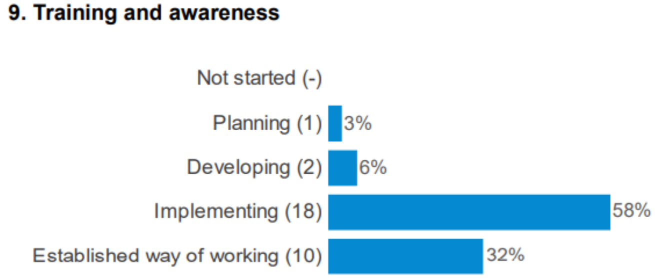




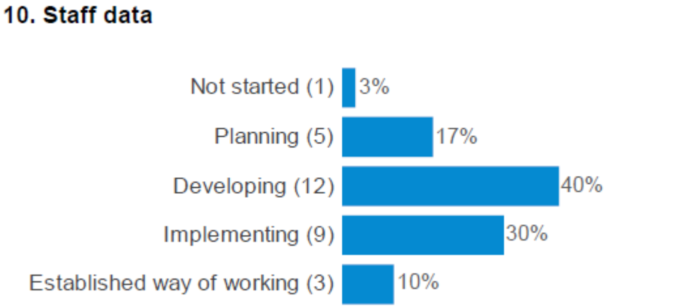


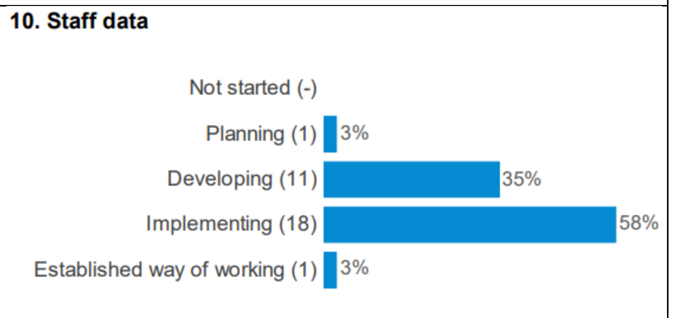






This deliverable was not measured in September 2018





Appendix D – Local Government Transparency Code

	2017		2018		2019		2020	
	MUST be published	**Recommended for publication**	**MUST be published**	**Recommended for publication**	**MUST be published**	**Recommended for publication**	**MUST be published**	**Recommended for publication**
Expenditure Exceeding £500								
	2 identifiers are not published: - Summary of purpose - Unrecoverable VAT		1 identifier is not published: - Unrecoverable VAT Personal data redacted where appropriate.		1 identifier is not published: - Unrecoverable VAT		1 identifier is not published: - Unrecoverable VAT	
Government Procurement Card Transactions								
	3 categories are not published: - VAT - Summary of purpose - Merchant Category		2 categories are not published: - VAT - Summary of purpose Personal data redacted where appropriate.		2 categories are not published: - VAT - Summary of purpose		2 categories are not published: - VAT - Summary of purpose	
Procurement information								
	Publishing contracts on Yortender £5k & above is not prescribed by procurement and £20k still remains the limit. Now publishing on Contracts Finder [.gov.uk site] – publishing >£25k as this is what is stipulated to procurement for non central government. The code asks for >10k.							

	2017		2018		2019		2020	
	MUST be published	**Recommended for publication**	**MUST be published**	**Recommended for publication**	**MUST be published**	**Recommended for publication**	**MUST be published**	**Recommended for publication**
Local Authority Land							N/A Publication Date Due	N/A Publication Date Due
	1 definite category is not published:		1 definite category is not published: - Land or building asset		1 definite category is not published: - Land or building asset		Delay to the publication of the data – currently working on data accuracy & timeliness of	

	- Land or building asset The Electronic Property Information Mapping Service [EPims] is currently being trialled by the service. The type of date upload and frequency is being considered.		The Electronic Property Information Mapping Service [EPims] is currently being used by the service to publish this information too. The frequency of publication still remains yearly and not more frequent as stated in the 'recommended' element.		The Electronic Property Information Mapping Service [EPims] is currently being used by the service to publish this information too. The frequency of publication still remains yearly and not more frequent as stated in the 'recommended' element.		data to ensure the published version is accurate	
Grants to voluntary, community & social enterprises and organisations								
	It is currently an annual publication due to the manual collation that is required so difficult to move to a dynamic or more frequent reporting schedule. Not possible to disaggregate by various sectors as currently not recorded.							
Organisation Chart								
	It is currently an annual publication due to the manual collation that is required so difficult to move to a dynamic or more frequent reporting schedule.							

	2017		2018		2019		2020	
	MUST be published	Recommended for publication	MUST be published	Recommended for publication	MUST be published	Recommended for publication	MUST be published	Recommended for publication
Trade Union Facility Time		N/A		N/A		N/A		N/A
	There are no “Recommended” Requirements							
Parking Account		N/A		N/A		N/A	N/A Publication Date Due	N/A
	It is currently an annual publication due to the manual collation that is required so difficult to move to a dynamic or more frequent reporting schedule. Not possible to disaggregate by various sectors as currently not recorded. Published in October/November when the accounts are finalised.							
Controlled Parking Space								
	The information requested is available. Accessibility could be improved by offering aggregated figures [although this is not specified precisely in the guidance].							
Senior Salaries		N/A		N/A		N/A		N/A
	Information received from service is still not fully compliant. The code requires listed responsibilities for all positions with a salary of £50,000 upwards [not just for the first 3 tiers]. It is also missing budget levels & staffing numbers associated with each officer.		Information received from service is still not fully compliant. The code requires listed responsibilities for all positions with a salary of £50,000 upwards [not just for the first 3 tiers]. It is also missing budget levels & staffing numbers associated with each officer.		Information received from service is still not fully compliant. The code requires listed responsibilities for all positions with a salary of £50,000 upwards [not just for the first 3 tiers]. It is also missing budget levels & staffing numbers associated with each officer.		The published data now lists all positions with a salary of £50,000 upwards [not just for the first 3 tiers]. It now includes staffing numbers associated with each officer. Work is still required to detail budgetary responsibility.	

	2017		2018		2019		2020	
	MUST be published	**Recommended for publication**	**MUST be published**	**Recommended for publication**	**MUST be published**	**Recommended for publication**	**MUST be published**	**Recommended for publication**
Constitution	●	N/A	●	N/A	●	N/A	●	N/A
	Direct feed to web link – if content changes, link will update.							
Pay Multiple	●	N/A	●	N/A	●	N/A	●	N/A
	No comment to add							
Fraud	●	●	●	●	●	●	N/A Publication Date Due	N/A
	Data now includes spend on investigation & fraud.						Delay to the publication of the data – currently working on GDPR related queries	
Social Housing Asset Value	●	N/A	●	N/A	●	N/A	N/A Publication Date Due	N/A
	Data routinely published in the month of September		Data routinely published in the month of September		Data routinely published in the month of September			
Waste Contract	Not applicable for Kirklees.							

Anna Bowtell
Corporate Services Intelligence & Performance Lead
Intelligence & Performance Service
October 2020

Name of meeting: Corporate Governance & Audit Committee
Date: 24 November 2020

Title of report: Annual Governance Statement 2019/20

Purpose of report: To request the Committee approve the Statement ahead of it being signed off by the Chief Executive & the Leader and published with the Annual Accounts.

Key Decision - Is it likely to result in spending or saving £250k or more, or to have a significant effect on two or more electoral wards?	**Not applicable**
Key Decision - Is it in the [Council's Forward Plan (key decisions and private reports)?]	**Not applicable**
The Decision - Is it eligible for "call in" by Scrutiny?	**Not applicable**
Date signed off by Director & name **Is it also signed off by the Service Director for Finance?** **Is it also signed off by the Service Director for Legal, Governance & Commissioning?**	 **Yes** **Yes**
Cabinet member portfolio	**Cllr Shabir Pandor**

Electoral wards affected: All
Ward councillors consulted: Not applicable
Have you considered GDPR; Yes
Public

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1. Summary

1.1 The Committee is asked to approve the 2019/20 Annual Governance Statement prior to it being signed off by the Chief Executive and Leader of the Council. The Statement covers 2019/20 and up to the date at which the Annual Statement of Accounts is approved (later on the agenda of this meeting of the Committee).

1.2 The Statement concludes that overall the governance arrangements remain fit for purpose and Members are asked to confirm that the issues raised reflect the state of the governance and control framework during 2019/20 to date.

1.3 The Statement is a statutory requirement and accompanies the Statement of Accounts in order to provide readers with assurance about the governance and internal control environment in which they have been compiled and to which they relate.

1.4 The draft Statement was noted at the July meeting of this Committee and remains largely unchanged, as Executive Team are of the view that it is still too soon to determine the full impact and consequences of the coronavirus pandemic on the Council and its key objectives.

1.5 The Statement has been compiled following the annual review of the effectiveness of the overall internal control and governance arrangements and draws on a number of forms of assurance which have been presented to various parts of the Council during the year, including many to this Committee (e.g. annual activity reports), being principally the Annual Report of Internal Audit, reports by the external auditor, Monitoring Officer and from the performance management framework.

1.6 The Statement highlights a number of what are termed 'Significant Governance Issues'. Some are brought forward from the 2018/19 Statement, in the main reflecting the wide-ranging nature of the issues and action required. A number of new issues have been identified too. Half of the Issues identified in the 2018/19 Statement have been addressed entirely or sufficiently so as not to merit inclusion again.

1.7 The actions and controls the Council is taking are contained within an Action Plan that underpins the Statement. It is intended that the Action Plan will be the subject of internal monitoring, with reporting back to Executive Team and this Committee covering quarters 3 and 4 for 2020/21.

2. Information required to take a decision

2.1 The detail is contained within the 2019/20 Statement.

3. Implications for the Council

3.1 **Working with People –** None directly
3.2 **Working with Partners –** None directly
3.3 **Place Based Working –** None directly
3.4 **Improving outcomes for children–** None directly
3.5 **Climate change and air quality-** None directly
3.6 **Other (e.g. Legal/Financial or Human Resources) -** Although each of the sub categorisations above suggest no direct implications, the review of the effectiveness of the internal control and governance arrangements covers all aspects of the Council's operations, including elements of the above, either specifically, indirectly or on a commissioned basis.

4. Consultees and their opinions

4.1 The Chief Executive, Strategic Directors, Service Director Legal, Governance & Commissioning, Service Director Finance, Head of (Audit &) Risk have commented on the draft Statement.

5. Next steps & Timelines

5.1 A finalised version of the 2019/20 Statement will be signed off by the Chief Executive and the Leader and published with the Annual Accounts.

5.2 Action Plan progress will be monitored for the remainder of the year and reported to Executive Team and this Committee and then inform compilation of the 2020/21 Draft Statement.

6. Officer recommendations and reasons

Members are asked to approve the 2019/20 Statement.

7. Cabinet portfolio holder recommendation

Not applicable.

8. Contact officer

Simon Straker, Audit Manager 01484 221000 (73726)

9. Background Papers and History of Decisions

The 2019/20 Statement is attached.
2018/19 Statement
Quarterly reports on the 2018/19 Action Plan

10. Service Director responsible

Chief Executive.

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Kirklees Council

Annual Governance Statement 2019/20

Coronavirus Response

The impact of the global pandemic in Kirklees and on the Council from March 2020 was sudden, dramatic and unprecedented and has challenged the entire organisation and its governance arrangements. From the middle of March until the start of May 2020 the Cabinet was unable to meet at all and a series of decisions were taken by the Chief Executive under emergency powers in the Constitution (in consultation wherever practicable with the Leader or leading members). Significant organisational disruption, new emergency responsibilities, staff shielding and self-isolating and also working from home has impacted on addressing issues raised last year and created a multitude of potential new ones. So much so, that the issues raised so far and likely to occur during 2020/21 have been compiled into an additional separate part of this Statement together with a conclusion about this period.

Nevertheless the Council has continued to deliver key services and provide support throughout this period in large measure due to the hard work and commitment of all of its staff.

We would like to take this opportunity to thank all colleagues, councillors, partners and volunteers for their contributions so far which have placed the Council and the people and businesses of Kirklees in a much better place to move forward.

Overall Conclusion & Opinion

We have been advised on the extent and implications of the annual review of effectiveness of the governance framework by the Corporate Governance and Audit Committee, and are satisfied that overall the arrangements continue to be regarded as fit for purpose in accordance with our governance framework and Code of Corporate Governance. Understandably, we have less assurance than normal for the period from March 2020 but based up the evidence available remain confident that this continued to be the case during this period of the Statement too.

We have begun to take steps on a priority risk basis to address the issues raised both by the pandemic and which form part of our ongoing response, as well as those that occurred prior to it in order to further enhance our governance arrangements as contained in the Action Plan that underpins this Statement. We are satisfied that these steps will address the need for improvements that were identified in our review and will monitor their implementation and operation during 2020/21 in conjunction with the Corporate Governance & Audit Committee ahead of next year's review.

Signed:

Cllr. Shabir Pandor, Leader of the Council

Jacqui Gedman, Chief Executive

Coronavirus Period Conclusion / Opinion

The response to Coronavirus focussed on a number of key priorities – managing business continuity, promoting public safety and saving lives, maintaining support and safeguarding the most vulnerable and providing a resilient response within the region.

Since March 2020, the way the Council operates and its governance arrangements have changed significantly but its' key objectives and commitment to the principles in the Local Code of Corporate Governance have remained the unwavering cornerstone to its activities and as such have remained fit for purpose in these unprecedented times.

Business continuity plans helped manage the initial phase of the response immediately prior to and following lockdown in March to ensure key public services and business critical activities continued in accordance with current and quickly changing Public Health England and Government advice. Cabinet and the Executive Team provided strategic leadership and support.

Whilst initially the Cabinet, and the regulatory functions exercised by the Planning & Licensing Committees continued to operate, as all political leaders supported a suspension to the non-business critical work of the Council, by 24 March 2020 all meetings had to be cancelled as social distancing measures could not be maintained if Members were actually present to take decisions as then required.
Matters about which a decision was required and which could not be deferred were then dealt with by the Chief Executive personally (or through a delegee) as provided for in the Constitution in an emergency (in consultation with the Leader, a Committee Chair and in some cases the Cabinet and Group leaders), or by Strategic Directors in accordance with the Officer Scheme of Delegation.
The Chief Executive met regularly with Group leaders during this period (Public Health Emergency Advisory Group) to update them on matters and decisions which were required, as well as with the Chair of Scrutiny.
The Coronavirus (Flexibility of Local Authority and Police and Crime Panel Meetings) Regulations 2020 came into force on 4 April 2020. This put in place the ability for Councils to hold meetings virtually so long as they meet certain criteria specified in the Regulations. The first virtual meeting of the Cabinet took place on 1 May at which the Chief Executive reported back on the decisions she had taken in the interim as required by the Constitution. The Regulations also enabled deferment of the Annual General Meeting.

As with all other organisations, the coronavirus outbreak represents a unique and unprecedented set of challenges to the Council as a service provider, community leader, partner and an employer. The fundamental challenge to established ways of working and global nature of the pandemic has necessarily raised a number of Issues for the Council but to date we have successfully delivered upon our key objectives within the principles of our governance arrangements.

Coronavirus related Significant Governance Issues

At some future point a full review will be conducted of the Council's response and learning points for the future but it is still too early to say with sufficient confidence which, if any, particular Issues would merit inclusion. By the time of the 2020/21 Statement we will be in a better position to reflect on the outcome of a more thorough review of the impact on the Council's key objectives.

Wider Significant Governance Issues during 2019/20

The annual review process that has been possible has identified and evaluated both ongoing and new Issues and if any meets one or more of the following criteria suggested by CIPFA / SOLACE it is regarded as Significant and included in this Statement:

- it undermines / threatens the achievement of organisational objectives (A)
- it is a significant failure to meet the principles (and sub-principles) of good Governance (B)
- it is an area of significant concern to an inspector, external audit or regulator (C)
- the head of internal audit, one of the statutory officers or the corporate governance & audit committee has recommended it be included (D)
- it is an issue of public or stakeholder concern (E)
- it is an issue that cuts across the organisation and requires cooperation to address it (F)

Progress with the Issues in last year's Statement

The Executive Team and the Corporate Governance & Audit Committee have received reports during 2019/20 to monitor progress with the detailed Action Plan that underpins this Statement.

Good progress has been made in resolving more than half of the Issues raised last year, to the extent that they no longer merit inclusion as being Significant. Arguably, the most notable achievement was that the Department for Education confirmed earlier this year that following "significant progress" having been made, Children's Services would no longer be under Government direction.

However, as anticipated, others are of a more complex nature, sometimes not solely entirely under the Council's direct control, and these often take longer than one year to address and embed. Indeed a core are likely to feature in one form or another for a longer period, albeit that various parts of each one can be resolved during the year and where appropriate this has been reflected in what remains to be done, as shown in the table over the page.

Issue / Inclusion Criteria	Progress	Further Action
Further strengthen the Corporate Plan with improved linkages to both revenue and capital resource allocation and performance measures. (A, B, F)	A new strengthened Corporate Plan was produced for 2018-20 which explained the journey from *New Council* to *We're Kirklees,* focussed on the whole Borough and seven shared outcomes for residents. 3 key principles underpin this • Working with our partners • Working with (and not doing to, or for) residents • Working better in places The new Council Plan, *Our Council Plan 2020/21*, is intended as a roadmap for recovery in Kirklees. At its heart is a determination to build a fairer and more equal borough for people to live, work and grow up in. The Plan retains its focus on outcomes for people but elevates our ambition and puts an extra focus on breaking down the barriers that have previously prevented people from sharing in the benefits of plans like this. Overseen by a new Inequalities Commission, we will make sure our focus on tackling inequalities delivers for everyone in Kirklees. Both the Medium Term Financial Plan 2020-23 (revenue) and Capital Plan (2020-25) are well aligned to corporate plan ambition and priorities. Reviewing budget setting arrangements for 2019/20 and beyond regarding outcome based budgeting was acknowledged to be a work in progress as regards the most recent budget round.	The corporate planning process is likely to include a substantial revision to reflect the impact on the organisation and its finances consequent to Coronavirus (reference to the Council's guardians of the future transformation work). To develop a more robust, intelligence led performance management mechanism across the organisation aligned with the annual planning cycle to drive resource allocation decisions that are better aligned to priority outcomes and to monitor their delivery. The performance management system needs embedding for both business critical indicators and other service measures used, including the development of more relevant qualitative indicators alongside quantitative ones to better measure outcomes and impacts. Consideration is also being given to how service planning can be more closely aligned with this mechanism. The next Corporate Plan also needs to take account of developmental issues included in the Peer Review Action Plan with an aligned Communications Strategy.

Issue / Inclusion Criteria	Progress	Further Action
	A revised quarterly performance monitoring system has been introduced and will be embedded.	
Manage delivery of the Council's Transformation Activities. (A, F)	Dedicated council resources were allocated to add quality, assurance and organisation. The input of an external partner added skills and further rigour. An assessment of the impact of transformation activities in the summer of 2018 also illustrated a number of areas for learning and potential re-focus. The Transformation Team clarified and enhanced its offer to respond to changing demands for a mix of robust project management, innovative business change skills and the ability to challenge and offer new insights. Transformation is now focused on the ongoing development and sustainability of public services, which means continuing change and innovation. It is less driven by the savings targets that will come through services and overall budget monitoring.	Guardians of the future work in relation to organisational re-design provides the context. Focus on the following areas of priority for allocation of transformation resources: 1. Organisation Design - Work has started to consider the future shape of the organisation. 2. Development of Place-based working - Working with communities and delivering services that recognise the diversity of the different places across Kirklees and their needs. 3. Strengthening enabling services. 4. High Needs, Placements & Waste - Existing areas of work within services, where Executive Team has identified that a broader approach may be beneficial, hence the input of transformation resources. 5. Adult Social Care, Children's Improvement - These are moving beyond transformation into a 'business as usual' state. Transformation resources are being gradually withdrawn as change is embedded into working practice. These priorities may be amended consequent to learning as a consequence of coronavirus.

Issue / Inclusion Criteria	Progress	Further Action
Strengthen Partnership Governance (A, B, F)	A light touch governance review has been completed and is leading to more solid governance structures for the Partnership Executive: a revised executive arrangement is in place with themed meetings throughout the year that draw the partner together on a topic basis. Revised governance framework and Partnership agreement with KNH. Interim governance control and management arrangements were implemented at KNH to enable revised responsibilities and authority between the Cabinet and KNH Board to become operational and seamless. The Children's Partnership Board arrangements have re-launched recently. Arrangements for the Health & Wellbeing Board are being refreshed with engagement including other local authorities' Recruited and realigned resources to support partnership working.	Even prior to Covid 19 there was still scope to increase the effectiveness of some partnership arrangements and for changes made in 2019/20 to become embedded. This need now has a sharpened focus than ever before because of the heightened risks faced with associated parties/partnerships - KNH/ Kirklees Stadium Development Limited, plus KAL. Also, Kirklees Community Association is now in view for governance reasons. In conjunction with the outcome of the Corporate Peer Review a report was taken to Cabinet during May 2020 on the options for the future of housing management and following a consultation process with tenants and other stakeholders, KNH is to return to the Council's direct control from 1 April 2021.

Issue / Inclusion Criteria	Progress	Further Action
Continue to Strengthen Risk Management (A, B, D, F)	New Strategy & Risk Panel established. The Corporate Matrix has been regularly updated along with an emerging risk report, and this has been discussed by the Executive Team and Leadership Management Team. The CGAC has commented positively on the Corporate Matrix but expressed concerns about the quality and consistency of the directorate based risk management processes.	This still needs more work, as the quality of directorate based risk arrangements requires improvement, as does risk elevation.
Continue to improve manager capacity and skill base. (A, F)	Work continues on each of the 3 key strands of the People Strategy (Attraction, Development and Wellbeing). Updates on each theme have been reported regularly to Scrutiny Panel and the Modern Organisation Board**.** The 'Development' strand addresses cultural transformation, developing our workforce, leadership and management and performance.	Complete implementation of the People Strategy and embed across the manager base. Strengthen the wider corporate centre to develop its capacity; and invest in the Council's ICT systems.
School Governance arrangements need review and improvement. (D, E)	A Schools Causing Concern Group chaired by the Service Director has been established to identify and share issues for remediation.	Look to understand what is causing a (historically) large number of complaints about governance and management in schools, and look to identify potential solutions.
Governance arrangements need developing to identify and manage issues arising from historically different service delivery. To learn	Work has commenced to develop a corporate approach that satisfies initial management of such issues as they emerge through the corporate risk management process via the Risk Panel and these are flagged up to ET and enable organisational reflection and learning with a view to being	To embed and disseminate the learning following the identification and response of such issues on a corporate basis.

Issue / Inclusion Criteria	Progress	Further Action
from the lessons arising and make sure the issues are addressed.	less insular and to draw upon wider external assurances and develop an assurance backed culture. Where issues such as historically poor safeguarding, health and safety or HR practices are identified, checking will be undertaken to ensure that the same practices are not still in operation and to take appropriate action.	

New Issues

The annual review of the effectiveness of our governance arrangements has identified the following additional areas for improvement.

Issue / Inclusion Criteria	Action
Continue to develop and strengthen the governance arrangements for decision-making and place-based working, including greater clarity to the roles and responsibilities of Members and officers, including greater congruence between officer and member structures (as per Peer Review). (A, B & C)	Build upon the progress achieved since the Peer Review. Develop new proposals around governance and decision-making arrangements Complete the re-design of the councillor role profile. This will form the basis of how we redesign support for councillors and how officers work more effectively and collaboratively with them.
Address the health and safety issues raised in connection with housing properties managed by KNH and the complete buildings portfolio, ensuring that management and operational arrangements provide for the health and safety of all Council tenants, employees and residents. (C, D, E)	Implement the recommendations in the agreed Action Plan as monitored by the Chief Operating Officer, Board and Cabinet. Establish and operate an Assurance Board in connection with all such issues affecting the complete Council buildings portfolio.

Formulate a corporate Assurance Framework and culture in connection with all key and emerging business risks, such as the health and safety one above. Identify and respond to any gaps and address matters identified. (All)	Compile all the various sources of assurance and determine how they inter-relate to one another. Manage any wider areas about which assurance needs strengthening. Ensure issues are responded to appropriately and actions are delivered. One area for early review relates to good and sustainable financial management in the Council. Internal Audit have been commissioned to undertake an initial self-assessment review based on the best practice in CIPFA's Financial Management Code and report back to CGAC for an initial assessment.
Accelerate the response to the Climate Change Emergency Declaration. (A, E, F)	The Council declared a climate emergency in 2019 because we all must take urgent action to improve and protect our environment. Our vision is to make Kirklees completely carbon neutral by 2038. The Climate Change Working Party to oversee Phase 1 actions including • Setting a carbon budget • Free parking for low emission vehicles • Considering the environmental impact in decision making • Creating a Climate Commission and Green Charter • Developing a detailed and ambitious action plan for Phase 2 to achieve the 2038 target.
Develop a more strategic corporate management of the investigation and treatment of cases of suspected fraud & corruption. (D)	Refresh the Corporate Strategy engaging Members and CGAC in particular and focus resources on key risk areas.

A detailed Action Plan sits behind this summary and the Executive Team and Corporate Governance & Audit Committee will monitor progress quarterly during 2020/21.

Statement Scope

Kirklees 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. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised.

Kirklees Council has a Local Code of Corporate Governance, which is consistent with the principles of the CIPFA / SOLACE framework *Delivering Good Governance in Local Government 2016.* A copy of the Code is available from the Monitoring Officer. The current version following annual review can be found at
https://www.kirklees.gov.uk/beta/council-and-democracy.aspx#your-council

This Statement explains how the Council has complied with the Code during 2019/20 and up to the date that the Statement of Accounts was approved and thus meets the requirements of the Accounts and Audit Regulations 2015, as revised by the Accounts and Audit (Amendment) Regulations 2020. It provides assurance about the Council's governance framework, including the other entities in the Group Accounts, a wholly owned subsidiary, Kirklees Neighbourhood Housing Limited and a joint venture, Kirklees Stadium Development Limited, to enable readers of the consolidated Accounts to be satisfied that proper arrangements are in place to govern spending and safeguard assets. Where specific improvements and/ actions are ongoing or needed, brief information is provided about the key issues and the main areas of work that have been progressed during 2019/20. A more detailed Action Plan sits behind this summary.

The purpose of the governance framework

Corporate governance is a phrase used to describe how organisations direct and control what they do. For local authorities this also includes how a Council relates to the communities that it serves. The governance framework comprises the systems and processes, culture and values by which the Council is directed and controlled and its' activities through which it accounts to, engages with and leads its communities. It enables the Council to monitor the achievement of its' strategic objectives as set out in the Corporate Plan and to consider whether those objectives have led to the delivery of appropriate services and value for money.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness.

The key parts of the governance framework

- a Local Code of Corporate Governance overseen by the Service Director Legal, Governance & Commissioning and the Corporate Governance and Audit Committee, to assess operational practice and behaviour, and prepare this Statement.
- a Council Constitution
- a Leader and Cabinet model of governance, supplemented by decisions of the Chief Executive March – May 2020 under the emergency powers of Part 3.7 of the Constitution and Strategic Directors under the Officer Scheme of Delegation. Cabinet meetings have been held virtually since 1 May in accordance with new legislation. Virtual meetings were rolled out to enable other Committees to meet similarly as soon as was possible.
- a corporate governance, audit and scrutiny process as set out in the Constitution,
- statutory officer roles performed by the Chief Executive as Head of Paid Service, the Service Director Legal, Governance & Commissioning as Monitoring Officer and the Service Director Finance as Section 151 Officer. The S151 Officer is a professionally qualified accountant and reports directly on financial matters to the Chief Executive as a member of the Executive Team (ET).
- a Corporate Plan that outlines how officers will seek to run the Council to meet our community commitments and objectives
- oversight and delivery of the Council Transformation Programme, including a number of officer boards as described in the Constitution, notably the Children's Board
- a Monitoring Officer who has responsibility for the Constitution and ensuring the legality of Council actions and decision making.
- a S151 Officer who has responsibility for ensuring that the financial management arrangements conform with all of the governance requirements of the five principles that define the core activities and behaviours that belong to the role in the CIPFA *Statement on The Role of the Chief Financial Officer in Local Authorities (2014*).
- codes of conduct defining the standards of behaviour for Members and employees
- an Anti-Fraud & Corruption Policy
- a Risk Management Strategy
- systems of financial and business internal control
- an internal audit section, that is compliant with the Public Sector Internal Audit Standards and Code of Ethics
- whistle blowing arrangements
- a complaints system for residents and service users
- business continuity arrangements
- a senior manager to act as the Caldicott Guardian to protect the confidentiality of patient and service-user information
- a Data Protection Officer reporting directly to the Chief Executive and a Senior Information Risk Officer
- arrangements to manage other parts of the Council's Group. The S151 Officer monitors and reports on the financial effectiveness of the subsidiary and joint venture companies, whose accounts are subject to external audit.
  The governance arrangements of Kirklees Neighbourhood Housing (KNH) Limited were revised in 2018/19 with a strengthened Board to oversee housing operations and to act as a single purpose vehicle to deliver the housing management and maintenance

service. Housing Policy and Strategy, housing/asset investment and HRA business planning matters are determined by the Council, Cabinet or Council officers with advice from KNH officers.

- A Covid Recovery Framework using the strong foundations established during lockdown to help the Council come back stronger across a themed recovery programme supported by an Outbreak Control Plan approved by the local Health Protection Board.

2019/20 Review of effectiveness

Kirklees Council has a legal responsibility for conducting, at least annually, a review of the effectiveness of its governance framework. The review is informed by a number of sources including the work of the executive managers, the Head of Audit & Risk's annual report, the external auditor and other review agencies and inspectorates and Member Committees. The Council has four bodies / committees jointly responsible for monitoring and reviewing governance. These are:

- the Executive (Cabinet);
- the Corporate Governance & Audit Committee;
- the Overview & Scrutiny Committee; and
- the Standards Committee.

The main parts of the review process are described below, although due to the timing of the Coronavirus outbreak some sources of assurance used are in interim or draft version pending return to more normal working. A further assessment will be made later in the year before finalising the Statement.

1. Annual Review of effectiveness of the system of internal control
In accordance with the requirements of the Accounts and Audit Regulations 2015 and Public Sector Internal Audit Standards (PSIAS) the CGAC approved the annual review of the effectiveness of its system of internal control and internal audit. The Head of Audit & Risk's self-assessment of current compliance with the Public Sector Internal Audit Standards & Code of Ethics and revised CIPFA Local Government Application Note 2019, concluded that overall Internal Audit does conform to these Standards and an Action Plan has been agreed to further improve compliance and progress with this, which will be monitored by the CGAC.

2. Head of Audit and Risk's Annual Assurance Opinion

   Based both on the programme of planned Internal Audit work and the findings of ad hoc reviews and investigations undertaken and other than in respect of a small number of significant control issues that have arisen during the year, the Head of Audit and Risk has provided assurance that overall the Council's systems of governance, risk management and internal control are generally sound and operate reasonably consistently across Services.

Concern was expressed about the following key areas about which Limited Assurance opinions were produced and which were given due consideration as Significant Governance Issues:

- Need to adopt a corporate assurance framework
- Council and KNH Health & Safety Issues
- Better control of the risk of fraudulent creditor payments

3. External Auditor's Review

During the year the External Auditor's Annual Report included

- an unqualified opinion on the Council's 2018/19 financial statements; and
- an unqualified value for money conclusion, stating that we have made proper arrangements to secure economy, efficiency and effectiveness in our use of resources.

The period to which this Statement relates has been elongated this time beyond the normal point of the September following the end of the previous financial year by two factors

- additional professional requirements on the external auditor, and
- The impact of coronavirus.

It is likely that the Statement will apply until at least 30 November and the Annual Review reflects this extension, albeit that work is ongoing too in order address the issues as described in the Action Plan.

4. Corporate Governance & Audit Committee (CGAC)

The Committee considered and approved an updated Local Code of Corporate Governance at its meeting in March.

During 2019/20 the CGAC reviewed a number of aspects of the Council's governance arrangements and noted or approved revisions or made recommendations to Council as appropriate. CGAC also receives assurance from various annual reports such as health and safety, emergency planning and business continuity, information governance and customer corporate complaints and is informed of peer review activity.

Recognising the need to ensure that members of the Committee have the appropriate support and skills to carry out their role, training sessions were provided during the year including looking at Treasury management.

5. Overview & Scrutiny Management Committee

During 2019/20 the Committee and its four Panels reviewed a number of aspects of the Council's governance arrangements and key issues faced and strategies and responses to manage these, including the climate emergency, community cohesion and financial reporting.

6. Standards Committee

During the year the Committee reviewed various aspects of Member conduct, and initiated review of the standards process in response to publication of the report of the Committee on Standards in Public Life.

7 Role of the Chief Financial Officer

The role of the Chief Financial Officer (CFO) continues to reflect the governance arrangements set out in the CIPFA Statement, which are required to ensure the CFO is able to operate effectively and perform their core duties as part of the review of the Constitution. The Council's financial management arrangements continue to fully conform to those set out in the Statement.

8 External Inspections & Peer Reviews

Two key pieces of work were undertaken during the year.

- Local Government Association Corporate Peer Review Challenge

The Challenge took place during July 2019. It involved substantial input from a wide range of staff, elected members and stakeholders. The peer team considered five key areas of inquiry, which form the core components covered by all such Challenges. These are areas the LGA believe are critical to councils' performance and improvement:

- understanding of the local place and priority setting;
- leadership of place;
- organisational leadership and governance;
- financial planning and viability; and
- capacity to deliver.

In addition to the five areas above, the Council asked the peer team to take a sense check of whether the Council has the right focus, how the Council's 'journey' might be speeded up and what more the Council could do.

The outcome of the report was largely positive. It did provide a series of key recommendations and an Action Plan has been compiled to manage the response, which includes development issues being managed through the new Corporate Plan and governance ones through the Action Plan for this Statement.

- Ofsted Inspection – Children's Services

A full inspection commenced in June 2019 and concluded that significant progress had been made across Children's Services since the last inspection took place in 2016 which led to special measures being introduced.

It acknowledged the improvements that have been made in supporting children, young people and families, noting that the authority is showing clear and focused leadership; a strengthening of partnerships; and improved workforce stability. It adds that there are no widespread or serious failures, children who need help and protection are now recognised and the risk of significant harm is quickly responded to.

Whilst the report confirmed that Kirklees is no longer considered inadequate in any of its service areas, it did outline a number of areas for further improvement, which is reflected in the judgement of 'requires improvement to be good'. Work is in progress to address these improvement areas.

9 Officer Governance

Officer Boards as prescribed in the Constitution have continued to drive forward the Transformation Programme within the context of the Medium Term Financial Plan with strategic oversight from the Executive Team and escalation of appropriate issues. These arrangements are subject to both Cabinet and Scrutiny oversight.

10 Significant Partnerships

Partnerships range from joint venture partnerships, thematic partnerships and their subsidiaries to key contractual agreements managing substantial amounts of public money. The main contact officer for each Partnership is responsible for assessment of the governance arrangements and providing details of any significant changes to the membership and circumstances of the partnership. This information is used by senior officers of the Council to assess the potential risk that the partnership presents to the reputation or financial standing of the Council. The Council is continuing to work on a number of areas where arrangements need to be revised to strengthen and embed the governance framework, as identified in the Action Plan for this Statement.

11 Director of Public Health / Emergency Planning

As the coronavirus outbreak escalated during March 2020, the risk and potential impact on the Council and the whole of Kirklees was assessed and the scale and magnitude of the issues raised came into focus. Advice and guidance building on that from Public Health England has continued apace ever since.

12 Monitoring Officer / Senior Information Risk Owner

Reviewed information governance and security matters as role of Chair of the Information Governance Board, as well as wider organisational governance and compliance with the Constitution.

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DRAFT

Grant Thornton

Audit Findings (ISA 260) Report for Kirklees Council

Year ended 31 March 2020

14 November 2020

Agenda Item 10

Contents

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Headlines

This table summarises the key findings and other matters arising from the statutory audit of Kirklees Council ('the Council') and the preparation of the group and Council's financial statements for the year ended 31 March 2020 for those charged with governance.

Covid-19	The outbreak of the Covid-19 coronavirus pandemic has had a significant impact on the normal operations of the group and Council. Areas of Kirklees have endured a high transmission rate of the Covid-19 pandemic and the Council has responded by diverting staff towards dealing with front line services such as adult and social care needs. There have been significant financial challenges as the Council responded to the COVID-19 pandemic through additional costs to support operational services, lost income through reduced trading activity and some cessation of services. In addition, council tax payments and business rates payments reduced as lock down started, businesses closed, and staff furloughed. Authorities are still required to prepare financial statements in accordance with the relevant accounting standards and the Code of Audit Practice, albeit to an extended deadline for the preparation of the financial statements up to 31 August 2020 and the date for audited financials statements to 30 November 2020.	We updated our audit risk assessment to consider the impact of the pandemic on our audit and our Audit Plan included a financial statement risk in respect of Covid -19 and highlighted the impact on our VfM approach. Further detail is set out on page 6. Restrictions for non-essential travel has meant both Council finance staff and audit staff have had to work remotely throughout the period of the year end audit which created audit challenges such as remotely accessing financial systems, video calling, physical verification of assets and ensuring the completeness and accuracy of information produced by the entity. Management initially intended to provide draft accounts for audit on 30 June 2020. Despite not meeting this target date, draft accounts were presented for audit on 31 July, a month ahead of the extended deadline which is an achievement given the challenges faced by the impact of the pandemic.
Financial Statements	Under International Standards of Audit (UK) (ISAs) and the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion, the group and Council's financial statements: • give a true and fair view of the financial position of the group and Council's income and expenditure for the year; and • have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting and prepared in accordance with the Local Audit and Accountability Act 2014. We are also required to report whether other information published together with the audited financial statements (including the Annual Governance Statement (AGS) and Narrative Report), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.	Our audit work was completed remotely during September to November 2020. Our findings are summarised on page 4. We have identified a non-material adjustment to the financial statements that management have chosen not to process as detailed in Appendix C. The adjusted misstatements and disclosure recommendations are also reported at Appendix C. We have also raised recommendations for management as a result of our audit work in Appendix A. Our follow up of recommendations from the prior year's audit are detailed in Appendix B. Our work is substantially complete and there are no matters of which we are aware that would require modification of our audit opinion (Appendix E) or material changes to the financial statements, subject to the following outstanding matters; • completing the remaining elements of our work including PPE, pension fund assets and liabilities, payables, receivables, payroll costs and the Group audit (assessment of KSDL stadium valuation) • assurance from the West Yorkshire Pension Fund auditor on the 2019/20 Pension Fund accounts • completion of our internal quality review processes, including final reviews of the file by both the manager and engagement lead, specifically in respect of significant audit risks of PPE revaluations and the Pension Fund liability

Headlines

Financial statements (continued		• reviewing the final version of the financial statements, Narrative Report and Annual Governance Statement • obtaining and reviewing the management letter of representation • updating our post balance sheet events review, to the date of signing the opinion. • procedures for Whole of Government Accounts (to be completed in December 2020) We have concluded that the other information to be published with the financial statements is consistent with our knowledge of your organisation. The financial statements we have audited cover the period up until 31 March 2020 which was shortly after the outbreak of the Covid-19 coronavirus pandemic. Our anticipated extended audit report opinion will be unqualified, although highlighting the material uncertainty that exists regarding the valuation of land, building and investment property, and the material uncertainty regarding the valuation of underlying pension fund assets that make up the pension fund net liability. These uncertainties reflect the market uncertainty arising from the Covid-19 pandemic.
Value for Money arrangements	Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report if, in our opinion, the Council has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources ('the value for money (VFM) conclusion').	We have completed our risk based review of the Council's value for money arrangements. We have concluded that Kirklees Council has proper arrangements to secure economy, efficiency and effectiveness in its use of resources. We have updated our VfM risk assessment to document our understanding of your arrangements to ensure critical business continuity in the current environment. We have not identified any new VfM risks in relation to Covid-19. We therefore anticipate issuing an unqualified value for money conclusion, as detailed in Appendix E. Our findings are summarised in section 3 of this report.
Statutory duties	The Local Audit and Accountability Act 2014 ('the Act') also requires us to: • report to you if we have applied any of the additional powers and duties ascribed to us under the Act; and • to certify the closure of the audit.	We have not exercised any of our additional statutory powers or duties. We have completed the majority of our work under the Code but will not be able to issue our completion certificate until we have completed our work on the Whole of Government consolidation pack.

Acknowledgements

We would like to take this opportunity to record our appreciation for the assistance and timely collaboration provided by the finance team and other staff during these unprecedented times.

Audit approach

Overview of the scope of our audit

This Audit Findings Report presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260 and the Code of Audit Practice ('the Code'). Its contents have been discussed with management.

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK) and the Code, which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

Audit approach

Our audit approach was based on a thorough understanding of the group's business and is risk based, and included:

- An evaluation of the Council's internal control environment, including its IT systems and controls, including the IT recommendations and progress on prior year at Appendix B;
- An evaluation of the components of the group based on a measure of materiality considering each as a percentage of the group's gross revenue expenditure to assess the significance of the component and to determine the planned audit response. From this evaluation we determined that an audit of Kirklees Neighbourhood Homes Ltd specified audit procedures for IAS19 pension liabilities was required, which was completed by Beever and Struthers (KNH auditor) and by ourselves. Management also consolidate Kirklees Stadium Development Ltd into the group accounts, due to the fair value valuation of the stadium building being material. Our audit procedures are limited to analytical review and an assessment of the KSDL Stadium valuation.
- Substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks

Conclusion

We have substantially completed our audit of your financial statements and subject to outstanding queries being resolved, we anticipate issuing an unqualified audit opinion following the Corporate Governance and Audit Committee meeting on 24 November 2020 and by the deadline of 30 November 2020, as detailed in Appendix E. These outstanding items are listed on pages 3 and 4.

Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

Materiality levels remain the same as reported in our Audit Plan.

	Group Amount (£)	Council Amount (£)	Qualitative factors considered
Materiality for the financial statements	13,370,000	13,250,000	This equates to 1.35% of the previous year's gross cost of services expenditure and is considered to be the level above which the users of the accounts would wish to be aware of any misstatement
Performance materiality	8,691,000	8,613,000	Assessed at 65% of financial statements materiality
Trivial matters	663,000	663,000	Assessed at 5% of Authority financial statements materiality
Materiality for Senior Officer's Emoluments (Note 33)	n/a	20,000	This item merits a lower materiality than financial statement level materiality due to being of particular interest to the public

Significant audit risks

Risks identified in our Audit Plan	Auditor commentary
Covid–19 Authority and Group The global outbreak of the Covid-19 virus pandemic has led to unprecedented uncertainty for all organisations, requiring urgent business continuity arrangements to be implemented. We expect current circumstances will have an impact on the production and audit of the financial statements for the year ended 31 March 2020, including and not limited to; - remote working arrangements and redeployment of staff to critical front line duties may impact on the quality and timing of the production of the financial statements, and the evidence we can obtain through physical observation - volatility of financial and property markets will increase the uncertainty of assumptions applied by management to asset valuation and receivable recovery estimates, and the reliability of evidence we can obtain to corroborate management estimates - financial uncertainty will require management to reconsider financial forecasts supporting their going concern assessment and whether material uncertainties for a period of at least 12 months from the anticipated date of approval of the audited financial statements have arisen; and - disclosures within the financial statements will require significant revision to reflect the unprecedented situation and its impact on the preparation of the financial statements as at 31 March 2020 in accordance with IAS1, particularly in relation to material uncertainties. We therefore identified the global outbreak of the Covid-19 virus as a significant risk, and one of the most significant assessed risks of material misstatement.	In response to the risk identified we: • worked with management to understand the implications the Covid-19 pandemic had on the organisation’s ability to prepare the financial statements and update financial forecasts, and assessed the implications for our materiality calculations. No changes were made to materiality levels previously reported. The draft financial statements were provided on 31 July 2020; • liaised with other audit suppliers, regulators and government departments to co-ordinate practical cross-sector responses to issues as and when they arose. Examples include the material uncertainty disclosed by the Council’s property valuation expert and pension fund actuary; • evaluated the adequacy of the disclosures in the financial statements that arose in light of the Covid-19 pandemic; • evaluated whether sufficient audit evidence could be obtained through remote technology; • evaluated whether sufficient audit evidence could be obtained to corroborate significant management estimates such as assets and the pension fund liability valuations; • evaluated management’s assumptions that underpin the revised financial forecasts and the impact on management’s going concern assessment; and • engaged the use of auditor experts for higher risk audited bodies such as Kirklees Council for property asset valuations. Management have included a material uncertainty in the financial statements regarding land and buildings valuation arising from the global pandemic as we would expect to see. Management have also included a material uncertainty regarding the Council’s share of West Yorkshire Pension Fund property funds and personal equity investments within Note 5 (Estimation Uncertainty) arising from the audit. We have no other specific matters to report concerning the risk identified.

Significant audit risks

Risks identified in our Audit Plan	Auditor commentary
Improper revenue recognition - Authority Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition. Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Authority, we determined at the planning stage that the risk of fraud arising from revenue recognition can be rebutted, because: • there is little incentive to manipulate revenue recognition • opportunities to manipulate revenue recognition are very limited • the culture and ethical frameworks of local authorities, including Kirklees Metropolitan Council, mean that all forms of fraud are seen as unacceptable	The presumed risk was rebutted at the planning stage of the audit for the reasons given. We reviewed our rebuttal of this risk during the final accounts audit and concluded our assessment as detailed in the Audit Plan was still appropriate. As we did not consider this to be a significant risk for the Council, we did not undertake any specific work in this area other than our normal audit procedures, including validating total revenues to council tax, non domestic rates and central government grants income.
Management override of controls - Authority Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities. The Authority faces external scrutiny of its spending and this could potentially place management under undue pressure in terms of how they report performance. We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk, which was one of the most significant assessed risks of material misstatement.	We have undertaken the following procedures in relation to this risk: • evaluated the design effectiveness of management controls over journals • analysed the journals listing and determined the criteria for selecting high risk or unusual journals • tested high risk and unusual journals recorded for appropriateness and corroboration • gained an understanding of the accounting estimates and critical judgements applied by management and considered their reasonableness with regard to corroborative evidence • evaluated the rationale for changes in accounting policies, estimates or significant unusual transactions. For 2019/20 management adopted a triennial revaluation cycle for land and buildings replacing the five yearly cycle that operated previously. We consider that this change will lead to more responsiveness to valuation movements and consequently a more accurate valuation in the balance sheet. Management also revisited their disclosure in Note 5 Assumptions and Major Sources of Estimation Uncertainty. Reference to Provisions was removed as not considered to be a source of material estimation uncertainty. Otherwise, our audit work has not identified any issues in respect of management override of controls which we wish to bring to your attention. *Work ongoing – responses to journals queries*

Significant audit risks

Risks identified in our Audit Plan	Auditor commentary
Valuation of land, buildings and investment property – Authority The Authority re-values its land and buildings on a three-yearly basis. In the intervening years, such as 2019/20, to ensure the carrying value in the Authority and group financial statements is not materially different from the current value or the fair value (for surplus assets) at the financial statements date, the group requests a desktop valuation from its valuation expert to ensure that there is no material difference. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved and the sensitivity of this estimate to changes in key assumptions. We therefore identified valuation of land and buildings as a significant risk, which was one of the most significant assessed risks of material misstatement, and a key audit matter. Following issue of the Audit Plan, the significant risk was also extended to include investment properties. Need to conclude: Are learning disability care homes correctly valued at EUV Impact of applying a de-minimus for not revaluing investment properties annually – does not comply with the Code	Our audit work included, but was not restricted to: • evaluating management's assessment of the valuation of land, buildings and investment property, gaining an understanding of the valuation process, including the key controls and assumptions used by management; • evaluating management's assessment that land and buildings not subject to the triennial valuation are not materially misstated at 31 March 2020; • critically assessing how key assumptions, such as the location, floor area, VAT recognition and the useful economic lives of the assets are determined by the Authority; • evaluating the competence, capabilities and objectivity of management's valuation expert; • challenging the information used by the valuer to assess its completeness and consistency with our understanding; • engaging our own valuer to assess the instructions issued to the Authority's valuer by management, the valuer's report and the assumptions that underpin the valuation; and • testing, on a sample basis, revaluations made during the year to ensure they have been input correctly into the Authority's asset register and financial statements. **Key observations** As, disclosed in note 5 (Assumptions and Major Sources of Estimation Uncertainty) to the financial statements, in applying the Royal Institute of Chartered Surveyors (RICS) Valuation Global Standards 2020 ('Red Book'), the valuer has declared a material valuation uncertainty' in their valuation report. This is on the basis of uncertainties in the markets caused by Covid-19. The valuation exercise was carried out in December 2019 with a valuation date of 31 March 2020. The values in the valuation report have been used to inform the measurement of property assets at valuation in the financial statements. With the valuer having declared this material valuation uncertainty, the valuer has continued to exercise professional judgement in providing the valuation and management believes this remains the best information available to the Authority. The Authority's valuer prepared their valuations in accordance with the RICS Valuation – Global Standards using the information that was available to them at the valuation date in deriving their estimates. We identified an overstatement of two care home valuations by £5m due to an error in the number of bedrooms used to derive the valuation. We have reviewed all care home valuations to ensure that the error does not extend beyond the two identified. Details are shown in the schedule of unadjusted errors at Appendix C. Subject to completion of or work, we have obtained sufficient audit assurance to conclude that: • the basis of the valuation of land, buildings and investment property was appropriate; • the assumptions and processes used by management in determining the estimate of valuation of property were reasonable; and • the valuation of land, buildings and investment property disclosed in the financial statements is reasonable. *Work ongoing including review of land/buildings/investment properties not revalued, and Council dwellings*

Significant audit risks

Risks identified in our Audit Plan	Auditor commentary
Valuation of pension fund net liability – Authority and Group The Authority's pension fund net liability, as reflected in its balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements and group accounts. The pension fund net liability is considered a significant estimate due to the size of the numbers involved (£824m in the Authority's 2019/20 balance sheet) and the sensitivity of the estimate to changes in key assumptions. We therefore identified valuation of the Authority's pension fund net liability as a significant risk, which was one of the most significant assessed risks of material misstatement, and a key audit matter. Since issuing the Audit Plan we have also identified the Valuation of the pension fund liability as a significant risk to the Group due to the values and level of estimation involved regarding the share of the liability for Kirklees Neighbourhood Homes Ltd. This is however not considered a key audit matter for the group.	Our audit work included, but was not restricted to: • evaluating the accounting policy for the Authority's membership of the West Yorkshire Pension Fund (WYPF) for appropriateness and compliance with the Code of Practice for Local Authority Accounting 2019/20; • gaining an understanding of the processes and controls put in place by management to ensure that the Authority's pension fund net liability was not materially misstated and evaluating the design of the associated controls; • assessing the competence, capabilities and objectivity of the actuary who carried out the pension fund valuation; • testing the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary; • engaging with the auditors of WYPF to identify, document and evaluate the procedures and controls used by WYPF to establish the accuracy and completeness of the source data, and over the provision of this source data, to the actuary for the purposes of preparing the triennial valuation; (one remaining query with fund auditor) • updating our understanding of the agreement between WYPF and the Authority; • evaluating the instructions issued by management to their management expert (an actuary) for these estimates and the scope of the actuary's work; • assessing the accuracy and completeness of the information provided to the actuary to estimate the liability; and • testing the Authority's membership information provided by WYPF to the scheme actuary to the underlying records. **Key observations** Management adjusted the first draft version of accounts for audit to correct an error made in the pension fund valuation made by and identified by AoN, the scheme actuary. The Pensions disclosure note figures and related entries were amended for the AoN notified error. Areas amended include Narrative Report (page 12), estimation uncertainty note 5, Note 25 Other LT liabilities, Note 27 Unusable reserves. This increased the net pension fund liability by £10.536m. During the course of the audit the WYPF external auditor notified that they were placing an emphasis of matter in their audit opinion regarding uncertainty in the valuation of level 3 direct and pooled property within the fund (£347m) and regarding level 3 private equity in the fund (£1,514m). As a result we have requested that this estimation uncertainty is reflected in Note 5 to the Kirklees accounts (Assumptions and Major Sources of Estimation Uncertainty). We obtained sufficient audit assurance to conclude that: • the basis of the valuation of the net pension fund liability was appropriate and the assumptions and processes used by management in determining the estimate were reasonable; and • the valuation of the pension fund net liability disclosed in the financial statements is reasonable. *Work ongoing*

Significant findings – other issues

This section provides commentary on new issues and risks which were identified during the course of the audit that were not previously communicated in the Audit Plan and a summary of any significant control deficiencies identified during the year.

Issue	Commentary	Auditor view
Control deficiency – Updating supplier bank details Internal audit's review covering the period from 1 April 2018 to 31 October 2019 identified a fundamental breakdown of control regarding the processing of bank mandate changes from suppliers, exposing the Council to serious risk a significant fraud. Recommendations were made by Internal Audit to improve controls effective from mid-February 2020.	Our follow up review covered the remainder of the 2019/20 financial year. No evidence of bank mandate fraud was identified in our testing, however we were notified by officers that one minor third party fraud did occur in February 2020, which was refunded by the bank. We also found that although enhanced checks on bank mandate changes did appear to be evidenced on the system, in line with Internal Audit's recommendation, the monitoring of the recommendation had not been actioned until we made our own inquiries in October 2020.	A strong control environment is needed to contain the risk of bank mandate fraud, which if left uncorrected could leave the Council exposed to financial and reputational damage. A control recommendation has been raised at Appendix A to re-iterate that monitoring and oversight of bank mandate changes should take place and be reported to the Corporate Governance and Audit Committee.
Dedicated Schools Grant The Council had a cumulative overspend of £14,396m as 31 March 2020 carried forward as a negative reserve. We disagree with the Management (and CIPFA's) view that a negative reserve can be created to carry forward DSG overspends. We have reviewed the statement from CIPFA which confirms the guidance in LAAP bulletin 99 Local Authority Reserves and Balances remains extant i.e. it "neither anticipates nor allows for a voluntary earmarked balance to be presented in a deficit position."	Management have produced a briefing paper to support their accounting treatment of DSG overspends which they consider to be in accordance with CIPFA Bulletin 05 regarding Closure of the 2019/20 Financial Statements. This is interpreted to mean that a Local Authority can carry forward any overspends on DSG as a negative usable reserve rather than deducting from the general fund balances. The £14,396m negative DSG reserve is netted off other earmarked reserves.	Although we agree that management are complying with the CIPFA Bulletin 05 we do not consider that this is consistent with CIPFA LAAP bulletin 05 and consequently there should not be a voluntary earmarked DSG reserve. We however recognise that more clarity is required from CIPFA and note that a statutory override is proposed for 2020/21. We have therefore raised this as a misclassification error between reserves in Appendix C.
IFRS 16 implementation has been delayed by one year Although the implementation of IFRS 16 has been delayed to 1 April 2021, Authorities still need to include disclosure in their 2019/20 statements to comply with the requirement of IAS 8 para 31. As a minimum, we would expect audited bodies to disclose the title of the standard, the date of initial application and the nature of the changes in accounting policy for leases.	Management include IFRS 16 within note 3 Accounting Standards that have been issued but have not yet been adopted.	Whilst the 2019/20 disclosure meets minimum expectations, management should ensure that they are fully prepared for the additional disclosure requirements arising from the introduction of IFRS 16 which will involve a detailed review of existing leases.

Significant findings – key estimates and judgements

Accounting area	Auditor commentary
Land and Buildings – Other - £528m	We have used Gerald Eve as our auditor expert to assess the valuer and assumptions made by the valuer – see table below for the work completed and our responses:

Area of review	Gerald Eve comment	Audit team follow up	Assessment
Clarity of terms of engagement and instructions.	Generally, we are comfortable that the valuer's instructions with the Authority have been set out within the Terms of Engagement letter in line with the RICS Red Book VPS 1.	N/A	● GREEN
Is there a clear rationale/ approach provided to support the valuation methodology adopted for each asset category.	We are comfortable that the four classifications of valuation approaches have been set out in accordance with the Code.	N/A	● GREEN
Reasons for changes in assumptions or methodologies employed from prior periods.	The Valuation of Care Homes has moved from DRC to Existing Use Value due to the availability of suitable income generation information to support the valuation. The Council has moved to a triennial external valuation schedule for 2019/20 to replace the previous 5 yearly cycle. GE were content with these changes in methodology.	Our work involved detailed testing of the external valuation schedules, including a sample of EUV assets and reviewing the underlying assumptions such as floor areas, location factors and use of indices. Subject to completion of our work, other than the care home revaluations there are no further issues identified.	● GREEN
Confirmation of MEA assumptions/ principles adopted and that conclusion can be supported. Confirmation that land values adopted in DRC valuations are satisfactorily evidenced.	The audit team should confirm if MEA adjustments have been made to arrive at DRC building values, where appropriate. The team should also confirm that the valuer has undertaken market evidence research to ensure land values are kept up to date with market movements.	Our work included review and challenge of the MEA assumptions, and review of evidence to support land values adopted for the sample of assets tested – no issues were identified.	● GREEN
Confirmation that asset lifting estimates appear reasonable and in accordance with the detailed guidance.	The audit team should check that the valuer has assessed remaining economic lives in accordance with the DRC Guidance Note.	We have assessed the appropriateness of remaining useful economic lives and have no issues to report.	● GREEN
How has obsolescence been arrived at for DRC valuations?	The audit team should understand how the age and obsolescence has been calculated.	In our testing of DRC assets we compared the obsolescence factors used against the expected scale – no issues were identified.	● GREEN

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Significant findings arising from the group audit

Component	Component auditor	Findings	Group audit impact
Kirklees Stadium Development Company Ltd (KSDL) **(40% Joint Venture)**	Revell Ward LLP	At the planning stage of the audit, and based upon prior year Group Accounts, we did not identify any specific significant risks regarding the Council's consolidation of the Joint Venture, and consequently planned to rely upon analytical procedures to gain audit assurance for the consolidation. The following matter has arisen during the audit: 1. The Council provided an updated IFRS based valuation of the KSDL stadium and associated property for £51.1m on 11 November 2020. The carrying value was £19.6m. This resulted in an understatement of the equity investment in KSDL on the Group balance Sheet by £12.5m and corresponding unrealised gain on the Group CIES. This is reported as an audit adjustment at Appendix C. We also recommended that management disclose the material valuation uncertainty concerning the stadium valuation as disclosed by the valuer. 2. Given the market uncertainty arising from the pandemic we requested additional evidence from the Council to support that KSDL remains a going concern. Management have provided suitable evidence to support this assertion.	• Awaiting auditor's valuation expert review of the stadium valuation
Kirklees Neighbourhood Homes Ltd (KNH) **(100% owned subsidiary)**	Beever Struthers LLP	Management adjusted the first draft version of the Group Accounts presented for audit to correct an error made in the pension fund valuation for KNH made by and identified by AoN, the scheme actuary. We sought to place reliance upon some of the work of the auditor of KNH to gain assurance over the valuation of the KNH net pension fund liability within WYPF. Upon inspection of the component auditor's work we are required to carry out further procedures to gain sufficient assurance over the control environment over the pension fund liability in place at KNH. This is a change n the scope of the audit work reported in the Audit Plan. The Council has plans in place to bring the services of KNH back in house from 1 April 2021 followed by the closure of the subsidiary company. We have recommended that management make reference to this in the notes to the Council's accounts.	• Awaiting completion of audit work over KNH pension liability

Significant findings – key estimates and judgements

Accounting area	Summary of management's policy	Auditor commentary	Assessment
Land and Buildings – Other - £528m	Other land and buildings comprises £403m of specialised assets such as schools and libraries, which are required to be valued at depreciated replacement cost (DRC) at year end, reflecting the cost of a modern equivalent asset necessary to deliver the same service provision. The remainder of other land and buildings (£125m) are not specialised in nature and are required to be valued at existing use in value (EUV) at year end. The Council has engaged Wilks Head and Eve to complete the valuation of properties as at 31 December 2019 on a three yearly cyclical basis. 53% of total Land and Buildings assets were revalued during 2019/20. In line with RICS guidance, the Council's valuer disclosed a material uncertainty in the valuation of the Council's land and buildings at 31 March 2020 as a result of Covid-19. The Council has included disclosures on this issue in Note 5. The valuation of properties undertaken by the valuer has contributed to a net increase of £32.7m. Management have considered the year end value of non-valued properties, and the potential valuation change in the assets revalued at 31 December 2019 to determine whether there has been a material change in the total value of these properties. Management's assessment of assets not revalued has identified no material change to the value of these properties. The total year end valuation of Other land and buildings was £528m, a net increase of £33m from 2018/19 (£495m).	• We have assessed the Council's external valuer, Wilks Head and Eve, to be competent, capable and objective • We have carried out completeness and accuracy testing of the underlying information provided to the valuer used to determine the estimate, including floor areas • The Council has moved to a triennial valuation cycle from 2019/20 onwards which provides more robustness to the five yearly cycle that operated previously • Management has deemed that from 2019/20, Care Homes can be valued on an Existing Use Value (EUV) based upon revenue potential which is a move from Depreciated Replacement Cost that operated previously • During the audit we identified that two Care Homes were overvalued due to a calculation error of number of bedrooms by the valuer. The valuation was amended by £5m to correct the error as reported in Appendix C • Otherwise the valuation methods remain consistent with the prior year • In relation to assets not revalued in the year, we have compared the Gerald Eve (valuation specialists) report and held discussions with our own valuation expert. These discussions are still on going. We have also challenged the Council's valuation specialist on valuation differences identified through our sensitivity analysis work using other indices. These discussions are still on-going and we will make our conclusions before we issue the audit opinion. • The Council's valuation specialist has included a material valuation uncertainty paragraph as a result of Covid-19 in the valuation reports. This is also reported in the financial statements • Overall this key estimate of valuation includes a material uncertainty as at 31 March 2020 and we concur with that conclusion.	Green

Assessment

- We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- We consider management's process is appropriate and key assumptions are neither optimistic or cautious

Significant findings – key estimates and judgements

Accounting area	Summary of management's policy	Auditor commentary	Assessment
Land and Buildings – Council Housing - £679m	The Council owns 22,229 dwellings and is required to revalue these properties in accordance with DCLG's Stock Valuation for Resource Accounting guidance. The guidance requires the use of beacon methodology, in which a detailed valuation of representative property types is then applied to similar properties. The Council has engaged Cushman & Wakefield to complete the valuation of these properties. The year end valuation of Council Housing was £679m, a net increase of £62m (10%) from 2018/19 (£617m). The Council's valuation specialist has included a material valuation uncertainty paragraph as a result of Covid-19 in their valuation reports. This is also reported in critical judgements, estimations made within the financial statements.	• The Council's RICS qualified valuer valued the entire housing stock using the beacon methodology, in which a detailed valuation of representative property types was then applied to similar properties. • Our work indicated that this methodology was applied correctly during 2019-20 valuation. • There has been an increase in the housing stock valuation of £62m during the year (10%). • We have compared the valuation movements with the Gerald Eve (valuation specialists) report and held discussions with our own valuation expert. These discussions are still on going. We have also challenged the Council's valuation specialist on valuation differences identified through our sensitivity analysis work using other relevant indices. These discussions remain on-going and we will make our conclusions before we issue the audit opinion. • The Council's valuation specialist has included a material valuation uncertainty paragraph as a result of Covid-19 in the valuation reports. This is also reported in the financial statements. Therefore, we are proposing to reference this issue in our audit opinion • We have assessed the Council's valuer, to be competent, capable and objective in carrying out the valuations • We have carried out completeness and accuracy testing of the underlying information provided to the valuer used to determine the estimate and have no issues to report • We have agreed the HRA valuation report to the Statement of Accounts and we can confirm that HRA valuation report balance has being correctly accounted for in the financial statements • Overall this key estimate of valuation includes a material uncertainty as at 31 March 2020 and we concur with that conclusion. As such, we will be reporting this within our audit opinion (as noted at Appendix E).	Green

Significant findings – key estimates and judgements

Accounting area	Summary of management's policy	Auditor commentary	Assessment
Net pension liability – £824m Council **£888.8m Group**	The Council's net pension liability at 31 March 2020 is £824.7m (PY £738.1m) comprising the West Yorkshire Pension Fund defined benefit Local Government pension scheme obligations. The Council uses AoN to provide actuarial valuations of the Council's assets and liabilities derived from this scheme. A full actuarial valuation is required every three years. The WYPF auditor has referenced a material uncertainty in the valuation of property investments and personal equity investments at 31 March 2020 as a result of Covid-19. The Council has included disclosures on this issue in Note 5 (Estimation Uncertainty). The latest full actuarial valuation was completed at 31 March 2019, utilising key assumptions such as life expectancy, discount rates, salary growth and investment returns. Given the significant value of the net pension fund liability, small changes in assumptions can result in significant valuation movements. The Council has seen a £86.6m net increase in Net Liability Related to Defined Benefit Pension Scheme during 2019/20.	• We have assessed the Council's actuary, AoN, to be competent, capable and objective • We have performed additional tests in relation to accuracy of contribution figures, benefits paid, and investment returns to gain assurance over the 2019-/0 roll forward calculation carried out by the actuary and have no issues to raise. • We have used PwC as our auditor expert to assess the actuary and assumptions made by the actuary – see table below for our comparison of actuarial assumptions:	

Assumption	Actuary Value	PwC value / range	Assessment
Discount rate	2.3%	2.3%	
Pension increase rate	2%	1.9% - 2.1%	
Salary growth	3.25%	3% - 3.6%	
Life expectancy – Males currently aged 45 / 65	21.8 / 22.5 years	20.8 -23 years 22.5 – 27.2 years	
Life expectancy – Females currently aged 45 / 65	24.6 / 25.7 years	23.5 – 24.7 years 25 -27.2 years	

- We have confirmed the controls and processes over the completeness and accuracy of the underlying information used to determine the estimate
- We have confirmed there were no significant changes in 2019-20 to the valuation method
- Subject to completion of our work, we are satisfied with the reasonableness of estimate of the net pension liability.

Significant findings – going concern

Our responsibility

As auditors, we are required to "obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity's ability to continue as a going concern" (ISA (UK) 570).

Going concern commentary	Auditor commentary
Management's assessment process Management have an established process in place and prepare a detailed budget each year which is approved by Members. The budget is developed based on a number of assumptions including funding from Government, savings required to be delivered and the pressures facing the Council. To ensure effective management, the budget is broken down by service area and routinely monitored on a monthly basis with performance reported to Cabinet. Cash flow is also routinely monitored as part of the Council's treasury management arrangements. The Council has in place a three year Medium Term Financial Strategy 2021/22 – 2025/26 to allow it to effectively plan its finances ahead and ensure it is able to effectively manage its financial position. The updated MTFS was approved by Cabinet in October 2020 and incorporates the impact of Covid-19. In assessing its going concern position, management look ahead twelve months from its reporting date and have regard to its future cash flow position including whether current spending is in accordance with budget.	• The Service Director, Finance has concluded and confirmed to the auditor that the Council remains a going concern and it is appropriate to continue to prepare its accounts on a going concern basis. Management do not however prepare a formal paper setting out the basis of their going concern assessment for Those Charged With Governance (See Recommendation in Appendix A) • The Council has a track record of delivering its budget. It delivered the 2019/20 breakeven budget and with an operational underspend of £0.2m in 2018/19. The Council's general fund reserves increased by £8.4m during 2019/20 from £105m to £113.4m as at 31 March 2020 • The budget setting processes to prepare the annual budget and the monitoring arrangements in place are considered appropriate and adequate • The Service Director, Finance (s151 Officer) and Head of Service - Accountancy routinely monitor the Council's financial position and report regularly to Members • The Covid-19 pandemic has had a considerable impact on the Council from March 2020. Whilst the additional costs have not had a significant impact on the financial outturn for 2019/20 given the pandemic started to impact from mid-March 2020, the scale of impact is being felt during 2020/21. There have been significant financial challenges as the Council responded to the Covid-19 pandemic through additional costs to support operational services and lost income through reduced trading activities. • The Council's Q2 budget monitoring report for 2020/21 reports a variance against plan of £5.5m of which £3.76m is attributable to Covid-19 related income losses. The 2020/21 budget and MTFS have been revisited and refreshed to include Covid-19 pressures and were approved by Cabinet in October 2020. The revised budget includes planned transfers from reserves during the year, with the largest being £1.3m from the revenue grants reserve, £0.8m from the Public Health reserve and £0.6m from the Strategic Investment Support reserve. • A balanced budget has been set for 2020/21. The MTFS reports a budget gap of £1.9m for 2021/22 and £13.1m for 2022/23. The gaps increase beyond that date although are expected to be partly met by government spending reviews. The budget is accompanied by appropriate sensitivity analysis.

Significant findings – going concern

Going concern commentary	Auditor commentary
Work performed Management did not complete their own going concern assessment so we considered key areas of focus and consideration of its Medium Term Financial Strategy.	• General Fund reserves have increased during 2019/20 by £8.4m to £113.4m at 31 March 2020. This includes £103.4m of earmarked reserves, of which £37.1m is a Financial Resilience Reserve for the purpose of meeting unfunded risks and pressures. A further £2.3m was transferred to reserves in Q1 of 2020/21. • A specific Covid-19 Response Reserve has been created to cover Covid-19 related expenditure during 2020/21. At 31 March 2020 this reserve contained £11.1m being the remainder of the first tranche of the Government's Covid-19 support grant. • The Council is working with the Local Government Association (LGA) and Special Interest Group of Metropolitan Authorities (SIGOMA) to ensure the Council is appropriately compensated for Covid-19 related pressures. Full year forecasts include estimated General Fund Covid-19 impacts of £38m before funding offsets. • Kirklees was allocated £28.2m of the Government's initial £3.7bn Covid-19 support package. The funding for tranches 1 to 4 total £35.8mm and will be initially transferred to the Covid-19 Response Reserve. This helps to provide some mitigation against the financial challenges posed by Covid-19. • At 31 March 2020 the Council held £42m of "cash equivalent" investments which are highly liquid (31 March 2019 £39.1m). • The Council's cash flow forecast to November 2021 reports a balanced income to match planned expenditure after recognising other council tax income, fees and charges which are not yet identified. Otherwise the income and expenditure plans agree to the Council's overall budget. • Considering the measures taken to address Covid-19 pressures, emergency funding available and relatively healthy general fund reserves position, Kirklees is in a stronger position than many Council's to deal with the financial challenges posed by the pandemic. • The updated MTFS and 2020/21 budget approved by the Cabinet in October 2020 contains realistic forecasts and sensitivity analysis and is compensated by adequate reserves to meet deficits as they arise. • We have not identified any material uncertainties that may cast significant doubt on the Authority's ability to continue as a going concern for the foreseeable future.
Concluding comments	We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where: • the Services Director, Finance's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or • the Services Director of Finance has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Council's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue. In the absence of a detailed assessment by management that the going concern basis is appropriate for the 2019/20 financial statements, we have completed our own enquiries and consider that there is no reason for management to disclose a material uncertainty regarding going concern. We have recommended at Appendix A that management prepare a going concern assessment paper annually for the Corporate Governance and Audit Committee in accordance with best practice. We have also recommended that management include a Going Concern note to the financial statements to confirm that this is the basis for preparation and the factors that support this assessment. (Appendix A)

Other matters for communication

We set out below details of other matters which we, as auditors, are required by auditing standards and the Code to communicate to those charged with governance.

Issue	Auditor commentary
Matters in relation to fraud	We have previously discussed the risk of fraud with the Corporate Governance and Audit Committee. We have not been made aware of any incidents in the period relevant to our audit and no other issues have been identified during the course of our audit procedures.
Matters in relation to related parties	We are not aware of any related parties or related party transactions which have not been disclosed.
Matters in relation to laws and regulations	You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
Written representations	A letter of representation has been requested from the Council including specific representations in respect of the Group, which is included in the Audit and Governance Committee papers.
Confirmation requests from third parties	We requested from management permission to send confirmation requests to the Council's banks and investment counterparties. This permission was granted and the confirmation has been received.
Disclosures	Our review found no material omissions in the financial statements. Disclosure omissions raised during the audit are summarised at Appendix C.
Audit evidence and explanations/significant difficulties	All information and explanations requested from management was provided.

Other responsibilities under the Code

Issue	Commentary
Other information	We are required to give an opinion on whether the other information published together with the audited financial statements (including the Annual Governance Statement and Narrative Report), are materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. No material inconsistencies have been identified and we plan to issue an unmodified opinion in this respect – refer to appendix E. Management agreed to some presentational amendments to Annual Governance Statement and Narrative Report which are reported in Appendix C.
Matters on which we report by exception	We are required to report on a number of matters by exception in a numbers of areas: • If the Annual Governance Statement does not meet the disclosure requirements set out in the CIPFA/SOLACE guidance or is misleading or inconsistent with the other information of which we are aware from our audit • If we have applied any of our statutory powers or duties We have nothing to report on these matters.
Specified procedures for Whole of Government Accounts	We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions. As the Council exceeds the specified group reporting threshold, we will be required to examine and report on the consistency of the WGA consolidation pack with the Council's audited financial statements. This work has not yet commenced and will be completed once all other audit work has been concluded.
Certification of the closure of the audit	As a result of the need to complete the WGA work noted above, we do not expect to be able to certify the completion of the 2019-20 audit of the Council in our auditor’s report, as detailed at Appendix E. This is in common with a number of local authorities where certification on closure of the audit takes place following completion of the WGA review in December 2020.

Value for Money

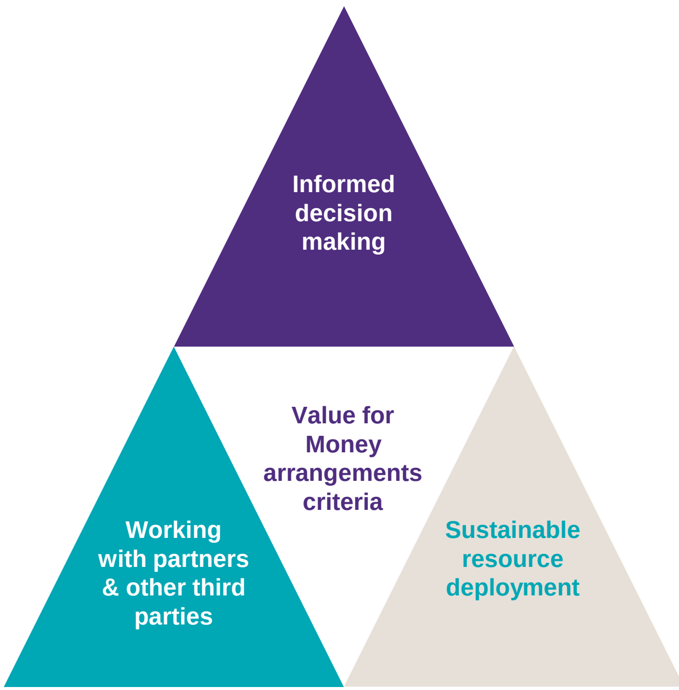
Background to our VFM approach

We are required to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the Value for Money (VFM) conclusion.

We are required to carry out sufficient work to satisfy ourselves that proper arrangements are in place at the Council. In carrying out this work, we are required to follow the NAO's Auditor Guidance Note 3 (AGN 03) issued in April 2020. AGN 03 identifies one single criterion for auditors to evaluate:

"In all significant respects, the audited body takes properly informed decisions and deploys resources to achieve planned and sustainable outcomes for taxpayers and local people."

This is supported by three sub-criteria, as set out below:



Risk assessment

We carried out an initial risk assessment in May 2020 and identified one significant risk in respect of specific areas of proper arrangements using the guidance contained in AGN03. We communicated these risks to you in our Audit Plan dated May 2020.

We have continued our review of relevant documents up to the date of giving our report, and have not identified any further significant risks where we need to perform further work.

Our risk assessment is a dynamic process and we have had regard to new information which emerged since we issued our Audit Plan:

We have not identified any new VfM risks in relation to Covid-19 due to the date of the pandemic impacting month 12 of the financial year only. We have however reviewed management's response to the pandemic within the medium term financial plan.

We carried out further work only in respect of the significant risks we identified from our initial and ongoing risk assessment. Where our consideration of the significant risks determined that arrangements were not operating effectively, we have used the examples of proper arrangements from AGN 03 to explain the gaps in proper arrangements that we have reported in our VFM conclusion.

Value for Money

Our work

AGN 03 requires us to disclose our views on significant qualitative aspects of the Council's arrangements for delivering economy, efficiency and effectiveness.

We have focused our work on the significant risks that we identified in the Council's arrangements. In arriving at our conclusion, our main consideration was:

- Financial standing – the Authority as other authorities, continues to operate under significant financial pressures and achieving the set budget is considered as a key risk.

We have set out more detail on the risks we identified, the results of the work we performed, and the conclusions we drew from this work on pages 22 to 23.

Overall conclusion

Based on the work we performed to address the significant risks, we are satisfied that the Council had proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

The text of our report, which confirms this can be found at Appendix E.

Recommendations for improvement

We discussed findings arising from our work and no recommendations for improvement are required.

Significant difficulties in undertaking our work

We did not identify any significant difficulties in undertaking our work on your arrangements which we wish to draw to your attention.

Significant matters discussed with management

There were no matters where no other evidence was available or matters of such significance to our conclusion or that we required written representation from management or those charged with governance.

Value for Money

Key findings

We set out below our key findings against the significant risks we identified through our initial risk assessment and further risks identified through our ongoing review of documents.

Significant risk	Findings	Conclusion
Sustainable Resource Deployment - Financial Sustainability Risk identified in the Audit Plan: The Council in common with other councils, continues to operate under significant financial pressures. For 2019/20, the Council is planning to deliver a balanced outturn position but to achieve this, needs to deliver planned savings. Since setting the original budget the Covid-19 pandemic has led to significant additional spend and requires a significant reprofile of the short and medium term financial plan. We will assess the progress made by the Council in achieving the 2019/20 financial outturn and consider how the Council plans to manage additional pressures arising from Covid-19. Our audit work included, but was not restricted to: • evaluating the arrangements the Council has in place to achieve its 2019/20 balanced budget; • review the achievement of planned savings during 2019/20; and • assessing whether the Medium-Term Financial Plan (MTFP) and saving plans appropriately recognise the financial risks and pressures facing the Council, including the financial impact of Covid-19 on the Council's finances.	The Council agreed a net revenue budget for 2019/20 of £294.7 million. The budget included targeted investment in the key focus areas for the Council of creating outstanding children's services, tackling climate change and investing in our places. Subsequently, following a net transfer to reserves of totalling £7.6 million, the revised budget was £287.1 million and this was achieved by the Council. The Council planned to deliver £7.7 million savings in 2019/20 as part of the 2020-23 Medium Term Financial Plan (MTFP). The actual savings delivered were £6.5 million. The balance was met through unplanned non-recurrent savings. During 2019/20 there were unplanned service pressures, the largest being £14.4 million for Special Educational Needs and Disability (SEND), above the Council's Dedicated Schools Grant (DSG) allocation. The in-year pressures were met by underspends elsewhere and higher than planned income streams such as Business Rate Relief Grant being £2.2 million higher than budgeted. General Fund balances increased by £8.4 million to £113.4 million at 31 March 2020. This includes £37.1 million financial resilience reserves to address unfunded cost pressures and risks. The Council approved a balanced net revenue budget of £304.5 million for 2020/21 in February 2020, including £2.2 million transfer to reserves. The MTFP included a budget gap of £12 million and £22 million for 2021/22 and 2022/23 respectively.	The Council operates under significant financial pressures, however, it continues to have effective arrangements in place to routinely monitor its budget and take appropriate action to mitigate against any significant variances or additional calls on resources. Whilst the Council has a savings target for 2020/21 of £3m, it has a good record of delivering the savings required and considers the savings targets are achievable. The majority of the 2019/20 savings target was achieved. Covid-19 has had a significant impact on the Council from mid March 2020, with additional costs to support operational services, lost income, and implications of potential reduced council tax and business rates payments. For the majority of 2019/20 the Covid-19 impact was limited given it commenced during March 2020. The cost impact for 2020/21 has been estimated by the Council at £26.5m which is met by government support. However there is also a forecast Covid-19 income loss pressure of £11.4m which is not fully met by government support. The 2020/21 Q2 budget report shows an overspend of £5.5m against the revised General Fund revenue budget of £305.9m. Of this, £3.7m was Covid-19 related income losses. The Council continues to effectively manage its financial position and is dealing with the impact of Covid-19. The Council has not had to contemplate an emergency budget to offset the impact of Covid-19 and has plans in place to deal with the expected cost of Covid-19. We therefore concluded that there are appropriate arrangements in place for sustainable resource deployment. This supports our proposed 'clean' unqualified VFM conclusion.

Value for Money

Key findings

We set out below our key findings against the significant risks we identified through our initial risk assessment and further risks identified through our ongoing review of documents.

Significant risk (Continued)	Findings	Conclusion
Sustainable Resource Deployment - Financial Sustainability (Continued)	The Council has refreshed its MTFP in view of the emerging pressures facing the Council and anticipated funding streams, including from Covid-19, which was approved by full Council on 20 October 2020. The budget gap has reduced to £1.9 million for 2021/22 and £13.1 million for 2022/23 based upon an assumed £11 million annual increase in Adult Social Care funding. The expected budget gap rises sharply from 2023/24 onwards given the uncertainties regarding future government funding settlements and reform such as business rates. The financial impact of Covid-19 was felt from March 2020 although the government has committed to meeting the Council's Covid-19 costs. Kirklees initially received £28.2 million of the £3.7 billion set aside by the Government. A specific reserve for Covid-19 pressures was established in March 2020 containing £11.1 million of the Government's first tranche of un-ringfenced Covid-19 support grant at 31 March 2020. The funding for tranches 1 to 4 total £35.8m and will be initially transferred to the Covid-19 Response Reserve.	

Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standard and confirm that we, as a firm, and each covered person, are independent and are able to express an objective opinion on the financial statements

We confirm that we have implemented policies and procedures to meet the requirements of the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. The firm, its partners, senior managers, managers and network firms have complied with the Financial Reporting Council's Ethical Standards and confirm that we are independent and are able to express an objective opinion on the financial statements.

We have received confirmation that the component auditors (Beever and Struthers LLP and Revell Ward LLP) are independent of the Council.

We have received confirmation that Gerald Eve, auditor's valuation expert is independent.

Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in May 2020 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

Details of fees charged are detailed in Appendix D

Independence and ethics

Audit and Non-audit services

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council. The following audit and non-audit services were identified which were charged from the beginning of the financial year to the current date, as well as the threats to our independence and safeguards that have been applied to mitigate these threats.

Service	£	Threats	Safeguards
Audit related:			
Certification of Housing capital receipts grant	2,000*	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £2,000 in comparison to the total fee for the audit of £152,221 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
Housing Benefit Certification	34,000*	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £TBC in comparison to the total fee for the audit of £152,221 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
Teachers' Pension Return Certification	5,000*	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £5,000 in comparison to the total fee for the audit of £152,221 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
NCTL Certification	5,000*	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £5,000 in comparison to the total fee for the audit of £152,221 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
Total	39,240		
* Estimated fees			

Independence and ethics

Audit and Non-audit services (continued)

	Fees £	Threats identified	Safeguards
Non-audit related			
CFO Insights Subscription	11,500	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £11,500 in comparison to the total fee for the audit of £152,221 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level. These fees have not been reflected in the accounts because of the timing of CFO Insights The CFO insights service provides the Council with access to various data sources, which they decide how to use and make their own decisions about the delivery of services, therefore we do not believe there is an impact on the value for money conclusion.

These services are consistent with the group's policy on the allotment of non-audit work to your auditors. All services have been approved by the Corporate Governance and Audit Committee. None of the services provided are subject to contingent fees.

We do not believe that the previous services detailed above will impact our independence as auditors.

Action plan

We have identified the following recommendations for the group as a result of issues identified during the course of our audit. We have agreed our recommendations with management and we will report on progress on these recommendations during the course of the 2020/21 audit. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

Assessment	Issue and risk	Recommendations
● Medium	**Going Concern** Management do not prepare a paper for Those Charged With Governance to support the going concern basis of accounts preparation. Such a paper is considered to be good practice and would provide assurance on how the Council will meet its financial liabilities, future financial challenges and manage cash flow over the next 12 months.	Prepare a paper annually for Corporate Governance and Audit Committee setting out the basis for the going concern preparation of the financial statements and provide this with the audit working papers. **Management response** Agreed. A going concern report will be submitted to CGAC as part of the 20-21 Accounts process.
● High	**Supplier bank mandate changes** Internal Audit have identified a discrepancy regarding the processing of bank mandate changes for suppliers. Although no evidence of bank mandate fraud was identified by officers at the Council, during 2019/20 Management had not fully implemented the monitoring and reporting of bank mandate changes to the Corporate Governance and Audit Committee, as recommended by Internal Audit.	Monitoring and oversight of supplier bank mandate changes should take place and be reported to the Corporate Governance and Audit Committee. **Management response** […]

Controls

- ● High – Significant effect on control system
- ● Medium – Effect on control system
- ● Low – Best practice

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Action plan

Assessment	Issue and risk	Recommendations
● High	**Improvements to control over administrator access for the Northgate application and database** During our audit, we were informed that administrator access on the Northgate application and database is restricted to users within IT that require it as part of their job roles / duties. However, based on our audit procedures it was noted that one user, who is part of the functional Business Support/CTR Team had this level of access assigned. This breaches good practice to manage risk through segregation of business users and those with administrator access assignments. While we understand a review of access by team is underway a risk currently exists due to this user's access. In addition, it was also noted that a number of shared generic accounts existed within both the application and database that also have administrator access assigned. Whilst we understood these accounts are required for specific tasks (i.e. updates and year end processes) and access is limited to relevant teams (i.e. application support or database admins) the controls over the accounts are not formalised / documented.	We recommend that management should review users assigned privileged access within the Northgate application to ensure all have an appropriate requirement and do not create any segregation of duties threats. Where risks exist and access cannot be removed for operational reasons management should consider implementing formal monitoring of user activities to gain assurance activity is appropriate / in line with job roles and as relevant formal requests. In addition, we recommend management should review controls around the use of any shared accounts to ensure that it is possible for them to gain assurance these are used only for approved tasks and by members of the appropriate teams. Management may also wish to consider if tasks performed by shared accounts could be undertaken through individual user accounts with delegated permissions. This would ensure accountability can be maintained and decrease the risk created through use of shared accounts. **Management response:** The user in the functional business area identified as having administrator access has had that access level removed in order to minimise risk. We recognise the particular risk associated with the Generic accounts. The accounts themselves are required as mandated by Northgate configuration. These functions cannot be assigned to other users, although some will run under another user they do not complete correctly. We have started to investigate audit reports to develop a system to review account logins and also to separately record when Generic accounts are used and by whom. From end of September 2020 we will run two standard audit reports in Northgate, monthly, against the "RB" user to ensure it is only used for approved tasks and by appropriate team in IT. September 2020 - Northgate have released V6.22 of the application and with it an additional (chargeable) module, V6 User Security. We have requested more details and a quote for the additional module which could provide opportunities to enhance overall security, improve our understanding of Job Roles, Action Groups and how they link to user access level thus ensuring a more informed user review. New features include but are not limited to, Single Sign On, the ability to distinguish Revenues access to either Council Tax or NDR, and an updated approach to setting User Roles, Action Groups and login profiles. We are looking to have release 6.22 in test by the end of September and to have made a decision on the additional module. This will inform next steps on the review. It is our intention to complete the review as soon as is practicable.

Action plan

Assessment	Issue and risk	Recommendations
● Medium	**Evidence not available of access reviews being periodically conducted on Active Directory** During our audit, we were informed that user access and permissions reviews are performed on a periodic basis to reconfirm the requirement for individual users assigned access based on their current job role / duties. However, evidence of these reviews occurring was not provided for review. Where evidence of a control operating is not provided the risk is created that the control is not operating effectively. This then creates / increases the following risks: a) Gaps in user administration processes and controls may not be identified and dealt with in a timely manner; b) Access to information resources and system functionality may not be restricted on the basis of legitimate business need; c) Enabled, no-longer-needed user accounts may be misused by valid system users to circumvent internal controls; d) No-longer-needed permissions granted to end-users may lead to segregation of duties conflicts; and e) Access privileges may become disproportionate with respect to end users' roles. We understood that management have initiated a project to review all Northgate access and security logging processes but have not been provided with evidence for review and have been informed new processes have not yet been implemented.	It is our experience that access privileges tend to accumulate over time. As such, we recommend that management implement a process to perform periodic, formal reviews of the user accounts and permissions within Active Directory These reviews should take place at a pre-defined, risk-based frequency (annually at a minimum) and should create an audit trail such that a third-party could determine when the reviews were performed, who was involved, and what access changed as a result. These reviews should evaluate both the necessity of existing user ID's as well as the appropriateness of user-to-group assignments (with due consideration being given to adequate segregation of duties). **Management response:** A new Access Control Policy has been agreed that sets out the requirements for user account permissions. • Leavers process is automated to disable accounts immediately on instruction from HR; deletion after 30 days; • Existing user account permissions challenged when changes requested • Approval of changes and new permissions to be authorised by manager’s manager • Policy commits to regular audits of access permissions In progress: A schedule is now in place to audit all service areas annually using a random sample of 5 - 10% users depending on size of service.

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Action plan

Assessment	Issue and risk	Recommendations
● Medium	**Audit log monitoring is not fully enabled on Active Directory** During our audit, we reviewed the current audit logging output for Active Directory. This has been enabled through the use of a Security Information and Event Management product (SIEM) by McAfee with various events and activity logged, reported and reviewed. However, audit logging is currently not fully enabled across all relevant activities and events. Specifically, we noted that the current provision does not cover: Active Directory Office 365 Supported Applications While the system is not fully enabled the following risks still exist: a) Without appropriate logging and review of user account activities, it is difficult for management to monitor and detect unauthorised actions and / or identify potential external attacks in a timely manner. We understand that IT services are proposing to widen the scope of the processes and reporting / implement a new SIEM tool to ensure that this is completed and followed up in the future.	We recommend that management should ensure that audit logging / reporting processes covers all activities that could risk the security of the systems in use. Specifically logging should ensure use and / or activities of user accounts are configured to capture transactional level and configuration changes using a risk-based process, for example focusing on those accounts with elevated permissions. Logs should be reviewed periodically by someone other than the system administrators themselves. These reviews and, as relevant, follow up activity should be formally documented. **Management response:** SPLUNK has replaced SIEM; AD, O365, VPN, AV and Firewall are monitored in this system; Critical and High alerts are sent to the Security mailbox; Duties are segregated; all monitoring of activity and logs is carried out by the security team. In progress: Currently investigating the onboarding of other applications servers Security team is developing further features with the Consultants.

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Follow up of prior year recommendations

We identified the following issues in the audit of Kirklees Council's 2018/19 financial statements. We have followed up on the implementation of our recommendations and note that 3 are not fully addressed.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
✓	**Revaluation of 'Other Land and Buildings'** The Council's current revaluation cycle of 5 year's for 'Other Land and Buildings' whilst compliant with the Code creates material estimation uncertainty, particularly where the replacement cost of specialised assets may have changed since the last revaluation. This necessitates a substantial amount of work by both finance staff, and auditors to demonstrate that for non revalued assets the current value is not materially different from the carrying value.	The revaluation of 'Other Land and Buildings' is carried out on a three year cycle starting in 2019/20.
✓	**Recognition of Investment in KSDL (Valuation of Stadium)** The valuation of the Stadium complex had been recognised at historical cost and not adjusted to Depreciated Replacement Cost on the consolidation of the Council's investment interest in the group accounts.	The Council provided an updated IFRS based valuation of the KSDL stadium and associated property on 11 November 2020 at £51.1m. The carrying value was £19.6m. This resulted in an understatement of the equity investment in KSDL on the Group balance Sheet by £12.5m. This is reported as an audit adjustment at Appendix C.
X	**Valuation of Investment Properties** The Council only revalues investment properties for individual assets under £250,000 on a 5 year cyclical bases. Whilst we are satisfied that no material estimation uncertainty remains as many of these are long term 'ground rents' this approach is not in our view compliant with the Code. We recommended that the Council should revalue all investment properties annually in compliance with the Code.	**Management Response 2018/19** There are a large number of investment properties (88) that are valued below £250k. At 31st March these represented £7.2m, which is not material. As such the limit for individual pieces of land will remain at £250k. We will however revalue these pieces of land on a 3 year revaluation cycle and those not valued will be reviewed for any potential movement by our internal valuer. Update 2019/20: The Code requires all investment property to be revalued annually and does not allow de-minimus exemption. The Council's treatment is therefore a departure from the code. We are discussing the impact of this departure with management.

Assessment

✓ Action completed

X Not yet addressed

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Follow up of prior year recommendations

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
x	**Idle Login Sessions within Northgate** Login sessions within Northgate have an automated logout which disconnects after a period of 3 hours of inactivity. This condition poses the following risk(s) to the organization: a) Misuse of unattended login sessions by other valid users of the system, leading to loss of accountability of actions performed. b) Misuse of unattended login sessions by unauthorized personnel, leading to unauthorized data disclosure or data tampering	Based on discussion undertaken within the 2019/20 IT audit review of refinements / changes to the Northgate system is ongoing as part of a wider user and logging review. We note however, mitigation of the risk created is provided through the Active Directory screensaver being automatically enabled after 15 minutes.
x	**Automated Notifications of Leaver and Mover Activity** Security administrators of SAP, Northgate and Active Directory were not being provided automated, proactive notifications of anticipated HR mover and leaver activity, nor were they being provided automated per-occurrence notifications of unanticipated HR mover and leaver activity. It is understood that the introduction of AD Manager which is currently undergoing UAT testing should be implemented by the end of January 2019. This condition poses the following risk(s) to the organization: a) Access to information resources and system functionality may not be restricted on the basis of legitimate business need, (b) Enabled, no-longer-needed user accounts may be misused by valid system users to circumvent internal controls, (c) Terminated employees may continue to access information assets through enabled, no-longer-needed user accounts, (d) Revocation of access rights may not be performed accurately, comprehensively, or on a timely basis	Based on discussion undertaken within the 2019/20 IT audit this finding remains open as the automation through the AD manager tool was not fully implemented and operating at the time of the audit. We have been provided with evidence which allows us to move this item to in-progress.

Assessment

✓ Action completed

x Not yet addressed

Follow up of prior year recommendations

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
X	**Reviews of Information Security Logs Created by Northgate and Active Directory** Logs of information security activity within Northgate and Active Directory were not being formally, proactively, and routinely reviewed. This condition poses the following risk(s) to the organization: Without formal, proactive, and routine reviews of security event logs, inappropriate and anomalous security activity (e.g., repeated invalid login attempts, activity violating information security policies) may not identified and/or addressed in a timely manner.	Based on testing undertaken within the 2019/20 IT audit we note that a review of user management, user reviews and audit logging is currently underway, but has not been implemented fully at this date. We have been provided with evidence which allows us to move this item to in-progress.

Assessment

✓ Action completed

X Not yet addressed

Audit adjustments

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

Impact of adjusted misstatements

All adjusted misstatements are set out in detail below along with the impact on the key statements and the reported net expenditure for the year ending 31 March 2020.

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000
Note 9 Expenditure and Income analysed by nature To correct an error in the table whereby NNDR income of £77.6m was wrongly included within other grants	Dr Income from Grants, Reimbursements and Contributions £77,600 Cr Income from Council tax and business rates £77,600	0	0
Group Balance Sheet (KSDL Consolidation) To include the updated IFRS valuation of Kirklees Stadium within joint venture equity investment (including associated adjustments to Group Movement in Reserves Statement).	0	Dr Investment in joint venture £12,592 Cr Group Reserve £12,592 *(Group Balance Sheet)*	Group CIES unrealised gain £12,592
To recognise "Share of other comprehensive income and expenditure of joint venture" arising from the above adjustment	Dr Group Reserve £12,592 Cr Group CIES Joint Venture Income £12,592		
Overall impact	**£0**	**£0**	**£0**

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Audit adjustments

Misclassification and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

No.	Adjustment Type	Description and value	Account / Note	Updated in the revised accounts?
1	Disclosure	A Going Concern note should be included in the accounts or Narrative report to explain that the accounts are prepared on a going concern basis and that management's assessment of going concern extends to 12 months from the date of the audit opinion (November 2021).	Suggest new note	X
2	Disclosure	Presentational amendments were suggested to improve the reader's understanding of the Narrative Report for the reader which management declined to include.	Narrative Report	X
3	Disclosure	Accounting policy for group accounts says the Council has material interests in companies and other entities etc. This should be rewritten to refer specifically to the current consolidation. It would also be appropriate to update the Group Accounts to note that there are plans to bring Kirklees Neighbourhood Homes Ltd back into the Council on 1 April 2021	Accounting Policies "Interests in Companies and Other Entities"	✓
4	Disclosure	Schools bullet should be amended to explain the critical judgement rather than being a description of how the Code is followed.	Critical Judgements Note 4	X
5	Disclosure	Following issue of the Council's draft accounts, we have been notified by the external auditor of West Yorkshire Pension Fund of a material valuation uncertainty regarding a number of property funds and private equity funds which form part of the WYPF investments. This should be noted as a material valuation uncertainty in note 5.	Assumptions and Major Sources of Estimation Uncertainty Note 5	✓
6	Disclosure	Provisions removed as major source of estimation uncertainty as not anticipated to be materially misstated through estimation error.	Assumptions and Major Sources of Estimation Uncertainty Note 5	✓
7	Misclassification	The Council reports the DSG overspend as a transfer to an overspent DSG reserve resulting in a negative reserve of £14,396k at 31 March 2020. The Council considers that the accumulated DSG deficit should be disclosed as an earmarked usable reserve, thus creating a comparable position to the now statutory funding basis for the 2020/21 financial year. Grant Thornton remains of the view that where overspends arise against DSG and are to be carried forward as a call against the schools' budget in future years and these should form part of the unearmarked general fund.	Transfers to/from Earmarked Reserves Note 11	X
8	Disclosure	Narrative added to explain how assets not revalued in year are assessed for accurate valuation at 31 March 2020	Property Plant and Equipment Note 15	✓

Audit adjustments

Misclassification and disclosure changes

No.	Adjustment Type	Description and value	Account / Note	Updated in the revised accounts?
9	Disclosure	Narrative added to explain the basis and calculation of the NNDR provision.	Provisions Note 24	✓
10	Disclosure	Fees to Grant Thornton regarding Certifications were updated to reflect the accurate fees for all non audit related services to be consistent with the Audit Plan. Also the fee for CFO Insights was updated to be consistent with the Audit Plan and to make clear that this is a non-audit service.	External Audit Costs Note 31	✓
11	Disclosure	Update to the remuneration disclosures to correct a salary banding error.	Officers Remuneration Note 33	✓
12	Disclosure	A note should be added to explain to the reader that the Group accounts are of equal stature to the Council's single entity accounts.	Narrative Report	✓
13	Disclosure	Hyperlinks should not be included in the Narrative Report and Financial Statements but replaced with a reference to where the corresponding information may be located.	Narrative Report	✓
14	Disclosure	Other minor presentational amendments.	Throughout the financial statements	X
15	Disclosure	Group accounts to be updated to highlight the material valuation uncertainty that exists in the external valuer's report for the KSDL Ltd stadium.	Group accounts narrative	✓

Audit adjustments

Impact of unadjusted misstatements

The table below provides details of adjustments identified during the 2019/20 audit which have not been made within the final set of financial statements. The Corporate Governance and Audit Committee is required to approve management's proposed treatment of all items recorded within the table below:

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000	Reason for not adjusting
Note 15 Property Plant and Equipment To correct an overstatement in care home valuation (Mill Dale and Crescent Dale)	TBC	Dr Revaluation reserve £5,000 Cr Land and Buildings £5,000	0	Not Material
Overall impact	**£0**	**£0**	**£0**	

Impact of prior year unadjusted misstatements

There were no unadjusted misstatements reported in the 2018/19 Audit Findings Report.

Fees

We confirm below our final fees charged for the audit and provision of non-audit services.

Audit fees	Proposed fee	Final fee
Council Audit	£152,222	£152,222*
Total audit fees (excluding VAT)	£152,222	**£152,222**

*to be confirmed. The final fees are anticipated to be higher due to factors including the impact of Covid-19 and remote working

Fees per financial statements £152,222

Non-audit fees for other services	Proposed fee	Final fee
Audit Related Services:		
Housing Benefits Subsidy Grant Certification	£34,000	£TBC
Teachers' Pension Certification	£5,000	£TBC
Housing Pooled Capital Receipts Certification	£2,000	£TBC
NCTL Teacher Training Certification	£5,000	£TBC
Non- Audit Related Services – CFO Insights	£11,500	£TBC
Total non- audit fees (excluding VAT)	**£57,500**	**£XX,XXX**

Audit opinion – Draft

We anticipate we will provide the Group with an unmodified audit report

See Separate Document

Independent auditor’s report to the members of Kirklees Council

Report on the Audit of the Financial Statements

Opinion

Our opinion on the financial statements is unmodified

We have audited the financial statements of Kirklees Council (the ‘Authority’) and its subsidiaries (the ‘group’) for the year ended 31 March 2020 which comprise the Comprehensive Income and Expenditure Statement, the Statement of Movement in Reserves, the Balance Sheet, the Cash Flow Statement, the Housing Revenue Account Income and Expenditure Account and Statement of Movement on the Housing Revenue Account Balance, the Collection Fund, the Group Comprehensive Income and Expenditure Statement, the Statement of Movement in Reserves, the Group Balance Sheet and the Group Cash Flow Statement and notes to the financial statements, including a summary of significant accounting policies. The notes to the financial statements include the EFA, Notes to the Core Statements, Notes to the Housing Revenue Account Balance, Notes to the Collection Fund Statement and Notes to the Group Accounts. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2019/20.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the group and of the Authority as at 31 March 2020 and of the group’s expenditure and income and the Authority’s expenditure and income for the year then ended;
- have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2019/20; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the ‘Auditor’s responsibilities for the audit of the financial statements’ section of our report. We are independent of the group and the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC’s Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

The impact of macro-economic uncertainties on our audit

Our audit of the financial statements requires us to obtain an understanding of all relevant uncertainties, including those arising as a consequence of the effects of macro-economic uncertainties such as Covid-19 and Brexit. All audits assess and challenge the reasonableness of estimates made by the Service Director - Finance and the related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the group’s and Authority’s future operational arrangements.

Covid-19 and Brexit are amongst the most significant economic events currently faced by the UK, and at the date of this report their effects are subject to unprecedented levels of uncertainty, with the full range of possible outcomes and their impacts unknown. We applied a standardised firm-wide approach in response to these uncertainties when assessing the group’s and Authority’s future operational arrangements. However, no audit should be expected to predict the unknowable factors or all possible future implications for an authority associated with these particular events.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Service Director Finance[1]'s use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Service Director Finance has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the Authority's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

In our evaluation of the Service Director Finance's conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2019/20 that the Authority's financial statements shall be prepared on a going concern basis, we considered the risks associated with the group's and Authority's operating activities, including effects arising from macro-economic uncertainties such as Covid-19 and Brexit. We analysed how those risks might affect the group's and Authority's financial resources or ability to continue operations over the period of at least twelve months from the date when the financial statements are authorised for issue. In accordance with the above, we have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Authority or group will continue in operation.

GrantThornton

Overview of our audit approach

Financial statements audit

- Overall materiality: £13,370,000, which represents 1.29% of the group's gross cost of services.
- Key audit matters were identified as:
  - Valuation of land, buildings and investment property (Authority)
  - Valuation of the net pension fund liability (Authority)
- We performed a full scope audit of the Authority. We performed specific scoped audit procedures on the net pension fund liability and related disclosures of the subsidiary Kirklees Neighbourhood Housing Limited. We also performed analytical procedures on the other component in the Group.

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

- We identified one significant risk in respect of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources in respect of financial sustainability (see Report on other legal and regulatory requirements section).

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current year and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those that had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How the matter was addressed in the audit
Risk 1 Valuation of land, buildings and investment property (Authority) The Authority re-values its land and buildings on a rolling three-yearly basis to ensure that the carrying value is not materially different from the current value. This valuation represents a significant estimate by management in the financial statements due to: • The size of the numbers involved (£528 million for Other Land and Building and £679 million for Council Dwellings); and • The sensitivity of this estimate to changes in key assumptions. Where a rolling valuation programme is used, the Authority needs to ensure the carrying value of land and buildings in the financial statements that is not formally revalued during the year is not materially different from the current value or the fair value at 31 March 2020. Additionally, Council Dwelling valuations are based on Existing Use Value, discounted by a factor to reflect that the assets are used for Social Housing. The Social Housing adjustment factor is prescribed in Government guidance, but this guidance indicates that where a valuer has evidence that this factor is different in the Authority's area, they can use their more accurate local factor. There is a risk that the Authority's application of the valuer's assumptions is not in line with the statutory requirements and that the valuation is not supported by detailed evidence indicating that the standard social housing factor is not appropriate to use. Investment property is revalued annually at fair value by the Authority's external valuer and reported at £101.1m at 31 March 2020. Due to the amounts involved and the extent of estimation involved we therefore identified the valuation of land, buildings and investment property, particularly revaluations, impairments and for dwellings the use of the social housing factor as a significant risk, which was one of the most significant risks of material misstatement.	Our audit work included, but was not restricted to: • Evaluating management's assessment of the valuation of land, buildings and investment property, and gaining an understanding of the valuation process, including the key controls and assumptions used by management; • Evaluating management's assessment that land and buildings not subject to the triennial valuation are not materially misstated at 31 March 2020; • Critically assessing how key assumptions, such as the location, floor area, VAT recognition and the useful economic lives of the assets are determined by the Authority; • Evaluating the competence, capabilities and objectivity of management's valuation expert; • Challenging the information used by the valuer to assess its completeness and consistency with our understanding; • Engaging our own valuer to assess the instructions issued to the Authority's valuer by management, the valuer's report and the assumptions that underpin the valuation; and • Testing, on a sample basis, revaluations made during the year to ensure they have been input correctly into the Authority's asset register and financial statements The Authority's accounting policy on valuation of land and buildings is shown in note 1 (PPE Measurement) to the financial statements and related disclosures are included in note 15. The Authority's accounting policy on valuation of Investment Property is shown in note 1 (Investment Property) to the financial statements and related disclosures are included in note 17. As, disclosed in note 5 (Assumptions and Major Sources of Estimation Uncertainty) to the financial statements, in applying the Royal Institute of Chartered Surveyors (RICS) Valuation Global Standards 2020 ('Red Book'), the valuer has declared a material valuation uncertainty' in their valuation report This is on the basis of market uncertainties caused by Covid-19. The valuation exercise was carried out in December 2019 with a valuation date of 31 March 2020. The values in the valuation report have been used to inform the measurement of property assets at valuation in the financial statements. With the valuer having declared this material valuation uncertainty, the valuer has continued to exercise professional judgement in providing the valuation and management believes this remains the best information available to the Authority. The Authority's valuer prepared their valuations in accordance with the RICS Valuation – Global Standards using the information that was available to them at the valuation date in deriving their estimates. **Key observations** We obtained sufficient audit assurance to conclude that: • The basis of the valuation of land, buildings and investment property was appropriate;

Key Audit Matter	How the matter was addressed in the audit
	• The assumptions and processes used by management in determining the estimate of valuation of property were reasonable; and • The valuation of land, buildings and investment property disclosed in the financial statements is reasonable.
Risk 2 Valuation of the net pension fund liability (Authority) The pension fund net liability, as reflected in the Authority balance sheet as the retirement benefit obligations, represents a significant estimate in the financial statements. The pension fund net liability is considered a significant estimate due to: • The size of the numbers involved, with the pension scheme net liability estimated as £824 million at the 31 March 2020; and • The sensitivity of the estimate to changes in key assumptions. We therefore identified the valuation of the pension fund net liability as a significant risk, which was one of the most significant assessed risks of material misstatement.	Our audit work included, but was not restricted to: • Evaluating the accounting policy for the Authority's membership of the West Yorkshire Pension Fund (WYPF) for appropriateness and compliance with the Code of Practice for Local Authority Accounting 2019/20; • Gaining an understanding of the processes and controls put in place by management to ensure that the Authority's pension fund net liability was not materially misstated and evaluating the design of the associated controls; • Assessing the competence, capabilities and objectivity of the actuary who carried out the pension fund valuation; • Testing the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary; • Engaging with the auditors of WYPF to identify, document and evaluate the procedures and controls used by WYPF to establish the accuracy and completeness of the source data, and over the provision of this source data, to the actuary for the purposes of preparing the triennial valuation. • Updating our understanding of the agreement between WYPF and the Authority; • Evaluating the instructions issued by management to their management expert (an actuary) for these estimates and the scope of the actuary's work; • Assessing the accuracy and completeness of the information provided to the actuary to estimate the liability; and • Testing the Authority's membership information provided by WYPF to the scheme actuary to the underlying records. The Authority's accounting policy on valuation of the net pension fund liability is shown in note 1 (Post-Employment Benefits) to the financial statements and related disclosures are included in note 40. Arising from the audit, management updated note 5 to the accounts to refer to the material estimation uncertainty regarding the valuation of property and equity funds in the accounts of WYPF. **Key observations** We obtained sufficient audit assurance to conclude that:

Key Audit Matter	How the matter was addressed in the audit
	• The basis of the valuation of the net pension fund liability was appropriate and the assumptions and processes used by management in determining the estimate were reasonable; and • The valuation of the pension fund net liability disclosed in the financial statements is reasonable.

Our application of materiality

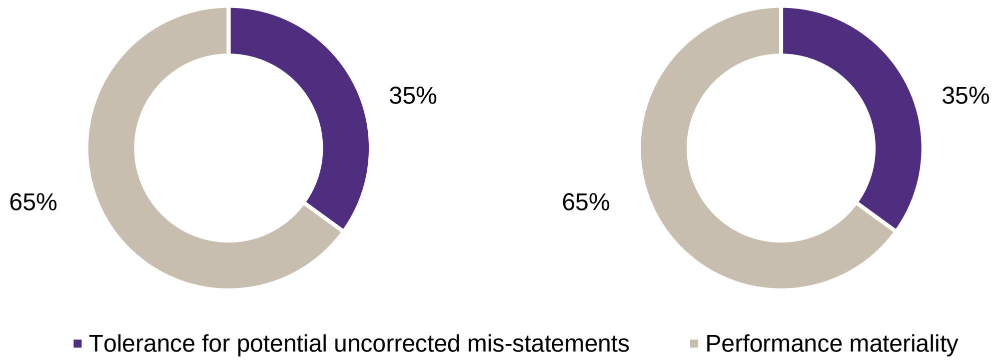
We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality in determining the nature, timing and extent of our audit work and in evaluating the results of that work.

Materiality was determined as follows:

Materiality Measure	Group	Authority
Financial statements as a whole	£13,370,000 which is 1.29% of the group's gross cost of services. This benchmark is considered the most appropriate because we consider users of the financial statements to be most interested in how the group has expended its revenue and other funding. Materiality for the current year is lower than the level we determined for the year ended 31 March 2019 to reflect the increased complexity and regulatory focus on external auditors.	£13,250,000 which is 1.28% of the Authority's gross cost of services. This benchmark is considered the most appropriate because we consider users of the financial statements to be most interested in how the Authority has expended its revenue and other funding. Materiality for the current year is lower than the level we determined for the year ended 31 March 2019 to reflect the increased complexity and regulatory focus on external auditors.
Performance materiality used to drive the extent of our testing	65% of financial statement materiality	65% of financial statement materiality
Specific materiality	N/A	We determined a lower level of specific materiality for certain areas such as Senior Officers' Emoluments.
Communication of misstatements to the Corporate Governance and Audit Committee	£663,000 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.	£663,000 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.

The graph below illustrates how performance materiality interacts with our overall materiality and the tolerance for potential uncorrected misstatements.

Overall materiality – Group **Overall materiality – Authority**



An overview of the scope of our audit

Our audit approach was risk-based founded on a thorough understanding of the group's business and in particular included:

- Gaining an understanding of the group structure;
- Evaluation by the group audit team of identified components to assess the significance of that component and to determine the planned audit response based on a measure of materiality and significance of the component as a percentage of the Group's current assets, total assets, current liabilities, total liabilities, equity, income and expenditure;
- Full scope audit procedures of the Authority, which represents 99% of the Group's total income, 99% of its total expenditure and 100% of its net assets;
- Performing specific audit procedures on the net pension fund liability and related disclosures of the subsidiary Kirklees Neighbourhood Housing Limited;
- Performing analytical procedures on the non-significant component included in the group financial statements which makes up the remainder of the group's income, expenditure and net assets;
- Gaining an understanding of and evaluating the Authority's internal control environment, including its financial and IT systems and controls; and
- Gaining an understanding of the consolidation process and testing the consolidation, including the alignment of accounting policies, and the significant consolidation adjustments.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

The objectives of our audit are to identify and assess the risks of material misstatement of the financial statements due to fraud or error; to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud or error; and to respond appropriately to those risks. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

In identifying and assessing risks of material misstatement in respect of fraud, including irregularities and non-compliance with laws and regulations, our procedures included the following:

- We obtained an understanding of the legal and regulatory frameworks applicable to the Authority and the group and sector in which they operate. We determined that the following laws and regulations were most significant:
  - the Accounts and Audit Regulations 2015
  - the Local Government Finance Act 2012
  - the Local Government Act 2003.
- We understood how the Authority is complying those legal and regulatory frameworks by, making enquiries to the Authority's officers, including internal auditors and obtaining further corroboration of responses to those enquiries from the Corporate Governance and Audit Committee. We corroborated our inquiries through our review of Council minutes and papers provided to the Corporate Governance and Audit Committee.
- We assessed the susceptibility of the Authority's financial statements to material misstatement, including how fraud might occur. Audit procedures performed included:
  - Identifying and assessing the design and effectiveness of controls management has in place to prevent and detect fraud;
  - understanding how those charged with governance considered and addresses the potential for override of controls or other inappropriate influence by management over the finance reporting process;
  - challenging assumptions and judgements made by management in its significant accounting estimates, for example in relation to the valuation of land and buildings and the defined benefit pension net liability;
  - identifying and testing journal entries, in particular those we deemed to be unusual.

We did not identify any key audit matters relating to irregularities, including fraud.

Other information

The Service Director - Finance is responsible for the other information. The other information comprises the information included in the Statement of Accounts other than the Authority and group financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge of the group and Authority obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Other information we are required to report on by exception under the Code of Audit Practice

Under the Code of Audit Practice published by the National Audit Office on behalf of the Comptroller and Auditor General (the Code of Audit Practice) we are required to consider whether the Annual Governance Statement does not comply with the 'delivering good governance in Local Government Framework 2016 Edition' published by CIPFA and SOLACE or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.

Opinion on other matter required by the Code of Audit Practice

In our opinion, based on the work undertaken in the course of the audit of the financial statements and our knowledge of the Authority gained through our work in relation to the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources, the other information published together with the financial statements in the Statement of Accounts, for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

Under the Code of Audit Practice, we are required to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

We have nothing to report in respect of the above matters.

Responsibilities of the Authority, the Service Director - Finance and Those Charged with Governance for the financial statements

As explained more fully in the Statement of Responsibilities set out on page 20, 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

Service Director - Finance. The Service Director - Finance is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2019/20, for being satisfied that they give a true and fair view, and for such internal control as the Service Director - Finance determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Service Director - Finance is responsible for assessing the group's and the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention by government that the services provided by the Authority will no longer be provided.

The Corporate Governance and Audit Committee is Those Charged with Governance. Those charged with governance are responsible for overseeing the Authority's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Other matters which we are required to address

We were appointed by Public Sector Audit Appointments Limited in December 2017 to audit the financial statements for the year ending 31 March 2019 and subsequent financial periods. The period of total uninterrupted engagement is two years to 31 March 2020.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Authority or its subsidiaries and we remain independent of the Authority and the group in conducting our audit.

Our audit opinion is consistent with the additional report to the Corporate Governance and Audit Committee.

Report on other legal and regulatory requirements – Conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

Conclusion

On the basis of our work, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in April 2020, we are satisfied that the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

Significant risks

Under the Code of Audit Practice, we are required to report on how our work addressed the significant risks we identified in forming our conclusion on the adequacy of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources. Significant risks are those risks that in our view had the potential to cause us to reach an inappropriate conclusion on the audited body's arrangements. The table below sets out the significant risk we have identified. The significant risk was addressed in the context of our conclusion on the Authority's arrangements as a whole, and in forming our conclusion thereon, and we do not provide a separate opinion on these risks.

Significant risk	How the matter was addressed in the audit
Financial sustainability The Authority, in line with other local authorities, continues to operate under significant financial pressures. For 2019/20, the Authority planned to deliver a balanced outturn position but to achieve this it needed to deliver planned savings. Since setting the original budget, the Covid-19 pandemic has led to additional spend and requires a significant reprofile of the short and medium term financial plan. There is a risk that the Authority does not meet its 2019/20 budget position or have appropriate arrangements in place to review its savings plans and take full account of the Covid-19 related expenditure and income in the Medium-Term Financial Plan.	Our audit work included, but was not restricted to: • Evaluating the arrangements the Authority has in place to achieve its 2019/20 balanced budget; • Review the achievement of planned savings and outturn during 2019/20; and • Assessing whether the Medium-Term Financial Plan (MTFP) and saving plans appropriately recognise the financial risks and pressures facing the Authority, including the financial impact of Covid-19 on the Council's finances. **Key findings** The Council agreed a net revenue budget for 2019/20 of £294.7 million, subsequently revised to £287.1 million. This was achieved by the Council. The Council planned to deliver £7.7 million savings in 2019/20 as part of the 2020-23 Medium Term Financial Plan (MTFP). The actual savings delivered were £6.5 million. The balance was met through unplanned non-recurrent savings. General Fund reserves and balances increased by £8.4 million to £113.4 million at 31 March 2020. The Council approved a balanced net revenue budget of £304.5 million for 2020/21 in February 2020. This initial MTFP included a budget gap of £12 million and £22 million for 2021/22 and 2022/23 respectively. The financial impact of Covid-19 was felt from March 2020. Kirklees initially received £28.2 million of the £3.7 billion set aside by the government. A specific reserve for Covid-19 pressures was established in March 2020 containing £11.1 million of the governments first tranche of Covid-19 support grant at 31 March 2020. The Council has refreshed its MTFP in view of the emerging pressures and anticipated funding streams, including from Covid-19. This was approved by full Council on 20 October 2020. The budget gap has reduced to £1.9 million for 2021/22 and £13.1 million for 2022/23.

Responsibilities of the Authority

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

Auditor's responsibilities for the review of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to be satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in April 2020, as to whether in all significant respects, the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to be satisfied that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

Report on other legal and regulatory requirements - Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until we have completed the work necessary to issue our Whole of Government Accounts (WGA) Component Assurance statement for the Authority for the year ended 31 March 2020. We are satisfied that this work does not have a material effect on the financial statements or on our conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

Use of our report

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

[Signature**]**

Jon Roberts, Key Audit Partner
for and on behalf of Grant Thornton UK LLP, Local Auditor

Bristol
[Date**]**

Kirklees COUNCIL

Name of meeting: **Corporate Governance and Audit Committee**
Date: **24th November 2020**
Title of report: **Approval of the Council's final accounts for 2019/20**

Key Decision - Is it likely to result in spending or saving £250k or more, or to have a significant effect on two or more electoral wards?	**No**
Key Decision - Is it in the [Council's Forward Plan (key decisions and private reports?)]	**Key Decision: Yes** **Private Report/Private Appendix: N/A**
The Decision - Is it eligible for call in by Scrutiny?	**Yes**
Date signed off by Strategic Director & name **Is it also signed off by the Service Director for Finance, IT and Transactional Services?** **Is it also signed off by the Service Director – Legal Governance & Commissioning?**	**Rachel Spencer-Henshall 16.11.2020** **Eamonn Croston 16.11.2020** **Julie Muscroft 16.11.2020**
Cabinet member portfolio - Corporate	**Cllr Shabir Pandor** **Cllr Graham Turner**

Electoral wards affected: **N/A**
Ward councillors consulted: **N/A**
Public or Private: **Public**
GDPR: This report contains no information that falls within the scope of General Data Protection Regulations.

1 Summary

The report updates Members on the final accounts and audit processes for 2019/20 and asks Members of this Committee to approve the Council's Statement of Accounts for 2019/20 and a final version of the Annual Governance Statement.

The preparation of the Statement of Accounts is a statutory requirement and local authorities are normally required to have them signed by the section 151 Officer by 31 May and published with an Audit Certificate by 31 July, following the end of the financial year. However, as previously reported to this committee on 22nd July, in a sector-wide response to the consequences of the COVID-19 pandemic, CIPFA amended the statutory deadline for the production of the Unaudited Statement of Accounts for 2019-20. For the Council the revised deadline was 31 August 2020. The accompanying deadline for the completion of the audit was also amended to 30 November 2020.

Despite the significant challenges to the Council's finance team dealing with multiple competing demands, the draft accounts were signed on 31st July 2020 a month prior to the statutory sign off deadline of 31 August 2020. There were no queries or objections raised in the six week public inspection period. The audit of the 2019/20 Statement of Accounts is substantially complete and the Council's auditors, Grant Thornton, have issued their annual governance report (ISA 260). The draft Annual Governance Statement was approved by this Committee at its April meeting. Following consideration of this report, the Committee is responsible for the approval of the Council's accounts and the final version of the Annual Governance Statement.

2 Information required to take a decision

2.1 The process for producing the accounts went smoothly and the draft accounts were signed on 31 July 2020 by the Service Director- Finance. This is a month prior to the statutory sign off deadline of 31 August 2020. The draft accounts have been available to view on the Council's website.

2.2 The six week period when the public are permitted to inspect the accounts started on 3 August and finished on 11 September 2020. During this period, local electors can ask the auditor questions about or raise objections to items in the accounts.

2.3 It is anticipated that Grant Thornton will issue an unqualified opinion on the Council's Statement of Accounts by 30 November. Grant Thornton have issued their annual governance report (ISA 260). The report summarises significant findings, conclusions and recommendations arising from audit work throughout the year and will have been presented to Members earlier at this meeting.

2.4 The auditor's report comments that the Council produces high quality and materially correct financial statements, the quality of working papers provided was good and queries have been responded to in an acceptable timeframe. No material misstatements have been identified. The accounts have been amended for typographical corrections and a few minor disclosure errors, and in addition the disclosure on events after the balance sheet date (page 46) has been updated. A final version of the Statement of Accounts is contained in Appendix A.

2.5 The auditor’s report also contains a Value for Money (VFM) conclusion, which provides an opinion as to whether the Council has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Grant Thornton have issued an unqualified opinion for 2019/20.

2.6 The Council’s draft Annual Governance Statement was approved at the Committee’s 22nd July meeting. It has been slightly updated and is included at the back of the Statement of Accounts 2019/20, pages 132 to 145. The Leader of the Council and the Chief Executive have formally signed the Statement and now this Committee is asked to approve it.

2.7 The auditor seeks a Letter of Representation from the Section 151 Officer and the Chair, including confirmation that this Committee has considered this item and the comments in the Annual Governance Report. A copy is included as Appendix B.

2.8 It is important that the Council has sound financial, governance and resources management arrangements in place to ensure that resources are available and used to support the Council’s priorities, improve services and secure value for money for our tax payers. Specifically in respect of financial statements members are expected to “exercise collective responsibility for, and prioritise, financial reporting and demonstrate robust challenge and scrutiny”. To assist councillors in this regard, an explanatory paper was provided to members of this committee along with a copy of the Unaudited Statement of Accounts on 31st July 2020.

3 Implications for the Council

Council funds support the delivery of the following Council objectives and priorities:

3.1 **Working with People**
N/A

3.2 **Working with Partners**
N/A

3.3 **Placed based working**
N/A

3.4 **Improving Outcomes for Children**
N/A

3.5 **Climate Change and Air Quality**
N/A

3.6 **Other (e.g. Legal/Financial or Human Resources)**

The annual statement of accounts are subject to external validation by appointed auditors to ensure that Council funds are also properly accounted for.

4 Consultees and their opinions

The main consultation has been with Grant Thornton leading to their report.

5 Next steps

The accounts will be formally published. The conclusion of the audit will be advertised on the Council's website.

6 Officer recommendations and reasons

Corporate Governance and Audit Committee are recommended to approve:

(i) The Statement of Accounts 2019/20 incorporating the Annual Governance Statement (Appendix A), with the Chair certifying the Statement of Responsibilities on page 20 upon completion of the audit.

(ii) The Letter of Representation (Appendix B), with the Chair signing it on behalf of the Committee upon completion of the audit.

7 Contact officer

James Anderson Head of Accountancy 01484 221000

Background Papers and History of Decisions

Accounts and Audit Regulations 2015
Local Audit and Accountability Act 2014
The Accounts and Audit (Coronavirus) (Amendment) Regulations 2020:
http://www.legislation.gov.uk/uksi/2020/404/contents/made

8 Service Director responsible

Eamonn Croston 01484 221000

KIRKLEES COUNCIL

AUDITED
STATEMENT OF ACCOUNTS
2019/2020

E Croston
Service Director Finance
Civic Centre 3
Market Street
Huddersfield
HD1 1WG

Foreword

I am pleased to introduce the Council's Statement of Accounts for the year ended 31 March 2020.

The preparation of the Statement of Accounts is a statutory requirement and local authorities are normally required to have them signed by the section 151 Officer by 31 May and published with an Audit Certificate by 31 July, following the end of the financial year. However, having considered the increasing impact of Covid-19 is having on Local Authorities as they divert resources to support the community in these unprecedented times, the Ministry of Housing, Communities & Local Government extended the statutory deadlines for local authorities to approve and publish their accounts for the 2019/20 financial year. The revised deadlines applicable to local authorities are to have them signed by the section 151 Officer by 31 August 2020 and published with an Audit Certificate by 30 November 2020.

The Council also publishes a number of other useful documents on its website, including the Corporate Plan. These documents, together with the Statement of Accounts, all help towards reporting on the Council's stewardship of public funds.

The annual statement of accounts is a very important document because it provides assurance to the public that Council funds have been properly accounted for, and this includes rigorous external validation by appointed auditors.

In the broader financial and economic context within which the Council operates, the annual statement of accounts should be viewed also as a key indicator of the extent of our Council's economic, effective and efficient use of resources, and overall financial health of the organisation.

This Council continues to operate in a challenging economic and financial climate, and this is forecast to continue over the medium term. There have been significant reductions in government grant funding to the Council since 2010, whilst at the same time having to manage increased demand pressures on some of our most vulnerable residents, as well as managing the impact of cost of living increases over the period.

The Council's current Corporate Plan 2018-20 acknowledges the tough decisions that have had to be taken to balance the books while protecting frontline services and our most vulnerable residents. It also recognises that to support this approach, it has also required the development of a different type of organisation with new and innovative ways of doing things, changing the way that we work with communities, keeping vulnerable people safe and in control of their own lives, and focusing on the things that only the Council can do.

The Council planned to deliver £7.7 million (m) savings in 2019/20 (reflecting the reversal of existing savings targets as part of the Council approved 2020-23 budget report) and the narrative report sets out the very significant progress we have made in achieving this.

The Council has to live within its means not just for today, but for the foreseeable future, and our reserves position reflects a strengthening of our financial resilience over the medium term; in particular in light of current uncertainty as a result of the Covid-19 pandemic and on the national funding landscape for local government post 2020/21 while at the same time, service and cost pressures are anticipated to increase.

Our budget plans for 2020-23 and updated capital plans 2020-25 include further investment proposals that reflect the adminstration's political priorities; in particular in relation to delivery of outstanding children's services, tackling climate change and investing in our places, as well as effective and efficient corporate capacity and capability to support the overall approach and Council ambition for the district's residents.

Acknowledgements

I wish to thank colleagues in Finance for their hard work, commitment and skill in completing this Statement of Accounts and all the supporting information by 31 July. I also want to thank colleagues across the organisation and partner organisations for their collective commitment to support the finalisation of the draft accounts by 31 July in advance of this years revised statutory deadlines.

Eamonn Croston
Service Director - Finance

Introduction to Kirklees

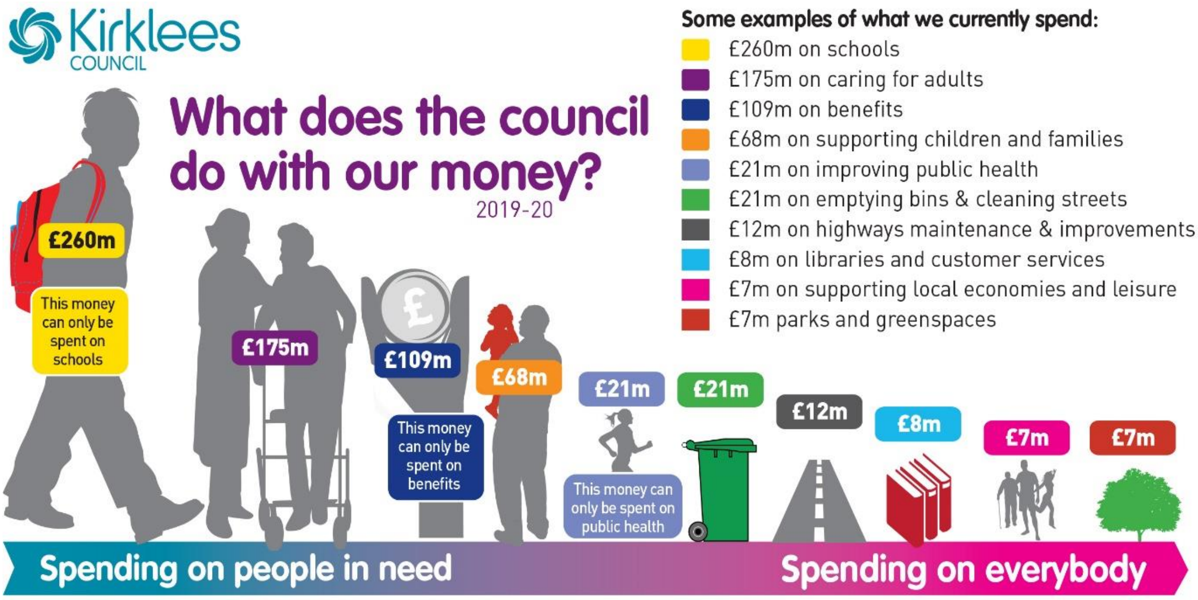
Digley Reservoir, Holmfirth

The Council serves one of the larger Districts in England and Wales, both in terms of population and geographical area and this, along with other key characteristics of the Kirklees District, are summarised below:

- Kirklees is home to **438,700 residents**, and this figure is projected to increase by 4% overall to 456,700 by 2028; this includes a 19% projected increase in ages 65 and over to 92,000; included within this is a 32% increase specifically for ages 85 and over.
- **Kirklees ranks eleventh out of 348 districts** in terms of population in England and Wales.
- **Population by ethnic group;** 79%* White, 16% Asian or British Asian, 5% Other (*England & Wales average 85%).
- **3rd largest metropolitan district in the area** covering 157 square miles.
- **174,000 households,** of which about 67% are owner occupied, and 12% Council rented. Households are projected to increase 13% by 2041, to 201,000.
- **156,000 employees in Kirklees,** of which 17% relates to Manufacturing, double the Great British average of 8%. Health also provides 13%; with Education accounting for a further 9%.
- **The average median gross weekly earnings for Kirklees residents is £416.20;** lower than the Great Britain average of **£465.70.**
- **Unemployment rates* are at 3.5%**; in comparison to the Great Britain average of 2.7% (*unemployment rates relate to the claimant count for Jobseekers' Allowance).
- **69 Local Councillors serve 23 wards**; following the 2018 May local elections Labour are the controlling party, prior to 2018 there had been no overall control in the Council since 1999.
- **79% of residents surveyed are satisfied with the local area as a place to live.**
- **Index of deprivation for Kirklees; 12%* of the district's population live within areas which rank within the worst 10% in England**; (*the average for England is 10%)**.**

The Council

Kirklees' Services



The Workforce

Below is a snapshot of total staff employed across non-schools and schools, as at 31 August 2019 (source Kirklees factsheets 2019):

	Full-time	Part-time	Total	Full time equivalent (fte)
Non-schools	3,423	3,600	**7,023**	5,420
Schools	2,156	4,971	**7,127**	4,847
Total	**5,579**	**8,571**	**14,150**	**10,267**

To put the above into perspective, the full time equivalent figure in 2010 was 14,003; this represents an overall reduction of 3,736, approximately 27%, over the period.

Council performance in 2019/20

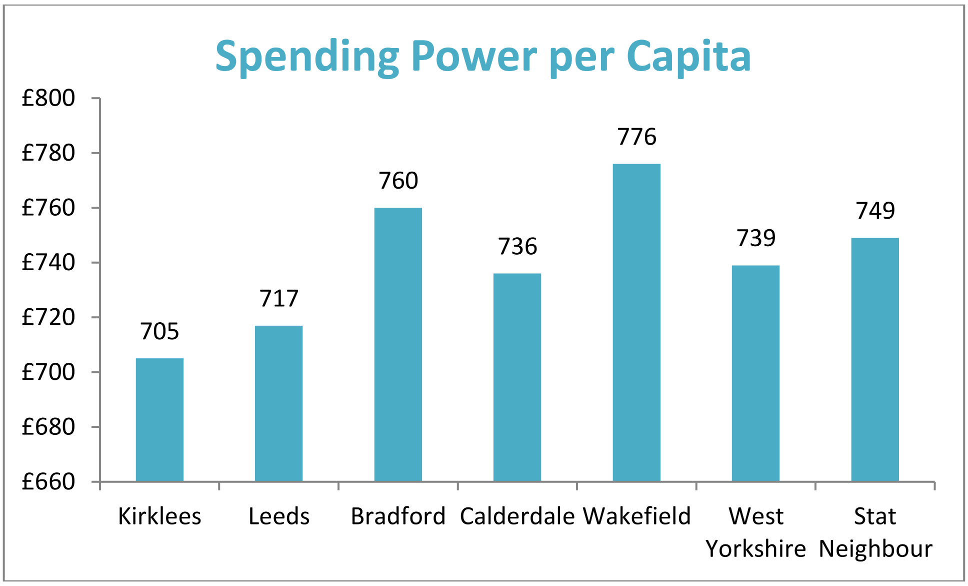
The Council's annual Corporate Plan for 2018-20 set out a vision for an ambitious Council for the residents and communities of Kirklees:

"a district which combines a strong, sustainable economy with a great quality of life - leading to thriving communities, growing businesses, high prosperity and low inequality where people enjoy better health throughout their lives".

To deliver this vision, the Council is developing into one that focuses on achieving outcomes by working with people rather than doing to them, working with Partners and recognising the importance of local identity and how needs differ in different places. Existing budget plans for 2019-22, whilst acknowledging the continuing financial challenges facing the Council, also include significant new investment; in particular in children services, adults, regeneration activity, housing growth agenda, transformation capability and corporate capacity to support this approach.

This Council is already a low cost, low spend Council and has always focused on providing value for money for the residents of Kirklees.

The Government's own calculation of funding each Council has available, expressed as an amount per head of the population, places Kirklees as the 2nd lowest of the 36 metropolitan authorities in 2019/20.



The Council's performance management framework is intended to ensure that both our planning and delivery are consistent with our vision and can demonstrate significant contributions to our strategic priorities. Its purpose is to demonstrate issues, risks, progress and impact in relation to the aspirations of the Council's Corporate Plan.

The Council aims to be outcomes focussed and intelligence driven. In doing so, the 2018-20 Corporate Plan continues to focus on the Council's contribution to the 7 Kirklees outcomes, articulating a vision for Kirklees as a district which combines a strong, sustainable economy with a great quality of life - leading to thriving communities, growing businesses, high prosperity and low inequality where people enjoy better health throughout their lives.

Strong strategic performance management ensures that our services are clear about the context within which they are delivering and are able to identify both the major issues in delivery and the progress being made in meeting significant community needs. Progress made across all services is summarised in quarterly performance reports.

There are 72 key measures of output and impact within the corporate assessment framework for 2019/20, spanning the seven outcomes. In overview, they are assessed by their direction of travel within a clear context of aspiration for each measure - positive, maintaining or negative. Of these, 50% were on a positive direction of travel, 22% were maintaining and 28% had a direction of travel that was negative. By way of comparison, 2018/19 operated under a slightly different assessment regime but with a similar outcome; 28% of measures in 2018/19 were assessed as 'off track'.

Below is a cross-section of things we have achieved in the last 12 months:

Best Start: **79% of eligible 2 year olds** are engaged in free early education; **2,183 families** in Kirklees benefiting from 30 hours free childcare; **76.9% of looked after children** were successfully placed in fostering.

Well: **1,600** people helped through Communities Plus; **1,200** referrals to the new Integrated Wellness Service during its first quarter of operation.

Independent: **1,100 people** with poor physical or mental health helped to accommodate their illness by learning or re-learning the skills necessary for daily living; **84% of people** in receipt of Council funded adult social care feel that the care and support they receive helps them feel safe; **1,100 cases** where homelessness has been prevented through Council support.

Aspire and Achieve: **62% of children** attaining at least the expected standard at Key Stage (2); **81% of Kirklees schools** rated good or outstanding; **4,800 people** participated in Council run employability programmes, with **700 people** moving into work or apprenticeship.

Sustainable Economy: Over **1,000 grant** allocations to SMEs in Kirklees since the inception of the Leeds City Region Local Economic Partnership in 2012 with an accumulated value of **£6.6m**, helping to secure **280 new jobs** in the last 12 months as a result of business expansions.

Safe and Cohesive: More than **3,500 people** engaged as part of the rolling programme 'Place Standard' conversations, finding out what matters to local people in their local communities; over **5,000 people** engaged through cohesion activities.

High Quality Environment: Delivery of **1,550 new dwellings** in the preceding twelve months, the highest delivery figure over the last six years; a cumulative delivery has been **7,575 dwellings** since 2012/13; an average of **13,500 tonnes** of household waste managed per month.

Financial Performance in 2019/20

Service developments in year

During the year, there have been 6 schools that have converted to Academy status, one of which was a Trust school. Employees have been transferred to the new bodies together with assets valued at £13.1m. These transfers have resulted in a reduction in revenue spending of £5.4m and a corresponding amount of Dedicated Schools Grant.

Revenue – General Fund

The overriding context for the Council's Medium Term Financial Plan (MTFP) is of an investment budget set against continuing national funding reductions as part of Government's approach.

The General Fund Net Revenue Budget for 2019/20 was £294.7m, approved at Council on 13 February 2019.

There was a net transfer to reserves from General Fund in-year, totalling £7.6m. The revised budget in 2019/20 was £287.1m.

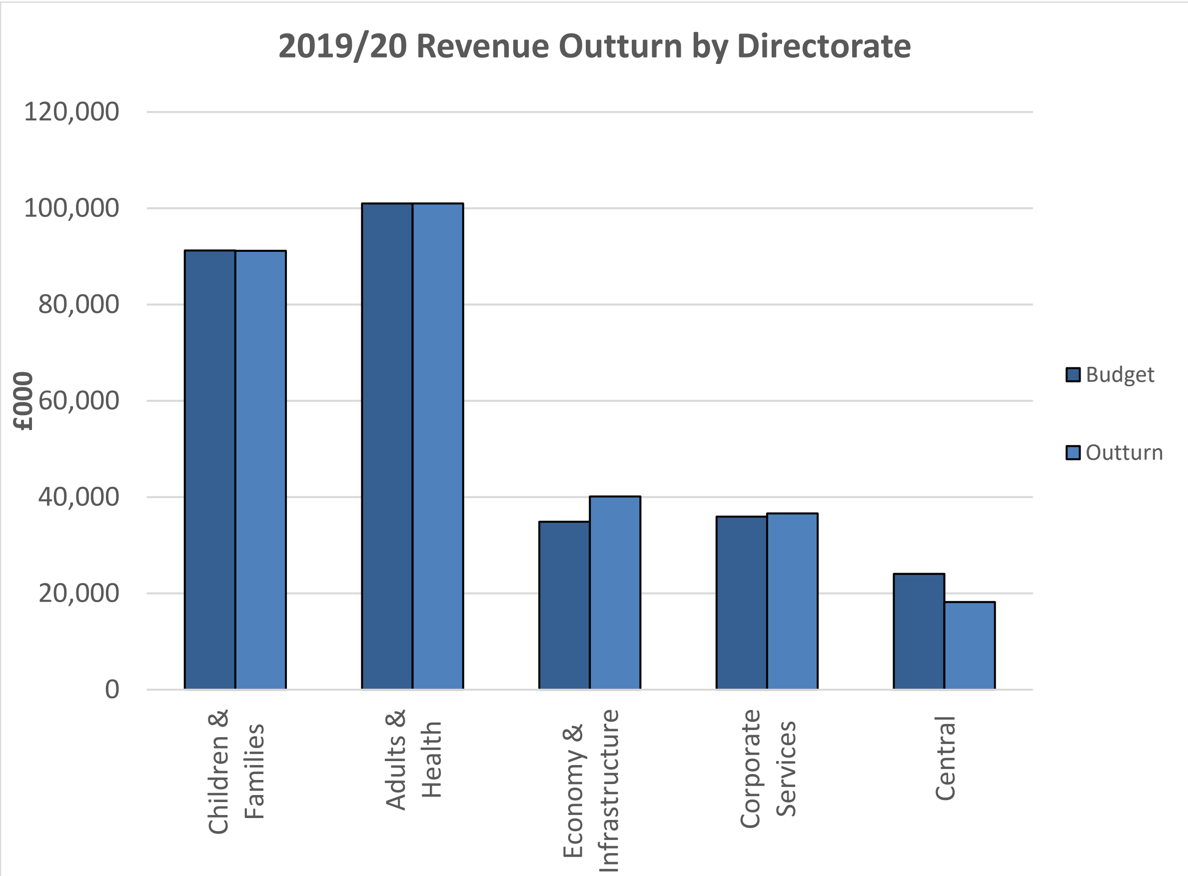
The Authority's net revenue spend totalled £287.1m in 2019/20.

The overall outturn position was break-even against a £287.1m revenue budget (compared to £0.2m underspend in 2018/19) and reflects sound overall financial management of budgets in-year.

The 2019/20 revenue budget continued the direction of travel set out in successive recent budget rounds to deliver the Council's ambitions and priorities for the district, within overall reducing resources.

There were planned savings of £7.7m in 2019/20, and an actual delivery of £6.5m or 84%. The balance of net savings to achieve an overall balanced budget at 2019/20 year end were unplanned.

The actual spend to budget is summarised by department below:



Within the overall break-even position, there were a number of significant underlying service pressures, including £14.4m on Special Educational Needs and Disability (SEND) activity, in excess of the £36m resources available to fund this activity through the High Needs funding block allocation within the Dedicated Schools Grant (DSG).

As per updated Government guidance following an initial consultation, this spending pressure must be carried forward on the Balance Sheet in full, as a funding deficit against Dedicated School Grant (DSG), from 2019/20 onwards. This is presented as a negative balance on the DSG reserve as at 31 March 2020 and shown separately within Earmarked Reserves. As such, it has not formed part of the overall break-even position for 2019/20.

High needs is a known and growing pressure.

There was also an overall overspend on Schools Transport of £2.5m relating to volume pressures. As at 31 March 2020, 311 children with Education Health and Care Plans (EHCP's) are using Post 16 Home to School Transport; a significant increase of 114 from the previous year; offset at least in part for future years by approved 2020/21 budget plans which included £1.1m base budget uplift to reflect recurrent demand pressures on schools transport service.

Elsewhere, within Economic & Infrastructure, there was a shortfall in car parking income of £1.4m; this largely reflects a strategic review of current and future year income targets and strategic alignment to town centre and climate change ambition. There was also a pressure on venues activity of £0.8m; mainly relating to a short-term pressure in Bereavement due to a revised income shortfall from the Cremator Replacement project.

In-year service pressures were offset through other underspends, including the release of £2.7m Minimum Revenue Provision (MRP) budget over allocation in year and within Central Budgets, overall Section 31 Business Rate Relief grants received in year was £2.2m higher than budgeted.

General Fund reserves and balances have increased through 2019/20 by £8.4m; from £105.0m at the start of the year to £113.4m as at 31 March 2020. A further £2.3m was added into Council reserves at the start of 2020/21, as per the 2020-23 budget plans approved at Budget Council on 12 February 2020, increasing the overall level of reserves and balances to £115.7m as at 1 April 2020.

Revenue – Housing Revenue Account (HRA)

The HRA is a ring-fenced account that holds all income and expenditure in relation to the provision of landlord services to approximately 23,000 tenancies. Landlord services are managed on the Council's behalf by Kirklees Neighbourhood Housing Limited, an arm's length management organisation, wholly owned by the Council.

In 2019/20, the HRA reported a net break-even position against an annual turnover of £92m. Within this, there were some pressures and mitigating underspends, some additional costs incurred in year on grounds maintenance at £0.2m and £0.1m temporary accommodation, and lower than expected rechargeable repairs cost recovery, and minor variations on leasehold income, rents and service charges totalling £0.7m. This was offset largely by a lower than expected bad debt provision requirement due to the Government's temporary 'pause' on the national rollout of universal credit.

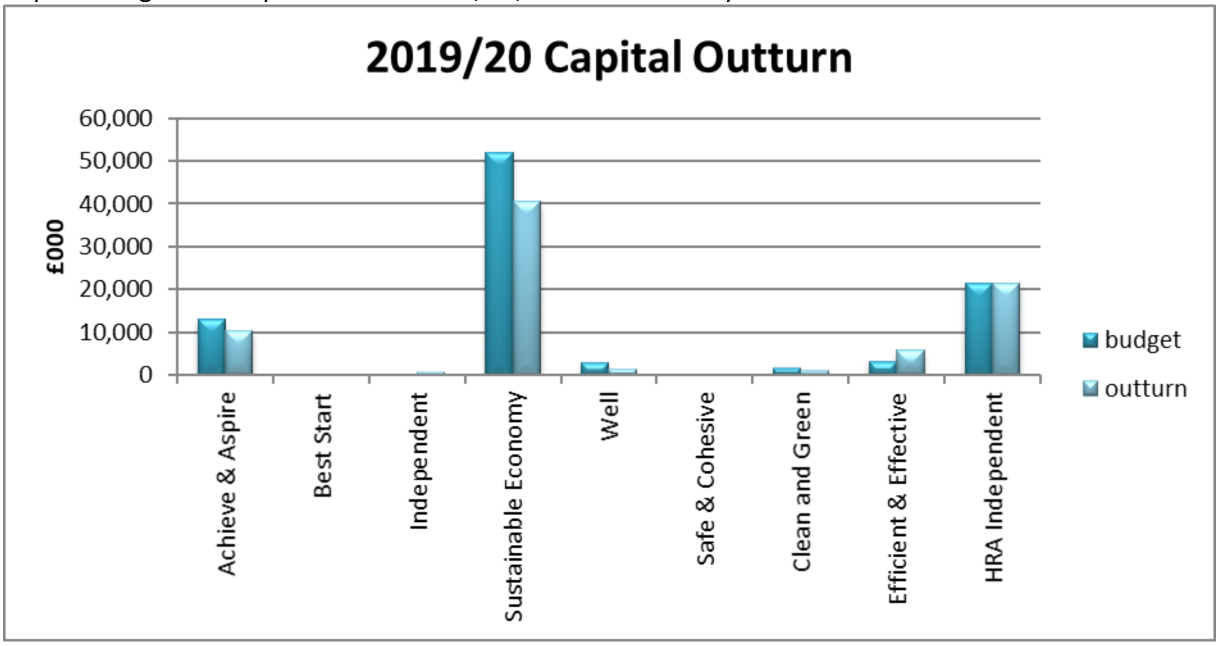
Capital expenditure

The Council's revised capital plan budget was £94.6m in 2019/20.

Capital spend in 2019/20 totalled £81.2m; equivalent to 86% against committed investment. Of the total spend, £18.7m related to strategic priorities, £51.2m related to baseline spend and the balance of £11.3m related to schemes of a one off nature.

The outturn position relative to budget reflects a number of deferred expenditure commitments rolled forward into future years; examples include slippage on strategic priority capital schemes, including £1.9m on the Town Centre Action Plans and £1.2m on West Yorkshire plus Transport schemes, plus slippage in New Pupil places across two school sites at £0.9m. Delays and slippage are also reflected in Baseline schemes, including Highways at £2m and Corporate Landlord at £2m.

Capital budget and expenditure in 2019/20, is summarised by outcome below:



Capital expenditure in 2019/20 was funded by the following sources of finance; borrowing £29.8m, grants and contributions £24.2m, capital receipts at £6.9m, Major Repairs Reserve (HRA) at £12.6m, Reserves/Revenue contributions to capital (HRA) at £7.7m and revenue funding on PFI commitments £1.9m.

Collection Fund

The Collection Fund separately accounts for income and expenditure relating to Council Tax by the billing authority. Council Tax and Business Rates are separate accounts held within the Collection Fund and cannot cross-subsidise each other.

Payments are made from the Collection Fund at the start of each year to the various precepting bodies i.e. West Yorkshire Police Authority and West Yorkshire Fire & Rescue Authority in relation to Council Tax, and West Yorkshire Fire & Rescue Authority and Central Government in relation to Business Rates. Payments are based on annual income estimates.

Actual income received in-year can vary from estimates, which normally results in there being either a deficit or surplus on Council Tax and Business Rates at each year end.

Surpluses or deficits roll forward automatically through the Collection Fund, but the intention is that, these surpluses or deficits are ‘smoothed out’ over subsequent financial years, through corresponding payment adjustments, including the relevant precepting authorities and Central Government.

The Council's share of overall Collection Fund financial performance in 2019/20 is summarised below.

Collection Fund - Council Share	Council Tax	Business Rates
	£m	£m
(Surplus)/Deficit at 1 April 2019	**1.6**	**-8.7**
(Surplus)/Deficit transfer to General Fund in 2019/20	-1.2	6.9
In-year financial performance 2019/20	0.8	-1.9
(Surplus)/Deficit at 31 March 2020	**1.2**	**-3.7**

The Council's share of Council Tax deficit at 31 March 2020, at £1.2m, plus the balance of £0.2m surplus in relation to precepting authorities, will be re-paid in future years.

The percentage of Council Tax collected in year was 95.41% (2018/19 95.68%). The Council's share of the arrears outstanding as at 31 March 2020 was £14.7m (31 March 2019 £12.8m).

The percentage of Business Rates collected in the year was 97.09% (2018/19 97.17%). The Council's share of the arrears outstanding at 31 March 2020 was £3.3m (31 March 2019 £4.3m). In addition, there is a provision for Business Rates appeals outstanding. The Council's share of this provision at 31 March 2020 is £1.9m (31 March 2019 £4.8m).

The Council is a top-up Authority and is also part of a regional business rates pooling arrangement – Leeds City Region and North Yorkshire Business Rates Pool, for 2019/20. The Council's share of the Business Rates surplus as at 31 March 2020, at £3.7m, plus the balance of £0.7m surplus in relation to Central Government and West Yorkshire Fire and Rescue Authority will be re-paid out in subsequent years.

Balance Sheet

The table below summarises the Balance Sheet movements during 2019/20 and indicates that the Council maintains a strong Balance Sheet in terms of net assets and usable reserves.

	At March 2019	At March 2020	Movements in-year
	£m	£m	£m
Long Term Assets	1,554	1,637	83
Net Current Assets	-15	-51	-36
Long Term Liabilities	-1,235	-1,314	-79
Net assets	**304**	272	-32
Represented by :			
Usable Reserves	-211	-226	-15
Unusable Reserves	-93	-46	47

Assets

The value of Property, Plant and Equipment has increased during the year by £97.5m to £1,446.1m. The increase is largely due to additions of £69.6m, net valuation gains on Plant, Property and Equipment of £103.1m, offset by assets being reclassified as Held for Sale (£2.9m) and the disposals of assets (£18.3m), including schools transferring to academy status. In addition, the Council had Heritage Assets and Investment Property valued at £50.0m and £101.1m respectively as at 31 March 2020 (31 March 2019 £50.0m and £124.1m). Current assets increased by £7.5m to £106.8m.

The Council's policy towards cash flow management is prudent and all deposits/investments in 2019/20 have been placed short-term with a view towards security and liquidity. As at 31 March 2020, the Council held investments of £42.0m within "cash equivalents", that is highly liquid deposits with an insignificant risk of change in value (31 March 2019 £39.1m).

Liabilities

Current liabilities increased by £43.5m to £157.5m and long-term liabilities increased by £78.4m to £1,313.7m. As at 31 March 2020, the Council had total provisions (long term and short term) of £12.5m (31 March 2019 £14.8m). Total external borrowing during the year increased from £400.3m to £431.2m. There was no new long term borrowing taken in the year and short term borrowing increased by £41.4m.

The average interest rate for long term borrowing in 2019/20 was 4.67% (2018/19 4.62%).

Other long term liabilities contains a net pensions liability of £824.7m (31 March 2019 £738.1m). This represents an actuarial assessment of the Council's share of the pension fund assets and the underlying commitment of the Council to pay future retirement benefits. The increase in net liabilities largely reflects the reduction in the fair value of the scheme assets at the Balance Sheet date as a result of remeasurement losses on assets.
Whilst the pensions liability figure is substantial it should be remembered that:

- It is not an immediate deficit that needs to be met now. The sum is the current assessment taking a long-term view of the future liabilities for existing pensioners and current employees who are accruing pension entitlement.
- It is not a situation unique to Kirklees Council or Local Authorities generally. There is a national problem for pension funds in both public and private sectors that are similarly in a net liability situation.
- The West Yorkshire Pension Fund is regularly reviewed and provision has been made for additional contribution to address the deficit over a period of years.
- Employee contribution rates may change as may the method of calculating accrued benefits and therefore, liabilities.

The net liability is matched by an appropriate accounting entry under Reserves.

Balances and Reserves

General Fund Balances at 31 March 2020 was £113.4m (31 March 2019 £105.0m), a net increase of £8.4m. These balances include £103.4m that has been earmarked for particular purposes, including £37.1m Financial Resilience Reserves covering a range of potential unfunded risks and pressures (including budget savings risks highlighted in the Council's corporate risk assessment).

A specific reserve has been set aside to cover the costs of the Council's Covid-19 response in 2020/21. The balance of this reserve as at 31 March 2020 is £11.1m; made up of the transfer of the first tranche of unringfenced Covid-19 Support Grant (£12.2m), adjusted for £1.1m Covid-19 impacts incurred in the period up to 31 March 2020. This funding was released early by Government on 27 March 2020 and technically has to be accounted for in 2019/20, with the balance rolling forwards through a specific reserve. It is anticipated that the reserve will be fully applied in 2020/21 to help offset significant and unbudgeted Covid-19 pressures in-year.

The revenue grants reserve is £10.2m. Council reserves also includes an amount of £10.0m (31 March 2019 £9.5m) relating to schools' balances.

Total usable reserves (excluding Schools Reserves (Other) and Public Health) at 1 April 2020 are £104.6m; equivalent to 34.6% of the 2020/21 £302.3m (net) revenue budget. For comparator purposes, the median percentage across the 26 metropolitan Councils on this particular indicator was 35% as at 31 March 2019. The significance of this indicator is that it features as part of CIPFA's suite of 'financial resilience' performance indicators being developed to support officers, members and other stakeholders as an independent and objective suite of indicators that measure the relative financial sustainability and resilience of Councils, given extensive and ongoing national coverage and concern about financial sustainability across the local government sector.

HRA Balances at 31 March 2020 were £61.0m and these will be used to help sustain a balanced revenue position for the HRA over the medium to longer term informed by the 30 year HRA business plan. There was a nil balance on the Major Repairs Reserve as at 31 March 2020 (31 March 2019 nil), which was previously used to support capital expenditure and repay debt within the year.

There are two Capital reserves – grants and receipts – which total £51.6m as at 31 March 2020 (31 March 2019 £44.4m).

The unusable reserves are kept to manage the accounting processes for non-current assets, financial instruments, retirement and employee benefits and do not represent usable resources for the Council.

Group accounts

The Council's Group Accounts are made up of the accounts of the Council, a wholly owned subsidiary - Kirklees Neighbourhood Housing Limited (KNH) and a joint venture - Kirklees Stadium Development Limited (KSDL). The Group Accounts show the full extent of the Council's economic activities by including the Council's involvement with its group companies. The Group Accounts are of equal stature to the Council's single-entity accounts. Based on draft accounts, KNH made an operating deficit of £10.6m in 2019/20 and based on the Council's interest and adjusted in line with the Group's accounting policies, KSDL made an operating deficit of £0.2m.

Council finances – future prospects

Achieving objectives within available resources in the context of ongoing inflationary, demographic and other demand pressures locally continues to be the single biggest challenge facing the Council.

The Council's approved budget plans for 2020/21 include further investment proposals that reflect the adminstration's political priorities; in particular in relation to delivery of outstanding children's services, tackling climate change and investing in our places, as well as effective and efficient corporate capacity and capability to support the overall approach and Council ambition for the district's residents. At the same time, this continues to be balanced against medium term budget risks and ensuring the Council can continue to deliver within its means for the forseeable future.

Budget plans for 2020/21 were approved at budget Council on 12 February 2020. These are summarised below.

Summary general fund revenue position 2020-23	Approved Budget 2020/21	Indicative Budget 2021/22	Indicative Budget 2022/23
	£m	£m	£m
Funding Available 2019-22 MTFP	(288.6)	(290.8)	(293.1)
Funding Adjustments	(15.9)	(17.7)	(20.8)
Funding Available (2020-23 MTFP)	**(304.5)**	**(308.5)**	**(313.9)**
Spending Plans 2019-22 MTFP (before savings)	302.6	311.3	323.9
Service Investment/Administration Priorities	24.9	29.4	32.3
Service funding/re-investment	(15.3)	(16.1)	(16.0)
Central Budget adjustments	(9.4)	(8.1)	(8.8)
Efficiency savings	(0.5)	(1.0)	(1.5)
Spending Plans (2020-23 MTFP)	**302.3**	**315.5**	**329.9**
Transfer to Reserves	2.2	5.0	6.0
Budget Gap	0	12.0	22.0

The Councils refreshed reserves strategy is directed at strengthening organisational flexibility and financial resilience over the medium to longer term in account of the continued funding uncertainty for Council's post 2020. General Fund reserves of £37.1m have been set aside specifically for this purpose within 'financial resilience' reserves, for mitigation against future budget and other unfunded risks. This is equivalent to 12.6% of the current year £294.7m (net) controllable revenue budget.

Council updated budget plans reflect a 3.99% Council Tax uplift in 2020/21; equivalent to £7.2m additional funding. The majority of Kirklees homes are classified as Band A. At this level, a 3.99% Council Tax uplift is equivalent to an increase of £40.14; from £1,006.39 in 2019/20 to £1,046.53 in 2020/21 (before Fire, Police and Parish Council precepts).

High Needs

The issue of high needs pupil pressures on Council budgets has been the subject of significantly increased recent national media coverage, and broader sectoral lobbying. Government has acknowledged the extent of current and growing spend pressures on high needs through the SR2019 announcement which included £700.0m additional funding for high needs in 2020/21; subsequently confirmed through the 2020/21 financial settlement. This Council's share is £6.1m in 2020/21. This includes the minimum £1m annual uplift for Kirklees as part of transitional arrangements to mitigate the £7m baseline 2018/19 under funding.

The total negative DSG reserve balance as at 31 March 2020 is £14.4m. Alongside the £12.9m High Needs pressure this includes a £2.2m overspend relating to the Council's General Fund contribution to Schools Private Finance Initiative (PFI), pending confirmation from the Department for Education that this is able to continue under the new regulations. A matching £2.2m transfer from base budget has been set aside in a separate Schools PFI reserve to cover this cost subject to the appropriate permissions being received.

Budget plans for 2019/20 had initially assumed that the High Needs pressure would be part offset from the planned release of Central Budget Minimum Revenue Provision (MRP) budget of £5.0m. In anticipation of Government confirmation of its consultation on treatment of DSG deficits, the 2020-23 Annual Budget Report included proposals to create a demand reserve from the re-direct of MRP set asides that would previously have been used to at least part offset in year High Needs spend pressures.

This will be used to mitigate the impact and volatility of a range of potential demand risks on statutorily provided service activity going forwards. The MRP re-direct has been reflected, with a transfer of £5.0m into the Demand Reserve. Further transfers of £6.7m were also made into the Demand Reserve in year, giving a closing balance of £11.7m as at 31 March 2020.

High Needs remains an area of significant and growing pressure on Council budgets nationally and locally, and officers will continue to review and update current and future year forecasts from 2020/21 onwards, informed by local and national intelligence.

It is anticipated that medium term growth pressures may be mitigated at least in part through other measures, with the Council currently working on the implementation of a ten point action plan with key education partners across the district. Medium term, existing capital budget plans over the next 5 years already include £25.0m to support increased district High Needs specialist placement sufficiency. However, the most significant factor in being able to close the structural DSG High Needs deficit over the medium to longer term, is a sustainable national Government funding solution beyond 2020/21.

Social Care

The Local Government Finance Settlement for 2020/21 confirmed that all existing Social Care specific grants, including Better Care Fund, will roll into 2020/21 baselines. These include existing specific grants for winter pressures at £1.9m, specific adult social care grant allocations at £1.2m and and the Improved Better Care Fund (iBCF) totalling £15.4m. There is also funding allocated through the Better Care Fund (BCF) pooled with Health, with the Council share about £17.2m. This (along with the iBCF, and Winter Pressures grant) has national reporting conditions and joint health sign off agreements.

Also confirmed in the 2020/21 Local Government Finance Settlement was the overall national increase in Social Care funding by £1.5 billion in 2020/21, announced in SR2019 as funding to 'stabilise the system'; described by the Chancellor as a down payment for more extensive reforms to 'fix' Adult Social Care in the autumn through the delayed release of the Adult funding green paper. Of this, £1.0 billion funding was allocated to Council's as a specific Social Care grant in 2020/21, which Council's have discretion to allocate either to Children's or Adults Social Care. This will be distributed using the Adults Social Care relative needs formulae, with Kirklees' share being £7.8m.

Demand led volume and cost pressures and demographic trends are having a continuing and significant impact on already stretched Council budgets and this has been well documented both nationally and at a local level over recent years. There is Central Government acknowledgement that beyond 2020/21, increasing Adult Social Care pressures will be beyond the means of existing Council budgets to be able to contain over the longer term, and that a national funding solution is required.

Future service developments

Covid-19

The Covid-19 pandemic and the subsequent Government lockdown, announced on 20 March 2020 has had a considerable impact on the Council. The Council has responded swiftly and effectively and has been front and centre of the local response to the emerging pandemic crisis, ensuring the continued provision of essential services, support and protection to the Borough's most vulnerable residents and households, alongside the Council's commitment to support the national effort to protect the NHS and support businesses.

These additional costs had some initial impact of just over £1.0m on the financial outturn for 2019/20 as the pandemic only really affected the last two weeks of March. However, the scale of its impact on the Council's finances will be felt during 2020/21. Along with these cost pressures the Council is expecting substantial losses across many of its sundry fees and charges income (including parking, commercial waste, licensing fees, registrars and planning fees).

It is difficult to quantify the impact of Covid-19 at this stage with any certainty, but the recent 'Covid-19 impact on Council finances' report to Cabinet on 21 May 2020 highlighted a forecast cost impact of between £34.0m and £65.0m over the short term (up to 12 months). The report can be found on the democracy area of the Council's website.

Government has committed to compensating Council's and has allocated £3.7 billion Covid-19 funding to date to the local government sector nationally. The Council's share is £28.2m confirmed to date.

The level of Government support so far notified will not be sufficient to address the impact of increased General Fund costs of service provision and the impact of lost income from sundry fees and charges and tax income losses in year. Further Government support has been announced specifically targeted at service income loss and tax income loss in year, although the amount of financial support has yet to be confirmed.

For Council's with HRA's like Kirklees, there are potential financial impacts on income collection and rent arrears for some of the Council's most vulnerable tenants who may also be experiencing additional volatility with regard to household income.

The Council is also monitoring closely the impact of Covid-19 on the financial resilience of other organisations that have ongoing financial arrangements with the Council, such as Kirklees College, and joint ventures for which the Council is a part shareholder, namely Kirklees Stadium Development Limited.

The Council has also actioned a range of other Government initiatives to provide support to local businesses including facilitating the payment of Business Grants of over £93m to over 8,300 eligible local businesses. Immediate payment terms have been introduced for suppliers. The Council is also working with a range of contracted services and suppliers, to ensure timely and appropriate payments that will deliver service continuity and future sustainability, including the social care provider market, home to school transport, educational including early years provision, and leisure activity. These current arrangements are subject to ongoing review.

The impact of Covid-19 has also had a widespread impact on the workforce of the Council and the way in which the Council delivers services. The Council has utilised technology to allow staff to work from home to minimise disruption to services and Council staff have been flexibly deployed where appropriate into priority activities to support Council activity, in particular to support and protect the Borough's most vulnerable children and adults. This has included collaborative working in partnership with Kirklees Neighbourhood Housing (KNH), and Kirklees Active Leisure (KAL).

In the March 2020 budget, Government announced that it had agreed a devolution deal with West Yorkshire to establish a Mayoral Combined Authority with a directly elected Mayor from May 2021. Government stated that this deal will provide £1.1 billion of investment for the area over 30 years, as well as devolving significant new decision making powers on transport, planning and skills. It also underpins the agreement of a long-term intra-city transport settlement for the region starting in 2022/23.

Future Accounting Developments

CIPFA's released the Financial Management Code for Local Government in October 2019. CIPFA intended that the Code (CIPFA FM Code) should be designed and developed to support good practice in financial management and to assist Local Authorities in demonstrating their financial sustainability. The CIPFA FM Code would therefore for the first time set standards of financial management for Local Authorities in the United Kingdom. The FM Code is based on a series of principles supported by specific standards and statements of practice. They are considered necessary to provide the strong foundation within Local Authorities to enable them to:

- financially manage the short, medium and long-term finances;
- manage financial resilience to meet foreseen demands on services;
- financially manage unexpected shocks in their financial circumstances.

The FM Code is consistent with other CIPFA codes and statements in that it is based on principles rather than prescription and each local authority must demonstrate that the requirements of the FM Code are being satisfied. Demonstrating this compliance with the CIPFA FM Code is the collective responsibility of elected members, the Service Director Finance and their professional colleagues in the leadership team.

CIPFA intend that this will be formally implemented at a local level in time for the 2021/22 budget round, and officers intend to undertake a self-assessment review against the code requirements through 2020/21, to be reported to the Corporate Governance and Audit Committee (CGAC) in due course and any subsequent actions arising subsequently incorporated into the Council's Annual Governance Statement, which is reviewed quarterly through CGAC.

Key Risks

The Council Corporate Risk Matrix for 2020/21 was agreed in February 2020. The matrix highlights risk areas, and headline mitigations and management actions.

The areas identified are summarised below:

- The risks associated with the need to deliver budget savings required by the Medium Term Financial Plan.
- Overspending on particular budget heads due to increase in volumes, rising prices, or a failure to properly control projects; concerns about growth in volumes of children, adult social care and educational high needs (and in the longer term the cost of waste disposal) beyond those provided in financial plans.
- The funding impacts of the national "living wage" and other inflationary pressures faced by contractors, and impacts from other legislative changes and the resultant effects on the quality or performance of services.
- Council supplier and market failure.
- Safeguarding risks associated with the care of children and vulnerable adults.
- The impact of welfare reforms.

- Workforce management issues (including loss of experienced staff; need for different skills sets and inability to identify/or reach all staff to deliver appropriate training; difficulties recruiting and retraining staff in specific areas).
- Funding shortfall in partner agencies e.g. NHS.
- Failure to address matters of violent extremism and related safer stronger community factors.
- Unforeseen legislative changes.
- Unforeseen significant environmental events e.g. severe weather impact.
- Management of information from loss or inappropriate destruction or retention and the risk of failure to comply with the obligations of General Data Protection Regulations (GDPR), Freedom of Information (FOI) and Data Protection.
- The risks associated with the anticipated substitution of Council services by those provided by communities.
- Heightened national attention to Child Sexual Exploitation and historical abuse cases leading to increased demand, higher professional expectations and greater public scrutiny.
- Inadequate health and safety measures leading to harm to employees or customers/possible litigious action.
- Exposure to increased liabilities arising from property ownership and management.
- Financial risks associated with Treasury Management.
- Exposure to material unforeseen costs or uninsured losses and the overall adequacy of Council Reserves.
- The risks associated with the process of the United Kingdom exiting the European Union including: impacts on Business Rates and Council Tax, rising inflation, economic recession, levels of trade and investment, migration and labour markets and community cohesion.
- Unanticipated costs or operational consequences of the Council's own climate change commitments, and or statutory climate change obligations.

Statement of Accounts

The Financial Statements

The Statement of Accounts contains four core accounting statements:

- **Comprehensive Income and Expenditure Statement (CIES)**
- **Movement in Reserves Statement (MiRS)**
- **Balance Sheet at 31 March 2020**
- **Cash Flow Statement**

Each of the above accounting statements is preceded by a short note describing its purpose, and they are followed by notes explaining figures in the statements.

Group Accounts are produced which include companies and similar entities which the Council either controls or significantly influences.

Other Accounting Information

This main section of the Statement of Accounts is followed by supplementary statements:

- **Housing Revenue Account (HRA)**
- **Collection Fund**

The Council is required to keep separate accounts for HRA and Collection Fund by statute. The Group Accounts reflect the presentational changes mentioned above. Each of these supplementary statements is preceded by notes explaining their purpose and followed by explanatory notes.

The accounts also include:

- **The Statement of Responsibilities for the Statement of Accounts** - sets out the respective responsibilities of the Council and the Service Director Finance for the accounts.
- **The Statement of Accounting Policies** - explains the basis of the figures in the financial statements, and the concepts and policies underpinning the accounts.
- **The Annual Governance Statement** - sets out a framework within which overall governance and internal control are managed and reviewed.

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

The Council's Responsibilities

The Council is required to:

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

The Service Director Finances' Responsibilities

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

In preparing this Statement of Accounts, the Service Director has:

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

The Service Director has also:

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

The Service Director also confirms that to the best of his knowledge:

- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Council and the undertakings included in the consolidation taken as a whole; and;
- the Narrative Statement includes a fair review of the development and performance of the business and the position of the Council and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that it faces.

Certificate

I certify that this Statement of Accounts presents a true and fair view of the financial position of Kirklees Council at the reporting date, and its income and expenditure for the year ended 31 March 2020.

Eamonn Croston
Service Director - Finance
24th November 2020

I certify that this Statement of Accounts was approved by the Corporate Governance and Audit Committee on 24th November 2020.

Will Simpson
Chair, Corporate Governance and Audit Committee

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT (CIES)

This Statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation and rents. Authorities raise taxation and rent to cover expenditure in accordance with statutory requirements; this may be different from the accounting cost. The taxation position is shown in both the Movement in Reserves Statement and Expenditure and Funding Analysis shown in Note 8.

	Gross Exp	Gross Income	2019/20 Net Exp	Gross Exp	Gross Income	2018/19 Net Exp	
	£000	£000	£000	£000	£000	£000	Note
Children & Families	404,427	-303,147	101,280	400,309	-300,226	100,083	
Adults & Health	198,166	-87,809	110,357	175,554	-70,638	104,916	
Economy & Infrastructure	138,868	-53,494	85,374	133,086	-50,997	82,089	
Corporate Strategy, Commissioning & Public Health	162,292	-116,395	45,897	168,144	-129,915	38,229	
Central Budgets	61,816	-38,211	23,605	48,732	-4,512	44,220	
HRA	69,431	-154,268	-84,837	67,656	-112,486	-44,830	
Cost of Services	**1,035,000**	**-753,324**	**281,676**	**993,481**	**-668,774**	**324,707**	
Other operating expenditure			15,294			14,224	12
Financing and investment income and expenditure			60,718			30,855	13
Taxation and non-specific grant income			-340,396			-338,300	14
Deficit on Provision of Services			**17,292**			**31,486**	
Surplus(-)/Deficit on revaluation of Property, Plant and Equipment (PPE) and Heritage assets			-30,687			-12,798	15
Impairment losses on non-current assets to the Revaluation Reserve			107			0	15
Surplus(-)/Deficit on revaluation of available for sale financial assets			53			-231	
Remeasurements of the net defined benefit liability			34,106			66,005	40
Other Comprehensive Income and Expenditure			**3,579**			**52,976**	
Total Comprehensive Income and Expenditure			**20,871**			**84,462**	

STATEMENT OF MOVEMENT IN RESERVES

This statement shows the movement in the year on the different reserves held by the Council, analysed into "usable reserves" (i.e. those that can be applied to fund expenditure or reduce local taxation) and other "unusable reserves". The statement shows how the movements in year of the Council's reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and statutory adjustments required to return to the amounts chargeable to Council Tax/Housing Rents for the year. The Net Increase/Decrease line shows the statutory General Fund Balance and Housing Revenue Account Balance movements in the year following those adjustments. Explanations and detailed movements of each reserve can be found in the Glossary and in notes 11 and 27.

	General Fund Balances	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Council Reserves
	£000	£000	£000	£000	£000	£000	£000	£000
2019/20								
Balance at 31 March 2019	**-104,972**	**-61,782**	**-18,050**	**0**	**-26,325**	**-211,129**	**-92,518**	**-303,647**
Movement in reserves during 2019/20								
Total Comprehensive Income and Expenditure	92,406	-75,114	0	0	0	17,292	3,579	20,871
Adjustments between accounting & funding basis under regulations (Note 10)	-100,876	75,878	-1,863	0	-5,385	**-32,246**	32,246	**0**
Net Increase(-)/ Decrease	**-8,470**	**764**	**-1,863**	**0**	**-5,385**	**-14,954**	**35,825**	**20,871**
Balance at 31 March 2020 carried forward	**-113,442**	**-61,018**	**-19,913**	**0**	**-31,710**	**-226,083**	**-56,693**	**-282,776**
2018/19								
Balance at 31 March 2018	-88,783	-60,358	-12,468	-409	-23,040	-185,058	-203,051	-388,109
Movement in reserves during 2018/19								
Total Comprehensive Income and Expenditure	68,049	-36,563	0	0	0	31,486	52,976	84,462
Adjustments between accounting & funding basis under regulations (Note 10)	-84,238	35,139	-5,582	409	-3,285	-57,557	57,557	0
Net Increase(-)/ Decrease	-16,189	-1,424	-5,582	409	-3,285	-26,071	110,533	84,462
Balance at 31 March 2019 carried forward	-104,972	-61,782	-18,050	0	-26,325	-211,129	-92,518	-303,647

BALANCE SHEET

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories. The first category of reserves is usable reserves; that is those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example, the capital receipts reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the Council is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example, the revaluation reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line "Adjustments between accounting basis and funding basis under regulations".

	31 March 2020	31 March 2019	
	£000	£000	Note
Property, Plant & Equipment (PPE)	**1,446,113**	1,348,593	**15**
Heritage Assets	**49,973**	50,025	**16**
Investment Property	**101,105**	124,087	**17**
Intangible Assets	**588**	882	**18**
Long Term Investments	**13,426**	4,372	**19**
Long Term Debtors	**25,343**	25,665	**19&20**
Long Term Assets	**1,636,548**	**1,553,624**	
Inventories	**2,038**	2,372	
Short Term Debtors	**60,536**	55,122	**19&21**
Assets Held for Sale	**2,888**	2,415	
Cash and Cash Equivalents	**41,365**	39,389	**19&22**
Current Assets	**106,827**	**99,298**	
Short Term Borrowing	**-57,582**	-16,190	**19**
Short Term Creditors	**-90,262**	-87,619	**19&23**
Other Short Term Liabilities	**-6,148**	-6,239	
Provisions	**-3,487**	-3,945	**24**
Current Liabilities	**-157,479**	**-113,993**	
Long Term Borrowing	**-373,660**	-384,115	**19**
Other Long Term Liabilities	**-929,460**	-851,167	**25**
Long Term Liabilities	**-1,303,120**	**-1,235,282**	
Net Assets	**282,776**	**303,647**	
Usable Reserves	**-226,083**	-211,129	**26**
Unusable Reserves	**-56,693**	-92,518	**27**
Total Reserves	**-282,776**	**-303,647**	

CASH FLOW STATEMENT

The Cash Flow Statement shows the changes in cash and cash equivalents of the Council during the reporting period. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Council are funded by way of taxation and grant income or from the recipients of services provided by the Council. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Council's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Council.

		2019/20		2018/19	
	£000	**£000**	£000	£000	Note
Net surplus(-)/deficit on the provision of services		**17,292**		**31,486**	
Adjustments to net surplus/deficit on the provision of services for non-cash movements		**-70,027**		-120,833	**29**
Adjustment for items included in the net surplus/deficit on the provision of services that are investing and financing activities		**33,917**		35,114	**30**
Net cash flows from Operating Activities		**-18,818**		**-54,233**	
Net cash flows from Investing Activities					
Purchase of property, plant and equipment, investment property and intangible assets	**66,207**		52,707		
Purchase of short-term and long-term investments	**10,802**		421		
Proceeds from the sale of property, plant and equiment, investment property and intangible assets	**-11,432**		-13,399		
Proceeds from short-term and long-term investments	**-170**		-469		
Other receipts from investing activities	**-22,631**	**42,776**	-20,830	**18,430**	
Net cash flows from Financing Activities					
Cash receipts of short and long-term borrowing	**-64,067**		-5,917		
Other receipts from financing activities	**-1,154**		0		
Cash payments for the reduction for the outstanding liabilities relating to finance leases and PFI contracts	**6,068**		5,024		
Repayments of short and long-term borrowing	**33,154**		23,341		
Other payments for financing activities	**65**	**-25,934**	6,115	**28,563**	**30**
Net increase in cash and cash equivalents		**-1,976**		**-7,240**	
Cash and cash equivalents at the beginning of the reporting period		**39,389**		32,149	
Cash and cash equivalents at the end of the reporting period		**41,365**		**39,389**	**22**

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1 Accounting Policies

General Principles

The Statement of Accounts summarises the Council's transactions for the 2019/20 financial year and its position at the year-end of 31 March 2020. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015, in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 (the Code), supported by International Financial Reporting Standards (IFRS).

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

Accruals of Income and Expenditure

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

- Revenue from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Supplies are recorded as expenditure when they are consumed - where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature within 90 days or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

Cash and cash equivalents are shown net of bank overdrafts as the use of the latter is considered to be an integral part of cash management.

Charges to Revenue for Non-Current Assets

Services, support services and trading accounts are debited with the following amounts to record the cost of holding non-current assets during the year:

- Depreciation attributable to the assets used by the relevant service.
- Revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off.

- Amortisation of intangible fixed assets attributable to the service.

The Council is not required to raise Council Tax to fund depreciation, revaluation and impairment losses or amortisation. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis determined by the Council in accordance with statutory guidance. Depreciation, revaluation and impairment losses and amortisation are therefore replaced by the contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

Collection Fund

The transactions of the Collection Fund are wholly prescribed by legislation. The effect of this is:

- Shares of Non-Domestic Rating income to major preceptors and a billing authority are paid out of the Collection Fund and credited to the CIESs of precepting and billing authorities. However, the transactions presented in the Collection Fund Statement are limited to the cash flows permitted by statute for the financial year, whereas each authority will recognise income on a full accruals basis (ie sharing out in full of surpluses and deficits at the end of the year, even though it will be distributed to or recovered in a subsequent financial year).
- A share (after allowable deductions) of the Non-Domestic Rating income is paid out of the Collection Fund to Central Government.
- Council Tax precepts for major precepting authorities and a billing authority's demand on the fund are paid out of the Collection Fund and credited to the CIESs of precepting and billing authorities. However, as with Non-Domestic rating income, the transactions presented in the Collection Fund Statement are limited to the cash flows permitted by statute for the financial year, whereas each authority will recognise income on a full accruals basis (ie sharing out in full of surpluses and deficits at the end of the year, even though it will be distributed to or recovered in a subsequent financial year).
- Parish precepts are paid from the General Fund of billing authorities and are disclosed on the notes to the CIES.
- The difference between the Non-Domestic Rate and Council Tax income included in the CIES and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account and reported in the Movement in Reserves Statement.

Employee Benefits

Benefits Payable During Employment

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, annual and sick leave, and bonuses for current employees and are recognised as an expense for services in the year in which employees render service to the Council.

An accrual is made for the cost of holiday and flexi-time entitlements earned by employees but not taken before the year-end, which employees can carry forward into the next financial year. The accrual is charged to the Surplus or Deficit on the Provision of Services, but then statutory regulations require this to be reversed out through the Movement in Reserves Statement, so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the appropriate service or, where applicable, to

Non Distributed Costs within the Central Budgets line in the CIES when the Council is demonstrably committed to the termination of the employment of an officer or group of officers.

Post Employment Benefits

Employees of the Council are members of three separate pension schemes:

- The Teachers' Pension Scheme, administered by Capita Business Services on behalf of the Department for Education (DfE).
- The NHS Pension Scheme, administered by the NHS Business Services Authority.
- West Yorkshire Pension Fund, which is part of the Local Government Pension Scheme (LGPS), administered by City of Bradford Metropolitan District Council.

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

The Teachers' Pension Scheme -

This scheme is unfunded, meaning it has no investment assets. The administrator uses a notional fund as the basis for calculating the employers' contribution rate by local education authorities. This means that liabilities for benefits cannot be identified specifically to the Council. The scheme is therefore accounted for as if it were a defined contribution scheme and no liability for future payments of benefits is recognised in the Balance Sheet. The Children & Families service line in the CIES is charged with the employer's contributions payable to Teachers' Pensions in the year.

The NHS Pension Scheme -

Public Health staff transferred to the Council on 1 April 2013 have retained access to the NHS Pension Scheme. This scheme is also unfunded and is accounted for on a defined contribution basis. The Corporate Strategy, Commissioning and Public Health line in the CIES is charged with the employer's contributions payable to NHS Pensions in the year.

The Local Government Pension Scheme (LGPS) -

This is a funded scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pensions' liabilities with investment assets over the long term.

The Local Government Scheme is accounted for as a defined benefits scheme:

- The liabilities of the West Yorkshire Pension Fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – that is an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of projected earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate of 2.6% (based on UK AA rated bond prices compiled into a model by the Council's actuary Aon Hewitt Limited).
- The assets attributable to the Council are included in the Balance Sheet at their fair value.

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

- Service cost comprising:
    - Current service cost – the increase in liabilities as a result of years of service earned this year. Allocated in the CIES to the services for which the employees worked.

    - Past service cost – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years. Debited to the Surplus or Deficit on the Provision of Services in the CIES as part of Non Distributed Costs in Central Budgets.
    - Net interest on the net defined benefit liability (asset) ie net interest expense for the Council – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the CIES. This is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period, taking account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.
- Remeasurements comprising –
    - The return on plan assets – excluding amounts included in net interest on the net defined benefit liability (asset). Charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
    - Actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because actuaries have updated their assumptions. Charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
- Contributions paid to the fund – cash paid as employer’s contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

The LGPS permits employees retiring to take an increase in their lump sum payment on retirement in exchange for a reduction in their future annual pension. The figures in this year’s Statement of Accounts have been prepared by our actuary, based on the assumption that each member will exchange 75% of the maximum amount permitted of their service pension rights on retirement for additional lump sum.
In relation to retirement benefits, statutory provisions require the General Fund Balance to be charged with the amount payable by the Council to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are transfers to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits earned by employees.

Discretionary Benefits -
The Council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff (including teachers) are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

Events After the Balance Sheet Date
Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

- Those that provide evidence of conditions that existed at the end of the reporting period. In these cases, the accounting statements are adjusted to reflect such events, if they have a material effect;

- Those that are indicative of conditions that arose after the reporting period. In these cases, the accounting statements are not adjusted to reflect such events, but where they would have a material effect, disclosure is made in the notes as to the nature of the events and their estimated financial effect.

Fair Value Measurement
The Council measures some of its non-financial assets such as surplus assets and investment properties and some of its financial instruments such as equity shareholdings at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The Council measures the fair value of an asset or liability using the assumptions that market participants would use when pricing the asset or liability, assuming that the market participants act in their economic best interest. When measuring the fair value of a non-financial asset, the Council takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Council uses appropriate valuation techniques for each circumstance and for which sufficient data is available, maximising the use of relevant known data and minimising the use of estimates or unknowns. This takes into account the three levels of categories for inputs to valuations for fair value assets:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that the Council can access at the measurement date.
- Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 – unobservable inputs for the asset or liability.

Financial Instruments
Financial Liabilities
Financial liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the CIES for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

For most of the borrowings that the Council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the CIES is the amount payable for the year according to the loan agreement.

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

Where premiums and discounts have been charged to the CIES, regulations allow the impact on the General Fund Balance to be spread over future years. The Council has a policy of spreading the losses over the term that was remaining on the replacement loan and similarly for gains up to a maximum of ten years. The reconciliation of amounts charged to the CIES to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Financial Assets
There are three main classes of financial assets measured at:

- amortised cost,
- fair value through profit or loss (FVPL), and
- fair value through other comprehensive income (FVOCI).

The Council's business model is to hold investments to collect contractual cash flows i.e. payments of interest and principal. Most of the Council's financial assets are therefore classified as amortised cost, except for those whose contractual payments are not solely payment of principal and interest (i.e. where the cash flows do not take the form of a basic debt instrument).

Financial Assets Measured at Amortised Cost
Financial assets measured at amortised cost are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement (CIES) for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the financial assets held by the Council, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the CIES is the amount receivable for the year in the loan agreement.

Any gains and losses that arise on the derecognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the CIES.

Financial Assets Measured at Fair Value through Profit of Loss (FVPL)
Financial assets that are measured at FVPL are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they arrive in the Surplus or Deficit on the Provision of Services.

The fair value measurements of the financial assets are based on the following techniques:

- instruments with quoted market prices – the market price
- other instruments with fixed and determinable payments – discounted cash flow analysis.

The inputs to the measurement techniques are categorised in accordance with the accounting policy set out in the accounting policy section on Fair Value Measurement.

Any gains and losses that arise on the derecognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the CIES.

IFRS 9 Financial Instruments sets out that investments in equity should be classified as fair value through profit and loss unless there is an irrevocable election to recognise changes in fair value through other comprehensive income. The Council will assess each investment on an individual basis and assign an IFRS 9 category. The assessment will be based on the underlying purpose for holding the financial instrument.

Any changes in the fair value of instruments held at fair value through profit or loss will be recognised in the net cost of service in the CIES and will have a General Fund impact.

Financial Assets measured at Fair Value through other Comprehensive Income (FVOCI)
The Council has equity instruments designated at fair value through other Comprehensive Income (FVOCI). These were previously classified as Available for Sale assets at 31 March 2018.
The Council has made an irrevocable election to designate three of its equity instruments as FVOCI on the basis that they are held for non-contractual benefits, they are not held for trading but for strategic purposes. These assets were transferred to the new asset category on 1 April 2018 and are held at fair value. The value is based on the principal that these equity shares have no quoted market prices and are based on an appraisal of the company valuation and forecasted dividends.

Dividend income is credited to Financing and Investment Income and Expenditure in the CIES when it becomes receivable by the Council. Changes in fair value are posted to Other Comprehensive Income and Expenditure and are balanced by an entry in the Financial Instruments Revaluation Reserve.

When the asset is de-recognised, the cumulative gain or loss previously recognised in Other Comprehensive Income and Expenditure is transferred from the Financial Instruments Revaluation Reserve and recognised in the Surplus or Deficit on the Provision of Services.

The same accounting treatment was adopted in the prior year when the asset was classified as Available for Sale, except that accumulated gains and losses on the available for sale asset were previously held in an Available for Sale Financial Instruments Reserve at 31 March 2018. The balance on this reserve was transferred to the new Financial Instruments Revaluation Reserve as at 1 April 2018.

Expected Credit Loss Model
The Council recognises expected credit losses on all of its financial assets held at amortised cost over £0.5 million, either on a 12 month or lifetime basis. The expected credit loss model also applies to lease receivables and contract assets. Lifetime losses are recognised for trade receivables (debtors) based on a simplified approach by using default rates driven from own historical credit loss experience and adjusted for forward looking information.

Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12 month expected losses.

Instruments Entered Into Before 1 April 2006

The Council entered into a number of financial guarantees that are not required to be accounted for as financial instruments. These guarantees are reflected in the Statement of Accounts to the extent that provisions might be required, or a contingent liability note is needed under the policies set out in the section on Provisions, Contingent Liabilities and Contingent Assets.

Soft loans

For any soft loans that the Council may have made to outside organisations at less than market rates, a loss is recorded in the CIES (debited to the appropriate service) for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal. Interest is credited to the Financing and Investment Income and Expenditure line in the CIES at a marginally higher effective rate of interest than the rate receivable from the organisations, with the difference serving to increase the amortised cost of the loan in the Balance Sheet.

Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year – the reconciliation of amounts debited and credited to the CIES to the net gain required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement

Government Grants and Contributions

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the Council when there is reasonable assurance that:

- The Council will comply with the conditions attached to the payments, and
- The grants or contributions will be received.

Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor. Although conditions may still be outstanding at the Balance Sheet date, as long as there is reasonable assurance that the conditions will be complied with, then amounts are recognised in the CIES at this point. The grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non-ringfenced revenue grants and all capital grants) in the CIES.

Where conditions are outstanding and reasonable assurance does not exist that they will be complied with as at the Balance Sheet date, monies are carried in the Balance Sheet as creditors.

Where capital grants are credited to the CIES, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied reserve. When capital grants have been applied, they are posted to the Capital Adjustment Account.

Heritage Assets

These are assets generally with historical, artistic, scientific, technological, geophysical or environmental qualities that the Council holds principally for their contribution to knowledge and culture.

Recognition and Measurement

The Code requires heritage assets to be recognised and measured in accordance with accounting policies on Property, Plant and Equipment. However the unique nature of many heritage assets makes reliable valuation complex and some of the measurement rules have been relaxed. As such, valuations may be made by any method that is appropriate and relevant, and valuations need not be carried out or verified by external valuers. A full valuation is not required every five years but the Code does specify that reviews must be carried out with sufficient regularity to ensure they remain current.

A de minimis level of £10,000 has been established for the recording of heritage assets in the Balance Sheet. The Council has recognised three main groups of heritage assets on its Balance Sheet – the art collection, museum exhibits and other (notably civic silver and certain structural heritage assets). The recognition and measurement policies for these assets are as follows:

- Fine Art Collection
  These items are reported on the Balance Sheet using insurance valuations. Higher value items have been formally valued during the last two years by Bonhams Fine Art Auctioneers and Valuers, whilst lower value items are based on values estimated by the Council's Museum and Gallery staff with reference to recent information from sales at auctions and, occasionally, expert advice. The valuations are reviewed on an annual basis. Acquisitions are occasionally made by purchase or donation. Acquisitions are initially recognised at cost and donations are recognised at valuation in accordance with the policy on valuations of the art collection.
- Museum Exhibits
  Only a small proportion of these items have market values and are reported on the Balance Sheet. The values have been estimated by the Council's Museum and Gallery staff with reference to recent information from sales at auctions and, occasionally, expert advice. The valuations are updated on an annual basis. The collection is relatively static and acquisitions and donations are rare. Where they do occur, acquisitions are initially recognised at cost and donations are recognised at valuation in accordance with the policy on valuations of museum exhibits.
- Other
  The Civic Silver Collection is reported on the Balance Sheet at replacement cost. There is a regular programme of valuations and the items in the collection are valued by an external valuer (Gerard Laurence Collins) who specialises in precious metal craft and design. The Council has a number of structural heritage assets which are not recognised elsewhere on the Balance Sheet. These comprise of two clock towers, a Victorian tower and two park band stands. These items have been valued by internal valuers and are reported in the Balance Sheet at replacement cost. They will be revalued at least every five years.

Where cost information is not available and the cost of obtaining valuations outweighs the benefits to users of the financial statements, the Code does not require that the asset is recognised on the Balance Sheet. Where this approach has been adopted, it is set out in the disclosure note on heritage assets.

Where assets are not principally maintained for their contribution to knowledge and culture, for example listed buildings being used for operational purposes such as museums, they are recorded on the Balance Sheet under Property, Plant and Equipment.

The Council has had a number of heritage assets kindly donated over the years. The Council has insufficient information as to when such assets were donated and/or what the value of these items would have been when they were donated. The Council therefore has not recognised any heritage assets in the Donated Assets Account on the Balance Sheet prior to 1 April 2010. The Council has no material intangible heritage assets.

Depreciation and impairment

Depreciation is only provided on the structural heritage assets. Depreciation is not warranted on other heritage assets as their lives are either indefinite or sufficiently long to mean any charge would not be material. The carrying amounts of heritage assets are reviewed for evidence of impairment, for example where an item has suffered physical deterioration or breakage or doubts arise to its authenticity. Any impairment is recognised and measured in accordance with the Council's policies on impairment for Property, Plant and Equipment.

Disposal

The Council has a strong presumption against the disposal of any items in its collections. However, it will occasionally dispose of heritage assets which have a doubtful provenance or are unsuitable for public display. The proceeds of such items are accounted for in accordance with the provisions relating to the disposal of Property, Plant and Equipment.

Intangible Assets

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Council as a result of past events (for example, software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Council.

Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and is intended to be completed (with adequate resources being available) and the Council will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset. Expenditure is capitalised where it can be measured reliably as attributable to the asset and is restricted to that incurred during the development phase (research expenditure cannot be capitalised).

Expenditure on the development of websites is not capitalised if the website is solely or primarily intended to promote or advertise the Council's goods or services.

A de minimis level of £10,000 has been established for the recording of new assets in the Balance Sheet.

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Council can be determined by reference to an active market. In practice, no intangible asset held by the Council meets this criterion, and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life (usually between 5 and 10 years) to the relevant service line in the CIES. Straight-line amortisation has been adopted and it is assumed that residual value is insignificant or nil. An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the relevant service line in the CIES.

Amortisation and impairment charges are not permitted to have an impact on the General Fund Balance. Entries are effectively reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account.

Interests in Companies and Other Entities

The Council has a material interest in one company and one other entity that require it to prepare group accounts. In the Council's own single-entity accounts, the interests in companies and other entities are recorded as investments.

Inventories
Inventories are included in the Balance Sheet at the lower of cost and net realisable value. The cost of inventories is now assigned using the (First In First Out/weighted average) costing formula.

Investment Property
Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.
Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's-length. Properties are not depreciated but are revalued annually. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the CIES. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

Joint Operations
Joint operations are joint arrangements whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. If material, the Council recognises on its Balance Sheet the assets that it controls and the liabilities that it incurs, and debits and credits the CIES with the expenditure it incurs and the share of income it earns from the activity of the operation.

Leases
Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the Property, Plant or Equipment from the lessor to the lessee. All other leases are classified as operating leases.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

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

Lease payments are apportioned between:

- A charge for the acquisition of the interest in the Property, Plant or Equipment – applied to write down the lease liability, and
- A finance charge (debited to the Financing and Investment Income and Expenditure line in the CIES).

Property, Plant and Equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the Council at the end of the lease period).
The Council is not required to raise Council Tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

Operating Leases:
Rentals paid under operating leases are charged to the CIES as an expense of the services benefiting from use of the leased Property, Plant or Equipment. Charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments.

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

Lease rentals receivable are apportioned between:

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

The gain credited to the CIES on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement.

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

Operating Leases:
Where the Council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the CIES. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments.

Overheads and Support Services
The costs of overheads and support services are charged to service segments in accordance with the Council's arrangements for accountability and financial performance.

Prior Period Adjustments, Changes in Accounting Policies, Errors and Changes in Accounting Estimates
Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error.

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

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

Changes in accounting estimates are accounted for prospectively, that is in the current and future years affected by the change and do not give rise to a prior period adjustment.

Private Finance Initiative (PFI) and Similar Contracts
PFI contracts are agreements to receive services, where the responsibility for making available the fixed assets needed to provide the service passes to the PFI contractor. As the Council is deemed to control the services that are provided under its PFI schemes and as ownership of the assets will pass to the Council at the end of the contracts for no additional charge, the Council carries the assets used under the contracts on the Balance Sheet as part of Property, Plant and Equipment.

The Council has four PFI schemes –

- A twenty five year contract from April 1998 for waste disposal services.
- A thirty two and a half year contract, starting March 2001, for major repairs/refurbishment and continuing maintenance of nineteen schools, together with caretaking and cleaning services.
- A twenty six and a half year contract, starting March 2005 for the new build of two special schools and full refurbishment of existing buildings at a third special school, together with the maintenance of buildings and premise management functions at all three schools.
- A twenty two and a half year contract starting December 2011, for the design, build, financing and operation of 466 housing units. This is accounted for within the HRA.

Non-current assets are recognised in the Balance Sheet and are revalued and depreciated in the same way as Property, Plant and Equipment owned by the Council.

The amounts payable to the PFI operators each year are analysed into the following elements:

- Fair value of services received during the year – debited to the relevant service in the CIES.

- Finance cost – an interest charge on the outstanding Balance Sheet liability, debited to Financing and Investment Income and Expenditure line in the CIES.
- Payment towards liability – applied to write down the Balance Sheet liability.
- Lifecycle replacement costs – recognised as additions to Property, Plant and Equipment when the relevant works are carried out.

The Council receives an annual PFI Grant from Central Government which is credited to the CIES.

Under the waste disposal contract, the operator receives a significant part of their income from third parties, either from gate fees, sale of energy production or recycled materials. A proportion of the assets on the Balance Sheet are therefore financed with third party revenues rather than with fixed payments from the Council. A balancing credit, pro rata to the proportion of fixed payments from the Council and expected third party payments, has been created in the form of a Deferred Income balance. This effectively represents the benefits that the Council is deemed to receive over the life of the contract through its control of the services provided through use of the property and plant. The Deferred Income is released to the CIES over the life of the contract, with a corresponding appropriation from the Capital Adjustment Account to the Movement in Reserves Statement.

Property, Plant and Equipment (PPE)
Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment (PPE).

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

A de minimis level of £10,000 has been established for the recording of new assets in the Balance Sheet.

Measurement
Assets are initially measured at cost, comprising all expenditure that is directly attributable to bringing the asset into working condition for its intended use.

The Council does not capitalise borrowing costs incurred whilst assets are under construction.

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-specific Grant Income line of the CIES, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the Donated Assets Account. Where gains are credited to the CIES, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year end, but as a minimum every five years. Council dwellings are valued annually. Assets are carried in the Balance Sheet using the following measurement bases:

- Infrastructure, community assets and assets under construction – depreciated historical cost.

- Dwellings – current value, determined using the basis of existing use value for social housing (EUV-SH).
- Surplus – fair value, estimated at highest and best use from a market participant's perspective.
- All other assets – current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

Where there is no market-based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of fair value.

Where non-property assets (vehicles, plant and equipment) have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for fair value.

Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. In certain circumstances gains might be credited to the CIES where they arise from the reversal of a previous loss charged to a service, adjusted for depreciation that would have been charged if the loss had not been recognised.

Where decreases in value are identified, they are accounted for by:

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains).
- Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the CIES.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

Depreciation

Depreciation is provided for on all PPE assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (that is freehold land and certain Community Assets) and assets under construction. Assets are depreciated on a straight line basis over their estimated useful lives. Depreciation is calculated on the opening Balance Sheet value of the assets, with residual values being taken into account where appropriate. Estimated lives for new assets vary but are typically as follows:

• Buildings	50/60 years
• Infrastructure	20 years
• Vehicles and operational equipment	5 – 10 years
• Computer equipment	7 years

Where an item of PPE has a major component whose cost is significant in relation to the total cost of the item and whose life is significantly different from the life of the asset to which it is attached, the component is separately identified and depreciated. The calculation of depreciation on the Council's housing stock is based on an analysis of the major components of a typical dwelling.

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

Impairment

Assets are assessed at each year end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for by:

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains).
- Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the CIES.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the CIES, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

Disposals and Non-current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the CIES, even if there are accumulated revaluation gains on the asset in the Revaluation Reserve. Gains in fair value are recognised only up to the amount of any previously recognised losses in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

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

When an asset is derecognised, the carrying amount of the asset in the Balance Sheet (whether PPE or Assets Held for Sale) is written off to the Other Operating Expenditure line in the CIES as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the CIES also as part of the gain or loss on disposal (that is netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to HRA housing disposals (net of statutory deductions and allowances) is payable to the Government. The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Council’s underlying need to borrow (the Capital Financing Requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

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

Provisions, Contingent Liabilities and Contingent Assets

Provisions

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For instance, the Council may be involved in a court case that could eventually result in the payment of compensation.

Provisions are charged as an expense to the appropriate service line in the CIES in the year that the Council becomes aware of the obligation, and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties. When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year.

Where material, provisions are split between long term and short term depending on whether the provision is likely to be settled in the next financial year. If it is not possible to split out, the full amount is put to short term.

Contingent Liabilities

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

Contingent Assets

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

Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the CIES. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against Council Tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, retirement and employee benefits and do not represent usable resources for the Council.

Revenue Expenditure Funded from Capital under Statute (REFCUS)

Legislation in England and Wales allows some expenditure to be classified as capital for funding purposes when it does not result in the expenditure being carried on the Balance Sheet as a non-current asset. The purpose of this is to enable it to be funded from capital resources rather than be charged to the General Fund and impact on that year's Council Tax. These items are generally grants and expenditure on property not owned by the Council, and amounts directed under section 16(2) of part 1 of the Local Government Act 2003. Such expenditure is charged to the relevant service in the CIES in the year. Where the Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of Council Tax.

Revenue Recognition

Revenue is defined as income arising as a result of the Council's normal operating activities and where income arises from contracts with service recipients it is recognised when or as the Council has satisfied a performance obligation by transferring a promised good or service to the service recipient.

Revenue is measured as the amount of the transaction price which is allocated to that performance obligation. Where the Council is acting as an agent of another organisation the amounts collected for that organisation are excluded from revenue.

Schools

The Code confirms that the balance of control for local authority maintained schools (ie those categories of school identified in the Schools Standards and Framework Act 1998, as amended) lies with the local authority. The Code stipulates that those schools' assets, liabilities, reserves and cash flows are recognised in the local authority financial statements (and not the Group Accounts). Therefore schools' transactions, cash flows and balances are recognised in each of the financial statements of the Council as if they were the transactions, cash flows and balances of the Council.

VAT

VAT payable is included as an expense only where irrecoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income.

2 Prior Period Adjustments

No prior period adjustments were required in this year's accounts.

3 Accounting Standards that have been issued but have not yet been adopted

At the balance sheet date, the following new standards and amendments to existing standards have been published but not yet adopted by the Code of Practice of Local Authority Accounting in the United Kingdom:

IFRS16 Leases will require local authorities that are lessees to recognise most leases on their Balance Sheets as right-of-use assets with corresponding lease liabilities (there is recognition for low-value and short-term leases). CIPFA/LASAAC have deferred implementation of IFRS16 for Local Government to 1 April 2021.

IAS19 Employee Benefits will require the remeasurement of net pension asset/liability following plan amendments, curtailments or settlements to be used to determine current service cost and net interest for the remainder of the year after the change to the plan. The updating of these assumptions only applies to changes from 1 April 2020 and, since this could result in positive, negative or no movement in the net pension liability, no prediction can be made of the possible accounting impact.

IAS28 Investment in Associates and Joint Ventures will require amendments to long term Interests in Associates and Joint Ventures.

4 Critical Judgements

In preparing the accounts, the Council has made judgements in applying its accounting policies in Note 1. Those which have a significant bearing on the figures recognised in the financial statements include:

- Schools – The Council recognises the land and buildings used by schools in line with the provisions of the Code of Practice. It states that property used by local authority maintained schools should be recognised in accordance with the asset recognition tests relevant to the arrangements that prevail for the property. The Council recognises a school's land and buildings on its Balance Sheet where it owns the assets, the school or the school governing body own the assets or there is evidence that substantive ownership rights of assets have been transferred from another entity. As a result, the Council does not recognise foundation trust, voluntary aided or voluntary controlled schools on its Balance Sheet. Up to the point of schools being transferred to trust or academy status, their valuation on the Balance Sheet is based on continuing service potential.
- Grants – Where grant funding has been received, judgement has been made as to whether any conditions associated with the receipt of grant have been met or not. Where it is judged that conditions have been met, the grant is recognised in the CIES. Note 36 shows the details.
- Provisions – In calculating provisions, judgements have been made as to the certainty of a particular event happening giving rise to a liability and whether a reliable estimate can be made of that liability. Where this is not the case, the Council may disclose the issue as a contingent liability.
- Group Accounts – The Council has considered its relationships with a number of organisations and made a judgement as to its level of control and interest in these bodies. As a result, it has prepared Group Accounts, incorporating a subsidiary and a joint venture.
- Private Finance Initiatives (PFIs) – The Council has evaluated its four PFI schemes under the requirements of the Code and determined, irrespective of legal title, that the assets should be recognised on its Balance Sheet, together with a liability to pay for the assets. Note 39 in the Notes to the Core Financial Statements and Note H10 to the HRA give further details for each scheme.
- Leases – All leases have been assessed to determine whether they should be classified as finance or operating leases. A number of tests have been applied and it has been determined that the Council has a number of finance leases where it is both lessor and lessee. Note 38 gives further details on lease treatment.
- Heritage Assets – The Code allows discretion over how to value heritage assets. The Council has made a judgement to value some of its heritage assets using insurance values. However, some assets, such as war memorials and certain museum exhibits, are not recognised on Balance Sheet because cost information is not available and it has been judged that the cost of obtaining valuations outweighs the benefits to users of the accounts. Note 16 gives more valuation details for heritage assets.

5 Assumptions and Major Sources of Estimation Uncertainty

The Statement of Accounts contains estimated figures that are based on assumptions made by the Council about the future, or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the Council's balance sheet at 31 March 2020 for which there is a significant risk of material adjustment within the next financial year are as follows:

Item and Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant and Equipment (Note 15)	
Assets are depreciated over their useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Council will be able to sustain its current spending on repairs and maintenance in the longer term bringing into doubt the useful lives assigned to assets.	If the useful life of an asset reduces (non HRA), the depreciation increases and the carrying amount of the asset falls. It is estimated that the annual depreciation charge would increase by £4.6 million for every year that the useful lives had reduced.
Asset valuations are based on market prices and are periodically reviewed to ensure that the Council does not materially mis-state its non-current assets. The Council's external valuers provided valuations for approximately 60% of its operational portfolio. The remaining balance of operational properties were also reviewed to ensure values reflect current values. The outbreak of Covid-19 has impacted global financial markets and as at the valuation date, less weight can be attached to previous market evidence to inform opinions of value. There is an unprecedented set of circumstances on which to base a judgement.	Valuations are therefore reported on the basis of 'material valuation uncertainty' as per the RICS Red Book Global. Consequently, less certainty and a higher degree of caution should be attached to the valuation. At the current time, it is not possible to accurately predict the longevity and severity of the impact of Covid-19 on the economy. Therefore, values have been based on the situation prior to Covid-19, on the assumption that values will be restored when the real estate market becomes more fluid.
Pensions Liability (Note 40)	
Estimation of the net liability to pay pensions depends on a number of complex judgements such as the discount rate used, the rate at which salaries are projected to increase, changes to mortality rates. A firm of qualified Actuaries is employed to provide the Council with expert professional advice about this specialised area.	The Actuaries provide information in relation to the sensitivity of the results to key assumptions and these are set out in the pensions note.
The net liability as at 31 March 2020 was £824.7 million.	
A material valuation uncertainty clause has been included in a number of property fund valuation reports in which the Fund invests due to the possible impact of Covid-19. Therefore there is less certainty, and a higher degree of caution should be attached to the valuation of level 3 unquoted property investments at the year-end than would normally be the case.	A number of valuations provided for private equity funds at 31 March 2020 did not include the impact of the events of the March quarter. The outbreak of Covid-19 has resulted in additional uncertainty with regard to the valuation of these investments at 31 March 2020.

Fair value measurements

When the fair values of financial assets and liabilities cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques. Where possible, the inputs to these valuation techniques are based on observable data, but where this is not possible judgement is required in establishing fair values. These judgements typically include considerations such as uncertainty and risk. However, changes in the assumptions used could affect the fair value of the Council's assets and liabilities.

The methods used to arrive at the fair value of surplus and investment properties are described in Notes 15 and 17. They are based on observable data.

At the current time, it is not possible to accurately predict the longevity and severity of the impact of Covid-19 on the economy. Therefore, it has been difficult to value property assets. Values have been based on the situation prior to Covid-19, on the assumption that values will be restored when the real estate market becomes more fluid. However, where observable data has changed in the weeks following 31 March 2020 asset values have been reviewed and adjusted accordingly.

6 Exceptional Items and Material Items of Income and Expense

Where items are not disclosed on the face of the Comprehensive Income and Expenditure Statement (CIES) the Council must set these out in a note.

There were no exceptional items during 2019/20.

7 Events after the reporting period

These accounts were authorised for issue on the date the Service Director Finance signed the accounts – see Statement of Responsibilities and Certificate on page 20.

Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2020, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

There are no non-adjusting events after the Balance Sheet date.

However, due to Covid-19 there will be an impact on the Council's future cash flow and income streams. An initial impact assessment has been made and an updated cash flow statement prepared up until 31 March 2021. Further analysis and scenario planning for the potential risks to future income streams will be developed and considered. The Government is putting in place a range of financial measures to ensure businesses and the public sector are supported during this turbulent time. Despite the challenges that the Council will face, the Council has a proven record of delivering savings and will respond with an action plan at a future date to mitigate against any changes to income streams. The Council will continue in operational existence for a considerable time and the short term financial issues that will arise from Covid-19 do not impact upon the accounting concept of the Council being a 'going concern'.

8 Expenditure and Funding Analysis

The objective of the Expenditure and Funding Analysis is to demonstrate to Council Tax and rent payers how the funding available to the Council (ie government grants, rents, Council Tax and Business Rates) for the year has been used in providing service in comparison with those resources consumed or earned by the Council in accordance with generally accepted accounting practices. The Analysis also shows how this expenditure is allocated for decision making purposes between the Council's services.

	Outturn reported to Council	Adjustments between net cost of services and other income and expenditure	**Net Expenditure Chargeable to the General Fund and HRA Balances**	Adjustments between the Funding and Accounting Basis	**Net Expenditure in the CIES**
2019/20	£000	£000	**£000**	£000	**£000**
Children & Families	91,174	4,048	**95,222**	6,059	**101,281**
Adults & Health	100,977	0	**100,977**	9,380	**110,357**
Economy & Infrastructure	40,134	4,086	**44,220**	41,154	**85,374**
Corporate Strategy, Commissioning & Public Health	36,615	0	**36,615**	9,282	**45,897**
Central Budgets	17,270	6,150	**23,420**	184	**23,604**
HRA	763	-11,564	**-10,801**	-74,036	**-84,837**
Net Cost of Services	**286,933**	**2,720**	**289,653**	**-7,977**	**281,676**
Other operating expenditure	779	1,059	**1,838**	13,456	**15,294**
Financing and investment income and expenditure	0	22,525	**22,525**	38,193	**60,718**
Taxation and non-specific grant income	-295,418	-26,304	**-321,722**	-18,674	**-340,396**
Net Surplus(-)/Deficit	**-7,706**	**0**	**-7,706**	**24,998**	**17,292**

Opening Balances at 31 March 2019:	
General Fund	-104,972
HRA	-61,782
	-166,754
Add net Surplus in Year	-7,706
Closing General Fund and HRA Balance at 31 March 2020	**-174,460**
General Fund	-113,442
HRA	-61,018

	Outturn reported to Council	Adjustments between net cost of services and other income and expenditure	**Net Expenditure Chargeable to the General Fund and HRA Balances**	Adjustments between the Funding and Accounting Basis	**Net Expenditure in the CIES**
2018/19	£000	£000	**£000**	£000	**£000**
Children & Families	83,129	3,895	**87,024**	13,059	**100,083**
Adults & Health	98,928	0	**98,928**	5,989	**104,917**
Economy & Infrastructure	37,684	4,284	**41,968**	40,122	**82,090**
Corporate Strategy, Commissioning & Public Health	32,828	407	**33,235**	4,992	**38,227**
Central Budgets	22,468	-1,338	**21,130**	23,090	**44,220**
HRA	-1,424	-12,178	**-13,602**	-31,228	**-44,830**
Net Cost of Services	**273,613**	**-4,930**	**268,683**	**56,024**	**324,707**
Other operating expenditure	758	1,091	**1,849**	12,375	**14,224**
Financing and investment income and expenditure	0	23,118	**23,118**	7,737	**30,855**
Taxation and non-specific grant income	-291,984	-19,279	**-311,263**	-27,037	**-338,300**
Net Surplus(-)/Deficit	**-17,613**	**0**	**-17,613**	**49,099**	**31,486**
Opening Balances at 31 March 2018:					
General Fund			-88,783		
HRA			-60,358		
			-149,141		
Add net Surplus in Year			-17,613		
Closing General Fund and HRA Balance at 31 March 2019			**-166,754**		
General Fund			-104,972		
HRA			-61,782		

A more detailed breakdown of the adjustments between funding and accounting basis is shown below:

(i) This note details the adjustments from the Net expenditure Chargeable to the General Fund and HRA Balances to arrive at amounts in the CIES.

	Adjustments for Capital Purposes (a)	Net change for the Pensions Adjustments (b)	Other Differences (c)	Total Adjustments
2019/20	£000	£000	£000	£000
Children & Families	-6,890	12,880	69	6,059
Adults & Health	1,577	7,684	119	9,380
Economy & Infrastructure	29,798	11,163	193	41,154
Corporate Strategy, Commissioning & Public Health	3,726	5,483	73	9,282
Central Budgets	2,306	-1,978	-144	184
HRA	-74,036	0	0	-74,036
Net Cost of Services	-43,519	35,232	310	-7,977
Other operating expenditure	13,456	0	0	13,456
Financing and investment income and expenditure	20,015	17,277	901	38,193
Taxation and non-specific grant income	-23,022		4,348	-18,674
Difference between General Fund and HRA Surplus/Deficit and CIES Surplus/Deficit on the Provision of Services	**-33,070**	**52,509**	**5,559**	**24,998**
2018/19	£000	£000	£000	£000
Children & Families	5,522	7,627	-90	13,059
Adults & Health	1,241	4,788	-40	5,989
Economy & Infrastructure	32,661	7,382	79	40,122
Corporate Strategy, Commissioning & Public Health	1,071	3,957	-36	4,992
Central Budgets	2,340	20,890	-140	23,090
HRA	-31,228	0	0	-31,228
Net Cost of Services	11,607	44,644	-227	56,024
Other operating expenditure	12,375	0	0	12,375
Financing and investment income and expenditure	-7,709	15,446	0	7,737
Taxation and non-specific grant income	-27,037	0	0	-27,037
Difference between General Fund and HRA Surplus/Deficit and CIES Surplus/Deficit on the Provision of Services	**-10,764**	**60,090**	**-227**	**49,099**

(a) Adjustments for Capital Purposes

- Adds in capital charges (depreciation, impairment, REFCUS, revaluation gains and losses) and deducts statutory charges for capital financing in the services line;
- Adjusts in the Other Operating Expenditure line for capital disposals with a transfer of income on disposal of PPE assets and amounts written for those assets and for the payment to the Government Housing Capital Receipts Pool;

- The Financing and Investment Income and Expenditure line is adjusted for capital disposals with a transfer of income on disposal of investment property and amounts written off for those assets;
- Adds in capital grants into the Taxation and Non-Specific Grant Income line.

(b) Net Change for the Pensions Adjustments

- For services, this represents the removal of the employer pension contributions made by the Council as allowed by statute and the replacement with current service and past service costs;
- The Financing and Investment Income and Expenditure line is adjusted for the net interest on the defined benefit liability.

(c) Other Differences

- For services, this represents adjustments for premiums and discounts and entries relating to the accrual of compensated absences earned but not taken in the year;
- The Financing and Investment Income and Expenditure line recognises adjustments for soft loans;
- The charge under Taxation and Non-Specific Grant represents the difference between what is chargeable under statutory regulations for Council Tax and Business Rates that was projected to be received at the start of the year and the income recognised under generally accepted accounting practices in the Code.

(ii) This note shows income received on a segmental basis.

	Grants and Contributions	Fees and Charges	Capital Charge and Pension Credits	Total
2019/20	£000	£000	£000	£000
Children & Families	-274,036	-14,452	-14,659	-303,147
Adults & Health	-54,881	-24,235	-8,693	-87,809
Economy & Infrastructure	-7,739	-41,575	-4,180	-53,494
Corporate Strategy, Commissioning & Public Health	-109,510	-6,885	0	-116,395
Central Budgets	-584	-882	-36,745	-38,211
HRA	-7,929	-82,467	-63,872	-154,268
Total Income analysed on a segmental basis	**-454,679**	**-170,496**	**-128,149**	**-753,324**
2018/19				
Children & Families	-281,584	-12,622	-6,020	-300,226
Adults & Health	-45,491	-25,147	0	-70,638
Economy & Infrastructure	-8,268	-40,870	-1,859	-50,997
Corporate Strategy, Commissioning & Public Health	-123,912	-6,003	0	-129,915
Central Budgets	-16	-257	-12,399	-12,672
HRA	-7,925	-82,372	-22,189	-112,486
Total Income analysed on a segmental basis	-467,196	-167,271	-42,467	-676,934

9 Expenditure and Income analysed by nature (Subjective Analysis)

	2019/20 £000	2018/19 £000
Expenditure		
Employee Expenses*	**445,202**	419,853
Premises and Transport	**100,709**	109,895
Supplies and Services	**156,675**	136,232
Other Service Expenses	**329,401**	333,207
Support Charges	**17,248**	15,503
Capital Charges	**74,457**	70,606
Precepts and Levies	**979**	954
Payments to Housing Capital Receipts Pool	**2,456**	2,037
Losses on the Disposal of PPE and Investment Assets	**10,179**	10,945
Interest Payable and Similar Charges	**27,243**	27,351
Net interest on the defined benefit obligation	**17,277**	15,446
Central Items	**-10,635**	5,723
Total Expenditure	**1,171,191**	1,147,752
Income		
Fees, Charges and Other Service Income	**-173,505**	-170,693
Grants, Reimbursements and Contributions	**-549,543**	-526,971
Capital Charges Credits	**-70,479**	-42,498
Internal Recharges	**-97,990**	-91,855
Interest and Investment Income	**-5,492**	-5,526
Income from Council Tax and Business Rates	**-256,890**	-278,723
Total Income	**-1,153,899**	**-1,116,266**
Surplus(-)/Deficit on Provision of Services	**17,292**	**31,486**

*This includes £42.9 million in 2019/20 (£47.3 million in 2018/19) relating to employees of Voluntary Aided and Trust schools who are not employees of the Council but are required to be consolidated into the Council's financial statements.

10 Adjustments between accounting basis and funding basis under regulations

This note details the adjustments that are made to the total Comprehensive Income and Expenditure recognised by the Council in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure. An explanation of each Usable Reserve is provided in the Glossary.

	Usable Reserves					
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£000	£000	£000	£000	£000	£000
2019/20						
Adjustments involving the Capital Adjustment Account (CAA):						
Charges for depreciation and impairment of non-current assets	-38,956	0	0	-17,176	0	56,132
Amortisation of Intangible Assets	-294	0	0	0	0	294
Revaluation losses on PPE	-17,641	-27	0	0	0	17,668
Revaluation gains on PPE	26,760	63,872	0	0	0	-90,632
Movements in the market value of Investment Properties	-19,617	-1,355	0	0	0	20,972
Revenue expenditure funded from capital under statute (REFCUS)	-13,021	0	0	0	0	13,021
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	-14,935	-6,167	0	0	0	21,102
Capital grants and contributions applied	7,630	125	0	0	0	-7,755
Capital grants and contributions applied (REFCUS)	5,134	0	0	0	0	-5,134
Deferred Income written down - Waste PFI	537	0	0	0	0	-537
Provision for the financing of capital investment	3,525	2,607	0	0	0	-6,132
Capital expenditure charged against balances	2,010	7,691	0	0	0	-9,701
Financial instruments impairment charges	-220	0	0	0	0	220
Adjustments involving the Capital Grants Unapplied Account:						
Capital grants and contributions unapplied and credited to the CIES	16,724	0	0	0	-16,724	0
Application of grants to capital financing transferred to the CAA	0	0	0	0	11,339	-11,339
Adjustments involving the Capital Receipts Reserve:						
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the CIES	1,967	9,307	-11,274	0	0	0
Financing new capital expenditure	0	0	6,933	0	0	-6,933

2019/20 Continued						
Contribution towards administrative costs of asset disposals	-61	-69	130	0	0	0
Contribution to finance the payments to the Government capital receipts pool	-2,456	0	2,456	0	0	0
Cash receipts from the repayment of capital loans given	0	0	-108	0	0	108
Adjustment involving the Deferred Capital Receipts Reserve:						
Finance Leases - Amount by which sale proceeds received in CIES differs from those received in accordance with statutory requirements	-2	0	0	0	0	2
Adjustment involving the Major Repairs Reserve:						
Financing of new capital expenditure (transfer to CAA)	0	0	0	12,593	0	-12,593
Used to repay debt (transfer to CAA)	0	0	0	4,583	0	-4,583
Adjustment involving the Financial Instruments Adjustment Account:						
Amount by which finance costs charged to the CIES are different from those required by statutory regulations	244	-106	0	0	0	-138
Adjustments involving the Pensions Reserve:						
Reversal of items relating to retirement benefits debited or credited to the CIES	-89,207	0	0	0	0	89,207
Employer's pensions contributions and direct payments	36,698	0	0	0	0	-36,698
Adjustments involving the Collection Fund Adjustment Account:						
Amount by which Council Tax and Non-Domestic Rating income credited to the CIES is different from that required by statutory regulations	-4,348	0	0	0	0	4,348
Adjustment involving the Accumulated Absences Account:						
Amount by which officer remuneration charged to the CIES on an accruals basis is different from that required by statutory regulations	-453	0	0	0	0	453
Adjustment involving the Pooled Fund Adjustment Account:						
Charges for fair value movements on the CCLA Property Fund	-894	0	0	0	0	894
Total Adjustments 2019/20	**-100,876**	**75,878**	**-1,863**	**0**	**-5,385**	**32,246**

2018/19

Adjustments involving the Capital Adjustment Account (CAA):						
Charges for depreciation and impairment of non-current assets	-39,951	0	0	-16,087	0	56,038
Amortisation of Intangible Assets	-109	0	0	0	0	109
Revaluation losses on PPE	-10,490	-5	0	0	0	10,495
Revaluation gains on PPE	8,710	22,188	0	0	0	-30,898
Movements in the market value of Investment Properties	8,160	33	0	0	0	-8,193
Revenue expenditure funded from capital under statute (REFCUS)	-16,704	0	0	0	0	16,704
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	-17,674	-5,742	0	0	0	23,416
Capital grants and contributions applied	12,911	162	0	0	0	-13,073
Capital grants and contributions applied (REFCUS)	10,014	0	0	0	0	-10,014
Deferred Income written down - Waste PFI	537	0	0	0	0	-537
Provision for the financing of capital investment	2,950	2,260	0	0	0	-5,210
Capital expenditure charged against balances	1,554	6,785	0	0	0	-8,339
Financial instruments impairment charges	-679	0	0	0	0	679
Adjustments involving the Capital Grants Unapplied Account:						
Capital grants and contributions unapplied and credited to the CIES	10,002	0	0	0	-10,002	0
Application of grants to capital financing transferred to the CAA	0	0	0	0	6,717	-6,717
Adjustments involving the Capital Receipts Reserve:						
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the CIES	3,743	9,533	-13,276	0	0	0
Financing new capital expenditure	0	0	5,612	0	0	-5,612
Contribution towards administrative costs of asset disposals	-88	-75	163	0	0	0
Contribution to finance the payments to the Government capital receipts pool	-2,037	0	2,037	0	0	0
Cash receipts from the repayment of capital loans given	0	0	-834	0	0	834
Used to repay debt (transfer to CAA)	0	0	716	0	0	-716

2018/19 Continued						
Adjustment involving the Deferred Capital Receipts Reserve:						
Finance Leases - Amount by which sale proceeds received in CIES differs from those received in accordance with statutory requirements	-2	0	0	0	0	2
Adjustment involving the Major Repairs Reserve:						
Financing of new capital expenditure (transfer to CAA)	0	0	0	8,985	0	-8,985
Used to repay debt (transfer to CAA)	0	0	0	7,511	0	-7,511
Adjustment involving the Financial Instruments Adjustment Account:						
Amount by which finance costs charged to the CIES are different from those required by statutory regulations	407	0	0	0	0	-407
Adjustments involving the Pensions Reserve:						
Reversal of items relating to retirement benefits debited or credited to the CIES	-96,004	0	0	0	0	96,004
Employer's pensions contributions and direct payments	35,657	0	0	0	0	-35,657
Adjustments involving the Collection Fund Adjustment Account:						
Amount by which Council Tax and Non-Domestic Rating income credited to the CIES is different from that required by statutory regulations	4,645	0	0	0	0	-4,645
Adjustment involving the Accumulated Absences Account:						
Amount by which officer remuneration charged to the CIES on an accruals basis is different from that required by statutory regulations	210	0	0	0	0	-210
Total Adjustments 2018/19	**-84,238**	**35,139**	**-5,582**	**409**	**-3,285**	**57,557**

11 Transfers to/from Earmarked Reserves

This note sets out the amounts set aside from the General Fund Balance in earmarked reserves to provide financing for future expenditure plans. No earmarked reserves have been set up for the HRA.

	Balance at 31 March 2018	Transfers Out 2018/19	Transfers In 2018/19	Balance at 31 March 2019	Transfers Out 2019/20	Transfers In 2019/20	Balance at 31 March 2020
Earmarked Reserves							
Statutory (Schools Reserve)	-8,936	895	-1,436	-9,477	12	-502	-9,967
Statutory (Schools Reserve - DSG/Other)	-891	662	-39	-268	14,664	0	14,396
Financial Resiliance	-37,146	9,845	-5,445	-32,746	0	-4,400	-37,146
Health and Social Care	0	0	-2,496	-2,496	300	0	-2,196
Revenue Grants	-10,936	3,412	-7,489	-15,013	8,368	-3,600	-10,245
Strategic Investment Support	0	0	-5,400	-5,400	1,441	-20	-3,979
Adverse Weather Reserve	0	600	-4,600	-4,000	1,595	-27	-2,432
Property and Other Loans	0	1,000	-4,000	-3,000	0	0	-3,000
Waste Management	0	0	-11,000	-11,000	1,316	0	-9,684
Covid-19 Response	0	0	0	0	1,129	-12,228	-11,099
Schools PFI	0	0	0	0	0	-2,184	-2,184
Demand	0	0	0	0	0	-11,707	-11,707
Other	-22,067	16,745	-6,036	-11,358	4,412	-7,255	-14,200
Total Earmarked Reserves	**-79,976**	**33,159**	**-47,941**	**-94,758**	**33,237**	**-41,923**	**-103,443**
Unallocated Balances	*-8,807*			*-10,214*			*-9,999*
General Fund Balances	***-88,783***			***-104,972***			***-113,442***

- The Statutory (Schools Reserve) relates to individual school balances/deficits carried forward to following years under the terms of the Education Reform Act 1988. The balance at 31 March 2020 represents 110 schools with cumulative balances of £11.7 million (117 schools and £12.1 million at 31 March 2019) and 16 schools with cumulative deficits amounting to £1.7 million (15 schools and £2.6 million at 31 March 2019).
- The Statutory (Schools Reserve - DSG/Other) relates to Dedicated Schools Grant (DSG) which is statutorily ring-fenced for schools related expenditure. The negative balance as at 31 March 2020 includes a £12.9 million High Needs deficit carried forward on the Balance Sheet to be funded by future DSG income as per updated statutory guidance. There is also a £2.2 million negative balance which represents Schools PFI costs pending confirmation from the DfE that this expenditure can be funded from General Fund under the new regulations. The remaining balance reflects net underspends elsewhere of £0.7 million, mainly due to underspending on Early Years.
- The Financial Resilience Reserve covers a range of potential costs highlighted in the Council's corporate risk assessment, including budget risks and those covering certain contingent liabilities. This is linked into the reserves and balances strategy agreed as part of the Medium Term Financial Plan.
- The Health and Social Care Reserve had been set up to support future expenditure on health and social care issues.
- The Revenue Grants Reserve represents grants and contributions recognised in the CIES before expenditure has been incurred.

- The Strategic Investment Support Reserve has been set up to address the scale of development costs required to support the upscaling of capital investment activity and major project activity over the MTFP.
- The Adverse Weather Reserve has been set up to mitigate against budget risk arising from severe weather events in the district.
- The Property and Other Loans Reserve has been set up to set aside against the potential risk of future loan default arising from the introduction of a new Local government accounting code intended to strengthen Balance Sheet transparency.
- The Waste Management Reserve has been set up to support the development of the Council's waste management strategy, in light of the known financial implications of the current PFI Waste Contract ending in 2022/23.
- The Covid-19 Response Reserve reflects the balance of Covid-19 Support Grant funding received and recognised in 2019/20 before expenditure was incurred.
- The Schools PFI Reserve has been set aside to cover schools PFI costs pending confirmation from the DfE that such costs can continue to be funded from General Fund under the new regulations. If confirmation is received, the reserve will be drawn down and will part offset the negative balance held on the Statutory (Schools Reserve - DSG/Other) reserve.
- The Demand Reserve has been set up to mitigate the impact/volatility of a range of potential demand risks on statutorily provided service activity.

12 Other Operating Expenditure

	2019/20	2018/19
	£000	£000
Parish council precepts	780	758
Levies	200	196
Payment to Government Housing Capital Receipts Pool	2,456	2,036
Losses on the disposal of non-current assets	10,999	10,461
Revaluation losses on assets held for sale	0	-122
Derecognition of Academies' Balances	859	895
Total	**15,294**	**14,224**

Losses on the disposal of non-current assets includes academy and trust school transfers and assets transferred as part of the Community Asset transfer policy. These totalled £13.5 million in 2019/20 as part of four academy conversions and one community transfer (2018/19 £6.6 million as part of two schools academy conversions).

13 Financing and Investment Income and Expenditure

	2019/20	2018/19
	£000	£000
Interest payable and similar charges	26,428	27,351
Net interest on the net defined benefit obligation	17,277	15,446
Interest receivable and similar income	-707	-1,853
Income and expenditure in relation to investment property and changes in fair value (Note 17)	18,016	-10,451
Dividend Income	-1,410	-317
Other – movements on financial instruments	1,114	679
Total	**60,718**	**30,855**

14 Taxation and Non-Specific Grant Income

	2019/20	2018/19
	£000	£000
Council Tax income	-179,239	-172,909
Non Domestic Rates	-77,651	-105,814
Non-ring fenced government grants	-60,484	-37,325
Capital grants and contributions	-23,022	-22,252
Total	**-340,396**	**-338,300**

More detail on grant income is shown in Note 36 and on Council Tax and Non Domestic Rate income in the section on Collection Fund.

15 Property, Plant and Equipment (PPE)

	Council Dwellings	Other Land and Buildings	Vehicles. Plant Furniture and Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant and Equipment	*PFI Assets Included in PPE*
Movement in 2019/20	£000	£000	£000	£000	£000	£000	£000	£000	*£000*
Cost or Valuation									
At 1 April 2019	617,824	525,113	35,458	413,748	11,812	28,980	0	1,632,935	*76,666*
Additions	21,600	14,748	5,537	24,540	190	2,120	889	69,624	*978*
Revaluation increases/ decreases(-) recognised in the Revaluation Reserve	0	27,702	0	0	0	-6,931	0	20,771	*79*
Revaluation increases/ decreases(-) recognised in the Provision of Services	46,870	2,005	0	0	0	-2,342	0	46,533	*831*
De-recognition – disposals	-3,752	-14,254	-1,554	0	0	-668	0	-20,228	*0*
De-recognition – other	0	0	0	0	0	0	0	0	*0*
Assets reclassified to Held for Sale	-2,888	0	0	0	0	0	0	-2,888	*0*
Other movements in cost or valuation	0	-2,289	0	0	0	2,610	1,259	1,580	*0*
At 31 March 2020	**679,654**	**553,025**	**39,441**	**438,288**	**12,002**	**23,769**	**2,148**	**1,748,327**	***78,554***
Accumulated Depreciation and Impairment									
At 1 April 2019	0	-29,517	-17,727	-226,270	-10,715	-113	0	-284,342	*-2,206*
Depreciation charge	-16,985	-14,545	-3,554	-20,084	-279	-157	0	-55,604	*-1,983*
Depreciation written out to the Revaluation Reserve	0	9,754	0	0	0	0	0	9,754	*11*
Depreciation written out to the Deficit on the Provision of Services	16,985	9,624	0	0	0	28	0	26,637	*283*
Impairment losses recognised in the Revaluation Reserve	0	-107	0	0	0	0	0	-107	*0*
Impairment losses recognised in the Deficit on the Provision of Services	0	-523	0	0	0	0	0	-523	*0*
De-recognition – disposals	0	524	1,401	0	0	36	0	1,961	*0*
Other movements in depreciation and impairment	0	52	0	0	0	-42	0	10	*0*
At 31 March 2020	**0**	**-24,738**	**-19,880**	**-246,354**	**-10,994**	**-248**	**0**	**-302,214**	***-3,895***
Net Book Value									
at 31 March 2020	**679,654**	**528,287**	**19,561**	**191,934**	**1,008**	**23,521**	**2,148**	**1,446,113**	***74,659***
at 31 March 2019	617,824	495,596	17,731	187,478	1,097	28,867	0	1,348,593	*74,460*

	Council Dwellings	Other Land and Buildings	Vehicles. Plant Furniture and Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant and Equipment	*PFI Assets Included in PPE*
Movement in 2018/19	£000	£000	£000	£000	£000	£000	£000	£000	*£000*
Cost or Valuation									
At 1 April 2018	599,304	536,620	34,538	394,979	11,762	25,077	0	1,602,280	*89,218*
Additions	17,923	10,140	3,886	18,769	50	1,637	0	52,405	*924*
Revaluation increases/ decreases(-) recognised in the Revaluation Reserve	0	3,866	0	0	0	1,922	0	5,788	*-1,902*
Revaluation increases/decreases(-) recognised in the Provision of Services	6,287	-8,438	0	0	0	365	0	-1,786	*-8,958*
De-recognition – disposals	-3,275	-16,569	-2,966	0	0	-176	0	-22,986	*-2,616*
De-recognition – other	0	0	0	0	0	0	0	0	*0*
Assets reclassified to Held for Sale	-2,415	0	0	0	0	0	0	-2,415	*0*
Other movements in cost or valuation	0	-506	0	0	0	155	0	-351	*0*
At 31 March 2019	**617,824**	**525,113**	**35,458**	**413,748**	**11,812**	**28,980**	**0**	**1,632,935**	***76,666***
Accumulated Depreciation and Impairment									
At 1 April 2018	0	-27,581	-17,228	-207,125	-10,420	-358	0	-262,712	*-6,984*
Depreciation charge	-15,900	-17,359	-3,181	-19,145	-295	-151	0	-56,031	*-2,536*
Depreciation written out to the Revaluation Reserve	0	6,757	0	0	0	231	0	6,988	*3,060*
Depreciation written out to the Deficit on the Provision of Services	15,900	6,139	0	0	0	173	0	22,212	*3,926*
Impairment losses recognised in the Revaluation Reserve	0	0	0	0	0	0	0	0	*0*
Impairment losses recognised in the Deficit on the Provision of Services	0	0	0	0	0	0	0	0	*0*
De-recognition – disposals	0	2,519	2,682	0	0	0	0	5,201	*328*
Other movements in depreciation and impairment	0	8	0	0	0	-8	0	0	*0*
At 31 March 2019	**0**	**-29,517**	**-17,727**	**-226,270**	**-10,715**	**-113**	**0**	**-284,342**	***-2,206***
Net Book Value									
at 31 March 2019	**617,824**	**495,596**	**17,731**	**187,478**	**1,097**	**28,867**	**0**	**1,348,593**	***74,460***
at 31 March 2018	599,304	509,039	17,310	187,854	1,342	24,719	0	1,339,568	*82,234*

<u>Fair value measurement of surplus assets</u>

The Council has accounted for surplus assets in accordance with IFRS13 which has been achieved through a fair value hierarchy. Surplus assets have been valued at the highest and best use. The fair value of surplus property has been measured using a market approach, which takes into account quoted prices for similar assets in active markets. The valuers are of the opinion that all surplus assets are at Level 2 on the fair value hierarchy using significant observable inputs.

There have been no transfers between the different levels of hierarchy during the year. There has been no change in the valuation techniques used during the year for surplus assets.

Revaluations

The Council carries out a rolling valuation programme which ensures that all PPE that is required to be measured at fair value is revalued at least every five years. All valuations this year were carried out by external valuers - HRA properties by Cushman & Wakefield and General Fund properties by Wilks Head & Eve. The valuers hold the appropriate qualification required and belong to the Royal Institution of Chartered Surveyors (RICS). The valuation of dwellings were carried out on 12 September 2019 and the valuations for the remaing land and buildings were carried out 31 December 2019 in accordance with the methodologies and bases for estimation set out in the professional standards of the RICS.

There was a net gain in the PPE values of £103.7 million as the result of revaluations. The effect of any gains and losses have been split between the revaluation reserve and the provision of services in the CIES.

Assets not revalued in year have been assessed for accurate valuation at 31 March 2020. Specialised operational assets valued at Depreciated Replacement Cost have been assessed by using BCIS indices as a reference for construction costs. Assets valued at Exiting Use Value have been assessed to ensure ongoing remaining service potential and by looking at comparable market evidence.

The table below shows current values of assets, whether valued at historical cost or at revalued amounts, identifying the year they were last revalued.

	Council Dwellings	Other Land & Buildings	Vehicles, Plant, Furniture and Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Carried at historical cost	0	7,761	19,561	191,934	1,008	0	2,148	222,412
Carried at current value as at:								
2019/20	679,654	280,641	0	0	0	11,802	0	972,097
2018/19	0	118,006	0	0	0	4,510	0	122,516
2017/18	0	92,950	0	0	0	1,245	0	94,195
2016/17	0	7,039	0	0	0	5,750	0	12,789
2015/16	0	21,890	0	0	0	214	0	22,104
Total	**679,654**	**528,287**	**19,561**	**191,934**	**1,008**	**23,521**	**2,148**	**1,446,113**

Capital Commitments

In February 2020, the Council approved a capital programme of £183 million for 2020/21. A further £633.4 million of capital investment was also approved for the following four years. This covers expenditure on PPE, investment properties, intangible assets and revenue expenditure funded from capital under statute. The Council has capital commitments of £46.4 million at 31 March 2020 (£12.8 million at 31 March 2019) for schemes under progress.

16 Heritage Assets

	Fine Art Collection	Museums and Galleries Exhibits	Other	Total Assets
Movement in 2019/20	£000	£000	£000	£000
Cost or Valuation				
At 1 April 2019	44,368	3,302	2,368	50,038
Additions	0	0	0	0
Revaluation increases/decreases(-)recognised in the Revaluation Reserve	0	0	-24	-24
Revaluations recognised in the Provision of Services	0	0	-41	-41
At 31 March 2020	**44,368**	**3,302**	**2,303**	**49,973**
Accumulated Depreciation				
At 1 April 2019	0	0	-13	-13
Depreciation charge	0	0	-6	-6
Depreciation written out to the Revaluation Reserve	0	0	8	8
Depreciation written out to the Provision of Services	0	0	11	11
At 31 March 2020	**0**	**0**	**0**	**0**
Movement in 2018/19				
Cost or Valuation				
At 1 April 2018	44,368	3,302	2,368	50,038
Additions	0	0	0	0
Revaluation increases/decreases(-) recognised in the Revaluation Reserve	0	0	0	0
Revaluations recognised in the Provision of Services	0	0	0	0
At 31 March 2019	**44,368**	**3,302**	**2,368**	**50,038**
Accumulated Depreciation				
At 1 April 2018	0	0	-6	-6
Depreciation charge	0	0	-7	-7
Depreciation written out to the Revaluation Reserve	0	0	0	0
Depreciation written out to the Provision of Services	0	0	0	0
At 31 March 2019	**0**	**0**	**-13**	**-13**
Net Book Value				
at 31 March 2020	**44,368**	**3,302**	**2,303**	**49,973**
at 31 March 2019	44,368	3,302	2,355	50,025

Fine Art and Museum Exhibits Collections

Kirklees Museums and Galleries Service manages the collections of fine art and museum exhibits. Although many early additions to the collections were acquired by purchase, more recent additions are likely to be by donation or, occasionally, by bequests.

Some items have been purchased through the national purchase grant fund administered by the Victoria and Albert Museum and the Museums, Libraries and Archives Council. The collection has also benefited from continued membership of the Contemporary Art Society. The majority of items acquired in this way have covenants covering terms of use and restrictions on sale.

Like most museums and galleries services, much of the collection is in store. The Council showcases the best of the collections and includes wide ranging collections from the dawn of time to present day of local, regional, national and international significance. The Council has a "Collections Development Policy" which gives details on how the collections are managed through review, rationalisation, acquisition, disposal, care, conservation and documentation. The Policy is approved by Council and is reviewed at least once every five years.

There have been no significant purchases, disposals or impairments of items over the last five years.

Fine Art Collection
The collection comprises of around 3,000 artworks. At any given time approximately 15% of the collection is on display to the public in Council's museums, galleries and town halls. In addition, artworks from the collection are often loaned to other institutions, nationally and internationally.

The most significant exhibit in the collection is the "Figure Study II" by Francis Bacon. It was acquired as a gift from the Contemporary Art Society. The painting has a value of £20.0 million (£20.0 million at 31 March 2019) and was last valued externally by Bonhams. Being a donated asset the painting has conditions placed upon it. Other notable pieces include two paintings by L S Lowry, the "Huddersfield Canvas" and "Level Crossing Canvas", with a combined value of £6.7 million (£6.7 million 31 March 2019) and the "Falling Warrior" sculpture by Henry Moore valued at £5.0 million (£5.0 million 31 March 2019. The total value of donated artwork items as at 31 March 2020 is £24.4 million (£24.4 million 31 March 2019).

Museum Exhibits
The collection consists of around 750,000 items relating to archaeology, arts and crafts (ceramics, furniture etc), industry, natural sciences, social history and world cultures which have been collected during the nineteenth and twentieth centuries. At any time 4% of the collection is on display across the museum sites. Some of the more significant items include the Skelmanthorpe Flag; the Porritt Collection (British butterflies and moths); a collection linked to Bamforth and Company (publishers of comic postcards); a collection of Mesolithic material; and a photographic archive of over 250,000 images on glass plate and celluloid negatives, lantern slides and original prints.

Other Heritage Assets
This category includes the Civic Silver Collection, structural heritage assets, statues and books of remembrance. In terms of monetary value, the first two are the most significant. There have been no significant purchases, disposals or impairments under this category over the last five years.

The Civic Silver Collection consists of 387 items, mainly comprising of chains and pendants of office, maces and silverware. Its value as at 31 March 2020 is £1.6 million (£1.6 million 31 March 2019). Many of the pieces have been donated over the years to mark historic occasions or events and the current value of donated civic silver items recognised as Long Term Assets is £0.9 million (£0.9 million 31 March 2019).

The Council has a number of structural heritage assets which are not recognised elsewhere on the Balance Sheet. These comprise of two clock towers, a Victorian tower and two park band stands. Of particular note is the Victorian Tower on Castle Hill, Huddersfield which was completed in 1899 to celebrate the 60th anniversary of Queen Victoria's reign. The value of structural assets as at 31 March 2020 is £0.3 million (£0.3 million 31 March 2019).

Heritage Assets not recognised on the Balance Sheet

The Council also holds a number of heritage assets which are not recognised on the Balance Sheet, notably Castle Hill, war memorials, the local studies collection and a number of museum exhibits, including the British Archaeology, Natural Sciences (bird's eggs) and the Ethnography Collections. Castle Hill, Huddersfield is a Scheduled Ancient Monument and a Regionally Important Geological Site. The Victorian Tower mentioned above is built on Castle Hill. The land and the Tower were transferred into the Council's ownership from the Ramsden Estate in 1920.

Heritage Assets recognised under other asset categories

Where assets are operational and not principally maintained for their contribution to knowledge and culture, they are recorded on the Balance Sheet under Property, Plant and Equipment. The most notable building is Oakwell Hall in Gomersal, a grade one listed Elizabethan manor house with Bronte connections which is used as a museum. The Council also has a number of grade two listed buildings largely used for museum, civic and commercial purposes.

17 Investment Property

The following items of income and expense have been accounted for in the Financing and Investment Income and Expenditure line in the CIES:

	2019/20	2018/19
	£000	£000
Rental income from investment property	-3,282	-3,424
Direct operating expenses arising from investment property	1,524	1,360
Net gain	-1,758	-2,064
Net gains (-)/loss from fair value adjustments	20,972	-8,193
Net gains on disposals of assets	-1,198	-194
Net income (-)/expenditure in relation to investment property and changes in fair value	18,016	-10,451

There are no restrictions on the Council's ability to realise the value inherent in its investment property or on the Council's right to the remittance of income and the proceeds of disposal. The Council has no contractual obligations to purchase, construct or develop investment property or repair, maintain or enhance such property.

The movement in the fair value of investment property over the year is as follows:

	2019/20	2018/19
	£000	£000
Balance at 1 April	124,087	118,355
Additions	1	152
Disposals	-420	-2,964
Net gains (-)/loss from fair value adjustments	-20,972	8,193
Transfers to Property, Plant and Equipment	-1,591	351
Balance at 31 March	101,105	124,087

Fair Value Measurement

The Authority has accounted for investment property in accordance with IFRS13 which has been achieved through a fair value hierarchy. The fair value of investment property has been measured using a market approach, which takes into account quoted prices for similar assets in active markets, existing lease terms and rental, research into market evidence including market rentals and yields, the covenant strength for existing tenants, and data and market knowledge gained in managing the Council's investment asset portfolio. Market conditions are such that similar properties are actively purchased and sold and the level of observable are significant, leading to the properties being categorised as level 2 on the fair value hierarchy.

There have been no transfers between the different levels of hierarchy during the year.

Investment property has been valued at highest and best use. There have been some changes in valuation technique from income based approach to market value approach. This is not always the current use of the asset – in some cases, agricultural holdings which are being used for grazing land are in residential areas and could be used for development. Similarly pieces of undeveloped land previously valued without development have now been valued this time with development potential. This market value approach has resulted in a gain of £0.4 million (31 March 2019 £2.0 million).

Revaluations

The fair value of the authority's investment property is measured annually at each reporting date. Valuations are carried out by external valuers – Wilks Head and Eve – in accordance with the methodologies and bases for estimation set out in the professional standards of RICS.

18 Intangible Assets

The Council accounts for software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and Equipment. The intangible assets include purchased licences and other purchased software. The Council does not have any internally generated intangible assets.

Intangible assets are initially measured at cost. Amounts are only revalued where the fair value of the assets held by the Council can be determined by reference to an active market. In practice, no intangible asset held by the Council meets this criterion, and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life (usually between 5 and 10 years) on a straight line basis.

Amortisation of £0.3 million was charged to CIES in 2019/20 (£0.1 million in 2018/19).

	2019/20	2018/19
	£000	£000
Balance at 1 April		
Gross carrying amounts	**6,896**	6,343
Accumulated amortisation	**-6,014**	-5,939
Net carrying amount at 1 April	**882**	404
Additions - Purchases	**0**	587
Amortisation for the period	**-294**	-109
Net carrying amount at 31 March	**588**	**882**
Comprising:		
Gross carrying amounts	**6,896**	6,896
Accumulated amortisation	**-6,308**	-6,014
	588	**882**

There are no significant contractual commitments relating to intangible assets for 2019/20.

19 Financial Instruments

A financial instrument is a contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Non-exchange transactions, such as those relating to taxes (Council Tax, Non-Domestic Rates) and government grants, do not give rise to financial instruments.

The following categories of financial instrument are carried in the Balance Sheet:

Financial Assets

	Non-Current				Current			
	Investments		Debtors		Investments		Debtors	
	31 March		31 March		31 March		31 March	
	2020	2019	**2020**	2019	**2020**	2019	**2020**	2019
	£000	£000	**£000**	£000	**£000**	£000	**£000**	£000
Amortised cost								
Investment principal	**0**	0	**2,415**	1,506	**0**	0	**35,382**	28,370
Soft loans principal	**0**	0	**16,601**	17,491	**0**	0	**0**	0
Soft loans accrued interest	**0**	0	**0**	0	**0**	8	**0**	0
Cash and cash equivalents	**0**	0	**0**	0	**14,350**	12,286	**0**	0
Cash and cash equivalents accrued interest	**0**	0	**0**	0	**4**	9	**0**	0
Total Amortised cost	**0**	**0**	**19,016**	**18,997**	**14,354**	**12,303**	**35,382**	**28,370**
Fair value through profit and loss	**9,106**	0	**0**	0	**27,011**	27,086	**0**	0
Fair value through other comprehensive income – designated equity instruments	**4,320**	4,372	**0**	0	**0**	0	**0**	0
Total Financial Assets	**13,426**	**4,372**	**19,016**	**18,997**	**41,365**	**39,389**	**35,382**	**28,370**
Non-Financial Assets	**0**	0	**6,327**	6,668	**0**	0	**25,154**	26,752
Total	**13,426**	**4,372**	**25,343**	**25,665**	**41,365**	**39,389**	**60,536**	**55,122**

Financial Liabilities

	Non-Current				Current			
	Borrowings		Creditors		Borrowings		Creditors	
	31 March		31 March		31 March		31 March	
	2020	2019	**2020**	2019	**2020**	2019	**2020**	2019
	£000	£000	**£000**	£000	**£000**	£000	**£000**	£000
Amortised cost								
Principal	**-372,111**	-382,537	**0**	0	**-53,207**	-11,733	**-55,042**	-63,214
Loans accrued interest	**0**	0	**0**	0	**-4,375**	-4,457	**0**	0
Market loans EIR adjustment	**-1,549**	-1,578	**0**	0	**0**	0	**0**	0
PFI, finance lease and transferred debt	**-94,050**	-100,026	**0**	0	**-6,148**	-6,239	**0**	0
Total Financial Liabilities	**-467,710**	**-484,141**	**0**	**0**	**-63,730**	**-22,429**	**-55,042**	**-63,214**
Non-Financial Liabilities	**0**	0	**0**	0	**0**	0	**-35,220**	-24,405
Total	**-467,710**	**-484,141**	**0**	**0**	**-63,730**	**-22,429**	**-90,262**	**-87,619**

Borrowings	Non-Current	Current	Non-Current	Current
	31 March 2020		31 March 2019	
	£000	**£000**	£000	£000
PWLB	**-261,501**	**-14,651**	-273,246	-8,302
LOBOs	**-61,549**	**-648**	-71,578	-5,764
Other market debt	**-43,627**	**-42,013**	-32,308	-1,854
Stock	**-6,983**	**-270**	-6,983	-270
Total	**-373,660**	**-57,582**	**-384,115**	**-16,190**

Material Soft Loans made by the Council

The Council provided support in 2009/10 to Kirklees College's Waterfront Development with a loan. The loan is secured against the assets of the College and the loan is charged at the cost of the borrowing to the Council plus a small margin to cover administration. The fair value of the loan at initial recognition was arrived at by adding a margin of 1.75% to reflect risk. The loan is being repaid on an annuity basis. The College requested a repayment holiday for one year from August 2019 to July 2020. This was approved by the Strategic Director Economy and Infrastructure on the 28 September 2018 so the College will now repay the full amount advanced by 2035/36. The Council has also provided interest free loans to Kirklees' householders in respect of renewable energy works. The loans are secured as a fixed charge on the householder's properties (that is the loans are recoverable when the householder sells the property). The fair value of the renewable energy loans at initial recognition were arrived at by taking the cost to the Council of taking a ten year loan and adding an allowance of 2% for risk.

Movements on material soft loans are detailed as follows:

	College	Renewable Energy	Total
	£000	£000	£000
Balance at 1 April 2018	16,396	1,824	18,220
Loans repaid	-716	-46	-762
Impairment loss allowance	-584	-95	-679
Unwinding of discount	176	116	292
Balance at 31 March 2019	15,272	1,799	17,071
Loans repaid	0	-71	-71
Change in impairment loss allowance	-217	-3	-220
Unwinding of discount	0	146	146
Balance at 31 March 2020	**15,055**	**1,871**	**16,926**
Nominal value at 31 March 2019	18,030	2,130	20,160
Nominal value at 31 March 2020	**18,030**	**2,060**	**20,090**

Equity Instruments Designated at Fair Value Through Other Comprehensive Income

The Council has elected to account for the following investments in equity instruments at fair value through other comprehensive income because they are long-term strategic holdings and changes in their fair value are not considered to be part of the Council's annual financial performance.

	Fair value	
	31 March	31 March
	2020	2019
	£000	£000
LCR Revolving Investment Fund	**3,054**	2,995
Kirklees Henry Boot Partnership Ltd	**125**	125
Kirklees Schools Services Ltd	**927**	977
QED (KMC) Holdings Ltd	**214**	275
Total	**4,320**	4,372

Offsetting Financial Assets and Liabilities

The Council has legal right of offset on its current account banking arrangements and as at 31 March 2020 had a credit balance of £0.8 million at the bank (£0.9 million 31 March 2019) offset by a debit balance of £0.8 million (£0.9 million 31 March 2019).

Income, Expense, Gains and Losses

The gains and losses recognised in the Comprehensive Income and Expenditure Statement in relation to financial instruments are detailed as follows:

	Financial Liabilities	**Financial Assets**			**2019/20**	**2018/19**
	Amortised cost	Amortised cost	Fair value through OCI	Fair value through profit and loss	**Total**	Total
	£000	£000	£000	£000	**£000**	£000
Interest expense	26,428	0	0	0	**26,428**	27,501
Losses on derecognition	54	0	0	0	**54**	49
Impairment losses	0	1,343	0	0	**1,343**	672
Interest payable and similar charges	**26,482**	**1,343**	**0**	**0**	**27,825**	**28,222**
Interest income	0	-256	0	-173	**-429**	-1,603
Dividend income	0	0	0	-183	**-183**	0
Gains on derecognition	-30	0	0	0	**-30**	-10
Interest and investment income	**-30**	**-256**	**0**	**-356**	**-642**	**-1,613**
Net impact on Surplus/Deficit on the Provision of Service	**26,452**	**1,087**	**0**	**-356**	**27,183**	**26,609**
Gains on revaluation	0	0	-59	0	**-59**	-270
Losses on revaluation	0	0	112	0	**112**	39
Impact on other comprehensive income	**0**	**0**	**53**	**0**	**53**	**-231**
Net gain(-)/loss for the year	**26,452**	**1,087**	**53**	**-356**	**27,236**	**26,378**

Fair Value of Financial Instruments

Some of the Council's financial assets are measured at fair value in the Balance Sheet on a recurring basis and are described in the following table, including the valuation techniques used to measure them.

Recurring fair value measurements	Input level in fair value hierarchy	Valuation technique used to measure fair value	31 March 2020 Fair value	31 March 2019 Fair value
			£000	£000
Fair value through profit and loss				
CCLA Property Fund	Level 2	Inputs other than quoted prices that are observable for the asset	**9,106**	0
Fair value through other comprehensive income				
LCR Revolving Investment Fund	Level 3	Discounted cash flow techniques	**3,054**	2,995
Kirklees Henry Boot Partnership Ltd Kirklees Schools Services Ltd QED (KMC) Holdings Ltd	Level 3	Discounted cash flow techniques or historic cost of the original investment	**1,266**	1,377

Property funds have been moved from level 1 to level 2 of the hierarchy for 2019/20 reflecting that there is no longer an active market in these instruments. Fund managers have suspended redemptions reflecting market conditions for underlying properties caused by the economic consequences of the Covid 19 pandemic.

In addition, the fair value of short-term instruments, including investments, borrowing, cash, trade payables and receivables, is assumed to approximate to the carrying amount. However, there are a number of financial assets and liabilities which are carried in the Balance Sheet at amortised cost. Their fair values are shown in the tables below:

Financial Assets

	Fair value level	31 March 2020 Carrying amount	31 March 2020 Fair value	31 March 2019 Carrying amount	31 March 2019 Fair value
		£000	**£000**	£000	£000
Long-term debtors	2	**19,016**	**22,943**	18,997	23,103
Short-term debtors		**35,382**	**35,382**	28,370	28,370
Cash and cash equivalents		**41,365**	**41,365**	39,389	39,389
Total		**95,763**	**99,690**	**86,756**	**90,862**

The fair value of financial assets held at amortised cost is higher than their Balance Sheet carrying amount because the interest rate on similar investments is now lower than that obtained when the investment was originally made.

Financial Liabilities

		31 March 2020		31 March 2019	
	Fair value level	**Carrying amount**	**Fair value**	Carrying amount	Fair value
		£000	**£000**	£000	£000
Borrowings					
PWLB	2	**-276,152**	**-393,338**	-281,548	-391,383
LOBOs	2	**-62,197**	**-97,672**	-77,342	-115,320
Other market debt	2	**-85,640**	**-105,192**	-34,162	-43,808
Loan stock	2	**-7,253**	**-14,473**	-7,253	-15,028
PFI, transferred debt & finance lease liabilities	2	**-100,198**	**-138,243**	-106,265	-153,974
Short-term creditors		**-55,042**	**-55,042**	-63,214	-63,214
Total		**-586,482**	**-803,960**	-569,784	-782,727

The fair values have been estimated by calculating the net present value of the remaining contractual cash flows at 31 March 2020, using the following methods and assumptions:

- Loans from the Public Works Loan Board (PWLB) have been valued by discounting the contractual cash flows over the life of the instrument at the appropriate market rate for local authority loans.
- The value of "Lender's Option Borrower's Option" (LOBO) loans have been increased by the value of the embedded options. Lenders' options to propose an increase to the interest rate on the loan have been valued according to a proprietary model for Bermudan cancellable swaps. Borrower's contingent options to accept the increased rate or repay the loan have been valued at zero, on the assumption that lenders will only exercise their options when market rates have risen above the contractual loan rate.
- The fair values of other market debt, loan stock and investments have been discounted at the market rates for similar instruments with similar remaining terms to maturity on 31 March 2020.
- The fair values of finance lease assets and liabilities and of PFI scheme liabilities have been calculated by discounting the contractual cash flows at the appropriate AA-rated corporate bond yield.
- No early repayment or impairment is recognised for any financial instrument.

The above fair values are judged to be Level 2 in the fair value hierarchy, using significant observable inputs.

The fair value of liabilities is more than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the rates available for similar loans at the Balance Sheet date. This shows a notional future loss (based on economic conditions at 31 March 2020) arising from a commitment to pay interest to lenders above current market rates.

Fair Value Hierarchy for Financial Assets and Financial Liabilities that are not measured at Fair Value

	Other significant observable inputs (Level 2)	
	31 March 2020	31 March 2019
	£000	£000
Financial Assets held at amortised cost:	**14,354**	12,303
Financial Liabilities held at amortised cost:		
PWLB	**-261,501**	-273,246
Non-PWLB	**-112,159**	-110,869
Short-term debt	**-53,207**	-11,733
PFI, transferred debt and finance lease liabilities	**-100,198**	-106,265
Total	**-527,065**	-502,113

The fair value for financial assets and financial liabilities that are not measured at fair value included in the table above have been arrived at using a discounted cash flow analysis with the most significant inputs being the discount rate detailed.

The fair value for financial assets and financial liabilities that are not measured at fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using the assumptions detailed above, primarily for financial liabilities the fair value is arrived at by applying the discounted cash flow calculations based on the PWLB premium/discount calculations.

Nature and Extent of Risks Arising from Financial Instruments
The Council's activities expose it to a variety of financial risks:

- Credit risk – the possibility that other parties might fail to pay amounts due to the Council.
- Liquidity risk – the possibility that the Council might not have funds available to meet its commitments to make payments.
- Market risk – the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates and other financial market movements.

The Council's overall risk management programme focuses on minimising any potential adverse effects on the resources available to fund services. Procedures for risk management on treasury management are set out in the Local Government Act 2003 and associated regulations. As directed by the Act, the Council has formerly adopted the CIPFA Treasury Management Code of Practice and complies with the CIPFA Prudential Code. As part of the adoption of the Treasury Mangement Code, the Council approves a Treasury Management Strategy before the commencement of the year to which it relates, and sets out the parameters for the management risks associated with financial instruments. The Service Director Finance manages the function on behalf of the Council under policies approved by Members in the annual treasury management strategy and the treasury management policy statement and practices.

Full details of the Council's Treasury Management Strategy for 2019/20 can be found on the Council's website.

The strategy also includes an Annual Investment Strategy for the forthcoming year, setting out the Council's criteria for both investing and selecting investment counterparties in compliance with Government guidelines together with guidance from Arlingclose Limited, its Treasury Management advisor.

Credit risk

Credit risk arises from deposits with banks and other financial institutions, as well as credit exposures to the Council's customers. The risk is minimised through the Annual Investment Strategy which requires that deposits are not made with counterparties unless they meet the minimum criteria set out in the strategy and also considers the maximum time and amounts of investments with each institution.

The full Investment Strategy for 2019/20 was approved by the Council on 13 February 2019 and is available on the Council's website.

The table below summarises the credit risk exposures of the Council's treasury investment portfolio by credit rating and remaining time to maturity:

	31 March 2020	31 March 2019
Credit rating	Short-term	Short-term
	£000	£000
AAA	26,935	27,074
AA-	15,030	10,019
A+	0	1,975
Total	41,965	39,068

The investments detailed above are for cashflow purposes, made up entirely of cash equivalents with no short-term investments. Cash equivalents by definition are highly liquid deposits with an insignificant risk of change in value. The Council did not make any investments of a treasury management nature longer than two months in 2019/20.

The Council's maximum exposure to credit risk in relation to the above balances cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution.

The Council does not generally allow credit for customers and trade debts are actively pursued. As at 31 March 2020, the Council had a balance owing from its customers (mainly services and rent) of £37.5 million (£30.4 million 31 March 2019). The exposure to default has been assessed and is reflected in an impairment provision of £3.1 million (£2.9 million 31 March 2019). Of the trade debtors outstanding as at 31 March 2020 (£18.7 million), 79% (74% 2018/19) relate to outstanding debt due within 3 months of the Balance Sheet date, 8% (7% 2018/19) within 3 to 6 months, 3% (5% 2018/19) within 6 to 12 months and 10% (14% 2018/19) more than 12 months.

Liquidity risk

As well as keeping cash in instant access deposit accounts, the Council has ready access to borrowings from the Public Works Loan Board. Because of this, there is no significant risk that it will be unable to raise finance to meet its commitments. Instead, the risk is that the Council will be bound to replenish its borrowings at less favourable rates or, alternatively, liquidate its investments at more favourable rates. The strategy is to ensure that the loan repayment profile is even with around no more than 10% of loans due to mature in any one year.

The maturity analysis of financial instruments is shown below:

	31 March 2020			31 March 2019		
Time to maturity (years)	Liabilities	Assets	Net	Liabilities	Assets	Net
	£000	£000	£000	£000	£000	£000
Less than one year	-112,624	76,747	-35,877	-79,404	67,759	-11,645
Between 1 and 2 years	-8,093	1,796	-6,297	-12,236	2,029	-10,207
Between 2 and 5 years	-14,627	4,289	-10,338	-19,502	4,089	-15,413
Between 5 and 10 years	-5,317	14,394	9,077	-5,619	4,207	-1,412
Between 10 and 20 years	-45,728	7,727	-38,001	-46,852	8,793	-38,059
More than 20 years	-298,346	4,236	-294,110	-298,328	4,251	-294,077
	-484,735	109,189	-375,546	-461,941	91,128	-370,813

The above analysis assumes that Lender Option, Borrower Option loans (LOBOs – see below) run their full term.

The Council has a general target of paying all trade and other payables within 30 days, although due to the current Covid 19 pandemic, payments are being made immediately once the payment has been processed and approved.

Market risk

Interest Rate Risk

The Council is exposed to significant risk in terms of its exposure to interest rate movements in particular on borrowings. Movements in interest rates have a complex impact on the Council. For instance, a rise in interest rates would have the following effects:

- Borrowings at variable rates – the interest expense charged to the CIES will rise.
- Borrowings at fixed rates – the fair value of the liabilities will fall.
- Investments at variable rates – the interest income credited to the CIES will rise.
- Investments at fixed rates – the fair value of the assets will fall.

The Council has a number of strategies for managing interest rate risk, including keeping a maximum of 40% of its borrowings in variable rate loans. During periods of falling interest rates, and where economic circumstances make it favourable, fixed rate loans may be repaid to limit exposure to losses. The risk of loss is ameliorated by the fact that a proportion of government grant payable on financing costs will normally move with prevailing interest rates and provide compensation for a proportion of any higher borrowing costs.

The Treasury Management Strategy is proactive, providing for the constant assessment of interest rate exposures and deciding whether new borrowing taken out is fixed or variable.

As at 31 March 2020, investments held by the Council for cashflow purposes were at both fixed and variable rates, with 64% being at variable rate for instant access. In terms of borrowing, the Council held £61.5 million debt in the form of LOBOs. LOBO agreements have periodic option dates on which lenders can opt to change the interest rate on a loan. If lenders exercise their option then the Council can either repay the loan (at no extra cost) or agree to the change of interest rate for the remaining term of the loan or until the lender chooses to exercise the option again. In July 2019, the Council negotiated with a lender not to exercise its options to increase interest rates on its LOBO loan held by the Council. This effectively made the loan a fixed rate maturity loan and brings the total of LOBO loans held as at 31 March 2020 to £61.5 million, which equates to 14% of its total borrowing. All LOBO debt is exposed to variable rates through lender options. A 1% change in interest rates with all other variables held constant would increase or decrease interest costs by £0.4 million.

Price Risk

The Council does not generally invest in equity shares but does have shareholdings to the value of £1.3 million in a number of joint ventures. The Council is consequently exposed to losses arising from movements in the values of the shares. As the shareholdings have arisen in the acquisition of specific interests, the Council is not in a position to limit its exposure to price movements by diversifying its portfolio.

The equity shares are classified as "fair value through other comprehensive income – designated equity instruments", meaning that any movements in fair value will not be recognised in the CIES, instead movements will be shown in the Financial Instruments Revaluation Reserve.

The Council holds investment units with the CCLA Property Fund which is subject to the risk of falling commercial property prices. The fund has been classified as fair value through profit and loss, however the Council has chosen to use the 5 year override as allowed by CIPFA to allocate to fair value through other comprehensive income, therefore any gains or losses on prices will be charged to Financing and Investment Income and Expenditure line in the CIES which is then transferred to the Pooled Fund Adjustment Account.

Foreign Exchange Risk

The Council has no material financial assets or liabilities denominated in foreign currencies. In this way, the Council has little exposure to loss arising from movements in exchange rates.

20 Long Term Debtors

This note identifies amounts owing to the Council which are being repaid over various periods longer than one year.

	31 March 2020 £000	31 March 2019 £000
Kirklees College	**15,103**	15,856
PFI Prepayments (i)	**2,921**	3,259
Finance Leases (ii)	**3,407**	3,409
Charges on Property for Residential Care	**1,029**	1,104
Renewable Energy	**1,969**	1,894
103 New Street	**802**	0
Other	**1,032**	852
	26,263	26,374
Impairment Provision	**-920**	-709
Net Long Term Debtors	**25,343**	25,665

(i) Under the terms of the PFI contracts, the Council makes prepayments which the contractor puts into sinking funds which will be used to meet future costs incurred in the schemes.
(ii) Relates to obligations outstanding from lessees on leases judged to be finance leases.

21 Short Term Debtors

	31 March 2020	31 March 2019
	£000	£000
Central government bodies	12,085	11,195
Other local authorities	5,899	3,262
NHS bodies	7,219	5,919
Other entities and individuals	55,820	52,816
	81,023	73,192
Bad Debt Provision – Other entities and individuals	-20,487	-18,070
Net Short Term Debtors	60,536	55,122

22 Cash and Cash Equivalents

The balance of Cash and Cash Equivalents is made up of the following elements:

	31 March 2020	31 March 2019
	£000	£000
Cash held by the Council	26	23
Bank current accounts	2,299	2,105
Instant access deposit accounts/investments that mature within 90 days or less	42,045	39,097
	44,370	41,225
Cash in transit	1,041	2,268
BACs payments and cheques not yet cleared	-4,046	-4,104
Total Cash and Cash Equivalents	41,365	39,389

23 Short Term Creditors

	31 March 2020	31 March 2019
	£000	£000
Central government bodies	-19,115	-16,324
Other local authorities	-1,707	-1,538
NHS bodies	-1,225	-940
Other entities and individuals	-68,215	-68,817
Total	-90,262	-87,619

24 Provisions

	Insurance	Business Rate Appeals	Other	Total
	£000	£000	£000	£000
Balance at 1 April 2019	-10,007	-4,752	-44	-14,803
Additional provision made in 2019/20	-3,985	0	0	-3,985
Amounts used in 2019/20	3,405	2,844	0	6,249
Amounts reversed in 2019/20	4	0	0	4
Balance at 31 March 2020	**-10,583**	**-1,908**	**-44**	**-12,535**

The insurance provision covers obligations arising from claims relating to Employer's Liability, Public Liability, Motor, Fire and miscellaneous risks. The nature of insurance claims, particularly liability claims, means that there can be significant lead in times as claimants do not need to lodge claims for some time after the event occurred. For each insurance claim received an expected value is calculated based on best known estimates at the time. The figures are derived from those calculated during the latest three-yearly actuarial valuation (2017/18). The short term element of this provision is estimated based on the percentage of claims paid out in the previous year.

Amounts have been set aside on the Council's Financial Resiliance Reserve to cover uninsured and unexpected losses which may arise from possible claims for third party asbestos, flooding and environmental impairment (pollution). It is not possible to state with any certainty the amount or timing of the likely use of the reserve due to the nature of the risks covered.

Council's are liable for a share of any repayments to ratepayers as a result of reductions in Rateable Value (RV) arising from successful appeals against rates charged. Appeals are determined by the Valuation Office Agency, and can go back a number of years

The split between long term and short term provisions is as follows:

	Short Term Provisions	Long Term Provisions	Total Provisions
	£000	£000	£000
Balance at 31 March 2020	**-3,487**	**-9,048**	**-12,535**
Balance at 1 April 2019	-3,945	-10,858	-14,803

25 Other Long Term Liabilities

	31 March 2020	31 March 2019
	£000	£000
Deferred Liabilities (mainly outstanding PFI finance lease obligations)	**-94,050**	-100,026
Net Liability Related to Defined Benefit Pension Scheme	**-824,749**	-738,134
Long Term Provisions	**-9,048**	-10,858
PFI Deferred Income	**-1,612**	-2,149
Total	**-929,460**	**-851,167**

26 Usable Reserves

Movement in the Council's usable reserves are detailed in the Statement of Movement in Reserves, Note 10 Adjustments between accounting basis and funding basis under regulations and Note 11 Transfers to and from Earmarked Reserves.

27 Unusable Reserves

Some of the Council's reserves are required to comply with proper accounting practice and are not usable reserves available to meet revenue or capital expenditure. These are listed as follows:

	31 March 2020	31 March 2019
	£000	£000
Capital Adjustment Account	**-695,084**	-663,874
Revaluation Reserve	**-194,568**	-169,375
Pensions Reserve	**824,749**	738,134
Financial Instruments Revaluation Reserve	**-1,239**	-1,291
Financial Instruments Adjustment Account	**3,161**	3,299
Pooled Fund Adjustment Account	**894**	0
Deferred Capital Receipts Reserve	**-3,408**	-3,411
Collection Fund Adjustment Account	**-2,729**	-7,077
Accumulated Absences Account	**11,531**	11,077
Total Unusable Reserves	**-56,693**	-92,518

Details of the movements on the Capital Adjustment Account, Revaluation Reserve and Pensions Reserve are detailed below. The purpose of the other reserves is explained in the Glossary and the movements of the larger ones are detailed in Note 10.

Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the CIES (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The account is credited with the amounts set aside by the Council as finance for the costs of acquisition, construction and enhancement.

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

	2019/20	2018/19
	£000	£000
Balance at 1 April	**-663,874**	-660,024
Capital financing applied in the year:		
Use of Capital Receipts Reserve to finance new capital expenditure	**-6,933**	-5,612
Use of Capital Receipts Reserve to repay debt	**0**	-716
Use of the Major Repairs Reserve to finance new capital expenditure	**-12,593**	-8,985
Capital grants and contributions credited to the CIES that have been applied to capital financing	**-12,889**	-23,087
Application of grants to capital financing from the Capital Grants Unapplied Account	**-11,340**	-6,717
Statutory provision for the financing of capital investment charged against the General Fund, HRA Balances and Major Repairs Reserve	**-10,715**	-12,721
Capital expenditure charged against the General Fund and HRA Balances	**-9,702**	-8,339
	-728,046	-726,201
Charges for depreciation and impairment of non-current assets	**56,133**	56,038
Amortisation of intangible assets	**294**	109
Revaluation losses on PPE	**17,668**	10,495
Revaluation gains on PPE	**-90,632**	-30,898
Movements in the market value of Investment Property	**20,972**	-8,193
Revenue expenditure funded from capital under statute (REFCUS)	**13,021**	16,704
Amounts of non-current assets written off on disposal or sale	**21,102**	23,416
Adjusting amounts written out of the Revaluation Reserve	**-5,388**	-6,320
Deferred Income written down - Waste PFI	**-537**	-537
Long-term debtors written down	**109**	834
Financial Instruments impairment charge	**220**	679
Balance at 31 March	**-695,084**	-663,874

Revaluation Reserve

The Revaluation Reserve contains the gains made by the Council arising from increases in the value of its Property, Plant and Equipment. The balance is reduced when assets with accumulated gains are:

- revalued downwards or impaired and the gains are lost

- used in the provision of services and the gains are consumed through depreciation, or
- disposed of and the gains are realised.

The Reserve contains only revaluation gains accumulated since 1 April 2007, the date the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

	2019/20	2018/19
	£000	£000
Balance at 1 April	**-169,375**	-162,897
Upward revaluation of assets	**-49,129**	-20,176
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	**18,549**	7,378
Difference between fair value depreciation and historical cost depreciation	**2,310**	3,916
Accumulated gains on assets sold or scrapped	**3,077**	2,404
Balance at 31 March	**-194,568**	-169,375

Pensions Reserve

This Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The Council accounts for post-employment benefits in the CIES as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, charging assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Council makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pension Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

			2019/20			2018/19
	LGPS	Teachers	Total	LGPS	Teachers	Total
	£000	£000	£000	£000	£000	£000
Balance at 1 April	**681,877**	**56,257**	**738,134**	555,178	56,604	611,782
Pension cost payable to Pension Fund	**-33,195**	**-3,503**	**-36,698**	-32,090	-3,567	-35,657
Actuarial gain/loss (-)	**38,983**	**-4,877**	**34,106**	64,211	1,794	66,005
Reversal of IAS19 entries	**87,899**	**1,308**	**89,207**	94,578	1,426	96,004
Balance at 31 March	**775,564**	**49,185**	**824,749**	681,877	56,257	738,134

28 Cash Flow - Operating Activities

The cash flows for operating activities include the following items:

	2019/20	2018/19
	£000	£000
Interest received	-578	-1,584
Interest paid	26,342	27,460
Dividend received	-764	-317

29 Cash Flow - Adjustments to net surplus or deficit on the provision of services for non-cash movements

	2019/20	2018/19
	£000	£000
Pension adjustments	-52,509	-60,347
Depreciation, impairment and amortisation	-54,433	-54,787
Revaluation gains/losses	51,991	28,596
Carrying amount of non-current assets sold or de-recognised	-21,102	-23,416
Movements on -		
Provisions	2,267	420
Inventories	-333	685
Revenue debtors (including bad debt provision)	5,019	1,226
Revenue creditors	405	-13,020
Other non-cash items	-1,332	-190
Total non-cash movements	-70,027	-120,833

30 Cash Flow - Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities

	2019/20	2018/19
	£000	£000
Capital grants	22,485	21,715
Proceeds from the sale of property, plant and equipment (PPE), investment property and intangible assets.	11,432	13,399
Total	33,917	35,114

Cash Flow - Reconciliation of Liabilities arising from Financing Activities

	2019/20				2018/19			
	At 1 April	**Financing cashflows**	**Non cash changes**	**At 31 March**	At 1 April	Financing cashflows	Non cash changes	At 31 March
	£000	**£000**	**£000**	**£000**	£000	£000	£000	£000
Long term borrowing	384,116	-10,458	2	373,660	392,458	-8,366	24	384,116
Short term borrowing	16,190	41,371	21	57,582	25,250	-9,058	-2	16,190
PFI & finance lease liabiliites	106,265	-6,068	0	100,197	111,289	-5,024	0	106,265
Other - NNDR & Collection Fund	7,077	1,089	-5,436	2,730	2,432	-6,115	10,760	7,077
Total liabilities from financing activities	513,648	25,934	-5,413	534,169	531,429	-28,563	10,782	513,648

31 External Audit Costs

Grant Thornton is the Council's appointed auditor. The fees payable were as follows:

	2019/20	2018/19
	£000	£000
External audit services – scale fee	**122**	122
External audit services – additional charges	**30**	16
Certification of grant claims and returns	**46**	30
Non audit services	**12**	19
PSAA refund	**0**	-15
Total	**210**	172

32 Pooled Funds

Section 75 of the National Health Service Act 2006 and the NHS Bodies and Local Authorities Partnership Arrangements Regulations 2000 enable the establishment of joint working arrangements between NHS bodies and local authorities. Pooled funds allow health bodies and local authorities to work collaboratively to address specific local health issues.

Integrated Community Equipment Service

In 2003/04, the Council in association with the local Clinical Commissioning Groups (CCGs) (formerly Primary Care Trusts) established an Integrated Community Equipment Service. The partners contribute funds to the agreed budget and there is no fixed split of contributions. These are negotiated and agreed between the parties each year. The pooled budget is hosted by the Council on behalf of the partners to the arrangement.

	2019/20	2018/19
	£000	£000
Funding provided to the pooled budget		
Kirklees Council	-2,167	-2,128
Greater Huddersfield CCG	-1,052	-1,018
North Kirklees CCG	-841	-837
Total Funding	**-4,060**	**-3,983**
Expenditure met from the pooled budget		
Kirklees Council	1,629	1,542
Greater Huddersfield CCG	917	868
North Kirklees Clinical CCG	712	674
Total Expenditure	**3,258**	**3,084**
Net surplus arising on pooled budget during the year	-802	-899
Council share of the net surplus arising on the pooled budget	-539	-584

Better Care Fund

Introduced with effect from the 2015/16 financial year, the Better Care Fund was established by the Government to drive closer integration with health services and improve outcomes for patients and service users. The Council in association with the local CCGs established a pooled budget to deliver the aims of the Better Care Fund in Kirklees. The pooled budget is hosted by the Council on behalf of the partners to the arrangement.

	2019/20	2018/19
	£000	£000
Funding provided to the pooled budget		
Kirklees Council	-26,471	-21,341
Greater Huddersfield CCG	-15,988	-15,296
North Kirklees CCG	-12,894	-12,337
Total Funding	**-55,353**	**-48,974**
Expenditure met from the pooled budget		
Kirklees Council	44,433	38,526
Greater Huddersfield CCG	6,220	5,951
North Kirklees CCG	4,700	4,497
Total Expenditure	55,353	**48,974**
Net surplus arising on pooled budget during the year	0	0
Council share of the net surplus arising on the pooled budget	0	0

33 Officers' Remuneration

The number of employees whose remuneration was £50,000 or more was as follows. This table includes Senior Officers who are disclosed in the next part of the note:

	2019/20		2018/19	
Remuneration Band (£)	Teachers	Other	Teachers	Other
50,000 - 54,999	89	37	93	39
55,000 - 59,999	61	9	53	10
60,000 - 64,999	36	20	47	16
65,000 - 69,999	23	4	25	2
70,000 - 74,999	19	7	11	6
75,000 - 79,999	10	5	9	0
80,000 - 84,999	7	4	3	2
85,000 - 89,999	3	1	1	1
90,000 - 94,999	0	1	0	0
95,000 - 99,999	0	0	1	3
100,000 - 104,999	1	6	1	1
105,000 - 109,999	2	1	2	2
110,000 - 114,999	2	0	0	1
115,000 - 119,999	0	0	0	1
120,000 - 124,999	0	1	0	1
125,000 - 129,999	0	2	0	1
130,000 - 134,999	0	1	0	0
135,000 - 139,999	0	0	0	0
140,000 - 144,999	0	0	0	0
145,000 - 149,999	0	0	0	0
150,000 - 154,999	0	0	0	1
155,000 - 159,999	0	0	0	0
160,000 - 169,999	0	0	0	0
170,000 - 174,999	0	1	0	0
Total	**253**	**100**	246	87

The remuneration figures include employee pension contributions and any severance costs, but exclude employer's pension contributions.

It should be noted that 3 employees received redundancy payments in 2019/20 (2018/19 3 employees) and exceeded the £50,000 remuneration band, who would not normally have done so.

The note excludes employees of Voluntary Aided and Trust Schools as they are employed by the School Governors, not the Council, even though payments are made by the Council.

The following table sets out the remuneration disclosures for the Council's Senior Officers (Directors' Group and Monitoring Officer), whose full time equivalent salary is equal to or more than £50,000 per year. The definition of Senior Officers are those officers who have statutory responsibilities and/or are responsible for strategic decisions in the Council. In line with statutory regulations, officers with a salary of £150,000 or more per year are named.

Senior Officers' emoluments

Post holder information (Post title)	Salary including fees and allowances	Compensation for loss of office	Total Remuneration Excluding pension contributions	Employers pension contributions (4)	Total Remuneration including pension contributions
	£	£	£	£	£
2019/20					
Chief Executive – Jacqui Gedman	171,775	0	171,775	27,650	199,425
Strategic Director Adults & Health	131,630	0	131,630	21,188	152,818
Strategic Director Children & Families (1)	126,681	0	126,681	20,391	147,072
Strategic Director Economy & Infrastructure	129,177	0	129,177	20,793	149,970
Strategic Director Corporate Strategy, Commissioning & Public Health (2)	123,979	0	123,979	19,924	143,903
Service Director Governance & Commissioning (Monitoring Officer)	100,355	0	100,355	16,153	116,508
Service Director Finance (s151 Officer) (3)	90,976	0	90,976	14,637	105,613
2018/19					
Chief Executive – Jacqui Gedman	153,442	0	153,442	24,704	178,146
Strategic Director Adults & Health	129,056	0	129,056	20,778	149,834
Strategic Director Children & Families (1)	42,960	0	42,960	6,917	49,877
Strategic Director Economy & Infrastructure	123,189	0	123,189	19,833	143,022
Strategic Director Corporate Strategy, Commissioning & Public Health (2)	118,450	0	118,450	19,070	137,520
Service Director Governance & Commissioning (Monitoring Officer)	98,393	0	98,393	15,841	114,234
Service Director Finance (s151 Officer) (3)	83,349	0	83,349	13,419	96,768

(1) The Strategic Director Children & Families was appointed on the 3 December 2018 and the annualised salary is £132,885. Prior to the appointment of the Strategic Director Children & Families the position was assigned to an employee who is employed and paid by Leeds City Council as part of a Strategic Partnership Agreement (Improvement Plan) between the Council and Leeds City Council. A payment is then made by the Council to Leeds City Council to cover the salary costs. The payment made for the period includes salary payment of £125,535 and employers pension contributions of £20,342.

(2) The Strategic Director Corporate Strategy, Commissioning & Public Health was substantively appointed to the position on the 22 January 2019 following an acting up arrangement as the Temporary Director of Public Health and (Acting) Strategic Director Corporate Services.

(3) The Service Director Finance was substantively appointed to the position on the 12 September 2018 following an acting up arrangement from 19 March 2018.

(4) No added years pensions were provided for Senior Officers.

Exit Packages and Termination Benefits

Exit packages include compulsory and voluntary redundancy costs, pension contributions in respect of added years, ex gratia payments and other departure costs. Pension strain arises when an employee retires early without actuarial reduction of their pension.

Exit package cost band	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band	Total cost of exit packages in each band	Split of exit packages (Termination Benefit)	Split of exit packages (Pension Strain)
2019/20				£000	£000	£000
£0 - £20,000	0	1	1	19	19	0
£20,001 - £40,000	0	4	4	123	97	26
£40,001 - £60,000	0	3	3	149	15	134
£60,001 - £80,000	0	0	0	0	0	0
£80,001 - £100,000	0	0	0	0	0	0
£100,001 - £150,000	0	0	0	0	0	0
Total	**0**	**8**	**8**	**291**	**131**	**160**
2018/19						
£0 - £20,000	0	3	3	16	15	1
£20,001 - £40,000	0	3	3	73	56	17
£40,001 - £60,000	0	0	0	0	0	0
£60,001 - £80,000	0	0	0	0	0	0
£80,001 - £100,000	0	1	1	86	26	59
£100,001 - £150,000	0	1	1	146	36	111
Total	**0**	**8**	**8**	**321**	**133**	**188**

34 Deployment of Dedicated Schools Grant

The Council's expenditure on schools is funded primarily by grant monies provided by the Education Funding Agency, the Dedicated Schools Grant (DSG). DSG is ring fenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the School Finance and Early Years (England) Regulations 2015. The Schools Budget includes elements for a range of educational services provided on a Council-wide basis and for the Individual Schools Budget (ISB), which is divided into a budget share for each maintained school.

Details of the deployment of DSG receivable are as follows:

	Central Expenditure	ISB	Total
	£000	£000	£000
Final DSG for 2019/20 before Academy recoupment			-362,762
Academy figure recouped for 2019/20			126,579
Total DSG after Academy recoupment for 2019/20			-236,183
Plus brought forward from 2018/19			-268
Less carry forward to 2020/21 agreed in advance			0
Agreed budgeted distribution for 2019/20	-42,704	-193,747	-236,451
In year adjustments	3,286	-3,588	-302
Final budgeted distribution for 2019/20	-39,418	-197,335	-236,753
Less actual central expenditure	51,630		51,630
Less actual ISB deployed to schools		199,519	199,519
Plus Council contribution for 2019/20	0	0	0
Total carry forward to 2020/21	**12,212**	**2,184**	**14,396**

35 Related Party Transactions

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

i) Elected Members and Chief Officers

There were 4 material disclosures to declare for 2019/20, 3 relating to Elected Members and a chief officer. The material disclosures are mentioned below. It should be noted that all members' financial and other interests which could conflict with those of the Council are open to public inspection as required by regulation. Members are also required to disclose personal and prejudicial interests in matters being considered at meetings at which they are present. Officers also have a duty to declare any interests which could conflict with those of the Council.

A Councillor worked as a solicitor for a local housing association. In 2019/20, the Council made payments of £0.561 million to the association and received £0.007 million from the association.

A Councillor was a Non-Executive Director of Yorkshire Water Services Ltd. During 2019/20, the Council made payments of £1.062 million to the company and received £0.023 million from the company.

A Councillor's partner was the manager of an independently run local community centre. In 2019/20, the Council made payments of £0.069 million to the centre and received no income from the centre.

A service director was a director for a social enterprise delivering a range of local services and facilities for the benefit of residents in a local ward of Huddersfield. In 2019/20 the Council made payments of £0.294 million to the enterprise and received £0.003 million from the enterprise.

ii) Companies

The Council has a number of interests in companies. The main transactions were as follows (payments and receipts shown gross):

	Receipts from the companies		Payments to the companies		Net amounts owed to/by(-) the Council	
	2019/20	2018/19	**2019/20**	2018/19	**31 March 2020**	31 March 2019
	£000	£000	**£000**	£000	**£000**	£000
Kirklees Henry Boot Partnership Limited	**-3**	-1	**0**	0	**0**	0
Calderdale and Kirklees Careers Service	**-59**	-91	**2,289**	2,309	**-59**	-198
Kirklees Active Leisure	**-1,261**	-1,171	**2,342**	1,816	**578**	32
Kirklees Community Association	**-92**	-92	**1**	0	**0**	13
Kirklees Theatre Trust	**-9**	-23	**225**	214	**0**	5
Kirklees Music School	**-8**	-7	**5**	2	**0**	0
North Huddersfield Trust	**-101**	0	**0**	0	**0**	0
Yorkshire Energy Services	**-29**	-61	**3**	6	**4**	11
Locala Community Partnerships	**-834**	-906	**15,195**	15,435	**340**	187
Spenborough Co-operative Trust	**-4**	-4	**1**	1	**1**	3

The Council has given a loan to Media Centre Network Ltd. As at 31 March 2020, £0.198 million was outstanding (£0.203 million as at 31 March 2019).

<u>The following related party transactions are disclosed elsewhere in the accounts:</u>

- The UK Central Government exerts significant influence through legislation and grant funding (see Note 36).
- NHS Bodies (see Notes 32 and 36).
- Precepting authorities (see the CIES and the Collection Fund Income and Expenditure Statement). The Council also pays Joint Committees for providing services such as Trading Standards and West Yorkshire Combined Authority. Payments in 2019/20 amounted to £19.3 million (2018/19 £19.8 million). Certain Parish Councils have also invested funds with the Council. As at 31 March 2020, £0.431 million (£0.491 million at 31 March 2019) was invested.
- Pension Fund (see Note 40).
- Subsidiary (Kirklees Neighbourhood Housing Limited) and joint venture company (Kirklees Stadium Development Limited) included in Group Accounts.
- PFI Transactions (see Note 39 and Note H10 in the HRA).

36 Grant Income

The Council credited the following grants and contributions to the CIES:

	2019/20 £000	2018/19 £000
Credited to Taxation and Non Specific Grant Income		
NNDR Top up Grant	**-14,098**	0
PFI Grants	**-11,359**	-11,359
New Homes Grant	**-3,863**	-4,661
Business Rates Relief	**-15,472**	-16,490
Covid19 Support Grant	**-12,228**	0
Other Non-Specific Grants (under £2 million)	**-3,464**	-4,815
	60,484	37,325
Grants and Contributions related to capital financing which cannot be identified to particular services or assets		
Standards Fund	**-4,712**	-4,716
Local Transport Plan (LTP)	**-7,334**	-10,071
Other Capital Grants and Contributions (under £2 million)	**-10,976**	-7,465
Total	**-83,506**	**-59,577**
Credited to Services		
Revenue		
Dedicated Schools Grant	**-236,485**	-242,375
DWP – Rent Allowance	**-42,639**	-49,048
DWP – Rent Rebate	**-35,824**	-40,861
Department of Health Grant (Public Health)	**-25,305**	-25,987
Clinical Commissioning Groups (CCGs)	**-18,203**	-17,114
Pupil Premium Grant	**-13,139**	-14,011
PFI Grant (ring fenced to HRA)	**-7,912**	-7,912
Universal Infant Free School Meals Grant	**-4,253**	-4,520
Teachers Pension Grant	**-3,729**	0
Social Care Support Grant	**-3,177**	0
Improved Better Care Fund (IBCF)	**-12,810**	-7,104
Additional Better Care Fund (ABCF)	**-2,628**	-5,298
Other Revenue Grants and Contributions (under £2 million)	**-27,432**	-29,907
Capital (REFCUS)		
Standards Fund	**-3,114**	-7,347
Disabled Facilities Grant	**-3,194**	-3,314
Various Capital Grants and Contributions (under £2 million)	**-820**	-713
Total	**-440,664**	**-455,511**
Total Grants in CIES	**-524,170**	**-515,088**

37 Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred in the year is shown in the table below (including the value of assets acquired under finance leases and PFI contracts), together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Council, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Council that has yet to be financed. The movement in CFR is analysed in the second part of this note.

	2019/20	2018/19
	£000	£000
Opening Capital Financing Requirement	**714,118**	710,343
Capital Investment		
Property, Plant and Equipment	**69,620**	52,405
Investment Property	**1**	152
Intangible Assets	**0**	587
Revenue Expenditure Funded from Capital under Statute	**13,021**	16,704
Loans and Investments	**802**	421
Sources of Finance		
Capital Receipts	**-6,933**	-5,612
Government Grants and Other Contributions	**-24,229**	-29,804
Major Repairs Reserve	**-12,593**	-8,985
Direct Revenue Contributions	**-9,706**	-8,339
To repay debt:		
Minimum Revenue Provision	**-6,315**	-5,527
Major Repairs Reserve	**-4,583**	-7,511
Capital Receipts	**0**	-716
Closing Capital Financing Requirement	**733,203**	**714,118**
Explanation of movements in year		
Increase in underlying need to borrow:		
PFI Finance Lease Liability	**219**	300
Other	**29,764**	17,229
Provision for Repayment of Debt	**-10,898**	-13,754
Increase in Capital Financing Requirement	**19,085**	**3,775**

38 Leases

Council as Lessee

Finance Leases

The Council has a finance lease on Civic Centre 1, the Stadium Pool & Fitness Suite and also on part of Dewsbury Sports Centre. The assets acquired under these leases are carried as Property, Plant and Equipment in the Balance Sheet at the following amounts:

	31 March 2020	31 March 2019
Cost or valuation	**£000**	£000
At 1 April	**12,559**	12,524
Additions & Transfers	**254**	35
Revaluation increases recognised in the Revaluation Reserve	**642**	0
Revaluation decreases recognised in the provision of services	**-1,223**	0
At 31 March	**12,232**	12,559
Depreciation and impairments		
At 1 April	**-627**	-365
Depreciation charge	**-263**	-262
Depreciation written out to the Revaluation Reserve	**420**	0
Depreciation written out to the provision of services	**313**	0
At 31 March	**-157**	-627
Net Book Value	**12,075**	11,932

The Council is committed to making minimum payments under these leases comprising settlement of the long-term liability for the interest in the property acquired by the Council and finance cost that will be payable by the Council in future years while the liability remains outstanding. The minimum lease payments are made up of the following amounts:

	31 March 2020	31 March 2019
	£000	£000
Finance lease liabilities (net present value of minimum lease payments):		
Non-current	**1,049**	1,049
Finance costs payable in future years	**6,241**	6,331
Minimum lease payments	**7,290**	7,380

The minimum lease payments will be payable over the following periods:

	Minimum Lease Payments		Finance Lease Liabilities	
	31 March 2020	31 March 2019	**31 March 2020**	31 March 2019
	£000	£000	**£000**	£000
Not later than one year	**90**	90	**0**	0
Later than one year and not later than five years	**360**	360	**0**	0
Later than five years	**6,840**	6,930	**1,049**	1,049
	7,290	**7,380**	**1,049**	**1,049**

Council as Lessor

Finance Leases:
The Council leases out large numbers of long land leases on 999 year terms and various ground leases on varying terms, mainly between 99 and 150 years. In addition, schools that have been transferred to academy status are on long-term leases. However, these are at peppercorn rentals and therefore there is no value in the leases.

The Council has a gross investment in the leases, made up of the minimum lease payments expected to be received over the remaining term and the residual value anticipated for the property when the lease comes to an end. The minimum lease payments comprise settlement of the long-term debtor for the interest in the property acquired by the lessee and finance income that will be earned by the Authority in future years whilst the debtor remains outstanding. The gross investment is made up of the following amounts:

	31 March 2020	31 March 2019
	£000	£000
Finance lease debtor (net present of value of minimum lease payments):		
Non-current	**3,409**	3,411
Unearned finance income	**14,835**	15,108
Gross investment in the lease	**18,244**	18,519

The gross investment in the lease and the minimum lease payments will be received over the following periods:

	Gross Investment in the Lease		Minimum Lease Payments	
	31 March 2020	31 March 2019	**31 March 2020**	31 March 2019
	£000	£000	**£000**	£000
Not later than one year	**275**	275	**275**	275
Later than one year and not later than five years	**1,100**	1,100	**1,100**	1,100
Later than five years	**16,869**	17,144	**16,869**	17,144
	18,244	18,519	**18,244**	18,519

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into. As there are no contingent rents the minimum lease payments are the same as the gross investment in the leases.

Operating Leases:
The Council leases out property under operating leases for the following purposes:

- For service provision. For example, the Markets' service hires out stalls within Market Halls.
- Receiving income from land and property on a commercial basis.
- Sports facilities to Kirklees Active Leisure (a company that runs community recreation facilities on behalf of the Council). The rentals are at peppercorn rents.
- Various buildings and sites leased to contractors carrying out the Council's PFI schemes. Rentals are at peppercorn rents.

The value of the assets leased out is as follows:

	31 March 2020 £000	31 March 2019 £000
Cost or valuation		
At 1 April	**160,688**	155,245
Additions	**501**	1,387
Revaluation increases/decreases(-) recognised in the Revaluation Reserve	**3,360**	-423
Revaluation increases/decreases(-) recognised in provision of services	**3,189**	5,158
De-recognition - disposals	**-255**	-188
De-recognition - other	**0**	0
Other movements in cost or valuation (re-classifications)	**-2,035**	-491
At 31 March	**165,448**	160,688
Depreciation and impairments		
At 1 April	**-8,834**	-3,747
Depreciation and impairment charge for year	**-5,612**	-5,536
Depreciation written out to the Revaluation Reserve	**3,299**	189
Depreciation written out to the Surplus/Deficit to Services	**3,040**	260
De-recognition - disposals	**0**	0
De-recognition - other	**3**	0
At 31 March	**-8,104**	-8,834
Net Book Value	**157,344**	151,854

The Council received £4.5 million in rent on operating leases in 2019/20 (£5.0 million 2018/19).

The following shows commitments relating to non-cancellable contracts:

	31 March 2020 £000	31 March 2019 £000
Not later than one year	**1,664**	1,763
Later than one year and not later than five years	**2,705**	3,136
Later than five years	**1,896**	2,544
	6,265	7,443

39 Private Finance Initiative (PFI) Transactions

The Council has four PFI schemes – two school, one waste disposal and one housing scheme. A summary of all scheme future payments, asset values and liability values are shown below. This is followed by the details on each scheme with the exception of the Housing PFI, which is covered in Note H10 for the HRA.

Estimated payments on all schemes are as follows:

	Service Charges £000	Interest Charges £000	Repayments Of Liability £000	Other £000	Total £000
In 2020/21	23,842	7,026	6,035	1,646	38,549
Between 2021/22 to 2024/25	82,006	23,748	22,793	7,186	135,733
Between 2025/26 to 2029/30	87,294	20,447	34,644	8,626	151,011
Between 2030/31 to 2034/35	63,350	5,382	38,134	4,941	111,807
	256,492	**56,603**	**101,606**	**22,399**	**437,100**

The value of assets held under all schemes:

	2019/20 £000	2018/19 £000
Net Book Value at 1 April	**74,460**	82,234
Additions	**979**	924
Revaluations net of depreciation written back	**1,189**	-10,604
Disposals	**0**	-2,616
Depreciation	**-1,969**	4,522
Net Book Value at 31 March	**74,659**	74,460

The value of liabilities for all schemes:

	2019/20 £000	2018/19 £000
At 1 April	**-102,270**	-107,168
Movement in the year	**5,895**	4,898
At 31 March	**-96,375**	-102,270

a) Waste Disposal Services

In April 1998, the Council entered into a twenty five year contract for waste disposal services, with Kirklees Waste Services Ltd (now Suez Recycling and Recovery Kirklees Ltd). The Council leased various sites, including landfill and civic amenity, to the operator and the operator pledged as part of the contract to carry out capital work, which included the building of a new waste to energy plant/recycling centre at Huddersfield and a transfer station at Dewsbury. All assets constructed on leased land come into Council ownership at the end of the contract and these assets must be in a condition which would allow services to continue. Contract payments are part fixed and the other part varies according to tonnages and meeting targets. The Council pays for any additional costs arising from new statutory requirements concerning waste disposal, such as Landfill Tax.

The Council incurred costs of £12.5 million under the contract in 2019/20 (2018/19 £12.5 million) and received £3.2 million in PFI Grant (2018/19 £3.2 million). Details of estimated payments due to be made are as follows:

	Service Charges £000	Interest Charges £000	Repayments Of Liability £000	Total £000
In 2020/21	9,406	352	1,442	11,200
Between 2021/22 to 2022/23	18,752	371	3,277	22,400
	28,158	723	4,719	33,600

The estimated payments for service charges are based on expected tonnages and 2019/20 price base. The estimates do not include extra charges arising from changes in statutory regulations.

Under this contract, the operator receives a significant part of their income from third parties, either from gate fees, sale of energy production or recycled materials. A proportion of the assets are effectively financed with third party revenues rather than with fixed payments from the Council. A balancing credit, pro rata to the proportion of fixed payments from the Council and expected third party payments, has been created in the form of a Deferred Income balance. This balance is released to income and expenditure over the life of the contract, with a corresponding appropriation from the Capital Adjustment Account to the Movement in Reserves Statement. The balance as at 31 March 2020 was £1.6 million (31 March 2019 £2.1 million).

The value of assets (other land and buildings) held under this scheme is as follows:

	2019/20 £000	2018/19 £000
Net Book Value at 1 April	**15,361**	16,101
Additions	**4**	0
Revaluations net of depreciation written back	**102**	0
Depreciation	**-740**	-740
Net Book Value at 31 March	**14,727**	15,361

The value of liabilities held under this scheme is as follows:

	2019/20 £000	2018/19 £000
At 1 April	**-6,131**	-7,551
Movement in the year	**1,409**	1,420
At 31 March	**-4,722**	-6,131

b) Schools 1

In March 2001, the Council entered into a thirty two and a half year contract with Kirklees Schools Services Ltd for the delivery of services to nineteen of the Council's schools consisting of:

- Initial investment to carry out major repairs and improvements.
- Maintenance of the buildings over the contract period.
- Provision of caretaking and cleaning services for the contract period.

At the start of the contract, existing school buildings were leased to the operator. At the end of the contract, the operator is obliged to hand over the schools to the Council in a specified condition for no incremental consideration. Some of the schools have transferred to academy/trust status during the contract and therefore hold no Balance Sheet value for the Council.

The operator does have the right to use the assets for appropriate third party use, outside the times they must be available to meet the Council's requirements. The amount of third party use varies from asset to asset, but is not significant within the overall context of the contract.

The Council incurred costs of £15.7 million under the contract in 2019/20 (2018/19 £14.7 million) and received £5.9 million in PFI Grant (2018/19 £5.9 million). Details of estimated payments due to be made are as follows:

	Service Charges £000	Interest Charges £000	Repayments Of Liability £000	Other £000	Total £000
In 2020/21	10,682	2,433	1,379	1,312	15,806
Between 2021/22 to 2024/25	45,579	8,805	5,978	5,672	66,034
Between 2025/26 to 2029/30	61,358	7,892	12,780	7,380	89,410
Between 2030/31 to 2034/35	45,516	1,901	13,550	4,812	65,779
	163,135	21,031	33,687	19,176	237,029

Estimated payments assume annual inflation of 2.5%, where appropriate. Other costs largely relate to lifecycle replacement costs.

The value of assets (other land and buildings) held under this scheme is as follows:

	2019/20 £000	2018/19 £000
Net Book Value at 1 April	**43,113**	49,753
Additions	**673**	565
Revaluations	**0**	-9,636
Disposals	**0**	-2,616
Depreciation	**-890**	5,047
Net Book Value at 31 March	**42,896**	43,113

The value of liabilities held under this scheme is as follows:

	2019/20 £000	2018/19 £000
At 1 April	**-35,431**	-36,583
Movement in the year	**1,742**	1,152
At 31 March	**-33,689**	-35,431

c) Schools 2

In March 2005, the Council entered into a PFI contract with QED (KMC) Holdings Ltd for a period until 31 August 2031, for delivery to three of the Council's Special Schools of:

- New build schools at two sites, and major extensions to and full refurbishment of existing buildings at a third.

- Maintenance of the buildings over the contract period.
- Provision of caretaking, cleaning and other premises management functions over the term of the contract.

The operator is obliged to hand over the schools to the Council in a specified condition at the end of the contract for no incremental consideration. Some of the schools have transferred to academy/trust status during the contract and therefore hold no Balance Sheet value for the Council.

The Council incurred costs of £2.8 million under the contract in 2019/20 (£2.8 million in 2018/19) and received £2.2 million in PFI Grant (2018/19 £2.2 million). Details of estimated payments due to be made are as follows:

	Service Charges £000	Interest Charges £000	Repayments Of Liability £000	Other £000	Total £000
In 2020/21	1,271	619	494	334	2,718
Between 2021/22 to 2024/25	5,365	2,013	1,984	1,514	10,876
Between 2025/26 to 2029/30	7,509	1,430	3,539	1,246	13,724
Between 2030/31 to 2032/33	2,316	103	1,397	129	3,945
	16,461	4,165	7,414	3,223	31,263

Part of the contract payment deflates at 2.5% annually, whilst the other part is indexed annually in line with “All items RPI”. The estimated payments above assume future annual inflation of 2.5%, where appropriate. Other costs largely relate to lifecycle replacement costs.

The value of assets (other land and buildings) held under this scheme is as follows:

	2019/20 £000	2018/19 £000
Net Book Value at 1 April	**3,555**	4,339
Additions	**82**	59
Revaluations	**0**	-1,313
Disposals	**0**	0
Depreciation	**-73**	470
Net Book Value at 31 March	**3,564**	3,555

The value of liabilities held under this scheme is as follows:

	2019/20 £000	2018/19 £000
At 1 April	**-7,772**	-8,137
Movement in the year	**358**	365
At 31 March	**-7,414**	-7,772

40 Pensions Disclosures

Participation in Pension Schemes

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

The Council participates in three pension schemes:

- The Local Government Pension Scheme (LGPS) – a funded defined benefit final salary scheme administered by the West Yorkshire Pension Fund (WYPF) whereby the Council and employees pay contributions into a fund, calculated at a level intended to balance the pension's liabilities with investment assets in the long term. Employee benefits earned up to 31 March 2014 are linked to final salary, after 31 March 2014 benefits are based on a Career Average Revalued Earnings Scheme.
- Teachers employed by the Council are members of the Teachers' Pension Scheme, administered by Capita Business Services Limited on behalf of the Department for Education. Under the Code, this scheme is classed as a multi-employer defined benefit scheme for which liabilities of individual employers cannot be separated. The scheme is therefore treated as a defined contribution scheme under the Code. In 2019/20, the Council paid £16.5 million (2018/19 £14.3 million) in respect of teachers' retirement benefits, representing 20.0% (2018/19 16.5%) of pensionable pay. Payments of £0.6 million were owing to the scheme as at 31 March 2020 (31 March 2019 £1.8 million). As a proportion of the total contributions to the scheme during the year ending 31 March 2020, the Council's contribution equated to approximately 0.23% (2018/19 0.23%).
- Employees transferred across from Kirklees PCT (Public Health) are members of the NHS Pension Scheme, administered by the NHS Business Services Authority (NHSBSA). Similar to the Teachers' Pension Scheme, this scheme is classed as a multi-employer defined benefit scheme and is treated as a defined contribution scheme under the Code. In 2019/20, the Council paid £0.1 million (2018/19 £0.1 million) to the NHSBSA, representing 14.4% (2018/19 14.5%) of pensionable pay. As a proportion of the total contributions to the Scheme during the year ending 31 March 2020, the Council's contribution equated to approximately 0.001% (2018/19 0.001%).

In addition, the Council has awarded discretionary post-retirement benefits upon early retirement (including to teachers) – these are unfunded defined benefit arrangements, under which liabilities are recognised when awards are made. However, there are no investment assets built up to meet these pensions' liabilities, and cash has to be generated to meet actual pensions' payments as they eventually fall due.

Transactions Relating to Retirement Benefits

The cost of retirement benefits is recognised in the Net Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge required to be made against Council Tax is based on the cash payable in the year, so the real cost of retirement benefits is reversed out in the Movement in Reserves Statement. The following transactions have been made in the CIES and the General Fund Balance via the Movement in Reserves Statement:

	LGPS		Teachers	Total
	Funded	Unfunded		
	£000	£000	£000	£000
2019/20				
Comprehensive Income and Expenditure Statement				
Cost of Services:				
Current service cost	71,633	0	0	71,633
Past service cost	297	0	0	297
Financing and Investment income and expenditure:				
Net interest expense	15,307	662	1,308	17,277
Total Post-employment Benefits charged to the Surplus/Deficit on the Provision of Services	87,237	662	1,308	89,207
Remeasurement of the net defined benefit liability comprising:				
Return on plan assets (excluding the amount included in the net interest expense)	178,275	0	0	178,275
Actuarial gains and losses arising on changes in demographic assumptions	-82,648	-1,975	-3,301	-87,924
Actuarial gains and losses arising on changes in financial assumptions	-43,864	-214	-513	-44,591
Actuarial gains and losses due to liability experience	-9,277	-1,314	-1,063	-11,654
Total Post Employment Benefit charged to the CIES	**129,723**	**-2,841**	**-3,569**	**123,313**
Movement in Reserves Statement				
Reversal of net charges made to the Surplus/Deficit on the Provision of Services for retirement benefits	-87,237	-662	-1,308	-89,207
Actual amount charged against General Fund Balance for pensions in the year:				
Employers' contributions payable to scheme	31,143	2,052	0	33,195
Retirement benefits payable to pensioners	0	0	3,503	3,503

	LGPS		Teachers	Total
	Funded	Unfunded		
2018/19	£000	£000	£000	£000
Comprehensive Income and Expenditure Statement				
Cost of Services:				
Current service cost	56,833	0	0	56,833
Past service cost	23,725	0	0	23,725
Financing and Investment income and expenditure:				
Net interest expense	13,289	731	1,426	15,446
Total Post-employment Benefits charged to the Surplus/Deficit on the Provision of Services	93,847	731	1,426	96,004
Remeasurement of the net defined benefit liability comprising:				
Return on plan assets (excluding the amount included in the net interest expense)	-59,909	0	0	-59,909
Actuarial gains and losses arising on changes in demographic assumptions	0	0	0	0
Actuarial gains and losses arising on changes in financial assumptions	125,731	749	1,634	128,114
Actuarial gains and losses due to liability experience	-2,442	82	160	-2,200
Total Post Employment Benefit charged to the CIES	**157,227**	**1,562**	**3,220**	**162,009**
Movement in Reserves Statement				
Reversal of net charges made to the Surplus /Deficit on the Provision of Services for retirement benefits	-93,847	-731	-1,426	-96,004
Actual amount charged against General Fund Balance for pensions in the year:				
Employers' contributions payable to scheme	29,966	2,124	0	32,090
Retirement benefits payable to pensioners	0	0	3,567	3,567

Reconciliation of Present Value of the Scheme Liabilities (Defined Benefit Obligation)

	LGPS		Teachers	Total
	Funded	Unfunded		
2019/20	£000	£000	£000	£000
Opening balance 1 April 2019	-2,413,147	-28,619	-56,257	-2,498,023
Current Service Cost	-71,633	0	0	-71,633
Interest cost	-57,226	-662	-1,308	-59,196
Contributions by scheme participants	-12,025	0	0	-12,025
Remeasurement gain/loss(-):				
Arising on changes in demographic assumptions	82,648	1,975	513	85,136
Arising on changes in financial assumptions	43,864	214	3,301	47,379
Due to liability experience	9,277	1,314	1,063	11,654
Benefits/transfers paid	70,729	2,052	3,503	76,284
Past service costs	-297	0	0	-297
Net increase in liabilities from disposals/acquisitions	0	0	0	0
Closing balance 31 March 2020	-2,347,810	-23,726	-49,185	-2,420,721
2018/19				
Opening balance 1 April 2018	-2,213,824	-29,181	-56,604	-2,299,609
Current Service Cost	-56,833	0	0	-56,833
Interest cost	-56,820	-731	-1,426	-58,977
Contributions by scheme participants	-11,273	0	0	-11,273
Remeasurement gain/loss(-):				
Arising on changes in demographic assumptions	0	0	0	0
Arising on changes in financial assumptions	-125,731	-749	-1,634	-128,114
Due to liability experience	2,442	-82	-160	2,200
Benefits/transfers paid	65,837	2,124	3,567	71,528
Past service costs	-23,725	0	0	-23,725
Net increase in liabilities from disposals/acquisitions	6,780	0	0	6,780
Closing balance 31 March 2019	-2,413,147	-28,619	-56,257	-2,498,023

Reconciliation of the Movements in the Fair Value of Scheme Assets (LGPS)

	31 March 2020	31 March 2019
	£000	£000
Opening balance 1 April	1,759,889	1,687,827
Interest income on assets	41,919	43,531
Remeasurement gains and losses	-178,275	59,909
Employer contributions	31,143	29,966
Contributions by scheme participants	12,025	11,273
Benefits paid	-70,729	-65,837
Net increase in assets from disposals/acquisitions	0	-6,780
Closing balance 31 March	1,595,972	1,759,889

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

The actual return on scheme assets in the year showed a return of £146.9 million (2018/19 return of £103.4 million). WYPF does not hold any of the Council's transferable financial instruments as plan assets.

Assets in the LGPS are valued at fair value, principally market value for investments, totalling £13.2 billion for the Fund as a whole at 31 March 2020 (£14.4 billion at 31 March 2019). The approximate split of assets for the Fund as a whole is shown in the table below. The assets allocated to each employer in the Fund are notional and the assets are assumed to be invested in line with the investments of the total Fund. The Fund is largely liquid and as a consequence there would be no significant restriction on realising assets if a large payment is required to be paid (e.g. bulk transfer payment).

The administering authority does not invest in property or assets related to itself. It is possible, however, that assets may be invested in shares relating to some of the private sector employers participating in the Fund, if it forms part of their balanced investment strategy.

The percentage breakdown of Fund assets is as follows:

			2019/20	2018/19
	Quoted	**Unquoted**	**Total**	Total
	%	%	%	%
Equity investments	**67.4**	**10.1**	**77.5**	74.0
Government Bonds	**9.6**	**0**	**9.6**	11.2
Other Bonds	**5.1**	**0**	**5.1**	4.0
Property	**1.9**	**2.6**	**4.5**	4.7
Cash/ liquidity	**0**	**1.9**	**1.9**	2.3
Other	**0**	**1.4**	**1.4**	3.8
	84.0	**16.0**	**100.0**	100.0

A more detailed breakdown of assets and associated risks are published in the accounts for the West Yorkshire Pension Fund. These form part of Bradford MDC Statement of Accounts and can be found at

http://www.bradford.gov.uk/your-council/council-budgets-and-spending/statement-of-accounts

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc. Both the LGPS and Teachers' Unfunded Discretionary Benefits liabilities have been assessed by Aon Hewitt Limited, an independent firm of actuaries, estimates for the LGPS being based on the latest full valuation of the West Yorkshire Pension Fund carried out as at 31 March 2019.

The principal assumptions used by the actuary have been:

	2019/20			2018/19		
	LGPS		**Teachers**	LGPS		Teachers
	Funded	**Unfunded**		Funded	Unfunded	
Rate of inflation – CPI	2.00%	2.00%	2.00%	2.20%	2.20%	2.20%
Rate of increase in salaries	3.25%	n/a	n/a	3.45%	n/a	n/a
Rate of increase in pensions	2.00%	2.00%	2.00%	2.20%	2.20%	2.20%
Rate for discounting liabilities	2.30%	2.30%	2.30%	2.40%	2.40%	2.40%
Take up of option to convert annual pension into retirement grant	75%	n/a	n/a	75%	n/a	n/a
Mortality assumptions (years):						
Longevity at 65 for current pensioners:						
Men	21.8	21.8	21.8	22.2	22.2	22.2
Women	24.6	24.6	24.6	25.4	25.4	25.4
Longevity at 65 for future pensioners:						
Men	22.5	n/a	n/a	23.2	n/a	n/a
Women	25.7	n/a	n/a	27.2	n/a	n/a

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes that for each change only the assumption being analysed changes, whilst all other assumptions remain constant. The analysis only applies to Funded LGPS benefits – the sensitivity of unfunded benefits is not included on materiality grounds. The base figure for the liabilities is £2,347.8 million and for projected service cost is £69.8 million.

	2019/20		2018/19	
Discount rate assumption				
Adjustment to discount rate	+0.1% p.a.	-0.1% p.a.	+0.1% p.a.	-0.1% p.a.
Present value of total obligation £k	2,301,573	2,394,976	2,369,173	2,457,937
% change in present value of total obligation	-2.0%	+2.0%	-1.8%	+1.9%
Projected service cost £k	68,381	73,274	62,065	65,823
Approximate % change in projected service cost	-3.4%	+3.5%	-2.9%	+3.0%
Rate of general increase in salaries				
Adjustment to salary increase rate p.a	+0.1%	-0.1%	+0.1%	-0.1%
Present value of total obligation £k	2,353,435	2,342,247	2,422,440	2,403,944
% change in present value of total obligation	+0.2%	-0.2%	+0.4%	-0.4%
Projected service cost £k	70,791	70,791	63,921	63,921
Approximate % change in projected service cost	0.0%	0.0%	0.0%	0.0%
Rate of increase to pensions in payment and deferred pensions assumptions, and rate of revaluation of pension accounts assumption				
Adjustment to pension increase rate	+0.1% p.a.	-0.1% p.a.	+0.1% p.a.	-0.1% p.a.
Present value of total obligation £k	2,390,980	2,305,559	2,448,561	2,378,294
% change in present value of total obligation	+1.8%	-1.8%	+1.5%	-1.4%
Projected service cost £k	73,274	68,381	65,823	62,065
Approximate % change in projected service cost	+3.5%	-3.4%	+3.0%	-2.9%
Post retirement mortality assumption*				
Adjustment to longevity	-1 Year	+1 Year	-1 Year	+1 Year
Present value of total obligation £k	2,424,774	2,271,642	2,489,288	2,337,673
% change in present value of total obligation	+3.3%	-3.2%	+3.2%	-3.1%
Projected service cost £k	73,527	68,083	66,314	61,549
Approximate % change in projected service cost	+3.9%	-3.8%	+3.7%	-3.7%

*A rating of +1 year means that members are assumed to follow the mortality pattern of the base table for an individual that is 1 year older than them.

Asset and Liability Matching Strategy

	2019/20	2018/19	2017/18 Restated	2016/17	2015/16
	£000	£000	£000	£000	£000
Present value of liabilities:					
LGPS Funded	-2,347,810	-2,413,147	-2,213,824	-2,114,440	-1,887,026
LGPS Unfunded	-23,726	-28,619	-29,181	-30,064	-29,630
Teachers	-49,185	-56,257	-56,604	-57,663	-56,019
Fair value of assets in the LGPS	1,595,972	1,759,889	1,687,827	1,645,821	1,449,758
Deficit in the scheme:					
LGPS Funded	-751,838	-653,258	-525,997	-468,619	-437,268
LGPS Unfunded	-23,726	-28,619	-29,181	-30,064	-29,630
Teachers	-49,185	-56,257	-56,604	-57,663	-56,019
Total	-824,749	-738,134	-611,782	-556,346	-522,917

The net liabilities show the underlying commitments that the Council has in the long run to pay retirement benefits. The total liability of £824.7 million has a substantial impact on the net worth of the Council as recorded in the Balance Sheet. However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy:

- The deficit on the Local Government Pension Scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary.
- Funding is only required to be raised to cover the unfunded benefits when the pensions are actually paid.

It should be noted that the net liability is volatile as:

- The liabilities are linked to yields on AA-rated corporate bonds
- A significant proportion of the assets of the scheme are invested in equities.

Changes in equity markets in conjunction with any volatility on the discount rate, leads to volatility in the funded status of the pension plan. This volatility also affects actuarial gains and losses in Other Comprehensive Income.

An asset-liability matching strategy aims to match the amount and timing of cash inflows from plan assets with those of cash outflows form the defined benefit obligation. WYPF does not currently have any formal asset liability matching strategies in place such as annuities or longevity swaps to manage risk, although it does review the mix of assets held after each triennial valuation, to ensure there is an appropriate balance between the expected return from those assets and the risk that outcomes will not meet expectations.

WYPF aim to reach 100% funding over a period of time and therefore the assets built up will be able to meet all present and future liabilities. The way in which WYPF seeks to achieve this is set out in their Funding Strategy Statement (FSS), which in turn also refers to the Statement of Investment Principles (SIP) governing the asset mix which WYPF would seek to hold at any time.

Both the Funding Strategy Statement and Statement of Investment Principles can be found on WYPFs website.

The total contributions expected to be made to the LGPS by the Council in the year to 31 March 2021 is £33.5 million. Additional contributions may also become due in respect of any employer discretions to enhance members' benefits in the Fund over the next accounting period.

GROUP ACCOUNTS

INTRODUCTION

The increasing diversity of service delivery vehicles used by local authorities over recent years has resulted in a requirement to produce Group Accounts. Rather than just using traditional types of service provision, many local authorities now form or invest in separate companies in the public and private sector. As these companies and investments are separate entities, they are not considered in the accounts of the Council. This can result in accounts that do not give a full picture of the services provided and the risks, rewards and costs taken on as a result.

The Group Accounts include:

- **Movement in Reserves Statement**
- **Comprehensive Income and Expenditure Statement**
- **Balance Sheet**
- **Cash Flow Statement**
- **Notes to the Accounts**

The Council's Group Accounts for 2019/20 are made up of the accounts of the Council, a wholly owned subsidiary (Kirklees Neighbourhood Housing Limited) and a joint venture (Kirklees Stadium Development Limited). The Group Accounts have been prepared on the basis of a full consolidation of the financial transactions and balances of the subsidiary aforementioned. The subsidiary is consolidated using "the line by line method". KSDL is consolidated on the Equity method. The consolidation has been prepared in accordance with the IFRS Code and CIPFA's Group Accounts in Local Authorities Practitioners' Workbook. Any divergences from these recommended practices are explained in the notes to the Group Accounts.

Kirklees Neighbourhood Housing Limited (KNH)
The principal activity of KNH is to manage, maintain and improve the housing stock owned by the Council. The body is a company limited by guarantee. The Company has fifteen directors, five nominated by the Council, five tenant representatives and five independent representatives. Despite the composition of the board, the Council maintains 100% of the risk, reward and control.

KNH produce their own set of accounts with a year end date of 31 March. Copies of the accounts can be obtained from Kirklees Neighbourhood Housing, 2nd Floor, Perseverance House, St Andrews Road, Aspley, Huddersfield, HD1 6RY. Due to the timing of the requirement to produce the Group Accounts, draft KNH accounts have been used for this consolidation.

In 2019/20, the Company made an operating deficit of £11.6 million (operating deficit £6.7 million 2018/19). As at 31 March 2020, the Company had net current liabilities of £61.5 million (£39.4 million at 31 March 2019).

The Council plans to to bring the activity of KNH back into the Council on 1 April 2021.

Kirklees Stadium Development Limited (KSDL)
The company was formed to carry out the development, construction and running of the sports stadium in Huddersfield. At the Company's Balance Sheet date, the Council had a shareholding of 40%, with Huddersfield Sporting Pride Limited holding 20% and Huddersfield Town Association Football Club Limited holding 40%.

Given the nature of KSDL's business, the ideal time for preparing accounts is during the football close season, giving the company a year end date of 31 July. In order to achieve a consolidation consistent with the Council's Balance Sheet date, KSDL management have provided management accounts as at 31 March 2020.

In 2019/20, based on the Council's interest and adjusted in line with the Group's accounting policies, the Company made an operating deficit of £0.2 million (operating deficit £0.1 million 2018/19). Similarly, as at 31 March 2020, the Company had net assets of £5.0 million (£5.1 million at 31 March 2019).

Major Sources of Estimation Uncertainty

KSDL Ltd Stadium Valuation:

The outbreak of Covid-19 has impacted global financial markets and as at the valuation date, less weight can be attached to previous market evidence to inform opinions of value. There is an unprecedented set of circumstances on which to base a judgement. Valuations are therefore reported on the basis of 'material valuation uncertainty' as per the RICS Red Book Global. Consequently, less certainty and a higher degree of caution should be attached to the valuation. At the current time, it is not possible to accurately predict the longevity and severity of the impact of Covid-19 on the economy. Therefore, values have been based on the situation prior to Covid-19, on the assumption that values will be restored when the real estate market becomes more fluid.

GROUP COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT (CIES)

This Statement sets out the accounting cost of the Group providing services in accordance with generally accepted accounting practices. This may be different from the accounting cost.

	2019/20			2018/19		
	Gross Exp £000	Gross Income £000	Net Exp £000	Gross Exp £000	Gross Income £000	Net Exp £000
Children & Families	404,427	-303,147	101,280	400,309	-300,226	100,083
Adults & Health	198,166	-87,809	110,357	175,554	-70,638	104,916
Economy & Infrastructure	116,186	-51,318	64,868	115,130	-47,398	67,732
Corporate Strategy, Commissioning & Public Health	162,292	-116,395	45,897	168,144	-129,915	38,229
Central Budgets	61,816	-38,211	23,605	48,732	-4,512	44,220
HRA	28,574	-146,382	-117,808	28,523	-106,844	-78,321
Subsidiary (KNH)	66,543	-2,492	64,051	54,014	-3,265	50,749
Cost of Services	1,038,004	-745,754	292,250	990,406	-662,798	327,608
Other operating expenditure			15,294			14,224
Financing and investment income and expenditure			61,780			31,749
Taxation and non-specific grant income			-340,396			-338,300
Surplus(-)/Deficit on Provision of Services			28,928			35,281
Joint venture accounted for on an equity basis			172			477
Tax expenses of subsidiary and joint venture			3			3
Group Surplus(-)/Deficit			29,103			35,761
Surplus(-)/Deficit on revaluation of PPE and Heritage assets			-30,687			-12,798
Impairment losses on non-current assets to the Revaluation Reserve			107			0
Surplus on revaluation of available for sale financial assets			53			-231
Remeasurements of the net defined benefit liability			43,598			68,894
Share of other comprehensive income and expenditure of joint venture			-12,592			0
Other Comprehensive Income and Expenditure			479			55,865
Total Comprehensive Income and Expenditure			29,582			91,626

GROUP STATEMENT OF MOVEMENT IN RESERVES

This statement shows the movements in year on the different reserves held by the Group, analysed between usable reserves and unusable reserves.

	General Fund Balances	Housing Revenue Account	Useable Capital Reserves	Total Council Usable Reserves	Total Council Unusable Reserves	Total Council Reserves	Group Entities Usable Reserve	Group Entities Unusable Reserves	Total Group Reserves
	£000	£000	£000	£000	£000	£000	£000	£000	£000
2019/20									
Balance at 31 March 2019	-104,972	-61,782	-44,375	-211,129	-92,518	-303,647	38,437	-4,173	-269,383
Movement in reserves during 2019/20									
Total Comprehensive Income and Expenditure	71,900	-108,085	0	-36,185	3,579	-32,606	74,780	-12,592	29,582
Adjustments between group and authority accounts	20,506	32,971	0	53,477	0	53,477	-53,477	0	0
Adjustments between accounting & funding basis under regulations	-100,876	75,878	-7,248	-32,246	32,246	0	0	0	0
Net Increase(-)/Decrease	-8,470	764	-7,248	-14,954	35,825	20,871	21,303	-12,592	29,582
Balance at 31 March 2020 carried forward	-113,442	-61,018	-51,623	-226,083	-56,693	-282,776	59,740	-16,765	-239,801
2018/19									
Balance at 31 March 2018	-88,783	-60,358	-35,917	-185,058	-203,051	-388,109	31,273	-4,173	-361,009
Movement in reserves during 2018/19									
Total Comprehensive Income and Expenditure	53,692	-70,054	0	-16,362	52,976	36,614	55,012	0	91,626
Adjustments between group and authority accounts	14,357	33,491	0	47,848	0	47,848	-47,848	0	0
Adjustments between accounting & funding basis under regulations	-84,238	35,139	-8,458	-57,557	57,557	0	0	0	0
Net Increase(-)/Decrease	-16,189	-1,424	-8,458	-26,071	110,533	84,462	7,164	0	91,626
Balance at 31 March 2019 carried forward	-104,972	-61,782	-44,375	-211,129	-92,518	-303,647	38,437	-4,173	-269,383

GROUP BALANCE SHEET

This Group Balance Sheet summarises the financial position of the Group. It shows the value of the Group assets and liabilities at the end of the financial year.

	31 March 2020 £000	31 March 2019 £000	Note
Property, Plant & Equipment	1,446,113	1,348,593	
Heritage Assets	49,973	50,025	
Investment Property	101,105	124,087	
Intangible Assets	588	882	
Long Term Investments	13,426	4,372	
Investments in Joint Venture	17,578	5,158	
Long Term Debtors	25,343	25,665	
Long Term Assets	1,654,126	1,558,782	
Inventories	7,872	7,047	
Short Term Debtors	59,375	53,951	
Assets Held for Sale	2,888	2,415	
Cash and Cash Equivalents	42,193	43,311	G3
Current Assets	112,328	106,724	
Short Term Borrowing	-57,582	-16,190	
Short Term Creditors	-92,252	-89,590	
Other Short Term Liabilities	-6,148	-6,239	
Provisions	-3,487	-3,945	
Current Liabilities	-159,469	-115,964	
Long Term Borrowing	-373,660	-384,115	
Other Long Term Liabilities	-993,524	-896,044	G4
Long Term Liabilities	-1,367,184	-1,280,159	
Net Assets	239,801	269,383	
Usable Reserves	-166,343	-172,692	
Unusable Reserves	-73,458	-96,691	G5
Total Reserves	-239,801	-269,383	

GROUP CASH FLOW STATEMENT

This Group Cash Flow Statement summarises the cash flows of the Group during the year.

		2019/20		2018/19	Note
	£000	£000	£000	£000	
Net surplus(-)/deficit on the provision of services		28,929		35,281	
Adjustments to net surplus/deficit on the provision of services for non-cash movements		-78,665		-126,186	
Adjustment for items included in the net surplus/deficit on the provision of services that are investing and financing activities		33,917		35,114	
Net cash flows from Operating Activities		-15,819		-55,791	
Net cash flows from Investing Activities					
Purchase of PPE, investment property and intangible assets	66,325		52,817		
Purchase of short-term and long-term investments	10,802		421		
Proceeds from the sale of PPE, investment property and intangible assets	-11,437		-13,398		
Proceeds from short-term and long-term investments	-170		-469		
Other receipts from investing activities	-22,652	42,868	-20,848	18,523	
Net cash flows from Financing Activities					
Cash receipts of short and long-term borrowing	-64,067		-5,917		
Other receipts from financing activities	-1,154		0		
Cash payments for the reduction for the outstanding liabilities relating to finance leases and PFI contracts	6,068		5,024		
Repayments of short and long-term borrowing	33,154		23,341		
Other payments for financing activities	68	-25,931	6,117	28,565	
Net increase(-)/decrease in cash and cash equivalents		1,118		-8,703	
Cash and cash equivalents at the beginning of the reporting period		43,311		34,608	G3
Cash and cash equivalents at the end of the reporting period		42,193		43,311	G3

Notes to the Group Acounts

The Council has only included notes which are materially different from the single entity disclosure notes.

G1 Accounting Policies

The main accounting policies to which the Council now complies with under IFRS for Group Accounts are IAS27 Separate Financial Statements and IFRS11 Joint Arrangements.

Companies do have some scope to adopt different accounting policies under UK GAAP and therefore adjustments must be made to the company figures and policies where necessary in order to bring them into line with the reporting authority's policies.

The accounting polices used in the Group Accounts are the same as those for the single entity accounts unless otherwise stated.

Pensions

The Council is required to account for its group companies with defined benefit pension schemes using IAS19. The specific accounting treatments of IAS19 are detailed in the single entity's accounting policies.

KNH has a defined benefit pension scheme and accounts for this under Financial Reporting Standard 17. For group consolidation, figures have had to be converted to an IAS19 basis. Companies are not allowed to reverse out the effect of pension accounting entries, unlike local authorities. This means that they must be accounted for in the Group CIES, rather than by an appropriation to/from a pension reserve.

Tangible Fixed Assets

The Code requires that the reporting authority and its companies share the same accounting policies in relation to measurement, recognition, valuation and depreciation of fixed assets. These policies are detailed in the single entity accounting policies.

Due to its size and unique nature, the stadium owned by KSDL has not been revalued and is held on the Balance Sheet at historical cost.

G2 Adjustment between Group Accounts and Authority Accounts in the Group Movement in Reserves Statement

This note details the adjustments between group accounts and authority accounts which is needed because the movements in the authority's reserves may be affected by the consolidation adjustments. The entry to balance the adjustment to the authority's balances has been made against the usable reserves of the Group.

	General Fund Balances	Housing Revenue Account	Useable Capital Reserves	Total Council Usable Reserves	Total Council Unusable Reserves	Total Council Reserves	Group Entities Usable Reserves	Group Entities Unusable Reserves	Total Group Reserves
2019/20	£000	£000	£000	£000	£000	£000	£000	£000	£000
Purchase of goods and services from subsidiary	20,506	32,971	0	53,477	0	53,477	-53,477	0	0
Total adjustments between group accounts and authority accounts	20,506	32,971	0	53,477	0	53,477	-53,477	0	0
2018/19									
Purchase of goods and services from subsidiary	14,357	33,491	0	47,848	0	47,848	-47,848	0	0
Total adjustments between group accounts and authority accounts	**14,357**	**33,491**	**0**	**47,848**	**0**	**47,848**	**-47,848**	**0**	**0**

G3 Cash and Cash Equivalents

The balance of Cash and Cash Equivalents is made up of the following elements of the Group:

	KNH	Council	Total
	£000	£000	£000
Cash held	1	26	27
Bank current accounts	473	2,299	2,772
Instant access interest accounts	1,098	42,045	43,143
	1,572	44,370	45,942
Cash in transit	0	1,041	1,041
BACs payments and cheques not yet cleared	-744	-4,046	-4,790
Total Cash and Cash Equivalents as at 31 March 2020	**828**	**41,365**	**42,193**
Cash held	4	23	27
Bank current accounts	185	2,105	2,290
Instant access interest accounts	3,905	39,097	43,002
	4,094	41,225	45,319
Cash in transit	0	2,268	2,268
BACs payments and cheques not yet cleared	-172	-4,104	-4,276
Total Cash and Cash Equivalents as at 31 March 2019	3,922	39,389	43,311

G4 Other Long Term Liabilities

			2019/20	2018/19
	KNH	Council	Total	Total
	£000	£000	£000	£000
Deferred Liabilities (mainly outstanding PFI finance lease obligations)	0	-94,050	-94,050	-100,026
Net Liability Related to Defined Benefit Pension	-64,064	-824,750	-888,814	-783,011
Long Term Provisions	0	-9,048	-9,048	-10,858
PFI Deferred Income	0	-1,612	-1,612	-2,149
Total	**-64,064**	**-929,460**	**-993,524**	**-896,044**

G5 Unusable Reserves

The following table provides details of the unusable reserves of the Group:

	KSDL	Council	Total
	£000	£000	£000
Capital Adjustment Account	-4,173	-695,084	-699,257
Revaluation Reserve	-12,592	-194,568	-207,160
Pensions Reserve	0	824,749	824,749
Other	0	8,210	8,210
Balance at 31 March 2020	**-16,765**	**-56,693**	**-73,458**
Capital Adjustment Account	-4,173	-663,874	-668,047
Revaluation Reserve	0	-169,375	-169,375
Pensions Reserve	0	738,134	738,134
Other	0	2,597	2,597
Balance at 31 March 2019	-4,173	-92,518	-96,691

G6 Related Party Transactions

The notes below disclose the related party transactions between the Council and KNH and KSDL.

Kirklees Neighbourhood Housing Limited

During 2019/20, KNH incurred costs of £10.1 million (2018/19 £9.2 million) for Council services including insurance and office accommodation.

The Council incurred costs of £40.9 million (2018/19 £39.1 million) in relation to KNH's management fee. There was no management fee outstanding at 31 March 2020 (31 March 2019 nil). Costs of £22.6 million (2018/19 £17.7 million) in relation to property services charges, at 31 March 2020 £3.0 million was outstanding (31 March 2019 £2.2 million).

Kirklees Stadium Development Limited

The Council made no grant payments in 2019/20 to KSDL (2018/19 £0.1 million).

G7 Notes to the Cash Flow Statement

The cash flows of KNH are consolidated into the statement -

KNH - The Company has a Net Cash inflow of Operating Activities of £3.0 million (2018/19 £1.5 million Net Cash inflow).

G8 Pensions Disclosures

Reconciliation of Present Value of the Scheme Liabilities (Defined Benefit Obligation)

	Council	KNH	Total
	£000	£000	£000
Opening balance 1 April 2019	-2,498,023	-208,242	-2,706,265
Current Service Cost	-71,633	-8,804	-80,437
Interest cost	-59,196	-5,163	-64,359
Contributions by scheme participants	-12,025	-1,611	-13,636
Remeasurement gain/loss(-):			
Arising on changes in demographic assumptions	85,136	7,428	92,564
Arising on changes in financial assumptions	47,379	95	47,474
Due to liability experience	11,654	-2,279	9,375
Benefits/transfers paid	76,284	5,188	81,472
Past service costs	-297	-3,040	-3,337
Closing balance 31 March 2020	-2,420,721	-216,428	-2,637,149

Reconciliation of the Movements in the Fair Value of Scheme Assets (LGPS)

	Council	KNH	Total
	£000	£000	£000
Opening balance 1 April 2019	1,759,889	163,366	1,923,255
Interest income on assets	41,919	4,081	46,000
Remeasurement gains and losses	-178,275	-14,736	-193,011
Employer contributions	31,143	3,230	34,373
Contributions by scheme participants	12,025	1,611	13,636
Benefits paid	-70,729	-5,188	-75,917
Closing balance 31 March 2020	1,595,972	152,364	1,748,336

HOUSING REVENUE ACCOUNT (HRA) INCOME AND EXPENDITURE STATEMENT

The HRA Income and Expenditure Statement shows the economic cost in the year of providing housing services in accordance with generally accepted accounting practices, rather than the amount to be funded from rents and government grants. Authorities charge rents to cover expenditure in accordance with regulations; this may be different from the accounting cost. The increase or decrease in the year, on the basis of which rents are raised, is shown in the Movement on the HRA Statement.

	2019/20	2018/19	Notes
	£000	£000	
Expenditure			
Repairs and maintenance	24,077	22,800	
Supervision and management	25,583	25,576	
Special services	1,565	1,730	
Rent, rates, taxes and other charges	306	614	
Depreciation of non-current assets	17,176	16,087	H1
Debt management costs	14	15	
Movement in the allowance for bad debts	683	829	
Revaluation losses on Property, Plant and Equipment	27	5	H1
Total Expenditure	69,431	67,656	
Income			
Dwelling rents	-79,541	-79,590	
Non-dwelling rents	-231	-227	
Charges for services and facilities	-2,695	-2,555	
Grants and contributions	-7,929	-7,925	H10
Revaluation gains on Property, Plant and Equipment	-63,872	-22,189	H1
Total Income	-154,268	-112,486	
Net Income of HRA Services as included in the CIES	-84,837	-44,830	
HRA share of Corporate & Democratic Core	416	407	
HRA share of Non-distributed costs	29	28	
Net Income of HRA Services	-84,392	-44,395	
HRA share of operating income and expenditure included in the CIES:			
Gain on sale of HRA non-current assets	-3,070	-3,715	H4
Interest payable and similar charges	12,047	12,530	
Interest and investment income	-481	-337	H1
Income and expenditure in relation to investment properties and changes in fair value	908	-484	
Capital grants and contributions receivable	-126	-162	
Surplus for the year on HRA services	-75,114	-36,563	

MOVEMENT ON THE HRA STATEMENT

This statement takes the outturn on the HRA Income and Expenditure Statement and reconciles it to the surplus or deficit for the year on the HRA Balance, calculated in accordance with the requirements of the Local Government and Housing Act 1989.

	2019/20		2018/19		Notes
	£000	£000	£000	£000	
Balance on the HRA at the end of the previous year		-61,782		-60,358	
Surplus for the year on the HRA Income and Expenditure Statement		-75,114		-36,563	
Adjustments involving the Capital Adjustment Account:					
Net revaluation gains on PPE	63,844		22,250		H1
Movements in the market value of Investment Property	-1,354		-33		
Capital grants and contributions applied	126		162		
Amounts of non-current assets written off on disposal or sale	-6,167		-5,742		H4
Capital expenditure charged against balances	7,691		6,785		
Provision for the financing of capital investment	2,607	66,747	2,260	25,682	
Adjustments involving the Capital Receipts Reserve:					
Transfer of cash sale proceeds credited as part of the gain/loss on disposal	9,307		9,533		H4
Contribution towards administrative costs of asset disposals	-70	9,237	-76	9,457	
Adjustments involving the Financial Instruments Adjustment Account:					
Amount by which finance costs charged to the HRA Income and Expenditure Account are different from those required by statutory regulations		-106		0	
Increase(-)/decrease in the year on the HRA		764		-1,424	
Balance at the end of the current year		-61,018		-61,782	

NOTES TO THE HRA

H1 Depreciation and revaluation gains

The depreciation charge for council dwellings in 2019/20 is £17.0 million (2018/19 £16.1 million).

Revaluations of council dwellings during the year resulted in a £63.9 million gain (2018/19 £22.2 million gain). The value is obtained by taking the cost of buying a vacant dwelling of a similar type, and applying an adjustment factor according to the type of tenancy and regional factors to reflect that the property is used for social housing. The Stock Valuation guidance, which was updated in November 2016, provides the adjustment factor for Yorkshire and Humber as 41.0%. However if the valuer feels that this does not provide a fair reflection of the existing use social housing for the portfolio as a whole in the local area then a different adjustment factor can be used. After using a Discounted Cash Flow model to look at the relationship between Exiting Use Value and Existing Use Value – Social Housing, based on future income and expenditure, the valuers believe this to be the case, thus using an adjustment factor of 38% (2018/19 36%).

There was a revaluation loss on investment properties of £1.4 million in 2019/20 (2018/19 £0.1 million loss).

H2 Movement in HRA Fixed Assets

	PPE Council Dwellings	Council Dwellings Held For Sale	Other Land and Buildings	Investment Properties	Total Assets
	£000	£000	£000	£000	£000
Cost or Valuation					
At 1 April 2019	617,824	2,415	3,555	9,245	633,039
Additions	21,600	0	0	0	21,600
Revaluation increases/decreases(-) recognised in the Revaluation Reserve	0	0	3	0	3
Revaluation increases/decreases(-) Revaluation recognised in Surplus on the Provision of Services	46,870	0	-13	-1,355	45,502
De-recognition - disposals	-3,752	-2,415	0	0	-6,167
Assets reclassified to(-)/ from Held for Sale	-2,888	2,888	0	0	0
At 31 March 2020	**679,654**	**2,888**	**3,545**	**7,890**	**693,977**
Accumulated Depreciation and Impairment					
At 1 April 2019	0	0	-287	0	-287
Depreciation charge	-16,985	0	-191	0	-17,176
Depreciation written out to the Revaluation Reserve	0	0	46	0	46
Depreciation written out to Surplus on the Provision of Services	16,985	0	3	0	16,988
At 31 March 2020	**0**	**0**	**-429**	**0**	**-429**
Net Book Value					
at 31 March 2020	**679,654**	**2,888**	**3,116**	**7,890**	**693,548**
at 1 April 2019	617,824	2,415	3,268	9,245	632,752

H3 Fixed Asset Valuation

A revaluation of HRA dwellings was carried out as at 12 September 2019 by Cushman and Wakefield, who are RICS qualified. As at that date, the vacant possession value of dwellings was £1,760 million. The difference between this and the Balance Sheet value reflects the economic cost of providing council housing at less than open market rents.

H4 Gains and Losses on Asset Disposals

Gains and losses on asset disposals are shown on the face of the HRA Income and Expenditure Statement. The gain on disposal in 2019/20 was £3.1 million (2018/19 gain £3.7 million).

H5 Major Repairs Reserve

Statutory regulation requires that a Major Repairs Reserve is maintained. The main credit to the reserve is an amount equivalent to the charge for depreciation on HRA assets. The reserve can be used to finance new capital expenditure on HRA assets or repay HRA debt.

	2019/20	2018/19
	£000	£000
Balance at 1 April	0	-409
Amount equivalent to depreciation	-17,176	-16,087
	-17,176	-16,496
Financing of new capital expenditure	12,593	8,985
Used to repay debt	4,583	7,511
Balance at 31 March	0	0

H6 Capital Expenditure and Sources of Finance

	2019/20	2018/19
	£000	£000
Capital Expenditure:		
Fixed Assets (including PFI)	21,599	17,895
Total Capital Expenditure	21,599	17,895
Financed by:		
Finance Lease (PFI)	-220	-300
Major Repairs Reserve	-12,593	-8,985
Capital Receipts	-969	-1,214
Capital Grant and Contributions	-126	-612
HRA RCCO/Reserves	-7,691	-6,784
Total Sources of Finance	-21,599	-17,895

H7 Capital Receipts

	2019/20	2018/19
	£000	£000
Capital receipts from sales of:		
Dwellings	-9,226	-9,482
Land	-51	-45
Clawback of legal title on Right to Buy sales	-30	-6
Capital receipts from mortgage repayments	0	0
	-9,307	-9,533
Contribution to Housing Pooled Capital Receipts	2,456	2,037
Disposal costs	70	76
Usable capital receipts	-6,781	-7,420

The HRA is required to pay over a certain proportion of capital receipts into a national pooling arrangement.

H8 Housing Stock

The Council's housing stock at 31 March 2020 is analysed below by size and age:

By Size	1 Bedroom	2 Bedrooms	3 Bedrooms	4+ Bedrooms	Total
Houses/ Bungalows	2,780	5,377	4,285	323	12,765
Flats/ Bedsits and Maisonettes	6,986	2,378	100	0	9,464
	9,766	7,755	4,385	323	22,229
By Age	Pre 1945	1945-64	1965-74	Post 1974	
Houses/ Bungalows	5,459	5,141	1,516	649	12,765
Flats/ Bedsits and Maisonettes	189	2,338	3,829	3,108	9,464
	5,648	7,479	5,345	3,757	22,229

H9 Rent Arrears

Net rent arrears have increased over the year, as follows:

	2019/20	2018/19
	£000	£000
Rent Arrears	**4,466**	3,744
Less Bad Debt Provision	**-1,382**	-1,045
Net Rent Arrears	**3,084**	**2,699**

H10 Housing PFI

In December 2011, the Council entered into a twenty two and a half year contract with Regenter Excellent Homes for Life for the design, build, financing and operation of a PFI contract to provide 466 units of HRA housing. The contractor has a licence from the Council to build and operate on Council sites. The operator is obliged to hand over the housing units in a specified condition at the end of the contract for no incremental consideration. Rent income is collected by Kirklees Neighbourhood Housing (KNH) on behalf of the Council.

The Council incurred costs of £9.2 million under the contract in 2019/20 (2018/19 £9.1 million) and received £7.9 million in PFI Grant (2018/19 £7.9 million). Details of estimated payments due to be made are as follows:

	Service Charges	**Interest Charges**	**Repayments of Liability**	**Total**
	£000	£000	£000	£000
In 2020/21	2,483	3,622	2,720	8,825
Between 2021/22 and 2024/25	12,310	12,559	11,554	36,423
Between 2025/26 and 2029/30	18,427	11,125	18,325	47,877
Between 2030/31 and 2034/35	15,518	3,378	23,187	42,083
Total	**48,738**	**30,684**	**55,786**	**135,208**

Part of the contract is indexed annually in line with RPI (assumed to be 2.5% throughout the life of the contract).

The value of assets (Council Dwellings) held under this scheme is as follows:

	2019/20	2018/19
	£000	£000
Net Book Value at 1 April	12,431	12,041
Additions	220	300
Revaluations net of depreciation written back	1,101	345
Depreciation	-280	-255
Net Book Value at 31 March	**13,472**	**12,431**

The value of liabilities held under this scheme is as follows:

	2019/20	2018/19
	£000	£000
At 1 April	-52,936	-54,897
Movement in the year	2,387	1,961
At 31 March	**-50,549**	**-52,936**

COLLECTION FUND STATEMENT

The Collection Fund Statement shows the transactions of the billing council in relation to the collection from taxpayers and distribution to local authorities and Government of Council Tax and Non-Domestic (Business) Rates.

	2019/20			2018/19			
	Business Rates	Council Tax	Total	Business Rates	Council Tax	Total	Note
	£000	£000	£000	£000	£000	£000	
Income							
Income from Council Tax		-214,488	-214,488		-202,484	-202,484	C1
Income Collectable from Business Ratepayers	-105,741		-105,741	-105,498		-105,498	C2
Contributions towards previous years' Collection Fund deficit	0	-1,360	-1,360	-2	0	-2	
Total Income	-105,741	-215,848	-321,589	-105,500	-202,484	-307,984	
Expenditure							
Precepts and demands -							
Central Government	25,516		25,516	0		0	
Kirklees Council	75,528	179,977	255,505	99,648	173,379	273,027	
West Yorkshire Fire and Rescue	1,021	7,668	8,689	1,007	8,002	9,009	
West Yorkshire Police		22,193	22,193		18,575	18,575	
Allowance for impairment of debt	1,886	5,511	7,397	672	3,090	3,762	
Provision for Appeals	-2,221		-2,221	-6,729		-6,729	
Cost of collection	590		590	598		598	
Transitional Protection Payment	601		601	1,447		1,447	
Designated Areas	241		241	72		72	
Distribution of previous year's Collection Fund surplus	6,999	0	6,999		4,000	4,000	
Total Expenditure	110,161	215,349	325,510	96,715	207,046	303,761	
Surplus(-)/Deficit	4,420	-499	3,921	-8,785	4,562	-4,223	
Balance at 1 April	-8,794	1,866	-6,928	-9	-2,696	-2,705	
Balance at 31 March	-4,374	1,367	-3,007	-8,794	1,866	-6,928	C3

NOTES TO THE COLLECTION FUND STATEMENT

C1 Council Tax

The Council Tax is charged on a series of property valuation bands. These bands, the charges due for the year and the average Council Tax are shown below.

Estimated at the start of the year						
	2019/20				2018/19	
Number of Chargeable Dwellings	**Band D Equivalent Dwellings**	**Average Council Tax**	Band	Number of Chargeable Dwellings	Band D Equivalent Dwellings	Average Council Tax
		£				£
78	**43**	**982.04**	A (5/9)	77	42	943.25
53,798	**35,865**	**1,178.45**	A (6/9)	52,842	35,228	1,131.90
27,763	**21,593**	**1,374.85**	B (7/9)	27,365	21,284	1,320.55
27,261	**24,232**	**1,571.26**	C (8/9)	27,049	24,044	1,509.20
14,941	**14,941**	**1,767.67**	D (9/9)	14,814	14,814	1,697.85
10,814	**13,217**	**2,160.49**	E (11/9)	10,648	13,015	2,075.15
4,884	**7,054**	**2,553.30**	F (13/9)	4,835	6,984	2,452.46
2,006	**3,344**	**2,946.12**	G (15/9)	1,995	3,324	2,829.75
99	**198**	**3,535.34**	H (18/9)	99	197	3,395.70
	120,487		Total		118,932	
	-1,778		Estimated losses on collection		-1,162	
	118,709		Council Tax Base		117,770	

C2 Non-Domestic (Business) Rates

The Government specifies a multiplier and, subject to the effects of transitional arrangements and other reliefs, local businesses pay rates calculated by applying the multiplier to their rateable value. There are two multipliers – the national non-domestic rating multiplier of 50.4p (2018/19 49.3p) and the small business non-domestic rating multiplier of 49.1p (2018/19 48.0p) which is applicable to those that qualify for small business rate relief. The Council is responsible for collection rates due from ratepayers in its area and pays 25% of the proceeds to Central Government and 1% to West Yorkshire Fire and Rescue Authority.

	2019/20	2018/19
	£000	£000
Non-domestic rate income 2019/20 (average rateable value £287,740,454)	**-141,281**	
Non-domestic rate income 2018/19 (average rateable value £285,705,189)		-137,138
Allowance and other adjustments (net)	**35,540**	31,640
	-105,741	**-105,498**

The actual non-domestic rateable value at 31 March 2020 was £288,136,598 (£286,052,693 at 31 March 2019).

Kirklees has been part of a Leeds City Region (LCR) business rates pool since April 2013. It pools the business rates income of member authorities, which includes Kirklees, Bradford, Wakefield & Calderdale (top up authorities), and Leeds, Harrogate and York (tariff authorities). Leeds are the lead authority for the administration of the LCR Pool. The Pool is established for one year at a time and in 2019/20 the Pool was successful in its application to pilot 75% Business Rates Retention, together with authorities from a North Yorkshire pool as part of a combined LCR and North Yorkshire pool. The 75% pilot will cease at the end of 2019/20 but Government confirmed a successful further Joint North and West Yorkshire Business Rates 50% pool application for 2020/21.

The pooling proposals offer suitable groups of authorities (where there is a mixture of top-ups and tariffs) the opportunity to avoid or significantly reduce government levies for which their tariff authorities would otherwise be liable if they grow their business rates income by more than inflation. As a result of the latter, the unaudited gain to the joint pool was £26.7 million in 2019/20 for the benefit of all Pool members.

C3 Movement on Balances

The balance on the Collection Fund relates to Council Tax, Community Charge and Business Rates. That part of the balance which relates to Community Charge will be paid to the Council in subsequent financial years. That part of the balance which relates to Council Tax will be shared between the Council, West Yorkshire Police Authority and West Yorkshire Fire and Rescue Authority in proportion to their precepts and demand on the Fund, again in subsequent financial years. That part of the balance which relates to Business Rates will be shared between the Council, Central Government and West Yorkshire Fire and Rescue Authority in proportion to their precepts and demand on the Fund, again in subsequent financial years. The balance is split as follows:

	1 April 2019	Share of 2019/20 Surplus(-)/ Deficit	**31 March 2020**
	£000	£000	**£000**
Council Tax and Community Charge			
Kirklees Council : Community Charge	-10	0	**-10**
Council Tax	1,621	-441	**1,180**
Collection Fund Adjustment Account - Council Tax	1,611	-441	**1,170**
West Yorkshire Police Authority - Council Tax	186	-38	**148**
West Yorkshire Fire and Rescue Authority - Council Tax	69	-20	**49**
	1,866	-499	**1,367**
Business Rates			
Kirklees Council - Business Rates	-8,701	5,016	**-3,685**
Collection Fund Adjustment Account - Business Rates	-8,701	5,016	**-3,685**
Central Government - Business Rates	-5	-640	**-645**
West Yorkshire Fire and Rescue Authority - Business Rates	-88	44	**-44**
	-8,794	4,420	**-4,374**

The Collection Fund Adjustment Account manages the differences arising from the recognition of Council Tax and Business Rates income in the CIES as it falls due from payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

Glossary of Terms

Accruals
The concept that income and expenditure are recognised as they are earned or incurred, not as money is received or paid.

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

Capital Receipts
These are the proceeds from the sale of capital assets.

Cash Equivalents
Short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

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

Contingent Asset
A possible asset that arises from past events, and whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Council's control. Examples of contingent assets include claims for compensation being pursued through the legal process.

Contingent Liability
A possible obligation at the Balance Sheet date, whose existence will be confirmed only on the occurrence or non-occurrence of one or more uncertain future events. Where a material loss can be estimated with reasonable accuracy a liability is accrued in the financial statements. If, however a loss cannot be accurately estimated or its occurrence is not considered sufficiently probable to accrue it, the obligation is disclosed in a note to the Balance Sheet. Examples of contingent liabilities include legal claims pending settlement.

Corporate and Democratic Core
Costs of corporate policy making and all Council member-based activities, together with costs relating to corporate management, public accountability and treasury management.

Current Service (Pensions) Cost
The current service cost is an estimate of the true economic cost of employing people in a financial year, earning years of service that will eventually entitle them to the receipt of a lump sum and pension when they retire. It measures the full liability estimated to have been generated in the year (at today's prices) and is thus unaffected by whether any fund established to meet liabilities is in surplus or deficit.

Defined Benefit Pension Scheme
A scheme in which retirement benefits are determined independently of the investments of the scheme and employers have obligations to make contributions where assets are insufficient to meet employee benefits. Accounted for by recognising liabilities as benefits are earned (i.e. employees work qualifying years of service), and matching them with the organisation's attributable share of the scheme's investments.

Depreciated Replacement Cost
A method of valuation which provides a recognised proxy for the market value of specialised properties. It is an estimate of the market value for the existing use of land, plus the current gross replacement (or reproduction) costs of improvement, less allowances for physical deterioration and all relevant forms of obsolescence and optimisation.

Depreciation
The measure of the cost or revalued amount of the benefit, of the fixed asset that has been consumed during the period. Consumption includes the wearing out or other reduction in the useful economic life of a fixed asset, whether arising from use, passage of time or obsolescence through technological or other changes.

Existing Use Value (EUV)
The estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arms-length transaction, after proper marketing, wherein the parties had acted knowledgeably, prudently and without compulsion, assuming that the buyer is granted vacant possession of all parts of the property required by the business and disregarding potential alternative uses and any other characteristics of the property that would cause its market value to differ from that needed to replace the remaining service potential at least cost.

Existing Use Value – Social Housing (EUV – SH)
Existing Use Value for Social Housing is the estimated amount for which a property should exchange, on the date of valuation, between a willing buyer and a willing seller, in an arms-length transaction, after proper marketing, wherein the parties had each acted knowledgeably, prudently and without compulsion, subject to the following assumptions:

- The property will continue to be let by a body and used for social housing;
- At the valuation date, any regulatory body, in applying its criteria for approval, would not unreasonably hinder the vendor's ability to dispose of the property to organisations intending to manage their housing stock in accordance with that regulatory body's requirements;
- Properties temporarily vacant pending re-letting should be valued, if there is a letting demand, on the basis that the prospective purchaser intends to re-let then, rather than with vacant possession; and
- Any subsequent sale would be subject to all of the above assumptions.

Fair Value
Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's-length transaction.

Financial Instruments
A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another. It covers the most straightforward financial assets and liabilities such as trade receivables and payables, and more complex ones such as forward investments and stepped rate loan instruments.

General Fund
This is the account for the major functions for which the Council is responsible, excluding the HRA and Collection Fund.

Heritage Assets
A type of asset which is kept primarily for its contribution to knowledge and culture. Examples of heritage assets include museum artefacts, paintings, sculptures and civic regalia.

Housing Revenue Account (HRA)
This fulfils the statutory obligation for Councils to account separately for the provision of Council houses. The Local Government and Housing Act 1989 ring fenced the HRA so that no subsidy can be received from the General Fund.

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

Infrastructure Assets
Fixed assets that are inalienable, expenditure on which is recoverable only by continued use of the asset created. Examples of infrastructure assets are highways and footpaths.

Intangible Assets
Intangible assets are assets which do not have a physical form e.g. externally purchased software.

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

Leasing
A method of financing capital expenditure which allows the Council to use, but not own an asset. A third party (the lessor) purchases the asset on behalf of the Council (the lessee) which then pays the lessor a rental over the life of the asset. A finance lease substantially transfers the risks and rewards of ownership of a fixed asset to the lessee. An operating lease is any lease other than a finance lease.

Live Condition – Grant
Live conditions are those conditions that specify that a grant must be used for a specific purpose and if it isn't used for that purpose, the grant funding must be returned to the giver.

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

Non-Domestic Rates (also known as Business Rates)
This is the levy on business property, based on a national rate in the pound applied to the rateable value of the property. The Government determines national rate poundage each year.

Non-distributed Costs
These are overheads from which no service now benefits. Costs that may be included are certain pension costs and expenditure on certain unused assets.

Past Service (Pensions) Costs
Past service costs are a non-periodic cost, arising from decisions taken in the current year, but whose financial effect is derived from years of service earned in earlier years. Discretionary benefits, particularly added years, awarded on early retirement are treated as past service costs.

Precept
This is a charge levied by a local authority which is collected on its behalf by another authority (for example, the Police or Fire Authority). It does this by adding the precept to its own Council Tax and paying over the appropriate cash collected.

Provisions
These are liabilities of uncertain timing or amount.

Related Parties
Individuals or bodies who have the potential to influence or control the Council or to be influenced or controlled by the Council.

Revenue Expenditure
This is money spent on the day to day running costs of providing services. It is usually of a recurring nature and produces no permanent asset.

Revenue Expenditure Funded from Capital under Statute (REFCUS)
Legislation in England and Wales allows some expenditure to be classified as capital for funding purposes when it does not result in the expenditure being carried on the Balance Sheet. The purpose of this is to enable it to be funded from capital resources rather than be charged to the General Fund and impact on that year's Council Tax. These items are generally grants and expenditure on property not owned by the Council.

Settlements and Curtailments (Pensions)
Settlements and curtailments are non-periodic costs. They are events that change the pensions' liabilities but are not normally covered by actuarial assumptions, for example a reduction in employees through a transfer or termination of an operation.

Soft Loans
Authorities sometimes make loans to individuals or organisations at less than market rates, where a service objective would justify the Council making a concession. The Code requires the discounted interest rate to be recognised as a reduction in the fair value of the asset when measured for the first time. In subsequent years this discount is unwound by applying a market rate of interest, which will write up the value of the loan less any repayments of principal.

Usable Reserves
These represent reserves available to support revenue and capital expenditure and are divided as follows:

- General Fund Balances – This is the general reserve available for Council use, excluding Housing Revenue Account purposes.
- Earmarked General Fund Reserves – These are reserves set aside for specific areas of expenditure and risk.
- Housing Revenue Account (HRA) – This is a general reserve available for HRA purposes.
- Capital Receipts Reserve – Income from the disposal of assets and capital loans is credited to this reserve. A proportion of the receipts relating to housing disposals is payable to the Government. The balance on the reserve can be used to finance new capital investment or set aside to reduce the Council's underlying need to borrow.
- Major Repairs Reserve – The Council is required by regulations to maintain this reserve. The main credit to the reserve is an amount equivalent to the charge for depreciation on HRA assets. The reserve can be used to finance capital expenditure on HRA assets or repay HRA debt.

- Capital Grants Unapplied – Capital grants and contributions received by the Council are credited to this reserve when there is an expectation that any conditions related to the grants will be met. These grants and contributions are then used to fund related capital expenditure when it is incurred.

Unusable Reserves

- Capital Adjustment Account **-** This account reflects the difference between the cost of fixed assets consumed and the capital financing set aside to pay for them.
- Revaluation Reserve **-** This account records the net gain from fixed asset revaluations made after 1 April 2007.
- Accumulated Absences Account – This account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year, e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.
- The Collection Fund Adjustment Account – This account manages the differences arising from the recognition of Council Tax income in the CIES as it falls due from Council Tax payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.
- The Deferred Capital Receipts Reserve – This reserve holds the gains recognised on the disposal of non-current assets but for which cash settlement has yet to take place. Under statutory arrangements, the Council does not treat these gains as usable for financing new Capital expenditure until they are backed by cash receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the Capital Receipts Reserve.
- Financial Instruments Adjustment Account – This account provides a balancing mechanism between different rates at which gains and losses (such as premiums on the early repayment of debt and soft loans) are recognised under the Code and are required by statute to be met from the General Fund.
- Available for Sale Financial Instruments Reserve - This Reserve records gains made by the Council arising from increases in the value of its investments that have quoted market prices or otherwise do not have fixed or determinable payments. The balance is reduced when investments with accumulated gains are revalued downwards or impaired and the gains are lost or disposed of and the gains are realised.

Kirklees Council

Annual Governance Statement 2019/20

Coronavirus Response

The impact of the global pandemic in Kirklees and on the Council from March 2020 was sudden, dramatic and unprecedented and has challenged the entire organisation and its governance arrangements. From the middle of March until the start of May 2020 the Cabinet was unable to meet at all and a series of decisions were taken by the Chief Executive under emergency powers in the Constitution (in consultation wherever practicable with the Leader or leading members). Significant organisational disruption, new emergency responsibilities, staff shielding and self-isolating and also working from home has impacted on addressing issues raised last year and created a multitude of potential new ones. So much so, that the issues raised so far and likely to occur during 2020/21 have been compiled into an additional separate part of this Statement together with a conclusion about this period.

Nevertheless the Council has continued to deliver key services and provide support throughout this period in large measure due to the hard work and commitment of all of its staff.

We would like to take this opportunity to thank all colleagues, councillors, partners and volunteers for their contributions so far which have placed the Council and the people and businesses of Kirklees in a much better place to move forward.

Overall Conclusion & Opinion

We have been advised on the extent and implications of the annual review of effectiveness of the governance framework by the Corporate Governance and Audit Committee, and are satisfied that overall the arrangements continue to be regarded as fit for purpose in accordance with our governance framework and Code of Corporate Governance. Understandably, we have less assurance than normal for the period from March 2020 but based up the evidence available remain confident that this continued to be the case during this period of the Statement too.

We have begun to take steps on a priority risk basis to address the issues raised both by the pandemic and which form part of our ongoing response, as well as those that occurred prior to it in order to further enhance our governance arrangements as contained in the Action Plan that underpins this Statement. We are satisfied that these steps will address the need for improvements that were identified in our review and will monitor their implementation and operation during 2020/21 in conjunction with the Corporate Governance & Audit Committee ahead of next year's review.

Signed:

Cllr. Shabir Pandor, Leader of the Council

Jacqui Gedman, Chief Executive

Coronavirus Period Conclusion / Opinion

The response to Coronavirus focussed on a number of key priorities – managing business continuity, promoting public safety and saving lives, maintaining support and safeguarding the most vulnerable and providing a resilient response within the region.

Since March 2020, the way the Council operates and its governance arrangements have changed significantly but its' key objectives and commitment to the principles in the Local Code of Corporate Governance have remained the unwavering cornerstone to its activities and as such have remained fit for purpose in these unprecedented times.

Business continuity plans helped manage the initial phase of the response immediately prior to and following lockdown to ensure key public services and business critical activities continued in accordance with current and quickly changing Public Health England and Government advice. Cabinet and the Executive Team provided strategic leadership and support.

Whilst initially the Cabinet, and the regulatory functions exercised by the Planning & Licensing Committees continued to operate, as all political leaders supported a suspension to the non-business critical work of the Council, by 24 March 2020 all meetings had to be cancelled as social distancing measures could not be maintained if Members were actually present to take decisions as then required.

Matters about which a decision was required and which could not be deferred were then dealt with by the Chief Executive personally (or through a delegee) as provided for in the Constitution in an emergency (in consultation with the Leader, a Committee Chair and in some cases the Cabinet and Group leaders), or by Strategic Directors in accordance with the Officer Scheme of Delegation.
The Chief Executive met regularly with Group leaders during this period (Public Health Emergency Advisory Group) to update them on matters and decisions which were required, as well as with the Chair of Scrutiny.

The Coronavirus (Flexibility of Local Authority and Police and Crime Panel Meetings) Regulations 2020 came into force on 4 April 2020. This put in place the ability for Councils to hold meetings virtually so long as they meet certain criteria specified in the Regulations. The first virtual meeting of the Cabinet took place on 1 May at which the Chief Executive reported back on the decisions she had taken in the interim as required by the Constitution. The Regulations also enabled deferment of the Annual General Meeting.

As with all other organisations, the coronavirus outbreak represents a unique and unprecedented set of challenges to the Council as a service provider, community leader, partner and an employer. The fundamental challenge to established ways of working and global nature of the pandemic has necessarily raised a number of Issues for the Council but to date we have successfully delivered upon our key objectives within the principles of our governance arrangements.

Coronavirus related Significant Governance Issues

At some future point a full review will be conducted of the Council's response and learning points for the future. For this draft version of the Statement it is too early to say with sufficient confidence which, if any, particular Issues merit inclusion. By the time of the 2020/21 Statement we will be in a better position to reflect on the outcome of a more thorough review of the impact on the Council's key objectives.

Wider Significant Governance Issues during 2019/20

The annual review process that has been possible has identified and evaluated both ongoing and new Issues and if any meets one or more of the following criteria suggested by CIPFA / SOLACE it is regarded as Significant and included in this Statement:

- it undermines / threatens the achievement of organisational objectives (A)
- it is a significant failure to meet the principles (and sub-principles) of good Governance (B)
- it is an area of significant concern to an inspector, external audit or regulator (C)
- the head of internal audit, one of the statutory officers or the corporate governance & audit committee has recommended it be included (D)
- it is an issue of public or stakeholder concern (E)
- it is an issue that cuts across the organisation and requires cooperation to address it (F)

Progress with the Issues in last year's Statement

The Executive Team and the Corporate Governance & Audit Committee have received reports during 2019/20 to monitor progress with the detailed Action Plan that underpins this Statement.

Good progress has been made in resolving more than half of the Issues raised last year, to the extent that they no longer merit inclusion as being Significant. Arguably, the most notable achievement was that the Department for Education confirmed earlier this year that following "significant progress" having been made, Children's Services would no longer be under Government direction.

However, as anticipated, others are of a more complex nature, sometimes not solely entirely under the Council's direct control, and these often take longer than one year to address and embed. Indeed a core are likely to feature in one form or another for a longer period, albeit that various parts of each one can be resolved during the year and where appropriate this has been reflected in what remains to be done, as shown in the table below.

Issue / Inclusion Criteria	Progress	Further Action
Further strengthen the Corporate Plan with improved linkages to both revenue and capital resource allocation and performance measures. (A, B, F)	A new strengthened Corporate Plan was produced for 2018-20 which explained the journey from *New Council* to *We're Kirklees,* focussed on the whole Borough and seven shared outcomes for residents. 3 key principles underpin this • Working with our partners • Working with (and not doing to, or for) residents • Working better in places The new Council Plan, Our Council Plan 2020/21, is intended as a roadmap for recovery in Kirklees. At its heart is a determination to build a fairer and more equal borough for people to live, work and grow up in. The Plan retains its focus on outcomes for people but elevates our ambition and puts an extra focus on breaking down the barriers that have previously prevented people from sharing in the benefits of plans like this. Overseen by a new Inequalities Commission, we will make sure our focus on tackling inequalities delivers for everyone in Kirklees. Both the Medium Term Financial Plan 2020-23 (revenue) and Capital Plan (2020-25) are well aligned to corporate plan ambition and priorities. Reviewing budget setting	The corporate planning process is likely to include a substantial revision to reflect the impact on the organisation and its finances consequent to Coronavirus (reference to the Council's guardians of the future transformation work). To develop a more robust, intelligence led performance management mechanism across the organisation aligned with the annual planning cycle to drive resource allocation decisions that are better aligned to priority outcomes and to monitor their delivery. The performance management system needs embedding for both business critical indicators and other service measures used, including the development of more relevant qualitative indicators alongside quantitative ones to better measure outcomes and impacts. Consideration is also being given to how service planning can be more closely aligned with this mechanism. The next Corporate Plan also needs to take account of developmental issues included in the Peer Review Action Plan with an aligned Communications Strategy.

Issue / Inclusion Criteria	Progress	Further Action
	arrangements for 2019/20 and beyond regarding outcome based budgeting was acknowledged to be a work in progress as regards the most recent budget round. A revised quarterly performance monitoring system has been introduced and will be embedded.	

Issue / Inclusion Criteria	Progress	Further Action
Manage delivery of the Council’s Transformation Activities. (A, F)	Dedicated council resources were allocated to add quality, assurance and organisation. The input of an external partner added skills and further rigour. An assessment of the impact of transformation activities in the summer of 2018 also illustrated a number of areas for learning and potential re-focus. The Transformation Team clarified and enhanced its offer to respond to changing demands for a mix of robust project management, innovative business change skills and the ability to challenge and offer new insights. Transformation is now focused on the ongoing development and sustainability of public services, which means continuing change and innovation. It is less driven by the savings targets that will come through services and overall budget monitoring.	Guardians of the future work in relation to organisational re-design provides the context. Focus on the following areas of priority for allocation of transformation resources: 1. Organisation Design - Work has started to consider the future shape of the organisation. 2. Development of Place-based working - Working with communities and delivering services that recognise the diversity of the different places across Kirklees and their needs. 3. Strengthening enabling services. 4. High Needs, Placements & Waste - Existing areas of work within services, where Executive Team has identified that a broader approach may be beneficial, hence the input of transformation resources. 5. Adult Social Care, Children’s Improvement - These are moving beyond transformation into a ‘business as usual’ state. Transformation resources are being gradually withdrawn as change is embedded into working practice. These priorities may be amended consequent to learning as a consequence of coronavirus.
Strengthen Partnership Governance (A, B, F)	A light touch governance review has been completed and is leading to more solid governance structures for the Partnership Executive: a revised executive arrangement is in place with themed meetings	Even prior to Covid-19 there was still scope to increase the effectiveness of some partnership arrangements and for changes made in 2019/20 to become embedded. This need now has a

Issue / Inclusion Criteria	Progress	Further Action
	throughout the year that draw the partner together on a topic basis. Revised governance framework and Partnership agreement with KNH. Interim governance control and management arrangements were implemented at KNH to enable revised responsibilities and authority between the Cabinet and KNH Board to become operational and seamless. The Children's Partnership Board arrangements have re-launched recently. Arrangements for the Health & Wellbeing Board are being refreshed with engagement including other local authorities' Recruited and realigned resources to support partnership working.	sharpened focus than ever before because of the heightened risks faced with associated parties/partnerships - KNH/ Kirklees Stadium Development Limited, plus KAL. Also, Kirklees Community Association is now in view for governance reasons. In conjunction with the outcome of the Corporate Peer Review a report was taken to Cabinet during May 2020 on the options for the future of housing management and KNH, and following a consultation process with tenants and other stakeholders, KNH is to return to the Council's direct control from 1 April 2021.
Continue to Strengthen Risk Management (A, B, D, F)	New Strategy & Risk Panel established. The Corporate Matrix has been regularly updated along with an emerging risk report, and this has been discussed by the Executive Team and Leadership Management Team. The CGAC has commented positively on the Corporate Matrix but expressed concerns about the quality and consistency of the directorate based risk management processes.	This still needs more work, as the quality of directorate based risk arrangements requires improvement, as does risk elevation.

Issue / Inclusion Criteria	Progress	Further Action
Continue to improve manager capacity and skill base. (A, F)	Work continues on each of the 3 key strands of the People Strategy (Attraction, Development and Wellbeing). Updates on each theme have been reported regularly to Scrutiny Panel and the Modern Organisation Board**.** The 'Development' strand addresses cultural transformation, developing our workforce, leadership and management and performance.	Complete implementation of the People Strategy and embed across the manager base. Strengthen the wider corporate centre to develop its capacity; and invest in the Council's ICT systems.
School Governance arrangements need review and improvement. (D, E)	A Schools Causing Concern Group chaired by the Service Director has been established to identify and share issues for remediation.	Look to understand what is causing a (historically) large number of complaints about governance and management in schools, and look to identify potential solutions.
Governance arrangements need developing to identify and manage issues arising from historically different service delivery. To learn from the lessons arising and make sure the issues are addressed.	Work has commenced to develop a corporate approach that satisfies initial management of such issues as they emerge through the corporate risk management process via the Risk Panel and these are flagged up to ET and enable organisational reflection and learning with a view to being less insular and to draw upon wider external assurances and develop an assurance backed culture. Where issues such as historically poor safeguarding, health and safety or HR practices are identified, checking will be undertaken to ensure that the same practices are not still in operation and to take appropriate action.	To embed and disseminate the learning following the identification and response of such issues on a corporate basis.

New Issues

The annual review of the effectiveness of our governance arrangements has identified the following areas for improvement.

Issue / Inclusion Criteria	Action
Continue to develop and strengthen the governance arrangements for decision-making and place-based working, including greater clarity to the roles and responsibilities of Members and officers, including greater congruence between officer and member structures (as per Peer Review). (A, B & C)	Build upon the progress achieved since the Peer Review. Develop new proposals around governance and decision-making arrangements Complete the re-design of the councillor role profile. This will form the basis of how we redesign support for councillors and how officers work more effectively and collaboratively with them.
Address the health and safety issues raised in connection with housing properties managed by KNH and the complete buildings portfolio, ensuring that management and operational arrangements provide for the health and safety of all Council tenants, employees and residents. (C, D, E)	Implement the recommendations in the agreed Action Plan as monitored by the Chief Operating Officer, Board and Cabinet. Establish and operate an Assurance Board in connection with all such issues affecting the complete Council buildings portfolio.
Formulate a corporate Assurance Framework and culture in connection with all key and emerging business risks, such as the health and safety one above. Identify and respond to any gaps and address matters identified. (All)	Compile all the various sources of assurance and determine how they inter-relate to one another. Manage any wider areas about which assurance needs strengthening. Ensure issues are responded to appropriately and actions are delivered. One area for early review relates to good and sustainable financial management in the Council. Internal Audit to be commissioned to undertake an initial self-assessment review based on the best practice in CIPFA's Financial Management Code and report back to CGAC for an initial assessment.

Accelerate the response to the Climate Change Emergency Declaration. (A, E, F)	The Council declared a climate emergency in 2019 because we all must take urgent action to improve and protect our environment. Our vision is to make Kirklees completely carbon neutral by 2038. The Climate Change Working Party to oversee Phase 1 actions including • Setting a carbon budget • Free parking for low emission vehicles • Considering the environmental impact in decision making • Creating a Climate Commission and Green Charter • Developing a detailed and ambitious action plan for Phase 2 to achieve the 2038 target.
Develop a more strategic corporate management of the investigation and treatment of cases of suspected fraud & corruption. (D)	Refresh the Corporate Strategy engaging Members and CGAC in particular and focus resources on key risk areas.

A detailed Action Plan sits behind this summary and the Executive Team and Corporate Governance & Audit Committee will monitor progress quarterly during 2020/21.

Statement Scope

Kirklees 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. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised.

Kirklees Council has a Local Code of Corporate Governance, which is consistent with the principles of the CIPFA / SOLACE framework Delivering Good Governance in Local Government 2016. A copy of the Code is available from the Monitoring Officer. The current version following annual review can be found at

https://www.kirklees.gov.uk/beta/council-and-democracy.aspx#your-council

This Statement explains how the Council has complied with the Code during 2019/20 and up to the date that the Statement of Accounts was approved and thus meets the requirements of the Accounts and Audit Regulations 2015, as revised by the Accounts and Audit (Amendment) Regulations 2020. It provides assurance about the Council's governance framework, including the other entities in the Group Accounts, a wholly owned subsidiary, Kirklees Neighbourhood Housing Limited and a joint venture, Kirklees Stadium Development Limited, to enable readers of the consolidated Accounts to be satisfied that proper arrangements are in place to govern spending and safeguard assets. Where specific improvements and/ actions are ongoing or needed, brief information is provided about the key issues and the main areas of work that have been progressed during 2019/20. A more detailed Action Plan sits behind this summary.

The purpose of the governance framework

Corporate governance is a phrase used to describe how organisations direct and control what they do. For local authorities this also includes how a Council relates to the communities that it serves. The governance framework comprises the systems and processes, culture and values by which the Council is directed and controlled and its' activities through which it accounts to, engages with and leads its communities. It enables the Council to monitor the achievement of its' strategic objectives as set out in the Corporate Plan and to consider whether those objectives have led to the delivery of appropriate services and value for money.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness.

The key parts of the governance framework

- a Local Code of Corporate Governance overseen by the Service Director Legal, Governance & Commissioning and the Corporate Governance and Audit Committee, to assess operational practice and behaviour, and prepare this Statement.
- a Council Constitution
- a Leader and Cabinet model of governance, supplemented by decisions of the Chief Executive March – May 2020 under the emergency powers of Part 3.7 of the Constitution and Strategic Directors under the Officer Scheme of Delegation. Cabinet meetings have been held virtually since 1 May in accordance with new legislation. Virtual meetings were rolled out to enable other Committees to meet similarly as soon as was possible.
- a corporate governance, audit and scrutiny process as set out in the Constitution,
- statutory officer roles performed by the Chief Executive as Head of Paid Service, the Service Director Legal, Governance & Commissioning as Monitoring Officer and the Service Director Finance as Section 151 Officer. The S151 Officer is a professionally qualified accountant and reports directly on financial matters to the Chief Executive as a member of the Executive Team (ET).
- a Corporate Plan that outlines how officers will seek to run the Council to meet our community commitments and objectives
- oversight and delivery of the Council Transformation Programme, including a number of officer boards as described in the Constitution, notably the Children's Board
- a Monitoring Officer who has responsibility for the Constitution and ensuring the legality of Council actions and decision making.
- a S151 Officer who has responsibility for ensuring that the financial management arrangements conform with all of the governance requirements of the five principles that define the core activities and behaviours that belong to the role in the CIPFA Statement on The Role of the Chief Financial Officer in Local Authorities (2014).
- codes of conduct defining the standards of behaviour for Members and employees
- an Anti-Fraud & Corruption Policy
- a Risk Management Strategy
- systems of financial and business internal control
- an internal audit section, that is compliant with the Public Sector Internal Audit Standards and Code of Ethics

- whistle blowing arrangements
- a complaints system for residents and service users
- business continuity arrangements
- a senior manager to act as the Caldicott Guardian to protect the confidentiality of patient and service-user information
- a Data Protection Officer reporting directly to the Chief Executive and a Senior Information Risk Officer
- arrangements to manage other parts of the Council's Group. The S151 Officer monitors and reports on the financial effectiveness of the subsidiary and joint venture companies, whose accounts are subject to external audit.
  The governance arrangements of Kirklees Neighbourhood Housing (KNH) Limited were revised in 2018/19 with a strengthened Board to oversee housing operations and to act as a single purpose vehicle to deliver the housing management and maintenance service. Housing Policy and Strategy, housing/asset investment and HRA business planning matters are determined by the Council, Cabinet or Council officers with advice from KNH officers.
- A Covid Recovery Framework using the strong foundations established during lockdown to help the Council come back stronger across a themed recovery programme supported by an Outbreak Control Plan approved by the local Health Protection Board.

2019/20 Review of effectiveness

Kirklees Council has a legal responsibility for conducting, at least annually, a review of the effectiveness of its governance framework. The review is informed by a number of sources including the work of the executive managers, the Head of Audit & Risk's annual report, the external auditor and other review agencies and inspectorates and Member Committees. The Council has four bodies / committees jointly responsible for monitoring and reviewing governance. These are:

- the Executive (Cabinet);
- the Corporate Governance & Audit Committee;
- the Overview & Scrutiny Committee; and
- the Standards Committee.

The main parts of the review process are described below, although due to the timing of the Coronavirus outbreak some sources of assurance used are in interim or draft version pending return to more normal working. A further assessment will be made later in the year before finalising the Statement.

1. <u>Annual Review of effectiveness of the system of internal control</u>

   In accordance with the requirements of the Accounts and Audit Regulations 2015 and Public Sector Internal Audit Standards (PSIAS) the CGAC approved the annual review of the effectiveness of its system of internal control and internal audit. The Head of Audit & Risk's self-assessment of current compliance with the Public Sector Internal Audit Standards & Code of Ethics and revised CIPFA Local Government Application Note 2019, concluded that overall Internal Audit does conform to these Standards and an Action Plan has been agreed to further improve compliance and progress with this, which will be monitored by the CGAC.

2. Head of Audit and Risk's Annual Assurance Opinion

Based both on the programme of planned Internal Audit work and the findings of ad hoc reviews and investigations undertaken and other than in respect of a small number of significant control issues that have arisen during the year, the Head of Audit and Risk has provided assurance that overall the Council's systems of governance, risk management and internal control are generally sound and operate reasonably consistently across Services.
Concern was expressed about the following key areas about which Limited Assurance opinions were produced and which were given due consideration as Significant Governance Issues:

- Need to adopt a corporate assurance framework
- Council and KNH Health & Safety Issues
- Better control of the risk of fraudulent creditor payments

3. External Auditor's Review

During the year the External Auditor's Annual Report included

- an unqualified opinion on the Council's 2018/19 financial statements; and
- an unqualified value for money conclusion, stating that we have made proper arrangements to secure economy, efficiency and effectiveness in our use of resources.

The period to which this Statement relates has been elongated this time beyond the normal point of the September following the end of the previous financial year by two factors
additional professional requirements on the external auditor, and
The impact of coronavirus.

It is likely that the Statement will apply until at least 30 November and the Annual Review reflects this extension, albeit that work is ongoing too in order address the issues as described in the Action Plan.

4. Corporate Governance & Audit Committee (CGAC)

The Committee considered and approved an updated Local Code of Corporate Governance at its meeting in March.

During 2019/20 the CGAC reviewed a number of aspects of the Council's governance arrangements and noted or approved revisions or made recommendations to Council as appropriate. CGAC also receives assurance from various annual reports such as health and safety, emergency planning and business continuity, information governance and customer corporate complaints and is informed of peer review activity.

Recognising the need to ensure that members of the Committee have the appropriate support and skills to carry out their role, training sessions were provided during the year including looking at Treasury management.

5. Overview & Scrutiny Management Committee

During 2019/20 the Committee and its four Panels reviewed a number of aspects of the Council's governance arrangements and key issues faced and strategies and responses to manage these, including the climate emergency, community cohesion and financial reporting.

6. Standards Committee

During the year the Committee reviewed various aspects of Member conduct, and initiated review of the standards process in response to publication of the report of the Committee on Standards in Public Life.

7 Role of the Chief Financial Officer

The role of the Chief Financial Officer (CFO) continues to reflect the governance arrangements set out in the CIPFA Statement, which are required to ensure the CFO is able to operate effectively and perform their core duties as part of the review of the Constitution. The Council's financial management arrangements continue to fully conform to those set out in the Statement.

8 External Inspections & Peer Reviews

Two key pieces of work were undertaken during the year.

- Local Government Association Corporate Peer Review Challenge

The Challenge took place during July 2019. It involved substantial input from a wide range of staff, elected members and stakeholders. The peer team considered five key areas of inquiry, which form the core components covered by all such Challenges. These are areas the LGA believe are critical to councils' performance and improvement:

- understanding of the local place and priority setting;
- leadership of place;
- organisational leadership and governance;
- financial planning and viability; and
- capacity to deliver.

In addition to the five areas above, the Council asked the peer team to take a sense check of whether the Council has the right focus, how the Council's 'journey' might be speeded up and what more the Council could do.
The outcome of the report was largely positive. It did provide a series of key recommendations and an Action Plan has been compiled to manage the response, which includes development issues being managed through the new Corporate Plan and governance ones through the Action Plan for this Statement.

- Ofsted Inspection – Children's Services

A full inspection commenced in June 2019 and concluded that significant progress had been made across Children's Services since the last inspection took place in 2016 which led to special measures being introduced.

It acknowledged the improvements that have been made in supporting children, young people and families, noting that the authority is showing clear and focused leadership; a strengthening of partnerships; and improved workforce stability. It adds that there are no widespread or serious failures, children who need help and protection are now recognised and the risk of significant harm is quickly responded to.

Whilst the report confirmed that Kirklees is no longer considered inadequate in any of its service areas, it did outline a number of areas for further improvement, which is reflected in the judgement of 'requires improvement to be good'. Work is in progress to address these improvement areas.

9 Officer Governance

Officer Boards as prescribed in the Constitution have continued to drive forward the Transformation Programme within the context of the Medium Term Financial Plan with strategic oversight from the Executive Team and escalation of appropriate issues. These arrangements are subject to both Cabinet and Scrutiny oversight.

10 Significant Partnerships

Partnerships range from joint venture partnerships, thematic partnerships and their subsidiaries to key contractual agreements managing substantial amounts of public money. The main contact officer for each Partnership is responsible for assessment of the governance arrangements and providing details of any significant changes to the membership and circumstances of the partnership. This information is used by senior officers of the Council to assess the potential risk that the partnership presents to the reputation or financial standing of the Council. The Council is continuing to work on a number of areas where arrangements need to be revised to strengthen and embed the governance framework, as identified in the Action Plan for this Statement.

11 Director of Public Health / Emergency Planning

As the coronavirus outbreak escalated during March 2020, the risk and potential impact on the Council and the whole of Kirklees was assessed and the scale and magnitude of the issues raised came into focus. Advice and guidance building on that from Public Health England has continued apace ever since.

12 Monitoring Officer / Senior Information Risk Owner

Reviewed information governance and security matters as role of Chair of the Information Governance Board, as well as wider organisational governance and compliance with the Constitution.

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Grant Thornton UK LLP
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Date:

Dear Sirs

Kirklees Metropolitan Council
Financial Statements for the year ended 31 March 2020

This representation letter is provided in connection with the audit of the financial statements of Kirklees Council and its subsidiary undertakings, Kirklees Neighbourhood Homes Ltd and Kirklees Stadium Development Ltd for the year ended 31 March 2020 for the purpose of expressing an opinion as to whether the group and Council financial statements are presented fairly, in all material respects in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 and applicable law.

We confirm that to the best of our knowledge and belief having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

Financial Statements

i. We have fulfilled our responsibilities for the preparation of the group and Council's financial statements in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 ("the Code"); in particular the financial statements are fairly presented in accordance therewith.

ii. We have complied with the requirements of all statutory directions affecting the group and Council and these matters have been appropriately reflected and disclosed in the financial statements.

iii. The Council has complied with all aspects of contractual agreements that could have a material effect on the group and Council financial statements in the event of non-compliance. There has been no non-compliance with requirements of any regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.

iv. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.

v. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable. We are satisfied that the material judgements used in the preparation of the financial statements are soundly based, in accordance with the Code and adequately disclosed in the financial statements.

vi. We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme assets and liabilities for IAS19 Employee Benefits disclosures are consistent with our knowledge. We confirm that all settlements and curtailments have been identified and properly accounted for. We also confirm that all significant post-employment benefits have been identified and properly accounted for.

vii. Except as disclosed in the group and Council financial statements:

a. there are no unrecorded liabilities, actual or contingent

b. none of the assets of the [group and]Council has been assigned, pledged or mortgaged

c. there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.

viii. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards and the Code.

ix. All events subsequent to the date of the financial statements and for which International Financial Reporting Standards and the Code require adjustment or disclosure have been adjusted or disclosed.

x. We have considered the adjusted misstatements, and misclassification and disclosures changes schedules included in your Audit Findings Report. The group and Council financial statements have been amended for these misstatements, misclassifications and disclosure changes and are free of material misstatements, including omissions.

xi. We have considered the unadjusted misstatements schedule included in your Audit Findings Report and attached below. We have not adjusted the financial statements for these misstatements brought to our attention as they are immaterial to the results of the Council and its financial position at the year-end. The financial statements are free of material misstatements, including omissions.

xii. Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.

xiii. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.

xiv. We have updated our going concern assessment and cashflow forecasts in light of the Covid-19 pandemic. We continue to believe that the group and Council's financial statements should be prepared on a going concern basis and have not identified any material uncertainties related to going concern on the grounds that current and future sources of funding or support will be more than adequate for the Council's needs for the twelve month period from the date the audit opinion is issued. We believe that no further disclosures relating to the group and Council's ability to continue as a going concern need to be made in the financial statements.

Information Provided

xv. We have provided you with:

a. access to all information of which we are aware that is relevant to the preparation of the group and Council's financial statements such as records, documentation and other matters:

b. additional information that you have requested from us for the purpose of your audit; and

c. access to persons within the Council via remote arrangements, in compliance with the nationally specified social distancing requirements established by the government in response to the Covid-19 pandemic. from whom you determined it necessary to obtain audit evidence.

xvi. We have communicated to you all deficiencies in internal control of which management is aware.

xvii. All transactions have been recorded in the accounting records and are reflected in the financial statements.

xviii. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

xix. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the group and Council, and involves:

a. Management:

b. employees who have significant roles in internal control; or

c. others where the fraud could have a material effect on the financial statements.

xx. We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, analysts, regulators or others.

xxi. We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.

xxii. We have disclosed to you the identity of the group and Council's related parties and all the related party relationships and transactions of which we are aware.

xxiii. We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

Annual Governance Statement

xxiv. We are satisfied that the Annual Governance Statement (AGS) fairly reflects the Council's risk assurance and governance framework and we confirm that we are not aware of any significant risks that are not disclosed within the AGS.

Narrative Report

xxv. The disclosures within the Narrative Report fairly reflect our understanding of the group and Council's financial and operating performance over the period covered by the financial statements.

Approval

The approval of this letter of representation was minuted by the Council's Corporate Governance and Audit Committee at its meeting on 24th November 2020.

Yours faithfully

Name……………………………

Position…………………………..

Date…………………………….

Name……………………………

Position…………………………..

Date…………………………….

Signed on behalf of the Council

Schedule of unadjusted errors:

Detail	CIES £'000	SoFP £' 000	Impact on total net exp £'000	Reason for not adjusting
Note 15 Property Plant and Equipment To correct an overstatement in care home valuation (Mill Dale and Crescent Dale)	TBC	Dr Revaluation reserve £5,000 Cr Land and Buildings £5,000	0	Not Material
Overall impact	**£0**	**£0**	**£0**	

Note that the accounting entries are to be agreed between finance team and auditor

Name of meeting: Corporate Governance & Audit Committee

Date: 24 November 2020

Title of report: Appointment of a Trustee of the Joshua Wood Charity

Purpose of report:

The purpose of this report is to seek the Corporate Governance and Audit Committee's endorsement of the nomination of the Council's Trustee of the Joshua Wood Charity

Key Decision - Is it likely to result in spending or saving £250k or more, or to have a significant effect on two or more electoral wards?	No
Key Decision - Is it in the Council's Forward Plan (key decisions and private reports)?	**Key Decision – No** **Private Report/Private Appendix – No**
The Decision - Is it eligible for call in by Scrutiny?	No

Electoral wards affected: Heckmondwike

Ward councillors consulted: Cllr Viv Kendrick, Cllr Steve Hall and Cllr Aafaq Butt

Public or private: Public

Has GDPR been considered? Yes

1. Summary

The purpose of this report is to seek the Corporate Governance and Audit Committee's (CGAC) endorsement of the nomination of the Council's Trustee of the Joshua Wood Charity

2. Background

2.1 At its' meeting on 22 July 2020, the CGAC received a report which outlined that at that time, the Council in its capacity as Corporate Trustee was one of three trustees of the Joshua Wood Trust and it was the Council's Cabinet that had the authority under the constitution to make the decisions of the Council in its capacity as Corporate Trustee.

2.2 The Committee noted that been difficult to conduct trustee business, as meetings of the trustees could only be held when there were meetings of the Council as Corporate Trustee. The Council in its capacity as Corporate Trustee had therefore been requested by the other two trustees, to cease to be trustee.

2.3 The Committee endorsed the proposed resolution of the Trustees of the Joshua Wood Trust to change the composition of the Trustees from the current composition (being the Vicar of Batley; the Churchwarden of St James Heckmondwike; and Kirklees Council as corporate trustee) to the Vicar of St James Heckmondwike, the Churchwarden of St James Heckmondwike and a nominee of Kirklees Council who has an affinity with the locality of Heckmondwike.

3. Council nomination

Following discussion with the Group Business Manager, CGAC are asked to note that Councillor Steve Hall has been nominated as Trustee of the Joshua Wood Trust for the duration of the nomination.

4. Implications for the Council

- **Working with People**

  The ability of the Council to nominate a Trustee will mean that the Council has an opportunity to work with the church community in Heckmondwike

- **Working with Partners**

  The ability of the Council to nominate a Trustee will mean that that Council has an opportunity to work with the Church in Heckmondwike

- **Place Based Working**

  The ability of the Council to nominate a Trustee with an affinity with Heckmondwike will promote the 'Place Based Working' approach.

- **Climate Change and Air Quality**

  The change to the governance arrangements of the Trust will not practically change carbon emissions.

- **Improving outcomes for children**

  There will be no impact

- **Other (e.g. Legal/Financial or Human Resources)**

  There are no financial or human resource implications in the implementation of the officers' recommendations.

  There are no legal implications in the council exercising its nomination rights. However, the nominee will need to be aware that they will need to discharge their duties of trusteeship.

5. Officer recommendations and reasons

The Corporate Governance & Audit Committee are asked to note and endorse the nomination of Councillor Steve Hall as Trustee of the Joshua Wood Trust for the duration of the nomination.

The reason for this is to address the request from the charity and the withdrawal by the Council in its capacity as corporate trustee from the charity. The corporate trustee will be replaced by an individual Council nominee which will lead to administrative convenience of not having to call corporate trustee meetings, i.e. the whole Cabinet.

6. Cabinet Portfolio Holder's recommendations

Not applicable

7. Contact officers

Martin Dearnley Head of Risk, Corporate Strategy & Public Health
martin.dearnley@kirklees.gov.uk 01484 221000

8. Background Papers and History of Decisions

Report – Joshua Wood Charity, Corporate Governance & Audit Committee
22 July 2020

9. Service Director responsible

Julie Muscroft, Services Director – Legal Governance & Commissioning 01484 221000

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Name of meeting: **CORPORATE GOVERNANCE & AUDIT COMMITTEE**
Date: **25th NOVEMBER 2020**
Title of report: **QUARTERLY REPORT OF INTERNAL AUDIT Q2 2020/21 JULY 2020 to SEPTEMBER 2020**

Purpose of report;
To provide information about internal audit work in quarter 2 of 2020/21

Key Decision - Is it likely to result in spending or saving £250k or more, or to have a significant effect on two or more electoral wards?	**not applicable** .
Key Decision - Is it in the Council's Forward Plan (key decisions and private reports?)	**not applicable**
The Decision - Is it eligible for call in by Scrutiny?	**not applicable**
Date signed off by Strategic Director & name **Is it also signed off by the Service Director for Finance IT and Transactional Services?** **Is it also signed off by the Service Director for Legal Governance and Commissioning Support?**	**not applicable** **not applicable**
Cabinet member portfolio	**not applicable**

Electoral wards affected: **All**

Ward councillors consulted: **None**

Public or private: **Public with a private appendix**

The appendix to this report is recommended for consideration in private because the information contained in it is exempt information within part 1 of Schedule 12A of the Local Government Act 1972 namely that the report contains information relating to the financial or business affairs of any particular person (including the authority holding that information). The public interest in maintaining the exemption outweighs the public interest in disclosing the information and providing greater openness in the Council's decision making.

Have you considered GDPR? **Yes**

1. Summary

1.1 This report sets out the activities of Internal Audit in the second quarter of 2020/21.
1.2 This includes work in both Kirklees Council and its controlled subsidiary Kirklees Neighbourhood Housing Ltd.

1.3 The coronavirus emergency has meant that only a small amount of routine work has been completed during the period.

1.4 The work has included an investigation into issues raised at a housing provider, and assessment of coronavirus arrangements in a part of the council's operations, a review of direct debit arrangements, the arrangements relating to "deprivation of liberty", rent debt write offs, and the council's emergency duty arrangements in children's services.

1.5 Internal Audit also continued with its activity to support the information governance, stronger families, and monthly pay project, and in the drafting of annual governance statement and in the preparation of information for the national fraud initiative.

1.6 A substantial amount of time has been spent in supporting the implementation of the Business Rates grant scheme (where more than £92.5m has been distributed), and the local discretionary grant scheme. The processes have been particularly in support of control arrangements and the prevention and investigation of fraud. This continues as the government launches new schemes for business support as the coronavirus continues. This has so far consumed almost the equivalent of one quarter of the projected audit time available for Kirklees assurance for the year, although this is broadly in line with internal audit's objectives. Staff have also spent a smaller amount of time on supporting other council administration activities (school admissions)

1.7 There is a consequential effect on the ability to deliver the annual plan for 2020/21, and the need to prioritise resources, between advice and assurance, as the year progresses. There will need to be flexibility to achieve assurance required for the year 2020/21. It is perhaps impractical in the circumstances to achieve the width of assurance that would normally be provided, but it should be possible to provide assurance about core areas of operation of critical operating systems, such as the systems that control finance, accounting, payroll, debtors and creditors. The work proposed in this regard is shown in summary in the appendix to this report. A report to this committee in January 2021 will update the position on progress.

1.8 Last year the Chef Finance Officer commissioned a piece of work from KPMG about decision making processes in the context of council grant schemes. KPMG found that whilst there were some parts of the processes that followed good practice, there were opportunities for improvement, especially in relation to the recording of decision made by officers.

1.9 It was agreed at March 2018 Council that this committee consider any surveillance activities under the Regulation of Investigatory Powers Act 2000. There are none this quarter. A "virtual inspection" by the Investigatory Powers Commissioner's Office has recently taken place which identified no concerns.

2. Information required to take a decision

2.1 The detail of the audit work performed this quarter is contained within the private Appendix.

3. Implications for the Council

3.1 **Working with People –** None directly

3.2 **Working with Partners –** None directly

3.3 **Place Based Working –** None directly

3.4 **Improving outcomes for children–** None directly

3.5 **Climate change and air quality-** None directly

3.6 **Other (eg Legal/Financial or Human Resources)-** Although each of the sub categorisations above suggest no direct implications, the work of internal audit covers all aspects of the Council's operations, including elements of the above, either specifically, indirectly or on a commissioned basis. The main issues relate to those areas highlighted above- where there are risks associated with basic processing arrangements and delivering sound governance and control.

4. Consultees and their opinions

There are no consultees to this report although heads of service/directors are involved in and respond to individual pieces of work

5. Next steps and timelines

5.1 To consider if any additional activity is sought. (Limited assurance audit outcomes are routinely followed up)

6. **Officer recommendations and reasons**

6.1 Members are asked to note the Internal Audit Quarterly Report and determine if any further action is sought on any matter identified.

6.2 Members are asked to consider what additional areas of assurance they may wish beyond those shown in the detailed report.

6.3 Members are also asked to note that there has been no Regulation of Investigatory Powers Act activity during the period quarter 2 2020/21.

7. **Cabinet portfolio holder's recommendations**

Not applicable

8. **Contact officer**

Martin Dearnley, Head of Risk & Internal Audit (01484 221133 x73672)

9. **Background Papers and History of Decisions**

Previous Quarterly reports, Audit Plan and confidential appendix.

10. **Service Director responsible**

Not applicable

Appendix 1

SCHEDULE OF KEY ASSURANCE PROCESSES.
Except where otherwise stated the assurance comes from internal audit assessment.

Core Financial Assurance

Payroll
Creditors
Debtors
Bank and Income Reconciliation
Council Tax
Business Rates
Procurement (includes SAP Procurement & Ordering controls, and more detailed contract and procurement arrangements)
Housing Rents
Other Rents & Property Transactions
Care First & Liquid Logic (Financial parts)

Other Strategic Business Controls

General IT Controls
SAP overall controls
Governance & Decision Making
Organisational Ethics

Other Assurance Sources

Regulation of Investigatory Powers
CQC assessments
Ofsted assessments
Other regulatory assessments

Document is Restricted