

ACTUARIAL ADJUSTMENT:

West Yorkshire Pension Fund engage an actuary to provide year-end information to the Council (and other member Councils) but in order to meet reporting deadlines the Actuary has to make use of estimated figures as part of its return. In particular it has to estimate the returns made on assets for the month of March 2018.

As part of the audit process KPMG have asked the Actuary to provide information as to how the actual performance compared to the estimates that it used.

This year there has been a material difference between those estimates used and the actuals.

Specifically, as part of its original calculations, Aon (the Actuary) used index returns of -1.94% for the period from 28 February 2018 to the calculation date (31 March 2018). The actual return for the period was -3.38%. The difference is -1.44%.

Applying this difference of -1.44% to the fair value of assets of £1,781m equates to circa £26m. The materiality set by KPMG for the audit was £11.5m and as such this is a material amount and so needs to be corrected in the Financial Statements.

The workings below highlight the main changes that will be required. Where an amendment is required, the cell is highlighted yellow and the revised figure is shown next to it and highlighted blue.

It should be noted that main change is that the pension liability will increase by £26m and the pensions unusable reserve will also increase by £26m. The 'Remeasurements of the net defined benefit liability' gain on the CIES will also reduce by £26m.

It should be noted that there is no impact on the reported outturn position or on the reported (Surplus)/Deficit on Provision of Services of £11,247k and Usable Reserves. It is only the actuarial valuation of the overall pension liability that is affected and just reflects the technical year-end adjustment to comply with International Financial Reporting Standards and the CIPFA Code of Practice.

As we have not yet received the updated Actuarial Return we have used estimated figures (ie reflecting a reduction in the asset value at 31 March 2018 of £26m). Actual figures will be used when updating the Financial Statements but from communications with WYPF we expect it to be very close to the £26m used below.

Once updated, KPMG will audit our amendments prior to them approving the Financial Statements

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT (CIES) PAGE 20

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		-45,871	-71,871			35,984	41
Other Comprehensive Income and Expenditure		-39,030	-65,030			19,639	
Total Comprehensive Income and Expenditure		-27,783	-53,783			166,588	

STATEMENT OF MOVEMENT IN RESERVES PAGE 23

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
2017/18								
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							-39,030	-27,783
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
							-9,240	-27,783
Balance at 31 March 2018 carried forward	-88,783	-60,358	-12,468	-409	-23,040	-185,058	-296,216	-481,274
							-270,216	-455,274
2016/17								
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 PAGE 24

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	-664,566	-638,566	25
Long Term Liabilities	-1,057,024	-1,031,024	-
Net Assets	455,274	481,274	427,491
Usable Reserves	-185,058	-166,515	26
Unusable Reserves	-270,216	-296,216	27
Total Reserves	-455,274	-481,274	-427,491

NOTES:**25 Other Long Term Liabilities PAGE 72**

	31 March 2018	31 March 2017
	£000	£000
Deferred Liabilities (mainly outstanding PFI finance)	-105,967	-110,965
Net Liability Related to Defined Benefit Pension Scheme	-544,617	-518,617
Long Term Provisions	-11,296	-9,607
PFI Deferred Income	-2,686	-3,223
Total	-664,566	-638,566

27 Unusable Reserves PAGE 73

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	544,617	518,617
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	-270,216	-296,216

41 Pensions Disclosures:**Reconciliation of the Movements in the Fair Value of Scheme Assets (LGPS) PAGE 97**

	31 March 2018	31 March 2017
	£000	£000
Opening balance 1 April	1,645,821	1,449,758
Interest income on assets	42,533	48,205
Remeasurement gains and losses	87,134	113,134
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	1,754,992	1,780,992

Asset and Liability Matching Strategy PAGE 100

	2017/18 £000	2016/17 £000	2015/16 £000	2014/15 £000	2013/14 £000
Present value of					
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	1,754,992	1,780,992	1,645,821	1,449,758	1,313,769
Deficit in the scheme:					
LGPS Funded	-458,832	-432,832	-468,619	-437,268	-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	-544,617	-518,617	-556,346	-522,917	-448,368