

# Public Document Pack



**Service Director – Legal, Governance and  
Commissioning**

**Julie Muscroft**

The Democracy Service  
Civic Centre 3  
High Street  
Huddersfield  
HD1 2TG

**Tel:** 01484 221000

Please ask for: Nicola Sylvester

Email: [nicola.sylvester@kirklees.gov.uk](mailto:nicola.sylvester@kirklees.gov.uk)

Thursday 16 September 2021

## Notice of Meeting

Dear Member

### **Corporate Governance and Audit Committee**

The **Corporate Governance and Audit Committee** will meet in the **Reception Room - Town Hall, Huddersfield** at **10.00 am** on **Friday 24 September 2021**.

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

A handwritten signature in black ink, appearing to read "Julie Muscroft".

**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 Yusra Hussain (Chair)  
Councillor Paola Antonia Davies  
Councillor Steve Hall  
Councillor Susan Lee-Richards  
Councillor Kath Pinnock  
Councillor Melanie Stephen  
Councillor John Taylor

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**

B Armer  
A Gregg  
V Lees-Hamilton  
R Smith  
M Thompson  
D Hall

#### **Green**

K Allison

#### **Independent**

C Greaves  
T Lyons

#### **Labour**

M Akhtar  
E Firth  
M Kaushik  
J Ramsay  
M Sokhal  
S Ullah

#### **Liberal Democrat**

J Lawson  
A Marchington  
A Munro  
A Pinnock

### **Ex Officio Members**

Councillor Paul Davies - Cabinet Member (Resources)  
Councillor Erin Hill - Chair of Standards Committee  
Councillor Elizabeth Smaje – Chair of Overview and Scrutiny Management Committee

# Agenda

## Reports or Explanatory Notes Attached

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### Pages

**1: Membership of the Committee**

To receive any apologies for absence, or details of substitutions to the Committee membership.

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**2: Minutes of Previous Meeting**

1 - 4

To approve the Minutes of the meeting of the Committee held on 13 August 2021.

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**3: Declarations of Interest**

5 - 6

Committee Members will be asked to advise if there are any items on the Agenda in which they have a Disclosable Pecuniary Interest, which would prevent them from participating in any discussion or vote on an item, or any other interests.

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**4: Admission of the Public**

Most agenda items will be considered in public session, however, it shall be advised whether Corporate Governance and Audit Committee will consider any matters in private, by virtue of the reports containing information which falls within a category of exempt information as contained at Schedule 12A of the Local Government Act 1972.

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## **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.

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## **6: Public Question Time**

The Committee will hear any questions from the general public.

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## **7: Corporate Customer Standards Annual Report 2020-21** 7 - 26

To consider a report detailing complaint issues and performance during 2020-21.

Contact Officer: Chris Read – Corporate Customer Standards Officer

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## **8: Annual report on bad debt write-offs 2020-21** 27 - 34

To consider a report on bad debt write-off 2020-21 and note the information in the Appendices on bad debt write offs.

Contact Officers: Steve Bird, Head of Welfare & Exchequer Services,  
Mark Stanley, Senior Manager, Welfare &  
Exchequer Services

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## **9: Committee System Proposal** 35 - 42

The report requests that Corporate Governance and Audit Committee appoint a Local Government Association Advisor and that an informal meeting be arranged to set out the timetable for the key milestones and timetable of the work required in consultations with the Chair.

Contact Officer: Samantha Lawton – Head of Governance

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**10: Annual Governance Statement 2020-21** 43 - 66

To request the Committee approve the Annual Governance Statement 2020-21 for publication with the Annual Accounts.

Contact Officer: Simon Straker – Audit Manager

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**11: External Audit Findings Report 2020-21** 67 - 122

To receive the attached update report.

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**12: Council's Final Accounts 2020-21** 123 - 288

To update Members on the final accounts and audit processes for 2020-21 and ask Members of this Committee to approve the Council's Statement of Accounts for 2020-21 and a final version of the Annual Governance Statement.

Contact Officer: James Anderson, Head of Accountancy

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**13: Financial Reporting Council Audit Quality Review on Grant Thornton** 289 - 292

To note the conclusions of the Financial Reporting Council and to consider if any further action is appropriate following consideration of the private appendix.

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**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.

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**15: Financial Reporting Council Audit Quality Review on Grant Thornton**

293 -  
300

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.

Exempt information relating to item number 13.

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Contact Officer: Yolande Myers

## KIRKLEES COUNCIL

### CORPORATE GOVERNANCE AND AUDIT COMMITTEE

**Friday 13 August 2021**

Present: Councillor Yusra Hussain (Chair)  
Councillor Paola Antonia Davies (via MS Teams)  
Councillor Susan Lee-Richards  
Councillor Kath Pinnock  
Councillor Steve Hall  
Councillor Melanie Stephen  
Councillor John Taylor

Observers: Councillor Paul Davies, Councillor Elizabeth Smaje, Chair  
of Overview & Scrutiny Committee (via MS teams)

Apologies:

- 1 Membership of the Committee**  
No apologies had been received
- 2 Minutes of Previous Meeting**  
**RESOLVED** – That the minutes of the Meeting held on 23 July 2021 be approved as a correct record:
- 3 Declarations of Interest**  
There were no declarations of interest.
- 4 Admission of the Public**  
It was noted that all agenda items would be discussed in public
- 5 Deputations/Petitions**  
There were no deputations or petitions received
- 6 Public Question Time**  
No public questions had been submitted
- 7 information Governance Response to the Pandemic**  
The Committee received a report setting out the response of the Information Governance (IG) service to the pandemic. The report set out details of the activities carried out in respect of information sharing, data protection, information security

and requests and provided an outline of the targeted support offered to services throughout the pandemic.

Katy Deacon, Information Governance Manager, explained that the Information Governance Strategy had been refreshed in light of the pandemic. It was reported that the Executive Team had approved the new IG strategy in July 2021 and the strategy is currently being shared with councillors during August. Going forward Council services will each be asked to complete an IG strategy self-assessment, which will help them determine where their Information Governance strengths and weaknesses are in order to allow them to create an action plan, to enable them to improve their IG compliance.

With regard to governance, it was reported that the Council's Information Governance Board will oversee the implementation of the IG strategy. The IG board will review the implementation every six months, to ensure services have the support they need to achieve the strategy outcomes.

During discussion of this item, Councillor John Taylor stressed the importance of involving all Councillors as part of any refresh of the Information Governance Strategy.

**RESOLVED –**

- (i) That the Committee recognise the excellent work of the Information Governance Team during the pandemic
- (ii) That the report be noted

**8 Draft Annual Governance Statement 2020/21**

The Committee received a report setting out the latest version of the Draft 2020/21 Annual Governance Statement, prior to it being signed off by the Chief Executive and Leader of the Council, which concludes that overall the governance arrangements remain fit for purpose and to consider whether the issues raised reflect the state of the governance and control framework during 2020/21.

It was explained that as the Statement covers the period up until the Annual Financial Accounts 2020/21 are approved, there may be need for revisions to be made in the text to reflect the findings from the external audit and anything material in the intervening period. In this respect any further significant impacts directly or indirectly consequent from the pandemic will need to be reflected in the Statement. In recognition of this situation, the draft document includes a separate conclusion and commentary as recommended by CIPFA / SOLACE.

Simon Straker, Audit Manager, reported that 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. The draft 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.

Within the draft Statement a number of 'Significant Governance Issues' were highlighted which reflected the unique demands faced during the pandemic as well as the wide-ranging nature of the issues and action required. It was reported that organisational resilience and new funding relationships had been slightly refocussed, with Staff wellbeing being identified as a new Issue in its own right.

Details of the actions and controls the Council is taking were contained within the recommended Action Plan.

In response to a question from Councillor Kath Pinnock, the Audit Manager undertook to look into the omission of governance arrangements of the Local Resilience Forum and make any necessary revisions to the draft statement.

**RESOLVED –**

That the Committee note the draft report in advance of a finalised version of the Statement being considered by the Committee ahead of the approval of the Annual Accounts later in the year.

**9 Update on Audit Process 2020/21**

The Committee received a verbal update from Stephen Nixon from Grant Thornton. It was reported that further to the submission of the Audit Plan at the last meeting of the Committee work has progressed well good with engagement and prompt responses from finance team.

Work has started on the vast majority of the balance sheet. Areas of significant risk in audit plan have been focussed on including land and buildings valuations; pension fund liabilities; examination of samples of journals; work on debtors, creditors and income. It is hoped to conclude the work by the government deadline of 30 September 2021.

**RESOLVED –** That the External Audit update be noted

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<b>KIRKLEES COUNCIL</b>				
<b>COUNCIL/CABINET/COMMITTEE MEETINGS ETC</b>				
<b>DECLARATION OF INTERESTS</b>				
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.





**Name of meeting:** Corporate Governance and Audit Committee

**Date:** 24 September 2021

**Title of report:** Corporate Customer Standards Annual Report 2020-21

**Purpose of report:**

To update Corporate Governance and Audit on complaint handling for the year 2020-21, a review of the Ombudsman and Third Stage Complaints received. The document also contains details of the Whistleblowing Complaints that have been received.

For Corporate Governance and Audit Committee to consider the content of the report, and to advise if they would like any additional areas for the next interim report.

<b>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?</b>	<b>No</b> .
<b>Key Decision - Is it in the <a href="#">Council's Forward Plan (key decisions and private reports?)</a></b>	<b>No</b>
<b>The Decision - Is it eligible for call in by Scrutiny?</b>	<b>Yes</b>
<b>Date signed off by <a href="#">Strategic Director</a> &amp; name</b>  <b>Is it also signed off by the Service Director for Finance IT and Transactional Services?</b>  <b>Is it also signed off by the Service Director for Legal Governance and Commissioning Support?</b>	          Julie Muscroft
<b>Cabinet member <a href="#">portfolio</a></b>	<b>Paul Davies</b>

**Electoral wards affected:** all

**Ward councillors consulted:**    **none**

**Public or private:**                **Public**

# **Corporate Customer Standards Annual Report 2020-21**

## **1: Purpose of report**

To update Corporate Governance and Audit Committee about complaint issues and performance during the previous financial year.

The report is informed by the Local Government Ombudsman Annual Report which is published late July. The report also incorporates information about third stage complaints handling, some key examples of learning and a summary of the Whistleblowing concerns that have been received.

## **2: Background processes**

Appendix 1 contains details of the council's complaint processes.

## **3: Complaint Statistics – how is Kirklees performing?**

This part of the report sets out the performance of the council in relation to several formal criteria.

### **Ombudsman Formal Report**

The ultimate sanction that the Local Government Ombudsman can apply is to issue a formal report against a council. These are usually issued where a matter is very serious and the council clearly has a number of process issues to consider and resolve, where there is a public interest in matters and learning can be shared with other councils, or where the council clearly has not reflected or changed its procedures after issues had been highlighted in the past.

In 2020-21, there were no formal reports issued against Kirklees Council. The last formal report published against Kirklees was made in 2018.

### **Ombudsman Upheld Complaints**

Overall numbers are very similar to previous years.

It should however be noted that the Ombudsman was closed for new complaints for 3 months of the year. It is difficult to consider what impact the pandemic the complaint had on complainant behaviour. Some residents may have decided to withdraw their complaints, others may have progressed them.

In 2020-21, 21 cases were formally investigated (23 in the previous year). There were 13 upheld complaints by the Ombudsman (2019/20: 12 cases).

Details of the upheld complaints are provided in [Appendix 2](#) with the summary of the case provided by the Ombudsman.

The proportion of cases upheld by the Ombudsman in Kirklees (62%) is lower than average for comparable authorities (72%) and was the lowest out of the 5 West

Yorkshire Councils. While the percentage upheld for Kirklees is higher than last year (52%), it relates to just one additional upheld case in the year for our council area.

100% of the Ombudsman's recommended actions were complied with.

The third measure published by the Ombudsman appears somewhat arbitrary; the percentage of upheld cases where the remedy offered by the council equals what the Ombudsman might also conclude. It does not take account of satisfactory remedies that do not reach the Ombudsman. This figure for Kirklees is 8% in 2019-20 (or one case). The importance of this measure is to reflect that the Ombudsman expects councils to actively seek to remedy identified complaints.

The corporate complaints team have continued to work with services to ensure they consider what an appropriate remedy might be if they have identified an error (and try to ensure any remedy is in line with what the Ombudsman might conclude), and to actively seek to resolve complaint matters.

### **Comparison with other councils: Ombudsman Investigations**

We can also compare Kirklees performance against West Yorkshire as a whole. The Kirklees population is approximately 19% of the West Yorkshire total, and this can be used as a basic measure to see whether the council attracts more or fewer complaints than may be anticipated. This year Kirklees attracts a proportionate rate of referral, but fewer upheld complaints than might be anticipated by population.

The figure is slightly higher than previous years, but this was not a typical year (not least the Ombudsman's office was closed for 3 months of the year).

<b>LA Area</b>	<b>Number of 2020-21 Mob investigations</b>	<b>Number of 2020-21 Omb Upholds</b>	<b>Percentage Upheld</b>
Leeds	33	25	76%
Bradford	23	19	83%
Calderdale	12	11	92%
Wakefield	8	6	75%
Kirklees	21	13	62%
Kirklees Proportion	21/107 = 19.6%  (19% of overall population)	13/74 = 17.5%  (19% of overall population)	Ombudsman peer group 72%

Standard statistical caveats apply, in that with small numbers, as few of two extra or fewer investigations can make quite a difference to the figures.

It should be highlighted that Kirklees always promote the next stage of the complaints process, so residents are aware of their right to progress their concerns to the Ombudsman.

Some residents might not have confidence in the Ombudsman process (which is about matching the council's actions against the appropriate legislation/policy) meaning figures about dissatisfaction are deflated. However, this would be common across all councils so the proportions should hold credence.

Given the unusual year, we have viewed the decisions made by the Ombudsman over the first quarter of 2021-22. The measure is different to that outlined above, but Kirklees attracted 12 (18.7%) of the 64 West Yorkshire cases with published decisions received, and 4 Kirklees cases were upheld from 19 West Yorkshire upheld cases (21%) (so these are essentially in line with population proportions, but the caveats above also apply).

### **Complaint Volumes**

**Appendix 3** contains historical comparison data regarding the number of complaints received at third stage.

Numbers in 20-21 are similar to the previous year, and somewhat lower than the years prior.

While the drop may well in part be related to the pandemic, it is also worth noting that the Corporate Customer Standards Team are getting more involved with pre third stage complaints also.

2018-2019	703 Cases Customer Standards involved
2019-2020	782 Cases Customer Standards involved
2020-2021	858 Cases Customer Standards involved

There has been a large further increase this 2021-22 financial year (so far) In the first five months of this year, customer standards have seen 555 cases (1332 cases projected in a full year). Numbers can fluctuate considerably, so this increase may not be sustained.

The reasons for this increase may be varied but include escalation by the customer in cases of non-response, fewer dedicated complaints managers within services, changes in escalation routes, more services asking for advice on complaint handling.

The increase in numbers is having an impact upon the effectiveness of the section, although recruitment of a further staff member to the team is ongoing.

Additional work beyond third stage and Ombudsman undertaken by the department includes:

- giving advice to services about complaints handling,
- looking at resolving complaints presented to the Chief Executive, Directors and those that appear complex at an early stage,

- co-ordinating replies between services where the complaint straddles a number of areas to ensure complaint responses are collated.
- dealing with repeated enquiries/vexatious complaints

The numbers considered by the corporate customer services team have increased considerably over recent years, and it is likely this early intervention work has contributed to ensuring that third stage and Ombudsman complaints have not increased.

## **5: Changes and trends**

It's difficult from a complaints perspective to identify exactly what the impact of the pandemic was. People have reacted in different ways during the pandemic.

Anecdotal evidence suggests there was a large drop in complaint numbers during the early days of the pandemic and some cases that were ongoing at the point of pandemic were dropped.

Conversely, some individual's anxieties about the pandemic were perhaps reflected by the importance they placed upon their complaints (not necessary with any direct relationship to coronavirus), and there have been an increased incidence of more persistent behaviour.

It may be with more people at home that issues around planning and neighbour nuisance in particular became more prevalent and important to them, even as behaviours started to return to more standard patterns.

An analysis of the planning complaints received are provided in Appendix 3.

Unfortunately plans to start to spread restorative working in the area of complaints was affected by the pandemic. While staff numbers of the section have increased since 2008 (from 1.5 FTE to 2.5 FTE), there remains less time to devote to each individual complaint investigation and peaks and troughs of work are created. There has been a surge of work during the latter part of 2020-21 and ongoing, part created by the Ombudsman closedown (in spring/summer of 2020), and also from work generated by complaints received about Business Grants. The Ombudsman is currently reviewing a considerable number of Business Grant complaints across the country.

We are currently completing a new Job Profile for the post of Assistant Corporate Customer Standards Manager. This will enable some flexibility to deal with the peaks of work that arise, and to potentially create capacity to become involved in additional complaints work, and to continue to support services to improve complaints performance and to try to push resolution to an earlier point in the process.

A number of learning from complaint examples in year and a few are highlighted below as examples.

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### **Learning from Complaints: Example Bereavement Services**

We received a complaint from a relative relating to a grave that had been laid down because it was considered to be unsafe and at risk of falling.

The complaints investigation determined that the council's record keeping on this particular grave was incomplete, and there were issues with recording the registered owners of grave sites.

Service Managers and legal service support recognised that the process around considering poorly maintained gravestones might benefit from review and arranged for representatives to attend a training course provided by the professional body.

Following from this, the managers met, and have identified a number of process and record keeping areas that could benefit from improvement. The internet advice requires further review.

The complainant has a professional interest in the area and is being consulted and kept up to date.

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### **Learning from Complaints – Waste Collection**

Many households main contact with the council is via waste collection. While the service receive many one-off enquiries relating to missed collection which can be caused by a variety of issues (from road conditions, poor public parking, failed bin presentation, human error, vehicle failure), there are a small number of repeated complaints.

While service managers are responsive to seeking to arrange to resolve matters on a case-by-case basis, there has been less focus on identifying and coordinating those regular complaints and formally responding to those customers who anticipate more than just a collection as a response.

The service is undertaking a review of its customer contact arrangements and record keeping, and we anticipate an improvement in service delivery which will significantly reduce dissatisfaction with complaint response, particularly for repeat complaints.

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### **Learning from Complaints – Business Grants**

The government asked councils to administer a range of Business Grant schemes as part of its response to the pandemic. The guidance that was provided did not contain a lot of administrative detail and there was no set review process described. The service usually has anything up to a couple of years to introduce a new scheme, here they had less than 2 months.

The Government also required a very rapid timescale for payments to businesses to be made, meaning there was an increased risk of introducing fraud and error into the administration process.

Clearly there was a high risk of the new process generating complaint.

Kirklees consulted heavily with neighbouring authorities to help provide assurance to its administrative processes, and while there was no (statutorily required) review process, it also introduced a formal reconsideration process for claims. This enabled a check process for rejected applications to be given a second, deeper consideration. Internal Audit were involved in reviewing decisions made and to undertake additional fraud and error work with payments.

While along with all other councils, Kirklees received a considerable number of challenges from unsuccessful businesses, the secondary reconsideration process considerably reduced the level of incorrectly determined claims and has given assurance that more claims were correctly considered.

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### **Learning from Complaints – Planning objection publicity**

In year, the local planning authority found their planning objection process coming under increased pressure. The process is that comments on proposed planning developments are published on our website with light redaction to remove the individual's identity.

A number of complaints were received from local residents who were concerned that various objections displayed on our website from other residents, unfairly represented the situation. Conversely, others were complaining that aspects of their planning objection comments were unnecessarily being redacted.

Clearly the planning authority are required to enable the public to comment upon proposed plans and recognise that the comments provided should be made public wherever possible. The comment is only formally considered at the point of the decision on the application.

A review of the objections determined a light touch review of comments to remove anything obviously offensive or inappropriate in the comment. However, subjective comments (perhaps a honestly held opinion as to the formal status of an aspect of the application) would remain, as it would enable further comment/opinion/correction to be received. This ensured the department had a consistent approach to the complaints and comment it had received.

### **7: Whistleblowing Concerns**

The Head of Risk and the Corporate Customer Standards Officer co-ordinate investigations for those cases directly reported to the Whistleblowing telephone line and email address. Other investigations may take place through issues reported to the HR section, direct to Internal audit, the external auditor or to the Chief Executive's Office.

It is worth noting that many of the cases received fall outside of the technical definition of a Whistleblowing complaint (the legislation seeks to protect internal staff if they "whistle-blow") and many concerns arrive from members of the public.



Services are reminded that employee whistle-blowers are legally protected from persecution and that they should play their part to ensure that reviews are impartial and that concerns are reasonably considered.

Whistleblowing issues may be referred to the Corporate Governance and Audit Committee or to Scrutiny for their consideration. Those investigated by internal audit are reported as a part of other reporting mechanisms to Corporate Governance and Audit Committee.

Whistleblowing contact details when provided always remain confidential on request.

During the year 2020-21 15 Whistleblowing referrals were received via either the Whistleblowing e-mail address ([www.whistleblowing@kirklees.gov.uk](mailto:www.whistleblowing@kirklees.gov.uk)) or telephone (01484 225030). This was a significant reduction from 33 the previous year, but more in line with the usual numbers received.

With more home working, it is possible there were reduced tensions between colleagues which resulted in fewer referrals and concerns about treatment and favouritism.

The whistleblowing reports received and how they were dealt with can be found in **Appendix 4**.

## **8: Information required to take a decision**

This is detailed in the report above

## **9: Implications for the Council**

- 3.1 **Working with People** – It is important that customers feel that – as far as is reasonable- they are fairly treated
- 3.2 **Working with Partners** – None directly, although their roles and actions sometimes appear within complaint resolution issues
- 3.3 **Place Based Working** – None directly
- 3.4 **Improving outcomes for children**– improved outcomes for all customers is an important part of any complaints process- both resolving the immediate complaint and understanding what can be learnt, as addressed in the report above
- 3.5 **Climate change and air quality**- None directly
- 3.6 **Other (e.g., Legal/Financial or Human Resources)**- the work to resolve complaints both within Service areas and Directorates, and through the central team is an important part of caring, for citizens, customers and staff, suppliers and businesses.

## **10: Consultees and their opinions**

There are no consultees to this report although executive team, service directors and heads of service are involved in understanding complaints handling, and they and or the teams have detailed involvement in all complaint handling by the corporate team and Ombudsman

## **11: Next steps and timelines**

To consider if any additional activity, or further reports or information is sought.

**12: Officer recommendations and reasons**

1. Members are asked to note the Report and determine if any further action is sought on any matter identified.

**13: Cabinet portfolio holder's recommendations**

Not applicable

**14: Contact officer**

Chris Read (01484 221000 x73579)

**15: Background Papers and History of Decisions**

Ombudsman Annual Report 2021

**16: Service Director responsible**

Julie Muscroft; Legal, Governance, Commissioning & Risk

## **Appendix 1**

### **Recap of the Council's Complaints Procedure**

The council's complaint process for 2021-22 has three internal stages.

**First stage** – the complainant initially contacts the council to express dissatisfaction about the service they have received. Many of these complaints are resolved by front line staff immediately, as errors are spotted corrected and an apology offered, or an explanation is given to explain the situation to justify why the situation is accurate.

**Second stage** – this is where the complainant remains dissatisfied and the complaint is referred to a senior manager within the appropriate service to consider.

**Third stage** – the Corporate Customer Standards Officer will review the actions taken by the service on behalf of the Council and Chief Executive and consider whether anything further can be done to resolve the complaint. The Local Government Ombudsman requires the council to give the complaint a final review before they may become involved with it.

Some complaints do not progress through the council's complaints procedure; these are usually complaints where a formal review process applies such as complaints relating to Childrens and Adults Services and Housing Benefit assessment complaints. The Ombudsman will consider some complaints before third stage review if they are considered urgent (for example school admission appeals).

Complaint stages are sometimes merged depending on the type of complaint received so as to ensure matters are dealt with appropriately and to ensure the complainant can progress to the Ombudsman as quickly as possible if matters have been dealt with.

## Appendix 2: Summary of the cases upheld by the Ombudsman 2020-21

The summary of the case provided by the Ombudsman in each case is as follows (the wording used in the summary is that provided by the Ombudsman to ensure impartiality).

Omb Case Reference	Service Area	Summary
18 016 766	Education	There were delays by the Council in the implementation of alternative educational provision for a child out of school; and the provision, once implemented, was inadequate. There were also delays in the implementation of the child's specialist provision, and confusion and delays in the Council's complaint handling. The Council had already offered a partial remedy for these faults, but has agreed with the Ombudsman's recommendation to increase its offer.
18 018 267	Adults Charging	Mrs R complained about the Council's handling of her mother's care costs and its delays in responding to her complaint. The Council was late sending a bill of increased care costs, which caused the family worry and stress. It has apologised and reduced the invoice to reflect the injustice caused by its delay. It will review its processes to avoid a recurrence.
19 008 358	Adult Care Services	Mrs B complained the Council failed to properly investigate and take action when she reported a safeguarding concern, delayed identifying an alternative care provider and delayed completing the investigation and telling her the outcome. Some parts of the safeguarding investigation were not carried out properly, the outcome was not clearly identified and the Council delayed telling Mrs B about the conclusion. That led Mrs B to have to go to time and trouble to pursue her complaint and undermined her confidence in the robustness of the investigation. There is no fault in the delay identifying a new care agency. An apology, payment to Mrs B and reminder to officers is satisfactory remedy.
19 009 470	Adult Care Services	Mr X complained about the actions of the Council when the care home his mother lived in raised a safeguarding alert. Mr X said this caused him distress and his mother's health to deteriorate, eventually leading to her death. The Council carried

		out a satisfactory investigation which identified fault in its own actions and those of the care home. It made recommendations to prevent a recurrence of the issues complained about.
19 010 427	Education	There was fault by the Council in failing to provide alternative education when it became aware a pupil was receiving less than full-time education. This resulted in loss of education for six months and placed additional stress on the family. Recommendations for an apology, a financial payment and service improvements are made.
19 010 641	Childrens	Ms X complained the Council did not follow correct procedures when it received a safeguarding referral about her child. The Council appropriately investigated her complaint under the statutory children's complaints procedure, so the Ombudsman will not re-investigate the complaint. The Council was at fault for delay at both stage 2 and stage 3 of the process which caused Ms X uncertainty and distress. It will pay Ms X £150 to remedy this.
19 013 110	Adults – Domiciliary Care	Mrs X complains on behalf of her late father, Mr Y, about the care provided by the Council. She says this caused much stress and meant Mr Y's last days were chaotic. She wants the Council to take the matter seriously and the Care Provider to be more accountable. The Ombudsman finds the care provided to Mr Y put him at an increased risk of harm and caused him distress. It also caused Mrs X and Mrs Y stress and frustration. The Council has agreed to apologise to Mrs Y and Mrs X, pay them £350 and waive 20% of the care costs to remedy the injustice. It will also take action to prevent similar problems in future.
19 014 729	Adults Charging	There is evidence of fault in this complaint. The Council took too long to complete a financial assessment which led to Mr & Mrs X receiving a large bill. There is no evidence to suggest the Council told Mrs X the care would be free.
19 017 084	Adults – assessment and care plan	Ms X complained on behalf of her daughter, Ms Y, about the Council's re-assessment of Ms Y's care and support needs. The Ombudsman found no fault in the Council's decision to re-assess Ms Y's needs. There were problems in the assessment process,

		but the Council worked with Ms X to resolve them. The Council was at fault for delays putting in place an increase to Ms Y's direct payments and for not offering Ms X a carer's assessment. It agreed to offer a remedy.
19 019 202	Adults – assessment and care plan	There is evidence of fault in this complaint. Between March 2018 and September 2019, the Council failed to ensure all Mrs X's needs were met. It focused only on her personal care needs and failed to take account of her domestic situation. The Council's failures caused an injustice to the whole family, but particularly to Mr X who suffered the strain of an increased caring role.
19 020 880	Adults – charging	Mr and Mrs X complained the Council failed to inform them that Mrs X's care was chargeable prior to receiving an invoice for the care. Mr and Mrs X also complained about charges being applied after they had cancelled the care package and for cancelled visits. The Council accepted fault for the delay in confirming the care charges and offered to reduce the charges to £1,345.36. The Council accepted the Ombudsman's recommendation of a further reduction of £774.08 to reflect the injustice caused through the Council's delay.
20 000 762	Business Grant	The Council was at fault for providing inaccurate information about eligibility for a business grant. The Council has now agreed to pay Mr X £500 for the direct injustice caused. That is an appropriate remedy, so the Ombudsman will not pursue the complaint further. Other parts of the complaint are more appropriately for the courts.
19 020 860	Refuse and Recycling	Miss X complained the Council failed to collect the bins from her house on numerous occasions within the first few months of 2020. Miss X also complained about the way in which the Council has handled her complaint. The Council was at fault for not collecting Miss X's bins and delays in arranging catch-up collection. The Council has resolved the bin collection issue in April 2020. The Council has agreed to provide Miss X with an apology and £100 to recognise the distress, time and trouble caused.

### Appendix 3: Historical comparison data regarding the number of complaints received at third stage:

This is the second year the Ombudsman has presented its figures in a consistent way, but unfortunately the impact of the pandemic again makes it difficult to compare outcomes over time.

The ombudsman received 73 contacts in the year (as opposed to 123 the previous year). This was in part created by a 3 month shut down by the Ombudsman.

Numbers for Ombudsman Contacts for individual service areas in Kirklees are as follows:

Service Area	2019-20	%	2020-21	%
Adult Care Services	25	20	8	11
Benefits, Tax, NNDR	9	7	13	18
Corporate & Other	13	11	5	7
Education and Childrens	29	24	9	12
Env Services and Public Protection	24	19	12	16
Highways and Transport	7	6	5	7
Housing	6	5	7	10
Planning	10	8	14	19
<b>TOTAL</b>	<b>123</b>		<b>73</b>	

### Third Stage Complaints - investigated internally

Service	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
<b>Adults</b>	3	1	4	2	4	1
<b>Benefits, C Tax &amp; NNDR</b>	16	16	14	6	7	6
<b>Corporate and others</b>	19	15	10	6	12	7
<b>Children's and Education</b>	4	5	5	11	7	2
<b>Environment &amp; Public Protection</b>	15	16	29	31	19	19
<b>Highways and Transport</b>	6	11	3	8	7	7
<b>Housing (including KNH)</b>	5	2	2	4	2	4
<b>Planning</b>	18	19	15	20	13	26
<b>Total</b>	<b>86</b>	<b>85</b>	<b>82</b>	<b>88</b>	<b>71</b>	<b>72</b>
<b>% upheld and Part Upheld</b>	<b>20.9%</b>	<b>21%</b>	<b>20.7%</b>	<b>22.7%</b>	<b>21.1%</b>	<b>18%</b>

It is always very tempting to try to extrapolate some comment about individual services, but given the low number of overall contacts, it is more prudent to consider individual cases and learning from them rather than to draw too many conclusions.

The most striking figure in the set is the doubling of numbers of third stage planning complaints from 13 to 26.

### **Analysis of Planning third stage complaints**

Analysis of these figures within Planning identified a wide spread of complaint

3 were recorded in relation to local campaigns against larger contentious developments (some duplicate replies were prepared to a number of residents from these 3 lead complaints).

3 related to planning enforcement issues (1 from a developer who felt enforcement was inappropriate, 1 about a complaint about a change of use development that was statutorily out of time to take action, 1 about an enforcement where taking action was determined not to be proportionate (a parking surface treatment)).

13 related to concerns about development plans for neighbouring premises.

(3 about an extension, 1 about a sports facility in the development site, concerns about the location of development on disputed land, a concern about a proposal near a conservation area, and ones about a garage, a consent for wall repair, and highway and access concerns).

1 related to a matter out of planning jurisdiction (powerlines)

4 related to disputed neighbour comments on the website

2 were issues which should be progressed to the Planning Inspectorate as it was the planning applicant that complained.

It should be noted that complaints in the planning process were largely not upheld, in that the decision could be demonstrated to have been taken appropriately and where the relevant concerns could be demonstrated to have been considered.

There were a small number of issues (4) which related more to timescales of consideration and about errors in wording and descriptions within the planning report, which did not affect the outcome.

It should be highlighted that the planning complaints process is led by a designated complaints officer, who considers the complaint against the legislative requirements, and where a process error is identified will consider the impact of that error.

A review of the process whereby public comment is displayed on the web was undertaken as a result of the complaints received.



#### Appendix 4: Summary of Whistleblowing Cases received

Cases with a star indicate that the whistleblower was a council employee and was thus making a Whistleblowing concern in accordance with the legislation. For administrative ease, we investigate concerns raised by members of the public in a similar way.

Concern	Outcome
A call was received that a council vehicle had visited a residential address to collect and transport private items.	A disciplinary hearing with the driver was undertaken
* There was a concern that a member of staff had been promoted without undergoing the standard recruitment processes	The appropriate process had been followed.
* There was a concern about some comments made from a School Head teacher in a council controlled school	The individual was referred to the school's whistleblowing process, where school governors consider matters raised.
That a private organisation used by the council had furloughed staff while still receiving funding for the work by the council	The matter was investigated. There are a number of reasons where furlough may have been appropriate to claim.
* A former member of staff complained about racism from their manager when they worked at the council.	The matter had been raised and investigated under HR procedures almost a decade ago and the opportunity to appeal the decision had expired.
* A member of staff had complained about how they had been treated by their manager, and how controlling they were.	The matter was referred to HR for investigation.
* A member of staff was concerned that the management was discriminating against them because they were required to shield.	The situation was complex and connected to a formal disciplinary matter

There were concerns that a contractor had been appointed on favourable terms	It had been confirmed that the appropriate tendering process had taken place.
* Concerns were raised about the recruitment, performance and other interests of a senior manager within a council department.	No specific evidence was provided. The officer was recruited appropriately, their performance was considered acceptable, their external interest was not one for personal gain and had been declared.
* A member of staff had posted questionable controversial content on their social media page.	The individual had not declared (on their web page) they worked for the council, the questionable content was set only for "friends" to view, and while unwise was not of the worst kind.  A discussion took place with the individual; they recognised the concerns and committed not to repost such material.
* A member of staff was exceeding their authority in seeking information from another service. There were some data security concerns, although the information was not shared with the individual.	Information was passed to the manager and a discussion and advice with the member of staff was provided. There was no evidence the information sought was for personal gain.
* A school member was concerned around advice provided to colleagues around covid 19 which they felt was inaccurate.	Clarification was sought from the school and the individual whistleblower also took advice from their union. While the communication was not without fault, it was determined the actual advice shared was correct.
* A large number of concerns about a service's operation was shared.	Covid delayed investigation as the service operations had altered, so processes could not be investigated. A number of staff interviews took place, some concerns have been clarified and explanations provided, some investigation work remains ongoing.
A member of staff forwarded a sales email from their council account to their personal account which they then forwarded to another party.	This did not relate to council business, although a very minor breach of the council's use of electronic equipment was identified.
* Concerns about the head of a council maintained school was shared.	Discussion about using the school's complaints procedure was discussed. Some information was shared with the safeguarding unit for advice. Discussion with the Head and Governors around elements of the complaint took place.

	Some changes in process were introduced by the school.
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**Name of meeting: Corporate Governance and Audit Committee**

**Date: 24 September 2021**

**Title of report: Annual report on bad debt write-offs, 2020-21**

## Purpose of report

Financial Procedure Rules require the Service Director Finance, to prepare an annual consolidated report on all debts written off annually, for consideration by the Corporate Governance and Audit Committee. This report details the debts written off in the financial year 2020-21.

<b>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?</b>	<b>No</b>
<b>Key Decision - Is it in the <a href="#">Council's Forward Plan (key decisions and private reports)</a>?</b>	<b>No</b>
<b>The Decision - Is it eligible for "call in" by Scrutiny?</b>	<b>"Not applicable"</b>
<b>Date signed off by Strategic Director &amp; name</b>	
<b>Is it also signed off by the Service Director - Finance</b>	<b>Eamonn Croston – 14/09/2021</b>
<b>Is it also signed off by the Service Director – Legal, Governance and Commissioning</b>	<b>Julie Muscroft - 14/09/2021</b>
<b>Cabinet member portfolio</b>	<b>Cllr Paul Davies</b>

**Electoral wards affected: None**

**Ward councillors consulted: None**

**Public or private: Public**

**Has GDPR been considered: Yes, no personal data in the report.**

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## 1. Summary

- 1.1 The Chief Financial Officer has to prepare an annual consolidated report of all debts written off for consideration by the Corporate Governance and Audit Committee. This report includes summary detail on the Council's approach to debt recovery in **Appendix A** and a summary schedule of debts written-off over the past 12 months, in **Appendix B**.

- 1.2 The Council has a good record of collecting income due, including a range of supportive measures to help bill payers who may be struggling to pay their bills, as part of a broader suite of income collection and recovery measures to ensure that everyone who should pay, does. The write off figures within this report underline how important it is for everyone to pay their share of the charges to help fund essential Council services and wherever possible payment by direct debit is encouraged and promoted. Last year was a challenging year financially due to the impact of COVID as the global impact started to bite economically through the local economy. This resulted in an increased number of customers having difficulties paying their bills. It is anticipated that there will be some element of suppressed bad debt (see 1.3 below) that will wash through into this and maybe next year.
- 1.3 Overall, debts written-off in 2020-21 totalled £2.99m; as a percentage of debt raised in the year, this is 0.63%. The previous year 2019-20, £5.74m was written off; equivalent to 1.16% of debt raised (the equivalent write offs in 2018-19 were 5.99% and the percentage was 1.24% of debt raised. In percentage terms, is less than 2019-20. However it should be noted that during the last 12 – 16 month the Government restricted enforcement action in most areas, so there is a high likelihood of suppressed bad debt, which may get reflected in future years write offs, alongside some continued economic volatility depending on the pace of global, national and local recovery from Covid.

## **2. Information required to take a decision**

- 2.1 Financial Procedure Rules authorise Directors to write off all individual bad debts subject to the approval of the Chief Financial Officer. A report on the details of all debts written off under delegated authority must be prepared and formally noted by the Director in consultation with the Cabinet Member. The Service Director - Finance must prepare an annual consolidated report of all debts written off for consideration by the Corporate Governance and Audit Committee.
- 2.2 **Appendix A** contains details of debts written off in 2020-21. The first table compares amounts written off in 2020-21 to those written off in 2019-20. The second table in **Appendix B** shows a detailed analysis of the reasons for write off in 2020-21. In both tables, the amount of debt raised in the financial year is shown as a guide - the amount written off in the year is not directly related to this as it is likely to include ongoing debts outstanding from previous years.
- 2.3 The figures for write offs of Adult Social Care debt, Housing Benefit Overpayments recovery, Grants and Housing, Housing Revenue Account (HRA), and Council Tax make up the top 5 areas for write off and demonstrate how important it is for everyone to pay their share of the charges to help fund essential Council services.
- 2.4 The write-offs for Adults relates to collection and recovery of adult social care charges. A key aim of the Adult Social Care Charging Policy is to ensure that where an adult is charged for care and support (including making a contribution to a personal budget following a financial assessment), that they are not charged more than they can reasonably afford and pay. Rigorous collection and recovery action is always taken using the legal powers available; however, due to the characteristics of the client group not all charges are recoverable. During 2020-21 there has been a continued increase in the recovery focus on Adult Social Care debt with a dedicated team continuing to work on improvements in debt collection. The team are also

working closer with the more vulnerable customers and advice partners ensuring all the relevant help and advice is available to help customers who are struggling financially. This has resulted in higher collection of these debts and writing off uncollectable historic debts. Examples of write offs include, not viable to pursue, and where the client has deceased etc.

- 2.5 The write offs for Finance relate mainly to Housing Benefit Overpayment recovery. The write off percentage figure is relatively high because the households concerned are by definition the least able to pay, and potentially impacted the most through the pandemic, old non collectable debts are targeted for write off and a high proportion of these are deemed not viable to pursue. Recovery action is always pursued using all the recovery powers available for example deductions from ongoing benefit entitlement or direct attachments on welfare benefits; however, ability to pay is also a consideration. These debts will also become more difficult to collect in the future as Housing Benefit administration is transferred to the Department of Works and Pensions (DWP) as the housing credit element of Universal Credit.
- 2.6 The council' housing stock is managed by the Income Management Team within its Homes & Neighbourhoods service area. In accordance with the Council Secure tenancy agreement, any charges for which the tenant is deemed directly liable, the landlord will seek to recover. In extreme cases where the rent due on a property is consistently not paid, and rent arrears continue to escalate, an application may be made for an order to take back possession of the property and evict a tenant from the premises. On average, this affects only a very small proportion of tenants each year. Expenditure and income relating to the provision of landlord services is ring-fenced or 'self-financed' through the Council's Housing Revenue Account (HRA)The HRA write-off figure includes former tenant liable costs, also referred to as rechargeable repairs and for which there is an existing HRA bad debt provision set aside to account for unrecoverable debt. The Council currently has over 11,414 tenancies on direct debit, equivalent to 51.8% based on 22,034 properties the Council is landlord for and the day to day management of these (including income collection and debt recovery).
- 2.7 The Council aims to maximise its collection and recovery of all Council Tax and Business Rates debts. The recovery process ensures that all accounts in arrears are chased through issuing reminders, summonses, obtaining liability orders through the Magistrates Court, if needed, which allow the Council to recover debts through using the Enforcement Agents (bailiffs), attachments to earnings or benefits, instigating insolvency proceedings, putting charging orders on the properties, or issuing committal to prison proceedings.
- 2.8 In 2020-21 under difficult circumstances and a period of no recovery being taken through the courts, officers have continued to undertake exercises to review the previous years' debts outstanding for both Council Tax and Business Rates and be realistic on what is collectable and what debts are not. Where accounts have been identified, with previous recovery action (some over a number of years) and no further action is viable to pursue or cost effective, the debts have been written off as unable to collect. In 2020-21 the Business rates team had to prioritise working on making business support grant payments (£173m to date ). Also indicated above the Magistrates court have also been closed for most of 20/21, as a result there are backlogs of work outstanding and a delay in taking recovery action against businesses for non-payment. Day to day activity has now resumed along with the first recovery courts on 29<sup>th</sup> July 21. It is expected as the team start to catch up with

outstanding workloads and take more recovery action write off in future years will rise (this year a lot of debt was covered by the extended retail relief awarded by Government). The economic recovery position is also very difficult to predict, with furlough ending in October and many businesses still not trading at full capacity, and with the added difficulty of having resource and supply chain issues in some sectors.

- 2.9 The recovery action highlighted above will ensure that all collectable debts outstanding will be pursued through rigorous recovery action. Additional resources will be deployed to recover unpaid Council Tax or Business Rates quicker and more effectively once older debts that have been through the recovery process have been removed. Tighter processes and procedures continue to be put in place to maximise recovery of collectable debts earlier in the process. Also, more emphasis has been placed on supporting vulnerable customers who have or are now struggling financially through ensuring all the appropriate support is in place to support and advise customers better, earlier in the recovery process. The anticipated current collection levels over the fullness of time are 97.24%, which the service expects to eventually recover for Council Tax and 95.6% Business Rates. These percentages have reduced due to increased arrears throughout last year. Write offs however are still likely to continue to rise as the economy feels the lasting impact of COVID.
- 2.10 Payment by direct debit is encouraged and the Council currently has 121,175 charge payers paying by direct debit on Council Tax (approx. 72.6% of paying charge-payers). In the last 12 months this has increased by over 4,500 new accounts set up for direct debit payments. The more direct debit payers the Council has, the better the recovery rate, allowing staff to concentrate on more difficult recovery cases outstanding.
- 2.11 Kirklees is the fifth largest Metropolitan Council in the country in relation to the net debit raised for Council Tax, so for the Yorkshire and Humber Area we will always be towards the top of any monetary list. The Council has 190,140 properties liable for Council Tax (£302.6m gross debit in 2020-21) and 16,102 properties for Business Rates (£146.1m gross debit in 2020-21). Whilst the Council Tax arrears increased in 2020-21 to £21.3m, the percentage compared to the overall net debit (in year and arrears £239.8m) was still approx. 0.01% due to the increase in the annual debit raised in 2020-21. Overall collection of the arrears is being maintained but with the rise of the debit raised the overall figure increased by £2.1m in 2020-21.
- 2.12 Whilst all of the debts highlighted in the report have been formally written off in the accounts for 2020-21, this does not mean that the Council will not pursue this debt if new information comes to light and the prospect for recovering outstanding debts changes. The impact of the COVID pandemic on customers financial circumstances will also be a factor to consider over the coming years as debts have accrued over the last year.



### **3. Implications for the Council**

This report provides summarised information on debts written-off over the previous 12 months. The overall income due in the year (Debit) to which the report's financial performance relates, supports the delivery of the Council's objectives and priorities within available resources:

#### **3.1 Working with People**

The debts are from various services charging for either providing a service or for raising annual charges through legislation ie Council Tax, and Business Rates. The Council work with customers to ensure that any debts outstanding are recovered in accordance with the payment terms but if the customer is having financial problems these will be taken into consideration. In certain circumstances debts are written off as either not viable to pursue or on the grounds of hardship or vulnerability where appropriate. Consideration is given to any inequalities and poverty caused by charges raised, and where appropriate debts will be considered for write off.

#### **3.2 Working with Partners**

Not applicable

#### **3.3 Place Based Working**

Not Applicable

#### **3.4 Climate Change and Air Quality**

Not Applicable

#### **3.5 Improving outcomes for children**

Not Applicable

#### **3.6 Other (eg Legal/Financial or Human Resources)**

##### **Financial**

The write off's have an impact on the Council's budget therefore bad provisions are factored into the estimated income from debts/charges raised throughout the year.

### **4. Consultees and their opinions**

None

### **5. Next steps**

Corporate Governance and Audit Committee will be asked to note the summarised information set out in this report.

### **6. Officer recommendations and reasons**

Corporate Governance and Audit Committee are recommended to note the information in the Appendices on bad debt write offs for 2020-21.

### **7. Cabinet portfolio holder recommendation**

To note the contents of this report

**8. Contact officer**

Steve Bird, Head of Welfare & Exchequer Services, 01484 221000  
Mark Stanley, Senior Manager, Welfare & Exchequer Services

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

Accounts & Audit regulations 2015, Local Audit & Accountability Act 2014

**10. Service Director responsible**

Eamonn Croston. Service Director - Finance  
01484 221000

Write Off Summary Comparison 19-20 to 20-21							
	*Debit For Year Apr 19 - Mar 20	Write Offs Apr 19 - Mar 20		Directorate	*Debit For Year Apr 20 - Mar 21	Write Offs Apr 20 - Mar 21	
	£	£	%		£	£	%
	<u>Children &amp; Families</u>						
	5,989,587	1,095	0.02%	Learning & Early Support	9,299,635	20,371	0.22%
	118,074	0	0.00%	Child Protection & Family Support	172,554	4,558	2.64%
	<u>Adults &amp; Health</u>						
	1,773,628	0	0.00%	Integration, Access & Community Plus	1,333,717	825	0.06%
	43,314,801	273,660	0.63%	Adults Social Care	55,437,801	422,400	0.76%
	<u>Economy &amp; Infrastructure</u>						
	4,177,122	12,769	0.31%	Growth & Housing	7,989,206	103,693	1.30%
	6,349,081	152,618	2.40%	Economy & Skills	7,692,153	46,410	0.60%
	17,535,594	93,555	0.53%	Environment	14,687,505	38,496	0.26%
	<u>Corporate Strategy, Commissioning &amp; Public Health</u>						
	4,884,608	0	0.00%	Strategy & Innovation	5,850,424	0	0.00%
	4,914,068	38,635	0.79%	Public Health & People	4,684,594	18,118	0.39%
	1,251,547	0	0.00%	Governance & Commissioning	1,651,303	0	0.00%
	745,841	291,139	39.03%	Finance	2,596,126	243,049	9.36%
	<u>Housing Revenue Account</u>						
	2,582,764	83,942	3.25%	HRA	500,251	26,408	5.28%
	<b>93,636,717</b>	<b>947,414</b>	<b>1.01%</b>	<b>General Fund Services</b>	<b>111,895,269</b>	<b>924,328</b>	<b>0.83%</b>
	80,570,786	463,820	0.58%	HRA (excl those on benefits)	81,653,328	301,782	0.37%
	214,810,316	3,040,106	1.42%	Council Tax	218,552,116	1,662,339	0.76%
	106,587,054	1,289,880	1.21%	NNDR (Business Rates)	59,564,692	101,021	0.17%
	<b>495,604,872</b>	<b>5,741,220</b>	<b>1.16%</b>	<b>Grand Total</b>	<b>471,665,405</b>	<b>2,989,470</b>	<b>0.63%</b>

<u>Write Off Summary 20-21</u>											
Directorate	*Debit For Year Apr 20 - Mar 21	Write Offs Apr 20 - Mar 21	%	Compassionate Grounds	Deceased	Liquidation/ Bankruptcy	Not Viable to Pursue	Unable to Trace	Statute Barred	Misc	Total
<u>Children &amp; Families</u>											
Learning & Early Support	9,299,635	20,371	0.22%	0	917	9,659	7,034	1,913	848	0	20,371
Child Protection & Family Support	172,554	4,558	2.64%	0	0	600	3,958	0	0	0	4,558
<u>Adults &amp; Health</u>											
Adults Social Care	55,437,801	422,400	0.76%	31,627	216,408	0	150,938	-990	24,417	0	422,400
Integration, Access & Community Plus	1,333,717	825	0.06%	0	0	0	808	-13	30	0	825
<u>Economy &amp; Infrastructure</u>											
Growth & Housing	7,989,206	103,693	1.30%	0	0	778	102,915	0	0	0	103,693
Economy & Skills	7,692,153	46,410	0.60%	0	384	4,358	29,523	7,720	4,425	0	46,410
Environment	14,687,505	38,496	0.26%	137	0	9,731	26,032	2,595	0	0	38,496
<u>Corporate Strategy, Commissioning &amp; Public Health</u>											
Strategy & Innovation	5,850,424	0	0.00%	0	0	0	0	0	0	0	0
Public Health & People	4,684,594	18,118	0.39%	382	0	0	16,676	1,060	0	0	18,118
Governance & Commissioning	1,651,303	0	0.00%	0	0	0	0	0	0	0	0
Finance	2,596,126	243,049	9.36%	15,838	43,958	16,354	35,083	17,983	113,833	0	243,049
<u>Housing Revenue Account</u>											
HRA	500,251	26,408	5.28%	0	0	0	5,356	0	21,052	0	26,408
<b>General Fund Services</b>	<b>111,895,269</b>	<b>924,328</b>	<b>0.83%</b>	<b>47,984</b>	<b>261,667</b>	<b>41,480</b>	<b>378,324</b>	<b>30,267</b>	<b>164,606</b>	<b>0</b>	<b>924,328</b>
HRA (Excl those on benefits)	81,653,328	301,782	0.37%	2,466	75,690	0	204,419	20,307	0	-1,099	301,782
Council Tax	218,552,116	1,662,339	0.76%	-112	27,687	303,620	1,360,656	-29,512	0	0	1,662,339
NNDR	59,564,692	101,021	0.17%	0	0	34,434	68,929	-2,343	0	0	101,021
<b>Grand Total</b>	<b>471,665,405</b>	<b>2,989,470</b>	<b>0.63%</b>	<b>50,338</b>	<b>365,044</b>	<b>379,534</b>	<b>2,012,328</b>	<b>18,720</b>	<b>164,606</b>	<b>-1,099</b>	<b>2,989,470</b>



**Name of meeting:** Corporate Governance and Audit Committee

**Date:** 24th September 2021

**Title of report:** Committee System Proposal

**Purpose of report:** Corporate Governance and Audit to appoint Local Government Association advisor

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 <u>Council's Forward Plan (key decisions and private reports)</u> ?	No
The Decision - Is it eligible for call in by Scrutiny?	No
Date signed off by <u>Strategic Director</u> & 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?	Rachel Spencer-Henshall 16.09.21   Julie Muscroft 16.09.21
Cabinet member <a href="#">portfolio</a>	N/A

**Electoral wards affected:** All

**Ward councillors consulted:** No

**Public or private:** Public

**Has GDPR been considered?** No GDPR implications

## 1. Summary

On 8<sup>th</sup> September 2021 Council approved the Corporate Governance and Audit Committee to determine the next steps in relation to the motion to consider a committee system governance model.

1.1 The first of those steps in accordance with Local Government guidance is to determine key issues when exploring and rethinking guidance as set out below:-

- **Planning:** what is the purpose of the work, how will you ensure the views of all interested parties are heard and how will you meet the democratic expectations of local residents?
- **Assessment:** how do you involve all members in policy development and integrate the public voice? What decisions are delegated to officers and how do you improve forward planning?
- **Design:** develop some principles for what an improved system might look like: member/officer relations, information sharing, councillors' role in performance/financial management.
- **Consider how you will get there.** What changes in culture and structure will be necessary? What are the structural options available?
- **Weigh up a formal change.** Is there a clear rationale for a governance change?

1.2 The CGA is asked to appoint an independent advisor Mark Edgell who is from the Local Government Association to work with Cllrs, beginning with an informal session of the committee to determine the next steps of the proposal and to establish a clear timetable.

1.3 Mark is a Principal Advisor to the Local Government Association, working with Councils in the Yorkshire and Humber Region, who's role includes providing advice and support to Councils on a variety of Governance and Leadership issues, including working alongside a number of Councils to assist and advise on the process of reviewing their model of governance. This experience and insight will be of benefit to the Council in the review process to be undertaken.

1.4 It is crucial when considering such an important proposal that all relevant stakeholders are engaged and the committee will have the support of an experienced and independent advisor during this process. The initial steps will be to ensure the key issues above, and milestones are clearly mapped.

- 1.5 This work will include exploring areas such as identifying relevant stakeholders, clear purpose and objectives, identifying the need for a working group or task and finish group, terms of reference, methodology and approach and sources of evidence, site visits or interviews from other local authorities, resource requirements.
- 1.6 Although the scope may seem clear from the motion it is necessary to ensure the key attributes of an effective governance structure is identified and what model would best suit the local authority.
- 1.7 At the outset it is important to design and plan the work taking into account the views of all Members with regard to the effectiveness of the current model; potential improvements to the current model; Member engagement within the current model; how any proposed new arrangements will better involve Councillors; and what principles should underpin any future governance arrangements.
- 1.8. Members' concerns and issues with the existing governance system and in support of governance change could be gathered from sessions or workshops. Similarly, the views of other organisations, could be sought including the views of residents.
- 1.9 Once there is a full understanding of these matters a governance system can be considered and evaluated. In addition, this approach can help identify areas that would not be addressed by a change of governance system and enable other action to be taken by the Council.

## **2 Information required to take a decision**

### Background

- 2.1 The Localism Act 2011 increased the governance options for local authorities as follows:

- executive arrangements (leader & cabinet or directly elected mayor & cabinet);
- a committee system; or
- prescribed arrangements.

There are three main governance arrangements outlined below:-

### Leader and Cabinet System

- 2.2 The decision-making structure operated by most councils, and the model currently run by Kirklees Council. The Leader is elected by full council for a term

determined by council and leads the cabinet. Councillors in the cabinet are appointed by the leader. Between two and nine councillors can be appointed to the cabinet.

2.3 Within Kirklees decisions are made by the whole cabinet. Some non-executive functions are reserved for committees (such as Planning or Licensing). The appointment of at least one overview and scrutiny committee is required under this system and Kirklees currently has one Overview Scrutiny Management Committee and 3 panels that sit below it. (Corporate, Economy and Neighbourhoods and Children's scrutiny panels)

2.4 Councils can adopt a **“hybrid” arrangement**. This is not a formal change of governance, and typically retains the leader and cabinet system but builds in a layer of committees advising and making recommendations to cabinet. For example the Constitution does provide for the provision of District/Area Committees. This change can occur at any time.

#### Directly elected Mayor and cabinet system

2.5 A directly-elected mayor is elected by local residents and holds office for four years. The mayor is additional to the elected councillors. A cabinet, of at least two and up to nine councillors, is appointed by the mayor who may (or may not) delegate decision-making powers. Some non-executive functions are reserved for committees (such as Planning or Licensing). The appointment of at least one overview and scrutiny committee is required under this system.

#### Committee System

2.6 Decisions are made by committees, which comprise members from all political groups. Committees receive briefings and commission reviews to develop policy. The Council appoints the committees and sets their terms of reference. Overview and scrutiny is optional under this model.

2.8 Since the introduction of the Localism Act a number of Council's have opted to make changes to their governance arrangements. This has included wholesale changes to the system of governance, development of hybrid models or bespoke changes to improve the operation and effectiveness of current arrangements. Whilst recognising that the drivers for change will be different for every authority, it will be necessary, to work with the independent advisor to discuss options whilst using his experience of other Councils.

#### Process for changing governance arrangements



- 2.8 The ability for the Council to change from one of the permissible forms of governance arrangements of a local authority to another is set out in Chapter 4 of the Local Government Act 2000 (as amended by the Localism Act 2011). Section 9KC of the Act is clear that a “resolution of a local authority” (a simple majority) is required in order for the council to make such a change in governance arrangements.
- 2.9 It should be noted, however, that a local authority may not then pass another resolution that makes a change from one to another of the permissible forms of governance arrangements ‘before the end of the period of 5 years’ beginning with the date the first resolution is passed, unless that change is by way of referendum. There is an expectation that any proposal to change the model of governance would need to be publicised and subject to a period of public consultation.
- 2.10 A resolution passed by the Authority to change from one of the permissible forms of governance arrangements to another will then be implemented only during- (a) the first annual meeting of the local authority to be held after the resolution to make the change in governance arrangements is passed, or (b) a later annual meeting of the local authority specified in that resolution.
- 2.11 There will be a significant amount of work required when rethinking governance models. Members have a key and central role in leading this process and being actively involved and taking an agile approach in managing, exploring and examining the key issues set out above by the Local Government Association.
- 2.12 Following initial discussions with Group Leaders it is proposed that as part of the first stage of the work Kirklees appoints Mark Edgell to work with the Corporate, Governance and Audit committee (CGA). They will have responsibility for working with the independent advisor from the Local Government Association. There will need to be an early informal meeting to discuss options with him using his experience from working with other authorities. This will enable the committee to set a clear timetable to progress the proposal. The work of the Independent Advisor will initially be undertaken as part of the Local Government Association’s ongoing support offer to local authorities.
- 2.13 A further update report and proposal with timelines will be brought back to Corporate Governance Audit committee, circulated as soon as the initial work with the advisor has been completed to update members and to set out a programme of work. It is acknowledged that the committee will need to meet more regularly to have oversight of this piece of work – formally and informally. This will need to be picked up in the timetable referred to above and having regard to the resource needed both internal and external to

support this work . The Committee will note that there is a desire from some Members to obtain clarity in respect of timeframes for the delivery of any potential new model.

### **3 Implications for the Council**

#### **3.1 Working with People**

The Council's capacity to work effectively and to deliver all aspects of its corporate outcomes is underpinned by ensuring that it takes informed and transparent decisions with openness and accountability. The Council's choice of governance arrangements is fundamental to this. The decision-making structure of the Council should provide a framework of transparent accountability to users, stakeholders, and the wider community.

#### **3.2 Working with Partners**

No implications

#### **3.2 Place Based Working**

No implications

#### **3.3 Climate Change and Air Quality**

No implications

#### **3.4 Improving outcomes for children**

No implications

#### **3.5 Other (e.g. Legal/Financial or Human Resources) Consultees and their opinions**

There are likely to be resource implications to the review due to the scope of reviewing governance models, complexity and timeframe involved. It is necessary to instruct external advising and there may be need for additional legal support. The committee may recommend actions that have a financial implication, including an impact on the Members' Allowances Scheme, and these should be contained within the committee's findings.

A review of governance arrangements will need to ensure that the recommendations are in accordance with the Localism Act 2011 and other relevant legislation, particularly the Local Government Acts and the timeframes included therein.

#### **Next steps and timelines**

Subject to approval the Committee appoint Mark Edgell, Principal Advisor – Local Government Association, to arrange an informal meeting with the committee and set out the timetable for the key milestones and timetable of the work required.

**Officer recommendations and reasons**

- (i) That Corporate Governance and Audit committee appoint Mark Edgell, Principal Advisor – Local Government Association to advise and work with the Committee on the review process.
- (ii) That an informal meeting be arranged with the Committee to meet with Mark Edgell to discuss the key work areas, the timetable for the key milestones and timetable of the work required.

**4 Cabinet Portfolio Holder's recommendations**

Not applicable

**5 Contact officer**

Samantha Lawton, Head of Governance

**6 Background Papers and History of Decisions**

Not applicable

**7 Service Director responsible**

Julie Muscroft, Legal, Governance and Commissioning

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**Name of meeting: Corporate Governance & Audit Committee**

**Date: 24 September 2021**

**Title of report: Annual Governance Statement 2020/21**

**Purpose of report: To request the Committee approve the Statement signed off by the Chief Executive & the Leader for publication 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 <a href="#">Council's Forward Plan (key decisions and private reports)</a> ?	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?	Yes – Eamonn Croston
Is it also signed off by the Service Director for Legal, Governance & Commissioning?	Yes – Julie Muscroft
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 2020/21 Annual Governance Statement signed off by the Chief Executive and Leader of the Council. The Statement covers 2020/21 and up to the date at which the Annual Statement of Accounts is approved (which is 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 2020/21 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 August meeting of this Committee and remains largely unchanged, albeit reflecting feedback and issues raised then as appropriate.
- 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'. All but one are brought forward from the 2019/20 Statement, reflecting both the wide-ranging nature of the issues and action required, as well as the unique impact of the pandemic. Another new issue has been identified too.
- 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 during 2021/22.

## **2. Information required to take a decision**

- 2.1 The detail is contained within the 2020/21 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 Directors Legal, Governance & Commissioning, Finance & Strategy & Innovation, Heads of Audit & Risk and People Services have commented on the draft Statement.

## **5. Next steps & Timelines**

- 5.1 The finalised version of the 2020/21 Statement signed off by the Chief Executive and the Leader will be 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 2021/22 Draft Statement.

## **6. Officer recommendations and reasons**

Members are asked to approve the 2020/21 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 2020/21 Statement is attached.  
2019/20 Statement  
Quarterly reports on the 2019/20 Action Plan

**10. Service Director responsible**

Chief Executive.

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Kirklees Council

# Annual Governance Statement 2020/21

September 2021

## 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. 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 2021/22 have been compiled into an additional separate part of this Statement together with a separate conclusion.

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 although we have less assurance than would normally be the case, we 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.

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 2021/22 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 Conclusion**

The response to Coronavirus focussed on a number of key priorities – promoting public safety and saving lives, managing business continuity, 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 the first lockdown in March 2020 to ensure key public services and business critical activities continued in accordance with current and quickly changing Public Health England and Government advice. The local Resilience Forum provided guidance and a lead on such matters too during this period, enabling the Council as with other member bodies to determine their preferred course of action with Cabinet and the Executive Team providing strategic leadership and support.

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 2020 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 2020 Annual General Meeting. The Regulations and virtual meetings applied up until 6 May 2021, thereafter meetings have been held in person.

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 including recovery will be conducted of the Council's response and learning points for the future but because of the protracted nature of the pandemic it remains too early to say with sufficient confidence which, if any, particular Issues would merit inclusion in this Statement because of their impact on the Council's key objectives, as it will require a significant period of time to assess the impact overall. That being the case, debriefs on elements of the response have been undertaken, including business continuity (first wave), excess deaths, surge testing and PPE procurement.

The pandemic has changed the working life of almost everyone and the way we learn to live and work in the future will lead to some fundamental changes which create significant risks,

most notably a skill and knowledge gap from the accelerated retirement of those that decide permanent working from home is not their preference. This applies equally to our partners and contractors too.

More specifically the diversion of key staff to managing the pandemic has already impacted upon the delivery of some important areas of responsibility, food hygiene inspection being a notable case in point, leading to a backlog in meeting statutory responsibilities and keeping residents safe and healthy.

## **Wider Significant Governance Issues during 2020/21**

The annual review process that has been possible has identified and evaluated both ongoing and new Issues and if any of these 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 2019/20 Statement unusually covered the period up to January 2021 due to the elongation of the time afforded to the external auditor to complete their work before the Accounts were signed off. Added to the focus of corporate managers being to address the issues arising due to the pandemic, this timing has understandably resulted in somewhat of a pause in the planned response to addressing the majority of the Issues raised last year.

We have noted in previous Statements that many Issues are of a 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 Issue 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 in 2020/21	Further Action in 2021/22
<p>Further strengthen the Corporate Plan with improved linkages to both revenue and capital resource allocation and performance measures.</p> <p>(A, B, F)</p>	<p>The new Corporate Plan, <i>Our Council Plan 2020/21</i>, 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 Inclusion Commission, we will make sure our focus on tackling inequalities delivers for everyone in Kirklees.</p> <p>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.</p> <p>A revised quarterly performance monitoring system has been introduced and is being embedded.</p>	<p>The corporate planning process is likely to include a substantial revision to reflect the impact on the organisation and its finances consequent to Coronavirus.</p> <p>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.</p> <p>The performance monitoring 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.</p> <p>The next Corporate Plan also needs to take account of developmental issues included in the Peer Review Action Plan from 2019/20 with an aligned Communications Strategy and engagement of all members, the development of both of which has been impacted by other organisation priorities in responding to the pandemic.</p>

Issue / Inclusion Criteria	Progress in 2020/21	Further Action in 2021/22
<p>Manage delivery of the Council's Transformation Activities.</p> <p>(A, F)</p>	<p>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.</p> <p>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.</p>	<p>The Council's priority transformation programmes, to which transformation resources are allocated, have been updated to reflect known areas of need and will be checked and adjusted where necessary year by year, and in no priority are:</p> <ol style="list-style-type: none"> <li>1. Waste Transformation</li> <li>2. Climate Change</li> <li>3. Assets Transformation</li> <li>4. SEND Transformation</li> <li>5. The ongoing development of a Modern Organisation (i.e. ensuring all services reflect the priorities of the organisation and are 'fit for purpose' during the long-term recovery of the district beyond Covid, supported by effective enabling functions)</li> <li>6. Tackling Inequalities</li> <li>7. Place Based Working</li> <li>8. Health and Social Care Integration</li> <li>9. Residential Care Market</li> <li>10. Access to Services</li> </ol> <p>The focus is now on ensuring these priorities are further shaped and delivered over the coming years. They may be further amended as a consequence of learning from coronavirus.</p>
<p>Strengthen and develop Partnership Governance and new relationships</p> <p>(A, B, F)</p>	<p>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. During the pandemic, partnership governance has been</p>	<p>Even prior to the pandemic there was still scope to increase the effectiveness of some partnership arrangements and for changes made recently to become embedded. This need now has a sharpened focus than ever before because of the heightened risks faced with associated parties/partnerships - Kirklees Stadium Development Limited</p>

Issue / Inclusion Criteria	Progress in 2020/21	Further Action in 2021/22
	<p>strengthened through more frequent executive meetings, focusing on response and recovery.</p> <p>KNH has returned to Council control and a transition period began.</p> <p>The Children's Partnership Board arrangements have been re-launched.</p> <p>Uncertainties have arisen associated with changed ways of working with newly emerging / re-shaped anchor /strategic partnerships and our influence in helping shape these from a strategic partnership /influencing /integration perspective, especially regional funders and partners, including the West Yorkshire Mayor and Combined Authority Competitive bidding is one such case and also the impact on Integrated Care Plans and the role of the Health &amp; Wellbeing Board.</p>	<p>and KAL. Also, Kirklees Community Association is now in view for governance reasons.</p> <p>The transition period will help ensure KNH is fully aligned with the Council's priorities and plans and its new governance arrangements are well embedded over the next twelve months.</p> <p>Develop strong working relationships with the West Yorkshire Mayor and others, apply best practice and iterative learning, aligned to clear and consistent communications.</p>
<p>Continue to Strengthen Risk Management</p> <p>(A, B, D, F)</p>	<p>A new Strategy &amp; a Risk Panel was established.</p> <p>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.</p>	<p>This still needs more work, as the quality of directorate based risk arrangements requires improvement, as does risk elevation.</p>



Issue / Inclusion Criteria	Progress in 2020/21	Further Action in 2021/22
<p>Continue to improve the manager skill base and capacity.</p> <p>(A, F)</p>	<p>The People Strategy programme of work has been refreshed and now focuses on 4 clear outcomes: Healthy and Well People; An Inclusive Employer of Choice; Highly Skilled, Flexible and Engaged People; and Effective and Compassionate Leadership.</p> <p>As part of this programme of work, there is a focus on improving manager capacity and skill base through effective workforce planning and a programme of learning and development.</p> <p>In 2020, a new leadership and management pathway was launched with targeted development for BAME colleagues at levels 3 and 5. Governance of the programme is through Modern Organisation Board, with 'check and challenge' via a cross-organisational steering group.</p>	<p>As part of the programme of work, the leadership and management pathway will be further developed to encompass level 7 learning and development, including targeted development for under-represented groups. Working in collaboration with the LGA, there is also a project underway to improve workforce planning, in particular to build resilience in the organisation and improve career pathways through the organisation. We will also be further embedding our restorative approach to leadership and continue to promote coaching and mentoring to improve manager skill base.</p> <p>The pandemic has helped create key skill shortages in a number of areas nationally that are becoming apparent across Service areas, such as HGV &amp; LGV drivers. The impact of this will require careful monitoring and an appropriate response as the situation develops</p>
<p>School Governance arrangements need review and improvement.</p> <p>(D, E)</p>	<p>A Schools Causing Concern Group chaired by the Service Director identifies and shares issues for remediation.</p>	<p>Look to understand what is causing a (historically) large number of complaints about governance and management in schools, and look to identify potential solutions.</p>
<p>Governance arrangements need developing to identify and manage issues arising from historically different</p>	<p>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</p>	<p>To embed and disseminate the learning following the identification and response of such issues on a corporate basis to consolidate overall resilience.</p>

Issue / Inclusion Criteria	Progress in 2020/21	Further Action in 2021/22
service delivery. To learn from the lessons arising and make sure the issues are addressed.	<p>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.</p> <p>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.</p>	
<p>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).</p> <p>(A, B &amp; C)</p>	<p>Built upon the progress achieved since the Peer Review.</p> <p>Developed new proposals around governance and decision-making arrangements.</p> <p>Used the re-designed profile of the councillor role as a basis for:</p> <ul style="list-style-type: none"> <li>- the full review of the Members' Allowances Scheme in the summer of 2021; and</li> <li>- how we improve support for councillors to facilitate more effective working with officers in the context of putting councillors at the heart of what we do.</li> </ul>	<p>Ongoing consolidation of governance arrangements identified last year to enhance the Constitution, in particular working with Members to look at some of the issues that came from the consultation and make any changes that may be required to the current Standards process. The Council is also, alongside that, considering the adoption of the LGA Model Code of Conduct.</p> <p>Consideration of proposals to review options around committee structures.</p> <p>Implementation of the reviews.</p>

Issue / Inclusion Criteria	Progress in 2020/21	Further Action in 2021/22
<p>Address the health and safety issues raised in connection with housing properties and the complete buildings portfolio, ensuring that management and operational arrangements provide for the health and safety of all Council tenants, employees and residents.</p> <p>(C, D, E)</p>	<p>Began implementation of the recommendations in the agreed Action Plan as monitored by the Service Director and Cabinet.</p> <p>Established an Assurance Board in connection with all such issues affecting the complete Council buildings portfolio.</p> <p>However, the pandemic has worsened the overall environment such that ensuring compliance in a timely manner from technically competent staff has become considerably more difficult due to national issues in the employment market in this sector.</p>	<p>Continue to deliver the agreed recommendations begun last year.</p>
<p>Ensure sufficient organisational resilience to resist the type of failings experienced in the local authority sector and beyond, by the formulation of a corporate Assurance Framework and culture in connection with all key and emerging business risks.</p> <p>(All)</p>	<p>The impact of the pandemic and necessary input of key staff into other corporate priorities has meant planned progress in this area has had to be deferred. One example of this is the review of good and sustainable financial management in the Council that Internal Audit were commissioned to undertake based upon best practice in CIPFA's Financial Management Code and report back to CGAC for initial assessment.</p> <p>ET has given initial consideration to lessons to be learned from corporate failures elsewhere, as described in various auditor public interest reports.</p>	<p>Compile all the various sources of assurance and determine how they inter-relate to one another.</p> <p>Manage any areas about which there are gaps or where assurance needs strengthening.</p> <p>Ensure issues are responded to appropriately and actions are delivered.</p> <p>Complete the financial sustainability review as per the revised timescale.</p> <p>Enhance the corporate governance framework as described above.</p>

Issue / Inclusion Criteria	Progress in 2020/21	Further Action in 2021/22
<p>Accelerate the response to the Climate Change Emergency Declaration.</p> <p>(A, E, F)</p>	<p>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.</p> <p>The Climate Change Working Party oversees Phase 1 actions including</p> <ul style="list-style-type: none"> <li>• Setting a carbon budget</li> <li>• Free parking for low emission vehicles</li> <li>• Considering the environmental impact in decision making</li> <li>• Creating a Climate Commission and Green Charter</li> <li>• Developing a detailed and ambitious action plan for Phase 2 to achieve the 2038 target.</li> </ul>	<p>Continue to work towards the Phase 1 Actions, acknowledging the 2021 report of the UN Intergovernmental Panel on Climate Change, including development of an electric vehicle fleet, widening the availability of vehicle charging points.</p>
<p>Develop a more strategic corporate management of the investigation and treatment of cases of suspected fraud &amp; corruption.</p> <p>(D)</p>	<p>This is another area where progress has been impaired by resourcing corporate priorities.</p>	<p>Refresh the Corporate Strategy engaging Members and CGAC in particular and focus management and resources on key risk areas.</p>

## **New Issues**

The annual review of the effectiveness of our governance arrangements has identified areas of heightened concern, risk, or significant uncertainty that require a corporate response. Where appropriate, these matters have been incorporated into exiting or slightly refocussed Issues brought forward from last year's Statement. Organisational resilience is such a cross cutting theme of note. One area where appropriate distinct focus is required though is described below.

Issue	Planned Action
<p><b>Staff wellbeing.</b></p> <p>The wellbeing of all staff is a vital part of being able to deliver the planned outcomes for the Council. Building and maintaining a healthy and well employee base is a key part of the existing People Strategy. However, the pandemic impact has been such that almost everyone has been affected personally, physically and emotionally, in addition to experiencing the effects arising from the effort and commitment that has been necessary to continue to deliver front-line services in very difficult circumstances, and the consequences of practical changes from adapting flexibly to new roles and tasks and to working from home in different ways.</p> <p>One particular aspect, given the demographic profile of the workforce, is a potential knowledge and skills gap arising from the likelihood of accelerated retirement amongst those who decide new ways of working are not for them, together with a recognition of the need for staff recuperation and recovery.</p>	<p>Recovery planning is underway including various sources of support, coupled with clear expectations and effective leadership and management.</p> <p>Implementation of the relevant parts of the People Strategy as described above.</p>

A detailed Action Plan sits behind this summary and the Executive Team and Corporate Governance & Audit Committee will monitor progress quarterly during 2021/22.

## 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 2020/21 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 during 2020/21, which has since been returned to Council control, 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 2020/21. 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 & Anti-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.
- 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.

## 2020/21 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 monitor progress with this objective, and this will be monitored by the CGAC.

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

The unique circumstances faced during the year necessarily reduced both the planned programme of internal audit work and the scope of that which could be undertaken given that all staff were working at home during this entire time. Nevertheless, a revised plan of key areas from which assurance was required was devised mid-year and approved by CGAC. In addition Directors were asked to provide confirmation from their viewpoint via completion of Assurance Statements that key operations and controls remained intact.

Both the conclusions as expressed in the opinion set produced from the audits undertaken and the returns received from Directors were sufficient to conclude that 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.

### 3. External Auditor's Review

During the year the External Auditor's Annual Report included



- an unqualified opinion on the Council's 2019/20 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.

#### 4. Corporate Governance & Audit Committee (CGAC)

The Committee considered and approved an updated Local Code of Corporate Governance at its meeting in March 2020.

During 2020/21 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, arguably most notably concerning the new West Yorkshire Mayoralty.

CGAC also received assurance from various 2019/20 annual reports such as health and safety, emergency planning and business continuity, information governance and customer corporate standards on complaint handling, and a review of the Ombudsman and Third Stage Complaints received, together with details of the Whistleblowing Complaints that have been received.

Recognising the need to ensure that both new and existing members of the Committee have the appropriate support and skills to carry out their role, training sessions are provided at various intervals and this year included treasury management.

#### 5. Overview & Scrutiny Management Committee

During 2020/21 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 devolution in West Yorkshire, Our Council Plan, Cohesion, Climate Change, Domestic Violence Strategy Update and Place Partnerships working, in addition to the response to Covid-19.

#### 6. Standards Committee

During the year the Committee reviewed various aspects of Member conduct, and received an update on progress in implementing the recommendations locally in the report of the Committee on Standards in Public Life. The Committee considered the CSPL recommendations in 2019 and concluded that on the whole the Council met with the recommendations. At the beginning of this calendar year the Council consulted about the standards process and had an excellent response. As a result of the response the Council will be working with members to look at some of the issues that came from the consultation and make any changes that may be required to the current Standards process. The Council is also, alongside that, considering the adoption of the LGA Model Code of Conduct.

#### 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.

The Council and CFO is working towards compliance with the CIPFA Financial Management Code and has commissioned Internal Audit to assess the body of evidence that exists to document this and confirm what further progress is needed.

## 8 External Inspections & Peer Reviews

Action Plan from Local Government Association Corporate Peer Review Challenge

The Challenge took place during July 2019 and the outcome was largely positive. It did provide a series of key recommendations and an Action Plan was 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, for example those linked to the Democracy Commission have been completed.

## 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. Well-established multi-agency relationships prior to the pandemic enabled the timely activation of command and control structures and the Kirklees response with the sharing of plans and arrangements was well received regionally. Government departments have recognised the Council as an excellent partner as an enhanced response area.

## 12 Monitoring Officer / Senior Information Risk Owner

Reviewed information governance and security matters as Chair of the Information Governance Board within the context of an internal review of the Board's terms of reference and increasing focus on an enabling and supportive role, as well as wider assurance concerning organisational governance and compliance with the Constitution.

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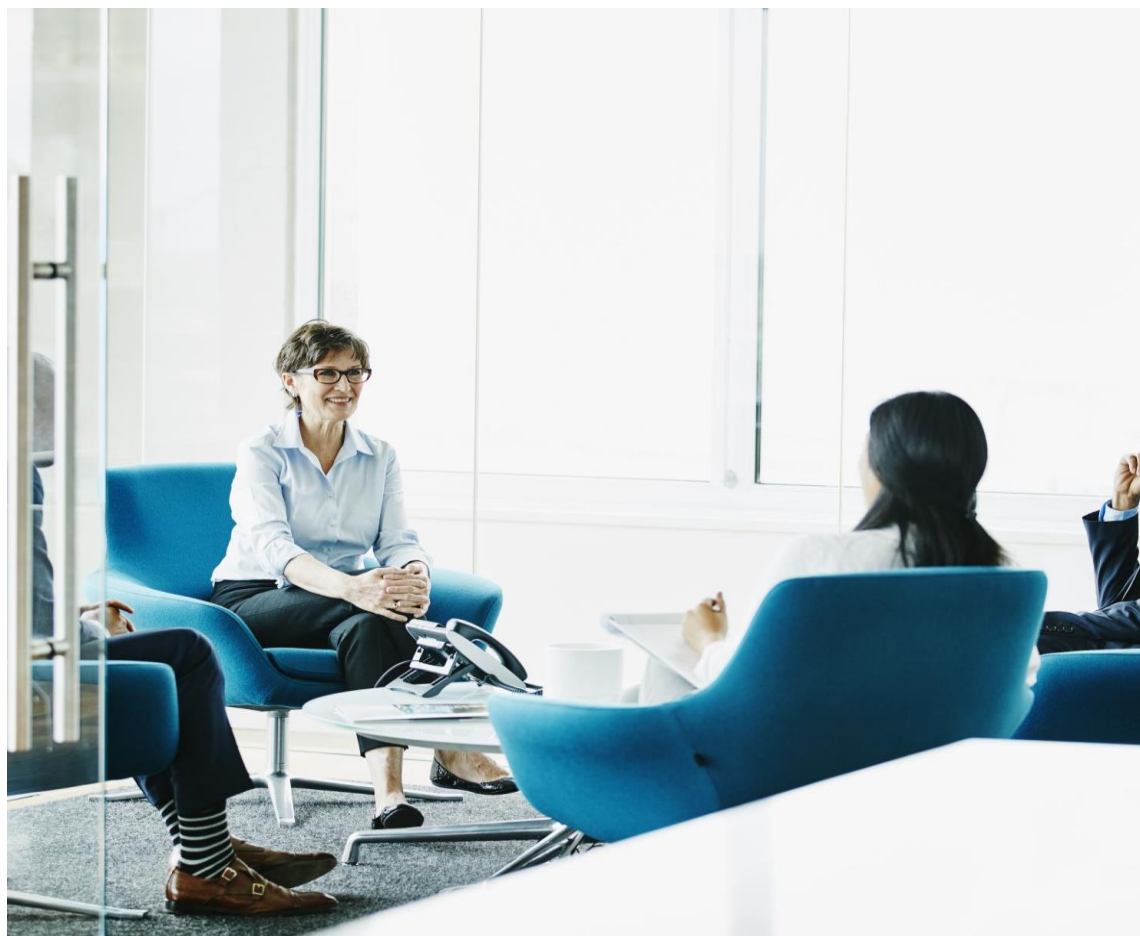
# The Audit Findings Report for Kirklees Council

**Year ended 31 March 2021**

**DRAFT**

Kirklees Council

15 September 2021



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**Your key Grant Thornton team members are:**

**Jon Roberts**

Key Audit Partner

T 07919 380840

E jon.roberts@uk.gt.com

**Stephen Nixon**

Senior Manager

T 0161 234 6362

E stephen.r.nixon@uk.gt.com

**Aaron Gouldman**

Assistant Manager

T 0161 214 3678

E aaron.r.gouldman@uk.gt.com

**The Key Audit Partner for the Authority's Material Subsidiary (Kirklees Neighbourhood Housing Ltd) is: Richard Graham**

Firm: Beever Struthers LLP

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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Council or all weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

**This Audit Findings 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. Its contents have been discussed with management and the Corporate Governance and Audit Committee.**

**[Key Audit Partner Signature]**

Name : Jon Roberts  
For Grant Thornton UK LLP  
Date :

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# 1. 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 2021 for those charged with governance.

Financial Statements	
<p>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:</p> <ul style="list-style-type: none"><li>the group and Council's financial statements give a true and fair view of the financial position of the group and Council and the group and Council's income and expenditure for the year; and</li><li>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.</li></ul> <p>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.</p>	<p>The majority of our audit work was completed remotely during July-September. Our findings are summarised on page 5. At this stage we have not identified any adjustments to the financial statements that result in an adjustment to the Council's Comprehensive Income and Expenditure Statement, Balance Sheet or General Fund. Disclosure and misclassification adjustments are detailed in 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.</p> <p>Our work on the key financial statement balances and significant risk areas is substantially complete and there are no matters of which we are aware that would require modification of our audit opinion, see Appendix E or material changes to the financial statements, subject to the following outstanding matters;</p> <ul style="list-style-type: none"><li>Matters outstanding on page 5;</li><li>receipt of management representation letter - see Appendix F;</li><li>review of the final set of financial statements; and</li><li>completion of our audit file quality review.</li></ul> <p>We have concluded that the other information to be published with the financial statements, is consistent with our knowledge of your organisation and the financial statements we have audited.</p> <p>Our anticipated audit report opinion will be unmodified and unqualified, with reference to the material estimation uncertainty disclosures in the financial statements regarding property valuation as a key audit matter.</p>

# 1. Headlines

## Value for Money (VFM) arrangements

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Auditors are now required to report in more detail on the Council's overall arrangements, as well as key recommendations on any significant weaknesses in arrangements identified during the audit.

Auditors are required to report their commentary on the Council's arrangements under the following specified criteria:

- Improving economy, efficiency and effectiveness;
- Financial sustainability; and
- Governance

We have not yet completed all of our VFM work and so are not in a position to issue our Auditor's Annual Report. An audit letter explaining the reasons for the delay was issued to the Chair of the Corporate Governance and Committee on 10 September 2021. We expect to issue our Auditor's Annual Report in December 2021. This is in line with the National Audit Office's revised deadline, which requires the Auditor's Annual Report to be issued no more than three months after the date of the opinion on the financial statements.

As part of our work, we considered whether there were any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. We identified a risk in respect of the Special Educational Needs (SEND) expenditure within the Dedicated Schools Grant budget. This was a major contributor to the £14.4m overspent DSG reserve during 2019/20, and the overspend has increased during 2020/21, and expected to increase further in 2021/22.

We set out in the Audit Plan that we plan to review and assess the arrangements in place by the Council to understand, contain and find a solution to the overspend. Our work on this risk is underway and an update is set out in the value for money arrangements section of this report (see Section 3).

## 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 expect to certify the completion of the audit upon the completion of our work on the Council's VFM arrangements, which will be reported in our Annual Auditor's Report in December 2021 and completion of our work on the Whole of Government Accounts.

## Significant Matters

We did not encounter any significant difficulties or identify any significant matters arising during our audit. Our audit was completed remotely due to the Covid-19 pandemic with the aid of virtual meetings and sharing of electronic working papers.



# 2. Financial Statements

## 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 and require the approval of the Corporate Governance and Audit Committee.

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 in particular included:

- An evaluation of the group internal controls environment, including its IT systems and controls;
- An evaluation of the components of the group based on a measure of materiality considering each as a percentage of the Council's gross revenue expenditure to assess the significance of the component and to determine the planned audit response. From this evaluation we determined that specified audit procedures for the IAS19 pension liabilities of Kirklees Neighbourhood Housing Ltd were required by the Group Audit team.
- Substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks.

We have not had to alter our audit plan, as communicated to you at of the Corporate Governance and Audit Committee on 23 July 2021.

## 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 September, as detailed in Appendix E. These outstanding items include:

- Audit testing is largely complete across the key risk and high value areas although there remain audit procedures to complete before we conclude the audit;
- Completion of income and expenditure testing including compliance with grant recognition criteria;
- Receipt of West Yorkshire Pension Fund auditor findings
- Understanding the nature and potential disclosure of pension guarantees made to Kirklees Neighbourhood Housing Ltd, and any similar guarantees;
- Review of MRP;
- Final quality review of audit procedures;
- Receipt of management representation letter; and
- Review of the final set of financial statements.

We anticipate completing the audit during October 2021 and will issue the final version of this Audit Findings Report to members of the Corporate Governance and Audit Committee prior to issuing the opinion for consideration.

## Acknowledgements

We would like to take this opportunity to record our appreciation for the assistance provided by the finance team and other staff. As highlighted in of our Audit Plan, the impact of the pandemic has meant that both your finance team and our audit team faced audit challenges again this year, due to remote access working arrangements eg remotely accessing financial systems, video calling and verifying the completeness and accuracy of information provided remotely by the Council,

Signed :

## 2. Financial Statements



### 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 in July 2021.

We detail in the table below our determination of materiality for Kirklees Council.

	Group Amount (£)	Council Amount (£)	Qualitative factors considered
Materiality for the financial statements	£13.5m	£13.4m	The threshold above which could reasonably be expected to influence the economic decisions of the reader of the financial statements.
Performance materiality	£8.11m	£8.08m	The amount set to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality.
Trivial matters	£0.7m	£0.7m	Based upon 5% of materiality for the financial statements.
Materiality for senior officer emoluments	£20,000	£20,000	Considered to be of heightened public interest



## 2. Financial Statements - Significant risks

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

This section provides commentary on the significant audit risks communicated in the Audit Plan.

### Risks identified in our Audit Plan

### Commentary

#### Management override of controls – Council risk

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. This was one of the most significant assessed risks of material misstatement.

We have:

- evaluated the design effectiveness of management controls over journals
- analysed the journals listing and determined the criteria for selecting high risk unusual journals
- tested unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration
- gained an understanding of the accounting estimates and critical judgements applied made by management and considered their reasonableness with regard to corroborative evidence
- Evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions.

Work is to be completed. A sample of 105 journals was selected for testing [36 selected for focused testing and 69 selected using the risk scoring method]. From testing carried out to date there has been no evidence of inappropriate management override of controls.



## 2. Financial Statements - Significant risks

### Risks identified in our Audit Plan

### Commentary

#### ISA240 revenue and expenditure recognition risk – Council risk

##### Revenue

ISA (UK) 240 includes a rebuttable presumed risk that revenue recognition 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 ISA 240 and the nature of the revenue streams at the Council, we have determined that the risk of fraud arising from revenue recognition can be rebutted because:

- there is little incentive to manipulate revenue recognition and opportunities to manipulate revenue recognition are very limited
- the culture and ethical frameworks of local authorities, including Kirklees Council, mean that all forms of fraud are seen as unacceptable

Although the risk of fraud is rebutted, we recognise the risk of error in revenue recognition and this is addressed through the responses to risk detailed across.

##### Expenditure

In the public sector, whilst it is not a presumed significant risk, in line with the requirements of Practice Note (PN) 10: Audit of financial statements of public sector bodies in the United Kingdom - we also consider the risk of whether expenditure may be misstated due to the improper recognition of expenditure.

This risk is rebuttable if the auditor concludes that there is no risk of material misstatement due to fraud relating to expenditure recognition.

Based on our assessment we consider that we are able to rebut the significant risk in relation to expenditure, but will nevertheless, and in line with PN10, recognise the heightened inherent risk of 'other service expenditure' in our audit scoping and testing assessment.

The revenue and expenditure recognition risks have been rebutted.

Despite revenue and expenditure recognition not being a significant risk we still undertook the following procedures to ensure that revenue and expenditure included within the accounts is materially correct. To gain this assurance we:

- evaluated the Council's accounting policies for income and expenditure recognition for appropriateness and compliance with the Code
- updated our understanding of the Council's system for accounting for income and expenditure and evaluated the design of relevant controls
- undertook detailed substantive testing on the income and expenditure streams in 2020/21
- documented our understanding of the full nature of additional Covid-19 related income and expenditure
- reviewed the accounting treatment of all new income and expenditure streams to confirm that they have been accounted for appropriately in line with the Code and accounting standards

Our substantive income and expenditure testing is not yet completed. However, based upon the work completed to date we have no matters to bring to your attention.



## 2. Financial Statements - Significant risks

### Risks identified in our Audit Plan

### Commentary

#### Valuation of land, buildings, council dwellings and investment property – Council risk (Key Audit Matter – Council)

Revaluation of land, buildings, council dwellings and investment property should be performed with sufficient regularity to ensure that carrying amounts are not materially different from those that would be determined at the end of the reporting period. Investment property and Council Dwellings should be revalued annually.

Additionally, valuations are significant estimates made by management in the accounts.

Our 2019/20 opinion included a Key Audit matter paragraph drawing attention to disclosures included in the financial statements of a material uncertainty attached to property valuations as at 31 March 2020 due to the ongoing nature of the Covid-19 pandemic. This paragraph did not represent a modification of our audit opinion.

We have identified the valuation of land, buildings, Council Dwellings and investment property as a significant risk and a key audit matter.

In response to this risk we have:

- evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to the valuation experts and the scope of their work
- evaluated the competence, capabilities and objectivity of the valuation expert
- written to the valuer to confirm the basis on which the valuations were carried out
- challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding
- engaged an independent auditor's expert valuer to provide a further review of the reasonableness of the assumptions and approach taken by the Council's valuers
- tested a sample of valuations at 31 March 2021 to understand the information and assumptions used in arriving at any revised valuations
- tested revaluations made during the year to see if they had been input correctly into the Council's asset register
- reviewed the social housing discount factor as applied to Council Dwellings
- reviewed whether the expert valuer had reported any material uncertainty in relation to property valuations as at 31 March 2021 and, if so, assessed the impact on disclosures in the financial statements and on our audit opinion.

We have carried out the planned audit procedures and raised challenge regarding the assumptions used by management and their expert valuers (Wilks Head Eve for land and buildings, District Valuation Service for Council Dwellings). The valuation date used by the valuer was 31 December 2020. We have received satisfactory responses to these enquiries.

We have also reviewed property values for the period 1 January 2021 – 31 March 2021, and have not identified any evidence to suggest that a material misstatement exists due to market factors between the valuation date and the balance sheet date.

Additionally, we have challenged management's assessment that assets not revalued in year are materially stated at the balance sheet date. **We are currently discussing the appropriateness of this assessment with management, as it applies across the various asset types.**

In undertaking our work we selected the following properties for detailed sample testing due to their high value and/or movement being different to our expectations based upon our expert valuer indexed movement:

- Other land and buildings – 55 assets
- Investment property – 30 assets
- We also selected 16 Beacon classes of Council dwellings

We have not identified any significant errors based upon our sample testing.

We noted that the Council's valuer Wilks Head Eve has determined a material valuation uncertainty regarding retail and specific trading assets due to the unprecedented circumstances caused by the Covid-19 pandemic. We make reference to this uncertainty in our Audit Report at Appendix E.

Management re-assessed the social housing discount factor used for revaluing council dwellings for 2020/21. A revised factor of 41% discount from vacant dwelling of similar type was applied after upward indexation, compared to 38% in the previous year. We are satisfied with the factor used and the resulting gain in value that resulted as this is compliant with DCLG guidance and considered appropriate for the locality.

Our audit testing is substantially complete and we have not identified any material errors. We are quantifying one error regarding garage valuations where an inappropriate valuation method was applied (See Appendix C Unadjusted Error).

## 2. Financial Statements - Significant risks

### Risks identified in our Audit Plan

### Commentary

#### Valuation of pension fund net liability – Council and group risk

##### [Key Audit Matter]

The Council'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 due to the size of the numbers involved and the sensitivity of the estimate to changes in key assumptions. Our 2019/20 opinion included a key audit matter drawing attention to disclosures included in the financial statements which reported that, due to the impact of Covid-19 on the global financial markets, the valuation of the Pension Funds' investment properties were reported on the basis of material valuation uncertainty. This paragraph did not represent a modification of our audit opinion.

The methods applied in the calculation of the IAS 19 estimates are routine and commonly applied by all actuarial firms in line with the requirements set out in the Code of practice for local government accounting (the applicable financial reporting framework). We have therefore concluded that there is not a significant risk of material misstatement in the IAS 19 estimate due to the methods and models used in their calculation.

The source data used by the actuaries to produce the IAS 19 estimates is provided by administering authorities and employers. We do not consider this to be a significant risk as this is easily verifiable.

The actuarial assumptions used are the responsibility of the entity but should be set on the advice given by the actuary. A small change in the key assumptions (discount rate, inflation rate, salary increase and life expectancy) can have a significant impact on the estimated IAS 19 liability. In particular the discount and inflation rates, where our consulting actuary has indicated that a 0.1% change in these two assumptions would have approximately 2% effect on the liability. We have therefore concluded that there is a significant risk of material misstatement in the IAS 19 estimate due to the assumptions used in their calculation. With regard to these assumptions we have therefore identified valuation of the Authority's pension fund net liability as a significant risk. This is one of the most significant assessed risks of material misstatement and therefore a key audit matter.

In response to this risk we have:

- updated our understanding of the processes and controls put in place by management to ensure that the Authority's pension fund net liability is not materially misstated and evaluated the design of the associated controls
- evaluated the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work
- assessed the competence, capabilities and objectivity of the actuary who carried out the Authority's pension fund valuation
- assessed the accuracy and completeness of the information provided by the Authority to the actuary to estimate the liability
- tested 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
- undertaken procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report
- reviewed whether the pension fund has reported any material uncertainty in relation to investment property valuations as at 31 March 2021 and, if so, assessed the impact on disclosures in the financial statements and on our audit opinion
- obtained assurances from the auditor of the West Yorkshire Pension Fund as to the controls surrounding the validity and accuracy of membership data; contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements
- performed specific procedures to gain assurance on the net pension liability of the group component Kirklees Neighbourhood Housing Ltd.

Our work is substantially complete and audit procedures have not identified any material errors in the valuation of the net pension fund liability.

We are unable to conclude our audit work in this area until the audit of West Yorkshire Pension Fund is completed by their auditor as we require sight of their audit findings to determine whether any errors are identified which would impact the Kirklees Council reporting.

## 2. Financial Statements – new issues and risks

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 deficiencies identified during the year.

Issue	Commentary	Auditor view
<b>IFRS 16 implementation</b> Although the implementation of IFRS 16 has been delayed to 1 April 2022, audited bodies still need to include disclosure in their 2020/2021 statements to comply with the requirement of IAS 8 para 31. As a minimum, we 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 a high level reference to IFRS16 in Note 3 Accounting Standards Issued but Not Yet Adopted.	The minimum requirements of IAS8 have been met. Management and the audit team will liaise during 2021/22 to ensure the requirements of the new standard are met and adequately reported in the 2021/2 financial statements.
<b>Recognition and Presentation of Grant Income</b> The Council receives a number of grants and contributions and is required to follow the requirements set out in sections 2.3 and 2.6 of the Code. The main considerations are to determine whether the Council is acting as principal/ agent, and if there are any conditions outstanding (as distinct from restrictions) that would determine whether the grant be recognised as a receipt in advance or income. The Council also needs to assess whether grants are specific, and hence credited to service revenue accounts, or of a general or capital nature in which case they are credited to taxation and non-specific grant income.	Work currently underway	Work currently underway
<b>IT Control deficiencies</b> IT control deficiencies were reported in the 2019/20 Audit Findings Report and are followed up at Appendix B. Revised recommendations have been agreed with management at Appendix A.	See Appendix A.	The recommendations made at Appendix A are intended to address weaknesses at system access level, but are not indicative of a high risk of material error in the financial statements.

## 2. Financial Statements – key judgements and estimates

This section provides commentary on key estimates and judgements inline with the enhanced requirements for auditors.

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
<p>Land and Building valuations – Values at 31 March 2021:</p> <p>Other Land &amp; Buildings: £515.089m (PY £523.287m)</p> <p>Investment Property: £97.335m (PY £101.105m)</p>	<p><b>Other Land and buildings and Investment Property:</b></p> <p>Other land and buildings comprises £369m 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 (£146m) are not specialised in nature and are required to be valued at existing use value (EUV) at year end. The Council has engaged Wilks Head and Eve to complete the valuation of properties as at 31 December 2020 on a three yearly cyclical basis. 40% of total Land and Buildings assets were revalued during 2020/21.</p> <p>The Council's valuer disclosed a material uncertainty in the valuation of the Council's land and buildings at 31 March 2021 relating to Retail and specific trading assets/sectors, as a result of Covid-19. The Council has included disclosures on this issue in Note 5.</p> <p>Management has considered the year end value of non-valued properties, and the potential valuation change in the assets revalued at 31 December 2020 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.</p>	<ul style="list-style-type: none"> <li>• We have assessed the Council's external valuer, Wilks Head and Eve, to be competent, capable and objective</li> <li>• We have carried out completeness and accuracy testing of the underlying information provided to the valuer used to determine the estimate, including floor areas</li> <li>• 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</li> <li>• Valuation methods remain consistent with the prior year</li> <li>• 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.</li> <li>• Overall this key estimate of valuation includes a material valuation uncertainty as at 31 March 2021. We are in discussion with management to understand the extent of this uncertainty. We include it as a Key Audit Matter in our audit opinion at Appendix E whilst we continue discussions.</li> </ul>	Light purple

### Assessment

[Purple] We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated

[Blue] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic

[Grey] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious

[Light Purple] We consider management's process is appropriate and key assumptions are neither optimistic or cautious



## 2. Financial Statements – key judgements and estimates (continued)

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
<p>Land and Building valuations – Values at 31 March 2021:</p> <p>Council Dwellings: £720.632m (PY £679.654m)</p>	<p><b>Council dwellings:</b></p> <p>The Council owns 22,137 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.</p> <p>The Council has changed their external valuer to the District Valuation Service for 2020/21 onwards to complete the valuation of these properties. The year end valuation of Council Housing was £720.6m, a net increase of £40.9m (6%) from 2019/20 (£679.7m).</p>	<ul style="list-style-type: none"> <li>The Council's RICS qualified external 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.</li> <li>Our work indicated that this methodology was applied correctly during 2020/21 valuation.</li> <li>We have compared the valuation movements with our auditor's valuation expert (Gerald Eve) report and held discussions with our valuation expert. These discussions are still on going.</li> <li>We have assessed the Council's valuer, to be competent, capable and objective in carrying out the valuations</li> <li>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</li> <li>Management re-assessed the social housing discount factor used for revaluing council dwellings for 2020/21. A revised factor of 41% discount from vacant dwelling of similar type was applied after upward indexation, compared to 38% in the previous year. This brings the discount factor in line with the extant DCLG Stock Valuation Guidance 2016, and after discussing this with our auditor's valuation expert, we confirm we are satisfied with the factor used</li> <li>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.</li> </ul>	Light purple

### Assessment

[Purple] We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated

[Blue] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic

[Grey] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious

[Light Purple] We consider management's process is appropriate and key assumptions are neither optimistic or cautious

## 2. Financial Statements - key judgements and estimates (continued)

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment																								
<b>Net pension liability:</b>  <b>Group: £1,098m (PY £888.81m)</b>  <b>Council: £998.57m (PY £824.75m)</b>	<p>The majority of the Group's pension liability (£998.57m) relates to the Council with a £99.4m portion attributable to the subsidiary Kirklees Neighbourhood Housing Ltd. The total net pension liability comprises 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.</p> <p>The WYPF auditor has referenced a material uncertainty in the valuation of property investments in a number of property fund valuation reports in which the fund invests due to the possible impact of the Covid-19 pandemic. We are discussing the nature and impact of this uncertainty with management.</p> <p>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.</p> <p>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 £173.8m net increase in Net Liability Related to Defined Benefit Pension Scheme during 2020/21.</p>	<ul style="list-style-type: none"> <li>We have assessed the Council's actuary, AoN, to be competent, capable and objective</li> <li>We have performed additional tests in relation to accuracy of contribution figures, benefits paid, and investment returns to gain assurance over the 2020/21 roll forward calculation carried out by the actuary and have no issues to raise.</li> <li>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:</li> </ul> <table border="1"> <thead> <tr> <th>Assumption</th><th>Actuary Value</th><th>PwC value / range</th><th>Assessment</th></tr> </thead> <tbody> <tr> <td>Discount rate</td><td>2.1%</td><td>2.1%</td><td>●</td></tr> <tr> <td>Pension increase rate</td><td>2.7%</td><td>2.7%</td><td>●</td></tr> <tr> <td>Salary growth</td><td>3.95%</td><td>2.5% - 4.2%</td><td>●</td></tr> <tr> <td>Life expectancy – Males currently aged 45 / 65 (years)</td><td>21.9 22.6</td><td>21.9 22.6</td><td>●</td></tr> <tr> <td>Life expectancy – Females currently aged 45 / 65 (years)</td><td>24.7 25.8</td><td>24.7 25.8</td><td>●</td></tr> </tbody> </table> <ul style="list-style-type: none"> <li>We have carried out additional procedures for Kirklees Neighbourhood Housing Ltd to gain assurance over the group's pension liability</li> <li>We have confirmed the controls and processes over the completeness and accuracy of the underlying information used to determine the estimate</li> <li>We have confirmed there were no significant changes in 2020/21 to the valuation method</li> <li>We are satisfied with the reasonableness of estimate of the net pension liability</li> </ul> <p>Work is not yet complete as set out on page 10.</p>	Assumption	Actuary Value	PwC value / range	Assessment	Discount rate	2.1%	2.1%	●	Pension increase rate	2.7%	2.7%	●	Salary growth	3.95%	2.5% - 4.2%	●	Life expectancy – Males currently aged 45 / 65 (years)	21.9 22.6	21.9 22.6	●	Life expectancy – Females currently aged 45 / 65 (years)	24.7 25.8	24.7 25.8	●	TBC
Assumption	Actuary Value	PwC value / range	Assessment																								
Discount rate	2.1%	2.1%	●																								
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## 2. Financial Statements - key judgements and estimates (continued)

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
<b>Grants Income Recognition £682m (PY £524.1m)</b>  Due to the Covid-19 pandemic there has been a significant increase in the level of Covid related grant funding with associated complexity and management judgement required. This has comprised a mix of discretionary and non discretionary schemes. The majority has been grants to business including £113m Small Business Grant Fund including Retail, Hospitality and Leisure	<p>Management take into account three main considerations in accounting for grants:</p> <ul style="list-style-type: none"> <li>whether the authority is acting as the principal or agent and particularly whether it controls the goods or services before they transfer to the service recipient. Management's assessment needs to consider all relevant factors such as who bears credit risk and responsibility for any overpayments, who determines the amount, who sets the criteria for entitlement, who designs the scheme and whether there are discretionary elements.</li> <li>whether there are conditions outstanding (as distinct from restrictions) that would require the grant to be recognised as receipt in advance, otherwise grant should be recognised as income</li> <li>whether the grant is a specific or non-specific grant. General un-ringfenced grants are disclosed on the face of the CIES, whereas ringfenced grants are required to be credited to service revenue accounts.</li> </ul> <p>There may be significant judgements over the accounting treatment. Different conclusions may be reached by authorities depending on how they have applied any discretion in administering the schemes - are these judgements reasonable and sufficiently disclosed to meet the requirements of IAS 1:125? Audit teams need to consider how they are satisfied that the Council's judgement is reasonable based on the terms of the grant and how they have applied it.</p>	<ul style="list-style-type: none"> <li>We have substantively tested a sample of 16 grants across categories and reviewed management's assessment as to whether the Council is acting as the principal or agent</li> <li>For the sample selected we have reviewed the completeness and accuracy of the underlying information used to determine whether there are conditions outstanding (as distinct from restrictions) that would determine whether the grant be recognised as a receipt in advance or income</li> <li>We have also assessed for the sample of grants received, whether the grant is specific or non specific grant (or whether it is a capital grant) – which impacts on where the grant is presented in the CIES</li> <li>We have assessed the adequacy of disclosure of grants received and judgement used by management.</li> </ul> <p>Our work in this area is substantially complete and to date we have no matters to report.</p>	TBC

### Assessment

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



## 2. Financial Statements - key judgements and estimates (continued)

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Minimum Revenue Provision - £6.634m (PY £6.315m)	<p>The Council is responsible on an annual basis for determining the amount charged for the repayment of debt known as its Minimum Revenue Provision (MRP). The basis for the charge is set out in regulations and statutory guidance.</p> <p>The year end MRP charge was £6.634m, a net increase of £0.319m from 2019/20.</p>	<ul style="list-style-type: none"> <li>The Council's calculation of MRP has been calculated in line with the statutory guidance</li> <li>There have been no changes in the Council's policy for calculation of since the policy was approved by full Council in 2018/19</li> </ul> <p>Our review is underway to assess reasonableness of the approach taken by the Council in calculating MRP in comparison to other authorities</p>	TBC

### Assessment

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

## 2. Financial Statements - Internal Control

Assessment	Issue and risk	Recommendations
	An internal audit report dated 15/3/21 gave an opinion of 'Adequate Assurance' relating to the Council's controls around suppliers' change of bank details. This is slightly improved from the 'No Assurance' report given in February 2020. There remains a risk that supplier bank mandate fraud could be perpetrated either externally or internally due to lack of implementation of robust monitoring controls.	<ul style="list-style-type: none"> <li>To address the potential breach of controls given the limited number of checks being performed so far in 2021, IA recommended that staff are to include screenshots in their 'VEN-AMEND' forms proving they had verified the request details to an independent source such as Google or SAP, as opposed to the email request.</li> </ul> <p><b>Management response</b> TBC</p>
	The process for collation and review of Members' interests for possible disclosure in the Related Party Transactions note is lacking co-ordination and buy-in from members. There is a risk that material interests are not being declared and considered in a timely manner.	<ul style="list-style-type: none"> <li>Members should be reminded of the importance of providing up to date disclosures and reconfirming their interests on an annual basis, even if nothing has changed from year to year.</li> <li>The Council's website should be updated on a timely basis to address discrepancies between Members' interests reported in multiple places on the website.</li> </ul> <p><b>Management response</b> TBC</p>
Various	A separate report has been produced by the Grant Thornton IT auditor identifying some deficiencies in arrangements.	See separate report

## 2. Financial Statements - Internal Control

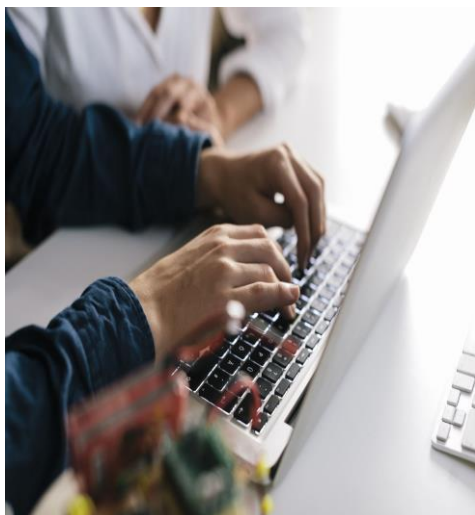
Transaction cycle	Effectiveness of the system of internal control	Basis of assessment
Revenue (the presumed significant risk is rebutted)	Assessment not applicable - no significant risk identified and no control assessment performed.	Assessment not applicable - no significant risk identified and no control assessment performed other than a refresh of business process documentation.
Expenditure (not a significant risk however internal control assessed to assist substantive assurance procedures)	Designed effectively No control deficiencies identified	<p>From discussions with management, financial accountants and accounts payable service accountants, we have identified key controls within the expenditure and payables processes and performed walkthrough procedures to confirm that these are designed effectively and are implemented as designed.</p> <p>We have performed a segregation of duties review and have not identified any control deficiencies from this.</p> <p>From the work of our IT auditor, we have not noted any significant control deficiencies at IT General Control level that would impact on our ability to conclude that the activity level controls are not designed effectively.</p>

## 2. Financial Statements - other communication requirements

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	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 other incidents in the period 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 significant related parties or related party transactions which have not been disclosed. We have identified that related party balances should be reported gross not net, which is raised as an unadjusted misstatement at Appendix C . We have also identified that Kirklees Neighbourhood Housing Ltd is not included within the related party disclosure.
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, with template wording included at Appendix F to this Report.

## 2. Financial Statements - other communication requirements



Issue	Commentary
Confirmation requests from third parties	We requested from management permission to send a confirmation request to the Council's banker. This permission was granted and the requests were sent and responded to with positive confirmation.
Accounting practices	We have evaluated the appropriateness of the Council's accounting policies, accounting estimates and financial statement disclosures. Our review found no material omissions in the financial statements.
Audit evidence and explanations/ significant difficulties	All information and explanations requested from management was provided.



# 2. Financial Statements - other communication requirements



## 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).

Issue	Commentary
Going concern	<p>In performing our work on going concern, we have had reference to Statement of Recommended Practice – Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom (Revised 2020). The Financial Reporting Council recognises that for particular sectors, it may be necessary to clarify how auditing standards are applied to an entity in a manner that is relevant and provides useful information to the users of financial statements in that sector. Practice Note 10 provides that clarification for audits of public sector bodies.</p> <p>Practice Note 10 sets out the following key principles for the consideration of going concern for public sector entities:</p> <ul style="list-style-type: none"> <li>the use of the going concern basis of accounting is not a matter of significant focus of the auditor’s time and resources because the applicable financial reporting frameworks envisage that the going concern basis for accounting will apply where the entity’s services will continue to be delivered by the public sector. In such cases, a material uncertainty related to going concern is unlikely to exist, and so a straightforward and standardised approach for the consideration of going concern will often be appropriate for public sector entities</li> <li>for many public sector entities, the financial sustainability of the reporting entity and the services it provides is more likely to be of significant public interest than the application of the going concern basis of accounting. Our consideration of the Council’s financial sustainability is addressed by our value for money work, which is covered elsewhere in this report.</li> </ul> <p>Practice Note 10 states that if the financial reporting framework provides for the adoption of the going concern basis of accounting on the basis of the anticipated continuation of the provision of a service in the future, the auditor applies the continued provision of service approach set out in Practice Note 10. The financial reporting framework adopted by the Council meets this criteria, and so we have applied the continued provision of service approach. In doing so, we have considered and evaluated:</p> <ul style="list-style-type: none"> <li>the nature of the Council and the environment in which it operates</li> <li>the Council’s financial reporting framework</li> <li>the Council’s system of internal control for identifying events or conditions relevant to going concern</li> <li>management’s going concern assessment.</li> </ul> <p>On the basis of this work, we have obtained sufficient appropriate audit evidence to enable us to conclude that:</p> <ul style="list-style-type: none"> <li>a material uncertainty related to going concern has not been identified</li> <li>management’s use of the going concern basis of accounting in the preparation of the financial statements is appropriate</li> <li>management’s assessment that group entities including KSDL stadium remain a going concern are supported by appropriate evidence.</li> </ul>

## 2. Financial Statements - other responsibilities under the Code

Issue	Commentary
Other information	<p>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, is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.</p> <p>No inconsistencies have been identified and minor presentational matters have been adequately rectified by management. These are reported at Appendix C. We plan to issue an unmodified opinion in this respect as reported at Appendix E.</p>
Matters on which we report by exception	<p>We are required to report on a number of matters by exception in a number of areas:</p> <ul style="list-style-type: none"> <li>• if the Annual Governance Statement <b>does not comply with disclosure requirements set out in CIPFA/SOLACE guidance or is misleading or inconsistent with the information of which we are aware from our audit,</b></li> <li>• if we have applied any of our statutory powers or duties.</li> <li>• where we are not satisfied in respect of arrangements to secure value for money.</li> </ul> <p>We have nothing to report on these matters, although the Value for Money work is underway and not due to be completed until December 2021.</p>



## 2. Financial Statements - other responsibilities under the Code

Issue	Commentary
Specified procedures for Whole of Government Accounts	<p>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.</p> <p>As the Council exceeds the specified group reporting threshold we examine and report on the consistency of the WGA consolidation pack with the Council's audited financial statements.</p> <ul style="list-style-type: none"> <li>Note that this work is not yet completed. The NAO requires the work to be completed once the audit opinion is provided on the financial statements and by December 2021</li> </ul>
Certification of the closure of the audit	<p>We intend to delay the certification of the closure of the 2020/21 audit of Kirklees <b>Council</b> in the audit report, as detailed in Appendix E, until we have completed our work on the WGA consolidation exercise mentioned above and completed our Value for Money responsibilities with the issue of the Auditor's Annual Report.</p>

# 3. Value for Money arrangements

## Revised approach to Value for Money work for 2020/21

On 1 April 2020, the National Audit Office introduced a new Code of Audit Practice which comes into effect from audit year 2020/21. The Code introduced a revised approach to the audit of Value for Money. (VFM)

There are three main changes arising from the NAO's new approach:

- A new set of key criteria, covering financial sustainability, governance and improvements in economy, efficiency and effectiveness
- More extensive reporting, with a requirement on the auditor to produce a commentary on arrangements across all of the key criteria.
- Auditors undertaking sufficient analysis on the Council's VFM arrangements to arrive at far more sophisticated judgements on performance, as well as key recommendations on any significant weaknesses in arrangements identified during the audit.

The Code require auditors to consider whether the body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. When reporting on these arrangements, the Code requires auditors to structure their commentary on arrangements under the three specified reporting criteria.



### Improving economy, efficiency and effectiveness

Arrangements for improving the way the body delivers its services. This includes arrangements for understanding costs and delivering efficiencies and improving outcomes for service users.



### Financial Sustainability

Arrangements for ensuring the body can continue to deliver services. This includes planning resources to ensure adequate finances and maintain sustainable levels of spending over the medium term (3-5 years)



### Governance

Arrangements for ensuring that the body makes appropriate decisions in the right way. This includes arrangements for budget setting and management, risk management, and ensuring the body makes decisions based on appropriate information

## Potential types of recommendations

A range of different recommendations could be made following the completion of work on the body's arrangements to secure economy, efficiency and effectiveness in its use of resources, which are as follows:



### Statutory recommendation

Written recommendations to the body under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014. A recommendation under schedule 7 requires the body to discuss and respond publicly to the report.



### Key recommendation

The Code of Audit Practice requires that where auditors identify significant weaknesses in arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the body. We have defined these recommendations as 'key recommendations'.



### Improvement recommendation

These recommendations, if implemented should improve the arrangements in place at the body, but are not made as a result of identifying significant weaknesses in the body's arrangements

# 3. VFM - our procedures and conclusions

We have not yet completed all of our VFM work and so are not in a position to issue our Auditor’s Annual Report. An audit letter explaining the reasons for the delay has been issued to the Chair of the Corporate Governance and Audit Committee. We expect to issue our Auditor’s Annual Report by the end of December 2021. This is in line with the National Audit Office’s revised deadline, which requires the Auditor’s Annual Report to be issued no more than three months after the date of the opinion on the financial statements.

As part of our work, we considered whether there were any risks of significant weakness in the Council’s arrangements for securing economy, efficiency and effectiveness in its use of resources. We identified the risk set out in the table below. Our work on this risk is underway and an update is set out below.

Risk of significant weakness	Work performed to date
<p><i>Dedicated Schools Grant (DSG) Overspend</i></p> <p>The Special Educational Needs (SEND) expenditure within the Dedicated Schools Grant budget was a major contributor to the £14.4m overspent DSG reserve during 2019/20, and the overspend is set to increase during 2020/21</p> <p>We will review and assess the arrangements in place by the Council to understand, contain and find a solution to the overspend.</p>	<p>2020/21 CIPFA guidance states that DSG spending pressure must be carried forward on the Balance Sheet in full, as a funding deficit against Dedicated School Grant (DSG). However, following the introduction of a new Statutory Instrument in November 2020, the 2021/22 Code has stated this ‘deficit’ balance should be held in the ‘Dedicated Schools Grant Adjustment Account’, an unusable reserve.</p> <p>For 2020/21 the SEND pressure is held in the ‘Dedicated Schools Grant Adjustment Account’, an unusable reserve. The ‘deficit’ balance at 31 March 2021 is £25.1m (2019/20 £14.4m). As a result, this balance has not formed part of the overall break-even position for 2020/21.</p> <p>For our accounts audit purposes, we have carried out a review of the Council’s compliance with the revised requirements of the Code for accounting for the DSG overspend. For VFM audit purposes, we have also held conversations with senior officers to understand the Council’s plans to address the deficit in future years.</p> <p>Our VFM work in this area is ongoing and we have no matters to report at this stage.</p>

## 4. Independence and ethics

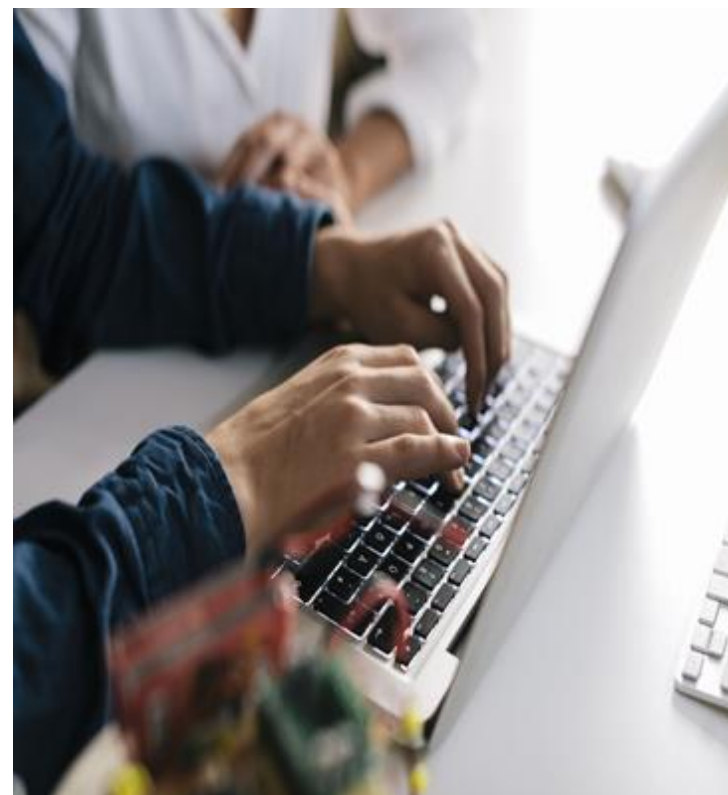
We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standard and confirm that we, as a firm, and each covered person, are independent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

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

### Transparency

Grant Thornton publishes an annual Transparency Report, which sets out details of the action we have taken over the past year to improve audit quality as well as the results of internal and external quality inspections. For more details see [Transparency report 2020](https://www.grantthornton.co.uk/transparency-report-2020) ([grantthornton.co.uk](https://www.grantthornton.co.uk))



# 4. 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 group. The following non-audit service was identified which was charged from the beginning of the financial year until the service ceased in December 2020, as well as the threat to our independence and safeguard that has been applied to mitigate the threat.

Service	Fees £	Threats identified	Safeguards
Audit related			
CFO Insights Licence Fee Subscription (April to December 2020)	8,625	Self-Interest (because this was a recurring fee)	<p>This is an on-line software service that enables users to rapidly analyse data sets. CFO Insights is a Grant Thornton and CIPFA collaboration giving instant access to financial performance, service outcomes and socio-economic indicators for local authorities.</p> <p>It is the responsibility of management to interpret the information. The scope of our service does not include making decisions on behalf of management or recommending or suggesting a particular course of action.</p> <p>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 £8,625 in comparison to the total fee for the audit of £195,721 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.</p> <p>These factors all mitigate the perceived self-interest threat to an acceptable level.</p>

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. No services provided are subject to contingent fees.

Work has been undertaken during 2020/21 which related to 2019/20 grant certification as reported previously. The 2020/21 certification work has transferred to another auditor.

# Appendices



# A. Action plan – Audit of Financial Statements

We have identified [X] of recommendations for the Council 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 2021/22 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
High	<p>Note 4 Critical Judgements</p> <p>The disclosure note includes items which are not considered material and critical to the compilation of the financial statements and does not fully explain what the judgement itself is. The note should not be a description of the accounting policy.</p>	<p>Revisit the critical judgements disclosure for 2021/22 and ensure only items which are critical are included, and to ensure that the precise judgment involved is described.</p> <p><b>Management response</b></p> <p>TBC</p>
	TBC	<p>TBC</p> <p><b>Management response</b></p> <p>TBC</p>

## Assessment

- High priority
- Medium priority -
- Low priority

# A. Action plan – Audit of Financial Statements

Assessment	Issue and risk	Recommendations
Medium		
Low		

# B. Follow up of prior year recommendations

We identified the following issues in our 2019/20 audit of the group's financial statements, which resulted in six recommendations being reported in our 2019/20 Audit Findings Report.

	Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
R1	complete	<p><b>Going Concern</b></p> <p>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.</p> <p><b>R1.</b> 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.</p>	Practice Note 10 (revised 2020) issued by the Public Audit Forum has revised the expectations for demonstrating that going concern is appropriate for public bodies. It is no longer necessary for management to prepare a going concern paper unless indications exist that going concern is not appropriate.
R2	TBC	<p><b>Supplier bank mandate changes</b></p> <p>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.</p> <p><b>R2.</b> Monitoring and oversight of supplier bank mandate changes should take place and be reported to the Corporate Governance and Audit Committee.</p>	TBC
R3	TBC	<p><b>GRNI accruals</b></p> <p>Audit testing identified three GRNI accruals which had been settled during 2019/20 and should not be reported as creditors. The error extrapolation was £788k.</p> <p><b>R3.</b> Review GRNI accruals to payments made to avoid overstating the GRNI creditor balance.</p>	TBC

# B. Follow up of prior year recommendations

Assessment		Issue and risk previously communicated	Update on actions taken to address the issue
R4	TBC	<p><b>Improvements to control over administrator access for the Northgate application and database</b></p> <p>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.</p> <p>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.</p> <p>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.</p> <p><b>R4.</b> 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.</p> <p>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.</p> <p>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.</p> <p>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.</p>	TBC

# B. Follow up of prior year recommendations

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
R5 TBC	<p data-bbox="353 443 1391 470"><b>Evidence not available of access reviews being periodically conducted on Active Directory</b></p> <p data-bbox="353 491 1391 603">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.</p> <p data-bbox="353 624 1391 679">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:</p> <ul data-bbox="353 700 1391 1018" style="list-style-type: none"> <li>a) Gaps in user administration processes and controls may not be identified and dealt with in a timely manner;</li> <li>b) Access to information resources and system functionality may not be restricted on the basis of legitimate business need;</li> <li>c) Enabled, no-longer-needed user accounts may be misused by valid system users to circumvent internal controls;</li> <li>d) No-longer-needed permissions granted to end-users may lead to segregation of duties conflicts; and</li> <li>e) Access privileges may become disproportionate with respect to end users' roles.</li> </ul> <p data-bbox="353 1038 1391 1121">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.</p> <p data-bbox="353 1142 1391 1225"><b>R5.</b> 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</p> <p data-bbox="353 1246 1391 1329">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.</p> <p data-bbox="353 1350 1391 1430">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).</p>	TBC

# B. Follow up of prior year recommendations

Assessment		Issue and risk previously communicated	Update on actions taken to address the issue
R6	TBC	<p><b>Audit log monitoring is not fully enabled on Active Directory</b></p> <p>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.</p> <p>However, audit logging is currently not fully enabled across all relevant activities and events. Specifically, we noted that the current provision does not cover:</p> <p>Active Directory</p> <p>Office 365</p> <p>Supported Applications</p> <p>While the system is not fully enabled the following risks still exist:</p> <p>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.</p> <p>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.</p> <p><b>R6.</b> We recommend that management should ensure that audit logging / reporting processes covers all activities that could risk the security of the systems in use.</p> <p>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.</p> <p>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.</p>	TBC

# C. Audit Adjustments

## Impact of adjusted misstatements

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

We have not identified any misstatements requiring adjustment impacting the primary statements and the reported net expenditure for the year ending 31 March 2021. The Primary Statements comprise the Comprehensive Income and Expenditure Statement, Statement of Movement in Reserves, Balance Sheet and Cash Flow Statement.

## Impact of unadjusted misstatements

The table below provides details of adjustments identified during the 2020/21 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
<b>Balance Sheet</b> Bank overdraft should be identified separately on the balance as a liability rather than netted off the cash balance.	0	Dr Cash 1,059 Cr Bank Overdraft £1,059	0	Not material and no overall impact
<b>Note 15 Property Plant Equipment</b> HRA Garages valued incorrectly valued on an Investment Property basis.	TBC	TBC	TBC	Not material
<b>Overall impact</b>	£TBC	£TBC	£TBC	

# C. 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.

## 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.

Misclassification and Disclosure matter	Auditor recommendations / action	Adjusted?
Cash Flow Statement	Other receipts from financing activities contains highly material values with a significant increase from the previous year and should therefore be explained. Management have declined to add narrative disclosure as consider it is captured in the notes to the accounts (eg increased business rates income due to Covid-19)	X
Note 4 Critical Judgements	Note should only include judgements which are critical and material judgement regarding balances in the accounts and should include a quantification of the impact. The note should not be the accounting policy. Management have agreed to partially update the note (eg remove reference to Heritage Assets) and will carry out a detailed review for 2021/22. See Appendix A recommendation	Partial
Note 5 Assumptions and Major Sources of Estimation Uncertainty	1. The carrying values of associated assets and liabilities (Land, buildings, council dwellings, investment property and pension assets & liabilities) should be disclosed to comply with IAS1. Management declined to amend as not considered helpful to the user of the financial statements	X
	2. The Property Plant and Equipment disclosure is amended to clarify the material valuation uncertainty for certain assets	✓
	3. The pension property fund material estimation uncertainty valuation clause is removed as not relevant	✓
	4. The Pension liability disclosure does not explain the impact on the fund should actual financial results differ from the expected results. Management do not wish to add this to the narrative	X
Note 7 Events after the reporting period	We consider it would be appropriate to refer to the transfer of Kirklees Neighbourhood Housing Ltd from subsidiary to Council controlled on 1 April 2021. Management consider this is not necessary because it is referenced in the Narrative Report and within the Group Accounts narrative	X
Note 8 Expenditure and Funding Analysis	Note required to explain the material movement for the adjustments between net cost of services and other I&E	X
Note 9 Expenditure and income analysed by nature	Note amended to remove £60m central recharges within expenditure	✓
Note 16 Heritage Assets	Narrative added to explain the large increase in value of the fine art collection	X



# C. Audit Adjustments

## Misclassification and disclosure changes continued

Misclassification and Disclosure matter	Auditor recommendations / action	Adjusted?
Note 16 Financial Instruments	Recurring fair value measurements table required updating to include the short term investments (£21.6m), and to include the appropriate CCLA level 1 valuation technique	✓
Note 22 Short Term Debtors	Disaggregation of debtor categories does not comply with IAS1. Management decline to amend but will revisit for 2021/22	X
Note 24 Short Term Creditors	Disaggregation of creditor categories does not comply with IAS1. Management decline to amend but will revisit for 2021/22	X
Note 28 Unusable Reserves	Not all unusable reserves are included in the table (eg DSG Reserve, Accumulated Absences, Collection Fund Adjustment Account). Management disagree as these reserves are detailed separately elsewhere in the financial statements	X
Note 32 Audit Fees	Note updated to disclose audit fees charged and to be consistent with Audit Plans	✓
Note 36 Related Party Transactions	Transactions and balances with the group components (Kirklees Neighbourhood Housing Ltd and Kirklees Stadium Development Ltd) should be disclosed. Management disagree as transactions are shown in Group Accounts	X
Note 38 Capital Financing	Note amended by £843k to correctly reflect the disposal of Pioneer House	✓

# C. Audit Adjustments

## Misclassification and disclosure changes continued

Misclassification and Disclosure matter	Auditor recommendations / action	Adjusted?
Various disclosure matters	<p>Various disclosure matters which the auditor suggested adjustment and management agreed to adjust. Note the list is not exhaustive.</p> <ul style="list-style-type: none"> <li>Note 1 Accounting Policies required re-wording including for Financial Instruments (FVOCI), Expected Credit Loss Model, Interests in Companies and Other Entities, PPE Measurement,</li> <li>Note 5 Estimation Uncertainty: a fair value paragraph which relates to the pre-covid environment required removing</li> <li>Note 15 Property Plant and Equipment narrative updated to make clear three year revaluation cycle</li> <li>Note 19 Financial Assets: the debtors 2020 total amount been input incorrectly at £25,453k. This should be updated to £25,343k</li> <li>Note 41 Pensions: Asset and Liability matching table updated to remove the restatement column as not applicable</li> </ul>	✓
Various disclosure matters	<p>Various disclosure matters which the auditor suggested adjustment and management did not agree to adjust as considered inconsequential. Eg Note 4 Critical Judgements – PFI. Should make clearer regarding the treatment of Academy schools. Management disagree and consider note to be sufficiently clear</p>	X
Group Accounts	<p>Disclosure notes amended below:</p> <ul style="list-style-type: none"> <li>Group introduction updated to make clear that Kirklees Neighbourhood Housing Ltd transfer to the Council has taken place</li> <li>Group Accounting Policy G1 amended to reference IFRS10 which is relevant to the consolidation of the subsidiary</li> <li>Group Policy G2 Adjustments wording updated to make clear there is income and expenditure with the subsidiary (therefore consistent with Policy G6)</li> <li>Group Accounting Policy G8 Pensions updated for amounts arising on changes to financial assumptions and to amend the amounts due to liability experience</li> </ul>	✓ ✓ ✓ ✓
Housing Revenue Account	Note H1 Depreciation and Revaluation Gains Updated to reference the change in valuer	✓
Narrative Report	Housing Revenue Account (HRA) commentary in narrative report updated to be consistent with the HRA (amend turnover from £92m to £82m)	✓

# C. Audit Adjustments (Previous year)

## Impact of prior year unadjusted misstatements made during the previous year audit

The table below provides details of adjustments identified during the prior year audit which had not been made within the final set of 2019/20 financial statements. These items have no material impact on the financial statements for 2020/21.

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total comprehensive income and expenditure £'000	Reason for not adjusting
<b>Note 25 Other Long Term Liabilities (Net LGPF pension liability)</b> The external auditor of WYPF reported an unadjusted extrapolated error of £68.8m in the valuation of the underlying investments. WYPF have advised management that the impact on the value of the Kirklees underlying investment is approximately £8,350k. Corresponding impact for Group Accounts.		Cr Gross pension asset (within the net defined benefit pension liability) £8,350  Dr Pension reserve £8,350	0	Not material and based upon an extrapolated estimated value.
<b>Note 40 Pension Fund</b> The estimated liability relating to the recent Goodwin case on the pension liability for Kirklees Council. Note that the impact of the revaluation is reversed through the Movement in Reserves Statement (MIRS) so there is no impact on the General Fund balance. Corresponding impact for Group Accounts.	Dr Pension past service cost £1,649	Cr Pension liability £1,649		0 Not material and based upon an estimation.
<b>Note 23 Short Term Creditors</b> Extrapolated error based upon three GRNI invoice accruals which had been paid during 2019/20.	Cr Expenditure £788	Dr Creditors £788	£788	Not material and based upon an extrapolated estimated value.
<b>Overall impact</b>	<b>£861</b>	<b>£861</b>	<b>£788</b>	

# D. 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	£195,721	£195,721*
Total audit fees (excluding VAT)	£195,721	£195,721
* To be confirmed		

Non-audit fees for other services	Proposed fee	Final fee
CFO Insights Licence subscription	£8,625	£8,625
Total non-audit fees (excluding VAT)	£8,625	£8,625

The fees reconcile to the financial statements following amendment to the draft accounts in note 32 (External Audit Costs).

# E. Audit opinion - Draft

Our audit opinion is included below. We anticipate we will provide the group with an unmodified audit report

## Independent auditor's report to the members of Kirklees Council

### Report on the Audit of the Financial Statements

#### Opinion on financial statements

We have audited the financial statements of Kirklees Council (the 'Authority') and its subsidiary and joint venture (the 'group') for the year ended 31 March 2021 which comprise the Comprehensive Income and Expenditure Statement, the Statement of Movement in Reserves, the Balance Sheet, the Cash Flow Statement, the Group Comprehensive Income and Expenditure Statement, the Group Statement of Movement in Reserves, the Group Balance Sheet and the Group Cash Flow Statement, the Housing Revenue Account Income and Expenditure Account and Statement of Movement on the Housing Revenue Account Balance, the Collection Fund and notes to the financial statements, including a summary of significant accounting policies. The notes to the financial statements include the Notes to the Main Financial Statements, Notes to the Group Accounts, Notes to the HRA and Notes to the Collection Fund Statement. 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 2020/21.

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 2021 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 2020/21; 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, as required by the Code of Audit Practice (2020) ("the Code of Audit Practice") approved by the Comptroller and Auditor General. 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 as applied to listed entities, 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.

#### Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the Service Director - Finance's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Authority or group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Authority or the group to cease to continue as a going concern.

Our evaluation of the Service Director - Finance's assessment of the Authority's and the group's ability to continue to adopt the going concern basis of accounting included a review of the Council's cash flow forecast and future financial plans which support the Service Director - Finance's assessment of going concern.

# E. Audit opinion – Draft continued

## Conclusions relating to going concern (continued)

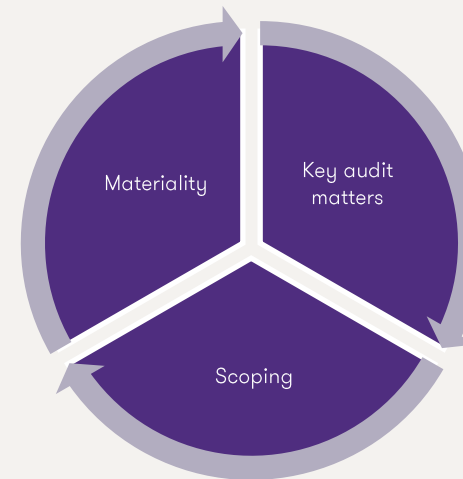
In our evaluation of the Service Director - Finance's conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21 that the Authority and group's financial statements shall be prepared on a going concern basis, we considered the inherent risks associated with the continuation of services provided by the group and the Authority. In doing so we had regard to the guidance provided in Practice Note 10 Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2020) on the application of ISA (UK) 570 Going Concern to public sector entities. We assessed the reasonableness of the basis of preparation used by the group and Authority and the group and Authority's disclosures over the going concern period.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Authority's or the group's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the Service Director - Finance's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

The responsibilities of the Service Director - Finance with respect to going concern are described in the 'Responsibilities of the Authority, the Service Director - Finance and Those Charged with Governance for the financial statements' section of this report.

## Our approach to the audit



## Overview of our audit approach

### Financial statements audit

#### Overall materiality

Group: £13,500,000 which represents 1.27% of the group's gross expenditure at cost of services;

Authority: £13,400,000 which represents 1.26% of the Authority's gross expenditure at cost of services;

#### Key audit matters were identified as:

- Valuation of land, buildings, council dwellings and investment property (Authority only). Same as previous year;
- Valuation of the pension fund net liability (Authority and Group). In the previous year this was a key audit matter for the Council only.

# E. Audit opinion – Draft continued

## Our approach to the audit (continued)

Our audit scoping has not changed for the key audit matters mentioned above.

Our scoping for other significant areas has been modified in 2020/21 as follows:

- Increased risk assessment given to non-pay revenue expenditure in the final quarter of 2020/21
- Increased risk assessment given to the accounting for covid-19 related grants.

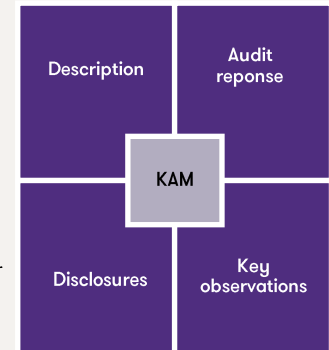
## Value for money arrangements

We are required to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2021. Our approach to this work is set out in the 'Report on other legal and regulatory requirements – the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources' section of this report.

## Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the group and Authority's 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.

In the graph below, we have presented the key audit matters, significant risks and other risks relevant to the audit.



# E. Audit opinion – Draft continued

Key Audit Matter 1	How our scope addressed the matter	Key Audit Matter 1 continued	How our scope addressed the matter
<p><b>Risk 1 Valuation of land, buildings, council dwellings and investment property (Authority only).</b></p> <p>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. The Authority values its Council Dwellings annually. These valuations represent a significant estimate by management in the financial statements due to:</p> <ul style="list-style-type: none"> <li>The size of the numbers involved (£515 million for Other Land and Building and £720 million for Council Dwellings); and</li> <li>The sensitivity of these estimates to changes in key assumptions.</li> </ul> <p>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 2021.</p> <p>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. 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.</p> <p>Investment property is revalued annually at fair value by the Authority's external valuer and reported at £97m at 31 March 2021.</p> <p>Due to the amounts involved and the extent of estimation involved we therefore identified the valuation of land, buildings, dwellings and investment property as a significant risk, and one of the most significant assessed risks of material misstatement.</p>	<p>In responding to the key audit matter, we have performed the following audit procedures:</p> <ul style="list-style-type: none"> <li>evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to the valuation experts and the scope of their work</li> <li>evaluated the competence, capabilities and objectivity of the valuation experts</li> <li>written to the valuer to confirm the basis on which the valuations were carried out</li> <li>challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding</li> <li>engaged an independent auditor's expert valuer to provide a further review of the reasonableness of the assumptions and approach taken by the Council's valuers</li> <li>tested a sample of valuations at 31 March 2021 to understand the information and assumptions used in arriving at any revised valuations</li> <li>tested revaluations made during the year to see if they had been input correctly into the Council's asset register</li> <li>reviewed the social housing discount factor as applied to Council Dwellings</li> <li>reviewed whether the expert valuer had reported any material uncertainty in relation to property valuations as at 31 March 2021 and, if so, assessed the impact on disclosures in the financial statements and on our audit opinion.</li> </ul>	<p><b>Relevant disclosures in the Statement of Accounts for the year ended 31 March 2021</b></p> <p>The Authority's accounting policy on valuation of land and buildings, and dwellings is shown in note 1 (PPE Measurement) to the financial statements and related disclosures are included in note 15.</p> <p>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.</p> <p>Commentary on the valuation of property assets is also included in the Narrative Report.</p>	<p><b>Key observations</b></p> <p>As disclosed in note 5 (Assumptions and Major Sources of Estimation Uncertainty) to the financial statements regarding Property Plant and Equipment, 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. 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. This relates to retail and specific trading related assets/sectors such as car parks. Our opinion is not modified in respect of this matter.</p> <p>We obtained sufficient audit assurance to conclude that:</p> <ul style="list-style-type: none"> <li>The basis of the valuation of land, buildings, dwellings and investment property was appropriate;</li> <li>The assumptions and processes used by management in determining the estimate of valuation of property were reasonable; and</li> <li>The valuation of land, buildings, dwellings and investment property disclosed in the financial statements is reasonable.</li> </ul>



# E. Audit opinion – Draft continued

Key Audit Matter 2	How our scope addressed the matter	Key Audit Matter 2 continued	How our scope addressed the matter
<p><b>Risk 2 Valuation of the pension fund net liability (Authority and Group).</b></p> <p>The defined benefit pension fund net liability, as reflected in the Authority balance sheet as the retirement benefit obligations, represents a significant estimate in the financial statements.</p> <p>The pension fund net liability is considered a significant estimate due to:</p> <ul style="list-style-type: none"> <li>• The size of the numbers involved, with the pension scheme net liability estimated as £1,098m million (Group) and £888.8 million (Authority) at the 31 March 2021; and</li> <li>• The sensitivity of the estimate to changes in key assumptions.</li> </ul> <p>We therefore identified the valuation of the net pension fund net liability as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>In responding to the key audit matter, we have performed the following audit procedures:</p> <ul style="list-style-type: none"> <li>• updated our understanding of the processes and controls put in place by management to ensure that the Authority's pension fund net liability is not materially misstated and evaluated the design of the associated controls</li> <li>• evaluated the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work</li> <li>• assessed the competence, capabilities and objectivity of the actuary who carried out the Authority's pension fund valuation</li> <li>• assessed the accuracy and completeness of the information provided by the Authority to the actuary to estimate the liability</li> <li>• tested 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</li> <li>• undertaken procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report</li> <li>• reviewed whether the pension fund has reported any material uncertainty in relation to investment property valuations as at 31 March 2021 and, if so, assessed the impact on disclosures in the financial statements and on our audit opinion</li> <li>• obtained assurances from the auditor of the West Yorkshire Pension Fund as to the controls surrounding the validity and accuracy of membership data; contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements</li> <li>• performed specific procedures to gain assurance on the net pension liability of the group component Kirklees Neighbourhood Housing Ltd.</li> </ul>	<p><b>Relevant disclosures in the Statement of Accounts for the year ended 31 March 2021</b></p> <p>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 41.</p> <p>For the Group, related disclosures are at note G4.</p> <p>Commentary on the net pension fund liability is also included in the Narrative Report.</p>	<p><b>Our results</b></p> <p>We obtained sufficient audit assurance to conclude that:</p> <ul style="list-style-type: none"> <li>• 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</li> <li>• The valuation of the pension fund net liability disclosed in the financial statements is reasonable.</li> </ul>

# E. Audit opinion – Draft continued

## Our application of materiality

We apply the concept of materiality both in planning and performing the audit, and in evaluating the effect of identified misstatements on the audit and of uncorrected misstatements, if any, on the financial statements and in forming the opinion in the auditor's report.

Materiality was determined as follows:

Materiality measure	Group	Authority
Materiality for financial statements as a whole	We define materiality as the magnitude of misstatement in the financial statements that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of these financial statements. We use materiality in determining the nature, timing and extent of our audit work.	
Materiality threshold	Overall materiality has been set at £13,500,000 which represents 1.27% of the group's gross expenditure at cost of services;	Overall materiality has been set at £13,400,000 which represents 1.26% of the Authority's gross expenditure at cost of services;
Significant judgements made by auditor in determining the materiality	<p>The determination of materiality involves the exercise of professional judgement. In determining materiality, we made the following significant judgements:</p> <ul style="list-style-type: none"> <li>Total expenditure is seen to be the most appropriate benchmark</li> <li>A percentage of 1.35% was selected to apply to the benchmark, based on the expenditure reported in the prior year audited accounts</li> </ul> <p>Materiality for the current year is higher than the level that we determined for the year ended 31 March 2020 to reflect the increased expenditure relating to the effects of the pandemic on the group's operations.</p>	<p>The determination of materiality involves the exercise of professional judgement. In determining materiality, we made the following significant judgements:</p> <ul style="list-style-type: none"> <li>Total expenditure is seen to be the most appropriate benchmark</li> <li>A percentage of 1.34% was selected to apply to the benchmark, based on the expenditure reported in the prior year audited accounts</li> </ul> <p>Materiality for the current year is higher than the level that we determined for the year ended 31 March 2020 to reflect the increased expenditure relating to the effects of the pandemic on the group's operations.</p>

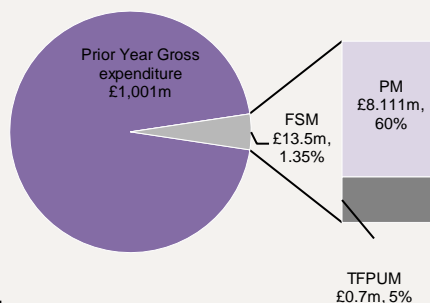
Materiality measure	Group	Authority
Performance materiality used to drive the extent of our testing	We set performance materiality at an amount less than materiality for the financial statements as a whole to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole.	
Performance materiality threshold	Performance materiality for the year has been set at £8,111,000 which is 60% of financial statement materiality.	Performance materiality for the year has been set at £8,086,000 which is 60% of financial statement materiality.
Significant judgements made by auditor in determining the performance materiality	<p>The determination of performance materiality involves the exercise of professional judgement. In determining performance materiality, we made the following significant judgements:</p> <ul style="list-style-type: none"> <li>We have determined performance materiality to be 60% of our headline materiality figure. This is a 5% reduction from the prior year. This is largely due to the number of misstatements identified in the prior period, which increases our perception of the likelihood of errors occurring in the current period.</li> </ul>	<p>The determination of performance materiality involves the exercise of professional judgement. In determining performance materiality, we made the following significant judgements:</p> <ul style="list-style-type: none"> <li>We have determined performance materiality to be 60% of our headline materiality figure. This is a 5% reduction from the prior year. This is largely due to the number of misstatements identified in the prior period, which increases our perception of the likelihood of errors occurring in the current period.</li> </ul>

# E. Audit opinion – Draft continued

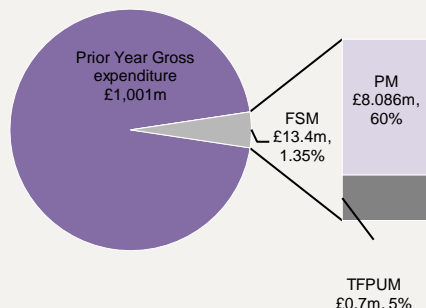
Materiality measure	Group	Authority
Specific materiality	We determine specific materiality for one or more particular classes of transactions, account balances or disclosures for which misstatements of lesser amounts than materiality for the financial statements as a whole could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.	
Specific materiality	We did not determine a lower level of specific materiality in any areas.	We determined a lower level of specific materiality for the following area: Senior Officers' Emoluments.
Communication of misstatements to the Corporate Governance and Audit Committee	We determine a threshold for reporting unadjusted differences to the Corporate Governance and Audit Committee.	
Threshold for communication	£700,000 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.	£700,000 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



FSM: Financial statements materiality, PM: Performance materiality, TFPUM: Tolerance for potential uncorrected misstatements

## An overview of the scope of our audit

We performed a risk-based audit that requires an understanding of the group's and the Authority's business and in particular matters related to:

### Understanding the group, the Authority, and its other components, and their environments, including group-wide controls

- The engagement team obtained an understanding of the Authority, the group and its environment, including group-wide controls, and assessed the risks of material misstatement at the group and Authority only level;
- The group organizational structure did not significantly influence the scope of the audit, since the Council finance team had control of the process which was not complex.

### Identifying significant components

- 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;

### Work to be performed on financial information of Authority and other components (including how it addressed the key audit matters)

- 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 and on the investment in the joint venture;

### Performance of our audit

- Gaining an understanding of and evaluating the Authority's internal control environment, including its financial and IT systems and controls;
- Gaining an understanding of the consolidation process and testing the consolidation, including the alignment of accounting policies, and the significant consolidation adjustments; and

# E. Audit opinion – Draft continued

## An overview of the scope of our audit (continued)

### Communications with component auditors

- Confirming the PIE independence requirements were met for key audit partners of significant components. This involved communication with Beever and Struthers as auditors of subsidiary Kirklees Neighbourhood Housing Limited.

### Changes in approach from previous period

- There have been no changes in the overview of the scope of the current year audit from the scope of that of the prior year.

## 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 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 the 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 in April 2020 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 '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.

### Our opinion on other matters required by the Code of Audit Practice is unmodified

In our opinion, based on the work undertaken in the course of the audit of the financial statements and our knowledge of the Authority, 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.

# E. Audit opinion – Draft continued

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

As explained in the Statement of Responsibilities [set out on [page 22](#)], 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 2020/21, 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 Authority's and the group'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 and the group 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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

## Auditor's responsibilities for the audit of the financial statements (continued)

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. 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).

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the group and Authority and determined that the most significant, which are directly relevant to specific assertions in the financial statements, are those related to the reporting frameworks (international accounting standards as interpreted and adapted by the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21, The Local Audit and Accountability Act 2014, the Accounts and Audit Regulations 2015, the Local Government Act 1972 and the Local Government Act 2003, the Local Government and Housing Act 1989, and the Local Government Finance Act 1988 (as amended by the Local Government Finance Act 1992) and the Local Government Finance Act 2012
- We enquired of senior officers and the Corporate Governance and Audit Committee, concerning the group and Authority's policies and procedures relating to:
  - the identification, evaluation and compliance with laws and regulations;
  - the detection and response to the risks of fraud; and
  - the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations.



# E. Audit opinion – Draft continued

## Auditor's responsibilities for the audit of the financial statements (continued)

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

- We enquired of senior officers and the Corporate Governance and Audit Committee, whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud.
- We assessed the susceptibility of the group and Authority's financial statements to material misstatement, including how fraud might occur, by evaluating officers' incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls and any other fraud risks identified for the audit. We determined that the principal risks were in relation to:
  - Material year end journals posted by senior and other central finance staff to potentially manipulate the surplus/deficit position.
  - Potential management bias in accounting estimates
- Our audit procedures involved:
  - evaluation of the design effectiveness of controls that the Service Director - Finance has in place to prevent and detect fraud;
  - journal entry testing, with a focus on material entries posted by central finance staff around and after the year end;
  - challenging assumptions and judgements made by management in its significant accounting estimates in respect of land and buildings, council dwellings, investment property and defined benefit pensions liability valuations;
  - assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item.
- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. However, detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as those irregularities that result from fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.

## Auditor's responsibilities for the audit of the financial statements (continued)

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

- The team communications in respect of potential non-compliance with relevant laws and regulations, including the potential for fraud in revenue and expenditure recognition, and the significant accounting estimates related to land and buildings, council dwellings investment property and defined benefit pensions liability valuations.
- Assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's:
  - understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation
  - knowledge of the local government sector
  - understanding of the legal and regulatory requirements specific to the Authority including:
    - the provisions of the applicable legislation
    - guidance issued by CIPFA, LASAAC and SOLACE
    - the applicable statutory provisions.
- In assessing the potential risks of material misstatement, we obtained an understanding of:
  - the Authority and group's operations, including the nature of its income and expenditure and its services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement.
  - the Authority and group's control environment, including the policies and procedures implemented by the Authority and group to ensure compliance with the requirements of the financial reporting framework.

# E. Audit opinion – Draft continued

## 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 three years, covering the years ending 31 March 2019 to 31 March 2021.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Authority and we remain independent of the Authority 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 – the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

### Matter on which we are required to report by exception – the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

Under the Code of Audit Practice, we are required to report to you if, in our opinion, we have not been able to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2021.

Our work on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources is not yet complete. The outcome of our work will be reported in our commentary on the Authority's arrangements in our Auditor's Annual Report. If we identify any significant weaknesses in these arrangements, these will be reported by exception in a further auditor's report. We are satisfied that this work does not have a material effect on our opinion on the financial statements for the year ended 31 March 2021.

### 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 undertake our review in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in April 2021. This guidance sets out the arrangements that fall within the scope of 'proper arrangements'. When reporting on these arrangements, the Code of Audit Practice requires auditors to structure their commentary on arrangements under three specified reporting criteria:

- Financial sustainability: how the Authority plans and manages its resources to ensure it can continue to deliver its services;
- Governance: how the Authority ensures that it makes informed decisions and properly manages its risks; and
- Improving economy, efficiency and effectiveness: how the Authority uses information about its costs and performance to improve the way it manages and delivers its services.

We document our understanding of the arrangements the Authority has in place for each of these three specified reporting criteria, gathering sufficient evidence to support our risk assessment and commentary in our Auditor's Annual Report. In undertaking our work, we consider whether there is evidence to suggest that there are significant weaknesses in arrangements.

# E. Audit opinion – Draft continued

## 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 for Kirklees Council for the year ended 31 March 2021 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until we have completed:

- our work on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources and issued our Auditor's Annual Report; and
- the work necessary to issue our Whole of Government Accounts (WGA) Component Assurance statement for the Authority for the year ended 31 March 2021

## 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.

Jon Roberts, Key Audit Partner

for and on behalf of Grant Thornton UK LLP, Local Auditor

Bristol

Date:



# F. Management Letter of Representation Draft

Dear Sirs

**Kirklees Metropolitan Borough Council  
Financial Statements for the year ended 31 March 2021**

This representation letter is provided in connection with the audit of the financial statements of Kirklees Metropolitan Borough Council and its subsidiary undertakings, Kirklees Neighbourhood Homes Ltd and Kirklees Stadium Development Ltd for the year ended 31 March 2021 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 2020/21 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 2020/21 ("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. Such accounting estimates include land, buildings & investment property valuation and pension liability valuation. 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. We understand our responsibilities includes identifying and considering alternative, methods, assumptions or source data that would be equally valid under the financial reporting framework, and why these alternatives were rejected in favour of the estimate used. We have noted that our external valuer has reported a material uncertainty regarding the valuation of retail assets due to the Covid-19 pandemic and considered the impact upon the investment property portfolio valuation on the balance sheet. We are satisfied that the methods, the data and the significant assumptions used by us in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement or disclosure that is reasonable 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 have 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.

# F. Management Letter of Representation Draft continued

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. 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. There are no prior period adjustments to be made in the financial statements or to bring to your attention.

xv. 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 :

- a. the nature of the group and Council means that, notwithstanding any intention to liquidate the group and Council or cease its operations in their current form, it will continue to be appropriate to adopt the going concern basis of accounting because, in such an event, services it performs can be expected to continue to be delivered by related public authorities and preparing the financial statements on a going concern basis will still provide a faithful representation of the items in the financial statements

b. the financial reporting framework permits the entry to prepare its financial statements on the basis of the presumption set out under a) above; and

c. the group and Council's system of internal control has not identified any events or conditions relevant to going concern.

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

xvi. Council's ability to continue as a going concern need to be made in the financial statements

## Information Provided

i. 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.

ii. We have communicated to you all deficiencies in internal control of which management is aware.

iii. All transactions have been recorded in the accounting records and are reflected in the financial statements.

iv. 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.

# F. Management Letter of Representation Draft continued

v. 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.

vi. 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.

vii. 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.

viii. 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.

ix. 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

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

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 24 September 2021.

Yours faithfully

Name.....

Position.....

Date.....

Name.....

Position.....

Date.....

**Signed on behalf of the Council**

**Schedule of Unadjusted Errors; To insert (see Appendix C Unadjusted Errors)**





**Name of meeting:** Corporate Governance and Audit Committee  
**Date:** 24rd September 2021  
**Title of report:** Approval of the Council's final accounts for 2020/21

<b>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?</b>	<b>No</b>
<b>Key Decision - Is it in the <a href="#">Council's Forward Plan (key decisions and private reports?)</a></b>	<b>Key Decision: Yes Private Report/Private Appendix: N/A</b>
<b>The Decision - Is it eligible for call in by Scrutiny?</b>	<b>Yes</b>
<b>Date signed off by Strategic Director &amp; name</b>  <b>Is it also signed off by the Service Director for Finance, IT and Transactional Services?</b>  <b>Is it also signed off by the Service Director – Legal Governance &amp; Commissioning?</b>	<b>Eamonn Croston 15/7/2021</b>  <b>Julie Muscroft 15/7/2021</b>
<b>Cabinet member portfolio - Corporate</b>	<b>Cllr Shabir Pandor Cllr Paul Davies</b>

**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 2020/21 and asks Members of this Committee to approve the Council's Statement of Accounts for 2020/21 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, in a sector-wide response to the consequences of the COVID-19 pandemic and noting the recommendations from the Redmond Review, the statutory deadline for the production of the Unaudited Statement of Accounts for 2020/21 was revised. For the Council the revised deadline is 31 July. The accompanying deadline for the completion of the audit was also amended to 30 September.

Despite the significant challenges to the Council's finance team dealing with multiple competing demands, the draft accounts were completed and signed by the Council's Service Director - Finance on 9 July 2021. There were no queries or objections raised in the six week public inspection period. The audit of the 2020/21 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 August 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 9 July 2021 by the Service Director- Finance. This is prior to the statutory sign off deadline of 31 July 2021. 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 9 July and finished on 19 August 2021. During this period, local electors can ask the auditor questions about or raise objections to items in the accounts. There were no queries or objections raised.
- 2.3 It is anticipated that Grant Thornton will issue an unqualified opinion on the Council's Statement of Accounts by 30 September. 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 48) has been updated. A final version of the Statement of Accounts is contained in Appendix A.

- 2.5 In line with the new Code of Audit Practice, the auditor's Value for Money (VFM) report, which provides a judgement on performance, as well as key recommendations on any significant weaknesses in arrangements identified during the audit, will follow on separately. The new Code requires the VFM report to be completed and issued within 3 months after the Statement of Accounts audit opinion is issued.
- 2.6 The Council's draft Annual Governance Statement was approved at the Committee's 13 August meeting. It has been slightly updated and is included at the back of the Statement of Accounts 2020/21, pages 136 to 154. 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 12 July 2021.

### **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 2020/21 incorporating the Annual Governance Statement (Appendix A), with the Chair certifying the Statement of Responsibilities on page 22 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 (Amendment) Regulations 2021

#### **8 Service Director responsible**

Eamonn Croston      01484 221000



# **KIRKLEES COUNCIL**

## **AUDITED STATEMENT OF ACCOUNTS 2020/2021**

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

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## **Foreword**

I am pleased to introduce the Council's Statement of Accounts for the year ended 31 March 2021.

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 impact of Covid-19 is having on Local Authorities, the Ministry of Housing, Communities & Local Government extended the statutory deadlines for local authorities to approve and publish their accounts for the 2020/21 and 2021/22 financial years. The revised deadlines applicable to local authorities are to have them signed by the section 151 Officer by 31 July and published with an Audit Certificate by 30 September.

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.

During the year the Council has been faced with the unprecedented challenges of a global pandemic which has meant significant changes to the way Councillors, Council Officers and partner organisations have had to operate, deliver services to, and work with communities, residents, and businesses, while ensuring continuing support to our most vulnerable residents. The effects of the COVID-19 pandemic have been felt across the district as most of the year has been spent either under national lockdown or Tier 3 restrictions.

The Statement of Accounts give an overview of the Council's finances for 2020/21, a financial year that has been unprecedented. In addition to the essential business as usual activities that continued to be provided, the breadth and range of COVID specific actions and consequential financial impacts are also reflected in the accounts as appropriate.

The financial impact on the Council has been significant with additional costs of response and loss of both tax and service income as a result of national lockdowns, tier restrictions and consequential unprecedented global, national and local economic impacts. The Council has received financial support from Government to address this. During 2020/21, the Council has administered over £140m in Government grant funding to eligible businesses throughout the district, administered in the region of £50m in COVID related Business Rates reliefs and £4.5m of hardship relief to Council Tax Reduction recipients, managed almost £33m of other COVID specific grants as well as £36m of general un-ringfenced grants (£12m of which was received in March 2020).

This additional funding and the continuation of some of it into 2021/22 has been welcomed but it is also recognised that it is temporary financial support rather than permanent funding, and 2021/22 will be a transitional year for the Council and partner organisations with the easing of national social distancing measures.

The Council's updated revenue budget plans for 2021/22 and future years, and updated capital plans 2020-26 roll forward existing approved investment in the Administration's political priorities; namely the 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 borough's residents. In addition, they also reflect opportunities for prioritisation of existing budgets to support the Administration's inclusive investment ambition through the COVID-19 recovery plan.

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 foreseeable future. The Council approved budget plans for 2021/22 in particular gives the Council continued financial stability over the next 12 months, in light of continuing COVID-19 impact and volatility on the Council's overall financial position.

The Council has to live within its means not just for today, but for the foreseeable future. The Council's reserves position continues to reflect relatively strong financial resilience over the short to medium term. However, the financial legacy of Covid-19 is expected to be long lasting beyond current temporary Government funding over the 2020-22 period and the Council's Medium-Term Financial Plan (MTFP) will continue to be updated. In light of emerging national, regional and local intelligence in what remains a very challenging national and local financial landscape for local government.

### **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 9 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 9 July well in advance of this year's 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 **439,800 residents**, and this figure is projected to increase by 3% overall to 451,500 by 2029; this includes a 18% projected increase in ages 65 and over to 91,800; included within this is a 27% increase specifically for ages 85 and over.
- **Kirklees ranks twelfth out of 336 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 area** covering 157 square miles.
- **180,300 households**, of which about 67% are owner occupied, and 12% Council rented. Households are projected to increase 11% by 2043, to 199,500.
- **157,000 employees in Kirklees**, of which 16% relates to Manufacturing, double the Great British average of 8%. Health also provides 14%; with Education accounting for a further 11%.
- **The average median gross weekly earnings for Kirklees residents is £437.10**; lower than the Great Britain average of **£472.20**.
- **Unemployment rates\* at April 2021 are 6.7%**; in comparison to the Great Britain average of 6.4% (\*unemployment rates relate to the claimant count for Jobseekers' Allowance plus those who claim Universal Credit and are required to seek work and be available for work). 19,700 employments were on furlough as at April 2021.
- **69 Local Councillors serve 23 wards**; since November 2020 there is no overall control in the Council, Labour was the controlling party following the 2018 May local elections and 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 2020 (source Kirklees People Services):

	Full-time	Part-time	Total	Full time equivalent (fte)
Non-schools	3,560	3,595	<b>7,155</b>	5,565
Schools	1,948	4,611	<b>6,559</b>	4,483
<b>Total</b>	<b>5,508</b>	<b>8,206</b>	<b>13,714</b>	<b>10,048</b>

To put the above into perspective, the full time equivalent figure in 2010 was 14,003; this represents an overall reduction of 3,955, approximately 28%, over the period.

### Council performance in 2020/21

The Council's annual Corporate Plan for 2020-21 sets out a vision for an ambitious Council for the residents and communities of Kirklees:

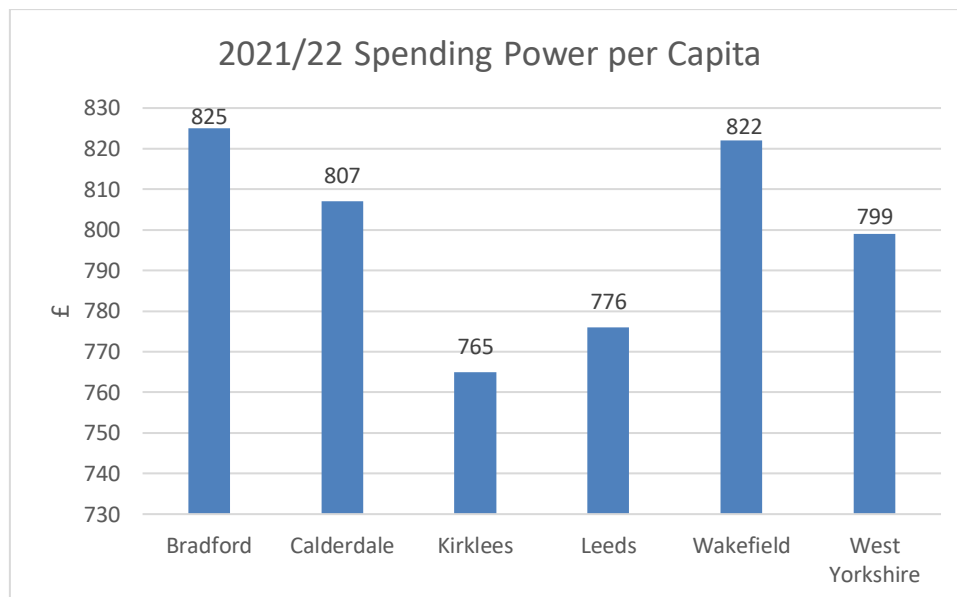
*"a district that combines a strong, sustainable economy with a great quality of life - leading to thriving communities, growing businesses, high prosperity and low inequality where people enjoy better health throughout their lives".*

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 2021-26, whilst acknowledging the continuing financial challenges facing the Council, also include significant new

investment, particularly 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 that each Council has available, expressed as an amount per resident, places Kirklees as the 3<sup>rd</sup> lowest of the 36 metropolitan authorities in 2021/22, and lowest of the 5 Councils in the West Yorkshire regions (see below):



The Council aims to be outcomes focussed and intelligence driven. The Corporate Plan for 2020/21 continued with a focus on the Council's contribution to the seven shared 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.

Monitoring our impacts and outcomes at a population level ensures that our services are clear about the context within which they are delivering and how well we are meeting the needs of citizens and communities. Monitoring our impacts and outcomes at a service level helps us to understand how much we are doing, how well and what difference we are making to our customers and service users. Progress made across all services is summarised in quarterly performance and outcome reports.

Work is underway to identify and embed improved measures of impact and outcomes across all Council areas of activity including our progress towards reducing inequalities between and within communities in Kirklees.

Below is a summary of achievements in the last 12 months:

**Best Start:**

- 2,825 families benefitted from 30hrs free childcare and the take-up of free early education for eligible 2 year olds was 64%.
- 77.8% (520 out of 668 children) of Children Looked After were successfully placed in fostering placements.



**Well:**

- 631 people helped via Community Plus (around half of whom consider themselves to have a disability).
- 929 referrals to the Integrated Wellness Service including referrals for the Healthy Weight Programme (30%), improving mental wellbeing (25%) and improving physical health (22%).

**Independent:**

- 90% of people in receipt of council funded adult social care feel that the care and support they receive helps them feel safe.
- The council supported over 150 mutual aid groups which formed to provide support to communities during the pandemic. 4,728 people received help via the Council's Community Response helpline and around 1,500 people volunteered their services to help vulnerable people.

**Aspire and Achieve:**

- Pupil assessments and Ofsted visits were cancelled by national government during the pandemic.
- The Council distributed 6,224 digital devices (such as laptops and iPads) and 351 routers to pupils to support learning from home. These included vulnerable children, asylum seekers, looked after children and children in foster care.
- 4550 people participated in council run employability programmes with 1178 people moving into work or apprenticeships.

**Sustainable Economy:**

- Over 1,400 grants allocations to SMEs in Kirklees since the inception of the Leeds City Region Local Economic Partnership in 2012 with an accumulated value of £8.92m. In 2020-21, £807,522 of grant support has been provided with the assistance of our Growth Managers via Leeds City Region Local Economic Partnership, helping to create 147 new jobs in the last 12 months as a result of business growth projects.
- The Council has also made a total of £17.5m. worth of Discretionary Grant payments to over 1500 businesses. This is in addition to the £150m. plus of Government COVID Support Grants paid to businesses in Kirklees.

**Safe and Cohesive:**

- The Council has continued to manage anti-social behaviour and support victims in communities within the boundaries of Covid restrictions including progressing legal interventions where appropriate or within amended legislation.

**Clean, Green, High quality environment:**

- Delivery of 1,131 new dwellings in 2019-20.
- 82% of street lights now converted to more energy efficient LED (over 43,500 lights in total to date) resulting in savings of energy and carbon generated of 60% and 40% fewer journeys to repair faults.
- A locality based unclassified road programme was approved involving resurfacing of unclassified roads and pavements with over 140 sites prioritised by councillors. This programme also funded the recycling of road surfaces (reducing the amount of materials needed), and a resurfacing 'hotspot' programme which is reducing the need for revisits to undertake small repairs so saving journeys and carbon generated.
- Between 2005/6 and 2019/20 the Council has reduced its carbon emissions by 53.5% which means it achieved its previous 40% reduction target (set in 2010 against a 2005/06 baseline) ahead of the 2020/21 target date. The Council has now set a more ambitious target for 'net zero' carbon emissions by 2038.



## **Financial Performance in 2020/21**

### **Service developments in year**

During the year, there have been 6 schools that have converted to Academy status. Employees have been transferred to the new bodies together with assets valued at £29.7m. These transfers have resulted in a reduction in revenue spending of £4.4m and a corresponding amount of Dedicated Schools Grant.

### **Revenue – General Fund**

The General Fund Net Revenue Budget for 2020/21 was £302.3m, approved at Council on 12 February 2020.

There was a net transfer to reserves from General Fund in-year, totalling £27.6m. The revised budget in 2020/21 was £274.7m.

The Authority's net revenue spend totalled £274.7m in 2020/21.

The overall outturn position was break-even against a £274.7m revenue budget (compared to break-even in 2019/20) and reflects sound overall financial management of budgets in-year.

The 2020/21 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.

The actual spend to budget is summarised by department below:

	<b>Revised Budget</b>	<b>Outturn</b>	<b>Variance</b>
	<b>£k</b>	<b>£k</b>	<b>£k</b>
Children & Families	87,302	90,869	3,567
Adults & Health	102,979	103,848	869
Growth & Regeneration	15,398	16,691	1,293
Environment & Climate Change	23,283	35,978	12,695
Corporate Services	22,117	28,616	6,499
Central Budgets	30,158	31,001	843
<b>COVID Funding Offset</b>	<b>-6,531</b>	<b>-32,301</b>	<b>-25,770</b>
<b>Grand Total</b>	<b>274,706</b>	<b>274,701</b>	<b>-5</b>

Within the overall break-even position, there were a number of significant underlying service pressures, including £10.7m on Special Educational Needs and Disability (SEND) activity, in excess of the £43.1m resources available to fund this activity through the High Needs funding block allocation within the Dedicated Schools Grant (DSG).

Following CIPFA guidance, this spending pressure must be carried forward on the Balance Sheet in full, as a funding deficit against Dedicated School Grant (DSG). In the 2019/20 accounts, this was held as a 'negative' usable reserve. However, following the introduction of a new Statutory Instrument in

November 2020, the 2021/22 Code has stated this 'deficit' balance should be held in the 'Dedicated Schools Grant Adjustment Account', an unusable reserve. The 'deficit' balance at 31 March 2021 is £25.1m (2019/20 £14.4m).

The aim of the 2020/21 CIPFA code is to ensure that DSG deficits are ringfenced and held separately from General Fund resources so that specific measures can be put in place to address the deficits without placing pressure on resources required for other essential services.

As a result, this balance has not formed part of the overall break-even position for 2020/21. High needs however, 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 informed by national and local intelligence. It is the Council's intention to work with the relevant Government departments to bring forward a medium term management plan to address the deficit balance, early in 2021/22.

There was also an overall overspend on Schools Transport of £2.1m relating to volume pressures. As at 31 March 2021, 250 children with Education Health and Care Plans (EHCP's) are using Post 16 Home to School Transport. Approved 2021/22 budget plans include £1.75m base budget uplift to reflect recurrent demand pressures on schools transport service. This includes £250k to establish a permanent team to support families of children with special needs and disabilities; to create travel solutions which will help families, not just in relation to travel but also providing families with other benefits such as life skills and to have more control over their own lives, and save in the longer term.

Within Environment and Climate Change the most significant variances relate to the impacts of COVID-19, with a total full year pressure of £18.5m across both spend and income budgets. There were £9.2m COVID-19 related spend pressures; £6.2m of which related to PPE costs offset in full by Contain Outbreak Management Funding. The balance of costs at £3.0m included additional spend of £1.8m on Waste services associated with traffic management at household waste sites and additional vehicles and hired staff for collections, £0.4m on School Catering, including the provision of 'grab bags' for pupils during school closures, and £0.4m for cremator works and temporary mortuary facilities. There were also substantial income losses of £9.3m; the most significant being £4.3m on Parking Fees and Fines, largely as a result of national lockdown measures on non-essential businesses, home working due to social distancing and local measures to encourage high street footfall through extension of resident free parking in the borough's major towns; plus a further £2.8m on Catering due to school closures. Other losses included £0.7m on Trade Waste, £0.5m on Town Halls and Public Halls, £0.3m on Bereavement Services and £0.3m on Public Protection.

Within Growth and Regeneration there were pressures totalling £3.3m with respect to COVID-19; £2.3m of which related to income losses. £1.8m of the losses sat within Growth and Housing and included £0.9m on Markets, £0.6m on Planning Fees and £0.2m on Building Control Fees. There was also additional spend of £0.9m on temporary accommodation facilities provided during the pandemic; £0.7m of which was offset by specific COVID-19 funding streams

Within Corporate Strategy, Commissioning and Public Health there was a £4m pressure as a result of a payment to Kirklees Active Leisure (KAL) to address the net revenue losses incurred as a result of enforced closure of leisure centres during the pandemic and ensure KAL's financial sustainability and future recovery post-COVID-19. In October 2020, Government announced a £100m funding package aimed at outsourced local authority leisure centres to support the recovery going forward of those services deemed to be most in need. A successful submission was put forwards by the Council with joint sign off from KAL for funding of £1.1m which will be paid across to KAL in 2021/22. There is likely to be a requirement for further financial support in 2021/22.

General Fund reserves and balances have increased through 2020/21 by £69.6m; from £127.8m (restated) at the start of the year to £197.4m as at 31 March 2021.

### **Covid-19**

The Covid-19 financial impact has been significant, adding to the already uncertain financial landscape. During the year the Council has continually assessed its financial impact forecasts as part of the monthly financial impact returns to Government.

### **Covid-19 Grant Schemes**

During the financial year the Council has administered a significant number of Covid-19 grant schemes on behalf of Government to support businesses and residents during the pandemic. The financial impact of these grants is reflected within the Outturn and Statement of Accounts.

These schemes have been a mix of non-discretionary, where schemes and eligibility criteria has been set nationally by Government, and discretionary, where schemes and eligibility criteria have been set locally by the Council. Following the receipt of a grant the Council had to determine whether in administering the grant it was acting as an agent or principal. Accounting standards only require the Council to record transactions in its revenue accounts where it is acting as principal i.e. it has control of the grants awarded.

The table below provides a full summary of all the Covid-19 grant schemes administered by the Council during 2020/21:

**NARRATIVE REPORT**  
**KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2020/21**

Category	Name of Funding	Lead department / organisation	Kirklees Allocation £k	Council Acting as Agent (A)
COVID-19 General Funding	Coronavirus (COVID-19): emergency un-ringfenced funding for local government (4 tranches)	MHCLG	35,857	
	COVID-19 Sales Fees and Charges Income Loss Compensation	MHCLG	8,671	
	COVID -19 Local Tax Income Guarantee Compensation	MHCLG	5,002	
Test & Trace and COMF Funding	Test and Trace Service Support Grant	DHSC	2,531	
	Surge Funding / additional Contain Outbreak Management Fund (COMF)	DHSC	11,058	
Funding for Adult Social Care (For Single and Upper tier authorities only)	Adult Social Care Infection Control Fund (ICF) (Rounds 1 and 2)	DHSC	8,358	
	Clinical Commissioning Group (CCG) funding for additional costs associated with COVID-19 including hospital discharge	NHSE	8,511	
	Rapid Testing Fund	DHSC	1,123	
	Workforce Capacity Fund	DHSC	930	
Funding for Grants to Businesses	Small Business Grant Fund & Retail, Hospitality, Leisure	MHCLG/BEIS	113,650	A
	Business Grant Top Up	MHCLG/BEIS	21,492	A
	LA Discretionary Grant Fund	MHCLG/BEIS	5,232	
	Local Restrictions Support Grant - Closed	MHCLG	31,019	A
	Local Restrictions Support Grant - Open	MHCLG	4,323	
	Local Restrictions Support Grant - Discretionary	MHCLG	12,702	
	Christmas Support - Pubs	BEIS	230	A
Other Government Funding for Local Authorities	Clinically Extremely Vulnerable (CEV) Funding	MHCLG	1,315	
	Compliance and Enforcement Grant	MHCLG	239	
	Reopening High Streets Safely Fund	MCHLG	389	
	Provisional Rough Sleeping emergency funding	MHCLG	12	
	Next Steps Accommodation Programme (NSAP)	MHCLG	162	
	Local Authority Emergency Assistance Grant for Food and Essential Supplies	DEFRA	551	
	Additional Home to School Transport (£m)	DfE (and DfT)	47	
	Emergency Active Travel Fund (Tranche 1 only)	DfT	257	
	Community Champions LA Fund	MHCLG	495	
	Self-Isolation Grant funding (Administrative element only)	DHSC	267	
	Self-Isolation Grant funding (other)	DHSC	1,379	
	COVID Winter Grant Scheme	DWP	2,005	
	Community Testing	DHSC	558	
	New Burdens Funding	MHCLG/BEIS	326	
	Business Improvement Districts Funding	MHCLG	11	
	Leisure Centre Support	DCMS	1,175	
	Hardship Funding	MHCLG	4,957	
<b>TOTAL</b>			<b>284,834</b>	

## 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 2020/21, the HRA reported a £2.6m deficit against an annual turnover of £82m. This included additional depreciation charges of £1.2m, £0.5m relating to additional Council Tax charges on longer term void properties, and variations totalling £0.9m on income; £0.4m of which relates to the COVID-19 emergency including £0.3m under collection of rent income and £0.1m under collection of service charges.

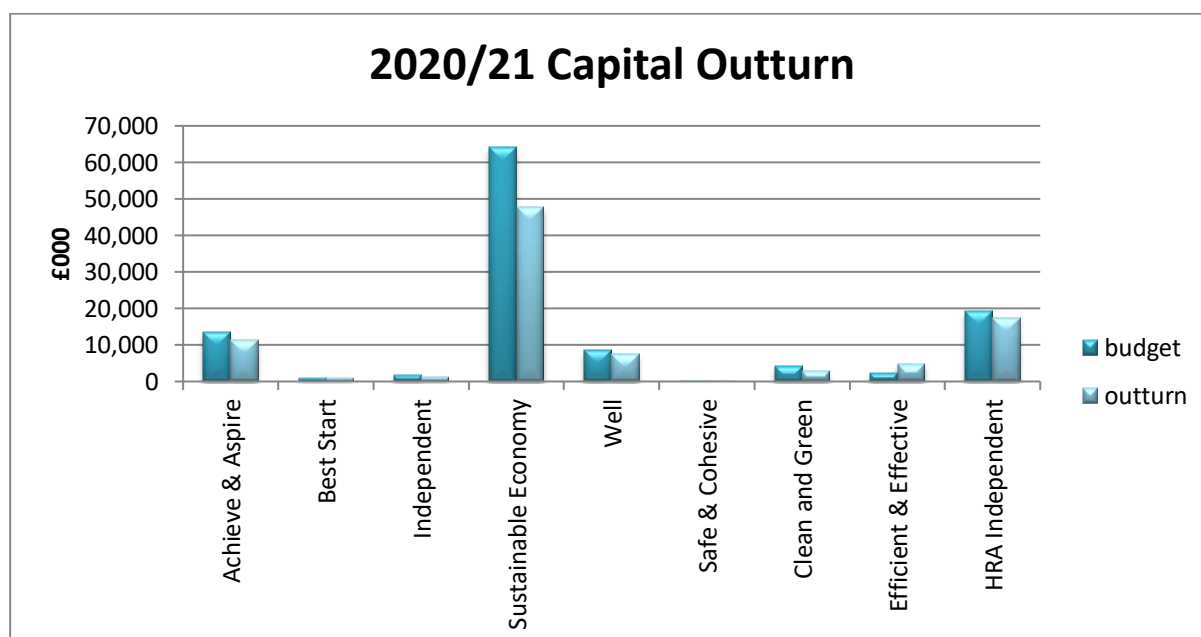
## Capital expenditure

The Council's revised capital plan budget was £115.1m in 2020/21.

Capital expenditure in 2020/21 totalled £93.6m; equivalent to 81% against committed investment. Of the total spend, £40m related to strategic priorities, £50.7m related to baseline spend and the balance of £2.9m 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 £3.1m on Transforming Cities Fund, £2.8m on the Town Centre Action Plans and £2.4m on West Yorkshire plus Transport schemes. Delays and slippage are also reflected in Baseline schemes, including Highways at £4.1m and Corporate Landlord at £1.8m.

Capital budget and expenditure in 2020/21, is summarised by outcome below:



Capital expenditure in 2020/21 was funded by the following sources of finance; borrowing £40m, grants and contributions £29.9m, capital receipts at £7.6m, Major Repairs Reserve (HRA) at £12.8m, Reserves/Revenue contributions to capital (HRA) at £3.3m and revenue funding on PFI commitments £2.2m.

## 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 year-end deficit balance on Business Rates of £30.9m is largely due to the additional reliefs which were awarded to ratepayers in 2020/21 due to the COVID-19 pandemic, primarily the extended Retail Discount and Nursery Relief, with compensating S31 grant of £24m being received. The £24m was moved to reserves in 2020/21 and will be applied against the rolled forward business rates deficit in 2021/22.

The Council’s share of overall Collection Fund financial performance in 2020/21 is summarised below.

<b>Collection Fund - Council Share</b>	<b>Council Tax</b>	<b>Business Rates</b>
	<b>£m</b>	<b>£m</b>
<b>(Surplus)/Deficit at 1 April 2020</b>	<b>1.2</b>	<b>-3.7</b>
(Surplus)/Deficit transfer to General Fund in 2020/21	0.1	3.4
In-year financial performance 2020/21	3.3	31.2
<b>(Surplus)/Deficit at 31 March 2021</b>	<b>4.6</b>	<b>30.9</b>

Due to the impact of Covid-19 on the collection of both Council Tax and Business Rates, a change to Collection Fund accounting was introduced for 2020/21, which spreads the impact of COVID related deficits over three financial years (with the exception of the aforementioned £24m Government grant funded Business Rate reliefs), thus smoothing the impact on the revenue budget. The Council’s 2021/22 budget and future years budget estimates have been prepared using this new facility.

The percentage of Council Tax collected in year was 95.67% (2019/20 95.41%). The Council’s share of the arrears outstanding as at 31 March 2021 was £17.1m (31 March 2020 £14.7m).

The percentage of Business Rates collected in the year was 80.32% (2019/20 97.09%). The Council’s share of the arrears outstanding at 31 March 2021 was £7.6m (31 March 2020 £3.3m). In addition, there is a provision for Business Rates appeals outstanding. The Council’s share of this provision at 31 March 2021 is £2.6m (31 March 2020 £1.9m).

The Council is also part of a regional business rates pooling arrangement – Leeds City Region and North Yorkshire Business Rates Pool, for 2020/21.

## Balance Sheet

The table below summarises the Balance Sheet movements during 2020/21 and indicates that the Council maintains an overall positive Balance Sheet in terms of net assets and usable reserves.

	At March 2020	At March 2021	Movements in-year
	£m	£m	£m
Long Term Assets	1,632	1,683	51
Net Current Assets	-51	-52	-1
Long Term Liabilities	-1,303	-1,474	-171
Net assets	278	157	-121
<i>Represented by :</i>			
Usable Reserves	-226	-312	-86
Unusable Reserves	-52	155	207

## Assets

The value of Property, Plant and Equipment has increased during the year by £46.9m to £1,488.0m. The increase is largely due to additions of £73.9m, net valuation gains on Plant, Property and Equipment of £76.5m, offset by assets being reclassified as Held for Sale (£4.3m), the disposals of assets (£43.9m), including schools transferring to academy status, and depreciation (£53.3m). In addition, the Council had Heritage Assets and Investment Property valued at £55.2m and £97.3m respectively as at 31 March 2021 (31 March 2020 £50.0m and £101.1m). Current assets increased by £31.4m to £138.2m.

The Council's policy towards cash flow management is prudent and all deposits/investments in 2020/21 have been placed short-term with a view towards security and liquidity. As at 31 March 2021, the Council held investments of £26.2m within "cash equivalents", that is highly liquid deposits with an insignificant risk of change in value (31 March 2020 £41.4m).

## Liabilities

Current liabilities increased by £33.1m to £190.6m and long-term liabilities increased by £170.5m to £1,473.6m. As at 31 March 2021, the Council had total provisions (long term and short term) of £14.7m (31 March 2020 £12.5m).

Total external borrowing during the year decreased from £431.2m to £430.1m. £10m of new long term borrowing was taken from the Public Works Loan Board (PWLb) in the year and short term borrowing decreased by £3.2m.

The average interest rate for long term borrowing in 2020/21 was 4.46% (2019/20 4.67%).

Other long term liabilities contains a net pensions liability of £998.6m (31 March 2020 £824.7m). 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 increase in the pension liability due to actuarial losses due to changes in financial assumptions.

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 2021 was £197.4m (1 April 2020: £127.8m restated), a net increase of £69.6m. These balances include £187.4m 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).

The increase mainly relates to Business Rates Section 31 grant (£24m) received by the Council in-year to compensate for the loss of Business Rates income as a result of the extended retail relief given to eligible businesses to support them through the pandemic. These resources are being held in earmarked reserves to offset the Collection Fund deficit created by the reliefs which will be realised in 2021/22. A further £5m reserve has been created containing compensation amounts for tax income losses.

Also, as previously noted, in 2019/20 the DSG deficit reserve was held as a 'negative' earmarked reserve, however, in 2020/21 the accounting treatment for this deficit changed and the deficit is now held separately as an unusable reserve.

The Revenue Grants reserve increased by £10.3m due in the main to the impact of COVID grants being held in reserve at year end, due to timing issues on additional COVID spend rolling over financial years. It is intended that most of this increase will be applied in 2021/22.

A proportion of un-ringfenced Government Covid support grant received in 2020/21 at £17.6m also transferred to an existing £2.4m reserve at year end; set aside to cover a range of ongoing costs of the Council's Covid-19 response continuing into 2021/22. The balance of this reserve as at 31 March 2021 is £20.0m. It is anticipated that the reserve will be fully applied in 2021/22 to help offset significant and unbudgeted Covid-19 pressures in-year.

Council reserves also includes an amount of £13.6m (31 March 2020 £10.0m) relating to schools' balances.

Total usable reserves (excluding ring-fenced Schools Reserves, Public Health and Collection Fund Reserves) as at 1st April 2021 are £153.3m, equivalent to 48.2% of the 2021/22 £317.9m (net) revenue budget. Adjusted for COVID related funding rolled through reserves at year end to cover off ongoing unbudgeted COVID spend commitments, the balance of usable reserves is forecast to be £119.8m; equivalent to 37.7% of net revenue budget.

For comparator purposes, the median percentage across the 36 metropolitan Councils on this particular indicator was 37% as at 31 March 2020. However, as noted above, reserves as at 31 March 2021 have been 'artificially' increased by the roll forward through reserves of various COVID related funding streams that will mostly be applied in 2021/22 due to timing issues on associated spend.



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. Given the issues noted above, meaningful comparator benchmarking across Councils for 2020/21 will be somewhat distorted by COVID funding and associated spend timing issues rolled forward through Council reserves. This will be a sectoral wide issue, not just limited to a few Councils.

HRA Balances at 31 March 2021 were £58.4m 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 2021 (31 March 2020 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 £56.9m as at 31 March 2021 (31 March 2020 £51.6m).

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 £0.4m in 2020/21 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 the ongoing effects of Covid-19, along with inflationary, demographic and other demand pressures locally continues to be the biggest challenges facing the Council.

Budget plans for 2021/26 were approved at budget Council on 10 February 2021. These are summarised below.

<b>Summary general fund revenue budget plans 2021-26</b>	<b>2021/22</b>	<b>2022/23</b>	<b>2023/24</b>	<b>2024/25</b>	<b>2025/26</b>
	£t			£m	£m
Budget Gap (MTFP 20-23)	12.1	22.0	24.0	24.0	24.0
Funding and Reserves Changes	(9.7)	2.2	(6.2)	(16.9)	(24.4)
Spending Changes (excluding MRP)	11.3	4.1	12.9	17.2	21.4
<b>Updated Budget Gap before MRP flexibility</b>	<b>13.7</b>	<b>28.3</b>	<b>30.7</b>	<b>24.3</b>	<b>21.0</b>
Apply MRP Flexibility to Offset Budget Gap	(13.7)	(13.7)	(13.6)	-	-
<b>Updated Budget Gap (MTFP 21-26)</b>	<b>-</b>	<b>14.6</b>	<b>17.1</b>	<b>24.3</b>	<b>21.0</b>

The Councils refreshed reserves strategy is directed at strengthening organisational flexibility and financial resilience over the short to medium term in light of the continued funding uncertainty for Council's post 2021/22. 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 12.2% of the current year £304.5m (net) controllable revenue budget.

Council updated budget plans reflect a 1.99% general Council Tax uplift in 2021/22 plus a further 3% adult social care precept uplift.; 4.99% in total, and equivalent to £9.3m additional funding. The majority of Kirklees homes are classified as Band A. At this level, a 4.99% Council Tax uplift is equivalent to an increase of £52.22; from £1,046.53 in 2020/21 to £1,098.75 in 2021/22 (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 £700m additional funding for high needs in 2020/21. This was subsequently confirmed through the Local Government Finance Settlement with the Council's share at £6.1m for 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.

As noted previously, following the introduction of a new Statutory Instrument the negative DSG reserve balance as at 31 March 2020 of £14.4m was transferred to the 'Dedicated Schools Grant Adjustment Account', an unusable reserve. The 2020/21 Dedicated Schools Grant (DSG) High Needs funding allocation for Kirklees is £43.1m, inclusive of the £6.1m additional funding noted above. The 2020/21 in-year pressure on High Needs spend in excess of the DSG funding allocation was £10.7m (equivalent to 24.8%) which has been transferred to the reserve, resulting in a balance at 31 March 2021 of £25.1m.

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. There has been further transfers into the Demand Reserve in year, giving a closing balance of £19.3m as at 31 March 2021.

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 2021/22 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 educational partners across the district. The budget plans, included in the Annual Budget Report to Council on 10 February 2021, reflect the Council's commitment to SEND investment (both revenue and capital) over the medium term. This is further reflected in a number of SEND proposals elsewhere on this Cabinet agenda as part of the overarching Council SEND transformation agenda. The Council will also continue to engage with DfE, Schools Forum and other key stakeholders, using the framework of the updated operational guidance on schools funding 2021/22, to consider options to manage down the accumulated DSG deficit over time.

### Social Care

The Local Government Finance Settlement for 2021/22 confirmed that all existing Social Care specific grants, including Better Care Fund, will roll into 2021/22 baselines at their current levels. These include the existing Social Care grant at £11m 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 £19.5m. This (along with the iBCF, and Winter Pressures grant) has national reporting conditions and joint health sign off agreements.

Also confirmed in the 2021/22 Local Government Finance Settlement was a further national increase in the Social Care grant by £300m; albeit only £150m of this is 'new money', with half of the grant being recycled surplus New Homes Bonus funding. This compares with an equivalent national £1 billion additional social care grant funding in 2020/21.

The Council's share of the additional Social Care grant funding for 2021/22 is £2.5m. Updated budget plans assume that this funding will remain in place in future years and that annual funding increases from 2022/23 onwards will revert to 2020/21 levels (£11m overall), reflecting the minimum requirement for Councils with social care responsibilities that continue to face significant upward pressures over the medium to longer term.

The 2020 Spending Review also included provision for Councils with Social Care responsibilities to raise a proportion of their Adult Social Care funding requirement through an Adult Social Care precept up to 3%. Government further stated this could be flexibly applied over a 2 year period. The additional 3% has been applied in full in updated baseline funding forecasts for 2021/22 to meet forecast adult social care spending needs over the coming financial year.

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 2021/22, 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

#### **Transfer of Functions – Kirklees Neighbourhood Housing Ltd**

At the Kirklees Cabinet meeting on 21<sup>st</sup> May 2020 a decision in principle was taken to transfer the management of Kirklees Council housing stock back into Kirklees control. Further consultation was carried out with customers and stakeholders and a final decision was taken in October 2020 to transfer the management of Homes and Neighbourhoods service to Kirklees Council with effect from 1<sup>st</sup> April 2021. Kirklees Council will continue to fund the delivery of housing services from the Housing Revenue Account.

### **West Yorkshire Mayoral Combined Authority**

In the March 2020 budget, Government announced that it had agreed a devolution deal with West Yorkshire to establish a Mayoral Combined Authority and in May 2021 Tracy Brabin became the first directly elected Mayor. 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 CIPFA 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 had intended that this would be formally implemented at a local level in time for the 2021/22 budget round, but due to the effects of Covid-19 this has now been delayed by 12 months. Officers now intend to undertake a self-assessment review against the code requirements through 2021/22, 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 2021/22 was agreed in February 2021. The matrix highlights risk areas, and headline mitigations and management actions.

The areas identified are summarised below:

- The risks associated with the current national emergency as result of the Covid 19 coronavirus.
- 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.
- Coronavirus has added significant income risks and imposed additional costs (some of which have been met by government funding) which have a current year and likely medium-term continuing impact.
- Risk of infection with a high consequence infectious disease (HCIDs airborne) with the consequent impacts of pressure on services through demand, and a reduced ability to deliver services resultant from staff absences and similar.
- The financial regime set by government causes a further loss of resources or increased and under-funded obligations (e.g. in relation to social care), with impact on the strategic 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.
- 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.
- 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 2021**
- **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 Finance's 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 2021.

Eamonn Croston  
Service Director - Finance  
xxxxxxx 2021

I certify that this Statement of Accounts was approved by the Corporate Governance and Audit Committee on xxxxxx 2021.

Yusra Hussain  
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	2020/21 Net Exp	Gross Exp	Gross Income	2019/20 Net Exp	
	£000	£000	£000	£000	£000	£000	Note
Children & Families	402,361	-296,647	105,714	404,427	-303,147	101,280	
Adults & Health	224,716	-112,651	112,065	198,166	-87,809	110,357	
Growth & Regeneration	41,455	-19,207	22,248	44,525	-19,302	25,223	
Environment & Climate Change	106,968	-41,989	64,979	94,343	-34,192	60,151	
Corporate Strategy, Commissioning & Public Health	189,517	-149,895	39,622	162,292	-116,395	45,897	
Central Budgets	26,543	-4,975	21,568	25,118	-1,513	23,605	
HRA	75,338	-137,258	-61,920	69,431	-154,268	-84,837	
<b>Cost of Services</b>	<b>1,066,898</b>	<b>-762,622</b>	<b>304,276</b>	<b>998,302</b>	<b>-716,626</b>	<b>281,676</b>	
Other operating expenditure			43,541			15,294	12
Financing and investment income and expenditure			43,745			60,718	13
Taxation and non-specific grant income			-370,170			-340,396	14
<b>Deficit on Provision of Services</b>			<b>21,392</b>			<b>17,292</b>	
Surplus(-)/Deficit on revaluation of Property, Plant and Equipment (PPE) and Heritage assets			-21,864			-25,687	15
Impairment losses on non-current assets to the Revaluation Reserve			0			107	15
Surplus(-)/Deficit from investments in equity instruments designated at fair value through other comprehensive income			-57			53	
Remeasurements of the net defined benefit liability			120,958			34,106	41
<b>Other Comprehensive Income and Expenditure</b>			<b>99,037</b>			<b>8,579</b>	
<b>Total Comprehensive Income and Expenditure</b>			<b>120,429</b>			<b>25,871</b>	



### 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 28.

	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
<b>2020/21</b>								
<b>Balance at 31 March 2020</b>	<b>-113,442</b>	<b>-61,018</b>	<b>-19,913</b>	<b>0</b>	<b>-31,710</b>	<b>-226,083</b>	<b>-51,693</b>	<b>-277,776</b>
Reporting of Schools Budget Deficit to new Adjustment Account at 1 April 2020	-14,396	0	0	0	0	-14,396	14,396	0
<b>Restated balance at 1 April 2020</b>	<b>-127,838</b>	<b>-61,018</b>	<b>-19,913</b>	<b>0</b>	<b>-31,710</b>	<b>-240,479</b>	<b>-37,297</b>	<b>-277,776</b>
<i>Movement in reserves during 2020/21</i>								
Total Comprehensive Income and Expenditure	73,452	-52,060	0	0	0	21,392	99,037	120,429
Adjustments between accounting & funding basis under regulations (Note 10)	-142,967	54,660	2,825	0	-8,091	-93,573	93,573	0
<b>Net Increase(-)/Decrease</b>	<b>-69,515</b>	<b>2,600</b>	<b>2,825</b>	<b>0</b>	<b>-8,091</b>	<b>-72,181</b>	<b>192,610</b>	<b>120,429</b>
<b>Balance at 31 March 2021 carried forward</b>	<b>-197,353</b>	<b>-58,418</b>	<b>-17,088</b>	<b>0</b>	<b>-39,801</b>	<b>-312,660</b>	<b>155,313</b>	<b>-157,347</b>
<b>2019/20</b>								
<b>Balance at 31 March 2019</b>	<b>-104,972</b>	<b>-61,782</b>	<b>-18,050</b>	<b>0</b>	<b>-26,325</b>	<b>-211,129</b>	<b>-92,518</b>	<b>-303,647</b>
<i>Movement in reserves during 2019/20</i>								
Total Comprehensive Income and Expenditure	92,406	-75,114	0	0	0	17,292	8,579	25,871
Adjustments between accounting & funding basis under regulations (Note 10)	-100,876	75,878	-1,863	0	-5,385	-32,246	32,246	0
<b>Net Increase(-)/Decrease</b>	<b>-8,470</b>	<b>764</b>	<b>-1,863</b>	<b>0</b>	<b>5,385</b>	<b>-14,954</b>	<b>40,825</b>	<b>25,871</b>
<b>Balance at 31 March 2020 carried forward</b>	<b>-113,442</b>	<b>-61,018</b>	<b>-19,913</b>	<b>0</b>	<b>-31,710</b>	<b>-226,083</b>	<b>-51,693</b>	<b>-277,776</b>

## 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 2021	31 March 2020	
	£000	£000	Note
Property, Plant & Equipment (PPE)	1,488,017	1,441,113	15
Heritage Assets	55,166	49,973	16
Investment Property	97,335	101,105	17
Intangible Assets	493	588	18
Long Term Investments	13,477	13,426	19
Long Term Debtors	28,853	25,343	19&20
<b>Long Term Assets</b>	<b>1,683,341</b>	<b>1,631,548</b>	
Inventories	5,086	2,038	21
Short Term Debtors	100,695	60,536	19&22
Assets Held for Sale	6,250	2,888	
Cash and Cash Equivalents	26,199	41,365	19&23
<b>Current Assets</b>	<b>138,230</b>	<b>106,827</b>	
Short Term Borrowing	-54,233	-57,582	19
Short Term Creditors	-125,551	-90,262	19&24
Other Short Term Liabilities	-6,191	-6,148	
Provisions	-4,600	-3,487	25
<b>Current Liabilities</b>	<b>-190,575</b>	<b>-157,479</b>	
Long Term Borrowing	-375,817	-373,660	19
Other Long Term Liabilities	-1,097,832	-929,460	26
<b>Long Term Liabilities</b>	<b>-1,473,649</b>	<b>-1,303,120</b>	
<b>Net Assets</b>	<b>157,347</b>	<b>277,776</b>	
Usable Reserves	-312,660	-226,083	27
Unusable Reserves	155,313	-51,693	28
<b>Total Reserves</b>	<b>-157,347</b>	<b>-277,776</b>	

## 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.

	2020/21		2019/20		
	£000	£000	£000	£000	Note
Net surplus(-)/deficit on the provision of		21,392		17,292	
Adjustments to net surplus/deficit on the provision of services for non-cash movements		-131,489		-70,027	30
Adjustment for items included in the net surplus/deficit on the provision of services that are investing and financing activities		36,694		33,917	31
<b>Net cash flows from Operating Activities</b>		<b>-73,403</b>		<b>-18,818</b>	
<b>Net cash flows from Investing Activities</b>					
Purchase of property, plant and equipment, investment property and intangible assets	78,738		66,207		
Purchase of short-term and long-term investments	4,470		10,802		
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	-7,485		-11,432		
Proceeds from short-term and long-term investments	-806		-170		
Other receipts from investing activities	-26,863	48,054	-22,631	42,776	
<b>Net cash flows from Financing Activities</b>					
Cash receipts of short and long-term borrowing	-248,334		-64,067		
Other receipts from financing activities	32,752		-1,154		
Cash payments for the reduction for the outstanding liabilities relating to finance leases and PFI contracts	5,899		6,068		
Repayments of short and long-term borrowing	249,527		33,154		
Other payments for financing activities	671	40,515	65	25,934	31
<b>Net decrease in cash and cash equivalents</b>		<b>15,166</b>		<b>-1,976</b>	
Cash and cash equivalents at the beginning of the reporting period		41,365		39,389	
Cash and cash equivalents at the end of the reporting period		26,199		41,365	23

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## **1 Accounting Policies**

### **General Principles**

The Statement of Accounts summarises the Council's transactions for the 2020/21 financial year and its position at the year-end of 31 March 2021. 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 2020/21` (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 previously 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, 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.

Amounts recognised as due to the Council are not credited to the CIES until conditions attached to the grant or contribution have been satisfied. 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. 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.

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

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 material interest in entities that require it to prepare Group accounts. In the Council's single-entity accounts the Council's interest in companies and other entities are recorded as financial assets at cost less any impairment. Any gains or losses are recognised in the CIES.

### **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.

### **The Council as Lessee**

#### **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.

#### The Council as Lessor

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 current value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of current 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 current 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. This standard 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 2022.

Definition of a Business: Amendment to IFRS3 Business Combinations – provides clarity on the definition of a business. We are not expecting this to affect our accounts when this is implemented from 1<sup>st</sup> April 2021.

Interest Rate Benchmark Reform phase 1 and phase 2: Amendments to IFRS9, IAS39, IFRS7, IFRS4 and IFRS16 – interest rate benchmark reform is expected to affect hedge accounting and therefore we are not expecting this to affect our accounts when this is implemented from 1st April 2021.

#### **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 37 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 40 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 39 gives further details on lease treatment.

#### **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 2021 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
<p><b>Property, Plant and Equipment (Note 15)</b></p> <p>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.</p> <p>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 40% 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.</p>	<p>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 £5.7 million for every year that the useful lives had reduced.</p> <p>Valuations are not reported as being subject to 'material valuation uncertainty' as defined by RICS Valuation Global Standards other than in respect of Retail and specific trading related assets/sectors such as Car Parks. This is due to the valuer being faced with an unprecedented set of circumstances caused by COVID 19 and an absence of relevant/sufficient market evidence on which to base their judgements as at the valuation date. The valuation of such assets is therefore reported as being subject to 'material valuation uncertainty' as set out in the RICS Valuation Global Standards.</p>
<p><b>Pensions Liability (Note 41)</b></p> <p>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.</p>	<p>The Actuaries provide information in relation to the sensitivity of the results to key assumptions and these are set out in the pensions note.</p>
<p>The net liability as at 31 March 2021 was £998.6 million.</p>	
<p><b>Fair value measurements</b></p> <p>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.</p>	<p>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.</p>



## **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 2020/21.

## **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 22.

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 2021, 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.

## **8 Expenditure and Funding Analysis**

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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
<u>2020/21</u>	£000	£000	£000	£000	£000
Children & Families	90,869	4,436	95,305	10,409	105,714
Adults & Health	103,848	0	103,848	8,217	112,065
Growth & Regeneration	16,691	1,088	17,779	4,469	22,248
Environment & Climate Change	35,978	2,881	38,859	26,120	64,979
Corporate Strategy, Commissioning & Public Health	28,616	0	28,616	11,006	39,622
Central Budgets	-30,257	53,615	23,358	-1,790	21,568
HRA	2,601	-11,292	-8,691	-53,229	-61,920
<b>Net Cost of Services</b>	<b>248,346</b>	<b>50,728</b>	<b>299,074</b>	<b>5,202</b>	<b>304,276</b>
Other operating expenditure	809	845	1,654	41,887	43,541
Financing and investment income and expenditure	0	21,835	21,835	21,910	43,745
Taxation and non-specific grant income	-305,360	-73,408	-378,768	8,598	-370,170
<b>Net Surplus(-)/Deficit</b>	<b>-56,205</b>	<b>0</b>	<b>-56,205</b>	<b>77,597</b>	<b>21,392</b>
<b>Opening Balances at 31 March 2020:</b>					
General Fund			-127,838		
HRA			-61,018		
			<b>-188,856</b>		
Add net Surplus in Year			-56,205		
Movement in DSG Unusable Reserve			-10,710		
<b>Closing General Fund and HRA Balance at 31 March 2021</b>			<b>-255,771</b>		
General Fund			-197,353		
HRA			-58,418		

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	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
<u>2019/20</u>	£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
Growth & Regeneration	17,274	1,311	18,585	6,638	25,223
Environment & Climate Change	22,860	2,775	25,635	34,516	60,151
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
<b>Net Cost of Services</b>	<b>286,933</b>	<b>2,720</b>	<b>289,653</b>	<b>-7,977</b>	<b>281,676</b>
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
<b>Net Surplus(-)/Deficit</b>	<b>-7,706</b>	<b>0</b>	<b>-7,706</b>	<b>24,998</b>	<b>17,292</b>
<b>Opening Balances at 31 March 2019:</b>					
General Fund			-104,972		
HRA			-61,782		
			<b>-166,754</b>		
Add net Surplus in Year			-7,706		
<b>Closing General Fund and HRA Balance at 31 March 2020</b>			<b>-174,460</b>		
General Fund			-113,442		
HRA			-61,018		

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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
<b>2020/21</b>	£000	£000	£000	£000
Children & Families	-990	11,302	97	10,409
Adults & Health	916	7,151	150	8,217
Growth & Regeneration	1,391	3,039	39	4,469
Environment & Climate Change	18,175	7,731	213	26,119
Corporate Strategy, Commissioning & Public Health	5,478	5,432	96	11,006
Central Budgets	-1,175	-356	-258	-1,789
HRA	-53,264	0	35	-53,229
<b>Net Cost of Services</b>	<b>-29,469</b>	<b>34,299</b>	<b>372</b>	<b>5,202</b>
Other operating expenditure	41,887	0	0	41,887
Financing and investment income and expenditure	3,381	18,563	-34	21,910
Taxation and non-specific grant income	-29,747	0	38,345	8,598
<b>Difference between General Fund and HRA Surplus/Deficit and CIES Surplus/Deficit on the Provision of Services</b>	<b>-13,948</b>	<b>52,862</b>	<b>38,683</b>	<b>77,597</b>
<b>2019/20</b>	£000	£000	£000	£000
Children & Families	-6,890	12,880	69	6,059
Adults & Health	1,577	7,684	119	9,380
Growth & Regeneration	3,523	3,082	33	6,638
Environment & Climate Change	26,275	8,081	160	34,516
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
<b>Net Cost of Services</b>	<b>-43,519</b>	<b>35,232</b>	<b>310</b>	<b>-7,977</b>
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
<b>Difference between General Fund and HRA Surplus/Deficit and CIES Surplus/Deficit on the Provision of Services</b>	<b>-33,070</b>	<b>52,509</b>	<b>5,559</b>	<b>24,998</b>

(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
	£000	£000	£000	£000
<b>2020/21</b>				
Children & Families	-277,514	-12,246	-6,887	-296,647
Adults & Health	-89,132	-22,992	-527	-112,651
Growth & Regeneration	-9,666	-9,070	-471	-19,207
Environment & Climate Change	-7,456	-23,715	-10,818	-41,989
Corporate Strategy, Commissioning & Public Health	-144,248	-5,588	-59	-149,895
Central Budgets	-548	-973	-3,454	-4,975
HRA	-7,912	-82,118	-47,228	-137,258
<b>Total Income analysed on a segmental basis</b>	<b>-536,476</b>	<b>-156,702</b>	<b>-69,444</b>	<b>-762,622</b>
<b>2019/20</b>				
Children & Families	-274,036	-14,452	-14,659	-303,147
Adults & Health	-54,881	-24,235	-8,693	-87,809
Growth & Regeneration	-7,086	-10,338	-1,878	-19,302
Environment & Climate Change	-653	-31,237	-2,302	-34,192
Corporate Strategy, Commissioning & Public Health	-109,510	-6,885	0	-116,395
Central Budgets	-584	-882	-47	-1,513
HRA	-7,929	-82,467	-63,872	-154,268
<b>Total Income analysed on a segmental basis</b>	<b>-454,679</b>	<b>-170,496</b>	<b>-91,451</b>	<b>-716,626</b>

**9 Expenditure and Income analysed by nature (Subjective Analysis)**

	2020/21	2019/20
	£000	£000
<b>Expenditure</b>		
Employee Expenses*	456,552	445,202
Premises and Transport	102,617	100,709
Supplies and Services	184,555	156,675
Other Service Expenses	355,676	329,401
Support Charges	16,666	17,248
Capital Charges	62,521	74,457
Precepts and Levies	1,015	979
Payments to Housing Capital Receipts Pool	2,108	2,456
Losses on the Disposal of PPE and Investment Assets	40,786	10,179
Interest Payable and Similar Charges	25,379	27,243
Net interest on the defined benefit obligation	18,563	17,277
Central Items	5,539	-10,635
<b>Total Expenditure</b>	<b>1,271,977</b>	<b>1,171,191</b>
<b>Income</b>		
Fees, Charges and Other Service Income	-159,916	-173,505
Grants, Reimbursements and Contributions	-710,207	-549,543
Capital Charges Credits	-66,496	-70,479
Internal Recharges	-99,649	-97,990
Interest and Investment Income	-6,520	-5,492
Income from Council Tax and Business Rates	-207,797	-256,890
<b>Total Income</b>	<b>-1,250,585</b>	<b>-1,153,899</b>
<b>Surplus(-)/Deficit on Provision of Services</b>	<b>21,392</b>	<b>17,292</b>

\*This includes £43.0 million in 2020/21 (£42.9 million in 2019/20) 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 £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
<b>2020/21</b>						
<b><u>Adjustments involving the Capital Adjustment Account (CAA):</u></b>						
Charges for depreciation and impairment of non-current assets	-35,593	0	0	-17,757	0	53,350
Amortisation of Intangible Assets	-294	0	0	0	0	294
Revaluation losses on PPE	-9,645	0	0	0	0	9,645
Revaluation gains on PPE	22,217	47,228	0	0	0	-69,445
Movements in the market value of Investment Properties	-2,907	-42	0	0	0	2,949
Revenue expenditure funded from capital under statute (REFCUS)	-14,695	0	0	0	0	14,695
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	-43,507	-4,137	0	0	0	47,644
Capital grants and contributions applied	11,210	209	0	0	0	-11,419
Capital grants and contributions applied (REFCUS)	6,225	0	0	0	0	-6,225
Deferred Income written down - Waste PFI	537	0	0	0	0	-537
Provision for the financing of capital investment	3,914	2,720	0	0	0	-6,634
Capital expenditure charged against balances	2,019	3,316	0	0	0	-5,335
Financial instruments impairment charges	25	0	0	0	0	-25
<b><u>Adjustments involving the Capital Grants Unapplied Account:</u></b>						
Capital grants and contributions unapplied and credited to the CIES	20,360	0	0	0	-20,360	0
Application of grants to capital financing transferred to the CAA	0	0	0	0	12,269	-12,269
<b><u>Adjustments involving the Capital Receipts Reserve:</u></b>						
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the CIES	1,524	5,450	-6,974	0	0	0
Financing new capital expenditure	0	0	7,669	0	0	-7,669

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**2020/21 Continued**

Contribution towards administrative costs of asset disposals	-27	-48	75	0	0	0
Contribution to finance the payments to the Government capital receipts pool	-2,108	0	2,108	0	0	0
Cash receipts from the repayment of capital loans given	0	0	-806	0	0	806
Used to repay debt (transfer to CAA)	0	0	753	0	0	-753

**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
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**Adjustment involving the Major Repairs Reserve:**

Financing of new capital expenditure (transfer to CAA)	0	0	0	12,750	0	-12,750
Used to repay debt (transfer to CAA)	0	0	0	5,007	0	-5,007

**Adjustment involving the Financial Instruments Adjustment Account:**

Amount by which finance costs charged to the CIES are different from those required by statutory regulations	358	-36	0	0	0	-322
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**Adjustments involving the Pensions Reserve:**

Reversal of items relating to retirement benefits debited or credited to the CIES	-88,310	0	0	0	0	88,310
Employer's pensions contributions and direct payments	35,448	0	0	0	0	-35,448

**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	-38,346	0	0	0	0	38,346
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**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	-595	0	0	0	0	595
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**Adjustment involving the Dedicated Schools Grant Adjustment Account**

Amount of schools budget deficit to DSG adjustment accounts	-10,710	0	0	0	0	10,710
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**NOTES TO THE MAIN FINANCIAL STATEMENTS**  
**KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2020/21**

**2020/21 Continued**

**Adjustment involving the Pooled Fund**

**Adjustment Account:**

Charges for fair value movements on the CCLA Property Fund	-65	0	0	0	0	65
<b>Total Adjustments 2020/21</b>	<b>-142,967</b>	<b>54,660</b>	<b>2,825</b>	<b>0</b>	<b>-8,091</b>	<b>93,573</b>

**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
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

**NOTES TO THE MAIN FINANCIAL STATEMENTS**  
**KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2020/21**

**2019/20 Continued**

Cash receipts from the repayment of capital loans given	0	0	-108	0	0	108
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**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
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**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
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**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
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**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
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**Adjustment involving the Pooled Fund Adjustment Account:**

Charges for fair value movements on the CCLA Property Fund	-894	0	0	0	0	894
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<b>Total Adjustments 2019/20</b>	<b>-100,876</b>	<b>75,878</b>	<b>-1,863</b>	<b>0</b>	<b>-5,385</b>	<b>32,246</b>
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**NOTES TO THE MAIN FINANCIAL STATEMENTS**  
**KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2020/21**

**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 2019	Transfers Out 2019/20	Transfers In 2019/20	Balance at 31 March 2020	Transfers Out 2020/21	Transfers In 2020/21	Balance at 31 March 2021
<b>Earmarked Reserves</b>							
Statutory (Schools Reserve)	-9,477	12	-502	-9,967	871	-4,466	-13,562
Statutory (Schools Reserve - DSG/Other)	-268	14,664	0	14,396	0	-14,396	0
Financial Resilience	-32,746	0	-4,400	-37,146	0	0	-37,146
Health and Social Care	-2,496	300	0	-2,196	158	-61	-2,099
Revenue Grants	-15,013	8,368	-3,600	-10,245	3,632	-13,850	-20,463
Strategic Investment Support	-5,400	1,441	-20	-3,979	1,447	-2,422	-4,954
Adverse Weather Reserve	-4,000	1,595	-27	-2,432	2,432	0	0
Property and Other Loans	-3,000	0	0	-3,000	0	0	-3,000
Waste Management	-11,000	1,316	0	-9,684	4,000	0	-5,684
Covid-19 Response	0	1,129	-12,228	-11,099	34,559	-43,454	-19,994
Schools PFI	0	0	-2,184	-2,184	2,949	-2,047	-1,282
Demand	0	0	-11,707	-11,707	0	-7,600	-19,307
Inclusive Investment	0	0	-2,000	-2,000	0	-1,000	-3,000
Extended Business Rate Relief	0	0	0	0	0	-23,955	-23,955
Tax Income Loss Compensation	0	0	0	0	0	-5,002	-5,002
Covid-19 Business Grants	0	0	0	0	0	-7,953	-7,953
Other	-11,358	4,412	-5,255	-12,201	1,533	-9,281	-19,949
<b>Total Earmarked Reserves</b>	<b>-94,758</b>	<b>33,237</b>	<b>-41,923</b>	<b>-103,444</b>	<b>51,581</b>	<b>-135,487</b>	<b>-187,350</b>
<i>Unallocated Balances</i>	<i>-10,214</i>			<i>-9,999</i>			<i>-10,003</i>
<b>General Fund Balances</b>	<b>-104,972</b>			<b>-113,443</b>			<b>-197,353</b>

- 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 2021 represents 111 schools with cumulative balances of £14.0 million (110 schools and £11.7 million at 31 March 2020) and 9 schools with cumulative deficits amounting to £0.5 million (16 schools and £1.7 million at 31 March 2020).
- The Statutory (Schools Reserve - DSG/Other) relates to Dedicated Schools Grant (DSG) which is statutorily ring-fenced for schools related expenditure. The deficit balance as at 1 April 2020 was transferred to the Dedicated Schools Grant Adjustment Account and is shown in note 28 Unusable

Reserves. This was following new provisions put in place by the School and Early Years Finance (England) Regulations 2020 and Local Authority Finance Regulations.

- 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 MTFP.
- The Health and Social Care Reserve had been set up to cover a range of social care expenditure commitments as agreed at Cabinet in August 2018.
- 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 in part against the potential risk of future loan defaults and in part to offset potential unfunded technical accounting entries on general fund revenue arising purely 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 implementation of the Council's waste management strategy, including phased release over the MTFP to manage current PFI contract transition in light of the current Council PFI Waste Contract ending in 2022/23.
- The Covid-19 Response Reserve reflects a specific reserve set aside to cover the costs of the Council's Covid-19 response.
- 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. As this confirmation was not received, this reserve will be utilised to cover reduced DSG budget contributions to Council services in 2020/21 and 2021/22.
- The Demand Reserve has been set up to mitigate the impact/volatility of a range of potential demand risks on statutorily provided service activity.
- The Inclusive Investment has been set up for a range of targeted development activity that supports the Council's inclusive investment ambition.
- The Extended Business Rate Relief - During 2020/21, local authorities received approximately £10 billion in Section 31 grants to offset the reliefs given to businesses during lockdown. Under current collection fund accounting rules, the Section 31 grants received this year will not be discharged against the Collection Fund deficit until 2021/22. The full amount of additional Section 31 grants received has therefore been transferred into the extended business rates relief reserve to be drawn down in 2021/22 against the rolled forward collection fund deficit.
- The Tax Income Loss Compensation Reserve - Local authorities are being compensated for the loss of local tax income in 2020/21 as a result of Covid-19. The compensation amount has been transferred into the Tax Income Loss Compensation Reserve to be drawn down in future years against the rolled forward collection fund deficit.
- The Covid-19 Business Grants Reserve reflects the balance of Covid-19 Business Grants received and recognised in 2020/21 before expenditure was incurred.

## 12 Other Operating Expenditure

	2020/21	2019/20
	£000	£000
Parish council precepts	809	780
Levies	206	200
Payment to Government Housing Capital Receipts Pool	2,108	2,456
Losses on the disposal of non-current assets	39,778	10,999
Revaluation losses on assets held for sale	0	0
De-recognition of Academies' Balances	640	859
<b>Total</b>	<b>43,541</b>	<b>15,294</b>

Net 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 £29.2 million in 2020/21 as part of six academy conversions and one community transfer (2019/20 £13.5 million as part of four schools' academy conversions).

## 13 Financing and Investment Income and Expenditure

	2020/21	2019/20
	£000	£000
Interest payable and similar charges	25,409	26,428
Net interest on the net defined benefit obligation	18,563	17,277
Interest receivable and similar income	-1,703	-707
Income and expenditure in relation to investment property and changes in fair value (Note 17)	1,890	18,016
Dividend Income	-455	-1,410
Other – movements on financial instruments	41	1,114
<b>Total</b>	<b>43,745</b>	<b>60,718</b>

## 14 Taxation and Non-Specific Grant Income

	2020/21	2019/20
	£000	£000
Council Tax income	-187,169	-179,239
Non Domestic Rates	-20,628	-77,651
Non-ring fenced government grants	-132,627	-60,484
Capital grants and contributions	-29,746	-23,022
<b>Total</b>	<b>-370,170</b>	<b>-340,396</b>

More detail on grant income is shown in Note 37 and on Council Tax and Non Domestic Rate income in the section on Collection Fund.

**NOTES TO THE MAIN FINANCIAL STATEMENTS**  
**KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2020/21**

**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
<b>Movement in 2020/21</b>	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>Cost or Valuation</b>									
At 1 April 2020	679,654	548,025	39,441	438,288	12,002	23,769	2,148	1,743,327	78,554
Additions	16,830	9,356	6,420	25,911	471	6,988	7,937	73,913	1,239
Revaluation increases/ decreases(-) recognised in the Revaluation Reserve	0	10,562	0	0	0	-1,525	0	9,037	9,158
Revaluation increases/ decreases(-) recognised in the Provision of Services	29,665	5,974	0	0	0	1,070	0	36,709	11,765
De-recognition – disposals	-1,250	-35,275	-4,062	0	0	-8,157	0	-48,744	-7,089
De-recognition – other	0	0	0	0	0	0	0	0	0
Assets reclassified to Held for Sale	-4,267	0	0	0	0	0	0	-4,267	0
Other movements in cost or valuation	0	-2,880	0	0	0	683	215	-1,982	0
<b>At 31 March 2021</b>	<b>720,632</b>	<b>535,762</b>	<b>41,799</b>	<b>464,199</b>	<b>12,473</b>	<b>22,828</b>	<b>10,300</b>	<b>1,807,993</b>	<b>93,627</b>
<b>Accumulated Depreciation and Impairment</b>									
At 1 April 2020	0	-24,738	-19,880	-246,354	-10,994	-248	0	-302,214	-3,895
Depreciation charge	-17,562	-9,884	-4,087	-21,311	-300	-201	0	-53,345	-2,007
Depreciation written out to the Revaluation Reserve	0	7,495	0	0	0	134	0	7,629	1,502
Depreciation written out to the Deficit on the Provision of Services	17,562	5,473	0	0	0	57	0	23,092	4,108
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	842	3,670	0	0	351	0	4,863	288
Other movements in depreciation and impairment	0	139	0	0	0	-139	0	0	0
<b>At 31 March 2021</b>	<b>0</b>	<b>-20,673</b>	<b>-20,297</b>	<b>-267,665</b>	<b>-11,294</b>	<b>-46</b>	<b>0</b>	<b>-319,975</b>	<b>-4</b>
<b>Net Book Value</b>									
at 31 March 2021	720,632	515,089	21,502	196,534	1,179	22,782	10,300	1,488,018	93,623
at 31 March 2020	679,654	523,287	19,561	191,934	1,008	23,521	2,148	1,441,113	74,659

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**KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2020/21**

	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
<b>Movement in 2019/20</b>	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>Cost or Valuation</b>									
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	22,702	0	0	0	-6,931	0	15,771	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
<b>At 31 March 2020</b>	<b>679,654</b>	<b>548,025</b>	<b>39,441</b>	<b>438,288</b>	<b>12,002</b>	<b>23,769</b>	<b>2,148</b>	<b>1,743,327</b>	<b>78,554</b>
<b>Accumulated Depreciation and Impairment</b>									
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
<b>At 31 March 2020</b>	<b>0</b>	<b>-24,738</b>	<b>-19,880</b>	<b>-246,354</b>	<b>-10,994</b>	<b>-248</b>	<b>0</b>	<b>-302,214</b>	<b>-3,895</b>
<b>Net Book Value</b>									
<b>at 31 March 2020</b>	<b>679,654</b>	<b>523,287</b>	<b>19,561</b>	<b>191,934</b>	<b>1,008</b>	<b>23,521</b>	<b>2,148</b>	<b>1,441,113</b>	<b>74,659</b>
at 31 March 2019	617,824	495,596	17,731	187,478	1,097	28,867	0	1,348,593	74,460

**Fair value measurement of surplus assets**

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 current value is revalued at least every three years. All valuations this year were carried out by external valuers - HRA properties by DVS Property Specialists 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). Both valuations were carried out on 31 December 2020 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 £76.5 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 2021. 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	7,117	21,502	196,534	1,179	0	10,300	236,632
Carried at current value as at:								
2020/21	720,632	232,250	0	0	0	14,509	0	967,391
2019/20	0	272,791	0	0	0	8,273	0	281,064
2018/19	0	0	0	0	0	0	0	0
2017/18	0	0	0	0	0	0	0	0
2016/17	0	2,931	0	0	0	0	0	2,931
<b>Total</b>	<b>720,632</b>	<b>515,089</b>	<b>21,502</b>	<b>196,534</b>	<b>1,179</b>	<b>22,782</b>	<b>10,300</b>	<b>1,488,018</b>

#### Capital Commitments

In February 2021, the Council approved a capital programme of £211.9 million for 2021/22. A further £624.2 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 £34.8 million at 31 March 2021 (£46.4 million at 31 March 2020) for schemes under progress.



**16 Heritage Assets**

	Fine Art Collection	Museums and Galleries Exhibits	Other	Total Assets
	£000	£000	£000	£000
<b><u>Movement in 2020/21</u></b>				
<b>Cost or Valuation</b>				
At 1 April 2020	44,368	3,302	2,303	49,973
Additions	0	0	0	0
Revaluation increases/decreases(-) recognised in the Revaluation Reserve	5,198	0	0	5,198
Revaluations recognised in the Provision of Services	0	0	0	0
<b>At 31 March 2021</b>	<b>49,566</b>	<b>3,302</b>	<b>2,303</b>	<b>55,171</b>
<b>Accumulated Depreciation</b>				
At 1 April 2020	0	0	0	0
Depreciation charge	0	0	-5	-5
Depreciation written out to the Revaluation Reserve	0	0	0	0
Depreciation written out to the Provision of Services	0	0	0	0
<b>At 31 March 2021</b>	<b>0</b>	<b>0</b>	<b>-5</b>	<b>-5</b>
<b><u>Movement in 2019/20</u></b>				
<b>Cost or Valuation</b>				
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
<b>At 31 March 2020</b>	<b>44,368</b>	<b>3,302</b>	<b>2,303</b>	<b>49,973</b>
<b>Accumulated Depreciation</b>				
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
<b>At 31 March 2020</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Net Book Value</b>				
<b>at 31 March 2021</b>	<b>49,566</b>	<b>3,302</b>	<b>2,298</b>	<b>55,166</b>
<b>at 31 March 2020</b>	<b>44,368</b>	<b>3,302</b>	<b>2,303</b>	<b>49,973</b>

**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 2020) 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 2020) and the “Falling Warrior” sculpture by Henry Moore valued at £6.0 million (£5.0 million 31 March 2020). The total value of donated artwork items as at 31 March 2021 is £26.6 million (£24.4 million 31 March 2020).

#### 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 2021 is £1.6 million (£1.6 million 31 March 2020). 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 2020).

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 2021 is £0.3 million (£0.3 million 31 March 2020).

#### **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:

	2020/21	2019/20
	£000	£000
Rental income from investment property	-2,958	-3,282
Direct operating expenses arising from investment property	1,441	1,524
Net gain	-1,517	-1,758
Net gains (-)/loss from fair value adjustments	2,949	20,972
Net gains (-)/loss on disposals of assets	457	-1,198
Net income (-)/expenditure in relation to investment property and changes in fair value	1,889	18,016

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:

	2020/21	2019/20
	£000	£000
<b>Balance at 1 April</b>	<b>101,105</b>	<b>124,087</b>
Additions	55	1
Disposals	-876	-420
Net gains (-)/loss from fair value adjustments	-2,949	-20,972
Transfers to Property, Plant and Equipment	0	-1,591
<b>Balance at 31 March</b>	<b>97,335</b>	<b>101,105</b>

#### **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 million (31 March 2020 £0.4 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 2020/21 (£0.3 million in 2019/20).

	2020/21	2019/20
	£000	£000
Balance at 1 April		
Gross carrying amounts	6,896	6,896
Accumulated amortisation	-6,308	-6,014
Net carrying amount at 1 April	588	882
Additions – Purchases	199	0
Amortisation for the period	-294	-294
Net carrying amount at 31 March	493	588
Comprising:		
Gross carrying amounts	7,095	6,896
Accumulated amortisation	-6,602	-6,308
	493	588

There are no significant contractual commitments relating to intangible assets for 2020/21.

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**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	
	2021	2020	2021	2020	2021	2020	2021	2020
	£000	£000	£000	£000	£000	£000	£000	£000
<b>Amortised cost</b>								
Investment principal	0	0	6,813	2,415	0	0	41,138	35,382
Soft loans principal	0	0	16,063	16,601	0	0	0	0
Soft loans accrued interest	0	0	0	0	7	0	0	0
Cash and cash equivalents	0	0	0	0	4,602	14,350	0	0
Cash and cash equivalents accrued interest	0	0	0	0	2	4	0	0
<b>Total Amortised cost</b>	<b>0</b>	<b>0</b>	<b>22,876</b>	<b>19,016</b>	<b>4,611</b>	<b>14,354</b>	<b>41,138</b>	<b>35,382</b>
Fair value through profit and loss	9,041	9,106	0	0	21,588	27,011	0	0
Fair value through other comprehensive income – designated equity instruments	4,436	4,320	0	0	0	0	0	0
<b>Total Financial Assets</b>	<b>13,477</b>	<b>13,426</b>	<b>22,876</b>	<b>19,016</b>	<b>26,199</b>	<b>41,365</b>	<b>41,138</b>	<b>35,382</b>
Non-Financial Assets	0	0	5,977	6,327	0	0	59,557	25,154
<b>Total</b>	<b>13,477</b>	<b>13,426</b>	<b>28,853</b>	<b>25,453</b>	<b>26,199</b>	<b>41,365</b>	<b>100,695</b>	<b>60,536</b>

**Financial Liabilities**

	Non-Current				Current			
	Borrowings		Creditors		Borrowings		Creditors	
	31 March		31 March		31 March		31 March	
	2021	2020	2021	2020	2021	2020	2021	2020
	£000	£000	£000	£000	£000	£000	£000	£000
<b>Amortised cost</b>								
Principal	-374,298	-372,111	0	0	-50,025	-53,207	-99,748	-
Loans accrued interest	0	0	0	0	-4,208	-4,375	0	0
Market loans EIR adjustment	-1,519	-1,549	0	0	0	0	0	0
PFI, finance lease and transferred debt	-88,107	-94,050	0	0	-6,191	-6,148	0	0

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<b>Total Financial Liabilities</b>	<b>-463,924</b>	<b>-467,710</b>	<b>0</b>	<b>0</b>	<b>-60,424</b>	<b>-63,730</b>	<b>-99,748</b>	<b>-</b> <b>55,042</b>
Non-Financial Liabilities	0	0	0	0	0	0	-25,803	- 35,220
<b>Total</b>	<b>-463,924</b>	<b>-467,710</b>	<b>0</b>	<b>0</b>	<b>-60,424</b>	<b>-63,730</b>	<b>-125,551</b>	<b>-</b>

<b>Borrowings</b>	<b>Non-Current</b>	<b>Current</b>	<b>Non-Current</b>	<b>Current</b>
	<b>31 March 2021</b>		<b>31 March 2020</b>	
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
PWLB	-263,793	-10,431	-261,501	-14,651
LOBOs	-61,519	-648	-61,549	-648
Other market debt	-43,522	-42,885	-43,627	-42,013
Stock	-6,983	-269	-6,983	-270
<b>Total</b>	<b>-375,817</b>	<b>-54,233</b>	<b>-373,660</b>	<b>-57,582</b>

**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:

	<b>College</b>	<b>Renewable Energy</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
Balance at 1 April 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
Loans repaid	-753	-28	-781
Change in impairment loss allowance	27	-3	24
Unwinding of discount	177	81	258
<b>Balance at 31 March 2021</b>	<b>14,506</b>	<b>1,921</b>	<b>16,427</b>
Nominal value at 31 March 2020	18,030	2,060	20,090
<b>Nominal value at 31 March 2021</b>	<b>17,276</b>	<b>2,031</b>	<b>19,307</b>

**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
	2021	2020
	£000	£000
LCR Revolving Investment Fund	3,050	3,054
Kirklees Schools Services Ltd	979	927
QED (KMC) Holdings Ltd	222	214
Kirklees Henry Boot Partnership Ltd	125	125
Kirklees Stadium Development Ltd	60	0
<b>Total</b>	<b>4,436</b>	<b>4,320</b>

**Offsetting Financial Assets and Liabilities**

The Council has legal right of offset on its current account banking arrangements and as at 31 March 2021 had a credit balance of £1.7 million at the bank (£0.8 million 31 March 2020) offset by a debit balance of £1.7 million (£0.8 million 31 March 2020).

**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		2020/21	2019/20
	Amortised cost	Amortised cost	Fair value through OCI	Fair value through profit and loss	Total	Total
	£000	£000	£000	£000	£000	£000
Interest expense	25,437	0	0	0	25,437	26,428
Losses on de-recognition	36	0	0	0	36	54
Impairment losses	0	986	0	0	986	1,343
<b>Interest payable and similar charges</b>	<b>25,473</b>	<b>986</b>	<b>0</b>	<b>0</b>	<b>26,459</b>	<b>27,825</b>
Interest income	0	-1,667	0	-36	-1,703	-429
Dividend income	0	0	0	-387	-387	-183
Gains on de-recognition	-35	0	0	0	-35	-30
<b>Interest and investment income</b>	<b>-35</b>	<b>-1,667</b>	<b>0</b>	<b>-423</b>	<b>-2,125</b>	<b>-642</b>
<b>Net impact on Surplus/Deficit on the Provision of Service</b>	<b>25,438</b>	<b>-681</b>	<b>0</b>	<b>-423</b>	<b>24,334</b>	<b>27,183</b>
Gains on revaluation	0	0	-61	0	-61	-59
Losses on revaluation	0	0	4	0	4	112
<b>Impact on other comprehensive income</b>	<b>0</b>	<b>0</b>	<b>-57</b>	<b>0</b>	<b>-57</b>	<b>53</b>
<b>Net gain(-)/loss for the year</b>	<b>25,438</b>	<b>-681</b>	<b>-57</b>	<b>-423</b>	<b>24,277</b>	<b>27,236</b>

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**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.

			<b>31 March 2021</b>	31 March 2020
Recurring fair value measurements	Input level in fair value hierarchy	Valuation technique used to measure fair value	<b>Fair value</b>	Fair value
			<b>£000</b>	£000
<b>Fair value through profit and loss</b>				
CCLA Property Fund	Level 1	Unadjusted quoted prices in active markets for identical shares	<b>9,041</b>	9,106
Money Market Funds	Level 1	Unadjusted quoted prices in active markets for identical shares	<b>21,588</b>	27,011
<b>Fair value through other comprehensive income</b>				
LCR Revolving Investment Fund	Level 3	Discounted cash flow techniques	<b>3,050</b>	3,054
Kirklees Henry Boot Partnership Ltd Kirklees Schools Services Ltd Kirklees Stadium Development Ltd QED (KMC) Holdings Ltd	Level 3	Discounted cash flow techniques or historic cost of the original investment	<b>1,387</b>	1,266

Property funds have been moved from level 2 to level 1 of the hierarchy for 2020/21 reflecting the resumption of an active market in these instruments.

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**

		<b>31 March 2021</b>		<b>31 March 2020</b>	
	Fair value level	Carrying amount	Fair value	Carrying amount	Fair value
		£000	£000	£000	£000
Long-term debtors	2	<b>22,876</b>	<b>27,689</b>	19,016	22,943
Short-term debtors		<b>41,138</b>	<b>41,138</b>	35,382	35,382
Cash and cash equivalents		<b>26,199</b>	<b>26,199</b>	41,365	41,365
<b>Total</b>		<b>90,213</b>	<b>95,026</b>	<b>95,763</b>	<b>99,690</b>



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

	Fair value level	31 March 2021		31 March 2020	
		Carrying amount	Fair value	Carrying amount	Fair value
		£000	£000	£000	£000
<b>Borrowings</b>					
PWLB	2	-274,224	-391,563	-276,152	-393,338
LOBOs	2	-62,167	-96,934	-62,197	-97,672
Other market debt	2	-86,407	-106,404	-85,640	-105,192
Loan stock	2	-7,252	-13,969	-7,253	-14,473
PFI, transferred debt & finance lease liabilities	2	-94,298	-137,787	-100,198	-138,243
Short-term creditors		-99,748	-99,748	-55,042	-55,042
<b>Total</b>		<b>-624,096</b>	<b>-846,405</b>	<b>-586,482</b>	<b>-803,960</b>

The fair values have been estimated by calculating the net present value of the remaining contractual cash flows at 31 March 2021, 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 2021.
- 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 2021) 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 2021	31 March 2020
	£000	£000
Financial Assets held at amortised cost:	<b>4,611</b>	<b>14,354</b>
Financial Liabilities held at amortised cost:		
PWLB	<b>-263,793</b>	-261,501
Non-PWLB	<b>-112,024</b>	-112,159
Short-term debt	<b>-50,025</b>	-53,207
PFI, transferred debt and finance lease liabilities	<b>-94,298</b>	-100,198
<b>Total</b>	<b>-520,140</b>	<b>-527,065</b>

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 Management 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 2020/21 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 2020/21 was approved by the Council on 12 February 2020 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 2021	31 March 2020
Credit rating	Short-term	Short-term
	£000	£000
AAA	21,501	26,935
AA-	0	15,030
A+	5,640	0
<b>Total</b>	<b>27,141</b>	<b>41,965</b>

The investments detailed above are for cash flow 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 2020/21.

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 2021, the Council had a balance owing from its customers (mainly services and rent) of £43.2 million (£37.5 million 31 March 2020). The exposure to default has been assessed and is reflected in an impairment provision of £3.4 million (£3.1 million 31 March 2020). Of the trade debtors outstanding as at 31 March 2021 (£14.6 million), 69% (79% 2019/20) relate to outstanding debt due within 3 months of the Balance Sheet date, 8% (8% 2019/20) within 3 to 6 months, 7% (3% 2019/20) within 6 to 12 months and 16% (10% 2019/20) 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.

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The maturity analysis of financial instruments is shown below:

	31 March 2021			31 March 2020		
Time to maturity (years)	Liabilities	Assets	Net	Liabilities	Assets	Net
	£000	£000	£000	£000	£000	£000
Less than one year	-153,981	67,337	-86,644	-112,624	76,747	-35,877
Between 1 and 2 years	-2,297	1,915	-382	-8,093	1,796	-6,297
Between 2 and 5 years	-16,213	4,451	-11,762	-14,627	4,289	-10,338
Between 5 and 10 years	-7,873	18,980	11,107	-5,317	14,394	9,077
Between 10 and 20 years	-54,175	6,664	-47,511	-45,728	7,727	-38,001
More than 20 years	-293,740	4,343	-289,397	-298,346	4,236	-294,110
	<b>-528,279</b>	<b>103,690</b>	<b>-424,589</b>	<b>-484,735</b>	<b>109,189</b>	<b>-375,546</b>

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 2021, investments held by the Council for cash flow purposes were at both fixed and variable rates, with 82% 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 2021 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 £1.4 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 2021	31 March 2020
	£000	£000
Kirklees College	14,488	15,103
PFI Prepayments (i)	2,573	2,921
Finance Leases (ii)	3,404	3,407
Charges on Property for Residential Care	1,229	1,029
Renewable Energy	2,022	1,969
103 New Street	5,155	802
Other	881	1,032
	29,752	26,263
Impairment Provision	-899	-920
<b>Net Long Term Debtors</b>	<b>28,853</b>	<b>25,343</b>

(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 Inventories

	Consumable Stores and Maintenance Materials	Construction Costs	Total
	£000	£000	£000
Balance at 1 April 2020	2,119	0	2,119
Purchases	2,704	3,443	6,147
Recognised as an expense in the year	-3,165	0	-3,165
Written-off balances	0	0	0
Reversals of write-offs in previous years	-15	0	-15
<b>Balance at 31 March 2021</b>	<b>1,643</b>	<b>3,443</b>	<b>5,086</b>

At 31 March 2021, the Council held total inventories of £5.1 million. This consisted of £1.6 million outstanding in consumable stores and maintenance materials and the cost to date (£3.5 million) of the construction of a new primary school, Brambles Academy, which on completion will be transferred to South Pennines Academies Trust on a long-term lease for a nominal sum.

## 22 Short Term Debtors

	31 March 2021	31 March 2020
	£000	£000
Central government bodies	56,502	12,085
Other local authorities	7,025	5,899
NHS bodies	4,787	7,219
Public Corporations & Trading Funds	18	
Other entities and individuals	57,565	55,820
	125,897	81,023
Bad Debt Provision – Other entities and individuals	-25,202	-20,487
<b>Net Short Term Debtors</b>	<b>100,695</b>	<b>60,536</b>

## 23 Cash and Cash Equivalents

The balance of Cash and Cash Equivalents is made up of the following elements:

	31 March 2021	31 March 2020
	£000	£000
Cash held by the Council	21	26
Bank current accounts	4,007	2,299
Instant access deposit accounts/investments that mature within 90 days or less	27,237	42,045
	31,265	44,370
Cash in transit	1,016	1,041
BACs payments and cheques not yet cleared	-6,082	-4,046
<b>Total Cash and Cash Equivalents</b>	<b>26,199</b>	<b>41,365</b>

## 24 Short Term Creditors

	31 March 2021	31 March 2020
	£000	£000
Central government bodies	-57,371	-19,115
Other local authorities	-2,029	-1,707
NHS bodies	-1,331	-1,225
Other entities and individuals	-64,820	-68,215
<b>Total</b>	<b>-125,551</b>	<b>-90,262</b>

The increase in the Central government bodies short term creditors figure of £38.3 million was mainly due to the overpayment of S31 Business Rates grant £23.7 million and Covid-19 Support grant £11.6 million.

## 25 Provisions

	Insurance £000	Business Rate Appeals £000	Other £000	Total £000
Balance at 1 April 2020	-10,583	-1,908	-44	-12,535
Additional provision made in 2020/21	-3,760	-675	-500	-4,935
Amounts used in 2020/21	2,745	0	44	2,789
Amounts reversed in 2020/21	0	0	0	0
<b>Balance at 31 March 2021</b>	<b>-11,598</b>	<b>-2,583</b>	<b>-500</b>	<b>-14,681</b>

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 (2020/21). 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 Resilience 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.

Councils 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 £000	Long Term Provisions £000	Total Provisions £000
<b>Balance at 31 March 2021</b>	<b>-4,600</b>	<b>-10,081</b>	<b>-14,681</b>
Balance at 1 April 2020	-3,487	-9,048	-12,535

## 26 Other Long Term Liabilities

	31 March 2021	31 March 2020
	£000	£000
Deferred Liabilities (mainly outstanding PFI finance lease obligations)	-88,107	-94,050
Net Liability Related to Defined Benefit Pension Scheme	-998,570	-824,749
Long Term Provisions	-10,081	-9,048
PFI Deferred Income	-1,074	-1,612
<b>Total</b>	<b>-1,097,832</b>	<b>-929,460</b>

## 27 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.

## 28 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 2021	31 March 2020
	£000	£000
Capital Adjustment Account	-722,259	-695,084
Revaluation Reserve	-192,942	-189,568
Pensions Reserve	998,570	824,749
Financial Instruments Revaluation Reserve	-1,296	-1,239
Financial Instruments Adjustment Account	2,838	3,161
Pooled Fund Adjustment Account	959	894
Deferred Capital Receipts Reserve	-3,406	-3,408
Collection Fund Adjustment Account	35,617	-2,729
Accumulated Absences Account	12,126	11,531
Dedicated Schools Grant Adjustment Account	25,106	0
<b>Total Unusable Reserves</b>	<b>155,313</b>	<b>-51,693</b>

The Dedicated Schools Grant Adjustment Account was created on 1 April 2020 following new provisions put in place by the School and Early Years Finance (England) Regulations 2020 and Local Authority Finance Regulations. These regulations require the Council to carry forward a deficit on the Dedicated Schools Grant (DSG) from the current and previous years to be dealt with from future DSG income up to 2022/23. The Council must record the deficit in an unusable reserve created solely for the purpose of recording deficits relating to its school's budget.

The Dedicated Schools Grant Adjustment Account negative balance as at 31 March 2021 includes a £23.4 million High Needs deficit carried forward on the Balance Sheet to be funded by future DSG income as per updated statutory guidance. The remaining deficit of £1.7m includes costs arising from the closure of Almondbury Community School and unfunded school PFI costs which are partially offset by savings on Early Years and Central School Services in 2020/21, this will be funded through release of the balance of the Schools PFI reserve in 2021/22 and future DSG income.



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.

	2020/21	2019/20
	£000	£000
<b>Balance at 1 April</b>	<b>-695,084</b>	<b>-663,874</b>
<u>Capital financing applied in the year:</u>		
Use of Capital Receipts Reserve to finance new capital expenditure	-7,669	-6,933
Use of Capital Receipts Reserve to repay debt	-753	0
Use of the Major Repairs Reserve to finance new capital expenditure	-12,750	-12,593
Capital grants and contributions credited to the CIES that have been applied to capital financing	-17,644	-12,889
Application of grants to capital financing from the Capital Grants Unapplied Account	-12,269	-11,340
Statutory provision for the financing of capital investment charged against the General Fund, HRA Balances and Major Repairs Reserve	-11,641	-10,715
Capital expenditure charged against the General Fund and HRA Balances	-5,335	-9,702
	<b>-763,145</b>	<b>-728,046</b>
Charges for depreciation and impairment of non-current assets	53,350	56,133
Amortisation of intangible assets	294	294
Revaluation losses on PPE	9,645	17,668
Revaluation gains on PPE	-69,446	-90,632
Movements in the market value of Investment Property	2,949	20,972
Revenue expenditure funded from capital under statute (REFCUS)	14,695	13,021
Amounts of non-current assets written off on disposal or sale	47,645	21,102
Adjusting amounts written out of the Revaluation Reserve	-18,491	-5,388
Deferred Income written down - Waste PFI	-537	-537
Long-term debtors written down	806	109
Financial Instruments impairment charge	-24	220
<b>Balance at 31 March</b>	<b>-722,259</b>	<b>-695,084</b>

### 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.

	2020/21	2019/20
	£000	£000
<b>Balance at 1 April</b>	<b>-189,568</b>	<b>-169,375</b>
Upward revaluation of assets	-34,986	-44,129
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	13,122	18,549
Difference between fair value depreciation and historical cost depreciation	1,471	2,310
Accumulated gains on assets sold or scrapped	17,019	3,077
<b>Balance at 31 March</b>	<b>-192,942</b>	<b>-189,568</b>

### 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.

	2020/21			2019/20		
	LGPS	Teachers	Total	LGPS	Teachers	Total
	£000	£000	£000	£000	£000	£000
<b>Balance at 1 April</b>	775,564	49,185	824,749	681,877	56,257	738,134
Pension cost payable to Pension Fund	-31,983	-3,465	-35,448	-33,195	-3,503	-36,698
Actuarial gain/loss (-)	118,035	2,923	120,958	38,983	-4,877	34,106
Reversal of IAS19 entries	87,218	1,092	88,310	87,899	1,308	89,207
<b>Balance at 31 March</b>	<b>948,834</b>	<b>49,735</b>	<b>998,570</b>	<b>775,564</b>	<b>49,185</b>	<b>824,749</b>

**29 Cash Flow - Operating Activities**

The cash flows for operating activities include the following items:

	2020/21	2019/20
	£000	£000
Interest received	-1,451	-578
Interest paid	25,235	26,342
Dividend received	-454	-764

**30 Cash Flow - Adjustments to net surplus or deficit on the provision of services for non-cash movements**

	2020/21	2019/20
	£000	£000
Pension adjustments	-52,862	-52,509
Depreciation, impairment and amortisation	-51,074	-54,433
Revaluation gains/losses	56,851	51,991
Carrying amount of non-current assets sold or de-recognised	-47,645	-21,102
Movements on -		
Provisions	-2,145	2,267
Inventories	3,048	-333
Revenue debtors (including bad debt provision)	37,785	5,019
Revenue creditors	-75,315	405
Other non-cash items	-132	-1,332
<b>Total non-cash movements</b>	<b>-131,489</b>	<b>-70,027</b>

**31 Cash Flow - Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities**

	2020/21	2019/20
	£000	£000
Capital grants	29,209	22,485
Proceeds from the sale of property, plant and equipment (PPE), investment property and intangible assets.	7,485	11,432
<b>Total</b>	<b>36,694</b>	<b>33,917</b>

**NOTES TO THE MAIN FINANCIAL STATEMENTS**  
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**Cash Flow - Reconciliation of Liabilities arising from Financing Activities**

	2020/21				2019/20			
	At 1 April £000	Financing cashflows £000	Non cash changes £000	At 31 March £000	At 1 April £000	Financing cashflows £000	Non cash changes £000	At 31 March £000
Long term borrowing	373,660	2,155	1	375,816	384,116	-10,458	2	373,660
Short term borrowing	57,582	-3,349	0	54,233	16,190	41,371	21	57,582
PFI & finance lease liabilities	100,197	-5,899	0	94,298	106,265	-6,068	0	100,197
Other - NNDR & Collection Fund	2,730	-33,423	-4,923	-35,616	7,077	1,089	-5,436	2,730
<b>Total liabilities from financing activities</b>	<b>534,169</b>	<b>-40,516</b>	<b>-4,922</b>	<b>488,731</b>	<b>513,648</b>	<b>25,934</b>	<b>-5,413</b>	<b>534,169</b>

**32 External Audit Costs**

Grant Thornton is the Council's appointed Auditor for the audit of the Statement of Accounts.  
The fees payable were as follows:

	2020/21	2019/20
	£000	£000
<b>Grant Thornton:</b>		
External audit services – scale fee	122	122
External audit services – additional charges	74	30
Non audit services	9	12
	<b>205</b>	<b>164</b>
<b>Mazars:</b>		
Certification of grant claims and returns	30	46
<b>Total</b>	<b>235</b>	<b>210</b>

### 33 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.

	2020/21	2019/20
	£000	£000
<b><u>Funding provided to the pooled budget</u></b>		
Kirklees Council	-2,313	-2,167
Greater Huddersfield CCG	-930	-1,052
North Kirklees CCG	-724	-841
<b>Total Funding</b>	<b>-3,967</b>	<b>-4,060</b>
<b><u>Expenditure met from the pooled budget</u></b>		
Kirklees Council	1,552	1,629
Greater Huddersfield CCG	873	917
North Kirklees Clinical CCG	678	712
<b>Total Expenditure</b>	<b>3,103</b>	<b>3,258</b>
<b>Net surplus arising on pooled budget during the year</b>	<b>-864</b>	<b>-802</b>
<b>Council share of the net surplus arising on the pooled budget</b>	<b>-761</b>	<b>-539</b>

#### **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.

	2020/21	2019/20
	£000	£000
<b><u>Funding provided to the pooled budget</u></b>		
Kirklees Council	-26,901	-26,471
Greater Huddersfield CCG	-16,958	-15,988
North Kirklees CCG	-13,673	-12,894
<b>Total Funding</b>	<b>-57,532</b>	<b>-55,353</b>
<b><u>Expenditure met from the pooled budget</u></b>		
Kirklees Council	45,799	44,433
Greater Huddersfield CCG	6,681	6,220
North Kirklees CCG	5,052	4,700
<b>Total Expenditure</b>	<b>57,352</b>	<b>55,353</b>
<b>Net surplus arising on pooled budget during the year</b>	<b>0</b>	<b>0</b>
<b>Council share of the net surplus arising on the pooled budget</b>	<b>0</b>	<b>0</b>

### 34 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:

Remuneration Band (£)	2020/21		2019/20	
	Teachers	Other	Teachers	Other
50,000 - 54,999	112	48	89	37
55,000 - 59,999	60	16	61	9
60,000 - 64,999	42	18	36	20
65,000 - 69,999	28	11	23	4
70,000 - 74,999	23	4	19	7
75,000 - 79,999	10	5	10	5
80,000 - 84,999	8	4	7	4
85,000 - 89,999	3	2	3	1
90,000 - 94,999	1	0	0	1
95,000 - 99,999	0	2	0	0
100,000 - 104,999	1	7	1	6
105,000 - 109,999	1	0	2	1
110,000 - 114,999	1	0	2	0
115,000 - 119,999	1	1	0	0
120,000 - 124,999	0	1	0	1
125,000 - 129,999	0	1	0	2
130,000 - 134,999	0	2	0	1
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	0
155,000 - 159,999	0	0	0	0
160,000 - 169,999	0	1	0	0
170,000 - 174,999	0	0	0	1
<b>Total</b>	<b>291</b>	<b>123</b>	<b>253</b>	<b>100</b>

The remuneration figures include employee pension contributions and any severance costs, but exclude employer's pension contributions.

It should be noted that 0 employees received redundancy payments in 2020/21 (2019/20 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.

**NOTES TO THE MAIN FINANCIAL STATEMENTS**  
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**Senior Officers' emoluments**

<b>Post holder information (Post title)</b>	<b>Salary including fees and allowances £</b>	<b>Compensation for loss of office £</b>	<b>Total Remuneration Excluding pension contributions £</b>	<b>Employers pension contributions (4) £</b>	<b>Total Remuneration including pension contributions £</b>
<b>2020/21</b>					
Chief Executive – Jacqui Gedman	168,903	0	168,903	26,855	195,758
Strategic Director Adults & Health	133,451	0	133,451	21,219	154,670
Strategic Director Children & Families	130,417	0	130,417	20,736	151,153
Strategic Director Economy & Infrastructure (1)	77,352	0	77,352	12,299	89,651
Strategic Director Corporate Strategy, Commissioning & Public Health	128,539	0	128,539	20,438	148,977
Strategic Director Environment & Climate Change (2)	68,808	0	68,808	10,940	79,748
Strategic Director Growth & Regeneration (3)	61,711	0	61,711	9,812	71,523
Service Director Governance & Commissioning (Monitoring Officer)	101,743	0	101,743	16,177	117,920
Service Director Finance (s151 Officer)	98,825	0	98,825	15,713	114,538
<b>2019/20</b>					
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	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	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)	90,976	0	90,976	14,637	105,613

- (1) The Strategic Director for Economy & Infrastructure left the authority on the 31st of October 2020.
- (2) The Strategic Director for Environment & Climate Change commenced on the 10th of September 2020, the annualised salary is £143,389.
- (3) The Strategic Director for Growth & Regeneration commenced on the 21st of September 2020, the annualised salary is £143,389
- (4) No added years pensions were provided for Senior Officers.

It should be noted that the 2019/20 figures for senior officer's emoluments only relate to individuals who continued to be employed in 2020/21 and will exclude those who left the Council in 2019/20. This is because the requirements of this note are specific to employees qualifying for the current year, not for persons who left the authority in the prior year.

### 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)
<b>2020/21</b>				£000	£000	£000
£0 - £20,000	0	3	3	15	9	6
£20,001 - £40,000	0	3	3	93	93	0
£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	0	0	0	0	0
£100,001 - £150,000	0	0	0	0	0	0
<b>Total</b>	<b>0</b>	<b>6</b>	<b>6</b>	<b>108</b>	<b>102</b>	<b>6</b>
<b>2019/20</b>						
£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
<b>Total</b>	<b>0</b>	<b>8</b>	<b>8</b>	<b>291</b>	<b>131</b>	<b>160</b>



### 35 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 2020/21 before Academy recoupment			-378,014
Academy figure recouped for 2020/21			143,572
Total DSG after Academy recoupment for 2020/21			-234,442
Plus brought forward from 2019/20			14,396
Less carry forward to 2021/22 agreed in advance			0
Agreed budgeted distribution for 2020/21	-29,256	-190,790	-220,046
In year adjustments	1,380	-1,331	49
Final budgeted distribution for 2020/21	-27,876	-192,121	-219,997
Less actual central expenditure	52,982		52,982
Less actual ISB deployed to schools		192,121	192,121
Plus Council contribution for 2020/21	0	0	0
<b>Total carry forward to 2021/22</b>	<b>25,106</b>	<b>0</b>	<b>25,106</b>

### **36 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 9 material disclosures to declare for 2020/21, 8 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 2020/21, the Council made payments of £0.749 million to the Association and received £0.007 million from it.

A Councillor was a Non-Executive Director of Yorkshire Water Services Ltd. During 2020/21, the Council made payments of £0.937 million to the company and received £0.385 million from it.

A Councillor's partner was the manager of an independently run local Community Centre. In 2020/21, the Council made payments of £0.081 million to the Centre and received no income from it.

A Councillor was a Partner of Paddock Community Trust. In 2020/21, the Council made payments of £0.285 million to the Trust and received no income from it.

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 2020/21 the Council made payments of £0.328 million to the enterprise and received £0.001 million from the enterprise.

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**KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2020/21**

**i) 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	
	2020/21	2019/20	2020/21	2019/20	31 March 2021	31 March 2020
	£000	£000	£000	£000	£000	£000
Kirklees Henry Boot Partnership Limited	-3	-3	0	0	0	0
Calderdale and Kirklees Careers Service	-35	-59	2,259	2,289	-4	-59
Kirklees Active Leisure	-616	-1,261	7,148	2,342	96	578
Kirklees Community Association	-79	-92	0	1	29	0
Kirklees Theatre Trust	-15	-9	217	225	1	0
Kirklees Music School	-1	-8	8	5	0	0
North Huddersfield Trust	-116	-101	0	0	21	0
Yorkshire Energy Services	-22	-29	0	3	2	4
Locala Community Partnerships	-835	-834	15,801	15,195	535	340
Spenborough Co-operative Trust	0	-4	0	1	0	1

The Council has given a loan to Media Centre Network Ltd. As at 31 March 2021, £0.191 million was outstanding (£0.198 million as at 31 March 2020).

The following related party transactions are disclosed elsewhere in the accounts:

- The UK Central Government exerts significant influence through legislation and grant funding (see Note 37).
- NHS Bodies (see Notes 33 and 37).
- 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 2020/21 amounted to £19.1 million (2019/20 £19.3 million). Certain Parish Councils have also invested funds with the Council. As at 31 March 2021, £0.421 million (£0.431 million at 31 March 2020) was invested.
- Pension Fund (see Note 41).
- Subsidiary (Kirklees Neighbourhood Housing Limited) and joint venture company (Kirklees Stadium Development Limited) included in Group Accounts.
- PFI Transactions (see Note 40 and Note H10 in the HRA).

### 37 Grant Income

The Council credited the following grants and contributions to the CIES:

	2020/21	2019/20
	£000	£000
<b><u>Credited to Taxation and Non Specific Grant Income</u></b>		
Revenue Support Grant (RSG)	-13,033	0
NNDR Top up Grant	-28,808	-14,098
PFI Grants	-11,359	-11,359
New Homes Grant	-3,438	-3,863
Business Rates Relief	-35,790	-15,472
Covid19 Support Grant	-23,630	-12,228
COVID SFC Compensation	-8,671	0
Tax Loss Compensation	-5,002	0
Other Non-Specific Grants (under £2 million)	-2,897	-3,464
	<b>-132,628</b>	<b>-60,484</b>
<b><u>Grants and Contributions related to capital financing which cannot be identified to particular services or assets</u></b>		
Standards Fund	-3,133	-4,712
Local Transport Plan (LTP)	-7,906	-7,334
Other Capital Grants and Contributions (under £2 million)	-18,707	-10,976
<b>Total</b>	<b>-162,374</b>	<b>-83,506</b>
<b><u>Credited to Services</u></b>		
<b><u>Revenue</u></b>		
Dedicated Schools Grant	-234,393	-236,485
DWP – Rent Allowance	-39,748	-42,639
DWP – Rent Rebate	-33,372	-35,824
Department of Health Grant (Public Health)	-26,055	-25,305
Clinical Commissioning Groups (CCGs)	-18,869	-18,203
Pupil Premium Grant	-12,356	-13,139
PFI Grant (ring fenced to HRA)	-7,912	-7,912
Universal Infant Free School Meals Grant	-3,937	-4,253
Teachers Pension Grant	-6,229	-3,729
Social Care Support Grant	-11,031	-3,177
Improved Better Care Fund (IBCF)	-17,298	-12,810
Additional Better Care Fund (ABCF)	0	-2,628
COVID 19 Grants	-57,299	0
Other Revenue Grants and Contributions (under £2 million)	-42,561	-27,432
<b><u>Capital (REFCUS)</u></b>		
Standards Fund	-3,563	-3,114
Disabled Facilities Grant	-3,624	-3,194
Various Capital Grants and Contributions (under £2 million)	-1,608	-820
<b>Total</b>	<b>-519,855</b>	<b>-440,664</b>
<b>Total Grants in CIES</b>	<b>-682,229</b>	<b>-524,170</b>

### 38 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.

	2020/21	2019/20
	£000	£000
<i>Opening Capital Financing Requirement</i>	<b>733,203</b>	714,118
<u>Capital Investment</u>		
Property, Plant and Equipment	<b>73,913</b>	69,620
Investment Property	<b>55</b>	1
Intangible Assets	<b>199</b>	0
Revenue Expenditure Funded from Capital under Statute	<b>14,868</b>	13,021
Loans and Investments	<b>4,180</b>	802
Inventories	<b>3,443</b>	0
<u>Sources of Finance</u>		
Capital Receipts	<b>-8,512</b>	-6,933
Government Grants and Other Contributions	<b>-29,913</b>	-24,229
Major Repairs Reserve	<b>-12,750</b>	-12,593
Direct Revenue Contributions	<b>-5,335</b>	-9,706
<u>To repay debt:</u>		
Minimum Revenue Provision	<b>-6,634</b>	-6,315
Major Repairs Reserve	<b>-5,007</b>	-4,583
Capital Receipts	<b>-753</b>	0
<b><i>Closing Capital Financing Requirement</i></b>	<b>760,957</b>	<b>733,203</b>
<u>Explanation of movements in year</u>		
Increase in underlying need to borrow:		
PFI Finance Lease Liability	<b>248</b>	219
Other	<b>39,900</b>	29,764
Provision for Repayment of Debt	<b>-12,394</b>	-10,898
<b><i>Increase in Capital Financing Requirement</i></b>	<b>27,754</b>	<b>19,085</b>

### 39 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 2021	31 March 2020
<b>Cost or valuation</b>	<b>£000</b>	<b>£000</b>
At 1 April	12,232	12,559
Additions & Transfers	335	254
Revaluation increases recognised in the Revaluation Reserve	0	642
Revaluation decreases recognised in the provision of services	-450	-1,223
At 31 March	<b>12,117</b>	<b>12,232</b>
<b>Depreciation and impairments</b>		
At 1 April	-157	-627
Depreciation charge	-227	-263
Depreciation written out to the Revaluation Reserve	0	420
Depreciation written out to the provision of services	242	313
At 31 March	<b>-142</b>	<b>-157</b>
<b>Net Book Value</b>	<b>11,975</b>	<b>12,075</b>

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 2021	31 March 2020
	<b>£000</b>	<b>£000</b>
Finance lease liabilities (net present value of minimum lease payments):		
Non-current	1,049	1,049
Finance costs payable in future years	6,151	6,241
Minimum lease payments	<b>7,200</b>	<b>7,290</b>

The minimum lease payments will be payable over the following periods:

	Minimum Lease Payments		Finance Lease Liabilities	
	31 March 2021	31 March 2020	31 March 2021	31 March 2020
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
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	6,750	6,840	1,049	1,049
	<b>7,200</b>	<b>7,290</b>	<b>1,049</b>	<b>1,049</b>

**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:

	<b>31 March 2021</b>	<b>31 March 2020</b>
	<b>£000</b>	<b>£000</b>
Finance lease debtor (net present of value of minimum lease payments):		
Non-current	<b>3,406</b>	3,409
Unearned finance income	<b>14,563</b>	14,835
Gross investment in the lease	<b>17,969</b>	<b>18,244</b>

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	
	<b>31 March 2021</b>	<b>31 March 2020</b>	<b>31 March 2021</b>	<b>31 March 2020</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Not later than one year	<b>275</b>	275	<b>275</b>	275
Later than one year and not later than five years	<b>1,100</b>	1,100	<b>1,100</b>	1,100
Later than five years	<b>16,594</b>	16,869	<b>16,594</b>	16,869
	<b>17,969</b>	<b>18,244</b>	<b>17,969</b>	<b>18,244</b>

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 2021 £000	31 March 2020 £000
<b>Cost or valuation</b>		
At 1 April	165,448	160,688
Additions	875	501
Revaluation increases/decreases(-) recognised in the Revaluation Reserve	98	3,360
Revaluation increases/decreases(-) recognised in provision of services	-1,562	3,189
De-recognition - disposals	-645	-255
De-recognition - other	0	0
Other movements in cost or valuation (re-classifications)	353	-2,035
At 31 March	<b>164,567</b>	<b>165,448</b>
<b>Depreciation and impairments</b>		
At 1 April	-8,104	-8,834
Depreciation and impairment charge for year	-1,556	-5,612
Depreciation written out to the Revaluation Reserve	47	3,299
Depreciation written out to the Surplus/Deficit to Services	212	3,040
De-recognition - disposals	58	0
De-recognition - other	0	3
At 31 March	<b>-9,343</b>	<b>-8,104</b>
<b>Net Book Value</b>	<b>155,224</b>	<b>157,344</b>

The Council received £4.7 million in rent on operating leases in 2020/21 (£4.5 million 2019/20).

The following table shows the future minimum lease payments under non-cancellable operating leases for each of the following periods:

	31 March 2021 £000	31 March 2020 £000
Not later than one year	1,592	1,664
Later than one year and not later than five years	2,598	2,705
Later than five years	1,962	1,896
	<b>6,152</b>	<b>6,265</b>



#### 40 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 2021/22	23,653	6,589	6,134	1,677	38,053
Between 2022/23 to 2025/26	71,127	22,124	22,279	7,315	122,845
Between 2026/27 to 2030/31	83,203	17,877	38,810	8,344	148,234
Between 2031/32 to 2035/36	41,108	2,987	28,348	3,415	75,858
	<b>219,091</b>	<b>49,577</b>	<b>95,571</b>	<b>20,751</b>	<b>384,990</b>

The value of assets held under all schemes:

	2020/21 £000	2019/20 £000
Net Book Value at 1 April	74,659	74,460
Additions	1,239	979
Revaluations net of depreciation written back	26,533	1,189
Disposals	-6,801	0
Depreciation	-2,007	-1,969
<b>Net Book Value at 31 March</b>	<b>93,623</b>	<b>74,659</b>

The value of liabilities for all schemes:

	2020/21 £000	2019/20 £000
At 1 April	-96,375	-102,270
Movement in the year	5,788	5,895
<b>At 31 March</b>	<b>-90,587</b>	<b>-96,375</b>

#### 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.

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**KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2020/21**

The Council incurred costs of £12.9 million under the contract in 2020/21 (2019/20 £12.5 million) and received £3.2 million in PFI Grant (2019/20 £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 2021/22	9,385	244	1,571	11,200
Between 2022/23 to 2023/24	9,367	127	1,706	11,200
	<b>18,752</b>	<b>371</b>	<b>3,277</b>	<b>22,400</b>

The estimated payments for service charges are based on expected tonnages and 2020/21 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 2021 was £1.1 million (31 March 2020 £1.6 million).

The value of assets (other land and buildings) held under this scheme is as follows:

	2020/21 £000	2019/20 £000
Net Book Value at 1 April	14,727	15,361
Additions	0	4
Revaluations net of depreciation written back	14,903	102
Depreciation	-740	-740
<b>Net Book Value at 31 March</b>	<b>28,890</b>	<b>14,727</b>

The value of liabilities held under this scheme is as follows:

	2020/21 £000	2019/20 £000
At 1 April	-4,722	-6,131
Movement in the year	1,443	1,409
<b>At 31 March</b>	<b>-3,279</b>	<b>-4,722</b>

**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 £15.9 million under the contract in 2020/21 (2019/20 £15.7 million) and received £5.9 million in PFI Grant (2019/20 £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 2021/22	10,557	2,348	918	1,460	15,283
Between 2022/23 to 2025/26	42,854	8,341	6,916	5,697	63,808
Between 2026/27 to 2030/31	57,255	6,901	14,840	7,304	86,300
Between 2031/32 to 2035/36	28,230	1,007	9,633	3,401	42,271
	<b>138,896</b>	<b>18,597</b>	<b>32,307</b>	<b>17,862</b>	<b>207,662</b>

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:

	2020/21 £000	2019/20 £000
Net Book Value at 1 April	42,896	43,113
Additions	809	673
Revaluations	10,282	0
Disposals	-6,801	0
Depreciation	-905	-890
<b>Net Book Value at 31 March</b>	<b>46,281</b>	<b>42,896</b>

The value of liabilities held under this scheme is as follows:

	2020/21 £000	2019/20 £000
At 1 April	-33,689	-35,431
Movement in the year	1,379	1,742
<b>At 31 March</b>	<b>-32,310</b>	<b>-33,689</b>

### 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 2020/21 (£2.8 million in 2019/20) and received £2.2 million in PFI Grant (2019/20 £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 2021/22	1,311	571	618	217	2,717
Between 2022/23 to 2025/26	5,481	1,848	1,940	1,618	10,887
Between 2026/27 to 2030/31	7,710	1,115	3,910	1,040	13,775
Between 2031/32 to 2033/34	688	13	452	14	1,167
	<b>15,190</b>	<b>3,547</b>	<b>6,920</b>	<b>2,889</b>	<b>28,546</b>

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:

	2020/21 £000	2019/20 £000
Net Book Value at 1 April	3,564	3,555
Additions	182	82
Revaluations	282	0
Disposals	0	0
Depreciation	-74	-73
<b>Net Book Value at 31 March</b>	<b>3,954</b>	<b>3,564</b>

The value of liabilities held under this scheme is as follows:

	2020/21 £000	2019/20 £000
At 1 April	-7,414	-7,772
Movement in the year	494	358
<b>At 31 March</b>	<b>-6,920</b>	<b>-7,414</b>

#### 41 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 2020/21, the Council paid £17.5 million (2019/20 £16.5 million) in respect of teachers' retirement benefits, representing 23.5% (2019/20 20.0%) of pensionable pay. Payments of £1.6 million were owing to the scheme as at 31 March 2021 (31 March 2020 £0.6 million). As a proportion of the total contributions to the scheme during the year ending 31 March 2021, the Council's contribution equated to approximately 0.23% (2019/20 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 2020/21, the Council paid £0.1 million (2019/20 £0.1 million) to the NHSBSA, representing 14.4% (2019/20 14.4%) of pensionable pay. As a proportion of the total contributions to the Scheme during the year ending 31 March 2021, the Council's contribution equated to approximately 0.001% (2019/20 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:

**NOTES TO THE MAIN FINANCIAL STATEMENTS**  
**KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2020/21**

	LGPS		Teachers	Total
	Funded	Unfunded		
	£000	£000	£000	£000
<b>2020/21</b>				
<b>Comprehensive Income and Expenditure Statement</b>				
<u>Cost of Services:</u>				
Current service cost	69,540	0	0	69,540
Past service cost	207	0	0	207
<u>Financing and Investment income and expenditure:</u>				
Net interest expense	16,949	522	1,092	18,563
<b>Total Post-employment Benefits charged to the Surplus/Deficit on the Provision of Services</b>	<b>86,696</b>	<b>522</b>	<b>1,092</b>	<b>88,310</b>
<u>Remeasurement of the net defined benefit liability comprising:</u>				
Return on plan assets (excluding the amount included in the net interest expense)	-330,788	0	0	-330,788
Actuarial gains and losses arising on changes in demographic assumptions	0	0	0	0
Actuarial gains and losses arising on changes in financial assumptions	477,101	1,592	3,611	482,304
Actuarial gains and losses due to liability experience	-29,543	-327	-688	-30,558
<b>Total Post Employment Benefit charged to the CIES</b>	<b>203,466</b>	<b>1,787</b>	<b>4,015</b>	<b>209,268</b>
<b>Movement in Reserves Statement</b>				
Reversal of net charges made to the Surplus/Deficit on the Provision of Services for retirement benefits	-86,696	-522	-1,092	-88,310
<b>Actual amount charged against General Fund Balance for pensions in the year:</b>				
Employers' contributions payable to scheme	29,945	2,038	0	31,983
Retirement benefits payable to pensioners	0	0	3,465	3,465

**NOTES TO THE MAIN FINANCIAL STATEMENTS**  
**KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2020/21**

	LGPS		Teachers	Total
	Funded	Unfunded		
2019/20	£000	£000	£000	£000
<b>Comprehensive Income and Expenditure Statement</b>				
<u>Cost of Services:</u>	71,633	0	0	71,633
Current service cost	297	0	0	297
Past service cost				
<u>Financing and Investment income and expenditure:</u>	15,307	662	1,308	17,277
Net interest expense				
<b>Total Post-employment Benefits charged to the Surplus/Deficit on the Provision of Services</b>	<b>87,237</b>	<b>662</b>	<b>1,308</b>	<b>89,207</b>
<u>Remeasurement of the net defined benefit liability comprising:</u>				
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
<b>Total Post Employment Benefit charged to the CIES</b>	<b>129,723</b>	<b>-2,841</b>	<b>-3,569</b>	<b>123,313</b>
<b>Movement in Reserves Statement</b>				
Reversal of net charges made to the Surplus /Deficit on the Provision of Services for retirement benefits	-87,237	-662	-1,308	-89,207
<b>Actual amount charged against General Fund Balance for pensions in the year:</b>				
Employers' contributions payable to scheme	31,143	2,052	0	33,195
Retirement benefits payable to pensioners	0	0	3,503	3,503

**NOTES TO THE MAIN FINANCIAL STATEMENTS**  
**KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2020/21**

**Reconciliation of Present Value of the Scheme Liabilities (Defined Benefit Obligation)**

	LGPS		Teachers	Total
	Funded	Unfunded		
<b>2020/21</b>	£000	£000	£000	£000
Opening balance 1 April 2020	-2,347,810	-23,726	-49,185	-2,420,721
Current Service Cost	-69,540	0	0	-69,540
Interest cost	-53,402	-522	-1,092	-55,016
Contributions by scheme participants	-12,588	0	0	-12,588
Remeasurement gain/loss(-):				
Arising on changes in demographic assumptions	0	0	0	0
Arising on changes in financial assumptions	-477,100	-1,592	-3,611	-482,303
Due to liability experience	29,543	327	688	30,558
Benefits/transfers paid	65,111	2,038	3,465	70,614
Past service costs	-207	0	0	-207
Net increase in liabilities from disposals/acquisitions	0	0	0	0
<b>Closing balance 31 March 2021</b>	<b>-2,865,993</b>	<b>-23,475</b>	<b>-49,735</b>	<b>-2,939,203</b>

<b>2019/20</b>				
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	3,301	87,924
Arising on changes in financial assumptions	43,864	214	513	44,591
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
<b>Closing balance 31 March 2020</b>	<b>-2,347,810</b>	<b>-23,726</b>	<b>-49,185</b>	<b>-2,420,721</b>



**Reconciliation of the Movements in the Fair Value of Scheme Assets (LGPS)**

	31 March 2021 £000	31 March 2020 £000
Opening balance 1 April	1,595,972	1,759,889
Interest income on assets	36,453	41,919
Remeasurement gains and losses	330,789	-178,275
Employer contributions	29,945	31,143
Contributions by scheme participants	12,588	12,025
Benefits paid	-65,111	-70,729
Net increase in assets from disposals/acquisitions	0	0
<b>Closing balance 31 March</b>	<b>1,940,636</b>	<b>1,595,972</b>

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 £367.2 million (2019/20 return of £136.4 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 £16.2 billion for the Fund as a whole at 31 March 2021 (£13.2 billion at 31 March 2020). 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:

			2020/21	2019/20
	Quoted	Unquoted	Total	Total
	%	%	%	%
Equity investments	69.7	10.0	79.7	77.5
Government Bonds	8.3	0.0	8.3	9.6
Other Bonds	4.6	0.0	4.6	5.1
Property	1.6	2.2	3.8	4.5
Cash/ liquidity	0.0	2.0	2.0	1.9
Other	0.0	1.6	1.6	1.4
	<b>84.2</b>	<b>15.8</b>	<b>100.0</b>	<b>100.0</b>

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 on Bradford Councils website at - [Bradford.gov.uk/your-council/council-budgets-and-spending](http://Bradford.gov.uk/your-council/council-budgets-and-spending).

#### 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 2021.

The principal assumptions used by the actuary have been:

	2020/21			2019/20		
	LGPS		Teachers	LGPS		Teachers
	Funded	Unfunded		Funded	Unfunded	
Rate of inflation – CPI	2.70%	2.70%	2.70%	2.00%	2.00%	2.00%
Rate of increase in salaries	3.95%	n/a	n/a	3.25%	n/a	n/a
Rate of increase in pensions	2.70%	2.70%	2.70%	2.00%	2.00%	2.00%
Rate for discounting liabilities	2.10%	2.10%	2.10%	2.30%	2.30%	2.30%
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	21.9	21.9	21.9	21.8	21.8	21.8
Women	24.7	24.7	24.7	24.6	24.6	24.6
Longevity at 65 for future pensioners:						
Men	22.6	n/a	n/a	22.5	n/a	n/a
Women	25.8	n/a	n/a	25.7	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 £2,866.0 million and for projected service cost is £99.1 million.

**NOTES TO THE MAIN FINANCIAL STATEMENTS**  
**KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2020/21**

	2020/21		2019/20	
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	2,808,673	2,923,313	2,301,573	2,394,976
% change in present value of total obligation	-2.0%	+2.0%	-2.0%	+2.0%
Projected service cost £k	95,783	102,420	68,381	73,274
Approximate % change in projected service cost	-3.3%	+3.4%	-3.4%	+3.5%
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	2,874,591	2,860,261	2,353,435	2,342,247
% change in present value of total obligation	+0.3%	-0.2%	+0.2%	-0.2%
Projected service cost £k	99,052	99,052	70,791	70,791
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	2,914,715	2,817,271	2,390,980	2,305,559
% change in present value of total obligation	+1.7%	-1.7%	+1.8%	-1.8%
Projected service cost £k	102,420	95,783	73,274	68,381
Approximate % change in projected service cost	+3.4%	-3.3%	+3.5%	-3.4%
Post retirement mortality assumption*				
Adjustment to longevity	-1 Year	+1 Year	-1 Year	+1 Year
Present value of total obligation £k	2,972,035	2,762,817	2,424,774	2,271,642
% change in present value of total obligation	+3.7%	-3.6%	+3.3%	-3.2%
Projected service cost £k	103,212	94,991	73,527	68,083
Approximate % change in projected service cost	+4.2%	-4.1%	+3.9%	-3.8%
*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.				

**NOTES TO THE MAIN FINANCIAL STATEMENTS**  
**KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2020/21**

**Asset and Liability Matching Strategy**

	2020/21	2019/20	2018/19	2017/18	2016/17
	£000	£000	£000	£000	£000
<b>Present value of liabilities:</b>					
LGPS Funded	-2,865,993	-2,347,810	-2,413,147	-2,213,824	-2,114,440
LGPS Unfunded	-23,475	-23,726	-28,619	-29,181	-30,064
Teachers	-49,735	-49,185	-56,257	-56,604	-57,663
<b>Fair value of assets in the LGPS</b>	<b>1,940,636</b>	<b>1,595,972</b>	<b>1,759,889</b>	<b>1,687,827</b>	<b>1,645,821</b>
<b>Deficit in the scheme:</b>					
LGPS Funded	-925,360	-751,838	-653,258	-525,997	-468,619
LGPS Unfunded	-23,475	-23,726	-28,619	-29,181	-30,064
Teachers	-49,735	-49,185	-56,257	-56,604	-57,663
<b>Total</b>	<b>-998,570</b>	<b>-824,749</b>	<b>-738,134</b>	<b>-611,782</b>	<b>-556,346</b>

The net liabilities show the underlying commitments that the Council has in the long run to pay retirement benefits. The total liability of £998.6 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 from 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 2020/21 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 yearend date of 31 March. Copies of the accounts can be obtained from Kirklees Neighbourhood Housing, 2<sup>nd</sup> 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 2020/21, the Company made an operating deficit of £0.4 million (operating deficit £11.6 million 2019/20). As at 31 March 2021, the Company had net liabilities of £62.0 million (£61.5 million at 31 March 2020).

The Council brought 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

**GROUP ACCOUNTS**

**GROUP COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT**  
**KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2020/21**

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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 2021.

In 2020/21, based on the Council's interest and after adjusting for the valuation of the stadium, in line with the Group's accounting policies, the Company made an operating deficit of £0.2 million, (operating surplus £12.3 million 2019/20). Similarly, as at 31 March 2021, the Company had net assets of £17.3 million (£17.6 million at 31 March 2020).

**GROUP ACCOUNTS**  
**GROUP COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT**  
**KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2020/21**

**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.

	2020/21			2019/20		
	Gross	Gross	Net	Gross	Gross	Net
	Exp	Income	Exp	Exp	Income	Exp
	£000	£000	£000	£000	£000	£000
Children & Families	402,361	-296,647	105,714	404,427	-303,147	101,280
Adults & Health	224,716	-112,134	112,582	198,166	-87,809	110,357
Growth & Regeneration	41,455	-17,757	23,698	44,525	-19,302	25,223
Environment & Climate Change	88,477	-39,778	48,699	71,661	-32,016	39,645
Corporate Strategy, Commissioning & Public Health	189,517	-149,895	39,622	162,292	-116,395	45,897
Central Budgets	26,543	-4,975	21,568	25,118	-1,513	23,605
HRA	30,980	-130,974	-99,994	28,574	-146,382	-117,808
Subsidiary (KNH)	60,112	-2,112	58,000	66,543	-2,492	64,051
<b>Cost of Services</b>	<b>1,064,161</b>	<b>-754,272</b>	<b>309,889</b>	<b>1001,306</b>	<b>-709,056</b>	<b>292,250</b>
Other operating expenditure			43,541			15,294
Financing and investment income and expenditure			45,189			61,780
Taxation and non-specific grant income			-370,170			-340,396
<b>Surplus(-)/Deficit on Provision of Services</b>			<b>28,449</b>			<b>28,928</b>
Joint venture accounted for on an equity basis			261			172
Tax expenses of subsidiary and joint venture			8			3
<b>Group Surplus(-)/Deficit</b>			<b>28,718</b>			<b>29,103</b>
Surplus(-)/Deficit on revaluation of PPE and Heritage assets			-21,864			-25,687
Impairment losses on non-current assets to the Revaluation Reserve			0			107
Surplus on revaluation of available for sale financial assets			-57			53
Re measurements of the net defined benefit liability			149,709			43,598
Share of other comprehensive income and expenditure of joint venture			0			-12,592
<b>Other Comprehensive Income and Expenditure</b>			<b>127,788</b>			<b>5,479</b>
<b>Total Comprehensive Income and Expenditure</b>			<b>156,506</b>			<b>34,582</b>



**GROUP ACCOUNTS**  
**GROUP STATEMENT OF MOVEMENT IN RESERVES**  
**KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2020/21**

**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 £000	Housing Revenue Account £000	Useable Capital Reserves £000	Total Council Usable Reserves £000	Total Council Unusable Reserves £000	Total Council Reserves £000	Group Entities Usable Reserve £000	Group Entities Unusable Reserves £000	Total Group Reserves £000
<b>2020/21</b>									
Balance at 31 March 2020	-113,442	-61,018	-51,623	-226,083	-51,693	-277,776	59,740	-16,765	-234,801
Reporting of Schools Budget Deficit to new DSG Adjustment Account at 1 April 2020	-14,396	0	0	-14,396	14,396	0	0	0	0
<b>Restated balance at 1 April 2020</b>	<b>-127,838</b>	<b>-61,018</b>	<b>-51,623</b>	<b>-240,479</b>	<b>-37,297</b>	<b>-277,776</b>	<b>59,740</b>	<b>-16,765</b>	<b>-234,801</b>
<b>Movement in reserves during 2020/21</b>									
Total Comprehensive Income and Expenditure	59,139	-90,134	0	-30,995	99,037	68,042	88,464	0	156,506
Adjustments between group and authority accounts	14,313	38,074	0	52,387	0	52,387	-52,286	-101	0
Adjustments between accounting & funding basis under regulations	-142,967	54,660	-5,266	-93,573	93,573	0	0	0	0
<b>Net Increase(-)/Decrease</b>	<b>-69,515</b>	<b>2,600</b>	<b>-5,266</b>	<b>-72,181</b>	<b>192,610</b>	<b>120,429</b>	<b>36,178</b>	<b>-101</b>	<b>156,506</b>
<b>Balance at 31 March 2021 carried forward</b>	<b>-197,353</b>	<b>-58,418</b>	<b>-56,889</b>	<b>-312,660</b>	<b>155,313</b>	<b>-157,347</b>	<b>95,918</b>	<b>-16,866</b>	<b>-78,295</b>
<b>2019/20</b>									
Balance at 31 March 2019	-104,972	-61,782	-44,375	-211,129	-92,518	-303,647	38,437	-4,173	-269,383
<b>Movement in reserves during 2019/20</b>									
Total Comprehensive Income and Expenditure	71,900	-108,085	0	-36,185	8,579	-27,606	74,780	-12,592	34,582
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
<b>Net Increase(-)/Decrease</b>	<b>-8,470</b>	<b>764</b>	<b>-7,248</b>	<b>-14,954</b>	<b>40,825</b>	<b>25,871</b>	<b>21,303</b>	<b>-12,592</b>	<b>34,582</b>
<b>Balance at 31 March 2020 carried forward</b>	<b>-113,442</b>	<b>-61,018</b>	<b>-51,623</b>	<b>-226,083</b>	<b>-51,693</b>	<b>-277,776</b>	<b>59,740</b>	<b>-16,765</b>	<b>-234,801</b>

## 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 2021	31 March 2020	Note
	£000	£000	
Property, Plant & Equipment	1,488,017	1,441,113	
Heritage Assets	55,166	49,973	
Investment Property	97,335	101,105	
Intangible Assets	493	588	
Long Term Investments	13,477	13,426	
Investments in Joint Venture	17,317	17,578	
Long Term Debtors	28,853	25,343	
<b>Long Term Assets</b>	<b>1,700,658</b>	<b>1,649,126</b>	
Inventories	9,424	7,872	
Short Term Debtors	100,070	59,375	
Assets Held for Sale	6,250	2,888	
Cash and Cash Equivalents	27,527	42,193	G3
<b>Current Assets</b>	<b>143,271</b>	<b>112,328</b>	
Short Term Borrowing	-54,233	-57,582	
Short Term Creditors	-127,514	-92,252	
Other Short Term Liabilities	-6,191	-6,148	
Provisions	-4,600	-3,487	
<b>Current Liabilities</b>	<b>-192,538</b>	<b>-159,469</b>	
Long Term Borrowing	-375,817	-373,660	
Other Long Term Liabilities	-1,197,279	-993,524	G4
<b>Long Term Liabilities</b>	<b>-1,573,096</b>	<b>-1,367,184</b>	
<b>Net Assets</b>	<b>78,295</b>	<b>234,801</b>	
Usable Reserves	-216,742	-166,343	
Unusable Reserves	138,447	-68,458	G5
<b>Total Reserves</b>	<b>-78,295</b>	<b>-234,801</b>	

## GROUP CASH FLOW STATEMENT

This Group Cash Flow Statement summarises the cash flows of the Group during the year.

	2020/21		2019/20	Note
	£000	£000	£000	£000
Net surplus(-)/deficit on the provision of services		28,449	28,929	
Adjustments to net surplus/deficit on the provision of services for non-cash movements		-139,188	-78,665	
Adjustment for items included in the net surplus/deficit on the provision of services that are investing and financing activities		36,694	33,917	
<b>Net cash flows from Operating Activities</b>		<b>-74,045</b>	<b>-15,819</b>	
<b>Net cash flows from Investing Activities</b>				
Purchase of PPE, investment property and intangible assets	78,873		66,325	
Purchase of short-term and long-term investments	4,470		10,802	
Proceeds from the sale of PPE, investment property and intangible assets	-7,487		-11,437	
Proceeds from short-term and long-term investments	-806		-170	
Other receipts from investing activities	-26,864	48,186	-22,652	42,868
<b>Net cash flows from Financing Activities</b>				
Cash receipts of short and long-term borrowing	-248,334		-64,067	
Other receipts from financing activities	32,752		-1,154	
Cash payments for the reduction for the outstanding liabilities relating to finance leases and PFI contracts	5,899		6,068	
Repayments of short and long-term borrowing	249,527		33,154	
Other payments for financing activities	680	40,524	68	-25,931
<b>Net increase(-)/decrease in cash and cash equivalents</b>		<b>14,665</b>	<b>1,118</b>	
Cash and cash equivalents at the beginning of the reporting period		42,193	43,311	G3
Cash and cash equivalents at the end of the reporting period		27,528	42,193	G3

## Notes to the Group Accounts

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 IFRS10 Consolidated 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 policies 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.

The stadium has been revalued to a Depreciated Replacement Cost basis for the purpose of consolidation to the group on a consistent basis with the Council's accounting policy. Using the Equity method for joint venture consolidation, this is reported in the "Investments in Joint Venture" row in the Group Balance Sheet.

**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
2020/21	£000	£000	£000	£000	£000	£000	£000	£000	£000
Purchase of goods and services from subsidiary less income received from subsidiary	14,313	38,074	0	52,387	0	52,387	-52,286	-101	0
<b>Total adjustments between group accounts and authority accounts</b>	<b>14,313</b>	<b>38,074</b>	<b>0</b>	<b>52,387</b>	<b>0</b>	<b>52,387</b>	<b>-52,286</b>	<b>-101</b>	<b>0</b>
2019/20									
Purchase of goods and services from subsidiary less income received from subsidiary	20,506	32,971	0	53,477	0	53,477	-53,477	0	0
<b>Total adjustments between group accounts and authority accounts</b>	<b>20,506</b>	<b>32,971</b>	<b>0</b>	<b>53,477</b>	<b>0</b>	<b>53,477</b>	<b>-53,477</b>	<b>0</b>	<b>0</b>

### G3 Cash and Cash Equivalents

The balance of Cash and Cash Equivalents is made up of the following elements of the Group:

	KNH £000	Council £000	Total £000
Cash held	1	21	22
Bank current accounts	62	4,007	4,069
Instant access deposit accounts/investments that mature within 90 days of less	1,782	27,237	29,019
	1,845	31,265	33,110
Cash in transit	0	1,016	1,016
BACs payments and cheques not yet cleared	-516	-6,082	-6,598
<b>Total Cash and Cash Equivalents as at 31 March 2021</b>	<b>1,329</b>	<b>26,199</b>	<b>27,528</b>
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
<b>Total Cash and Cash Equivalents as at 31 March 2020</b>	<b>828</b>	<b>41,365</b>	<b>42,193</b>

### G4 Other Long Term Liabilities

	KNH £000	Council £000	2020/21 Total £000	2019/20 Total £000
Deferred Liabilities (mainly outstanding PFI finance lease obligations)	0	-88,107	-88,107	-94,050
Net Liability Related to Defined Benefit Pension	-99,447	-998,570	-1,098,017	-888,814
Long Term Provisions	0	-10,081	-10,081	-9,048
PFI Deferred Income	0	-1,074	-1,074	-1,612
<b>Total</b>	<b>-99,447</b>	<b>-1,097,832</b>	<b>-1,197,279</b>	<b>-993,524</b>

**G5 Unusable Reserves**

The following table provides details of the unusable reserves of the Group:

	KSDL	Council	Total
	£000	£000	£000
Capital Adjustment Account	0	-722,259	-722,259
Revaluation Reserve	-12,593	-192,942	-205,535
Pensions Reserve	0	998,570	998,570
Other	-4,273	71,944	67,671
<b>Balance at 31 March 2021</b>	<b>-16,866</b>	<b>155,313</b>	<b>138,447</b>
Capital Adjustment Account	0	-695,084	-695,084
Revaluation Reserve	-12,592	-189,568	-202,160
Pensions Reserve	0	824,749	824,749
Other	-4,173	8,210	4,037
<b>Balance at 31 March 2020</b>	<b>-16,765</b>	<b>-51,693</b>	<b>-68,458</b>

**G6 Related Party Transactions**

The notes below disclose the related party transactions between the Council and KNH and KSDL.

**Kirklees Neighbourhood Housing Limited**

During 2020/21, KNH incurred costs of £10.5 million (2019/20 £9.7 million) for Council services including insurance and office accommodation.

The Council incurred costs of £44.4 million (2019/20 £40.9 million) in relation to KNH's management fee. Costs of £18.2 million (2019/20 £22.6 million) in relation to property services charges, at 31 March 2021 £2.2 million was outstanding (31 March 2020 £3.3 million).

**Kirklees Stadium Development Limited**

The Council made no grant payments in 2020/21 to KSDL (2019/20 nil).

**G7 Notes to the Cash Flow Statement**

The cash flows of KNH are consolidated into the statement -

**KNH** - The Company has a Net Cash outflow of Operating Activities of £0.6 million (2019/20 £3.0 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 2020	-2,420,721	-216,428	-2,637,149
Current Service Cost	-69,540	-8,500	-78,040
Interest cost	-55,016	-4,958	-59,974
Contributions by scheme participants	-12,588	-1,663	-14,251
<i>Remeasurement gain/loss (-):</i>			
Arising on changes in demographic assumptions	0	0	0
Arising on changes in financial assumptions	-482,303	-62,064	-482,303
Due to liability experience	30,558	2,339	-29,167
Benefits/transfers paid	70,614	4,278	74,892
Past service costs	-207	0	-207
<b>Closing balance 31 March 2021</b>	<b>-2,939,202</b>	<b>-286,996</b>	<b>-3,226,198</b>

### Reconciliation of the Movements in the Fair Value of Scheme Assets (LGPS)

	Council	KNH	Total
	£000	£000	£000
Opening balance 1 April 2020	1,595,972	152,364	1,748,336
Interest income on assets	36,453	3,514	39,967
Remeasurement gains and losses	330,789	30,974	361,763
Employer contributions	29,945	3,312	33,257
Contributions by scheme participants	12,588	1,663	14,251
Benefits paid	-65,111	-4,278	-69,389
<b>Closing balance 31 March 2021</b>	<b>1,940,636</b>	<b>187,549</b>	<b>2,128,185</b>



**ADDITIONAL FINANCIAL STATEMENTS**

**HOUSING REVENUE ACCOUNT INCOME AND EXPENDITURE ACCOUNT AND STATEMENT OF  
MOVEMENT ON THE HOUSING REVENUE ACCOUNT BALANCE**

**KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2020/21**

**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.

	2020/21	2019/20	Notes
	£000	£000	
<b>Expenditure</b>			
Repairs and maintenance	26,992	24,077	
Supervision and management	27,413	25,583	
Special services	1,644	1,565	
Rent, rates, taxes and other charges	772	306	
Depreciation of non-current assets	17,757	17,176	H1
Debt management costs	25	14	
Movement in the allowance for bad debts	735	683	
Revaluation losses on Property, Plant and Equipment	0	27	H1
<b>Total Expenditure</b>	<b>75,338</b>	<b>69,431</b>	
<b>Income</b>			
Dwelling rents	-79,333	-79,541	
Non-dwelling rents	-226	-231	
Charges for services and facilities	-2,559	-2,695	
Grants and contributions	-7,912	-7,929	H10
Revaluation gains on Property, Plant and Equipment	-47,228	-63,872	H1
<b>Total Income</b>	<b>-137,258</b>	<b>-154,268</b>	
<b>Net Income of HRA Services as included in the CIES</b>	<b>-61,920</b>	<b>-84,837</b>	
HRA share of Corporate & Democratic Core	154	416	
HRA share of Non-distributed costs	26	29	
<b>Net Income of HRA Services</b>	<b>-61,740</b>	<b>-84,392</b>	
HRA share of operating income and expenditure included in the CIES:			
Gain on sale of HRA non-current assets	-1,264	-3,070	H4
Interest payable and similar charges	11,636	12,047	
Interest and investment income	-97	-481	H1
Income and expenditure in relation to investment properties and changes in fair value	-386	908	
Capital grants and contributions receivable	-209	-126	
<b>Surplus for the year on HRA services</b>	<b>-52,060</b>	<b>-75,114</b>	

**ADDITIONAL FINANCIAL STATEMENTS**

**HOUSING REVENUE ACCOUNT INCOME AND EXPENDITURE ACCOUNT AND STATEMENT OF  
MOVEMENT ON THE HOUSING REVENUE ACCOUNT BALANCE**

**KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2020/21**

**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.

	2020/21		2019/20		Notes
	£000	£000	£000	£000	
Balance on the HRA at the end of the previous year		-61,018		-61,782	
Surplus for the year on the HRA Income and Expenditure Statement		-52,060		-75,114	
<u>Adjustments involving the Capital Adjustment Account:</u>					
Net revaluation gains on PPE	47,226		63,844		H1
Movements in the market value of Investment Property	-41		-1,354		
Capital grants and contributions applied	209		126		
Amounts of non-current assets written off on disposal or sale	-4,138		-6,167		H4
Capital expenditure charged against balances	3,317		7,691		
Provision for the financing of capital investment	2,720	49,293	2,607	66,747	
<u>Adjustments involving the Capital Receipts Reserve:</u>					
Transfer of cash sale proceeds credited as part of the gain/loss on disposal	5,450		9,307		H4
Contribution towards administrative costs of asset disposals	-48	5,402	-70	9,237	
<u>Adjustments involving the Financial Instruments Adjustment Account:</u>					
Amount by which finance costs charged to the HRA Income and Expenditure Account are different from those required by statutory regulations		-35		-106	
Increase(-)/decrease in the year on the HRA		2,600		764	
<b>Balance at the end of the current year</b>		<b>-58,418</b>		<b>-61,018</b>	

**ADDITIONAL FINANCIAL STATEMENTS**  
**HOUSING REVENUE ACCOUNT INCOME AND EXPENDITURE ACCOUNT AND STATEMENT OF**  
**MOVEMENT ON THE HOUSING REVENUE ACCOUNT BALANCE**  
**KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2020/21**

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**NOTES TO THE HRA**

**H1 Depreciation and revaluation gains**

The depreciation charge for council dwellings in 2020/21 is £17.6 million (2019/20 £17.0 million).

The revaluation of the HRA was carried out on the 31 December 2020 by the DVS Valuation Office Agency.

Revaluations of council dwellings during the year resulted in a £47.2 million gain (2019/20 £63.9 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% (2019/20 38% as adjusted by the valuer).

There was a revaluation loss on investment properties of £0.043 million in 2020/21 (2019/20 £1.4 million loss).

**ADDITIONAL FINANCIAL STATEMENTS**

**HOUSING REVENUE ACCOUNT INCOME AND EXPENDITURE ACCOUNT AND STATEMENT OF  
MOVEMENT ON THE HOUSING REVENUE ACCOUNT BALANCE**

**KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2020/21**

## H2 Movement in HRA Fixed Assets

	PPE Council Dwellings	Council Dwellings Held For Sale	Other Land and Buildings	Assets Under Construction	Investment Properties	Total Assets
	£000	£000	£000	£000	£000	£000
<b>Cost or Valuation</b>						
At 1 April 2020	679,654	2,888	3,545	0	7,890	693,977
Additions	16,830	0	0	698	0	17,528
Revaluation increases/decreases(-) recognised in the Revaluation	0	0	1,037	0	0	1,037
Revaluation increases/decreases(-) Revaluation recognised in Surplus on the Provision of Services	29,665	0	0	0	-43	29,622
De-recognition - disposals	-1,250	-2,888	0	0	0	-4,138
Assets reclassified to(-)/ from Held for Sale	-4,267	4,267	0	0	0	0
Other movements	0	0	-115	115	0	0
<b>At 31 March 2021</b>	<b>720,632</b>	<b>4,267</b>	<b>4,467</b>	<b>813</b>	<b>7,847</b>	<b>738,026</b>
<b>Accumulated Depreciation and Impairment</b>						
At 1 April 2020	0	0	-429	0	0	-429
Depreciation charge	-17,562	0	-195	0	0	-17,757
Depreciation written out to the Revaluation Reserve	0	0	622	0	0	622
Depreciation written out to Surplus on the Provision of Services	17,562	0	2	0	0	17,564
<b>At 31 March 2021</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Net Book Value</b>						
<b>at 31 March 2021</b>	<b>720,632</b>	<b>4,267</b>	<b>4,467</b>	<b>813</b>	<b>7,847</b>	<b>738,026</b>
<b>at 1 April 2020</b>	<b>679,654</b>	<b>2,888</b>	<b>3,116</b>	<b>0</b>	<b>7,890</b>	<b>693,548</b>

## H3 Fixed Asset Valuation

A revaluation of HRA dwellings was carried out as at 31 December 2020 by DVS Property Specialists, who are RICS qualified. As at that date, the vacant possession value of dwellings was £1,745 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 2020/21 was £1.3 million (2019/20 gain £3.1 million).

**ADDITIONAL FINANCIAL STATEMENTS**

**HOUSING REVENUE ACCOUNT INCOME AND EXPENDITURE ACCOUNT AND STATEMENT OF  
MOVEMENT ON THE HOUSING REVENUE ACCOUNT BALANCE**

**KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2020/21**

**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.

	2020/21	2019/20
	£000	£000
Balance at 1 April	0	0
Amount equivalent to depreciation	-17,757	-17,176
	<b>-17,757</b>	<b>-17,176</b>
Financing of new capital expenditure	12,750	12,593
Used to repay debt	5,007	4,583
<b>Balance at 31 March</b>	<b>0</b>	<b>0</b>

**H6 Capital Expenditure and Sources of Finance**

	2020/21	2019/20
	£000	£000
Capital Expenditure:		
Fixed Assets (including PFI)	17,675	21,599
<b>Total Capital Expenditure</b>	<b>17,675</b>	<b>21,599</b>
Financed by:		
Finance Lease (PFI)	-248	-220
Major Repairs Reserve	-12,750	-12,593
Capital Receipts	-1,151	-969
Capital Grant and Contributions	-209	-126
<b>HRA RCCO/Reserves</b>	<b>-3,317</b>	<b>-7,691</b>
<b>Total Sources of Finance</b>	<b>-17,675</b>	<b>-21,599</b>

**H7 Capital Receipts**

	2020/21	2019/20
	£000	£000
Capital receipts from sales of:		
Dwellings	-5,385	-9,226
Land	0	-51
Clawback of legal title on Right to Buy sales	-65	-30
Capital receipts from mortgage repayments	0	0
	<b>-5,450</b>	<b>-9,307</b>
Contribution to Housing Pooled Capital Receipts	2,108	2,456
Disposal costs	48	70
<b>Usable capital receipts</b>	<b>-3,294</b>	<b>-6,781</b>

The HRA is required to pay over a certain proportion of capital receipts into a national pooling arrangement.

**ADDITIONAL FINANCIAL STATEMENTS**

**HOUSING REVENUE ACCOUNT INCOME AND EXPENDITURE ACCOUNT AND STATEMENT OF  
MOVEMENT ON THE HOUSING REVENUE ACCOUNT BALANCE**

**KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2020/21**

### H8 Housing Stock

The Council's housing stock at 31 March 2021 is analysed below by size and age:

	1	2	3	4+	
<u>By Size</u>	Bedroom	Bedrooms	Bedrooms	Bedrooms	Total
Houses/ Bungalows	2,778	5,335	4,252	322	12,687
Flats/ Bedsits and Maisonettes	6,980	2,370	100	0	9,450
	9,758	7,705	4,352	322	22,137
<u>By Age</u>	Pre 1945	1945-64	1965-74	Post 1974	Total
Houses/ Bungalows	5,420	5,110	1,511	646	12,687
Flats/ Bedsits and Maisonettes	189	2,331	3,827	3,103	9,450
	5,609	7,441	5,338	3,749	22,137

### H9 Rent Arrears

Net rent arrears have increased over the year, as follows:

	2020/21	2019/20
	£000	£000
Rent Arrears	4,754	4,466
Less Bad Debt Provision	-1,503	-1,382
<b>Net Rent Arrears</b>	<b>3,251</b>	<b>3,084</b>

### 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 £9.3 million under the contract in 2020/21 (2019/20 £9.2 million) and received £7.9 million in PFI Grant (2019/20 £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 2021/22	2,400	3,426	3,027	8,853
Between 2022/23 and 2025/26	13,425	11,808	11,717	36,950
Between 2026/27 and 2030/31	18,238	9,861	20,060	48,159
Between 2031/32 and 2035/36	12,190	1,967	18,263	32,420
<b>Total</b>	<b>46,253</b>	<b>27,062</b>	<b>53,067</b>	<b>126,382</b>

Part of the contract is indexed annually in line with RPI (assumed to be 2.5% throughout the life of the contract).

**ADDITIONAL FINANCIAL STATEMENTS**

**HOUSING REVENUE ACCOUNT INCOME AND EXPENDITURE ACCOUNT AND STATEMENT OF  
MOVEMENT ON THE HOUSING REVENUE ACCOUNT BALANCE  
KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2020/21**

The value of assets (Council Dwellings) held under this scheme is as follows:

	2020/21	2019/20
	£000	£000
Net Book Value at 1 April	13,472	12,431
Additions	248	220
Revaluations net of depreciation written back	1,066	1,101
Depreciation	-288	-280
<b>Net Book Value at 31 March</b>	<b>14,498</b>	<b>13,472</b>

The value of liabilities held under this scheme is as follows:

	2020/21	2019/20
	£000	£000
At 1 April	-50,549	-52,936
Movement in the year	2,472	2,387
<b>At 31 March</b>	<b>-48,077</b>	<b>-50,549</b>

**ADDITIONAL FINANCIAL STATEMENTS**  
**COLLECTION FUND**  
**KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2020/21**

**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.

	2020/21			2019/20			
	Business Rates	Council Tax	Total	Business Rates	Council Tax	Total	Note
	£000	£000	£000	£000	£000	£000	
<u>Income</u>							
Income from Council Tax		-217,471	-217,471		-214,488	-214,488	C1
Income Collectable from Business Ratepayers	-54,951		-54,951	-105,741		-105,741	C2
Contributions towards previous years' Collection Fund deficit	0	0	0	0	-1,360	-1,360	
Hardship fund Contribution for discretionary discounts		-4,548	-4,548				
<b>Total Income</b>	<b>-54,951</b>	<b>-222,019</b>	<b>-276,970</b>	<b>-105,741</b>	<b>-215,848</b>	<b>-321,589</b>	
<u>Expenditure</u>							
Precepts and demands -							
Central Government	52,599		52,599	25,516		25,516	
Kirklees Council	51,547	190,484	242,031				
West Yorkshire Fire and Rescue	1,052	7,958	9,010	1,021	7,668	8,689	
West Yorkshire Police		23,716	23,716		22,193	22,193	
Allowance for impairment of debt	8,380	3,729	12,109	1,886	5,511	7,397	
Provision for Appeals	2,692		2,692	-2,221		-2,221	
Cost of collection	586		586	590		590	
Transitional Protection Payment	1,696		1,696	601		601	
Designated Areas	157		157	241		241	
Distribution of previous year's Collection Fund surplus	3,957	68	4,025	6,999	0	6,999	
<b>Total Expenditure</b>	<b>122,666</b>	<b>225,955</b>	<b>348,621</b>	<b>110,161</b>	<b>215,349</b>	<b>325,510</b>	
<b>Surplus(-)/Deficit</b>	<b>67,715</b>	<b>3,936</b>	<b>71,651</b>	<b>4,420</b>	<b>-499</b>	<b>3,921</b>	
Balance at 1 April	-4,374	1,367	-3,007	-8,794	1,866	-6,928	
<b>Balance at 31 March</b>	<b>63,341</b>	<b>5,303</b>	<b>68,644</b>	<b>-4,374</b>	<b>1,367</b>	<b>-3,007</b>	<b>C3</b>



**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.

<u>Estimated at the start of the year</u>						
2020/21				2019/20		
Number of Chargeable Dwellings	Band D Equivalent Dwellings	Average Council Tax	Band	Number of Chargeable Dwellings	Band D Equivalent Dwellings	Average Council Tax
£				£		
70	39	1,021.47	A (5/9)	78	43	982.04
54,518	36,345	1,225.76	A (6/9)	53,798	35,865	1,178.45
28,189	21,925	1,430.05	B (7/9)	27,763	21,593	1,374.85
27,802	24,713	1,634.35	C (8/9)	27,261	24,232	1,571.26
15,210	15,210	1,838.64	D (9/9)	14,941	14,941	1,767.67
11,046	13,501	2,247.23	E (11/9)	10,814	13,217	2,160.49
5,017	7,247	2,655.81	F (13/9)	4,884	7,054	2,553.30
2,034	3,389	3,064.40	G (15/9)	2,006	3,344	2,946.12
109	218	3,677.28	H (18/9)	99	198	3,535.34
122,586			Total	120,487		
-1,758			Estimated losses on collection	-1,778		
120,828			Council Tax Base	118,709		

**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 51.2p (2019/20 50.4p) and the small business non-domestic rating multiplier of 49.9p (2019/20 49.1p) 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 50% of the proceeds to Central Government and 1% to West Yorkshire Fire and Rescue Authority.

	2020/21	2019/20
	£000	£000
Non-domestic rate income 2020/21 (average rateable value £286,732,293)	-143,079	
Non-domestic rate income 2019/20 (average rateable value £287,740,454)		-141,281
Allowance and other adjustments (net)	88,128	
	-54,951	-105,741

The actual non-domestic rateable value at 31 March 2021 was £286,230,899 (£286,136,598 at 31 March 2020).

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. For 2019/20 and 2020/21 the pool was expanded, with a combined LCR and North Yorkshire pool being approved by Government. The pool has previously piloted 100% rates retention (2018/19) and 75% rates retention (2019/20) but for 2020/21, the Pool returned to a 50% retention scheme.

The pool is established for one year at a time and thus the existing pool will cease at the end of 2020/21. As part of the 2021/22 Local Government Finance Settlement, Government confirmed a further 50% pool application for 2021/22 was successful. This returns the pool back to its original LCR membership of West Yorkshire Authorities plus Harrogate and York.

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. The overall pool position for 2020/21 has yet to be determined, but as in previous years any gain will be utilised 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 2020	Share of 2020/21 Surplus (-)/ Deficit	31 March 2021
	£000	£000	£000
<b>Council Tax and Community Charge</b>			
Kirklees Council: Community Charge	-10	0	-10
Council Tax	1,180	3,374	4,554
Collection Fund Adjustment Account - Council Tax	1,170	3,374	4,544
West Yorkshire Police Authority - Council Tax	148	422	570
West Yorkshire Fire and Rescue Authority - Council Tax	49	140	189
	1,367	3,936	5,303
<b>Business Rates</b>			
Kirklees Council - Business Rates	-3,685	34,618	30,933
Collection Fund Adjustment Account - Business Rates	-3,685	34,618	30,933
Central Government - Business Rates	-645	32,420	31,775
West Yorkshire Fire and Rescue Authority - Business Rates	-44	677	633
	-4,374	67,715	63,341

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.

The Collection Fund deficit for 2020/21 is much larger than in previous years, especially in relation to Business Rates. This is primarily as a result of businesses being awarded expanded retail and nursery reliefs in 2020/21 totalling around £50m, as part of the Government's response to the Covid-19 pandemic. These reliefs were not anticipated on the 2020/21 NNDR1 Government return submitted to Central Government in January 2020. This Government return informed the Council's Budget setting for 2020/21.

The reliefs effectively reduce the net amount the Council can collect from businesses, and as the precept amounts cannot be changed the result is a considerable deficit. However, these reliefs are funded by MHCLG through Section 31 Grants. These grants have been received in 2020/21 and have been transferred to the Council's earmarked reserve. This reserve will be used to offset the Collection Fund deficit when it is charged to the Council's General Fund in 2021/22.

Another change which has taken place in 2020/21 relates to the phasing of Collection Fund deficits. The intention to implement the three year local tax collection fund deficit phasing was announced by the Secretary of State in July 2020. The Local Authorities (Collection Fund: Surplus and Deficit) (Coronavirus) (England) Regulations 2020 came into force on 1 December 2020. The regulations amend the rules governing the apportionment of Collection Fund surpluses and deficits for Council Tax and Business Rates set out in the Local Authorities (Funds) (England) Regulations 1992 and the Non-Domestic Rating (Rates Retention) Regulations 2013. The phasing of deficits relates only to the 'exceptional amount' (i.e. relating to Covid-19), therefore does not include any amount brought forward into the Collection Fund, relating to previous years surpluses or deficits.

## **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.
- Dedicated School Grant Adjustment Account - A temporary ringfenced reserve established by the 2020/21 Code to hold any DSG deficit separately from the Council's General Fund Earmarked reserves.



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## 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. 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 2021/22 have been compiled into an additional separate part of this Statement together with a separate conclusion.

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 although we have less assurance than would normally be the case, we 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.

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 2021/22 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 Conclusion

The response to Coronavirus focussed on a number of key priorities – promoting public safety and saving lives, managing business continuity, 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 the first lockdown in March 2020 to ensure key public services and business critical activities continued in accordance with current and quickly changing Public Health England and Government advice. The local Resilience Forum provided guidance and a lead on such matters too during this period, enabling the Council as with other member bodies to determine their preferred course of action with Cabinet and the Executive Team providing strategic leadership and support.

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 2020 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 2020 Annual General Meeting. The Regulations and virtual meetings applied up until 6 May 2021, thereafter meetings have been held in person.

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 including recovery will be conducted of the Council's response and learning points for the future but because of the protracted nature of the pandemic it remains too early to say with sufficient confidence which, if any, particular Issues would merit inclusion in this Statement because of their impact on the Council's key objectives, as it will require a significant period of time to assess the impact overall. That being the case, debriefs on elements of the response have been undertaken, including business continuity (first wave), excess deaths, surge testing and PPE procurement.

The pandemic has changed the working life of almost everyone and the way we learn to live and work in the future will lead to some fundamental changes which create significant risks, most notably a skill and knowledge gap from the accelerated retirement of those that decide permanent working from home is not their preference. This applies equally to our partners and contractors too.

More specifically the diversion of key staff to managing the pandemic has already impacted upon the delivery of some important areas of responsibility, food hygiene inspection being a notable case in point, leading to a backlog in meeting statutory responsibilities and keeping residents safe and healthy.

## **Wider Significant Governance Issues during 2020/21**

The annual review process that has been possible has identified and evaluated both ongoing and new Issues and if any of these 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 2019/20 Statement unusually covered the period up to January 2021 due to the elongation of the time afforded to the external auditor to complete their work before the Accounts were signed off. Added to the focus of corporate managers being to address the issues arising due to the pandemic, this timing has understandably resulted in somewhat of a pause in the planned response to addressing the majority of the Issues raised last year.

We have noted in previous Statements that many Issues are of a 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 Issue 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 in 2020/21	Further Action in 2021/22
<p>Further strengthen the Corporate Plan with improved linkages to both revenue and capital resource allocation and performance measures.</p> <p>(A, B, F)</p>	<p>The new Corporate Plan, <i>Our Council Plan 2020/21</i>, 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 Inclusion Commission, we will make sure our focus on tackling inequalities delivers for everyone in Kirklees.</p> <p>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.</p> <p>A revised quarterly performance monitoring system has been introduced and is being embedded.</p>	<p>The corporate planning process is likely to include a substantial revision to reflect the impact on the organisation and its finances consequent to Coronavirus. 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.</p> <p>The performance monitoring 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.</p> <p>The next Corporate Plan also needs to take account of developmental issues included in the Peer Review Action Plan from 2019/20 with an aligned Communications Strategy and engagement of all members, the development of both of which has been impacted by other organisation priorities in responding to the pandemic.</p>

Issue / Inclusion Criteria	Progress in 2020/21	Further Action in 2021/22
<p>Manage delivery of the Council's Transformation Activities.</p> <p>(A, F)</p>	<p>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.</p> <p>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.</p>	<p>The Council's priority transformation programmes, to which transformation resources are allocated, have been updated to reflect known areas of need and will be checked and adjusted where necessary year by year, and in no priority are:</p> <ol style="list-style-type: none"> <li>1. Waste Transformation</li> <li>2. Climate Change</li> <li>3. Assets Transformation</li> <li>4. SEND Transformation</li> <li>5. The ongoing development of a Modern Organisation (i.e. ensuring all services reflect the priorities of the organisation and are 'fit for purpose' during the long-term recovery of the district beyond Covid, supported by effective enabling functions)</li> <li>6. Tackling Inequalities</li> <li>7. Place Based Working</li> <li>8. Health and Social Care Integration</li> <li>9. Residential Care Market</li> <li>10. Access to Services</li> </ol> <p>The focus is now on ensuring these priorities are further shaped and delivered over the coming years. They may be further amended as a consequence of learning from coronavirus.</p>
<p>Strengthen and develop Partnership Governance and new relationships</p> <p>(A, B, F)</p>	<p>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. During the pandemic, partnership</p>	<p>Even prior to the pandemic there was still scope to increase the effectiveness of some partnership arrangements and for changes made recently to become embedded. This need now has a sharpened focus than ever before because of the heightened risks faced with associated parties/partnerships - Kirklees Stadium Development</p>

Issue / Inclusion Criteria	Progress in 2020/21	Further Action in 2021/22
	<p>governance has been strengthened through more frequent executive meetings, focusing on response and recovery.</p> <p>KNH has returned to Council control and a transition period began.</p> <p>The Children's Partnership Board arrangements have been re-launched.</p> <p>Uncertainties have arisen associated with changed ways of working with newly emerging/re-shaped anchor /strategic partnerships and our influence in helping shape these from a strategic partnership/influencing /integration perspective, especially regional funders and partners, including the West Yorkshire Mayor and Combined Authority</p> <p>Competitive bidding is one such case and also the impact on Integrated Care Plans and the role of the Health &amp; Wellbeing Board.</p>	<p>Limited and KAL. Also, Kirklees Community Association is now in view for governance reasons.</p> <p>The transition period will help ensure KNH is fully aligned with the Council's priorities and plans and its new governance arrangements are well embedded over the next twelve months.</p> <p>Develop strong working relationships with the West Yorkshire Mayor and others, apply best practice and iterative learning, aligned to clear and consistent communications.</p>
<p>Continue to Strengthen Risk Management</p> <p>(A, B, D, F)</p>	<p>A new Strategy &amp; a Risk Panel was established.</p> <p>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.</p>	<p>This still needs more work, as the quality of directorate-based risk arrangements requires improvement, as does risk elevation.</p>



Issue / Inclusion Criteria	Progress in 2020/21	Further Action in 2021/22
<p>Continue to improve the manager skill base and capacity.</p> <p>(A, F)</p>	<p>The People Strategy programme of work has been refreshed and now focuses on 4 clear outcomes: Healthy and Well People; An Inclusive Employer of Choice; Highly Skilled, Flexible and Engaged People; and Effective and Compassionate Leadership.</p> <p>As part of this programme of work, there is a focus on improving manager capacity and skill base through effective workforce planning and a programme of learning and development.</p> <p>In 2020, a new leadership and management pathway was launched with targeted development for BAME colleagues at levels 3 and 5. Governance of the programme is through Modern Organisation Board, with 'check and challenge' via a cross-organisational steering group.</p>	<p>As part of the programme of work, the leadership and management pathway will be further developed to encompass level 7 learning and development, including targeted development for under-represented groups. Working in collaboration with the LGA, there is also a project underway to improve workforce planning, in particular to build resilience in the organisation and improve career pathways through the organisation. We will also be further embedding our restorative approach to leadership and continue to promote coaching and mentoring to improve manager skill base.</p> <p>The pandemic has helped create key skill shortages in a number of areas nationally that are becoming apparent across Service areas, such as HGV &amp; LGV drivers. The impact of this will require careful monitoring and an appropriate response as the situation develops</p>
<p>School Governance arrangements need review and improvement.</p> <p>(D, E)</p>	<p>A Schools Causing Concern Group chaired by the Service Director identifies and shares issues for remediation.</p>	<p>Look to understand what is causing a (historically) large number of complaints about governance and management in schools, and look to identify potential solutions.</p>
<p>Governance arrangements need developing to identify and manage issues arising from historically</p>	<p>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</p>	<p>To embed and disseminate the learning following the identification and response of such issues on a corporate basis to consolidate overall resilience.</p>

Issue / Inclusion Criteria	Progress in 2020/21	Further Action in 2021/22
different service delivery. To learn from the lessons arising and make sure the issues are addressed.	<p>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.</p> <p>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.</p>	
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)	<p>Built upon the progress achieved since the Peer Review.</p> <p>Developed new proposals around governance and decision-making arrangements.</p> <p>Used the re-designed profile of the councillor role as a basis for:</p> <ul style="list-style-type: none"> <li>- the full review of the Members' Allowances Scheme in the summer of 2021; and</li> <li>- how we improve support for councillors to facilitate more effective working with officers in the context of putting councillors at the heart of what we do.</li> </ul>	<p>Ongoing consolidation of governance arrangements identified last year to enhance the Constitution, in particular working with Members to look at some of the issues that came from the consultation and make any changes that may be required to the current Standards process. The Council is also, alongside that, considering the adoption of the LGA Model Code of Conduct.</p> <p>Consideration of proposals to review options around committee structures.</p> <p>Implementation of the reviews.</p>

Issue / Inclusion Criteria	Progress in 2020/21	Further Action in 2021/22
<p>Address the health and safety issues raised in connection with housing properties and the complete buildings portfolio, ensuring that management and operational arrangements provide for the health and safety of all Council tenants, employees and residents.</p> <p>(C, D, E)</p>	<p>Began implementation of the recommendations in the agreed Action Plan as monitored by the Service Director and Cabinet.</p> <p>Established an Assurance Board in connection with all such issues affecting the complete Council buildings portfolio.</p> <p>However, the pandemic has worsened the overall environment such that ensuring compliance in a timely manner from technically competent staff has become considerably more difficult due to national issues in the employment market in this sector.</p>	<p>Continue to deliver the agreed recommendations begun last year.</p>
<p>Ensure sufficient organisational resilience to resist the type of failings experienced in the local authority sector and beyond, by the formulation of a corporate Assurance Framework and culture in connection with all key and emerging business risks.</p> <p>(All)</p>	<p>The impact of the pandemic and necessary input of key staff into other corporate priorities has meant planned progress in this area has had to be deferred. One example of this is the review of good and sustainable financial management in the Council that Internal Audit were commissioned to undertake based upon best practice in CIPFA's Financial Management Code and report back to CGAC for initial assessment.</p> <p>ET has given initial consideration to lessons to be learned from corporate failures elsewhere, as described in various auditor public interest reports.</p>	<p>Compile all the various sources of assurance and determine how they inter-relate to one another.</p> <p>Manage any areas about which there are gaps or where assurance needs strengthening.</p> <p>Ensure issues are responded to appropriately and actions are delivered.</p> <p>Complete the financial sustainability review as per the revised timescale.</p> <p>Enhance the corporate governance framework as described above.</p>

Issue / Inclusion Criteria	Progress in 2020/21	Further Action in 2021/22
<p>Accelerate the response to the Climate Change Emergency Declaration.</p> <p>(A, E, F)</p>	<p>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 oversees Phase 1 actions including</p> <ul style="list-style-type: none"> <li>• Setting a carbon budget</li> <li>• Free parking for low emission vehicles</li> </ul> <p>Considering the environmental impact in decision making</p> <p>Creating a Climate Commission and Green Charter</p> <ul style="list-style-type: none"> <li>• Developing a detailed and ambitious action plan for Phase 2 to achieve the 2038 target.</li> </ul>	<p>Continue to work towards the Phase 1 Actions, acknowledging the 2021 report of the UN Intergovernmental Panel on Climate Change, including development of an electric vehicle fleet, widening the availability of vehicle charging points.</p>
<p>Develop a more strategic corporate management of the investigation and treatment of cases of suspected fraud &amp; corruption.</p> <p>(D)</p>	<p>This is another area where progress has been impaired by resourcing corporate priorities.</p>	<p>Refresh the Corporate Strategy engaging Members and CGAC in particular and focus management and resources on key risk areas.</p>

### **New Issues**

The annual review of the effectiveness of our governance arrangements has identified areas of heightened concern, risk, or significant uncertainty that require a corporate response. Where appropriate, these matters have been incorporated into existing or slightly refocussed Issues brought forward from last year's Statement. Organisational resilience is such a cross cutting theme of note. One area where appropriate distinct focus is required though is described below.

Issue	Planned Action
<p><b>Staff wellbeing</b></p> <p>The wellbeing of all staff is a vital part of being able to deliver the planned outcomes for the Council. Building and maintaining a healthy and well employee base is a key part of the existing People Strategy.</p> <p>However, the pandemic impact has been such that almost everyone has been affected personally, physically and emotionally, in addition to experiencing the effects arising from the effort and commitment that has been necessary to continue to deliver front-line services in very difficult circumstances, and the consequences of practical changes from adapting flexibly to new roles and tasks and to working from home in different ways.</p> <p>One particular aspect, given the demographic profile of the workforce, is a potential knowledge and skills gap arising from the likelihood of accelerated retirement amongst those who decide new ways of working are not for them, together with a recognition of the need for staff recuperation and recovery.</p>	<p>Recovery planning is underway including various sources of support, coupled with clear expectations and effective leadership and management.</p> <p>Implementation of the relevant parts of the People Strategy as described above.</p>

A detailed Action Plan sits behind this summary and the Executive Team and Corporate Governance & Audit Committee will monitor progress quarterly during 2021/22.

## 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 2020/21 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 during 2020/21, which has since been returned to Council control, 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 2020/21. 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 & Anti-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.
- 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.

## 2020/21 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 monitor progress with this objective, and this will be monitored by the CGAC.

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

The unique circumstances faced during the year necessarily reduced both the planned programme of internal audit work and the scope of that which could be undertaken given that all staff were working at home during this entire time. Nevertheless, a revised plan of key areas from which assurance was required was devised mid-year and approved by CGAC. In addition, Directors were asked to provide confirmation from their viewpoint via completion of Assurance Statements that key operations and controls remained intact. Both the conclusions as expressed in the opinion set produced from the audits



undertaken and the returns received from Directors were sufficient to conclude that 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.

3. External Auditor's Review

During the year the External Auditor's Annual Report included

- an unqualified opinion on the Council's 2019/20 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.

4. Corporate Governance & Audit Committee (CGAC)

The Committee considered and approved an updated Local Code of Corporate Governance at its meeting in March 2020.

During 2020/21 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, arguably most notably concerning the new West Yorkshire Mayoralty.

CGAC also received assurance from various 2019/20 annual reports such as health and safety, emergency planning and business continuity, information governance and customer corporate standards on complaint handling, and a review of the Ombudsman and Third Stage Complaints received, together with details of the Whistleblowing Complaints that have been received.

Recognising the need to ensure that both new and existing members of the Committee have the appropriate support and skills to carry out their role, training sessions are provided at various intervals and this year included treasury management.

5. Overview & Scrutiny Management Committee

During 2020/21 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 devolution in West Yorkshire, Our Council Plan, Cohesion, Climate Change, Domestic Violence Strategy Update and Place Partnerships working, in addition to the response to Covid-19.

6. Standards Committee

During the year the Committee reviewed various aspects of Member conduct, and received an update on progress in implementing the recommendations locally in the report of the Committee on Standards in Public Life. The Committee considered the CSPL recommendations in 2019 and concluded that on the whole the Council met with the recommendations. At the beginning of this calendar year

the Council consulted about the standards process and had an excellent response. As a result of the response the Council will be working with members to look at some of the issues that came from the consultation and make any changes that may be required to the current Standards process. The Council is also, alongside that, considering the adoption of the LGA Model Code of Conduct.

#### 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.

The Council and CFO is working towards compliance with the CIPFA Financial Management Code and has commissioned Internal Audit to assess the body of evidence that exists to document this and confirm what further progress is needed.

#### 8 External Inspections & Peer Reviews

Action Plan from Local Government Association Corporate Peer Review Challenge

The Challenge took place during July 2019 and the outcome was largely positive. It did provide a series of key recommendations and an Action Plan was 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, for example those linked to the Democracy Commission have been completed.

#### 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. Well-established multi-agency relationships prior to the pandemic enabled the timely activation of command and control structures and the Kirklees response with the sharing of plans and arrangements was well received regionally. Government departments have recognised the Council as an excellent partner as an enhanced response area.

12 Monitoring Officer / Senior Information Risk Owner

Reviewed information governance and security matters as Chair of the Information Governance Board within the context of an internal review of the Board's terms of reference and increasing focus on an enabling and supportive role, as well as wider assurance concerning organisational governance and compliance with the Constitution.

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Grant Thornton UK LLP

4 Hardman Square

Spinningfields

Manchester

M3 3EB

Date:

*(TO BE DATED SAME DATE AS AUDIT OPINION)*

Dear Sirs

**Kirklees Metropolitan Council****Financial Statements for the year ended 31 March 2021**

This representation letter is provided in connection with the audit of the financial statements of Kirklees Metropolitan Borough Council and its subsidiary undertakings, Kirklees Neighbourhood Homes Ltd and Kirklees Stadium Development Ltd for the year ended 31 March 2021 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 2020/21 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 2020/21 ("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.

Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable. Such accounting estimates include land, buildings & investment property valuation and pension liability valuation. 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. We understand our responsibilities includes identifying and considering alternative, methods, assumptions or source data that would be equally valid under the financial reporting framework, and why these alternatives were rejected in favour of the estimate used. We have noted that our external valuer has reported a material uncertainty regarding the valuation of retail assets due to the Covid-19 pandemic and considered the impact upon the investment property portfolio valuation on the balance sheet. We are satisfied that the methods, the data and the significant assumptions used by us in making accounting estimates and their related disclosures are appropriate to achieve

- i. recognition, measurement or disclosure that is reasonable in accordance with the Code and adequately disclosed in the financial statements.
- ii. 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.
- iii. 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 have been assigned, pledged or mortgaged
  - c. there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.
- iv. 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.
- v. 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.
- vi. 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.
- vii. We have considered the unadjusted misstatements schedule included in your Audit Findings Report and attached. 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.
- viii. Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.
- ix. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.
- x. There are no prior period adjustments to be made in the financial statements or to bring to your attention.
- xi. 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 :
  - a. the nature of the group and Council means that, notwithstanding any intention to liquidate the group and Council or cease its operations in their current form, it will continue to be appropriate to adopt the going concern basis of accounting because, in such an event, services it performs can be expected to continue to be delivered by related public authorities

and preparing the financial statements on a going concern basis will still provide a faithful representation of the items in the financial statements

- b. the financial reporting framework permits the entry to prepare its financial statements on the basis of the presumption set out under a) above; and
- c. the group and Council's system of internal control has not identified any events or conditions relevant to going concern.

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

- xii. Council's ability to continue as a going concern need to be made in the financial statements

### **Information Provided**

- xiii. 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.

- xiv. We have communicated to you all deficiencies in internal control of which management is aware.

- xv. All transactions have been recorded in the accounting records and are reflected in the financial statements.

- xvi. 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.

- xvii. 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.

- xviii. 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.

- xix. 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.

- xx. 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.

- xxi. 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**

- xxii. 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**

- xxiii. 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 24 September 2021.

Yours faithfully

Name: Eamonn Croston

Signed:

Position: Service Director- Finance

Date:

Name: Cllr Yusra Hussain

Signed:

Position: Chair, Corporate Governance and Audit Committee

Date:

Signed on behalf of the Council



## Appendix:

### Schedule of unadjusted errors:

#### Impact of unadjusted misstatements

The table below provides details of adjustments identified during the 2020/21 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
Balance Sheet Bank overdraft should be identified separately on the balance as a liability rather than netted off the cash balance.	0	Dr Cash 1,059 Cr Bank Overdraft £1,059	0	Not material and no overall impact
Note 15 Property Plant Equipment HRA Garages valued incorrectly valued on an Investment Property basis.	TBC	TBC	TBC	Not material
Overall impact	£TBC	£TBC	£TBC	

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**Name of meeting:** CORPORATE GOVERNANCE & AUDIT COMMITTEE  
**Date:** 24<sup>th</sup> SEPTEMBER 2021  
**Title of report:** FINANCIAL REPORTING COUNCIL  
 AUDIT QUALITY REVIEW ON GRANT THORNTON

**Purpose of report.**

To consider a quality review by the financial reporting council on the council's external auditor, Grant Thornton

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	not applicable
Is it also signed off by the Service Director for Finance IT and Transactional Services?	not applicable
Is it also signed off by the Service Director for Legal Governance and Commissioning Support?	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 In accordance with their routine selection of audits, the FRC's Audit Quality Review (AQR) team has completed a review of the above audit.

- 1.2 The report sets out the scope of the review, the assessment of the quality of the audit work reviewed, any key findings, and any particular examples of good practice that AQR wishes to draw out from the inspection.
  - 1.3 The AQR has reviewed and assessed the audit of the financial statements and the conclusion on the Value for Money (VfM) arrangements only. AQR has not assessed the adequacy of the entity's financial controls or financial reporting.
- 
2. **Information required to take a decision**
    - 2.1 The details of the work and conclusions are provided in a private appendix, in accordance with the FRC's standard arrangements for confidentiality.
    - 2.2 Jon Roberts, engagement partner from Grant Thornton, will attend to explain the context of the report and how Grant Thornton is responding to its findings.
- 
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)**- the external auditor provides assurance about the accuracy and appropriateness of the councils annual financial accounts and the value for money provided
- 
4. **Consultees and their opinions**

There are no consultees to this report .
- 
5. **Next steps and timelines**
    - 5.1 To consider if any additional activity or assurance is sought from Grant Thornton..
- 
6. **Officer recommendations and reasons**
    - 6.1 The Corporate Governance & Audit Committee is recommended (following consideration of the private appendix) to.
      1. Note the conclusions of the FRC
      2. To consider if any further action is appropriate.
- 
7. **Cabinet portfolio holder's recommendations**

Not applicable
- 
8. **Contact officer**

Martin Dearnley, Head of Risk & Internal Audit (01484 221000 x73672)
- 
9. **Background Papers and History of Decisions**

the confidential appendix.
- 
10. **Service Director responsible**

Not applicable



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By virtue of paragraph(s) 3 of Part 1 of Schedule 12A of the Local Government Act 1972.

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