

KIRKLEES COUNCIL

AUDITED STATEMENT OF ACCOUNTS 2017/2018

E Croston
(Acting) Service Director - Finance, IT and Transactional Services
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 2018.

The preparation of the Statement of Accounts is a statutory requirement and local authorities are 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.

This is the first year under the earlier statutory reporting deadlines and I am very pleased to report that I actually signed our 2017/18 Statement of Accounts on 31 May. This is a tremendous achievement both for the finance staff involved and the wider organisation's commitment to supporting earlier sign-off.

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

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

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

This Council continues to operate in a challenging economic and financial climate, and this is forecast to continue at least for the next two years of our medium term financial plan, to 2020. There have been significant reductions in government grant funding to the Council since 2010, whilst at the same time having to manage increased demand pressures on some of our most vulnerable residents, as well as managing the impact of cost of living increases over the period.

We have previously achieved this in ways which have largely avoided big reductions in frontline services. However, the continued scale of savings required means we are increasingly having to do things differently, and help people do more for themselves and each other. This means making some difficult choices that will unavoidably be noticed by the people and communities of Kirklees.

The Council planned to deliver £54 million savings in 2017/18 and the narrative report sets out the very significant progress we have made in achieving this.

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

Our budget plans include a further £29 million savings over the 2018-20 period, to deliver a sustainable and balanced budget. We are also an ambitious Council and our budget plans include significant investment over the period including support to our most vulnerable residents, transforming services, town centre vibrancy and wider economic regeneration.

Acknowledgements

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

Eamonn Croston
(Acting) Service Director - Finance, IT and Transactional Services

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 **437,000 residents**, and this figure is projected to increase by 6% overall to 464,000 by 2026; this includes a 21% projected increase in ages 65 and over to 88,424; included within this is a 37% increase specifically for ages 85 and over
- **Kirklees ranks eleventh out of 348 districts** in terms of population in England and Wales
- **Population by ethnic group;** 79%* White, 16% Asian or British Asian, 5% Other (*England & Wales average 86%)
- **3rd largest metropolitan district in the area** covering 157 square miles
- **173,000 households**, of which about 67% are owner occupied, and 12% Council rented. Households are projected to increase 20% by 2037, to 210,000
- **153,500 employees in Kirklees**, of which 14% relates to Manufacturing, almost double the Great British average of 8%. Health also provides 14%; with Education accounting for a further 12%.
- **The average median gross weekly earnings for Kirklees residents is £395.20;** lower than the Great Britain average of **£436.60**
- **Unemployment rates* are at 2.2%;** in comparison to the Great Britain average of 1.9% (*unemployment rates relate to the claimant count for Jobseekers' Allowance)
- **69 Local Councillors serve 23 wards;** there remains no overall control in the Council following the 2016 May local elections, there has 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; 9%* 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 2017 (source Kirklees factsheets 2017):

	Full-time	Part-time	Total	Full time equivalent (fte)
Non-schools	3,305	3,714	7,019	5,336
Schools	2,428	5,169	7,597	5,244
Total	5,733	8,883	14,616	10,580

To put the above into perspective, the full time equivalent figure in 2010 was 14,003; this represents an overall reduction of 3,423, approximately 25%, over the period.

Current approved budget plans anticipate a further reduction in full time equivalent numbers (non-schools) by 283 (equivalent to 5%) over the 2018-20 period.

Council performance in 2017/18

The Council’s annual Corporate Plan for 2017/18 set out a vision for an ambitious Council for the residents and communities of Kirklees:

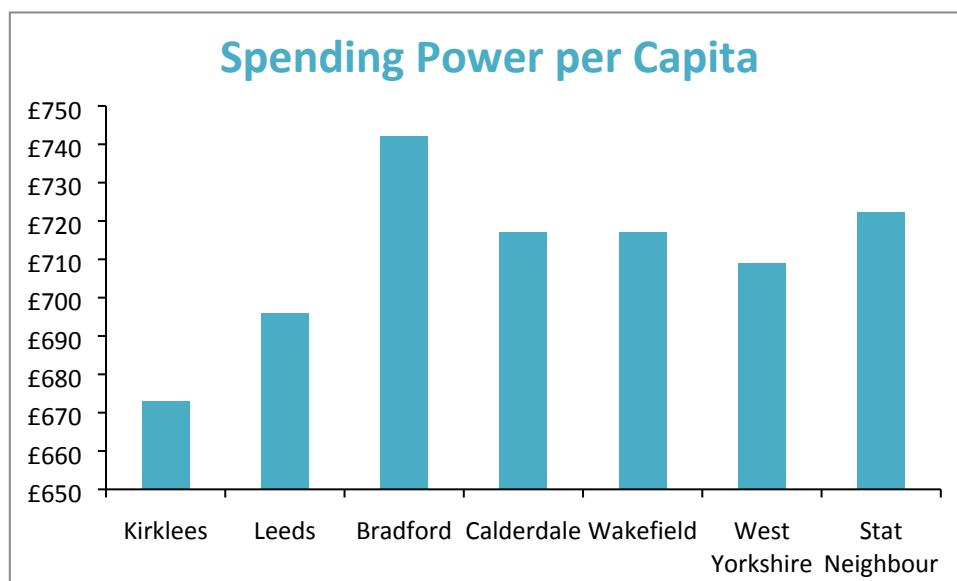
“a district which combines a strong, sustainable economy with a great quality of life - leading to thriving communities, growing businesses, high prosperity and low inequality where people enjoy better health throughout their lives”.

To deliver this vision for the communities of Kirklees, we are clear about the type of Council we need to be:

- Enabling individuals and communities to do more for themselves and each other.
- Keeping vulnerable people safe and in control of their own lives.
- Focussing resources on things that only the Council can do.

This Council is already a low cost, low spend Council and has always focused on providing value for money for the residents of Kirklees. However, we know that resources are scarce, and will get scarcer.

The Government’s own calculation of funding each Council has available, expressed as an amount per head of the population, places Kirklees as the 2nd lowest of the 36 metropolitan authorities, and 7th lowest overall in the Country in 2017/18.



The Council’s performance management framework is intended to ensure that both our planning and our delivery are consistent with our vision and can demonstrate significant contributions to our strategic priorities.

Strong performance management ensures that our services are planned, focused and delivered to meet community needs. Directorates are held to account throughout the year as to the progress they are making towards their delivery plans. Progress made across all services is summarised in Quarterly performance Reports.

Of the areas regularly considered, 53% of the targets are achieved or “nearly” achieved (compares with 71% the previous year).

The proportion of off track and at risk actions/measures has increased in comparison to the previous year. In response to continuing reductions in funding from central Government, the Council has undertaken a programme of transformation across many of its initial contact services to ensure effectiveness and efficiency in an increasingly challenging world. In the midst of this significant change there has been a short-term negative impact on a number of key performance measures, whilst new ways of working are designed and implemented.

A re-refresh of our performance management processes are under way to ensure we are measuring the right things to better achieve outcomes. Below is a cross-section of things we have achieved in the last 12 months :

Best start: **28,000** school meals cooked per day

Well: **18,000** attendances on health walks, **15,000** attendances on physical activity sessions as part of recovery from illness, **2.2 million** visits to Sports & Leisure Centres

Independent: **2,400** cases of re-ablement assistance, **1,800** cases where homelessness has been prevented

Aspire and achieve: **95.5%** pupil attendance in schools, **855** people supported through council employment schemes

Sustainable economy: **2,579** planning decisions, **£7 million** external investment awarded for infrastructure development

Safe and cohesive: **1.5 million** visits to libraries and information centres, **200,000** visits to museums and galleries, **14,500** people taking part in resilience and cohesion activities

Clean and green: **190,700** tonnes of waste managed, **14,070** fridges sent for safe removal of CFCs and subsequent recycling, **477** grassed sports pitches maintained

Efficient and effective: **£823 million** Council budget, **10,580** Full time equivalent workforce, **882,000** telephone calls handled, **81.84%** of interactions on a self-serve basis

Existing budget plans for Child Protection and Family Support service have been fundamentally reviewed and re-shaped, to ensure they align to the Children Improvement Plan. The Plan is based on a long-term and innovative Partnership with Leeds Council, and approved by the Department for Education. This Partnership is intended to drive significant improvements in outcomes for children, and meet the recommendations set out in the original OFSTED report on 28 November 2016 with an assessed rating of 'inadequate'.

A range of service improvements have already been progressed throughout 2017/18. The Council is strongly committed to ensuring significant progress in Children's service performance remains a key priority.

In addition to the above measures, significant parts of our services are inspected by other agencies, and we respond to any external inspection positively by learning from what they tell us.

Financial Performance in 2017/18

Service developments in year

There was £5.8m spend above budget in year within Children and Families, reflecting continued priority investment in the emerging Children’s Improvement Plan, in partnership with Leeds City Council.

The Council invested £2m more than the budget, to ensure that the roads were kept safe for residents and businesses this winter. Future year budget risks around exceptional winter weather will be managed through reserves, and it is anticipated that costs will reduce next winter as the thermal mapping approach is introduced, so we can target the areas of greatest need on our road network.

During the year, there have been 2 schools that have converted to Academy status, one of which was a church school. Employees have been transferred to the new bodies together with assets valued at £2.4 million. These transfers have resulted in a reduction in revenue spending of £0.6 million and a corresponding amount of Dedicated Schools Grant.

Revenue – General Fund

The overriding context for the Council’s Medium Term Financial Plan (MTFP) is continuing national funding reductions as part of Government’s approach to reducing the national debt burden.

The Net Revenue Budget for 2017/18 was £294.7 million, approved at Council on 15 February 2017.

There was a net transfer to reserves from General Fund in-year, totalling £8.3 million. The revised budget in 2017/18 was £286.4 million.

The authority’s net revenue spend totalled £284.9 million in 2017/18.

The overall outturn position was £1.5m (0.5%) underspend against £286m revenue budget (compared to £2.7 million overspend in 2016/17) and reflects sound overall financial management of budgets in-year.

It was an especially challenging budget in 2017-18, continuing the direction of travel set out in successive recent budget rounds to deliver the Council’s ambitions and priorities for the district, within overall reducing resources.

There were planned savings of £54m in 2017-18 with a further £11.2 million of reserves being used to meet the remaining funding gap in year.

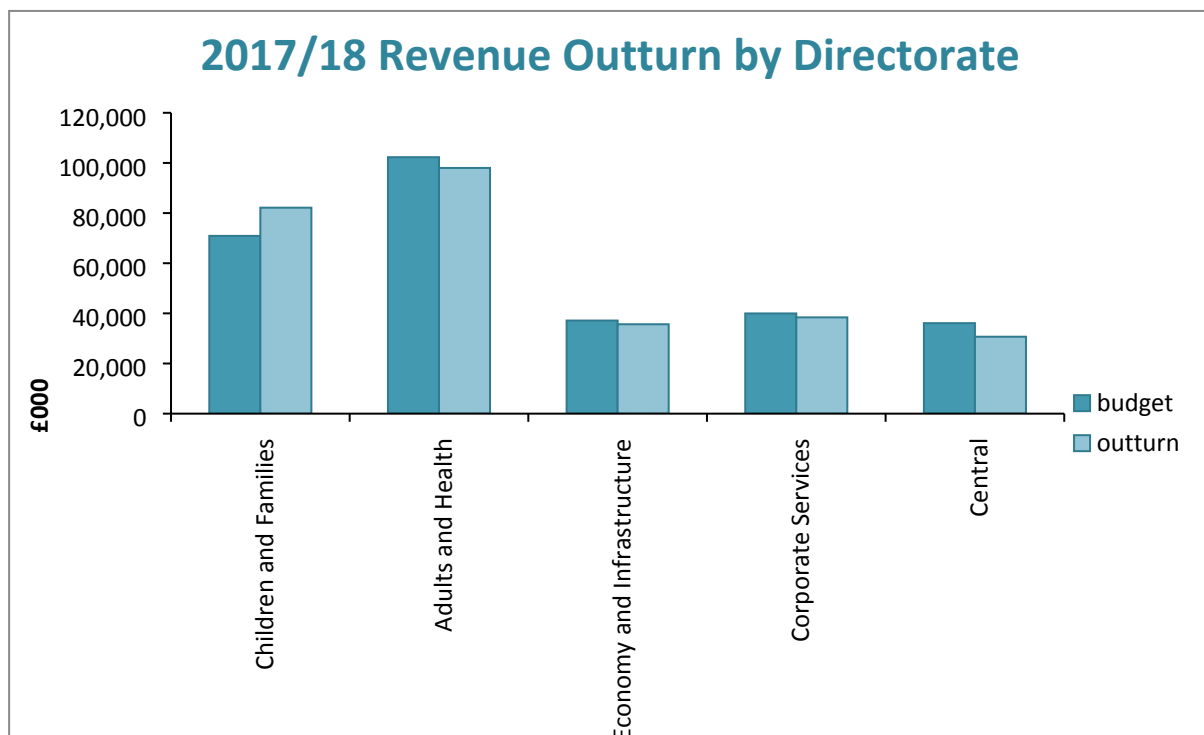
There were robust programme management arrangements through the year, working closely with the Council’s external business partner to support the ongoing re-shaping and transformation of services across the Council, and support the effective and timely delivery of the £54m planned savings requirement in-year.

Actual delivery of 89% against planned savings in-year equated to £48m, which is a significant achievement. Timing issues with the delivery of some transformational savings deferred to 2018-19. This in-part reflects the scope and complexity of rolling out re-designed services, in particular around early intervention and targeted support, and service integration.

The balance of savings were unplanned, including the release of one-off additional Better Care Fund (BCF) monies of £8.3m in 2017-18, which were allocated as part of the Spring 2017 Government Budget. Of this, £2.6m was committed for investment with health partners to support the social care and health integration agenda.

The balance of £5.7m applied enabled an equivalent “one-off” release of base budget resource from Adults & Health in-year. This is not a recurrently sustainable position as future levels of BCF funding reduce year on year (reflecting the time limited nature of this funding source).

The actual spend to budget is summarised by department below:



Within the overall net underspend of £1.5m, there were a number of significant underlying service pressures, including £5.8m spend above budget in year within Children and Families, reflecting continued priority investment in the emerging Children’s Improvement Plan, in partnership with Leeds City Council; ongoing revenue investment also built into approved budget plans for 2018-20.

There was also an additional spend of £4.4m for emerging service pressures on Special Educational Needs and Disability (SEND) activity, in excess off the £40m resources available to fund this activity through the High Needs funding block allocation within the Dedicated Schools Grant (DSG). This is a potentially growing pressure and following a recent Kirklees wide high needs strategic review reported to Cabinet in February 2018, the Council, working with key education partners across the district, is developing a comprehensive plan to deliver a more effective, whole systems approach and implementation through 2018-19.

In-year service pressures above were offset through other Directorate underspends, including early delivery of future year savings across a range of Corporate Service activity in readiness for 2018/19. There has also been some recognition that the extent of corporate service reductions in existing budget plans is impacting on the pace of current and future delivery of some key transformation programmes, and will require further targeted investment going forward.

Also, there were savings on Central Budgets, mainly relating to additional one-off un-ringfenced grant income.

The £1.5 million overall Council underspend was transferred to General Fund Balances at year end.

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 2017/18, the HRA reported a small surplus of £89k against an annual turnover of £92.9m; equivalent to just 0.1%. This includes the delivery of £2.6m efficiency savings in year against the £39m KNH fee.

Capital expenditure

The Council had overall capital headroom of £120.8m in 2017-18. Against the headroom, the capital funding commitment totalled £98.8m in-year. The commitment target reflects the fact that the nature of capital programmes and funding means that with some schemes, there is greater potential for slippage in-year; for example timing of external funding being secured, or the size and complexity of specific schemes meaning longer lead in times than originally profiled for in capital budget plans.

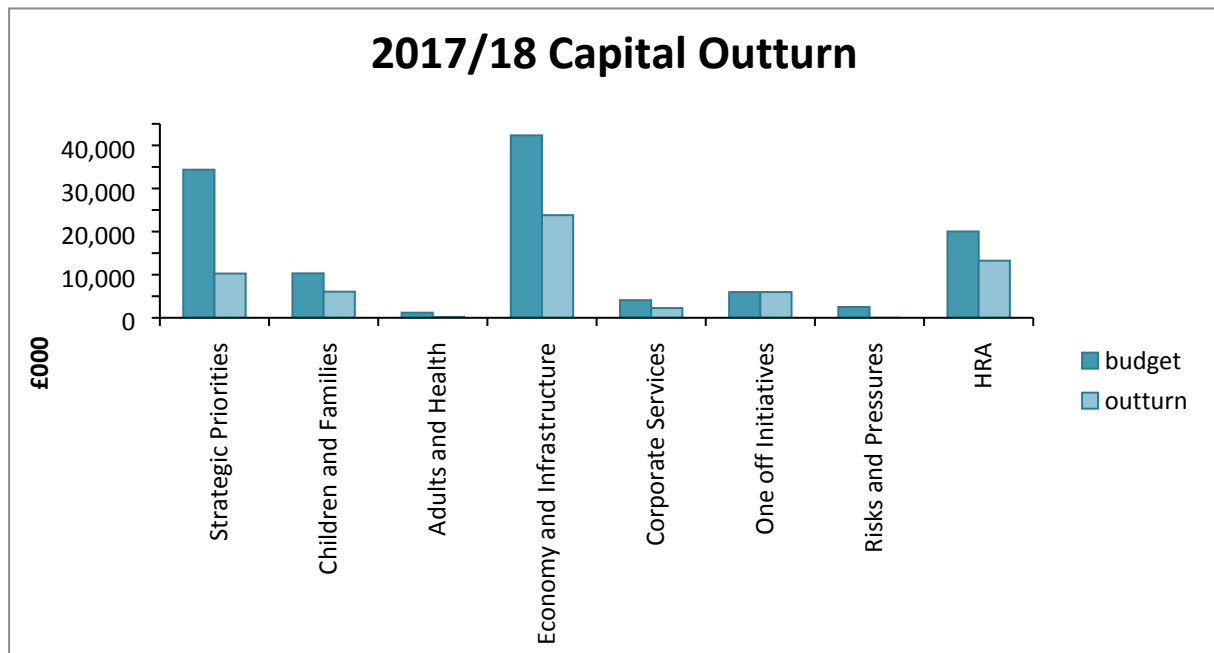
Capital spend in 2017-18 totalled £61.8m; equivalent to 63% against committed investment. Of the total spend, £10.8m related to strategic priorities, the balance of £51m related to baseline capital spend.

The outturn position includes a number of deferred expenditure commitments to be rolled forward into future years; reflects the timing in delivery of a number of strategic priority capital schemes, including £8.8m relating to HD-One development planned for John Smith's stadium, now due on site in Summer 2018. As well, the revolving credit facility to Kirklees College of £6m was not used in 2017-18, plus slippage in New Pupil places across three school sites at £4.9m, and Social Housing development across three HRA sites at £3.4m. Elsewhere, the risks and pressures contingency at £2.5m was not needed and just over £3m deferred capital spend related to timing issues on the securing of external grant funding.

Capital expenditure in 2017/18 included £6.0 million of transformation related capital expenditure. These would normally be treated as revenue costs but have been capitalised and financed by capital receipts under the Government's "Flexible Use of Capital Receipts" policy and Council approved flexible capital receipts strategy.

Current capital rollover proposals total £53.5m and largely reflect deferred spend against existing schemes rolled forward into future years.

Capital expenditure in 2017/18, is summarised by service area below :



Capital expenditure was funded by the following sources of finance; borrowing £15.5 million, grants and contributions £27.2 million, capital receipts at £6.5 million, Major Repairs Reserve (HRA) at £12.6 million, and revenue funding on PFI commitments £2.1 million.

Collection Fund

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

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

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

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

The Council's share of overall Collection Fund financial performance in 2017/18 is summarised below.

Collection Fund - Council Share	Council Tax	Business Rates
	£m	£m
(Surplus) / Deficit at 1 April 2017	(3.0)	1.3
(Surplus)/Deficit transfer to General Fund in 2017/18	2.0	(1.9)
In-year financial performance 2017/18	(1.3)	0.6
(Surplus) / Deficit at 31 March 2018	(2.3)	0

The Council's share of Council Tax surplus at 31 March 2018, at £2.3 million, plus the balance of £0.4 million surplus in relation to precepting authorities, will be shared out in future years.

Under the current Business Rates retention scheme, the Council retains a share (50%) of local Business Rates collected. Of this, 1% is paid over by the Council to the West Yorkshire Fire & Rescue Authority. The balance of 50% Business Rates collected locally is paid over to Central Government.

The Council's share of the Business Rates surplus as at 31 March 2018, at £5k, plus the balance of £4k surplus in relation to Central Government and West Yorkshire Fire and Rescue Authority will be shared out in subsequent years. The Council is a top-up authority and is also part of a regional business rates pooling arrangement – Leeds City Region Business Rates Pool.

The percentage of Council Tax collected in year was 96.0% (2016/17 96.0%). The Council's share of the arrears outstanding as at 31 March 2018 was £11.6 million (31 March 2017 £10.7 million).

The percentage of Business Rates collected in the year was 97.0% (2016/17 96.5%). The Council's share of the arrears outstanding at 31 March 2018 was £2.2 million (31 March 2017 £2.5 million). In addition, there is a provision for Business Rates appeals outstanding. The Council's share of this provision at 31 March 2018 is £5.6 million (31 March 2017 £4.2 million).

Balance Sheet

The table below summarises the balance sheet movements during 2017/18 and reveals that the Council maintains a strong balance sheet in terms of net assets and usable reserves.

	At March 2017	At March 2018	Movements in-year
	£m	£m	£m
Long Term Assets	1,539	1,539	-
Net Current Assets	-31	-26	5
Long Term Liabilities	-1,080	-1,031	49
Net assets	428	482	54
<i>Represented by :</i>			
Usable Reserves	-167	-185	-18
Unusable Reserves	-261	-297	-36

Assets

The value of property, plant and equipment has decreased during the year by £22.7 million to £1,339.6 million. The decrease is largely due to assets being reclassified as Held for Sale (£2.7m) and the disposals of assets (£12.4 million), including schools transferring to academy status. In addition, the Council had heritage assets and investment property valued at £50.0 million and £118.4 million

respectively as at 31 March 2018 (2016/17 £49.6 million and £95.5 million). Current assets decreased by £1.0 million to £89.2 million. The Council's policy towards cash flow management is prudent and all deposits/investments in 2017/18 have been placed short-term with a view towards security and liquidity. As at 31 March 2018, the Council held investments of £36.1 million within "cash equivalents", that is highly liquid deposits with an insignificant risk of change in value (31 March 2017 £31.3 million).

Liabilities

Current liabilities decreased by £5.8 million to £115.6 million and long-term liabilities decreased by £49.6 million to £1,031.0 million. As at 31 March 2018, the Council had total provisions (long term and short term) of £15.2 million (31 March 2017 £14.2 million). Total external borrowing during the year decreased from £442.9 million to £417.7 million. There was no new long term borrowing taken in the year and short term borrowing decreased by £17.2 million.

The average interest rate for long term borrowing in 2017/18 was 4.76% (2016/17 4.78%).

Other long term liabilities contains a net pensions liability of £518.6 million (31 March 2017 £556.3 million). 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 decrease in net liabilities largely reflects the increase in the fair value of the scheme assets net of the movement in value of the scheme liabilities at the Balance Sheet date.

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.
- 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 2018 was £88.8 million (31 March 2017 £90.1 million), a net reduction of £1.3 million. These Balances include £80.0 million that has been earmarked for particular purposes, including £37.1 million Financial Resilience Reserves covering a range of potential unfunded risks and pressures (including budget savings risks highlighted in the Council's corporate risk assessment).

This reserve increased by £9.1m in-year. As part of the Council approved reserves strategy, £9.1m resources were released from treasury management budget in-year following a change in Council policy on annual revenue resources required to be set aside to cover its ongoing debt commitments (minimum revenue provision or MRP). These resources transferred to reserves, as part of the overall strengthening of Council financial resilience over the medium term.

The revenue grants reserve is £13.5 million. Council reserves also includes an amount of £8.9 million (31 March 2017 £9.5 million) relating to schools' balances.

HRA Balances at 31 March 2018 were £60.4 million 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. The balance on the Major Repairs Reserve was £0.4 million as at 31 March 2018 (31 March 2017 nil), being used to support capital expenditure and repay debt.

There are two Capital reserves – grants and receipts – which total £35.5 million as at 31 March 2018 (31 March 2017 £24.4 million).

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 performance

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). Based on draft accounts, KNH made an operating surplus of £2.5 million in 2017/18, £0.1 million deficit after taking into account pension adjustments and, based on the Council's interest and adjusted in line with the Group's accounting policies, KSDL made an operating deficit of £0.1k.

Council finances – future prospects

Achieving objectives with significantly less resources in the context of decreasing resources from central government, and increasing demand pressures locally continues to be the single biggest challenge facing the Council.

Budget plans for 2018-20 were approved at budget Council on 14 February 2018. These are summarised below.

Summary general fund revenue position 2018-20	Proposed budget 2018-19	Proposed budget 2019-20
	£000	£000
Funding available 17-21 MTFP	(281,171)	(276,756)
Funding Adjustments	(10,056)	(7,465)
Funding Available (18-20 MTFP)	(291,227)	(284,221)
Spending plans 17-21 MTFP (before savings)	291,078	285,965
Net Spending adjustments	16,267	27,654
Existing savings (rolled forward from 17-21 MTFP)	(11,058)	(20,955)
New Savings (18-20 MTFP)	(5,060)	(8,443)
Spending Plans (18-20 MTFP)	291,227	284,221
Budget Gap	0	0

The approved budget plans include planned (net) savings of £16 million in 2018/19, and further savings totalling £13 million the following year.

Looking ahead, continuation of robust programme management arrangements in 2018-19, which will also have in view deferred transformation and service change rolled forward from 2017-18, in addition to planned activity over the 2018-20 period.

Council budget plans reflect a Council Tax uplift of 5.99% in 2018/19, which includes a 3% adult social care precept to support adult demand led pressures, along with an additional 1% allowed for by Government above the current 2% council tax referendum threshold. In addition, as part of the Spring budget announcement in March 2017, the Government announced further national funding over the 2017-20 period specifically in response to significant national lobbying on the scale of demand pressures on Council Adult Social Care Services, and its significant impact not only on Council but also National Health budgets. Kirklees share of this extra national funding available was £8.3 million in 2017/18, reducing to £5.3 million in 2018/19 and £2.6 million in 2019/20.

The 2017 Autumn Statement also acknowledged continued significant and growing pressures both on the Adult Social Care and Health systems, and Government has committed to a forthcoming Green Paper on the future of Adult Social Care, timetabled for Summer 2018. In February 2018 a further £150 million “one-off” adult social care grant nationally announced in 2018/19, allocated according to relative needs, for Councils to use to build on progress so far in supporting sustainable local care markets. Kirklees share of this funding is £1.2 million.

There is a balance of £88.7m general fund reserves at year end; of which £33.0m relates to earmarked reserves commitments. A further £9.8m relates to statutory schools reserves (which cannot be re-directed for non-school uses), leaving £37.1m of available ‘financial resilience’ reserves to mitigate against future budget and other unfunded risks; equivalent to 12.6% of the current year £294.7m (net) controllable revenue budget. General balances is forecast at £8.7m. Within this figure is an assumed £5m minimum balances requirement.

The 2017 Autumn Statement and Financial Settlement 2018-19 noted Government’s commitment to Council “self-sufficiency” in terms of Council net budgets being largely funded locally from 2020 onwards, namely Council Tax and 75% retained Business Rates. This would likely involve the transfer of some existing Government funding responsibilities to Councils.

The 2017 Autumn Statement also noted Government’s continued commitment to a Fair Funding Review of Local Government Funding. Government acknowledges that the current baseline funding assumptions (implemented in 2013 as part of the 50% business rates retention scheme) do not appropriately reflect the changing characteristics of Council’s in subsequent years in particular with regard to population changes and demographic trends. The outcome of any review may result in a redistribution of existing funding between Councils, but under the Government principles of fiscal neutrality, there would be winners and losers, and most likely extended transitional protection arrangements.

Both the proposal for a 75% business rates retention scheme and the Fair Funding review are subject to further detailed consultation processes and have an intended current timeline for April 2020 implementation.

Future service developments

There is continued priority investment in the emerging Children’s Improvement Plan, in partnership with Leeds Council; ongoing revenue investment also built into approved budget plans for 2018-20.

The Council is a member of the Leeds City Region (LCR) business rates pool. The LCR pool was successful in its application to be part of a new round of 100% business rates pilots for 2018/19 only

alongside 10 other successful pilot bids nationally. It is anticipated that there will be a one-off gain from being part of the pilot in 2018/19. While the exact amount will depend on actual overall performance of the pool in-year, it is anticipated that there will be a minimum one-off gain of £1.6m which is to be earmarked for transformation investment across social care activity.

The Council's Corporate Plan and overall performance management processes are also being refreshed through early 2018/19 to establish shared outcomes, including with other agencies as a key driver to delivery.

Clearer targets around agreed commission outcomes, accompanied by a robust performance management arrangement, and a new approach to escalating emerging risks are intended to strengthen corporate management arrangements and achieve more successful outcomes with limited resources. Behaviours and expectations for all staff and managers have been reviewed and refreshed with a clear emphasis on driving improved performance.

Future Accounting Developments

Following a re-tendering exercise conducted on the Council's behalf by the Public Sector Audit Appointments Ltd (PSSA) Grant Thornton (UK) LLP have been appointed to audit the accounts of Kirklees Council for five years from 2018/19. The appointment started on 1 April 2018.

Key Risks

The Council Corporate Risk Matrix for 2018/19 was agreed in February 2018. The matrix highlights risk areas, and headline mitigations and management actions.

The areas identified are summarised below:

- The risks associated with the need to deliver budget savings required by the Medium Term Financial Plan.
- Overspending on particular budget heads due to increase in volumes, rising prices, or a failure to properly control projects; concerns about growth in volumes of children and adult social care beyond those provided in financial plans.
- The funding impacts of the national "living wage" and other inflationary pressures faced by contractors, and impacts from other legislative changes and the resultant effects on the quality or performance of services.
- Council supplier and market failure.
- Safeguarding risks associated with the care of children and vulnerable adults.
- The impact of welfare reforms.
- Workforce management issues (including loss of experienced staff; need for different skills sets and inability to identify/or reach all staff to deliver appropriate training; difficulties recruiting and retraining staff in specific areas).
- Funding shortfall in partner agencies e.g. NHS.
- Failure to address matters of violent extremism and related safer stronger community factors.
- Unforeseen legislative changes.
- Unforeseen significant environmental events e.g. severe weather impact.
- Management of information from loss or inappropriate destruction or retention and the risk of failure to comply with the obligations of General Data Protection Regulations (GDPR), Freedom of Information (FOI) and Data Protection.
- The risks associated with the anticipated substitution of Council services by those provided by communities.

- Heightened national attention to Child Sexual Exploitation and historical abuse cases leading to increased demand, higher professional expectations & greater public scrutiny.
- Inadequate health & 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 and the overall adequacy of Council Reserves.

The 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 2018**
- **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.

Other Accounting Information

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

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

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, IT and Transactional Services 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 also produces a Summary Statement of Accounts which, whilst having no formal legal standing, aims to remove many of the technicalities of this publication and provide a simplified version of the Council's financial position. These are available at www.kirklees.gov.uk/accounts.

It should also be noted that there were two objections raised by local electors during the six week public inspection period for the draft accounts 2016/17, which ran from 5 June to 14 July 2017.

Both objections were subsequently formally accepted by the Council's auditors, KPMG. The current position is that work is ongoing by KPMG to resolve the objections, and KPMG will conclude its audit once the objections have been resolved, and then issue its audit certification at that point. However, KPMG note that it has obtained sufficient evidence to conclude that the accounts for 2016/17 are not materially mis-stated, and that as a result, KPMG was able to give an unqualified audit opinion on the financial statements.

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 (Acting) Service Director - Finance, IT and Transactional Services;
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- approve the Statement of Accounts.

The (Acting) Service Director – Finance, IT and Transactional Services' Responsibilities

The (Acting) Service Director - Finance, IT and Transactional Services 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 (Acting) 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 (Acting) 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 (Acting) 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 2018.

Eamonn Croston
31 May 2018
(Acting) Service Director – Finance, IT and Transactional Services

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.

			2017/18			2016/17	
	Gross Exp	Gross Income	Net Exp	Gross Exp *	Gross Income*	Net Exp *	
	£000	£000	£000	£000	£000	£000	Note
Child Protection & Family Support	59,601	-1,975	57,626	57,831	-3,014	54,817	
Learning & Early Support	333,546	-289,721	43,825	324,340	-285,889	38,451	
Quality, Assurance, Safeguarding & Support	3,389	-524	2,865	3,368	-620	2,748	
Service Integration	72,302	-13,610	58,692	38,252	-2,090	36,162	
Adults Social Care	93,851	-50,909	42,942	134,605	-52,615	81,990	
Economy, Regeneration & Culture	21,020	-10,003	11,017	31,542	-9,411	22,131	
Commerical, Regulatory & Operational Services	106,245	-41,508	64,737	107,597	-37,788	69,809	
Policy Intelligence & Public Health	33,635	-32,871	764	30,690	-29,828	862	
Office of the Chief Executive	20,146	-3,453	16,693	21,191	-3,907	17,284	
Governance & Commissioning	2,561	-127	2,434	2,495	-89	2,406	
Finance, IT & Transactional Services	139,872	-112,942	26,930	146,919	-119,458	27,461	
Central Budgets	25,327	-295	25,032	25,926	-32,102	-6,176	
HRA	69,049	-103,294	-34,245	144,428	-97,321	47,107	
Cost of Services	980,544	-661,232	319,312	1,069,184	-674,132	395,052	
Other operating expenditure			9,441			52,223	12
Financing and investment income and expenditure			12,510			29,872	13
Taxation and non-specific grant income			-330,016			-330,198	14
Surplus(-)/Deficit on Provision of Services			11,247			146,949	
Surplus on revaluation of Property, Plant and Equipment (PPE) and Heritage assets			-16,586			-16,699	
Impairment losses on non-current assets to the Revaluation Reserve			23,427			384	
Surplus on revaluation of available for sale financial assets			0			-30	
Remeasurements of the net defined benefit liability			-71,871			35,984	41
Other Comprehensive Income and Expenditure			-65,030			19,639	
Total Comprehensive Income and Expenditure			-53,783			166,588	

* The 2016/17 figures have been restated to reflect the revised corporate structure in 2017/18 and to ensure consistency across the two years.

EXPENDITURE AND FUNDING ANALYSIS

The objective of the Expenditure and Funding Analysis is to demonstrate to Council Tax and rent payers how the funding available to the Council (ie government grants, rents, Council Tax and Business Rates) for the year has been used in providing service in comparison with those resources consumed or earned by the Council in accordance with generally accepted accounting practices. The Analysis also shows how this expenditure is allocated for decision making purposes between the Council's services. A more detailed breakdown of the adjustments between funding and accounting basis is shown in note 8.

	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 Exp in the CIES
2017/18	£000	£000	£000	£000	£000
Child Protection & Family Support	55,004	0	55,004	2,622	57,626
Learning & Early Support	25,952	4,516	30,468	13,357	43,825
Quality, Assurance, Safeguarding & Support	2,665	0	2,665	200	2,865
Service Integration	56,419	0	56,419	2,273	58,692
Adults Social Care	39,779	0	39,779	3,163	42,942
Economy, Regeneration & Culture	6,819	0	6,819	4,198	11,017
Commercial, Regulatory & Operational Services	28,839	4,383	33,222	31,515	64,737
Policy, Intelligence & Public Health	343	0	343	421	764
Office of the Chief Executive	13,993	399	14,392	2,301	16,693
Governance & Commissioning	2,125	0	2,125	309	2,434
Finance, IT & Transactional Services	22,282	0	22,282	4,648	26,930
Central Budgets	30,687	-5,726	24,961	71	25,032
HRA	-8,344	-12,753	-21,097	-13,148	-34,245
Net Cost of Services	276,563	-9,181	267,382	51,930	319,312
Other operating expenditure	735	321	1,056	8,385	9,441
Financing and investment income and expenditure	0	23,674	23,674	-11,164	12,510
Taxation and non-specific grant income	-284,316	-14,814	-299,130	-30,886	-330,016
Net Surplus(-)/Deficit	-7,018	0	-7,018	18,265	11,247
Opening Balances at 31 March 2017:					
General Fund			-90,110		
HRA			-52,013		
			-142,123		
Less net Deficit in Year			-7,018		
Closing General Fund and HRA Balance at 31 March 2018			-149,141		
General Fund			-88,783		
HRA			-60,358		

	Outturn reported to Council	Adjustments between net cost of services and other income and expenditure	Net Expenditure Chargeable to the General Fund and HRA	Adjustments between the Funding and Accounting Basis	Net Exp in the CIES
<u>2016/17</u>	£000	£000	£000	£000	£000
Child Protection & Family Support	53,954	0	53,954	863	54,817
Learning & Early Support	20,477	3,870	24,347	14,104	38,451
Quality, Assurance, Safeguarding & Support	2,633	0	2,633	115	2,748
Service Integration	35,146	0	35,146	1,016	36,162
Adults Social Care	81,055	0	81,055	935	81,990
Economy, Regeneration & Culture	10,866	0	10,866	11,265	22,131
Commercial, Regulatory & Operational Services	28,151	3,872	32,023	37,786	69,809
Policy, Intelligence & Public Health	638	0	638	224	862
Office of the Chief Executive	15,058	391	15,449	1,835	17,284
Governance & Commissioning	2,234	0	2,234	172	2,406
Finance, IT & Transactional Services	23,360	0	23,360	4,101	27,461
Central Budgets	40,809	-8,906	31,903	-38,079	-6,176
HRA	-9,209	-13,186	-22,395	69,502	47,107
Net Cost of Services	305,172	-13,959	291,213	103,839	395,052
Other operating expenditure	557	1,131	1,688	50,535	52,223
Financing and investment income and expenditure	0	25,910	25,910	3,962	29,872
Taxation and non-specific grant income	-291,892	-13,082	-304,974	-25,224	-330,198
Net Surplus(-)/Deficit	13,837	0	13,837	133,112	146,949
Opening Balances at 31 March 2016:					
General Fund			-113,156		
HRA			-42,804		
			-155,960		
Less net Deficit in Year			13,837		
Closing General Fund and HRA Balance at 31 March 2017			-142,123		
General Fund			-90,110		
HRA			-52,013		

STATEMENT OF MOVEMENT IN RESERVES

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

	General Fund Balances	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Council Reserves
	£000	£000	£000	£000	£000	£000	£000	£000
<u>2017/18</u>								
Balance at 31 March 2017	-90,110	-52,013	-8,251	0	-16,141	-166,515	-260,976	-427,491
Movement in reserves during 2017/18								
Total Comprehensive Income and Expenditure	36,610	-25,363	0	0	0	11,247	-65,030	-53,783
Adjustments between accounting & funding basis under regulations (Note 10)	-35,283	17,018	-4,217	-409	-6,899	-29,790	29,790	0
Net Increase(-)/ Decrease	1,327	-8,345	-4,217	-409	-6,899	-18,543	-35,240	-53,783
Balance at 31 March 2018 carried forward	-88,783	-60,358	-12,468	-409	-23,040	-185,058	-296,216	-481,274
<u>2016/17</u>								
Balance at 31 March 2016	-113,156	-42,804	-10,469	0	-13,945	-180,374	-413,705	-594,079
Movement in reserves during 2016/17								
Total Comprehensive Income and Expenditure	90,777	56,172	0	0	0	146,949	19,639	166,588
Adjustments between accounting & funding basis under regulations (Note 10)	-67,731	-65,381	2,218	0	-2,196	-133,090	133,090	0
Net Increase(-)/ (+) Decrease	23,046	-9,209	2,218	0	-2,196	13,859	152,729	166,588
Balance at 31 March 2017 carried forward	-90,110	-52,013	-8,251	0	-16,141	-166,515	-260,976	-427,491

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 2018 £000	31 March 2017 £000	Note
Property, Plant & Equipment (PPE)	1,339,568	1,362,348	15
Heritage Assets	50,032	49,578	16
Investment Property	118,355	95,465	17
Intangible Assets	404	1,610	18
Long Term Investments	3,720	2,803	19
Long Term Debtors	26,610	27,592	20
Long Term Assets	1,538,689	1,539,396	
Inventories	1,687	2,613	
Short Term Debtors	52,704	57,263	21
Assets Held for Sale	2,668	2,797	
Cash and Cash Equivalents	32,149	27,506	22
Current Assets	89,208	90,179	
Short Term Borrowing	-25,250	-42,404	19
Short Term Creditors	-81,099	-68,893	23
Other Short Term Liabilities	-5,323	-5,588	
Provisions	-3,927	-4,559	24
Current Liabilities	-115,599	-121,444	
Long Term Borrowing	-392,458	-400,498	19
Other Long Term Liabilities	-638,566	-680,142	25
Long Term Liabilities	-1,031,024	-1,080,640	
Net Assets	481,274	427,491	
Usable Reserves	-185,058	-166,515	26
Unusable Reserves	-296,216	-260,976	27
Total Reserves	-481,274	-427,491	

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.

	2017/18			2016/17	
	£000	£000	£000	£000	Note
Net surplus(-)/deficit on the provision of services		11,247		146,949	
Adjustments to net surplus/deficit on the provision of services for non-cash movements		-70,724		-190,668	29
Adjustment for items included in the net surplus/deficit on the provision of services that are investing and financing activities		37,476		33,251	30
Net cash flows from Operating Activities		-22,001		-10,468	
Net cash flows from Investing Activities					
Purchase of PPE, investment property and intangible assets	39,858		54,588		
Purchase of short-term and long-term investments	3,718		3,666		
Proceeds from the sale of PPE, investment property and intangible assets	-14,640		-10,544		
Proceeds from short-term and long-term investments	-11,741		-3,344		
Other receipts from investing activities	-23,007	-5,812	-21,848	22,518	
Net cash flows from Financing Activities					
Cash receipts of short and long-term borrowing	-95,223		-84,053		
Other receipts from financing activities	0		-282		
Cash payments for the reduction for the outstanding liabilities relating to finance leases and PFI contracts	5,264		4,806		
Repayments of short and long-term borrowing	120,437		70,491		
Other payments for financing activities	-7,308	23,170	638	-8,400	
Net increase(-)/decrease in cash and cash equivalents		-4,643		3,650	
Cash and cash equivalents at the beginning of the reporting period		27,506		31,156	
Cash and cash equivalents at the end of the reporting period		32,149		27,506	22

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1 Accounting Policies

General Principles

The Statement of Accounts summarises the Council's transactions for the 2017/18 financial year and its position at the year-end of 31 March 2018. 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 2017/18 (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 & Young People 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 Commissioning, Public Health and Adults 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

Financial assets are classified into two types:

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

Loans and receivables are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument. They are initially measured at fair value and subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the CIES for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For many of the loans that the Council has made, 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.

However, the Council has made a number of loans to outside organisations at less than market rates (soft loans). When soft loans are made, 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.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the relevant service (for receivables specific to that service) or the Financing and Investment Income and Expenditure line in the CIES. The impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate.

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.

Available-for-sale assets 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. Where the asset has fixed or determinable payments, annual credits to the Financing and Investment Income and Expenditure line in the CIES for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income (for example, dividends) is credited to the CIES when it becomes receivable by the Council.

Assets are maintained in the Balance Sheet at fair value. None of the Council's equity interests have quoted market prices and these are measured using discounted cash flow analysis or other valuation techniques. Where fair value cannot be measured reliably, the instrument is carried at cost (less any impairment losses).

Changes in fair value are balanced by an entry in the Available-for-Sale Reserve and the gain/loss is recognised in the Surplus or Deficit on Revaluation of Available-for-Sale Financial Assets. The exception is where impairment losses have been incurred – these are debited to the Financing and

Investment Income and Expenditure line in the CIES, along with any net gain or loss for the asset accumulated in the Available-for-Sale Reserve.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made (fixed or determinable payments) or fair value falls below cost, the asset is written down and a charge made to the Financing and Investment Income and Expenditure line in the CIES. If the asset has fixed or determinable payments, the impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate. Otherwise, the impairment loss is measured as any shortfall of fair value against the acquisition cost of the instrument (net of any principal repayment and amortisation).

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, along with any accumulated gains or losses previously recognised in the Available-for-Sale Reserve.

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. Where judged to be material, these guarantees are covered in the Contingent Liabilities note.

Government Grants and Contributions

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the Council when there is reasonable assurance that:

- The Council will comply with the conditions attached to the payments, and
- The grants or contributions will be received.

Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor. Although conditions may still be outstanding at the Balance Sheet date, as long as there is reasonable assurance that the conditions will be complied with, then amounts are recognised in the CIES at this point. The grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non-ringfenced revenue grants and all capital grants) in the CIES.

Where conditions are outstanding and reasonable assurance does not exist that they will be complied with as at the Balance Sheet date, monies are carried in the Balance Sheet as creditors.

Where capital grants are credited to the CIES, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied reserve. When capital grants have been applied, they are posted to the Capital Adjustment Account.

Heritage Assets

These are assets generally with historical, artistic, scientific, technological, geophysical or environmental qualities that the Council holds principally for their contribution to knowledge and culture.

Recognition and Measurement

The Code requires heritage assets to be recognised and measured in accordance with accounting policies on Property, Plant and Equipment. However the unique nature of many heritage assets makes reliable valuation complex and some of the measurement rules have been relaxed. As such, valuations may be made by any method that is appropriate and relevant, and valuations need not be carried out or verified by external valuers. A full valuation is not required every five years but the Code does specify that reviews must be carried out with sufficient regularity to ensure they remain current.

A de minimis level of £10,000 has been established for the recording of heritage assets in the Balance Sheet. The Council has recognised three main groups of heritage assets on its Balance Sheet – the art collection, museum exhibits and other (notably civic silver and certain structural heritage assets). The recognition and measurement policies for these assets are as follows:

- Fine Art Collection

These items are reported on the Balance Sheet using insurance valuations. Higher value items have been formally valued during the last two years by Bonhams Fine Art Auctioneers and Valuers, whilst lower value items are based on values estimated by the Council's Museum and Gallery staff with reference to recent information from sales at auctions and, occasionally, expert advice. The valuations are reviewed on an annual basis. Acquisitions are occasionally made by purchase or donation. Acquisitions are initially recognised at cost and donations are recognised at valuation in accordance with the policy on valuations of the art collection.

- Museum Exhibits

Only a small proportion of these items have market values and are reported on the Balance Sheet. The values have been estimated by the Council's Museum and Gallery staff with reference to recent information from sales at auctions and, occasionally, expert advice. The valuations are updated on an annual basis. The collection is relatively static and acquisitions and donations are rare. Where they do occur, acquisitions are initially recognised at cost and donations are recognised at valuation in accordance with the policy on valuations of museum exhibits.

- Other

The Civic Silver Collection is reported on the Balance Sheet at replacement cost. There is a regular programme of valuations and the items in the collection are valued by an external valuer (Gerard Laurence Collins) who specialises in precious metal craft and design. The Council has a number of structural heritage assets which are not recognised elsewhere on the Balance Sheet. These comprise of two clock towers, a Victorian tower and two park band stands. These items have been valued by internal valuers and are reported in the Balance Sheet at replacement cost. They will be revalued at least every five years.

Where cost information is not available and the cost of obtaining valuations outweighs the benefits to users of the financial statements, the Code does not require that the asset is recognised on the Balance Sheet. Where this approach has been adopted, it is set out in the disclosure notes 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 interests in companies and other entities that require it to prepare group accounts. In the Council's own single-entity accounts, the interests in companies and other entities are recorded as investments.

Inventories

Inventories are included in the Balance Sheet at the lower of cost and net realisable value. The cost of inventories is now assigned using the (First In First Out/weighted average) costing formula.

Investment Property

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.

Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's-length. Properties are not depreciated but are revalued annually. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the CIES. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

Joint Operations

Joint operations are joint arrangements whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. If material, the Council recognises on its Balance Sheet the assets that it controls and the liabilities that it incurs, and debits and credits the CIES with the expenditure it incurs and the share of income it earns from the activity of the operation.

Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the Property, Plant or Equipment from the lessor to the lessee. All other leases are classified as operating leases.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

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.

The original recognition of the fixed assets was balanced by the recognition of a liability for amounts due to the scheme operator to pay for the assets. The liabilities on the schools' contracts were written down by initial capital contributions by the Council of £2.5 million on the first contract and £5.0 million on the second. The liability on the housing PFI has been written down by capital contributions of £10.0 million.

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 – fair 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 – fair value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

Where there is no market-based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of fair value.

Where non-property assets (vehicles, plant and equipment) have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for fair value.

Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. In certain circumstances gains might be credited to the CIES where they arise from the reversal of a previous loss charged to a service, adjusted for depreciation that would have been charged if the loss had not been recognised.

Where decreases in value are identified, they are accounted for by:

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains).
- Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the CIES.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

Depreciation

Depreciation is provided for on all PPE assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (that is freehold land and certain Community Assets) and assets under construction. Assets are depreciated on a straight line basis over their estimated useful lives. Depreciation is calculated on the opening Balance Sheet value of the assets, with residual values being taken into account where appropriate. Estimated lives for new assets vary but are typically as follows:

- | | |
|--------------------------------------|--------------|
| • Buildings | 50/60 years |
| • Infrastructure | 20 years |
| • Vehicles and operational equipment | 5 – 10 years |
| • Computer equipment | 7 years |

Where an item of PPE has a major component whose cost is significant in relation to the total cost of the item and whose life is significantly different from the life of the asset to which it is attached, the component is separately identified and depreciated. The calculation of depreciation on the Council's housing stock is based on an analysis of the major components of a typical dwelling.

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

Impairment

Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the

recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for by:

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains).
- Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the CIES.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the CIES, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

Disposals and Non-current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the CIES, even if there are accumulated revaluation gains on the asset in the Revaluation Reserve. Gains in fair value are recognised only up to the amount of any previously recognised losses in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

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

When an asset is derecognised, the carrying amount of the asset in the Balance Sheet (whether PPE or Assets Held for Sale) is written off to the Other Operating Expenditure line in the CIES as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the CIES also as part of the gain or loss on disposal (that is netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to HRA housing disposals (net of statutory deductions and allowances) is payable to the Government. The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Council's underlying need to borrow (the Capital Financing Requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

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

Provisions, Contingent Liabilities and Contingent Assets

Provisions

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For instance, the Council may be involved in a court case that could eventually result in the payment of compensation.

Provisions are charged as an expense to the appropriate service line in the CIES in the year that the Council becomes aware of the obligation, and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties. When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year.

Where material, provisions are split between long term and short term depending on whether the provision is likely to be settled in the next financial year. If it is not possible to split out, the full amount is put to short term.

Contingent Liabilities

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

Contingent Assets

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

Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the CIES. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against Council Tax for the expenditure.

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

Revenue Expenditure Funded from Capital under Statute (REFCUS)

Legislation in England and Wales allows some expenditure to be classified as capital for funding purposes when it does not result in the expenditure being carried on the Balance Sheet as a non-current asset. The purpose of this is to enable it to be funded from capital resources rather than be charged to the General Fund and impact on that year's Council Tax. These items are generally grants and expenditure on property not owned by the Council, and amounts directed under section

16(2) of part 1 of the Local Government Act 2003. Such expenditure is charged to the relevant service in the CIES in the year. Where the Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of Council Tax.

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

IFRS9 Financial Instruments

The Council will adopt IFRS 9 Financial Instruments with effect from 1st April 2018. The main changes include reclassification of financial assets and the earlier recognition of the impairment of financial assets.

The Council does not expect the reclassification changes to have a material impact upon the financial statements because the majority of its financial assets will retain the same measurement basis. However, the changes would impact if the Council were to invest in instruments such as the CCLA Property Fund. Likewise the Council must now assess the potential lifetime expected losses incurred under various default scenarios which will require further modelling on the Property Investment Fund (PIF).

To this end, on the 1st April 2018 the Council irrevocably elect to present changes in the fair value of equity investments in other comprehensive income as permitted by IFRS.

This will result in the Council transferring any changes in fair value out through the Movement in Reserves Statement (MIRs) and into an unusable Financial Instrument Revaluation Reserve. Under this option, only qualifying dividends are recognised in the CIES. Changes in fair value are recognised in Other Comprehensive Income and never reclassified to the CIES, even if the asset is impaired, sold or otherwise derecognised.

The Council does not expect the impairment changes to have a material impact upon the financial statements because the impairment charge will be immaterial for its treasury management assets e.g bank deposits and bonds. However recognition of the risk and expected lifetime losses within the Property Investment Fund may be more material. The Council already makes a provision for doubtful debts on its service assets such as trade receivables.

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.
- Heritage Assets – The Code allows discretion over how to value heritage assets. The Council has made a judgement to value some of its heritage assets using insurance values. However, some assets, such as war memorials and certain museum exhibits, are not recognised on balance sheet because cost information is not available and it has been judged that the cost of obtaining valuations outweighs the benefits to users of the accounts. Note 16 gives more valuation details for heritage assets.
- Funding – There is a high degree of uncertainty about future levels of local authority funding. However, the Council has determined that this uncertainty is not yet sufficient to provide an indication that its assets might be impaired as a result of a need to close facilities and reduce levels of service provision.

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 2018 for which there is a significant risk of material adjustment within the next financial year are as follows:

Item and Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant and Equipment (note 15)	
Assets are depreciated over their useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Council will be able to sustain its current spending on repairs and maintenance in the longer term bringing into doubt the useful lives assigned to assets.	If the useful life of an asset reduces (non HRA), the depreciation increases and the carrying amount of the asset falls. It is estimated that the annual depreciation charge would increase by £3.8 million for every year that the useful lives had reduced.
Provisions	
Provisions are made in accordance with the Code and IAS37, with the best estimate of the expenditure required to settle the obligation at the Balance Sheet date. The major provision is that covering insurance claims.	An increase in provisions of 10% would result in an additional revenue expense of £1.52 million.
The total value of provisions as at 31 March 2018 was £15.2 million.	
Pensions Liability (note 41)	
Estimation of the net liability to pay pensions depends on a number of complex judgements such as the discount rate used, the rate at which salaries are projected to increase, changes to mortality rates. A firm of qualified Actuaries is employed to provide the Council with expert professional advice about this specialised area.	The Actuaries provide information in relation to the sensitivity of the results to key assumptions and these are set out in the pensions note.
The net liability as at 31 March 2018 was £518.6 million.	

Fair value measurements

When the fair values of financial assets and liabilities cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques. Where possible, the inputs to these valuation techniques are based on observable data, but where this is not possible judgement is required in establishing fair values. These judgements typically include considerations such as uncertainty and risk. However, changes in the assumptions used could affect the fair value of the Council's assets and liabilities.

The methods used to arrive at the fair value of surplus and investment properties are described in notes 15 and 17. They are based on observable data.

The methods used to measure the fair value of equity instruments is described in note 19 and are based on unobservable inputs. However, the values are not significant and therefore any significant changes in any of the unobservable inputs would not be expected to have any material effect on the value of financial assets.

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. Below are material items of income and expenditure to disclose;

Adults & Health - 2017/18 expenditure reflects an increased volume of adult placements (£3.9 million) and commissioned services (£2.2 million), which is more than offset by increased grant (-£11.0 million) and charges for placements.

Learning & Early Support - 2017/18 expenditure reflects savings due to implementation of new delivery model for Early Help (-£5.6m), and achievement of MTFP savings across other Learning & Early Help services (-£1.8m) including Daycare and Statutory Responsibility for the Education Service.

7 Events after Balance Sheet date

These accounts were authorised for issue on the date the (Acting) Service Director - Finance, IT and Transactional Services signed the accounts – see Statement of Responsibilities and Certificate on page 18. There have been no non-adjusting events occurring between the Balance Sheet date and when the accounts were authorised for issue.

8 Note to the Expenditure and Funding Analysis

- (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	Other Differences (c)	Total Adjustments
2017/18	£000	£000	£000	£000
Child Protection & Family Support	324	1,759	539	2,622
Learning & Early Support	8,095	5,255	7	13,357
Quality Assurance & Safeguarding	0	190	10	200
Service Integration	739	1,385	149	2,273
Adults Social Care	553	2,523	87	3,163
Economy, Regeneration & Culture	2,879	1,254	65	4,198
Commercial, Regulatory and Operational Services	25,628	5,691	196	31,515
Policy, Intelligence & Performance	0	389	32	421
Office of the Chief Executive	657	1,586	58	2,301
Governance & Commissioning	0	290	19	309
Finance, IT & Transactional Services	2,575	1,963	110	4,648
Central Budgets	2,626	-2,139	-416	71
HRA	-13,148			-13,148
Net Cost of Services	30,928	20,146	856	51,930
Other operating expenditure	8,385	0	0	8,385
Financing and investment income and expenditure	-25,160	13,996	0	-11,164
Taxation and non-specific grant income	-30,886	0	0	-30,886
Difference between General Fund and HRA surplus/deficit and CIES Surplus/ Deficit on the Provision of Services	-16,733	34,142	856	18,265

	Adjustments for Capital Purposes (a)	Net change for the Pensions Adjustments	Other Differences (c)	Total Adjustments
2016/17	£000	£000	£000	£000
Child Protection & Family Support	121	1,148	-406	863
Learning & Early Support	10,333	2,636	1,135	14,104
Quality Assurance & Safeguarding	0	117	-2	115
Service Integration	290	739	-13	1,016
Adults Social Care	-865	1,832	-32	935
Economy, Regeneration & Culture	10,435	839	-9	11,265
Commercial, Regulatory and Operational Services	33,868	4,410	-492	37,786
Policy, Intelligence & Public Health	0	233	-9	224
Office of the Chief Executive	744	1,125	-34	1,835
Governance & Commissioning	0	179	-7	172
Finance, IT & Transactional Services	2,817	1,338	-54	4,101
Central Budgets	-4,211	-33,954	86	-38,079

2016/17 Continued				
HRA	69,466	0	36	69,502
Net Cost of Services	122,998	-19,358	199	103,839
Other operating expenditure	50,535	0	0	50,535
Financing and investment income and expenditure	-12,547	16,804	-295	3,962
Taxation and non-specific grant income	-23,141	0	-2,083	-25,224
Difference between General Fund and HRA surplus/deficit and CIES Surplus/Deficit on the Provision of Services	137,845	-2,554	-2,179	133,112

(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.

The total adjustments equal the total of the first two columns in Note 10.

(ii) This note shows income received on a segmental basis.

	Grants and Contributions	Fees and Charges	Capital Charge and Pension Credits	Total
2017/18	£000	£000	£000	£000
Child Protection & Family Support	-1,992	21	-4	-1,975
Learning & Early Support	-276,634	-12,272	-815	-277,449
Quality Assurance & Safeguarding	-432	-92	0	-524
Service Integration	-10,900	-2,691	-19	-13,610
Adults Social Care	-31,454	-19,455	0	-31,454
Economy, Regeneration & Culture	-4,223	-5,766	-14	-10,003
Commercial, Regulatory and Operational Services	-1,161	-40,262	-85	-1,246
Policy, Intelligence & Performance	-32,692	-179	0	-32,871
Office of the Chief Executive	-676	-2,685	-92	-3,453
Governance & Commissioning	-49	-78	0	-127
Finance, IT & Transactional Services	-108,443	-4,499	0	-112,942
Central Budgets	0	-234	-61	-295
HRA	-7,927	-84,408	-10,959	-18,886
Total Income analysed on a segmental basis	-476,583	-16,203	-12,049	-504,835
2016/17				
Child Protection & Family Support	-2,368	-689	0	-3,057
Learning & Early Support	-272,677	-11,983	-1,675	-286,335
Quality Assurance & Safeguarding	-426	-236	0	-662
Service Integration	-10,088	-2,866	-22	-12,976
Adults Social Care	-17,560	-22,155	-1,581	-41,296
Economy, Regeneration & Culture	-3,290	-5,682	-544	-9,516
Commercial, Regulatory and Operational Services	-587	-35,939	-768	-37,294
Policy, Intelligence & Performance	-29,764	-231	0	-29,995
Office of the Chief Executive	-1,345	-2,541	-65	-3,951
Governance & Commissioning	0	-89	0	-89
Finance, IT & Transactional Services	-115,473	-4,069	0	-119,542
Central Budgets	0	-111	-31,987	-32,098
HRA	-7,987	-85,984	-3,350	-97,321
Total Income analysed on a segmental basis	-461,565	172,575	-39,992	-674,132

9 Expenditure and Income analysed by nature (Subjective Analysis)

	2017/18	2016/17
	£000	£000
Expenditure		
Employee Expenses*	426,393	424,560
Premises and Transport	95,719	98,027
Supplies and Services	124,786	141,429
Other Service Expenses	345,744	354,574
Support Charges	16,893	21,283
Capital Charges	62,545	162,418
Precepts and Levies	926	736
Payments to Housing Capital Receipts Pool	3,577	2,043
Losses on the Disposal of PPE and Investment Assets	3,211	47,645
Interest Payable and Similar Charges	28,327	29,398
Net interest on the defined benefit obligation	13,996	16,804
Central Items	-324	0
Total Expenditure	1,121,793	1,298,917
Income		
Fees, Charges and Other Service Income	-176,016	-175,556
Grants, Reimbursements and Contributions	-597,768	-588,620
Capital Charges Credits	-35,426	-19,705
Pension Settlements	0	-31,987
Internal Recharges	-90,077	-130,546
Interest and Investment Income	-2,412	-2,413
Income from Council Tax and Business Rates	-208,847	-203,141
Total Income	-1,110,546	-1,151,968
Surplus(-)/Deficit on Provision of Services	11,247	146,949

*This includes £49.3 million in 2017/18 (£47.8 million in 2016/17) relating to employees of Voluntary Aided and Trust schools who are not employees of the Council but are required to be consolidated into the Council's financial statements.

10 Adjustments between accounting basis and funding basis under regulations

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Council in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure. An explanation of each Usable Reserve is provided in the Glossary.

	Usable Reserves					
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£000	£000	£000	£000	£000	£000
2017/18						
<u>Adjustments involving the Capital</u>						
<u>Adjustment Account (CAA):</u>						
Charges for depreciation and impairment of non-current assets	-39,982	0	0	-16,363	0	56,345
Amortisation of Intangible Assets	-1,493	0	0	0	0	1,493
Revaluation losses on PPE	-4,893	0	0	0	0	4,893
Revaluation gains on PPE	1,090	10,959	0	0	0	-12,049
Movements in the market value of Investment Properties	23,471	-95	0	0	0	-23,376
Capital Grants,, contributions and income in relation to donated assets credited to CIES	6,785	0	0	0	0	-6,785
Revenue expenditure funded from capital under statute (REFCUS)	-18,964	0	0	0	0	18,964
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	-11,637	-5,807	0	0	0	17,444
Capital grants and contributions applied	6,457	502	0	0	0	-6,959
Capital grants and contributions applied (REFCUS)	10,484	0	0	0	0	-10,484
Deferred Income written down - Waste PFI	537	0	0	0	0	-537
Provision for the financing of capital	7,336	2,194	0	0	0	-9,530
Capital expenditure charged against balances	1,791	0	0	0	0	-1,791
<u>Adjustments involving the Capital Grants</u>						
<u>Unapplied Account:</u>						
Capital grants and contributions unapplied and credited to the CIES	16,630	0	0	0	-16,630	0
Application of grants to capital financing transferred to the CAA	0	0	0	0	9,731	-9,731
<u>Adjustments involving the Capital Receipts</u>						
<u>Reserve:</u>						
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the CIES	5,120	9,332	-14,452	0	0	0
Financing new capital expenditure	0	0	6,549	0	0	-6,549

2017/18 Continued

Contribution towards administrative costs of asset disposals	-157	-61	218	0	0	0
Contribution to finance the payments to the Government capital receipts pool	-3,577	0	3,577	0	0	0
Cash receipts from the repayment of capital loans given	0	0	-4,007	0	0	4,007
Used to repay debt (transfer to CAA)	0	0	3,900	0	0	-3,900
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	0	0	-2	0	0	2
<u>Adjustment involving the Deferred Capital Receipts Reserve:</u>						
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
<u>Adjustment involving the Major Repairs Reserve:</u>						
Financing of new capital expenditure (transfer to CAA)	0	0	0	12,616	0	-12,616
Used to repay debt (transfer to CAA)	0	0	0	3,338	0	-3,338
<u>Adjustment involving the Financial Instruments Adjustment Account:</u>						
Amount by which finance costs charged to the CIES are different from those required by statutory regulations	405	-6	0	0	0	-399
<u>Adjustments involving the Pensions Reserve:</u>						
Reversal of items relating to retirement benefits debited or credited to the CIES	-70,541	0	0	0	0	70,541
Employer's pensions contributions and direct payments	36,399	0	0	0	0	-36,399
<u>Adjustments involving the Collection Fund Adjustment Account:</u>						
Amount by which Council Tax and Non-Domestic Rating income credited to the CIES is different from that required by statutory regulations	724	0	0	0	0	-724
<u>Adjustment involving the Accumulated Absences Account:</u>						
Amount by which officer remuneration charged to the CIES on an accruals basis is different from that required by statutory regulations	-1,266	0	0	0	0	1,266
Total Adjustments 2017/18	-35,283	17,018	-4,217	-409	-6,899	29,790

2016/17

Adjustments involving the Capital Adjustment Account (CAA):

2016/17 Continued

Charges for depreciation and impairment of non-current assets	-41,903	0	0	-17,224	0	59,127
Amortisation of Intangible Assets	-1,562	0	0	0	0	1,562
Revaluation losses on PPE	-21,852	-79,898	0	0	0	101,750
Revaluation gains on PPE	4,655	3,350	0	0	0	-8,005
Movements in the market value of Investment Properties	10,769	931	0	0	0	-11,700
Revenue expenditure funded from capital under statute (REFCUS)	-14,619	0	0	0	0	14,619
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	-53,292	-4,898	0	0	0	58,190
Capital grants and contributions applied	11,476	123	0	0	0	-11,599
Capital grants and contributions applied	5,522	0	0	0	0	-5,522
Deferred Income written down - Waste PFI	537	0	0	0	0	-537
Provision for the financing of capital	15,231	2,259	0	0	0	-17,490
Capital expenditure charged against	1,378	4,823	0	0	0	-6,201
<u>Adjustments involving the Capital Grants Unapplied Account:</u>						
Capital grants and contributions unapplied and credited to the CIES	11,004	0	0	0	-11,004	0
Application of grants to capital financing transferred to the CAA	0	0	0	0	8,808	-8,808
<u>Adjustments involving the Capital Receipts Reserve:</u>						
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the CIES	2,244	8,023	-10,267	0	0	0
Financing new capital expenditure	0	0	10,457	0	0	-10,457
Contribution towards administrative costs of asset disposals	-45	-58	103	0	0	0
Contribution to finance the payments to the Government capital receipts pool	-2,043	0	2,043	0	0	0
Cash receipts from the repayment of capital loans given	0	0	-3,055	0	0	3,055
Used to repay debt (transfer to CAA)	0	0	2,948	0	0	-2,948
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	0	0	-11	0	0	11
<u>Adjustment involving the Deferred Capital Receipts Reserve:</u>						
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
<u>Adjustment involving the Major Repairs</u>						
Financing of new capital expenditure (transfer to Capital Adjustment Account)	0	0	0	10,965	0	-10,965
Used to repay debt (transfer to CAA)	0	0	0	6,259	0	-6,259

2016/17 Continued

Adjustment involving the Financial Instruments Adjustment Account:

Amount by which finance costs charged to the CIES are different from those required by statutory regulations	398	-36	0	0	0	-362
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Adjustments involving the Pensions Reserve:

Reversal of items relating to retirement benefits debited or credited to the CIES	-32,097	0	0	0	0	32,097
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Employer's pensions contributions and direct payments	34,651	0	0	0	0	-34,651
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Adjustments involving the Collection Fund Adjustment Account:

Amount by which Council Tax and Non-Domestic Rating income credited to the CIES	2,083	0	0	0	0	-2,083
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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	-264	0	0	0	0	264
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Total Adjustments 2016/17	-67,731	-65,381	2,218	0	-2,196	133,090
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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 2016	Transfers Out 2015/16	Transfers In 2016/17	Balance at 31 March 2017	Transfers Out 2017/18	Transfers In 2017/18	Balance at 31 March 2018
Earmarked Reserves							
Statutory (Schools Reserve)	-13,492	3,960	0	-9,532	596	0	-8,936
Statutory (Schools Reserve- DSG/Other)	-6,407	4087	0	-2,320	1,429	0	-891
Financial Resilience	-7,528	0	-20,518	-28,046	0	-9,100	-37,146
Workforce Restructure	-10,910	5,851	-32	-5,091	0	0	-5,091
Health and Social Care	-7,964	264	-3	-7,703	7,844	-141	0
Rollover	-9,752	8,646	-2,901	-4,007	2,920	-838	-1,925
Prepayment (PFI) Reserve	-3,148	153	-319	-3,314	370	-111	-3,055
Revenue Grant	-15,367	12,946	-8,746	-11,167	4,040	-6,345	-13,472
Business Rates	-3,714	3,714	0	0	0	0	0
Transformation	-4,000	663	-1,607	-4,944	3,361	-3,361	-4,944
Other	-4,902	3,572	-1,938	-3,268	399	-1,647	-4,516
Total Earmarked Reserves	-87,184	43,856	-36,064	-79,392	20,959	-21,543	-79,976
<i>Unallocated Balances</i>	<i>-25,972</i>			<i>-10,718</i>			<i>-8,807</i>
General Fund Balances	-113,156			-90,110			-88,783

- 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 2018 represents 122 schools with cumulative balances of £11.7 million (129 schools and £11.3 million at 31 March 2017) and 15 schools with cumulative deficits amounting to £2.8 million (11 schools and £1.8 million at 31 March 2017).
- The Statutory (Schools Reserve- DSG/Other) relates to relating to Dedicated Schools Grant (DSG) which is statutorily ring-fenced for schools related expenditure. As expenditure is incurred monies will be released from the reserve.
- The Financial Resilience Reserve covers a range of potential costs highlighted in the Council's corporate risk assessment, including budget risks and those covering certain contingent liabilities. This is linked into the reserves and balances strategy agreed as part of the Medium Term Financial Plan.
- The Workforce Restructure Reserve has been set up to cover one-off costs from the Council's redundancy programme.
- The Health and Social Care Reserve had been set up to support future expenditure on health and social care issues.
- The Rollover Reserve has been set up to deal with deferred spend commitments against approved Rollover.
- The Prepayment (PFI) Reserve has been set up to fund the prepayments to the contractors, established from the PFI contract models.

- The Revenue Grants Reserve represents grants and contributions recognised in the CIES before expenditure has been incurred. It includes a balance of £0.9 million (£2.3 million at 31 March 2017) relating to Dedicated Schools Grant (DSG) which is statutorily ring-fenced for schools related expenditure. As expenditure is incurred monies will be released from the reserve.
- The Business Rates Reserve had been set up to mitigate one-off costs impacting on the Collection Fund relating to potential back-dated business rates appeals.
- The Transformation Reserve has been set up to support transformational changes in the delivery of services.

12 Other Operating Expenditure

	2017/18	2016/17
	£000	£000
Parish council precepts	735	557
Levies	191	179
Payment to Government Housing Capital Receipts Pool	3,577	2,043
Losses on the disposal of non-current assets	4,995	48,491
Revaluation losses on assets held for sale	-187	275
Derecognition of Academies' Balances	130	678
Total	9,441	52,223

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 £3.1 million in 2017/18 as part of one academy conversion (2016/17 £51.4 million as part of 9 schools)

13 Financing and Investment Income and Expenditure

	2017/18	2016/17
	£000	£000
Interest payable and similar charges	28,327	29,398
Net interest on the net defined benefit obligation	13,996	16,804
Interest receivable and similar income	-1,828	-1,628
Income and expenditure in relation to investment property and changes in fair value (note 17)	-27,401	-14,068
Dividend Income	-584	-634
Total	12,510	29,872

14 Taxation and Non-Specific Grant Income

	2017/18	2016/17
	£000	£000
Council Tax income	-161,612	-152,193
Non Domestic Rates	-47,235	-50,948
Non-ring fenced government grants	-91,011	-103,916
Capital grants and contributions	-30,158	-23,141
Total	-330,016	-330,198

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.

15 Property, Plant and Equipment (PPE)

	Council Dwellings	Other Land and Buildings	Vehicles, Plant Furniture and Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant and Equipment	PFI Assets Included in PPE
Movement in 2017/18	£000	£000	£000	£000	£000	£000	£000	£000	£000
Cost or Valuation									
At 1 April 2017	597,101	560,970	41,434	380,176	11,452	22,641	0	1,613,774	86,778
Additions	13,514	9,533	3,338	14,803	310	2,115	0	43,613	2,308
Donation	0	6,785	0	0	0	0	0	6,785	0
Revaluation increases/ decreases(-) recognised in the Revaluation Reserve	0	-18,606	0	0	0	97	0	-18,509	0
Revaluation decreases recognised in the Deficit on the Provision of Services	-5,223	-3,881	0	0	0	-795	0	-9,899	132
De-recognition – disposals	-3,620	-10,466	-10,234	0	0	-172	0	-24,492	0
De-recognition – other	0	-4,673	0	0	0	0	0	-4,673	0
Assets reclassified to Held for	-2,468	-200	0	0	0	0	0	-2,668	0
Other movements in cost or valuation	0	-2,842	0	0	0	1,191	0	-1,651	0
At 31 March 2018	599,304	536,620	34,538	394,979	11,762	25,077	0	1,602,280	89,218
Accumulated Depreciation and Impairment									
At 1 April 2017	-5	-29,785	-23,962	-188,720	-8,628	-326	0	-251,426	-4,762
Depreciation charge	-16,175	-13,192	-3,299	-18,405	-1,792	-107	0	-52,970	-2,473
Depreciation written out to the Revaluation Reserve	0	11,499	0	0	0	122	0	11,621	0
Depreciation written out to the Deficit on the Provision of Services	16,180	781	0	0	0	120	0	17,081	251
Impairment losses recognised in the Revaluation Reserve	0	-439	0	0	0	0	0	-439	0
Impairment losses recognised in the Deficit on the Provision of Services	0	-3,370	0	0	0	0	0	-3,370	0
De-recognition – disposals	0	2,032	10,033	0	0	4	0	12,069	0
De-recognition – other	0	4,673	0	0	0	0	0	4,673	0
Other movements in depreciation and impairment	0	220	0	0	0	-171	0	49	0
At 31 March 2018	0	-27,581	-17,228	-207,125	-10,420	-358	0	-262,712	-6,984
Net Book Value									
at 31 March 2018	599,304	509,039	17,310	187,854	1,342	24,719	0	1,339,568	82,234
at 31 March 2017	597,096	531,185	17,472	191,456	2,824	22,315	0	1,362,348	82,016

NOTES TO THE MAIN FINANCIAL STATEMENTS
KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2017/18

	Council Dwellings	Other Land and Buildings	Vehicles, Plant Furniture and Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant and Equipment	PFI Assets Included in PPE
Movement in 2016/17	£000	£000	£000	£000	£000	£000	£000	£000	£000
Cost or Valuation									
At 1 April 2016	680,119	643,305	40,542	365,363	11,220	19,534	4,362	1,764,445	92,039
Additions	16,382	12,052	5,151	14,813	232	349	3,132	52,111	4,040
Revaluation increases/ decreases(-) recognised in the Revaluation Reserve	-679	-4,322	0	0	0	8	0	-4,993	-1,296
Revaluation increases/ decreases(-) recognised in the Surplus on the Provision of Services	-93,586	-22,056	0	0	0	-2,731	0	-118,373	-1,272
De-recognition – disposals	-3,261	-61,781	-4,259	0	0	0	-7,494	-76,795	-6,733
De-recognition – other	0	-5,067	0	0	0	0	0	-5,067	0
Assets reclassified to Held for Sale	-1,884	0	0	0	0	-924	0	-2,808	0
Other movements in cost or valuation	10	-1,161	0	0	0	6,405	0	5,254	0
At 31 March 2017	597,101	560,970	41,434	380,176	11,452	22,641	0	1,613,774	86,778
Accumulated Depreciation and Impairment									
At 1 April 2016	0	-50,041	-24,217	-171,419	-6,965	0	0	-252,642	-3,242
Depreciation charge	-17,054	-15,426	-3,653	-17,301	-1,663	-19	0	-55,116	-2,608
Depreciation written out to the Revaluation Reserve	0	8,961	0	0	0	0	0	8,961	287
Depreciation written out to the Surplus on the	17,054	8,118	0	0	0	3	0	25,175	291
Impairment losses recognised in the	0	-384	0	0	0	0	0	-384	0
Impairment losses recognised in the Surplus on the Provision of Services	0	-3,959	0	0	0	0	0	-3,959	0
De-recognition – disposals	0	17,540	3,908	0	0	0	0	21,448	510
De-recognition – other	0	5,067	0	0	0	0	0	5,067	0
Other movements in depreciation and impairment	-5	339	0	0	0	-310	0	24	0
At 31 March 2017	-5	-29,785	-23,962	-188,720	-8,628	-326	0	-251,426	-4,762
Net Book Value									
at 31 March 2017	597,096	531,185	17,472	191,456	2,824	22,315	0	1,362,348	82,016
at 31 March 2016	680,119	593,264	16,325	193,944	4,255	19,534	4,362	1,511,803	88,797

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.

Donation

During the year Mount Pleasant Junior School has been rebuilt on the existing site of the old school which has been demolished during the year (see note 43 Impairments). The new school was built as part of the Priority Schools Building Programme funded by the Education Funding Agency. The school is now in use as a community school and has been accounted for as a donated asset.

Revaluations

The Council carries out a rolling valuation programme which ensures that all PPE that is required to be measured at fair value is revalued at least every five years. All valuations this year were carried out by external valuers - HRA properties by Cushman & Wakefield and General Fund properties by Wilks Head & Eve. The valuers hold the appropriate qualification required and belong to the Royal Institution of Chartered Surveyors. The valuations of land and buildings were carried out on 1 April 2017 and in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors.

There was a net gain in the PPE values of £0.3 million as the result of revaluations. The effect of any gains and losses have been split between the revaluation reserve and the deficit on provision of services.

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		3,436	17,310	187,854	1,342			209,942
Carried at fair value as at:								
2017/18	599,304	97,934				1,248		698,486
2016/17		106,001				2,612		108,613
2015/16		112,670				18,644		131,314
2014/15		65,366				666		66,032
2013/14		123,632				1,549		125,181
Total	599,304	509,039	17,310	187,854	1,342	24,719		1,339,568

Capital Commitments

In February 2018, the Council approved a capital programme of £98.1 million for 2018/19. A further £290.9 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.

16 Heritage Assets

	Fine Art Collection	Museums and Galleries Exhibits	Other	Total Assets
	£000	£000	£000	£000
Movement in 2017/18				
Cost or Valuation				
At 1 April 2017	43,998	3,211	2,369	49,578
Additions	0	0	0	0
Revaluations recognised in the Revaluation Reserve	370	91	-1	460
Revaluations recognised in the Provision of Services	0	0	0	0
At 31 March 2018	44,368	3,302	2,368	50,038
Accumulated Depreciation				
At 1 April 2017	0	0	0	0
Depreciation charge	0	0	-6	-6
Depreciation written out to the Revaluation Reserve	0	0	0	0
Depreciation written out to the Provision of Services	0	0	0	0
At 31 March 2018	0	0	-6	-6
Movement in 2016/17				
Cost or Valuation				
At 1 April 2016	30,720	3,211	3,529	37,460
Additions	0	0	0	0
Revaluation increases/decreases(-) recognised in the Revaluation Reserve	13,278	0	-801	12,477
Revaluations recognised in the Provision of Services	0	0	-359	-359
At 31 March 2017	43,998	3,211	2,369	49,578
Accumulated Depreciation				
At 1 April 2016	0	0	-288	-288
Depreciation charge	0	0	-53	-53
Depreciation written out to the Revaluation Reserve	0	0	249	249
Depreciation written out to the Provision of Services	0	0	92	92
At 31 March 2017	0	0	0	0
Net Book Value				
at 31 March 2018	44,368	3,302	2,362	50,032

at 31 March 2017	43,998	3,211	2,369	49,578
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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 2017) 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 2017) and the “Falling Warrior” sculpture by Henry Moore valued at £5.0 million (£5.0 million 31 March 2017). The total value of donated artwork items as at 31 March 2018 is £24.4 million (£24.4 million 31 March 2017).

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 2018 is £1.6 million (£1.6 million 31 March 2017). 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 2017).

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 2018 is £0.3 million (£0.3 million 31 March 2017).

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 the CIES:

	2017/18	2016/17
	£000	£000
Rental income from investment property	-3,803	-3,093
Direct operating expenses arising from investment property	1,561	1,571
Net gain	-2,241	-1,522
Net gains from fair value adjustments	-23,375	-11,700
Net gains on disposals of assets	-1,784	-846
Net income in relation to investment property and changes in fair value	-27,401	-14,068

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:

	2017/18	2016/17
	£000	£000
Balance at 1 April	95,465	89,463
Additions	137	331
Disposals	-2,225	-1,167
Net gains from fair value adjustments	23,376	11,700
Transfers to Property, Plant and Equipment	1,602	-5,021
Transfer of properties from Henry Boot (joint venture)	0	159
Balance at 31 March	118,355	95,465

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 £19.4 million (31 March 2017 £9.8 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 £1.5 million was charged to CIES in 2017/18 (£1.6 million in 2016/17).

	2017/18	2016/17
	£000	£000
Balance at 1 April		
Gross carrying amounts	6,478	6,345
Accumulated amortisation	-4,868	-3,306
Net carrying amount at 1 April	1,610	3,039
Additions - Purchases	287	133
Amortisation for the period	-1,493	-1,562
Net carrying amount at 31 March	404	1,610
Comprising:		
Gross carrying amounts	6,343	6,478
Accumulated amortisation	-5,939	-4,868
	404	1,610

There are no significant contractual commitments relating to intangible assets for 2017/18

19 Financial Instruments

The following categories of financial instrument are carried in the Balance Sheet:

	31 March 2018		31 March 2017	
	Long-term	Current	Long-term	Current
	£000	£000	£000	£000
Investments and cash				
Loans and receivables				
Principal at amortised cost	2,367	5	1,450	1,251
Accrued interest		8	0	22
Available-for-sale financial assets				
Principal at amortised cost	292	36,108	292	30,000
Accrued interest		9	0	4
Fair value adjustments	1,061	0	1,061	0
Other net cash items	0	-3,981	0	-3,771
Total Investments	3,720	32,149	2,803	27,506
Debtors*				
Loans and receivables	26,610		27,592	3,900
Financial assets carried at contract amounts		39,122	0	40,296
Total Debtors	26,610	39,122	27,592	44,196
Borrowings				
Loans at amortised cost				
Principal sum borrowed	-392,016	-20,709	-400,053	-37,727
Accrued interest		-4,561	0	-4,695
Adjustments for Effective Interest Rate (EIR)	-442	20	-445	18
Total Borrowings	-392,458	-25,250	-400,498	-42,404
Other Long Term Liabilities				
Financial liabilities at amortised cost	-105,966	-5,323	-110,965	-5,588
Total other long term liabilities	-105,966	-5,323	-110,965	-5,588
Creditors*				
Financial liabilities carried at contract amounts	0	-74,758	0	-68,584
Total Creditors	0	-74,758	0	-68,584

* Debtors and creditors - amounts relating to such things as Council Tax, Non-Domestic Rates etc are outside the scope of the accounting provisions for financial instruments as they are statutory debts and do not arise from contracts.

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 and the College will repay the full amount advanced by 2034/35. 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:

	Renewable		Total £000
	College £000	Energy £000	
Balance at 1 April 2016	17,375	1,723	19,098
Loans repaid	-648	-30	-678
Unwinding of discount	175	109	284
Balance at 31 March 2017	16,902	1,802	18,704*
Loans repaid	-682	0	-682
Unwinding of discount	176	109	285
Balance at 31 March 2018	16,396	1,911	18,307
Nominal value at 31 March 2017	19,427	2,262	21,950
Nominal value at 31 March 2018	18,746	2,262	21,008

* Balance adjusted to take account of non disclosure of Private Housing redevelopment on the grounds of materiality.

Offsetting Financial Assets and Liabilities

The Council has legal right of offset on its current account banking arrangements and as at 31 March 2018 had a credit balance of £1.0 million at the bank (£2.3 million 31 March 2017) offset by a debit balance of £0.9 million (£1.2 million 31 March 2017).

Income, Expense, Gains and Losses

	Financial Liabilities measured at amortised cost £000	Financial Assets: Loans and Receivables £000	Financial Assets: Available for Sale £000	Total £000
2017/18				
Interest expense	28,318	0	0	28,318
Losses on derecognition	20	0	0	20
Impairment losses	0	836	0	836
Total expense in Surplus/Deficit on the Provision of Services	28,338	836	0	29,174
Interest income		-1,670	0	-1,670
Gains on derecognition	0	0	0	0
Total income in Surplus/Deficit on the Provision of Services	0	-1,670	0	-1,670
Gains on revaluation	0	0	0	0
Net gain(-)/loss for the year	28,338	-834	0	27,504
2016/17				
Interest Expense	29,376	0	0	29,376
Losses on derecognition	22	0	0	22
Impairment losses	0	530	431	961
Total expense in Surplus/Deficit on the provision of Services	29,398	530	431	30,359
Interest Income	0	-1,628	0	-1,628
Gains on derecognition	0	0	0	0
Total income in Surplus/Deficit on the	0	-1,628	0	-1,628

Provision of Services

Gains on revaluation	0	0	-30	-30
Net gain(-)/loss for year	29,398	-1,098	401	28,701

Fair Value

Some of the Council’s financial assets are measured at fair value in the Balance Sheet on a recurring basis. The Council has several equity instruments, which have no quoted market price. The companies are a joint venture and two undertaking PFI contracts at the Council. The value of shares in the Balance Sheet as at 31 March 2018 was £1.4 million (£1.4 million 31 March 2017). The values are derived from using discounted cash flow techniques or, for the joint venture, the historic cost of the original investment. These fair values are judged to be Level 3 in the fair value hierarchy.

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 table below:

	Fair value level	31 March 2018		31 March 2017	
		Carrying amount	Fair value	Carrying amount	Fair value
		£000	£000	£000	£000
Borrowings					
PWLB	2	-289,672	-402,782	-297,816	-428,360
LOBOs	2	-77,340	-117,352	-77,341	-123,940
Long Term Loans & Loan Stock	2	-50,669	-59,952	-38,046	-62,403
PFI, Transferred Debt & Finance Lease Liabilities					
Long-term debtors	2	26,610	35,182	27,592	38,305

The fair values have been estimated by calculating the net present value of the remaining contractual cash flows at 31 March 2018, 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 values of other long-term loans and investments have been discounted at the market rates for similar instruments with similar remaining terms to maturity on 31 March 2018.
- 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 2018) arising from a commitment to pay interest to lenders above current market rates.

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. These require the Council to comply with the CIPFA Prudential Code, the CIPFA Treasury Management in the Public Services Code and investment guidance issued under the Act. The (Acting) Service Director - Finance, IT and Transactional Services 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.

Credit risk

Credit risk arises from deposits with banks and other financial institutions, as well as credit exposures to the council's customers. The treasury management strategy allowed officers to invest as follows:

- an unlimited amount with the UK Government for up to six months;
- up to £10 million and up to three months with UK banks and building societies with a "high to upper medium grade" credit rating
- up to £10 million and up to two months with individual local authorities;
- up to £10 million and up to two months with foreign banks with a "high to upper medium grade" credit rating;
- up to £10 million in individual Money Market Funds (instant access or up to 2 day notice);
- up to £3 million and up to two months with individual UK banks and building societies with a mid "medium grade" credit rating.
- up to £1 million and up to two months with certain unrated building societies as approved by the Council's treasury advisors.

At the year end, the Council held investments of £36.1 million for cashflow purposes, made up entirely of cash equivalents with no short-term investments (£31.3 million and nil respectively 31 March 2017). 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 2017/18.

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.

As at 31 March 2018, the Council had a balance owing from its customers (mainly services and rent) of £31.8 million (£30.5 million 31 March 2017). The exposure to default has been assessed and is reflected in an impairment provision of £3.0 million (£3.4 million 31 March 2017). Of the trade debtors outstanding as at 31 March 2018 (£15.6 million), 62% (60% 2016/17) relate to outstanding debt due within 90 days of the Balance Sheet date, 6% (10% 2016/17) within 90-180 days and 32% (30% 2016/17) over 180 days.

Liquidity risk

As well as keeping cash in instant access deposit accounts, the Council has ready access to borrowings from the Public Works Loan Board. Because of this, there is no significant risk that it will be unable to raise finance to meet its commitments. Instead, the risk is that the Council will be bound to replenish its borrowings at less favourable rates or, alternatively, liquidate its investments at more favourable rates. The strategy is to ensure that the loan repayment profile is even with around no more than 10% of loans due to mature in any one year. The maturity analysis of borrowing is shown below:

	31 March 2018	31 March 2017
	£000	£000
Less than one year	-25,248	-42,404
Between 1 and 2 years	-10,348	-8,042
Between 2 and 5 years	-20,952	-29,363
Between 5 and 10 years	-15,580	-14,359
Between 10 and 15 years	-16,186	-12,713
More than 15 years	-329,394	-336,021
	-417,708	-442,902

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.

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 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 2018, all investments held by the Council for cashflow purposes were at variable rates with the benefit of instant access. In terms of borrowing, the Council held 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. The total fair value of LOBO loans held as at 31 March 2018 was £76.6 million, which equates to 19% 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 £98 million.

The fair value of fixed rate borrowings would decrease by around £98 million if interest rates increased by 1%, and increase by the same figure if rates decreased by 1%.

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 shares are all classified as “available-for-sale”, meaning that all movements in value will impact on gains and losses recognised in the CIES. However, because of the relatively small overall value, any general shift (positive and negative) in values would not result in a material gain or loss being recognised in the value of shareholdings.

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 2018	31 March 2017
	£000	£000
Kirklees College	15,697	16,220
PFI Prepayments (i)	3,055	3,314
Finance Leases (ii)	3,411	3,413
Charges on Property for Residential Care	1,802	2,035
Renewable Energy	1,824	1,802
Other	854	849
	26,643	27,633
Bad Debt Provision	-33	-41
Net Long Term Debtors	26,610	27,592

- (i) Under the terms of the PFI contracts, the Council makes prepayments which the contractor puts into sinking funds which will be used to meet future costs incurred in the schemes.
- (ii) Relates to obligations outstanding from lessees on leases judged to be finance leases.

21 Short Term Debtors

	31 March 2018	31 March 2017
	£000	£000
Central government bodies	10,340	9,431
Other local authorities	1,924	1,474
NHS bodies	8,005	6,117
Public corporations and trading funds	0	0
Other entities and individuals	48,992	56,639
	69,261	73,661
Bad Debt Provision – Other entities and individuals	-16,557	-16,398
Net Short Term Debtors	52,704	57,263

22 Cash and Cash Equivalents

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

	31 March 2018	31 March 2017
	£000	£000
Cash held by the Council	31	32
Bank current accounts	3,857	5,269
Instant access deposit accounts/investments that mature within 90 days or less	36,130	31,276
	40,018	36,577
Cash in transit	1,965	1,189
BACs payments and cheques not yet cleared	-9,834	-10,260
Total Cash and Cash Equivalents	32,149	27,506

23 Short Term Creditors

	31 March 2018	31 March 2017
	£000	£000
Central government bodies	-12,086	-10,773
Other local authorities	-1,233	-1,831
NHS bodies	-995	-2,412
Public corporations and trading funds	0	0
Other entities and individuals	-66,785	-53,877
Total	-81,099	-68,893

24 Provisions

	Insurance	Business Rate Appeals	Other	Total
	£000	£000	£000	£000
Balance at 1 April 2017	-8,463	-4,168	-1,535	-14,166
Additional provision made in 2017/18	-4,510	-1,482	0	-5,992
Amounts used in 2017/18	3,395	0	1,535	4,930
Amounts reversed in 2017/18	5	0	0	5
Balance at 31 March 2018	-9,573	-5,650	0	-15,223

The insurance provision covers obligations arising from claims relating to Employer's Liability, Public Liability, Motor, Fire and miscellaneous risks. The nature of insurance claims, particularly liability claims, means that there can be significant lead in times as claimants do not need to lodge claims for some time after the event occurred. For each insurance claim received an expected value is calculated based on best known estimates at the time. The figures are derived from those calculated during the latest three-yearly actuarial valuation (2017/18). The short term element of this provision is estimated based on the percentage of claims paid out in the previous year.

Amounts have been set aside on the Council's Risk 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.

The split between long term and short term provisions is as follows:

	Short Term Provisions	Long Term Provisions	Total Provisions
	£000	£000	£000
Balance at 31 March 2018	-3,927	-11,296	-15,223
Balance at 1 April 2017	-4,559	-9,607	-14,166

25 Other Long Term Liabilities

	31 March 2018	31 March 2017
	£000	£000
Deferred Liabilities (mainly outstanding PFI finance lease obligations)	-105,967	-110,965
Net Liability Related to Defined Benefit Pension Scheme	-518,617	-556,347
Long Term Provisions	-11,296	-9,607
PFI Deferred Income	-2,686	-3,223
Total	-638,566	-680,142

26 Usable Reserves

Movement in the Council's usable reserves are detailed in the Statement of Movement in Reserves, Note 10 Adjustments between accounting basis and funding basis under regulations and Note 11 Transfers to and from Earmarked Reserves.

27 Unusable Reserves

Some of the Council's reserves are required to comply with proper accounting practice and are not usable reserves available to meet revenue or capital expenditure. These are listed as follows:

	31 March 2018	31 March 2017
	£000	£000
Capital Adjustment Account	-660,024	-651,904
Revaluation Reserve	-162,897	-173,361
Pensions Reserve	518,617	556,347
Available for Sale Financial Instruments Reserve	-1,061	-1,061
Financial Instruments Adjustment Account	3,707	4,107
Deferred Capital Receipts Reserve	-3,413	-3,417
Collection Fund Adjustment Account	-2,432	-1,707
Accumulated Absences Account	11,287	10,020
Total Unusable Reserves	-296,216	-260,976

Details of the movements on the Revaluation Reserve, Capital Adjustment Account 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.

	2017/18	2016/17
	£000	£000
Balance at 1 April	-651,904	-775,358
<u>Capital financing applied in the year:</u>		
Use of Capital Receipts Reserve to finance new capital expenditure	-6,549	-10,457
Use of Capital Receipts Reserve to repay debt	-3,900	-2,948
Use of the Major Repairs Reserve to finance new capital expenditure	-12,616	-10,965
Capital grants and contributions credited to the CIES that have been applied to capital financing	-17,443	-17,121
Application of grants to capital financing from the Capital Grants Unapplied Account	-9,730	-8,808

Statutory provision for the financing of capital investment charged against the General Fund, HRA Balances and Major Repairs Reserve	-12,868	-23,749
Capital expenditure charged against the General Fund and HRA Balances	-1,791	-6,201
	-716,801	-855,607
Charges for depreciation and impairment of non-current assets	56,346	59,127
Amortisation of intangible assets	1,493	1,562
Revaluation losses on PPE	4,893	101,750
Revaluation gains on PPE	-12,049	-8,005
Movements in the market value of Investment Property	-23,376	-11,700
Income in relation to donated assets credited to CIES	-6,785	0
Revenue expenditure funded from capital under statute (REFCUS)	18,964	14,619
Amounts of non-current assets written off on disposal or sale	17,444	58,190
Adjusting amounts written out of the Revaluation Reserve	-3,623	-14,358
Deferred Income written down - Waste PFI	-537	-537
Long-term debtors written down	4,007	3,055
Balance at 31 March 2018	-660,024	-651,904

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.

	2017/18	2016/17
	£000	£000
Balance at 1 April	-173,361	-171,404
Upward revaluation of assets	-9,745	-24,088
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	16,586	7,773
Sub Total	-166,520	-187,719
Difference between fair value depreciation and historical cost depreciation	2,404	2,651
Accumulated gains on assets sold or scrapped	1,219	11,707
Balance at 31 March 2018	-162,897	-173,361

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.

	2017/18			2016/17		
	LGPS £000	Teachers £000	Total £000	LGPS £000	Teachers £000	Total £000
Balance at 1 April	498,684	57,663	556,347	466,898	56,019	522,917
Pension cost payable to Pension Fund	-32,794	-3,605	-36,399	-31,090	-3,561	-34,651
Actuarial gain/loss (-)	-72,965	1,093	-71,872	32,624	3,360	35,984
Reversal of IAS19 entries	69,088	1,453	70,541	30,252	1,845	32,097
Balance at 31 March 2018	462,013	56,604	518,617	498,684	57,663	556,347

28 Cash Flow - Operating Activities

The cash flows for operating activities include the following items:

	2017/18 £000	2016/17 £000
Interest received	-1,437	-1,477
Interest paid	28,341	29,607
Dividend received	-684	-634

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

	2017/18 £000	2016/17 £000
Pension adjustments	-34,142	2,554
Depreciation, impairment and amortisation	-57,087	-60,651
Revaluation gains/losses	30,532	-82,044
Carrying amount of non-current assets sold	-17,445	-58,190
Movements on -		
Provisions	-1,057	1,350
Inventories	-927	-105
Revenue debtors (including bad debt provision)	3,532	3,707
Revenue creditors	-934	2,265
Other	6,804	446
Total non-cash movements	-70,724	-190,668

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

	2017/18	2016/17
	£000	£000
Capital grants	22,836	22,603
Proceeds from the sale of PPE, investment property and intangible assets.	14,640	10,648
Total	37,476	33,251

31 Trading Operations

The Council carries out the following trading operations, which function in a competitive environment:

	2017/18			2016/17		
	Turnover	Expenditure	Surplus(-)/ Deficit	Turnover	Expenditure	Surplus(-)/ Deficit
	£000	£000	£000	£000	£000	£000
Cleaning of Buildings	-6,508	7,388	880	-6,474	7,115	641
Building Services	0	0	0	-38,500	37,546	-954
Transport Services	-6,494	6,293	-201	-6,263	5,941	-322
Highways Direct	-16,536	17,320	784	-17,276	17,175	-101
Catering	-19,768	19,893	125	-19,809	19,363	-446
Looking Local	-547	834	287	-1,154	1,045	-109
Building Control	-792	737	-55	-803	803	0
Markets	-1,683	1,585	-98	-1,838	2,260	422
Trade Refuse	-3,814	3,340	-474	-3,778	3,237	-541
Car Parking	-4,120	2,364	-1,756	-4,124	2,403	-1,721
Commercial Estates	-3,594	1,855	-1,739	-3,091	1,609	-1,482
Total	-63,856	61,609	-2,247	-103,110	98,497	-4,613

Trading operations are incorporated in the CIES in Net Cost of Services, with the exception of Commercial Estates which is included within Financing and Investment Income and Expenditure as it relates to investment property. Building Services merged with Kirklees Neighbourhood Housing from 2017/18 financial year and are therefore no longer included within Trading Operations.

For accounting purposes, material surpluses/deficits arising from internal trading are reallocated back to services at the year end. The following table reconciles what is disclosed under Trading in the financial statements:

	2017/18	2016/17
	£000	£000
Net surplus on trading operations	-2,247	-4,613
Internal Trading surpluses/deficits recharged back to CIES Expenditure	-1,819	925
Rentals Received and Expenses Incurred on Investment Property	1,739	1,482
Net gains in Net Cost of Services	-2,327	-2,206

The following table lists out the adjustments made to reallocate surpluses and deficits:

	2017/18	2016/17
	£000	£000
Cleaning of Buildings – charge to various services	-963	-738
Building Services – mainly refunded to HRA	0	939
Highways Direct Services – Charge to Highways	-785	101
Transport Services – charge to various services	-71	623
Total	-1,819	925

Additional Information Relating to Trading Operations

Building Services formally transferred to Kirklees Neighbourhood Housing (KNH) on the 1st April 2017 and is no longer an internal service to the Council.

Transport Services is responsible for the procurement, maintenance and disposal of vehicles and plant, which are used to deliver key front line services. The service's charges are competitive with external providers. External income is around 4% of turnover.

Highways Direct is commissioned by Highway Services to carry out routine maintenance of the highway network, as well as reactive and emergency works. It also carries out winter maintenance for the Council, including precautionary gritting and snow clearing.

Catering's main customers are school pupils, providing over 7 million meals annually to approximately 36,700 customers.

32 External Audit Costs

KPMG is the Council's appointed auditor. The fees payable were as follows:

	2017/18	2016/17
	£000	£000
For external audit services	159	159
PSAA Refund	-24	0
For the certification of grant claims and returns	28	38
Other assurance work	16	17
Total	179	214

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.

Integrated Community Equipment Service	2017/18	2016/17
	£000	£000
<u>Funding provided to the pooled budget</u>		
Kirklees Council	-2,096	-1,981
Greater Huddersfield CCG	-1,000	-961
North Kirklees CCG	-823	-747
Total Funding	-3,919	-3,689
<u>Expenditure met from the pooled budget</u>		
Kirklees Council	1,582	1,499
Greater Huddersfield CCG	890	844
North Kirklees Clinical CCG	691	655
Total Expenditure	3,163	2,998
Net surplus arising on pooled budget during the year	-756	-691
Council share of the net surplus arising on the pooled budget	-514	-482

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.

Better Care Fund	2017/18	2016/17
	£000	£000
<u>Funding provided to the pooled budget</u>		
Kirklees Council	-8,701	-4,175
Kirklees Council (Improved Better Care Fund)	-9,092	0
Greater Huddersfield CCG	-14,990	-14,726
Greater Huddersfield CCG (BCF+)	-22	0
North Kirklees CCG	-12,091	-11,878
North Kirklees CCG (BCF+)	-16	0
Total Funding	-44,912	-30,779
<u>Expenditure met from the pooled budget</u>		
Kirklees Council	17,793	4,175
Greater Huddersfield CCG	15,012	14,726

North Kirklees CCG	12,107	11,878
Total Expenditure	44,912	30,779
Net surplus arising on pooled budget during the year	0	0
Council share of the net surplus arising on the pooled budget	0	0

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 (£)	2017/18		2016/17	
	Teachers	Other	Teachers	Other
50,000 - 54,999	50	23	46	35
55,000 - 59,999	37	25	37	34
60,000 - 64,999	26	8	30	6
65,000 - 69,999	18	3	18	6
70,000 - 74,999	14	3	14	4
75,000 - 79,999	4	0	2	1
80,000 - 84,999	1	3	0	1
85,000 - 89,999	0	1	1	3
90,000 - 94,999	0	1	1	1
95,000 - 99,999	2	2	1	2
100,000 - 104,999	0	0	0	1
105,000 - 109,999	1	0	1	1
110,000 - 114,999	0	0	0	0
115,000 - 119,999	0	1	0	0
120,000 - 124,999	0	0	0	0
125,000 - 129,999	0	2	0	2
130,000 - 134,999	0	0	0	0
135,000 - 139,999	0	0	0	1
140,000 - 144,999	0	0	0	0
145,000 - 149,999	0	0	0	1
150,000 - 154,999	0	1	0	0
155,000 - 159,999	0	0	0	1
Total	153	73	151	100

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

It should be noted that 16 employees received redundancy payments in 2017/18 (2016/17 14 employees) and exceeded the £50,000 remuneration band, who would not normally have done so.

The note excludes employees of Voluntary Aided and Trust Schools as they are employed by the School Governors, not the Council, even though payments are made by the Council.

The following table sets out the remuneration disclosures for the Council's Senior Officers (Directors' Group and Monitoring Officer), whose full time equivalent salary is equal to or more than £50,000 per year. The definition of Senior Officers are those officers who have statutory responsibilities and/or are responsible for strategic decisions in the Council. In line with statutory regulations, officers with a salary of £150,000 or more per year are named.

Senior Officers’ emoluments

Post holder information (Post title)	Salary including fees and allowances £	Compensation for loss of office £	Total Remuneration Excluding pension contributions £	Employers pension contributions £	Total Remuneration including pension contributions £
2017/18					
Chief Executive – Jacqui Gedman (1)	150,361	0	150,361	24,208	174,569
Strategic Director Adults & Health	126,465	0	126,465	20,361	146,826
Interim Director for Children & Young People (2)	25,583	0	25,583	4,118	29,701
Strategic Director Children & Families (3)					
Strategic Director Economy & Infrastructure (4)	118,671	0	118,671	19,106	137,777
Strategic Director Economy & Infrastructure (5)	22,551	0	22,551	3,630	26,181
Temporary Director of Public Health and (Acting) Strategic Director Corporate Services (6)	94,352	0	94,352	16,660	111,012
Service Director – Governance & Commissioning (Monitoring Officer)	96,416	0	96,416	15,523	111,939
Service Director – Finance, Transactional Services (7)	84,732	0	84,732	13,642	98,374
(Acting) Service Director – Finance, Transactional Services (8)	2,519	0	2,519	403	2,922
Director of Communities, Transformation & Change (9)	74,153	0	74,153	11,939	86,092
2016/17					
Chief Executive – Jacqui Gedman (1)	4,131	0	4,131	604	4,735
Director for Economy, Skills & Environment (1)	121,952	0	121,952	16,890	138,842
Interim Director for Children & Young People (2)	31,303	0	31,303	4,392	35,695
Director of Public Health	72,149	0	72,149	12,377	84,526
Director of Commissioning, Public Health & Adult Social Care	125,284	0	125,284	17,369	142,653
Interim Director for Economy, Skills & Environment (3)	16,451	0	16,451	2,346	18,797

Assistant Director Financial Management, Risk, IT & Performance (6)	42,778	0	42,778	5,931	48,709
Monitoring Officer	95,517	0	95,517	13,242	108,759
Director of Communities, Transformation & Change (9)	63,706	0	63,706	8,820	72,526

- (1) The Chief Executive was the Director for Economy, Skills & Environment for the period March 2016 to 20 February 2017 when they were appointed Acting Chief Executive.
- (2) The interim Strategic Director for Children & Families left the Authority on the 30th June 2017.
- (3) The Strategic Director Children & Families was assigned to the position on the 12 June 2017 and is employed and paid by Leeds City Council as part of a Strategic Partnership Agreement (Improvement Plan) between the Council and Leeds City Council. A payment is then made by the Council to Leeds City Council to cover the salary costs. The payment made for the period includes salary payment of £110,174 and employers pension contributions of £17,187.
- (4) The Interim Strategic Director for Economy & Infrastructure was appointed on the 1st April 2017 until the 31st January 2018.
- (5) The Strategic Director for Economy & Infrastructure was appointed on the 1st February 2018. The annualised salary is £120,715.
- (6) The Acting Director of Public Health was also appointed to the position of Temporary Strategic Director Corporate Services on the 16th November 2017.
- (7) The Service Director – Finance, Transactional Services (the section 151 officer) left the Authority on the 18th March 2018.
- (8) The (Acting) Service Director – Finance, Transactional Services (the section 151 officer) was appointed on the 19th March 2018. The annualised salary is £76,627.
- (9) The Director of Communities, Transformation & Change has been on secondment with a neighbouring authority since 14 November 2016.
- (10) No added years pensions were provided for Senior Officers.

It should be noted that the 2016/17 figures for senior officers emoluments only relate to individuals who continued to be employed in 2017/18 and will exclude those who left the Council in 2016/17. 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)
2017/18				£000	£000	£000
£0 - £20,000	0	78	78	596	548	48
£20,001 - £40,000	0	31	31	822	630	192
£40,001 - £60,000	0	8	8	423	164	259
£60,001 - £80,000	0	6	6	423	93	330
£80,001 - £100,000	0	4	4	350	40	310
£100,001 - £150,000	0	2	2	207	65	142
£150,001 - £200,000	0	2	2	311	68	243
Total	0	131	131	3,132	1,608	1,524
2016/17						
£0 - £20,000	0	97	97	995	949	46
£20,001 - £40,000	0	26	26	687	579	108
£40,001 - £60,000	0	16	16	801	362	439
£60,001 - £80,000	0	6	6	416	153	263
£80,001 - £100,000	0	9	9	843	89	754
£100,001 - £150,000	0	10	10	1,172	291	881
£150,001 - £200,000	0	3	3	516	156	360
Total	0	167	167	5,430	2,579	2,851

The figures for 2017/18 include 2 employees (2016/17 33 employees), who had not left the Council as at 31 March 2018, but had agreed package offers. The estimated cost of these packages are £0.2 million (31 March 2017 £1.4 million).

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 2017/18 before Academy recoupment			-340,858
Academy figure recouped for 2017/18			99,530
Total DSG after Academy recoupment for 2017/18			-241,328
Plus brought forward from 2016/17			-2,319
Less carry forward to 2018/19 agreed in advance			0
Agreed budgeted distribution for 2017/18	-34,046	-209,601	-243,647
In year adjustments	1,563	-1,218	345
Final budgeted distribution for 2017/18	-32,483	-210,819	-243,302
Less actual central expenditure	36,249		36,249
Less actual ISB deployed to schools		212,868	212,868
Plus Council contribution for 2017/18	-4,657	-2,049	-6,706
Total carry forward to 2018/19	-891	0	-891

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 five material disclosures to declare for 2017/18, four 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 2017/18, the Council made payments of £0.367 million to the association and received £0.023 million from the association.

A Councillor was a Non-Executive Director of Yorkshire Water Services Ltd. During 2017/18, the Council made payments of £1.097 million to the company and received £0.166 million from the company.

A Councillor and an acting service director are both directors for a social enterprise delivering a range of local services and facilities for the benefit of residents in a local ward of Huddersfield. In 2017/18 the Council made payments of £0.477 million to the enterprise and received £0.104 million from the enterprise.

A Councillor's partner was the manager of an independently run local community centre. The Council made payments of £0.082 million to the centre in 2017/18.

ii) Companies

The Council has a number of interests in companies. The main transactions were as follows (payments and receipts shown gross):

	Receipts from the companies		Payments to the companies		Net amounts owed to/by(-) the Council	
	2017/18	2016/17	2017/18	2016/17	31 March 2018	31 March 2017
	£000	£000	£000	£000	£000	£000
Kirklees Henry Boot Partnership Limited	-1	-3	0	0	0	0
Calderdale and Kirklees Careers Service	-64	-118	2,105	2,576	-143	18
Kirklees Active Leisure	-1,348	-1,965	1,899	2,922	136	251
Kirklees Community Association	-117	-160	0	0	19	5
Kirklees Theatre Trust	-11	-3	208	267	0	3
Kirklees Music School	-8	-15	7	7	0	0
Media Centre Network	0	0	21	21	0	0
Yorkshire Energy	-69	-142	3	6	9	12
Locala Community Partnerships	-795	-599	15,422	12,075	137	195
Northern College For Residential Adult	0	0	0	16	0	0
YHGfL Foundation	0	-51	0	0	32	32

The Council has given a loan to Media Centre Network Ltd. As at 31 March 2018, £0.203 million was outstanding (£0.203 million as at 31 March 2017).

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 note 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 2017/18 amounted to £20.0 million (2016/17 £20.5 million). Certain Parish Councils have also invested funds with the Council. As at 31 March 2018, £0.447 million (£0.374 million at 31 March 2017) 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:

	2017/18	2016/17
	£000	£000
<u>Credited to Taxation and Non Specific Grant Income</u>		
Revenue Support Grant (RSG)	-32,763	-47,846
NNDR Top up Grant	-26,676	-21,429
PFI Grants	-11,359	-11,359
Education Services Grant	-1,246	-4,598
New Homes Grant	-7,342	-8,860
Small Businesses Rate Relief	-7,047	-5,361
Other Non-Specific Grants (under £2 million)	-4,576	-4,463
<u>Grants and Contributions related to capital financing which cannot be identified to particular services or assets</u>		
Standards Fund	-6,777	-10,114
Local Transport Plan (LTP)	-7,903	-7,853
Donated Income	-6,785	0
Other Capital Grants and Contributions (under £2 million)	-8,694	-5,174
Total	-121,168	-127,057
<u>Credited to Services</u>		
<u>Revenue</u>		
Dedicated Schools Grant	-240,983	-242,892
DWP – Rent Allowance	-58,587	-62,875
DWP – Rent Rebate	-48,718	-51,555
Department of Health Grant (Public Health)	-28,541	-27,347
Clinical Commissioning Groups (CCGs)	-16,604	-15,944
Pupil Premium Grant	-14,257	-14,928
PFI Grant (ring fenced to HRA)	-7,912	-7,912
Universal Infant Free School Meals Grant	-4,626	-4,720
Improved Better Care Fund (IBCF) – Announced at Spring Budget 2017	-8,259	0
Other Revenue Grants and Contributions (under £2 million)	-22,313	-16,027
<u>Capital (REFCUS)</u>		
Standards Fund	-8,032	-2,758
Disabled Facilities Grant	-2,996	-2,483
Various Capital Grants and Contributions (under £2 million)	-247	-281
Total	-462,075	-449,722
Total Grants in CIES	-583,243	-576,779

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.

	2017/18	2016/17
	£000	£000
<i>Opening Capital Financing Requirement</i>	711,323	720,740
<u>Capital Investment</u>		
Property, Plant and Equipment	43,613	52,111
Heritage Assets	0	0
Investment Property	137	331
Intangible Assets	287	133
Revenue Expenditure Funded from Capital under Statute	18,964	14,658
Loans and Investments	918	3,599
<u>Sources of Finance</u>		
Capital Receipts	-6,549	-10,457
Government Grants and Other Contributions	-27,173	-25,929
Major Repairs Reserve	-12,617	-10,965
Direct Revenue Contributions	-1,791	-6,201
<u>To repay debt:</u>		
Minimum Revenue Provision	-9,531	-17,490
Major Repairs Reserve	-3,338	-6,259
Capital Receipts	-3,900	-2,948
<i>Closing Capital Financing Requirement</i>	710,343	711,323
<u>Explanation of movements in year</u>		
Increase in underlying need to borrow:		
PFI Finance Lease Liability	324	188
Other	15,465	17,092
Provision for Repayment of Debt	-16,769	-26,697
<i>Decrease in Capital Financing Requirement</i>	-980	-9,417

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 2018	31 March 2017
	£000	£000
Cost or valuation		
At 1 April	14,804	14,594
Additions & Transfers	290	210
Revaluation decreases recognised in the Revaluation Reserve	-2,424	0
Revaluation decreases recognised in the provision of services	-146	0
At 31 March	12,524	14,804
Depreciation and impairments		
At 1 April	-810	-442
Depreciation charge	-375	-368
Depreciation written out to the Revaluation Reserve	801	0
Depreciation written out to the provision of services	19	0
At 31 March	-365	-810
Net Book Value as at 31 March	12,159	13,994

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 2018	31 March 2017
	£000	£000
Finance lease liabilities (net present value of minimum lease		
Non-current	1,049	1,049
Finance costs payable in future years	6,421	6,511
Minimum lease payments	7,470	7,560

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

	Minimum Lease Payments		Finance Lease Liabilities	
	31 March 2018	31 March 2017	31 March 2018	31 March 2017
	£000	£000	£000	£000
Not later than one year	90	90	0	0
Later than one year and not later than five years	360	360	0	0
Later than five years	7,020	7,110	1,049	1,049
	7,470	7,560	1,049	1,049

Council as Lessor

Finance Leases:

The Council leases out large numbers of long land leases on 999 year terms and various ground leases on varying terms, mainly between 99 and 150 years. In addition, schools that have been transferred to academy status are on long-term leases. However, these are at peppercorn rentals and therefore there is no value in the leases.

The Council has a gross investment in the leases, made up of the minimum lease payments expected to be received over the remaining term and the residual value anticipated for the property when the lease comes to an end. The minimum lease payments comprise settlement of the long-term debtor for the interest in the property acquired by the lessee and finance income that will be earned by the Authority in future years whilst the debtor remains outstanding. The gross investment is made up of the following amounts:

	31 March 2018	31 March 2017
	£000	£000
Finance lease debtor (net present of value of minimum lease payments):		
Non-current	3,413	3,415
Unearned finance income	15,381	15,654
Gross investment in the lease	18,794	19,069

The gross investment in the lease and the minimum lease payments will be received over the following periods:

	Gross Investment in the Lease		Minimum Lease Payments	
	31 March 2018	31 March 2017	31 March 2018	31 March 2017
	£000	£000	£000	£000
Not later than one year	275	275	275	275
Later than one year and not later than five years	1,100	1,100	1,100	1,100
Later than five years	17,419	17,694	17,419	17,694
	18,794	19,069	18,794	19,069

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 2018 £000	31 March 2017 £000
Cost or valuation		
At 1 April	142,291	167,965
Additions	695	987
Revaluation decreases recognised in the Revaluation Reserve	-1,117	-22
Revaluation increase/decrease recognised in provision of services	12,956	-2,544
De-recognition - disposals	-1,574	-15,757
De-recognition - other	0	-5,067
Other movements in cost or valuation (re-classifications)	1,994	-3,271
At 31 March	155,245	142,291
Depreciation and impairments		
At 1 April	-1,980	-17,707
Depreciation and impairment charge for year	-1,963	-6,530
Depreciation written out to the Revaluation Reserve	241	1,964
Depreciation written out to the Surplus/Deficit to Services	0	419
De-recognition - disposals	0	14,807
De-recognition - other	-45	5,067
At 31 March	-3,747	-1,980
Net Book Value at 31 March	151,498	140,311

The Council received £5.4 million in rent on operating leases in 2017/18 (£5.0 million 2016/17). Total contingent rents recognised in the period was £0.1 million (£0.1 million in 2016/17).

The following shows commitments relating to non-cancellable contracts:

	31 March 2018 £000	31 March 2017 £000
Not later than one year	1,953	1,549
Later than one year and not later than five years	3,178	2,875
Later than five years	2,727	2,953
	7,858	7,377

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 2018/19	22,618	7,860	5,197	1,758	37,433
Between 2019/20 to 2022/23	93,710	27,242	25,120	6,681	152,753
Between 2023/24 to 2027/28	81,933	24,692	28,188	9,097	143,910
Between 2028/29 to 2032/33	83,679	11,862	45,788	7,918	149,247
Between 2033/34 to 2034/35	10,784	291	8,632	373	20,080
	292,724	71,947	112,925	25,827	503,423

The value of assets held under all schemes:

	2017/18 £000	2016/17 £000
Net Book Value at 1 April	82,016	88,797
Additions	2,307	4,040
Revaluations net of depreciation written back	382	-1,990
Disposals	0	-6,223
Depreciation	-2,471	-2,608
Net Book Value at 31 March	82,234	82,016

The value of liabilities for all schemes:

	2017/18 £000	2016/17 £000
At 1 April	-112,301	-116,970
Movement in the year	5,133	4,668
At 31 March	-107,168	-112,302

a) Waste Disposal Services

In April 1998, the Council entered into a twenty five year contract for waste disposal services, with Kirklees Waste Services Ltd (now Suez Recycling and Recovery Kirklees Ltd). The Council leased various sites, including landfill and civic amenity, to the operator and the operator pledged as part of the contract to carry out capital work, which included the building of a new waste to energy plant/recycling centre at Huddersfield and a transfer station at Dewsbury. All assets constructed on leased land come into Council ownership at the end of the contract and these assets must be in a condition which would allow services to continue. Contract payments are part fixed and the other part varies according to tonnages and meeting targets. The Council pays for any additional costs arising from new statutory requirements concerning waste disposal, such as Landfill Tax.

The Council incurred costs of £11.8 million under the contract in 2017/18 (2016/17 £12.4 million) and received £3.2 million in PFI Grant (2016/17 £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 2018/19	9,217	563	1,420	11,200
Between 2019/20 to 2022/23	37,490	1,179	6,131	44,800
	46,707	1,742	7,551	56,000

The estimated payments for service charges are based on expected tonnages and 2017/18 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 2018 was £2.7 million (31 March 2017 £3.2 million).

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

	2017/18 £000	2016/17 £000
Net Book Value at 1 April	16,779	17,898
Additions	58	14
Revaluations net of depreciation written back	0	-352
Depreciation	-736	-781
Net Book Value at 31 March	16,101	16,779

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

	2017/18 £000	2016/17 £000
At 1 April	-8,914	-10,351
Movement in the year	1,363	1,437
At 31 March	-7,551	-8,914

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 £14.9 million under the contract in 2017/18 (2016/17 £14.5 million) and received £5.9 million in PFI Grant (2016/17 £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 2018/19	9,684	2,652	1,152	1,282	14,770
Between 2019/20 to 2022/23	40,972	9,628	5,715	5,313	61,628
Between 2023/24 to 2027/28	56,887	9,442	9,521	7,402	83,252
Between 2028/29 to 2032/33	60,317	4,509	18,904	7,277	91,007
In 2033/34	5,670	23	1,291	373	7,357
	173,530	26,254	36,583	21,647	258,014

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:

	2017/18 £000	2016/17 £000
Net Book Value at 1 April	49,226	46,736
Additions	1,890	3,749
Disposals	0	0
Depreciation	-1,363	-1,259
Net Book Value at 31 March	49,753	49,226

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

	2017/18 £000	2016/17 £000
At 1 April	-37,933	-38,498
Movement in the year	1,350	565
At 31 March	-36,583	-37,933

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 2017/18 (£2.8 million in 2016/17) and received £2.2 million in PFI Grant (2016/17 £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 2018/19	1,204	682	365	476	2,727
Between 2019/20 to 2022/23	5,141	2,362	2,004	1,368	10,875
Between 2023/24 to 2027/28	7,128	1,964	2,859	1,695	13,646
Between 2028/29 to 2031/32	5,422	492	2,909	641	9,464
	18,895	5,500	8,137	4,180	36,712

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:

	2017/18 £000	2016/17 £000
Net Book Value at 1 April	4,367	10,777
Additions	93	104
Disposals	0	-6,223
Depreciation	-121	-291
Net Book Value at 31 March	4,339	4,367

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

	2017/18 £000	2016/17 £000
At 1 April	-8,629	-9,211
Movement in the year	492	582
At 31 March	-8,137	-8,629

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 2017/18, the Council paid £14.6 million (2016/17 £15.5 million) in respect of teachers' retirement benefits, representing 16.5% (2016/17 16.5%) of pensionable pay. No payments were owing to the scheme as at 31 March 2018 (31 March 2017 £1.2 million). As a proportion of the total contributions to the scheme during the year ending 31 March 2018, the Council's contribution equated to approximately 0.26% (2016/17 0.28%).
- 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 2017/18, the Council paid £0.2 million (2016/17 £0.2 million) to the NHSBSA, representing 14.4% (2016/17 14.3%) of pensionable pay. As a proportion of the total contributions to the Scheme during the year ending 31 March 2018, the Council's contribution equated to approximately 0.001% (2016/17 0.002%).

In addition, the Council has awarded discretionary post-retirement benefits upon early retirement (including to teachers) – these are unfunded defined benefit arrangements, under which liabilities are recognised when awards are made. However, there are no investment assets built up to meet these pensions' liabilities, and cash has to be generated to meet actual pensions' payments as they eventually fall due.

Transactions Relating to Retirement Benefits

The cost of retirement benefits is recognised in the Net Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge required to be made against council tax is based on the cash payable in the year, so the real cost of retirement benefits is reversed out in the Movement in Reserves Statement. The following transactions have been made in the CIES and the General Fund Balance via the Movement in Reserves Statement:

	LGPS		Teachers	Total
	Funded	Unfunded		
	£000	£000	£000	£000
2017/18				
Comprehensive Income and Expenditure Statement				
<u>Cost of Services:</u>				
Current service cost	54,250	0	0	54,250
Past service cost	2,295	0	0	2,295
Settlements and Curtailments	0	0	0	0
<u>Financing and Investment income and Expenditure:</u>				
Net interest expense	11,789	754	1,453	13,996
Total Post-employment Benefits charged to the Deficit on the Provision of Services	68,334	754	1,453	70,541
<u>Remeasurement of the net defined benefit liability comprising:</u>				
Return on plan assets (excluding the amount included in the net interest expense)	-113,134	0	0	-113,134
Actuarial gains and losses arising on changes in demographic assumptions	0	0	0	0
Actuarial gains and losses arising on changes in financial assumptions	37,775	254	549	38,578
Actuarial gains and losses due to liability experience	1,860	281	544	2,685
Total Post Employment Benefit charged to the	-5,165	1,289	2,546	-1,330
Movement in Reserves Statement				
Reversal of net charges made to the Deficit on the Provision of Services for retirement benefits	-68,334	-754	-1,453	-70,541
Actual amount charged against General Fund Balance for pensions in the year:				
Employers' contributions payable to scheme	30,622	2,172	0	32,794
Retirement benefits payable to pensioners	0	0	3,605	3,605

	LGPS		Teachers	Total
	Funded	Unfunded		
2016/17	£000	£000	£000	£000
Comprehensive Income and Expenditure Statement				
<u>Cost of Services:</u>				
Current service cost	44,975	0	0	44,975
Past service cost	2,305	0	0	2,305
Settlements and Curtailments	-31,987	0	0	-31,987
<u>Financing and Investment income and Expenditure:</u>				
Net interest expense	13,988	971	1,845	16,804
Total Post-employment Benefits charged to the Surplus on the Provision of Services	29,281	971	1,845	32,097
<u>Remeasurement of the net defined benefit liability comprising:</u>				
Return on plan assets (excluding the amount included in the net interest expense)	-233,449	0	0	-233,449
Actuarial gains and losses arising on changes in demographic assumptions	-50,066	-273	-234	-50,573
Actuarial gains and losses arising on changes in financial assumptions	381,796	2,187	4,957	388,940
Actuarial gains and losses due to liability	-67,305	-267	-1,363	-68,935
Total Post Employment Benefit charged to the	60,257	2,618	5,205	68,080
Movement in Reserves Statement				
Reversal of net charges made to the Surplus on the Provision of Services for retirement benefits	-29,280	-971	-1,845	-32,096
Actual amount charged against General Fund Balance for pensions in the year:				
Employers' contributions payable to scheme	28,906	2,184	0	31,090
Retirement benefits payable to pensioners	0	0	3,561	3,561

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

	LGPS		Teachers	Total
	Funded £000	Unfunded £000	£000	£000
2017/18				
Opening balance 1 April 2017	-2,114,440	-30,064	-57,663	-2,202,167
Current Service Cost	-54,250	0	0	-54,250
Interest cost	-54,322	-754	-1,453	-56,529
Contributions by scheme participants	-11,685	0	0	-11,685
Remeasurement gain/loss(-):				
Arising on changes in demographic assumptions	0	0	0	0
Arising on changes in financial assumptions	-37,775	-254	-549	-38,578
Due to liability experience	-1,860	-281	-544	-2,685
Benefits/transfers paid	62,454	2,172	3,605	68,231
Past service costs	-2,295	0	0	-2,295
Net increase in liabilities from disposals/acquisitions	349	0	0	349
Settlements	0	0	0	0
Closing balance 31 March 2018	-2,213,824	-29,181	-56,604	-2,299,609
2016/17				
Opening balance 1 April 2016	-1,887,026	-29,630	-56,019	-1,972,675
Current Service Cost	-44,975	0	0	-44,975
Interest cost	-62,193	-971	-1,845	-65,009
Contributions by scheme participants	-12,073	0	0	-12,073
Remeasurement gain/loss(-):				
Arising on changes in demographic assumptions	50,066	273	234	50,573
Arising on changes in financial assumptions	-381,796	-2,187	-4,957	-388,940
Due to liability experience	67,305	267	1,363	68,935
Benefits/transfers paid	57,095	2,184	3,561	62,840
Past service costs	-2,305	0	0	-2,305
Settlements	101,462	0	0	101,462
Closing balance 31 March 2017	-2,114,440	-30,064	-57,663	-2,202,167

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

	31 March 2018 £000	31 March 2017 £000
Opening balance 1 April	1,645,821	1,449,758
Interest income on assets	42,533	48,205
Remeasurement gains and losses	113,134	233,449
Employer contributions	30,622	28,906
Contributions by scheme participants	11,685	12,073
Benefits paid	-62,454	-57,095
Net increase in assets from disposals/acquisitions	-349	0
Settlements	0	-69,475
Closing balance 31 March	1,780,992	1,645,821

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 £155.7 million (2016/17 return of £281.7 million). WYPF does not hold any of the Council’s transferable financial instruments as plan assets.

Assets in the LGPS are valued at fair value, principally market value for investments, totalling £13.8 billion for the Fund as a whole at 31 March 2018 (£13.5 billion at 31 March 2017). 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:

			2017/18	2016/17
	Quoted	Unquoted	Total	Total
	%	%	%	%
Equity investments	70.1	7.2	77.3	77.2
Government Bonds	9.4	0	9.4	10.1
Other Bonds	3.7	0	3.7	3.9
Property	4.5	0	4.5	4.3
Cash/ liquidity	1.8	0	1.8	1.2
Other	1.5	1.8	3.3	3.3
	91.0	9.0	100.0	100.0

A more detailed breakdown of assets and associated risks are published in the accounts for the West Yorkshire Pension Fund. These form part of Bradford MDC Statement of Accounts and can be found at –

<http://www.bradford.gov.uk/your-council/council-budgets-and-spending/statement-of-accounts>

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc. Both the LGPS and Teachers’ Unfunded Discretionary Benefits liabilities have been assessed by Aon Hewitt Limited, an independent firm of actuaries, estimates for the LGPS being based on the latest full valuation of the West Yorkshire Pension Fund carried out as at 31 March 2016.

The principal assumptions used by the actuary have been:

	2017/18			2016/17		
	LGPS		Teachers	LGPS		Teachers
	Funded	Unfunded		Funded	Unfunded	
Rate of inflation – RPI	3.20%	3.20%	3.20%	3.10%	3.10%	3.10%
Rate of inflation – CPI	2.10%	2.10%	2.10%	2.00%	2.00%	2.00%
Rate of increase in salaries	3.35%	n/a	n/a	3.25%	n/a	n/a
Rate of increase in pensions	2.10%	2.10%	2.10%	2.00%	2.00%	2.00%
Rate for discounting liabilities	2.60%	2.60%	2.60%	2.60%	2.60%	2.60%
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	22.1	22.1	22.1	22.1	22.1	22.1
Women	25.3	25.3	25.3	25.2	25.2	25.2

Longevity at 65 for future pensioners:

Men	23.1	n/a	n/a	23.0	n/a	n/a
Women	27.1	n/a	n/a	27.0	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 £2,214 million and for projected service cost is £57.7 million.

	2017/18		2016/17	
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	2,173,482	2,254,915	2,075,909	2,153,686
% change in present value of total obligation	-1.8%	+1.9%	-1.8%	+1.9%
Projected service cost £k	55,981	59,469	58,292	61,921
Approximate % change in projected service cost	-3.0%	+3.1%	-3.0%	+3.1%
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	2,222,370	2,205,361	2,122,620	2,106,339
% change in present value of total obligation	+0.4%	-0.4%	+0.4%	-0.4%
Projected service cost £k	57,703	57,703	60,084	60,084
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

	2017/18		2016/17	
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	2,246,293	2,181,870	2,145,433	2,083,938
% change in present value of total obligation	+1.5%	-1.4%	+1.5%	-1.4%
Projected service cost £k	59,469	55,981	61,921	58,292
Approximate % change in projected service cost	+3.1%	-3.0%	+3.1%	-3.0%
Post retirement mortality assumption*				
Adjustment to longevity	-1 Year	+1 Year	-1 Year	+1 Year
Present value of total obligation £k	2,280,884	2,147,130	2,177,723	2,051,512
% change in present value of total obligation	+3.0%	-3.0%	+3.0%	-3.0%
Projected service cost £k	59,825	55,593	62,264	60,084
Approximate % change in projected service cost	+3.7%	-3.7%	+3.6%	-3.6%

*A rating of +1 year means that members are assumed to follow the mortality pattern of the base table for an individual that is 1 year older than them.

Asset and Liability Matching Strategy

	2017/18	2016/17	2015/16	2014/15	2013/14
	£000	£000	£000	£000	£000
Present value of liabilities:					
LGPS Funded	-2,213,824	-2,114,440	-1,887,026	-1,909,580	-1,672,002
LGPS Unfunded	-29,181	-30,064	-29,630	-32,346	-31,664
Teachers	-56,604	-57,663	-56,019	-60,410	-58,471
Fair value of assets in the LGPS	1,780,992	1,645,821	1,449,758	1,455,847	1,313,769
Deficit in the scheme:					
LGPS Funded	-432,832	-468,619	-437,268	-453,733	-358,233
LGPS Unfunded	-29,181	-30,064	-29,630	-32,346	-31,664
Teachers	-56,604	-57,663	-56,019	-60,410	-58,471
Total	-518,617	-556,346	-522,917	-546,489	-448,368

The net liabilities show the underlying commitments that the Council has in the long run to pay retirement benefits. The total liability of £518.6 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 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 that 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 at WYPFs website:

http://www.wypf.org.uk/Member/Publications/PolicyStatements/WYPF/PolicyStatements_WYPF_Index.aspx

The total contributions expected to be made to the LGPS by the Council in the year to 31 March 2019 is £31.5 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.

42 Contingent Liabilities

The Council has the following significant contingent liabilities:

- The Council has given guarantees for outstanding contributions to Pension Funds, in the event of default by the following bodies: Calderdale and Kirklees Careers Company Ltd; Kirklees Citizens Advice and Law Centre; Kirklees Active Leisure; Deighton and Sheepridge Partnership; and Locala Community Partnerships CIC. In addition, the Council gives assurance to the Board of Kirklees Neighbourhood Housing, in the form of the annual management fee letter agreement, that it will underwrite the company's pension liabilities.
- The Council has given an unlimited guarantee in perpetuity to the Homes & Communities Agency (HCA) in the event of default by Kirklees Community Association (KCA) of the conditions of their grant agreement with HCA for the redevelopment of the Fieldhead Estate. The guarantee contains two elements: that KCA will complete the development required by HCA; and that KCA will discharge the clawback obligations due to the HCA whenever there is a disposal of the land – either under right to acquire legislation or to a disponee that is not a registered social landlord. In practice, the guarantee will not be discharged until the last dwelling on the estate built with HCA grant monies has been acquired under right to acquire legislation.
- The Council has several closed landfill sites which it continues to monitor and incur costs for gas control, leachate disposal and, in a few cases, restoration work. This is an extremely complex exposure to compute with very uncertain, potentially indefinite, timescales and therefore as a reliable estimate cannot be made, no provision has been made in the accounts for this obligation. Based on a worst case scenario, it is considered that total restoration and aftercare costs could be up to £4 million over the next 30 years.

- Many NHS trusts across the country have made a backdated claim for mandatory charitable business rates relief. The Council has yet to receive a claim for NHS trusts in the area, but estimates that such a claim, should it be successful, would amount to £0.8 million, based on reliefs being granted for all properties held in the name of the claimant. This would be charged to the Collection Fund.

43 Impairment

During 2017/18 there were impairment losses of £3.8 million (£4.3 million 2016/17) due to the demolition of Mount Pleasant Primary School. The school has been rebuilt as part of the Priority Schools Building Programme on the existing site funded by the Education Funding Agency.

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.

	2017/18	2016/17	Notes
	£000	£000	
Expenditure			
Repairs and maintenance	22,379	21,214	
Supervision and management	27,526	23,592	
Special services	1,569	1,520	
Rent, rates, taxes and other charges	266	288	
Depreciation of non-current assets	16,364	17,224	H1
Debt management costs	16	13	
Movement in the allowance for bad debts	923	679	
Revaluation losses on property, plant and equipment	0	79,898	H1
Total Expenditure	69,043	144,428	
Income			
Dwelling rents	-81,406	-82,791	
Non-dwelling rents	-230	-233	
Charges for services and facilities	-2,772	-2,960	
Contributions towards expenditure	0	0	
Grants and contributions	-7,927	-7,987	H10
Revaluation gains on property, plant and equipment	-10,959	-3,350	H1
Total Income	-103,294	-97,321	
Net Expenditure/Income(-) of HRA Services as included in the CIES	-34,251	47,107	
HRA share of Corporate & Democratic Core	399	391	
HRA share of Non-distributed costs	27	28	
Net Expenditure/Income(-) of HRA Services	-33,825	47,526	
HRA share of operating income and expenditure included in the CIES:			
Gain on sale of HRA non-current assets	-3,464	-3,066	H4
Interest payable and similar charges	12,875	13,307	
Interest and investment income	-123	-150	H1
Income and expenditure in relation to investment properties and changes in fair value	-330	-1,322	
Capital grants and contributions receivable	-502	-123	
Surplus(-)/deficit for the year on HRA services	-25,369	56,172	

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.

	2017/18		2016/17		Note
	£000	£000	£000	£000	
Balance on the HRA at the end of the previous year		-52,013		-42,804	
Surplus for the year on the HRA Income and Expenditure Statement		-25,369		56,172	
<u>Adjustments involving the Capital Adjustment Account:</u>					
Net revaluation gains/losses(-) on PPE	10,959		-76,548		H1
Movements in the market value of Investment Property	-95		931		
Capital grants and contributions applied	502		123		
Amounts of non-current assets written off on disposal or sale	-5,807		-4,898		H4
Capital expenditure charged against balances	0		4,823		
Provision for the financing of capital	2,194	7,753	2,259	-73,310	
<u>Adjustments involving the Capital Receipts Reserve:</u>					
Transfer of cash sale proceeds credited as part of the gain/ loss on disposal	9,332		8,023		H4
Contribution towards administrative costs of asset disposals	-61	9,271	-58	7,965	
<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		0		-36	
Increase in the year on the HRA		-8,345		-9,209	
Balance at the end of the current year		-60,358		-52,013	

NOTES TO THE HRA

H1 Depreciation and revaluation gains/losses

The depreciation charge for council dwellings in 2017/18 is £16.2 million (2016/17 £17.1 million).

Revaluations of council dwellings during the year resulted in a £10.9 million gain (2016/17 £76.5 million loss). This gain is a result of a slight increase in the adjustment factor used to arrive at the value of housing stock. The value is obtained by taking the cost of buying a vacant dwelling of a similar type, and applying an adjustment factor according to the type of tenancy and regional factors to reflect that the property is used for social housing. The Stock Valuation guidance, which was updated in November 2016, provides the adjustment factor for Yorkshire and Humber as 41.0%. However if the valuer feels that this does not provide a fair reflection of the existing use social housing for the portfolio as a whole in the local area then a different adjustment factor can be used. After using a Discounted Cash Flow model to look at the relationship between Existing Use Value and Existing Use Value – Social Housing, based on future income and expenditure, the valuers believe this to be the case, thus using an adjustment factor of 36.0% (2016/17 35.0%).

There was a revaluation loss on investment properties of £0.1 million in 2017/18 (2016/17 £0.9 million gain).

H2 Movement in HRA Fixed Assets

	PPE Council Dwellings £000	Council Dwellings Held For Sale £000	Other Land and Buildings £000	Investment Properties £000	Total Assets £000
Cost or Valuation					
At 1 April 2017	597,101	2,171	3,661	9,322	612,255
Additions	13,514	0	0	0	13,514
Revaluation decreases recognised in the Revaluation Reserve	0	0	4	0	4
Revaluation increases/decreases(-)	-5,223	0	0	-95	-5,318
Revaluation recognised in Surplus on the Provision of Services					
De-recognition - disposals	-3,620	-2,171	-120	-15	-5,926
Assets reclassified to(-)/ from Held for	-2,468	2,468	0	0	0
Other movement in cost or valuation	0	0	0	0	0
At 31 March 2018	599,304	2,468	3,545	9,212	614,529
Accumulated Depreciation and Impairment					
At 1 April 2017	-5	0	0	0	-5
Depreciation charge	-16,175	0	-189	0	-16,364
Depreciation written out to the Revaluation Reserve	0	0	44	0	44
Depreciation written out to Surplus on the Provision of Services	16,180	0	2	0	16,182
Other movements in depreciation and impairment	0	0	0	0	0
At 31 March 2018	0	0	-143	0	-143
Net Book Value					
at 31 March 2018	599,304	2,468	3,402	9,212	614,386
at 1 April 2017	597,096	2,171	3,661	9,322	612,250

H3 Fixed Asset Valuation

A revaluation of HRA dwellings was carried out as at 1 April 2017 by Cushman and Wakefield, who are RICS qualified. As at that date, the vacant possession value of dwellings was £1,644 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 2017/18 was £3.5 million (2016/17 gain £3.1 million).

H5 Major Repairs Reserve

Statutory regulation requires that a Major Repairs Reserve is maintained. The main credit to the reserve is an amount equivalent to the charge for depreciation on HRA assets. The reserve can be used to finance new capital expenditure on HRA assets or repay HRA debt.

ADDITIONAL FINANCIAL STATEMENTS
KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2017/18

	2017/18	2016/17
	£000	£000
Balance at 1 April	0	0
Amount equivalent to depreciation	-16,364	-17,224
	-16,364	-17,224
Financing of new capital expenditure	12,617	10,965
Used to repay debt	3,338	6,259
Balance at 31 March	-409	0

H6 Capital Expenditure and Sources of Finance

	2017/18	2016/17
	£000	£000
Capital Expenditure:		
Fixed Assets (including PFI)	13,514	16,382
Total Capital Expenditure	13,514	16,382
Financed by:		
Finance Lease (PFI)	-266	-173
Major Repairs Reserve	-12,616	-10,965
Capital Receipts	-130	-298
Capital Grant and Contributions	-502	-123
Revenue	0	-4,823
Total Sources of Finance	-13,514	-16,382

H7 Capital Receipts

	2017/18	2016/17
	£000	£000
Capital receipts from sales of:		
Dwellings	-8,267	-7,945
Land	0	-70
Clawback of legal title on Right to Buy sales	0	-7
Capital receipts from mortgage repayments	-2	-12
	-8,269	-8,034
Contribution to Housing Pooled Capital Receipts	3,577	2,043
Disposal costs	61	58
Usable capital receipts	-4,631	-5,933

The HRA is required to pay over a certain proportion of capital receipts into a national pooling arrangement.

H8 Housing Stock

The Council's housing stock at 31 March 2018 is analysed below by size and age:

	1	2	3	4+	Total
By Size	Bedroom	Bedrooms	Bedrooms	Bedrooms	
Houses/ Bungalows	2,787	5,528	4,435	330	13,080
Flats/ Bedsits and Maisonettes	6,998	2,392	99	0	9,489
	9,785	7,920	4,534	330	22,569
By Age	Pre 1945	1945-64	1965-74	Post 1974	
Houses/ Bungalows	5,626	5,269	1,539	646	13,080
Flats/ Bedsits and Maisonettes	189	2,343	3,845	3,112	9,489
	5,815	7,612	5,384	3,758	22,569

H9 Rent Arrears

Net rent arrears have increased over the year, as follows:

	2017/18	2016/17
	£000	£000
Rent Arrears	3,034	2,366
Less Bad Debt Provision	-878	-737
Net Rent Arrears	2,156	1,629

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 £8.9 million under the contract in 2017/18 (2016/17 £8.8 million) and received £7.9 million in PFI Grant (2016/17 £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 2018/19	2,513	3,963	2,260	8,736
Between 2019/20 and 2022/23	10,107	14,073	11,270	35,450
Between 2023/24 and 2027/28	17,918	13,286	15,808	47,012
Between 2028/29 and 2032/33	17,940	6,861	23,975	48,776
Between 2033/34 and 2034/35	5,114	268	7,341	12,723
Total	53,592	38,451	60,654	152,697

ADDITIONAL FINANCIAL STATEMENTS
KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2017/18

Part of the contract is indexed annually in line with RPI (assumed to be 2.5% throughout the life of the contract).

The value of assets (Council Dwellings) held under this scheme is as follows:

	2017/18	2016/17
	£000	£000
Net Book Value at 1 April	11,644	13,386
Additions	266	173
Revaluations net of depreciation written back	382	-1,638
Depreciation	-251	-277
Net Book Value at 31 March	12,041	11,644

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

	2017/18	2016/17
	£000	£000
At 1 April	-56,825	-58,910
Movement in the year	1,928	2,085
At 31 March	-54,897	-56,825

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.

	2017/18			2016/17			Note
	Business Rates	Council Tax	Total	Business Rates	Council Tax	Total	
	£000	£000	£000	£000	£000	£000	
<u>Income</u>							
Income from Council Tax		-188,818	-188,818		-177,597	-177,597	C1
Income Collectable from Business Ratepayers	-104,278		-104,278	-106,407		-106,407	C2
Contributions towards previous years' Collection Fund deficit	-3,845		-3,845	-8,599	0	-8,599	
Total Income	-108,123	-188,818	-296,941	-115,006	-177,597	-292,603	
<u>Expenditure</u>							
Precepts and demands -							
Central Government	48,616		48,616	52,491		52,491	
Kirklees Council	47,644	160,286	207,930	51,441	149,913	201,354	
West Yorkshire Fire and Rescue	972	7,025	7,997	1,050	6,770	7,820	
West Yorkshire Police		17,415	17,415		16,549	16,549	
Allowance for impairment of debt	792	2,561	3,353	1,424	1,726	3,150	
Provision for Appeals	3,024		3,024	-159	0	-159	
Cost of collection	600		600	613		613	
Transitional Protection Payment	3,706		3,706	553		553	
Designated Areas	84		84	0		0	
Distribution of previous year's Collection Fund surplus		2,328	2,328		4,531	4,531	
Total Expenditure	105,438	189,615	295,053	107,413	179,489	286,902	
Surplus(-)/Deficit	-2,685	797	-1,888	-7,593	1,892	-5,701	
Balance at 1 April	2,676	-3,493	-817	10,269	-5,385	4,884	
Balance at 31 March	-9	-2,696	-2,705	2,676	-3,493	-817	C3

NOTES TO THE COLLECTION FUND STATEMENT

C1 Council Tax

The Council Tax is charged on a series of property valuation bands. These bands, the charges due for the year and the average Council Tax are shown below.

Estimated at the start of the year						
2017/18				2016/17		
Number of Chargeable Dwellings	Band D Equivalent Dwellings	Average Council Tax	Band	Number of Chargeable Dwellings	Band D Equivalent Dwellings	Average Council Tax
		£				£
74	41	889.53	A (5/9)	72	40	848.77
51,633	34,422	1,067.43	A (6/9)	50,877	33,918	1,018.52
26,999	20,999	1,245.34	B (7/9)	26,732	20,791	1,188.27
26,696	23,730	1,423.24	C (8/9)	26,462	23,522	1,358.03
14,663	14,663	1,601.15	D (9/9)	14,557	14,557	1,527.78
10,444	12,764	1,956.96	E (11/9)	10,236	12,511	1,867.29
4,778	6,901	2,312.77	F (13/9)	4,677	6,756	2,206.79
1,948	3,247	2,668.58	G (15/9)	1,907	3,179	2,546.30
97	194	3,202.30	H (18/9)	98	196	3,055.56
	116,961		Total		115,470	
	-1,590		Estimated losses on collection		-2,081	
	115,371		Council Tax Base		113,389	

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 47.9p (2016/17 49.7p) and the small business non-domestic rating multiplier of 46.6p (2016/17 48.4p) 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.

	2017/18	2016/17
	£000	£000
Non-domestic rate income 2017/18 (average rateable value)	-	
Non-domestic rate income 2016/17 (average rateable value)		-139,262
Allowance and other adjustments (net)	31,994	32,855
	-104,278	-106,407

The actual non-domestic rateable value at 31 March 2018 was £285,091,371 (£279,886,053 at 31 March 2017).

Kirklees has been part of a Leeds City Region (LCR) business rates pool since April 2013. It pools the business rates income of member authorities, which includes Kirklees, Bradford, Wakefield & Calderdale (top up authorities), and Leeds, Harrogate and York (tariff authorities). Leeds are the lead authority for the administration of the LCR Pool. The Pool is established for one year at a time, and member authorities have confirmed their continued participation in the Pool in 2018/19.

The pooling proposals offer suitable groups of authorities (where there is a mixture of top-ups and tariffs) the opportunity to avoid or significantly reduce government levies for which their tariff authorities would otherwise be liable if they grow their business rates income by more than inflation. As a result of the latter, the LCR Pool was able to generate £3.6 million in 2017/18 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 2017	Share of 2017/18 Surplus(-)/ Deficit	31 March 2018
	£000	£000	£000
Council Tax and Community Charge			
Kirklees Council : Community Charge	-10	0	-10
Council Tax	-3,008	687	-2,321
Collection Fund Adjustment Account – Council Tax	-3,018	687	-2,331
West Yorkshire Police Authority – Council Tax	-335	78	-257
West Yorkshire Fire and Rescue Authority – Council Tax	-140	32	-108
	-3,493	797	-2,696
Business Rates			
Kirklees Council – Business Rates	1,311	-1,315	-4
Collection Fund Adjustment Account - Business Rates	1,311	-1,315	-4
Central Government - Business Rates	1,338	-1,343	-5
West Yorkshire Fire and Rescue Authority – Business Rates	27	-27	0
	2,676	-2,685	-9

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.

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 2017/18 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 acquisition method". The consolidation has been prepared in accordance with the IFRS Code and CIPFA's Group Accounts in Local Authorities Practitioners' Workbook. Any divergences from these recommended practices are explained in the notes to the Group Accounts.

Kirklees Neighbourhood Housing Limited (KNH)

The principal activity of KNH is to manage, maintain and improve the housing stock owned by the Council. The body is a company limited by guarantee. The Company has fifteen directors, five nominated by the Council, five tenant representatives and five independent representatives. Despite the composition of the board, the Council maintains 100% of the risk, reward and control.

KNH produce their own set of accounts with a year end date of 31 March. Copies of the accounts can be obtained from Kirklees Neighbourhood Housing, 2nd Floor, Perseverance House, St Andrews Road, Aspley, Huddersfield, HD1 6RY. Due to the timing of the requirement to produce the Group Accounts, draft KNH accounts have been used for this consolidation.

The Council's building services formally transferred to Kirklees Neighbourhood Housing (KNH) on the 1st April 2017.

In 2017/18, the Company made an operating surplus of £2.5 million (operating deficit £0.7 million 2016/17). The figures including the effects of IAS19 are an operating deficit of £0.1 million (operating deficit of £27.3 million 2016/17).

As at 31 March 2018, the Company had net assets of £4 million (£1.5 million at 31 March 2017). The figures including the effects of IAS19 are net liabilities of £27.8 million (£32.5 million at 31 March 2017).

Kirklees Stadium Development Limited (KSDL)

The company was formed to carry out the development, construction and running of the sports stadium in Huddersfield. At the Company's Balance Sheet date, the Council had a shareholding of 40%, with

Huddersfield Sporting Pride Limited holding 20% and Huddersfield Town Association Football 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 2018.

In 2017/18, based on the Council's interest and adjusted in line with the Group's accounting policies, the Company made an operating deficit of £0.1 million (operating deficit £0.2 million 2016/17). Similarly, as at 31 March 2018, the Company had net assets of £5.6 million (£5.5 million at 31 March 2017).

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.

	2017/2018			2016/2017		
	Gross	Gross	Net	Gross	Gross	Net
	Exp	Income	Exp	Exp	Income	Exp
	£000	£000	£000	£000	£000	£000
Child Protection & Family Support	59,601	-1,975	57,626	57,831	-3,014	54,817
Learning & Early Support	333,546	-289,721	43,825	324,341	-285,888	38,453
Quality, Assurance, Safeguarding	3,389	-524	2,865	3,368	-620	2,748
Service Integration	72,302	-13,610	58,692	38,252	-2,090	36,162
Adults Social Care	93,851	-50,909	42,942	134,605	-52,614	81,991
Economy, Regeneration & Culture	21,020	-10,003	11,017	31,542	-9,227	22,315
Commercial, Regulatory & Op	87,345	-38,634	48,711	100,174	-36,937	63,237
Policy, Intelligence & Public Health	33,635	-32,559	1,076	30,613	-29,828	785
Office of the Chief Executive	20,146	-3,453	16,693	21,115	-3,907	17,208
Governance & Commissioning	2,561	-127	2,434	2,495	-90	2,405
Finance, IT & Transactional Services	139,872	-112,942	26,930	146,657	-119,457	27,200
Central Budgets	25,327	-295	25,032	25,926	-3,987	21,939
HRA	29,512	-99,172	-69,660	129,099	-95,717	33,382
Subsidiary (KNH)	53,733	-1,064	52,669	24,065	-228	23,837
Cost of Services	975,840	-654,988	320,852	1,070,08	-643,604	426,479
Other operating expenditure			9,441			52,223
Financing and investment income and expenditure			13,339			30,414
Taxation and non-specific grant income			-330,016			-330,198
Surplus(-)/Deficit on Provision of Services			13,616			178,918
Joint venture accounted for on an equity basis			-126			158
Tax expenses of subsidiary and joint venture			2			3
Group Surplus(-)/Deficit			13,492			179,079
Surplus(-)/Deficit on revaluation of PPE and Heritage assets			-16,586			-16,699
Impairment losses on non-current assets to the Revaluation Reserve			23,427			384
Surplus on revaluation of available for sale financial assets			0			-30
Remeasurements of the net defined benefit liability			-73,976			31,373
Share of other comprehensive income and expenditure of joint venture			0			77
Other Comprehensive Income and Expenditure			-67,135			15,105
Total Comprehensive Income and Expenditure			-53,643			194,184

GROUP STATEMENT OF MOVEMENT IN RESERVES

This statement shows the movements in year on the different reserves held by the Group, analysed between usable reserves and unusable reserves.

	General Fund Balances	Housing Revenue Account	Useable Capital Reserves	Total Council Usable Reserves	Total Council Unusable Reserves	Total Council Reserves	Group Entities Usable Reserve	Group Entities Unusable Reserves	Total Group Reserves
	£000	£000	£000	£000	£000	£000	£000	£000	£000
2017/18									
Balance at 31 March 2017	-90,110	-52,013	-24,392	-166,515	-260,976	-427,491	31,133	-4,173	-400,531
Movement in reserves during 2017/18									
Total Comprehensive Income and Expenditure	20,896	-60,778	0	-39,882	-65,030	-104,912	51,269	0	-53,643
Adjustments between group and authority accounts	15,714	35,415	0	51,129	0	51,129	-51,129	0	0
Adjustments between accounting & funding basis under regulations	-35,283	17,018	-11,525	-29,790	29,790	0	0	0	0
Net Increase(-)/ Decrease	1,327	-8,345	-11,525	-18,543	-35,240	-53,783	140	0	-53,643
Balance at 31 March 2018 carried forward	-88,783	-60,358	-35,917	-185,058	-296,216	-481,274	31,273	-4,173	-454,174
2016/17									
Balance at 31 March 2016	-113,156	-42,804	-24,414	-180,374	-413,705	-594,079	3,537	-4,173	-594,715
Movement in reserves during 2016/17									
Total Comprehensive Income and Expenditure	112,092	42,447	0	154,539	19,639	174,178	20,006	0	194,184
Adjustments between group and authority accounts	-21,315	13,725	0	-7,590	0	-7,590	7,590	0	0
Adjustments between accounting & funding basis under regulations	-67,731	-65,381	22	-133,090	133,090	0	0	0	0
Net Increase(-)/ Decrease	23,046	-9,209	22	13,859	152,729	166,588	27,596	0	194,184
Balance at 31 March 2017 carried forward	-90,110	-52,013	-24,392	-166,515	-260,976	-427,491	31,133	-4,173	-400,531

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 2018	31 March 2017	Note
	£000	£000	
Property, Plant & Equipment	1,339,568	1,362,348	
Heritage Assets	50,032	49,578	
Investment Property	118,355	95,465	
Intangible Assets	404	1,610	
Long Term Investments	3,720	2,803	
Investments in Joint Venture	5,634	5,508	
Long Term Debtors	26,610	27,592	
Long Term Assets	1,544,323	1,544,904	
Inventories	5,623	2,613	
Short Term Debtors	56,467	53,145	
Assets Held for Sale	2,668	2,797	
Cash and Cash Equivalents	34,608	35,629	G3
Current Assets	99,366	94,184	
Short Term Borrowing	-25,250	-42,404	
Short Term Creditors	-87,236	-71,392	
Other Short Term Liabilities	-5,323	-5,588	
Provisions	-3,927	-4,559	
Current Liabilities	-121,736	-123,943	
Long Term Borrowing	-392,458	-400,498	
Other Long Term Liabilities	-675,321	-714,116	
Long Term Liabilities	-1,067,779	-1,114,614	
Net Assets	454,174	400,531	
Usable Reserves	-153,785	-135,382	
Unusable Reserves	-300,389	-265,149	G4
Total Reserves	-454,174	-400,531	

GROUP CASH FLOW STATEMENT

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

	2017/18		2016/17		Note
	£000	£000	£000	£000	
Net surplus(-)/deficit on the provision of services		13,616		178,918	
Adjustments to net surplus/deficit on the provision of services for non-cash movements		-67,455		-228,229	
Adjustment for items included in the net surplus/ deficit on the provision of services that are investing and financing activities		37,476		33,251	
Net cash flows from Operating Activities		-16,363		-16,060	
Net cash flows from Investing Activities					
Purchase of PPE, investment property and intangible assets		39,885		54,588	
Purchase of short-term and long-term investments		3,718		3,666	
Proceeds from the sale of PPE, investment property and intangible assets		-14,641		-10,544	
Proceeds from short-term and long-term investments		-11,741		-3,344	
Other receipts from investing activities		-23,007	-5,786	-21,848	22,518
Net cash flows from Financing Activities					
Cash receipts of short and long-term borrowing		-95,223		-84,053	
Other receipts from financing activities		0		-282	
Cash payments for the reduction for the outstanding liabilities relating to finance leases and PFI contracts		5,264		4,806	
Repayments of short and long-term borrowing		120,437		70,491	
Other payments for financing activities		-7,308	23,170	638	-8,400
Net increase in cash and cash equivalents		1,021		-1,942	
Cash and cash equivalents at the beginning of the reporting period		35,629		33,687	G3
Cash and cash equivalents at the end of the reporting period		34,608		35,629	G3

Notes to the Group Accounts

G1 Accounting Policies

The main accounting policies to which the Council now complies with under IFRS for Group Accounts are IAS27 “Consolidated and Separate Financial Statements” and IAS31 “Interests in Joint Ventures”.

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.

Due to its size and unique nature, the stadium owned by KSDL has not been revalued and is held on the Balance Sheet at historical cost.

G2 Adjustment between Group Accounts and Authority Accounts in the Group Movement in Reserves Statement

This note details the adjustments between group accounts and authority accounts which is needed because the movements in the authority's reserves may be affected by the consolidation adjustments. The entry to balance the adjustment to the authority's balances has been made against the usable reserves of the Group.

	General Fund Balances	Housing Revenue Account	Useable Capital Reserves	Total Council Usable Reserves	Total Council Unusable Reserves	Total Council Reserves	Group Entities Usable Reserve	Group Entities Unusable Reserves	Total Group Reserves
	£000	£000	£000	£000	£000	£000	£000	£000	£000
2017/18									
Purchase of goods and services from subsidiary	15,714	35,415	0	51,129	0	51,129	-51,129	0	0
Total adjustments between Group Accounts and authority accounts	15,714	35,415	0	51,129	0	51,129	-51,129	0	0
<hr/>									
2016/17									
Purchase of goods and services from subsidiary	-21,315	13,725	0	-7,590	0	-7,590	7,590	0	0
Total adjustments between Group Accounts and authority accounts	-21,315	13,725	0	-7,590	0	-7,590	7,590	0	0

G3 Cash and Cash Equivalents

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

	KNH £000	Council £000	Total £000
Cash held	4	31	35
Bank current accounts	200	3,857	4,057
Instant access interest accounts	2,673	36,130	38,803
	2,877	40,018	42,895
Cash in transit	0	1,965	1,965
BACs payments and cheques not yet cleared	-418	-9,834	-10,252
Total Cash and Cash Equivalents as at 31 March	2,459	32,149	34,608
Cash held	1	32	33
Bank current accounts	1,010	5,269	6,279
Instant access interest accounts	7,272	31,276	38,548
	8,283	36,577	44,860
Cash in transit	0	1,189	1,189
BACs payments and cheques not yet cleared	-160	-10,260	-10,420
Total Cash and Cash Equivalents as at 31 March	8,123	27,506	35,629

G4 Unusable Reserves

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

	KSDL £000	Council £000	Total £000
Capital Adjustment Account	-4,173	-660,024	-664,197
Revaluation Reserve	0	-162,897	-162,897
Pensions Reserve	0	518,617	518,617
Other	0	8,088	8,088
Balance at 31 March 2018	-4,173	-296,216	-300,389
Capital Adjustment Account	-4,173	-651,904	-656,077
Revaluation Reserve	0	-173,361	-173,361
Pensions Reserve	0	556,347	556,347
Other	0	7,942	7,942
Balance at 31 March 2017	-4,173	-260,976	-265,149

G5 Related Party Transactions

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

Kirklees Neighbourhood Housing Limited

During 2017/18, KNH incurred costs of £7.3 million (2016/17 £2.6 million) for Council services including insurance and office accommodation.

The Council incurred costs of £39.5 million (2016/17 £14.7 million) in relation to KNH's management fee. At 31 March 2018, £0.5 million was outstanding (31 March 2017 £0.3 million).

Kirklees Stadium Development Limited

The Council made grant payments totalling £0.1 million to KSDL (2016/17 £0.1 million).

G6 Notes to the Cash Flow Statement

The cash flows of KNH are consolidated into the statement -

KNH - The Company has a Net Cash inflow of Operating Activities of £5.6 million (2016/17 £5.6 million Net Cash inflow).

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 (EUUV)

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 (EUUV – 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.