

KIRKLEES COUNCIL

AUDITED STATEMENT OF ACCOUNTS 2018/2019

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	Page
Narrative Report	2
Statement of Responsibilities and Certificate	18
<u>Main Financial Statements</u>	
Comprehensive Income and Expenditure Statement	19
Statement of Movement in Reserves	20
Balance Sheet	21
Cash Flow Statement	22
<u>Notes to the Main Financial Statements</u>	
Index to Notes	23
Disclosures	24
<u>Group Accounts</u>	
Introduction	104
Group Comprehensive Income and Expenditure Statement	106
Group Statement of Movement in Reserves	107
Group Balance Sheet	108
Group Cash Flow Statement	109
Notes to the Group Accounts	110
<u>Additional Financial Statements</u>	
Housing Revenue Account Income and Expenditure Account and Statement of Movement on the Housing Revenue Account Balance	115
Collection Fund	122
Glossary of Terms	125
Annual Governance Statement	130

Foreword

I am pleased to introduce the Council's Statement of Accounts for the year ended 31 March 2019.

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.

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 three years of our medium term financial plan, to 2022. There have been significant reductions in government grant funding to the Council since 2010, whilst at the same time having to manage increased demand pressures on some of our most vulnerable residents, as well as managing the impact of cost of living increases over the period.

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

The Council planned to deliver £16.2 million savings in 2018/19 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 £10.9 million savings for 2019-20 and a further £6.2m over the 2020-22 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, Service Director - Finance

Introduction to Kirklees



Digley Reservoir, Holmfirth

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

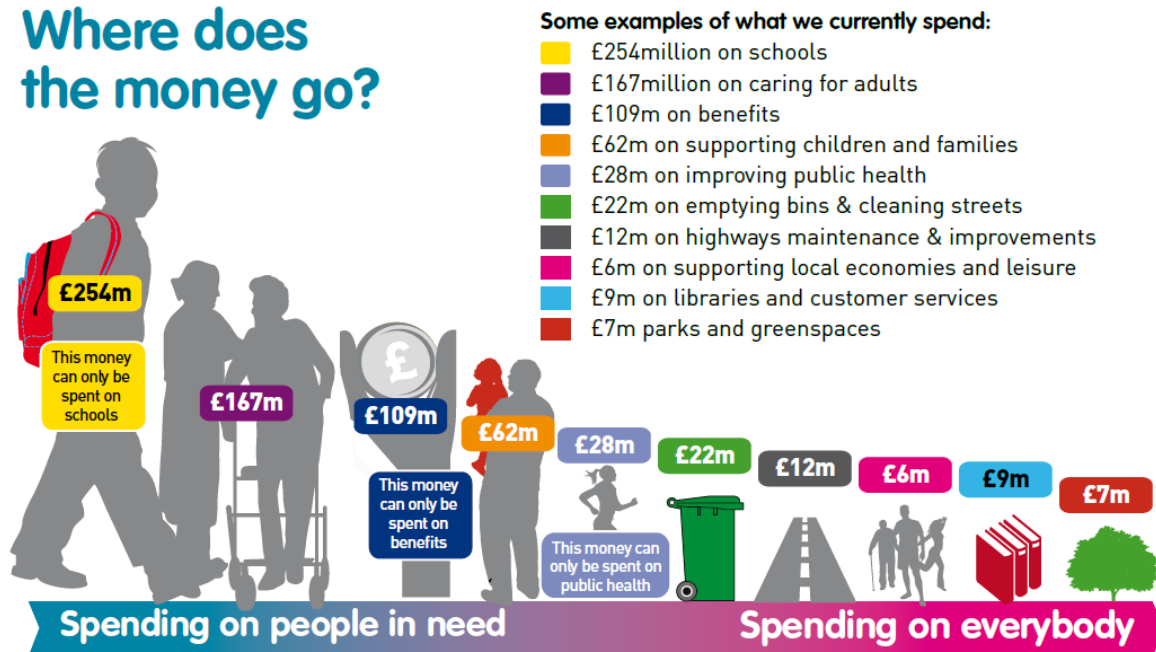
- Kirklees is home to **437,100 residents**, and this figure is projected to increase by 6% overall to 455,300 by 2027; this includes a 19% projected increase in ages 65 and over to 90,000; included within this is a 28% increase specifically for ages 85 and over
- **Kirklees ranks eleventh out of 348 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
- **155,000 employees in Kirklees**, of which 16% relates to Manufacturing, double the Great British average of 8%. Health also provides 12%; with Education accounting for a further 10%.
- **The average median gross weekly earnings for Kirklees residents is £400.60**; lower than the Great Britain average of **£447.80**
- **Unemployment rates* are at 3.0%**; in comparison to the Great Britain average of 12.2% (*unemployment rates relate to the claimant count for Jobseekers' Allowance)
- **69 Local Councillors serve 23 wards**; following the 2018 May local elections Labour are the controlling party, prior to 2018 there had been no overall control in the Council since 1999.
- **79% of residents surveyed are satisfied with the local area as a place to live.**
- **Index of deprivation for Kirklees; 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 council's total spend 

Where does the money go?



The Workforce

Below is a snapshot of total staff employed across non-schools and schools, as at 31 August 2018 (source Kirklees factsheets 2018):

	Full-time	Part-time	Total	Full time equivalent (fte)
Non-schools	3,210	3,581	6,791	5,186
Schools	2,369	5,049	7,418	5,118
Total	5,579	8,630	14,209	10,304

To put the above into perspective, the full time equivalent figure in 2010 was 14,003; this represents an overall reduction of 3,699, approximately 26%, over the period.

Current approved budget plans anticipate a marginal further reduction in full time equivalent numbers (non-schools) by 16 (over the 2019-22 period).

Council performance in 2018/19

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

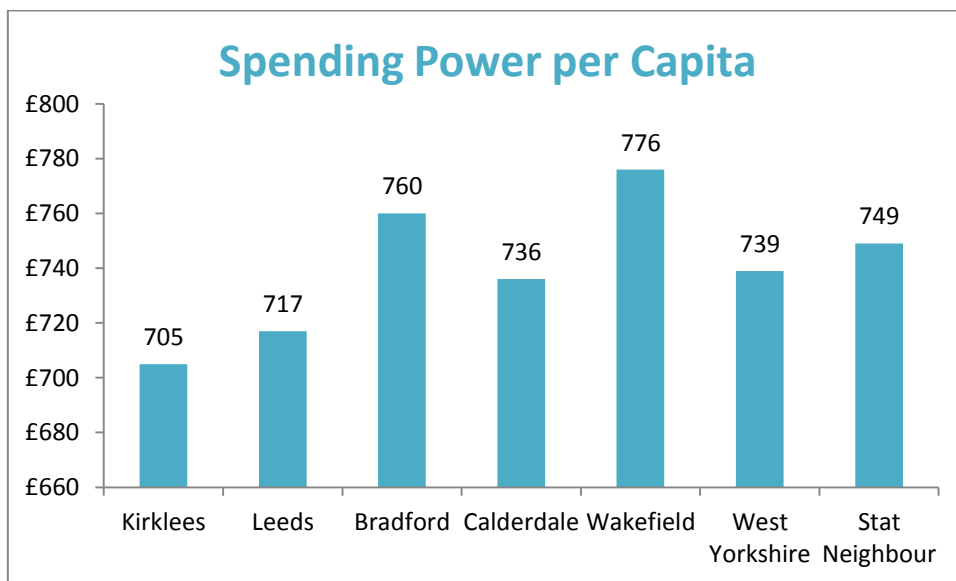
“a district which combines a strong, sustainable economy with a great quality of life - leading to thriving communities, growing businesses, high prosperity and low inequality where people enjoy better health throughout their lives”.

To achieve these outcomes ‘We’re Kirklees’ is underpinned by three key principles:

- Working with people not doing to them
- Working with partners
- Place-based working

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 2019/20.



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. Its purpose is to demonstrate issues, risks and progress in relation to the aspirations of the Council’s Corporate Plan.

The Council aims to be Outcomes focussed and intelligence driven. In doing so, the Corporate Plan for 2018/19 was built around the Council’s contribution to the 7 Kirklees Outcomes, articulating a vision for Kirklees as a district which combines a strong, sustainable economy with a great quality of life - leading to thriving communities, growing businesses, high prosperity and low inequality where people enjoy better health throughout their lives.

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

Of the areas regularly considered, 50% of the targets are achieved or “nearly” achieved (compares with 53% the previous year). The proportion of off track and at risk actions/measures has increased slightly in comparison to the previous year. The Council continues with its 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 continues to be a short-term negative impact on a number of key performance measures, whilst new ways of working are designed and implemented.

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

Best Start: **74% of eligible 2 year olds** are engaged in free early education; **2,800 families** in Kirklees benefiting from 30 hours free childcare; **620** looked after children in Kirklees

Well: **29** specialist fitness recovery from illness classes provided across Kirklees each week, with **5,150** people attending; **2.2 million** visits to sports and leisure centres

Independent: **1,000 council houses** across Kirklees; An average of **150 families** or singles/couples in temporary accommodation per month; Over **1,000 older people** completing rehabilitation aimed at maintaining their independence in their homes

Aspire and Achieve: **68,000 children** and young people in schools; **79.2% of pupils** in good or outstanding primary and secondary schools; **4,400 people** supported by council employments and skills provision

Sustainable Economy: The council has worked with over **170 businesses**; Generating **996 grant applications**; with **£6.1m of grants** awarded for business expansion; Kirklees saw **1,330 new housing completions** for 2017/18.

Safe and Cohesive: An average of **500 safeguarding concerns** reported to the council every month; **1,100 community cohesion projects** delivered in a year; **5,300 young people** engaged in prevention from violent extremism projects and training

Clean and Green: An average of **9,200 calls handled** relating to environment and greenspace; an average of **12,700 tonnes of household waste** collected per month; an average of **300 planning applications** decided each month

Effective and Efficient: £275 Million Council net revenue spend, £68m capital spend, £91.7m Housing Revenue Account turnover, 5,186 non-schools staff; 5,118 schools staff

Financial Performance in 2018/19

Service developments in year

During the year, there have been 2 schools that have converted to Academy status, one of which was a Trust school. In addition, there have been 3 Pupil Referral Units that have converted to Academy status. Employees have been transferred to the new bodies together with assets valued at £7.1 million. These transfers have resulted in a reduction in revenue spending of £3.5 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.

The Net Revenue Budget for 2018/19 was £291.2 million, approved at Council on 14 February 2018.

There was a net transfer to reserves from General Fund in-year, totalling £16 million. The revised budget in 2018/19 was £275.2 million.

The authority's net revenue spend totalled £275.0 million in 2018/19.

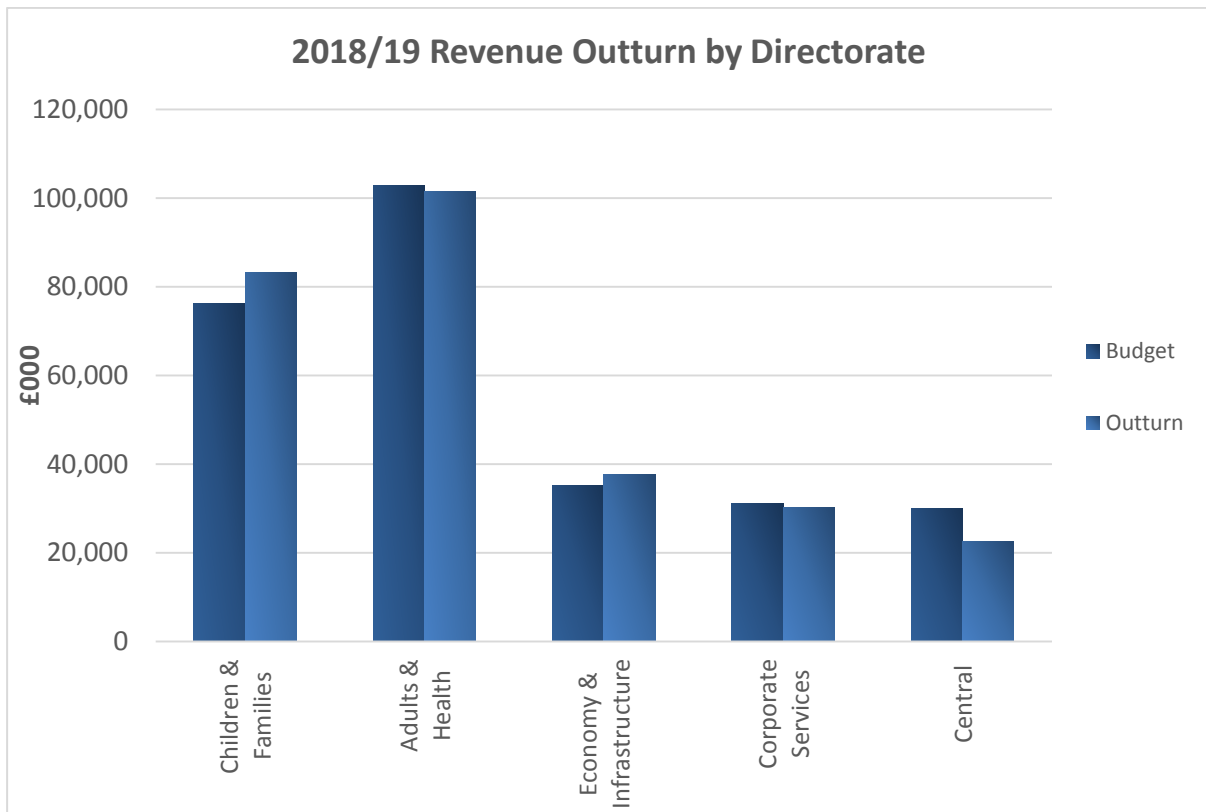
The overall outturn position was £0.2m (0.08%) underspend against £275.2m revenue budget (compared to £1.5 million underspend in 2017/18) and reflects sound overall financial management of budgets in-year.

It was a challenging budget in 2018-19, 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 £16.2m in 2018/19, and an actual delivery of £13.1m or 81%; a significant achievement. The balance of savings were unplanned.

There were robust programme management arrangements through the year, building on the work of the Council's external business partner and ensuring robust financial governance, programme management and review across a range of key activities.

The actual spend to budget is summarised by department below:



Within the overall net underspend, there were a number of variances; the most significant being an underlying service pressure of £9.4m on Special Educational Needs and Disability (SEND) activity, in excess of the £36m resources available to fund this activity through the High Needs funding block allocation within the Dedicated Schools Grant (DSG). Approved 2019/21 budget plans included additional base budget spend of £7.6m and offsetting additional grant funding of £3.6m.

This is a growing pressure and following the Kirklees wide high needs strategic review reported to Cabinet in February 2018, the Council, working with key education partners across the district, is continuing to develop and implement a comprehensive action plan to deliver a more effective, whole systems approach through 2019-20.

There was also an overspend on schools transport of £2m relating largely to service pressures. Approved 2019/21 budget plans included £1.4m base budget uplift to reflect recurrent service pressures on schools transport service.

The above was offset through other underspends, including the planned release of £5m Minimum Revenue Provision over-provision (revenue resources set aside annually to meet ongoing Council debt commitments); approved in the 2018-19 quarterly monitoring reports to Cabinet.

The £0.2 million overall Council underspend was transferred to General Fund Balances at year end.

General fund reserves and balances have increased through 2018-19 by £16.2m; from £88.8m at the start of the year to £105.0m as at 31 March 2019. A further £7.5m was added into Council reserves at the start of 2019-20, as per the 2019-21 budget plans approved at Budget Council on 13 February 2019; increasing the overall level of reserves and balances to £112.5m as at 1st April 2019.

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.

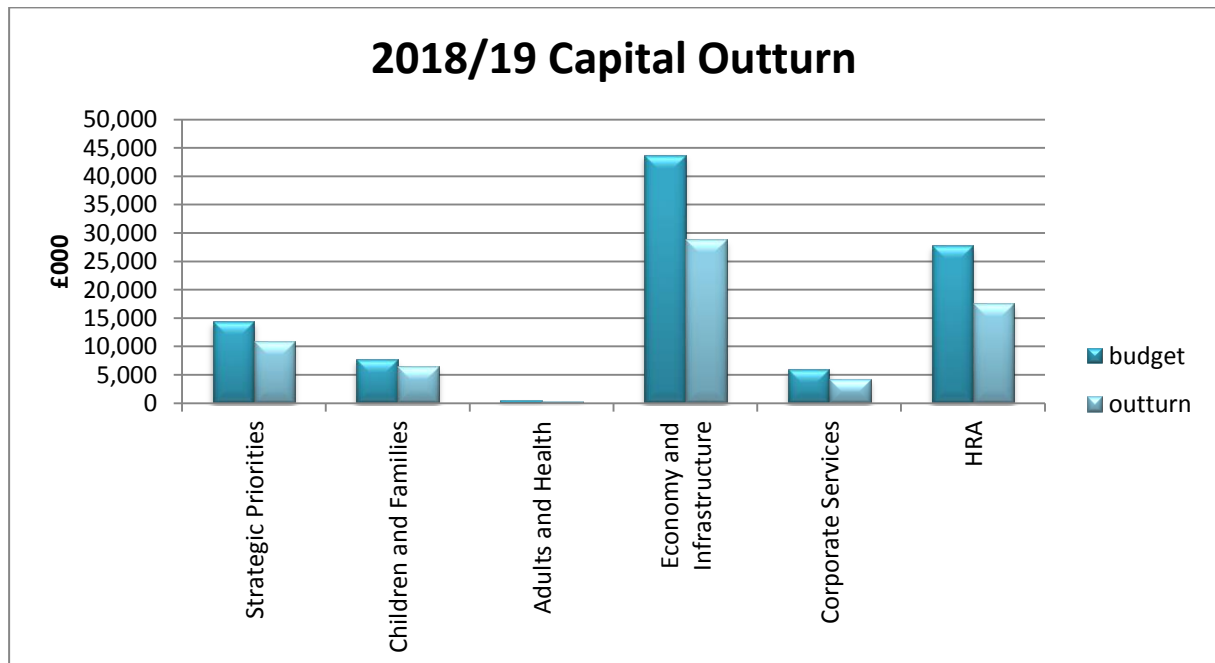
In 2018/19, the HRA reported a surplus of £1.4m against an annual turnover of £91.7m; equivalent to just 1.5%.

Capital expenditure

The Council’s capital plan budget was £100.3m in 2018-19.

Capital spend in 2018-19 totalled £68.4m; equivalent to 68% against committed investment. Of the total spend, £15m related to strategic priorities, the balance of £53.4m related to baseline capital spend.

Capital expenditure in 2018/19, is summarised by service area below:



The outturn position relative to budget reflects a number of deferred expenditure commitments rolled forward into future years; examples include slippage on strategic priority capital schemes, including £1.4m on the Town Centre Action Plans and £0.9m on loans to external organisations, plus slippage in New Pupil places across two school sites at £1m, and Social Housing development at £10.2m. Delays and slippage are also reflected in Baseline schemes, including Highways at £5.3m and Corporate Landlord at £3.1m.

Capital expenditure in 2018-19 was funded by the following sources of finance; borrowing £17.2 million, grants and contributions £29.8 million, capital receipts at £5.6 million, Major Repairs Reserve (HRA) at £15.8 million, and revenue funding on PFI commitments £1.9 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 2018/19 is summarised below.

Collection Fund - Council Share	Council Tax	Business Rates
	£m	£m
(Surplus) / Deficit at 1 April 2018	(2.3)	0
(Surplus)/Deficit transfer to General Fund in 2018/19	3.5	0
In-year financial performance 2018/19	0.4	(8.7)
(Surplus) / Deficit at 31 March 2019	1.6	(8.7)

The Council’s share of Council Tax deficit at 31 March 2019, at £1.6 million, plus the balance of £0.3 million surplus in relation to precepting authorities, will be collected in future 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. During the year to 31 March 2019, the Leeds City Region Business Rates Pool was selected as a Pilot authority for a one year period. As a result of this the Council retained a share (100%) of local Business Rates collected. Of this, 1% is paid over by the Council to the West Yorkshire Fire & Rescue Authority.

The Council’s share of the Business Rates surplus as at 31 March 2019, at £8.7m, plus the balance of £93k surplus in relation to Central Government and West Yorkshire Fire and Rescue Authority will be shared out in subsequent years.

The percentage of Council Tax collected in year was 95.68% (2017/18 96.0%). The Council’s share of the arrears outstanding as at 31 March 2019 was £12.8 million (31 March 2018 £11.6 million).

The percentage of Business Rates collected in the year was 97.17% (2017/18 97.0%). The Council’s share of the arrears outstanding at 31 March 2019 was £4.3 million (31 March 2018 £2.2 million). In addition, there is a provision for Business Rates appeals outstanding. The Council’s share of this provision at 31 March 2019 is £4.8 million (31 March 2018 £5.6 million).

Balance Sheet

The table below summarises the balance sheet movements during 2018/19 and reveals that the Council maintains a strong balance sheet in terms of net assets and usable reserves.

	At March 2018 Restated	At March 2019	Movements in-year
	£m	£m	£m
Long Term Assets	1,539	1,554	15
Net Current Assets	-26	-10	16
Long Term Liabilities	-1,124	-1,240	-116
Net assets	388	304	-84
<i>Represented by :</i>			
Usable Reserves	-185	-211	26
Unusable Reserves	-203	-93	-110

Assets

The value of property, plant and equipment has increased during the year by £9 million to £1,348.6 million. The increase is largely due to additions of £52.4m offset by assets being reclassified as Held for Sale (£2.4m) and the disposals of assets (£17.8 million), including schools transferring to academy status. In addition, the Council had heritage assets and investment property valued at £50.0 million and £124.1 million respectively as at 31 March 2019 (2017/18 £50.0 million and £118.4 million). Current assets increased by £10.1 million to £99.3 million. The Council's policy towards cash flow management is prudent and all deposits/investments in 2018/19 have been placed short-term with a view towards security and liquidity. As at 31 March 2019, the Council held investments of £39.1 million within "cash equivalents", that is highly liquid deposits with an insignificant risk of change in value (31 March 2018 £36.1 million).

Liabilities

Current liabilities decreased by £1.6 million to £114.0 million and long-term liabilities increased by £111.1 million to £1,235.3 million. As at 31 March 2019, the Council had total provisions (long term and short term) of £14.8 million (31 March 2018 £15.2 million). Total external borrowing during the year decreased from £417.7 million to £394.0 million. There was no new long term borrowing taken in the year and short term borrowing decreased by £14.1 million.

The average interest rate for long term borrowing in 2018/19 was 4.62% (2017/18 4.76%).

Other long term liabilities contains a net pensions liability of £738.1 million (31 March 2018 £611.8 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 increase in net liabilities largely reflects the increase in the value of the scheme liabilities at the Balance Sheet date as a result of actuarial losses arising from changes in the financial assumptions, including a reduction in the discount rate of 0.2% and an increase in the CPI inflation assumption of 0.1%.

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 2019 was £105.0 million (31 March 2018 £88.8 million), a net increase of £16.2 million. These Balances include £94.8 million that has been earmarked for particular purposes, including £32.7 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).

The revenue grants reserve is £15 million. Council reserves also includes an amount of £9.5 million (31 March 2018 £8.9 million) relating to schools' balances.

HRA Balances at 31 March 2019 were £54.2 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. There was a nil balance on the Major Repairs Reserve as at 31 March 2019 (31 March 2018 £0.4m), which was used to support capital expenditure and repay debt within the year.

There are two Capital reserves – grants and receipts – which total £44.4 million as at 31 March 2019 (31 March 2018 £35.5 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 deficit of £2.2 million in 2018/19 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

Budget plans for 2019/20 were approved at budget Council on 13 February 2019. These are summarised below.

<i>Summary general fund revenue position 2019-22</i>	Proposed Budget 2019-20	Proposed Budget 2020-21	Proposed Budget 2021-22
	£m	£m	£m
Funding available 18-20 MTFP	(284.3)	(309.5)	(309.5)
Funding Adjustments	(10.4)	(4.4)	(6.6)
Funding Available (19-21 MTFP)	(294.7)	(313.9)	(316.1)
Spending plans 18-20 MTFP (before savings)	299.3	324.7	324.7
Net Spending adjustments	(1.3)	17.7	29.0
Existing savings (rolled forward from 18-20 MTFP)	(8.5)	(12.1)	(14.7)
New Savings (19-21 MTFP)	(2.4)	(2.4)	(2.4)
Spending Plans (19-21 MTFP)	287.1	327.9	336.6
Transfer to Reserves	7.6		
Budget Gap	0	14.0	20.5

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.

The approved budget plans include planned savings of £10.9 million in 2019/20, and further savings totalling £6.2 million over the 2020/22 period. However, there is significant volatility in Council budget funding forecasts; in particular from 2020/21 onwards.

Currently, there is an outstanding budget gap of £20.5m by 2021-22 which will need to be addressed to deliver a balanced budget in these years. However, the robustness of these future funding forecasts is highly dependent on Government clarity from the forthcoming 2019 spending review; initially due to cover the period 2020/21 to 2022/23, but now increasingly likely to be cut to a single year as a result of Brexit delays. In turn, this could potentially impact the planned timeline for the business rates re-set and fair funding reviews, currently intended to be in place for 2020-21. In isolation, these reviews are already a source of great uncertainty for councils going forwards that, upon their conclusion, will result in a redistribution of funding between individual authorities.

The Council's refreshed reserves strategy is directed at strengthening organisational flexibility and financial resilience over the medium to longer term in account of the continued funding uncertainty for council's post 2020. £32.7m of the general fund reserves at year end have been set aside specifically for this purpose within 'financial resilience' reserves, for mitigation against future budget and other unfunded risks. There has also been a planned addition of £4.4m into financial resilience reserves at the start of 2019-20, resulting in a revised balance of £37.1m at 1st April 2019/20. This is equivalent to 12.7% of the current year £291.2m (net) controllable revenue budget.

Council updated budget plans reflect a proposed 2.99% Council Tax uplift in 2019/20; equivalent to £5.2m additional funding. The majority of Kirklees homes are classified as Band A. At this level, a 2.99% Council Tax uplift is equivalent to an increase of £29.21; from £977.18 in 2018/19 to £1,006.39 in 2019/20 (before fire, police and parish council precepts).

High Needs

The issue of high needs pupil pressures on Council budgets has been the subject of significantly increased recent national media coverage, and broader sectoral lobbying. The 2019-20 finance settlement included a supplementary national high needs funding allocation totalling £125m in both 2018/19 and 2019/20 to offset high needs pressures. The Council's share of this is £1.04m in each year.

Approved Council budget plans 2019/21 reflect a continuation of £8.0m high needs pressures from 2019/20) and the partial netting off from incremental Government High Needs Block Grant uplifts of £1m per annum. The additional £1.04m funding declared in the 2019-20 finance settlement, referred to above, has also been added into budget plans from 2019/20 onwards.

High needs activity remains an area of significant pressure on Council budgets. It is anticipated that future year growth pressures may be mitigated at least in part through other measures included in the Kirklees-wide High needs Strategic review. Longer term, the approved capital budget plans 2019/24 include £25m to support increased District high needs specialist placement sufficiency.

Social Care

In 2018/19, Government confirmed a national in-year £240m package of social care funding to ease pressure on the NHS over the winter months; £1.86m for Kirklees. The Autumn Budget announcement on 29 October 2018 confirmed the continuation of this funding in 2019-20, alongside a further £410m national funding allocation for adults and children's social care. This new Social Care Support Grant equates to £3.2m for Kirklees in 2019-20 and it is at the discretion of individual local authorities as to how they intend to allocate it between Children's and Adults elements.

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

Future service developments

Following a period of concerted investment in the Children's Improvement Plan, the Council has continued to make very good progress in the delivery of significant improvements in outcomes of children, and meeting the recommendations set out in the original inadequate rated OFSTED report in November 2016. As a result it has been able to reduce the reliance on its partner Leeds City Council and in December 2018 the Council appointed a Strategic Director Children and Families, a role which had previously been provided by Leeds City Council.

The Council is a member of the Leeds City Region (LCR) business rates pool. Following a successful pilot in 2018/19, the LCR pool joined a North Yorkshire pool to submit a joint bid, which was successful in its application to be part of a new round of 75% business rates pilots for 2019/20 only. It is anticipated that there will be a one-off gain from being part of the pilot in 2019/20. 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 £2m.

Future Accounting Developments

CIPFA's has released a Proposed Financial Management Code for Local Government for consultation. CIPFA is proposing that the Code (CIPFA FM Code) should be designed and developed to support good practice in financial management and to assist local authorities in demonstrating their financial sustainability.

The CIPFA FM Code would therefore for the first time set standards of financial management for local authorities in the UK. The draft FM Code is based on a series of principles supported by specific standards and statements of practice. They are considered necessary to provide the strong foundation within local authorities to enable them to:

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

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

As part of the updated Prudential Code requirements the Council has produced a Capital Strategy and an Investment Strategy for 2019-20. The Capital Strategy provides a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of local public services along with an overview of how associated risk is managed and the implications for future financial sustainability. The Investment Strategy highlights how the Authority invests its money to support local public services by lending to or buying shares in other organisations (service investments), and to earn investment income (known as commercial investments where this is the main purpose).

Key Risks

The Council Corporate Risk Matrix for 2019/20 was agreed in February 2019. The matrix highlights risk areas, and headline mitigations and management actions.

The areas identified are summarised below:

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

- Safeguarding risks associated with the care of children and vulnerable adults.
- The impact of welfare reforms.
- Workforce management issues (including loss of experienced staff; need for different skills sets and inability to identify/or reach all staff to deliver appropriate training; difficulties recruiting and retraining staff in specific areas).
- Funding shortfall in partner agencies e.g. NHS.
- Failure to address matters of violent extremism and related safer stronger community factors.
- Unforeseen legislative changes.
- Unforeseen significant environmental events e.g. severe weather impact.
- Management of information from loss or inappropriate destruction or retention and the risk of failure to comply with the obligations of General Data Protection Regulations (GDPR), Freedom of Information (FOI) and Data Protection.
- The risks associated with the anticipated substitution of Council services by those provided by communities.
- Heightened national attention to Child Sexual Exploitation and historical abuse cases leading to increased demand, higher professional expectations & 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 or uninsured losses and the overall adequacy of Council Reserves.
- The risks associated with the process of the UK exiting the EU including: impacts on business rates and council tax, rising inflation, economic recession, levels of trade and investment, migration and labour markets and community cohesion.

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 2019**
- **Cash Flow Statement**

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

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

Other Accounting Information

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

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

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

The accounts also include:

- **The Statement of Responsibilities for the Statement of Accounts** - sets out the respective responsibilities of the Council and the Service Director - Finance, 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.

It should also be noted that there is still an outstanding objection, 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.

Two objections were raised and were subsequently formally accepted by the Council's auditors, KPMG. The current position is that one of the objections has been resolved and was not upheld and work is ongoing by KPMG to resolve the other. KPMG will conclude its audits 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 and 2017/18 are not

materially mis-stated, and that as a result, KPMG was able to give an unqualified audit opinion on both sets of financial statements.

STATEMENT OF RESPONSIBILITIES AND CERTIFICATE
KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2018/19

The Council's Responsibilities

The Council is required to:

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

The Service Director Finances' Responsibilities

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

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

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

The Service Director has also:

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

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

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

Certificate

I certify that this Statement of Accounts presents a true and fair view of the financial position of Kirklees Council at the reporting date, and its income and expenditure for the year ended 31 March 2019.

Eamonn Croston
Service Director Finance
30 May 2019

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.

	Gross Exp	Gross Income	2018/19 Net Exp	Gross Exp	2017/18 Restated Gross Income	Restated Net Exp	
	£000	£000	£000	£000	£000	£000	Note
Child Protection & Family Support	63,479	-2,893	60,586	59,601	-1,975	57,626	
Learning & Early Support	336,830	-297,333	39,497	333,546	-289,721	43,825	
Integration, Access & Community Plus	9,660	-2,309	7,351	3,389	-524	2,865	
Commissioning, Quality & Performance	72,423	-17,095	55,328	72,302	-13,610	58,692	
Adults Social Care	93,471	-51,234	42,237	93,851	-50,909	42,942	
Economy, Regeneration & Culture	28,058	-14,319	13,739	21,020	-10,003	11,017	
Commerical, Regulatory & Operational Services	105,028	-36,678	68,350	106,245	-41,508	64,737	
Policy Intelligence & Public Health	36,012	-32,723	3,289	33,635	-32,871	764	
Corporate Services	11,008	-841	10,167	20,146	-3,453	16,693	
Governance & Commissioning	3,086	-309	2,777	2,561	-127	2,434	
Finance, IT & Transactional Services	118,038	-96,042	21,996	139,872	-112,942	26,930	
Central Budgets	56,892	-12,672	44,220	25,327	-295	25,032	
HRA	67,656	-112,486	-44,830	69,049	-103,294	-34,245	
Cost of Services	1,001,641	-676,934	324,707	980,544	-661,232	319,312	
Other operating expenditure			14,224			9,441	12
Financing and investment income and expenditure			30,855			12,510	13
Taxation and non-specific grant income			-338,300			-330,016	14
Surplus(-)/Deficit on Provision of Services			31,486			11,247	
Surplus on revaluation of Property, Plant and Equipment (PPE) and Heritage assets			-12,798			-16,586	15
Impairment losses on non-current assets to the Revaluation Reserve			0			23,427	15
Surplus on revaluation of available for sale financial assets			-231			0	
Remeasurements of the net defined benefit liability			66,005			21,294	41
Other Comprehensive Income and Expenditure			52,976			28,135	
Total Comprehensive Income and Expenditure			84,462			39,382	

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
2018/19								
Balance at 31 March 2018	-88,783	-60,358	-12,468	-409	-23,040	-185,058	-203,051	-388,109
<i>Movement in reserves during 2018/19</i>								
Total Comprehensive Income and Expenditure	68,049	-36,563	0	0	0	31,486	52,976	84,462
Adjustments between accounting & funding basis under regulations (Note 10)	-84,238	35,139	-5,582	409	-3,285	-57,557	57,557	0
Net Increase(-)/ Decrease	-16,189	-1,424	-5,582	409	-3,285	-26,071	110,533	84,462
Balance at 31 March 2019 carried forward	-104,972	-61,782	-18,050	0	-26,325	-211,129	-92,518	-303,647
2017/18 Restated								
Balance at 31 March 2017	-90,110	-52,013	-8,251	0	-16,141	-166,515	-260,976	-427,491
<i>Movement in reserves during 2017/18</i>								
Total Comprehensive Income and Expenditure	36,610	-25,363	0	0	0	11,247	28,135	39,382
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	57,925	39,382
Balance at 31 March 2018 carried forward	-88,783	-60,358	-12,468	-409	-23,040	-185,058	-203,051	-388,109

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 2019	31 March 2018 Restated	
	£000	£000	Note
Property, Plant & Equipment (PPE)	1,348,593	1,339,568	15
Heritage Assets	50,025	50,032	16
Investment Property	124,087	118,355	17
Intangible Assets	882	404	18
Long Term Investments	4,372	3,720	19
Long Term Debtors	25,665	26,610	20
Long Term Assets	1,553,624	1,538,689	
Inventories	2,372	1,687	
Short Term Debtors	55,122	52,704	21
Assets Held for Sale	2,415	2,668	
Cash and Cash Equivalents	39,389	32,149	22
Current Assets	99,298	89,208	
Short Term Borrowing	-16,190	-25,250	19
Short Term Creditors	-87,619	-81,099	23
Other Short Term Liabilities	-6,239	-5,323	
Provisions	-3,945	-3,927	24
Current Liabilities	-113,993	-115,599	
Long Term Borrowing	-384,115	-392,458	19
Other Long Term Liabilities	-851,167	-731,731	25
Long Term Liabilities	-1,235,282	-1,124,189	
Net Assets	303,647	388,109	
Usable Reserves	-211,129	-185,058	26
Unusable Reserves	-92,518	-203,051	27
Total Reserves	-303,647	-388,109	

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.

	2018/19		2017/18		
	£000	£000	£000	£000	Note
Net surplus(-)/deficit on the provision of services		31,486		11,247	
Adjustments to net surplus/deficit on the provision of services for non-cash movements		-120,833		-70,724	29
Adjustment for items included in the net surplus/deficit on the provision of services that are investing and financing activities		35,114		37,476	30
Net cash flows from Operating Activities		-54,233		-22,001	
Net cash flows from Investing Activities					
Purchase of PPE, investment property and intangible assets	52,707		39,858		
Purchase of short-term and long-term investments	421		3,718		
Proceeds from the sale of PPE, investment property and intangible assets	-13,399		-14,640		
Proceeds from short-term and long-term investments	-469		-11,741		
Other receipts from investing activities	-20,830	18,430	-23,007	-5,812	
Net cash flows from Financing Activities					
Cash receipts of short and long-term borrowing	-5,917		-95,223		
Other receipts from financing activities	0		0		
Cash payments for the reduction for the outstanding liabilities relating to finance leases and PFI contracts	5,024		5,264		
Repayments of short and long-term borrowing	23,341		120,437		
Other payments for financing activities	6,115	28,563	-7,308	23,170	30
Net increase(-)/decrease in cash and cash equivalents		-7,240		-4,643	
Cash and cash equivalents at the beginning of the reporting period		32,149		27,506	
Cash and cash equivalents at the end of the reporting period		39,389		32,149	22

Index to Notes	Page
1. Accounting Policies	24
2. Prior Period Adjustments	41
3. Accounting Standards that have been issued but have not yet been adopted	43
4. Critical Judgements	43
5. Assumptions and Major Sources of Estimation Uncertainty	44
6. Exceptional Items and Material Items of Income and Expense	46
7. Events after Balance Sheet date	46
8. Expenditure and Funding Analysis	47
9. Expenditure and Income analysed by nature (Subjective Analysis)	52
10. Adjustments between accounting basis and funding basis under regulations	53
11. Transfers to/from Earmarked Reserves	57
Notes Referring to Specific Items in the CIES	
12. Other Operating Expenditure	58
13. Financing and Investment Income and Expenditure	58
14. Taxation and Non-Specific Grant Income	58
Notes Referring to Specific Items in the Balance Sheet	
15. Property, Plant and Equipment (PPE)	59
16. Heritage Assets	62
17. Investment Property	64
18. Intangible Assets	65
19. Financial Instruments	66
20. Long Term Debtors	72
21. Short Term Debtors	72
22. Cash and Cash Equivalents	72
23. Short Term Creditors	73
24. Provisions	73
25. Other Long Term Liabilities	74
26. Usable Reserves	74
27. Unusable Reserves	74
Notes Referring to Specific Items in the Cash Flow Statement	
28. Operating Activities	77
29. Adjustments to net surplus or deficit on the provision of services for non-cash movements	77
30. Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	77
Other disclosures	
31. Trading Operations	78
32. External Audit Costs	79
33. Pooled Funds	79
34. Officers' Remuneration	81
35. Deployment of Dedicated Schools Grant (DSG)	84
36. Related Party Transactions	84
37. Grant Income	87
38. Capital Expenditure and Capital Financing	88
39. Leases	89
40. Private Finance Initiative (PFI) Transactions	92
41. Pensions Disclosures	96

1 Accounting Policies

General Principles

The Statement of Accounts summarises the Council's transactions for the 2018/19 financial year and its position at the year-end of 31 March 2019. 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 2018/19 (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

There are three main classes of financial assets measured at:

- amortised cost
- fair value through profit or loss (FVPL), and
- fair value through other comprehensive income (FVOCI)

The Council's business model is to hold investments to collect contractual cash flows i.e. payments of interest and principal. Most of the Council's financial assets are therefore classified as amortised cost, except for those whose contractual payments are not solely payment of principal and interest (i.e. where the cash flows do not take the form of a basic debt instrument).

Financial Assets Measured at Amortised Cost

Financial assets measured at amortised cost are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement (CIES) for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the financial assets held by the Council, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the CIES is the amount receivable for the year in the loan agreement.

Any gains and losses that arise on the derecognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the CIES.

Financial Assets Measured at Fair Value through Profit of Loss

Financial assets that are measured at FVPL are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they arrive in the Surplus or Deficit on the Provision of Services.

The fair value measurements of the financial assets are based on the following techniques:

- instruments with quoted market prices – the market price
- other instruments with fixed and determinable payments – discounted cash flow analysis.

The inputs to the measurement techniques are categorised in accordance with the accounting policy set out in the accounting policy section on Fair Value Measurement.

Any gains and losses that arise on the derecognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the CIES.

IFRS 9 Financial Instruments sets out that investments in equity should be classified as fair value through profit and loss unless there is an irrevocable election to recognise changes in fair value through other comprehensive income. The Council will assess each investment on an individual basis and assign an IFRS 9 category. The assessment will be based on the underlying purpose for holding the financial instrument.

Any changes in the fair value of instruments held at fair value through profit or loss will be recognised in the net cost of service in the CIES and will have a General Fund impact.

Financial Assets measured at Fair Value through other Comprehensive Income (FVOCI)

The Council has equity instruments designated at fair value through other Comprehensive Income (FVOCI). These were previously classified as Available for Sale assets at 31 March 2018.

The Council has made an irrevocable election to designate three of its equity instruments as FVOCI on the basis that they are held for non-contractual benefits, they are not held for trading but for strategic purposes. These asset were transferred to the new asset category on 1 April 2018 and are held at fair value. The value is based on the principal that these equity shares have no quoted market prices and are based on an appraisal of the company valuation and forecasted dividends.

Dividend income is credited to Financing and Investment Income and Expenditure in the Comprehensive Income and Expenditure Statement when it becomes receivable by the Council. Changes in fair value are posted to Other Comprehensive Income and Expenditure and are balanced by an entry in the Financial Instruments Revaluation Reserve.

When the asset is de-recognised, the cumulative gain or loss previously recognised in Other Comprehensive Income and Expenditure is transferred from the Financial Instruments Revaluation Reserve and recognised in the Surplus or Deficit on the Provision of Services.

The same accounting treatment was adopted in the prior year when the asset was classified as Available for Sale, except that accumulated gains and losses on the available for sale asset were previously held in an Available-for-Sale Financial Instruments Reserve at 31 March 2018. The balance on this reserve was transferred to the new Financial Instruments Revaluation Reserve as at 1 April 2018.

Expected Credit Loss Model

The Council recognises expected credit losses on all of its financial assets held at amortised over £0.5m, either on a 12-month or lifetime basis. The expected credit loss model also applies to lease receivables and contract assets. Lifetime losses are recognised for trade receivables (debtors) based on a simplified approach by using default rates driven from own historical credit loss experience and adjusted for forward looking information.

Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12-month expected losses.

Instruments Entered Into Before 1 April 2006

The Council entered into a number of financial guarantees that are not required to be accounted for as financial instruments. These guarantees are reflected in the Statement of Accounts to the extent that provisions might be required, or a contingent liability note is needed under the policies set out in the section on Provisions, Contingent Liabilities and Contingent Assets.

Soft loans

For any soft loans that the Council may have made to outside organisations at less than market rates, a loss is recorded in the CIES (debited to the appropriate service) for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal. Interest is credited to the Financing and Investment Income and Expenditure line in the CIES at a marginally higher effective rate of interest than the rate receivable from the

organisations, with the difference serving to increase the amortised cost of the loan in the Balance Sheet.

Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year – the reconciliation of amounts debited and credited to the CIES to the net gain required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement

Government Grants and Contributions

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

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

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

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

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

Heritage Assets

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

Recognition and Measurement

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

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

- Fine Art Collection
These items are reported on the Balance Sheet using insurance valuations. Higher value items have been formally valued during the last two years by Bonhams Fine Art Auctioneers and Valuers, whilst lower value items are based on values estimated by the Council's Museum and Gallery staff with reference to recent information from sales at auctions and, occasionally, expert advice. The valuations are reviewed on an annual basis. Acquisitions are occasionally made by purchase or donation. Acquisitions are initially recognised at cost and donations are recognised at valuation in accordance with the policy on valuations of the art collection.
- Museum Exhibits
Only a small proportion of these items have market values and are reported on the Balance Sheet. The values have been estimated by the Council's Museum and Gallery staff with reference to recent information from sales at auctions and, occasionally, expert advice. The valuations are updated on an annual basis. The collection is relatively static and acquisitions and donations are rare. Where they do occur, acquisitions are initially recognised at cost and donations are recognised at valuation in accordance with the policy on valuations of museum exhibits.
- Other
The Civic Silver Collection is reported on the Balance Sheet at replacement cost. There is a regular programme of valuations and the items in the collection are valued by an external valuer (Gerard Laurence Collins) who specialises in precious metal craft and design. The Council has a number of structural heritage assets which are not recognised elsewhere on the Balance Sheet. These comprise of two clock towers, a Victorian tower and two park band stands. These items have been valued by internal valuers and are reported in the Balance Sheet at replacement cost. They will be revalued at least every five years.

Where cost information is not available and the cost of obtaining valuations outweighs the benefits to users of the financial statements, the Code does not require that the asset is recognised on the Balance Sheet. Where this approach has been adopted, it is set out in the disclosure 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.

Non-current assets are recognised in the Balance Sheet and are revalued and depreciated in the same way as Property, Plant and Equipment owned by the Council.

The amounts payable to the PFI operators each year are analysed into the following elements:

- Fair value of services received during the year – debited to the relevant service in the CIES.
- Finance cost – an interest charge on the outstanding Balance Sheet liability, debited to Financing and Investment Income and Expenditure line in the CIES.
- Payment towards liability – applied to write down the Balance Sheet liability.
- Lifecycle replacement costs – recognised as additions to Property, Plant and Equipment when the relevant works are carried out.

The Council receives an annual PFI Grant from Central Government which is credited to the CIES.

Under the waste disposal contract, the operator receives a significant part of their income from third parties, either from gate fees, sale of energy production or recycled materials. A proportion of the assets on the Balance Sheet are therefore financed with third party revenues rather than with fixed payments from the Council. A balancing credit, pro rata to the proportion of fixed payments from the Council and expected third party payments, has been created in the form of a Deferred Income balance. This effectively represents the benefits that the Council is deemed to receive over the life of the contract through its control of the services provided through use of the property and plant.

The Deferred Income is released to the CIES over the life of the contract, with a corresponding appropriation from the Capital Adjustment Account to the Movement in Reserves Statement.

Property, Plant and Equipment (PPE)

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment (PPE).

Recognition

Expenditure on the acquisition, creation or enhancement of PPE is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (that is repairs and maintenance) is charged as an expense when it is incurred.

A de minimis level of £10,000 has been established for the recording of new assets in the Balance Sheet.

Measurement

Assets are initially measured at cost, comprising all expenditure that is directly attributable to bringing the asset into working condition for its intended use.

The Council does not capitalise borrowing costs incurred whilst assets are under construction.

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-specific Grant Income line of the CIES, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the Donated Assets Account. Where gains are credited to the CIES, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year-end, but as a minimum every five years. Council dwellings are valued annually. Assets are carried in the Balance Sheet using the following measurement bases:

- Infrastructure, community assets and assets under construction – depreciated historical cost.
- Dwellings – current value, determined using the basis of existing use value for social housing (EUV-SH).
- Surplus – fair value, estimated at highest and best use from a market participant's perspective.
- All other assets – current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

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

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

Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. In certain circumstances gains might be credited to the CIES where they arise from the reversal

of a previous loss charged to a service, adjusted for depreciation that would have been charged if the loss had not been recognised.

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

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

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

Depreciation

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

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

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

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

Impairment

Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

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

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

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

Disposals and Non-current Assets Held for Sale

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

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

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

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

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

Provisions, Contingent Liabilities and Contingent Assets

Provisions

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

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

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

Contingent Liabilities

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

Contingent Assets

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

Reserves

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

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

Revenue Expenditure Funded from Capital under Statute (REFCUS)

Legislation in England and Wales allows some expenditure to be classified as capital for funding purposes when it does not result in the expenditure being carried on the Balance Sheet as a non-current asset. The purpose of this is to enable it to be funded from capital resources rather than be charged to the General Fund and impact on that year's Council Tax. These items are generally grants and expenditure on property not owned by the Council, and amounts directed under section 16(2) of part 1 of the Local Government Act 2003. Such expenditure is charged to the relevant service in the CIES in the year. Where the Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of Council Tax.

Revenue Recognition

Revenue is defined as income arising as a result of the Council's normal operating activities and where income arises from contracts with service recipients it is recognised when or as the Council has satisfied a performance obligation by transferring a promised good or service to the service recipient.

Revenue is measured as the amount of the transaction price which is allocated to that performance obligation. Where the Council is acting as an agent of another organisation the amounts collected for that organisation are excluded from revenue.

Schools

The Code confirms that the balance of control for local authority maintained schools (ie those categories of school identified in the Schools Standards and Framework Act 1998, as amended) lies with the local authority. The Code stipulates that those schools' assets, liabilities, reserves and cash flows are recognised in the local authority financial statements (and not the Group Accounts). Therefore schools' transactions, cash flows and balances are recognised in each of the financial statements of the Council as if they were the transactions, cash flows and balances of the Council.

VAT

VAT payable is included as an expense only where irrecoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income.

2 Prior Period Adjustments

Prior period adjustments have been made to the Council's 2017/18 published financial statements in relation to the following:

There was an error in the calculation of the pensions liability by the West Yorkshire Pension Fund Actuary (Aon) and also the supporting calculations that are disclosed in the Notes to the Accounts. During the production of the 2018-19 figures Aon identified that the assets for Kirklees Council at 31 March 2018 had been overstated by around £66m (around 3.7% of the assets) leading to an overstatement of the balance sheet by a similar monetary amount.

Aon have provided updated Actuarial Statements for 2017-18 and these amounts have been reflected in these Accounts

The following disclosures and notes were affected:

	As reported in 2017-18 Accounts	Adjustment	Restated Balance
	£000	£000	£000
CIES			
Remeasurements of the net defined liability	-44,854	66,148	21,294
Statement of Movement in Reserves			
Total Comprehensive Income & Expenditure- Unusable Reserves	-38,013	66,148	28,135
Balance Sheet			
Other Long Term Liabilities	-665,583	-66,148	-731,731

NOTES TO THE MAIN FINANCIAL STATEMENTS
KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2018/19

Group CIES			
Remeasurements of the net defined liability	-46,959	66,148	19,189
	As reported in 2017-18 Accounts	Adjustment	Restated Balance
	£000	£000	£000
Group Statement of Movement in Reserves			
Total Comprehensive Income & Expenditure- Council Unusable Reserves	-38,013	66,148	28,135
Group Balance Sheet			
Other Long Term Liabilities	-702,338	-66,148	-768,486
Group Accounts Notes:			
G4 Other Long Term Liabilities			
Net Liability Related to Defined Benefit Pension	-545,634	-66,148	-611,782
G5 Unusable reserves Pensions Reserve	-545,634	-66,148	-611,782
Notes:			
25. Other Long Term Liabilities			
Net Liability Related to Defined Benefit Pension	-545,634	-66,148	-611,782
27. Unuseable Reserves			
Pensions Reserve:			
Actuarial gain/loss(-)	-44,854	66,148	21,293
Balance at 31 March 2018	-545,634	-66,148	-611,782
41. Pensions Disclosures			
CIES:			
LGPS Funded			
Remeasurement of the net defined benefit liability comprising:			
Return on plan assets (excluding the amount included in the net interest expense)	-86,117	66,148	-19,969
Total Post Employment Benefit charged to the CIES	25,687	66,148	91,835
Reconciliation of the Movements in the Fair Value of Scheme Assets (LGPS):			
Remeasurement gains and losses	86,117	-66,148	19,969

Asset and Liability Matching Strategy:

Fair value of assets in the LGPS	1,753,975	-66,148	1,687,827
Deficit in the scheme:			
Total	-545,634	-66,148	-611,782

3 Accounting Standards that have been issued but have not yet been adopted

At the balance sheet date, the following new standards and amendments to existing standards have been published but not yet adopted by the Code of Practice of Local Authority Accounting in the United Kingdom:

IFRS 16 Leases will require local authorities that are lessees to recognise most leases on their balance sheets as right-of-use assets with corresponding lease liabilities (there is recognition for low-value and short-term leases). CIPFA/LASAAC have deferred implementation of IFRS16 for local government to 1 April 2020.

IAS 40 Investment Property: Transfers of Investment Property provides further explanation of the instances in which a property can be reclassified as investment property. This will have no impact on the Council as it already complies.

IFRIC 22 Foreign Currency Transactions and Advance Consideration clarifies the treatment of payments in a foreign currency made in advance of obtaining or delivering services or goods. The Council does not have any material transactions within the scope of the amendment.

IFRIC 23 Uncertainty over Income Tax Treatments provides additional guidance on income tax treatment where there is uncertainty. This will have no impact on the single entity accounts and minimal impact on the group accounts.

IFRS 9 Financial instruments: prepayment features with negative compensation amends IFRS9 to make clear that amortised cost should be used where prepayments are substantially lower than the unpaid principal and interest. The Council has no loans to whom this will apply.

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.

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 2019 for which there is a significant risk of material adjustment within the next financial year are as follows:

Item and Uncertainties	Effect if Actual Results Differ from Assumptions
<p>Property, Plant and Equipment (note 15)</p> <p>Assets are depreciated over their useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Council will be able to sustain its current spending on repairs and maintenance in the longer term bringing into doubt the useful lives assigned to assets.</p>	<p>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 £8 million for every year that the useful lives had reduced.</p>
<p>Provisions</p> <p>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.</p> <p>The total value of provisions as at 31 March 2019 was £14.8 million.</p>	<p>An increase in provisions of 10% would result in an additional revenue expense of £1.48 million.</p>
<p>Pensions Liability (note 41)</p> <p>Estimation of the net liability to pay pensions depends on a number of complex judgements such as the discount rate used, the rate at which salaries are projected to increase, changes to mortality rates. A firm of qualified Actuaries is employed to provide the Council with expert professional advice about this specialised area.</p> <p>The net liability as at 31 March 2019 was £738 million.</p>	<p>The Actuaries provide information in relation to the sensitivity of the results to key assumptions and these are set out in the pensions note.</p>

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 - 2018/19 expenditure reflects an increased volume of adult placements at a cost of £6.2 million. Income reflects increased grant of £4.4 million.

7 Events after Balance Sheet date

These accounts were authorised for issue on the date the Service Director - Finance 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. 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
2018/19	£000	£000	£000	£000	£000
Child Protection & Family Support	58,076	0	58,076	2,510	60,586
Learning & Early Support	25,053	3,895	28,948	10,549	39,497
Integration, Access & Community Plus	6,046	0	6,046	1,306	7,352
Commissioning, Quality & Performance	53,830	0	53,830	1,498	55,328
Adults Social Care	39,052	0	39,052	3,185	42,237
Economy, Regeneration & Culture	5,960	0	5,960	7,780	13,740
Commercial, Regulatory & Operational Services	31,724	4,284	36,008	32,342	68,350
Policy, Intelligence & Public Health	2,654	0	2,654	635	3,289
Corporate Services	8,810	407	9,217	949	10,166
Governance & Commissioning	2,404	0	2,404	372	2,776
Finance, IT & Transactional Services	18,960	0	18,960	3,036	21,996
Central Budgets	22,468	-1,338	21,130	23,090	44,220
HRA	-1,424	-12,178	-13,602	-31,228	-44,830
Net Cost of Services	273,613	-4,930	268,683	56,024	324,707

NOTES TO THE MAIN FINANCIAL STATEMENTS
KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2018/19

Other operating expenditure	758	1,091	1,849	12,375	14,224
Financing and investment income and expenditure	0	23,118	23,118	7,737	30,855
Taxation and non-specific grant income	-291,984	-19,279	-311,263	-27,037	-338,300
Net Surplus(-)/Deficit	-17,613	0	-17,613	49,099	31,486

Opening Balances at 31 March 2018:

General Fund	-88,783
HRA	-60,358
	-149,141
Less net Deficit in Year	-17,613
Closing General Fund and HRA Balance at 31 March 2019	-166,754
General Fund	-104,972
HRA	-61,782

	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>2017/18</u>	£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
Integration, Access & Community Plus	2,665	0	2,665	200	2,865
Commissioning, Quality & Performance	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
Corporate Services	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

NOTES TO THE MAIN FINANCIAL STATEMENTS
KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2018/19

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

8 Notes 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
	£000	£000	£000	£000
2018/19				
Child Protection & Family Support	157	2,442	-89	2,510
Learning & Early Support	5,365	5,185	-1	10,549
Integration, Access & Community Plus	372	958	-24	1,306
Commissioning, Quality & Performance	302	1,198	-2	1,498
Adults Social Care	567	2,632	-14	3,185
Economy, Regeneration & Culture	6,304	1,487	-11	7,780
Commercial, Regulatory and Operational Services	26,357	5,895	90	32,342
Policy, Intelligence & Performance	2	638	-5	635
Corporate Services	59	900	-10	949
Governance & Commissioning	0	375	-3	372
Finance, IT & Transactional Services	1,010	2,044	-18	3,036
Central Budgets	2,340	20,890	-140	23,090
HRA	-31,228	0	0	-31,228
Net Cost of Services	11,607	44,644	-227	56,024
Other operating expenditure	12,375	0	0	12,375
Financing and investment income and expenditure	-7,709	15,446	0	7,737
Taxation and non-specific grant income	-27,037	0	0	-27,037
Difference between General Fund and HRA surplus/deficit and CIES Surplus/ Deficit on the Provision of Services	-10,764	60,090	-227	49,099

NOTES TO THE MAIN FINANCIAL STATEMENTS
KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2018/19

	Adjustments for Capital Purposes (a)	Net change for the Pensions Adjustments	Other Differences (c)	Total Adjustments
	£000	£000	£000	£000
2017/18				
Child Protection & Family Support	324	1,759	539	2,622
Learning & Early Support	8,095	5,255	7	13,357
Integration, Access & Community Plus	0	190	10	200
Commissioning, Quality & Performance	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 & Public Health	0	389	32	421
Corporate Services	657	1,586	58	2,301
Governance & Commissioning	0	290	19	309
2017/18 Continued				
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

(a) Adjustments for Capital Purposes

- Adds in capital charges (depreciation, impairment, REFCUS, revaluation gains and losses) and deducts statutory charges for capital financing in the services line;
- Adjusts in the Other Operating Expenditure line for capital disposals with a transfer of income on disposal of PPE assets and amounts written for those assets and for the payment to the Government Housing Capital Receipts Pool;
- The Financing and Investment Income and Expenditure line is adjusted for capital disposals with a transfer of income on disposal of investment property and amounts written off for those assets;
- Adds in capital grants into the Taxation and Non-Specific Grant Income line.

(b) Net Change for the Pensions Adjustments

- For services, this represents the removal of the employer pension contributions made by the Council as allowed by statute and the replacement with current service and past service costs;
- The Financing and Investment Income and Expenditure line is adjusted for the net interest on the defined benefit liability.

(c) Other Differences

- For services, this represents adjustments for premiums and discounts and entries relating to the accrual of compensated absences earned but not taken in the year;
- The Financing and Investment Income and Expenditure line recognises adjustments for soft loans;
- The charge under Taxation and Non-Specific Grant represents the difference between what is chargeable under statutory regulations for Council Tax and Business Rates that was projected to be received at the start of the year and the income recognised under generally accepted accounting practices in the Code.

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

	Grants and Contributions	Fees and Charges	Capital Charge and Pension	Total
2018/19	£000	£000	£000	£000
Child Protection & Family Support	-2,747	-146	0	-2,893
Learning & Early Support	-278,837	-12,476	-6,020	-297,333
Integration, Access & Community Plus	-538	-1,771	0	-2,309
Commissioning, Quality & Performance	-13,526	-3,569	0	-17,095
Adults Social Care	-31,427	-19,807	0	-51,234
Economy, Regeneration & Culture	-7,343	-6,070	-906	-14,319
Commercial, Regulatory and Operational Services	-925	-34,800	-953	-36,678
Policy, Intelligence & Performance	-32,446	-277	0	-32,723
Corporate Services	-97	-744	0	-841
Governance & Commissioning	-49	-260	0	-309
Finance, IT & Transactional Services	-91,320	-4,722	0	-96,042
Central Budgets	-16	-257	-12,399	-12,672
HRA	-7,925	-82,372	-22,189	-112,486
Total Income analysed on a segmental basis	-467,196	-167,271	-42,467	-676,934
2017/18				
Child Protection & Family Support	-1,992	21	-4	-1,975
Learning & Early Support	-276,634	-12,272	-815	-289,721
Integration, Access & Community Plus	-432	-92	0	-524
Commissioning, Quality & Performance	-10,900	-2,691	-19	-13,610
Adults Social Care	-31,454	-19,455	0	-50,909
Economy, Regeneration & Culture	-4,223	-5,766	-14	-10,003
Commercial, Regulatory and Operational Services	-1,161	-40,262	-85	-41,508
Policy, Intelligence & Performance	-32,692	-179	0	-32,871
Corporate Services	-676	-2,685	-92	-3,453

NOTES TO THE MAIN FINANCIAL STATEMENTS
KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2018/19

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	-103,294
Total Income analysed on a segmental basis	-476,583	-172,600	-12,049	-661,232

9 Expenditure and Income analysed by nature (Subjective Analysis)

	2018/19	2017/18
	£000	£000
Expenditure		
Employee Expenses*	419,853	426,393
Premises and Transport	109,895	95,719
Supplies and Services	136,232	124,786
Other Service Expenses	333,207	345,744
Support Charges	15,503	16,893
Capital Charges	70,606	62,545
Precepts and Levies	954	926
Payments to Housing Capital Receipts Pool	2,037	3,577
Losses on the Disposal of PPE and Investment Assets	10,945	3,211
Interest Payable and Similar Charges	27,351	28,327
Net interest on the defined benefit obligation	15,446	13,996
Central Items	13,883	-324
Total Expenditure	1,155,912	1,121,793
Income		
Fees, Charges and Other Service Income	-170,693	-176,016
Grants, Reimbursements and Contributions	-526,971	-597,768
Capital Charges Credits	-50,658	-35,426
Pension Settlements	0	0
Internal Recharges	-91,855	-90,077
Interest and Investment Income	-5,526	-2,412
Income from Council Tax and Business Rates	-278,723	-208,847
Total Income	-1,124,426	-1,110,546
Surplus(-)/Deficit on Provision of Services	31,486	11,247

NOTES TO THE MAIN FINANCIAL STATEMENTS
KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2018/19

*This includes £47.3 million in 2018/19 (£49.3 million in 2017/18) 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
2018/19						
<u>Adjustments involving the Capital Adjustment Account (CAA):</u>						
Charges for depreciation and impairment of non-current assets	-39,951	0	0	-16,087	0	56,038
Amortisation of Intangible Assets	-109	0	0	0	0	109
Revaluation losses on PPE	-10,490	-5	0	0	0	10,495
Revaluation gains on PPE	8,710	22,188	0	0	0	-30,898
Movements in the market value of Investment Properties	8,160	33	0	0	0	-8,193
Revenue expenditure funded from capital under statute (REFCUS)	-16,704	0	0	0	0	16,704
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	-17,674	-5,742	0	0	0	23,416
Capital grants and contributions applied	12,911	162	0	0	0	-13,073
Capital grants and contributions applied (REFCUS)	10,014	0	0	0	0	-10,014

NOTES TO THE MAIN FINANCIAL STATEMENTS
KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2018/19

Deferred Income written down - Waste PFI	537	0	0	0	0	-537
Provision for the financing of capital investment	2,950	2,260	0	0	0	-5,210
Capital expenditure charged against balances	1,554	6,785	0	0	0	-8,339
Financial instruments impairment charges	-679	0	0	0	0	679
<u>Adjustments involving the Capital Grants Unapplied Account:</u>						
Capital grants and contributions unapplied and credited to the CIES	10,002	0	0	0	-10,002	0
Application of grants to capital financing transferred to the CAA	0	0	0	0	6,717	-6,717
<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	3,743	9,533	-13,276	0	0	0
Financing new capital expenditure	0	0	5,612	0	0	-5,612
2018/19 Continued						
Contribution towards administrative costs of asset disposals	-88	-75	163	0	0	0
Contribution to finance the payments to the Government capital receipts pool	-2,037	0	2,037	0	0	0
Cash receipts from the repayment of capital loans given	0	0	-834	0	0	834
Used to repay debt (transfer to CAA)	0	0	716	0	0	-716
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	0	0	0	0	0	0
<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	8,985	0	-8,985
Used to repay debt (transfer to CAA)	0	0	0	7,511	0	-7,511
<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	407	0	0	0	0	-407
<u>Adjustments involving the Pensions Reserve:</u>						

NOTES TO THE MAIN FINANCIAL STATEMENTS
KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2018/19

Reversal of items relating to retirement benefits debited or credited to the CIES	-96,044	0	0	0	0	96,004
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Employer's pensions contributions and direct payments	35,657	0	0	0	0	-35,657
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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 is different from that required by statutory regulations	4,645	0	0	0	0	-4,645
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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	210	0	0	0	0	-210
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Total Adjustments 2018/19	-84,238	35,139	-5,582	409	-3,285	57,557
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2017/18

Adjustments involving the Capital

Adjustment Account (CAA):

Charges for depreciation and impairment of non-current assets	-39,982	0	0	-16,363	0	56,345
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Amortisation of Intangible Assets	-1,493	0	0	0	0	1,493
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Revaluation losses on PPE	-4,893	0	0	0	0	4,893
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Revaluation gains on PPE	1,090	10,959	0	0	0	-12,049
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Movements in the market value of Investment Properties	23,471	-95	0	0	0	-23,376
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Capital Grants, contributions and income in relation to donated assets credited to CIES	6,785	0	0	0	0	-6,785
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Revenue expenditure funded from capital under statute (REFCUS)	-18,964	0	0	0	0	18,964
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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
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Capital grants and contributions applied	6,457	502	0	0	0	-6,959
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Capital grants and contributions applied (REFCUS)	10,484	0	0	0	0	-10,484
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Deferred Income written down - Waste PFI	537	0	0	0	0	-537
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Provision for the financing of capital investment	7,336	2,194	0	0	0	-9,530
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Capital expenditure charged against balances	1,791	0	0	0	0	-1,791
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Adjustments involving the Capital Grants

Unapplied Account:

NOTES TO THE MAIN FINANCIAL STATEMENTS
KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2018/19

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 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
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>						
2017/18 Continued						
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

NOTES TO THE MAIN FINANCIAL STATEMENTS
KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2018/19

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	-1,266	0	0	0	0	1,266
Total Adjustments 2017/18	-35,283	17,018	-4,217	-409	-6,899	29,790

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 2017	Transfers Out 2017/18	Transfers In 2017/18	Balance at 31 March 2018	Transfers Out 2018/19	Transfers In 2018/19	Balance at 31 March 2019
Earmarked Reserves							
Statutory (Schools Reserve)	-9,532	596	0	-8,936	895	-1,436	-9,477
Statutory (Schools Reserve- DSG/Other)	-2,320	1,429	0	-891	662	-38	-267
Financial Resilience	-28,046	0	-9,100	-37,146	9,845	-5,445	-32,746
Workforce Restructure	-5,091	0	0	-5,091	5,091	0	0
Health and Social Care	-7,703	7,844	-141	0	0	-2,496	-2,496
Rollover	-4,007	2,920	-838	-1,925	2,117	-2,353	-2,161
Prepayment (PFI) Reserve	-3,314	370	-111	-3,055	3,055	0	0
Revenue Grants	-11,167	4,040	-6,345	-13,472	4,026	-5,567	-15,013
Transformation	-4,944	3,361	-3,361	-4,944	4,944	0	0
Strategic Investment Support	0	0	0	0	0	-5,400	-5,400
Adverse Weather Reserve	0	0	0	0	600	-4,600	-4,000
Property and Other Loans	0	0	0	0	1,000	-4,000	-3,000
Waste Management	0	0	0	0	0	-11,000	-11,000
Other	-3,268	399	-1,647	-4,516	835	-5,517	-9,198
Total Earmarked Reserves	-79,392	20,959	-21,543	-79,976	33,159	-47,941	-94,758
<i>Unallocated Balances</i>	<i>-10,718</i>			<i>-8,807</i>			<i>-10,214</i>
General Fund Balances	-90,110			-88,783			-104,972

- 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 2019 represents 117 schools with cumulative balances of £12.1 million (122 schools and £11.7 million at 31 March 2018) and 15 schools with cumulative deficits amounting to £2.6 million (15 schools and £2.8 million at 31 March 2018).
- The Statutory (Schools Reserve- DSG/Other) relates 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 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.

NOTES TO THE MAIN FINANCIAL STATEMENTS
KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2018/19

- The Revenue Grants Reserve represents grants and contributions recognised in the CIES before expenditure has been incurred.
- The Strategic Investment Support Reserve has been set up to address the likely scale of one off costs required to support the scale of regeneration capital investment over the 2018/24 period.
- The Adverse Weather Reserve has been set up to mitigate against budget risk arising from severe weather events in the district.
- The Property and Other Loans Reserve has been set up to set aside against the potential risk of future loan default arising from the introduction of a new local government accounting code intended to strengthen balance sheet transparency.
- The Waste Management Reserve has been set up to support the development of the Council's waste management strategy, in light of the known financial implications of the current PFI Waste Contract ending in 2022/23.

12 Other Operating Expenditure

	2018/19	2017/18
	£000	£000
Parish council precepts	758	735
Levies	196	191
Payment to Government Housing Capital Receipts Pool	2,036	3,577
Losses on the disposal of non-current assets	10,461	4,995
Revaluation losses on assets held for sale	-122	-187
Derecognition of Academies' Balances	895	130
Total	14,224	9,441

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 £6.6 million in 2018/19 as part of 2 academy conversion (2017/18 £3.1 million as part of 1 school).

13 Financing and Investment Income and Expenditure

	2018/19	2017/18
	£000	£000
Interest payable and similar charges	27,351	28,327
Net interest on the net defined benefit obligation	15,446	13,996
Interest receivable and similar income	-1,853	-1,828
Income and expenditure in relation to investment property and changes in fair value (note 17)	-9,772	-27,401
Dividend Income	-317	-584
Total	30,855	12,510

14 Taxation and Non-Specific Grant Income

	2018/19	2017/18
	£000	£000
Council Tax income	-172,909	-161,612
Non Domestic Rates	-105,814	-47,235
Non-ring fenced government grants	-37,325	-91,011
Capital grants and contributions	-22,252	-30,158
Total	-338,300	-330,016

NOTES TO THE MAIN FINANCIAL STATEMENTS
KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2018/19

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 2018/19	£000	£000	£000	£000	£000	£000	£000	£000	£000
Cost or Valuation									
At 1 April 2018	599,304	536,620	34,538	394,979	11,762	25,077	0	1,602,280	89,218
Additions	17,923	10,140	3,886	18,769	50	1,637	0	52,405	924
Donation	0	0	0	0	0	0	0	0	0
Revaluation increases/ decreases(-) recognised in the Revaluation Reserve	0	3,866	0	0	0	1,922	0	5,788	-1,902
Revaluation decreases recognised in the Deficit on the Provision of Services	6,287	-8,438	0	0	0	365	0	-1,786	-8,958
De-recognition – disposals	-3,275	-16,569	-2,966	0	0	-176	0	-22,986	-2,616
De-recognition – other	0	0	0	0	0	0	0	0	0
Assets reclassified to Held for Sale	-2,415	0	0	0	0	0	0	-2,415	0
Other movements in cost or valuation	0	-506	0	0	0	155	0	-351	0
At 31 March 2019	617,824	525,113	35,458	413,748	11,812	28,980	0	1,632,935	76,666
Accumulated Depreciation and Impairment									
At 1 April 2018	0	-27,581	-17,228	-207,125	-10,420	-358	0	-262,712	-6,984
Depreciation charge	-15,900	-17,359	-3,181	-19,145	-295	-151	0	-56,031	-2,536
Depreciation written out to the Revaluation Reserve	0	6,757	0	0	0	231	0	6,988	3,060
Depreciation written out to the Deficit on the Provision of Services	15,900	6,139	0	0	0	173	0	22,212	3,926
Impairment losses recognised in the Revaluation Reserve	0	0	0	0	0	0	0	0	0
Impairment losses recognised in the Deficit on the Provision of Services	0	0	0	0	0	0	0	0	0
De-recognition – disposals	0	2,519	2,682	0	0	0	0	5,201	328
De-recognition – other	0	0	0	0	0	0	0	0	0
Other movements in depreciation and impairment	0	8	0	0	0	-8	0	0	0
At 31 March 2019	0	-29,517	-17,727	-226,270	-10,715	-113	0	-284,342	-2,206
Net Book Value									
at 31 March 2019	617,824	495,596	17,731	187,478	1,097	28,867	0	1,348,593	74,460

NOTES TO THE MAIN FINANCIAL STATEMENTS
KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2018/19

at 31 March 2018	599,304	509,039	17,310	187,854	1,342	24,719	0	1,339,568	82,234
	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
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Movement in 2017/18									
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 Sale	-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

Fair value measurement of surplus assets

The Council has accounted for surplus assets in accordance with IFRS13 which has been achieved through a fair value hierarchy. Surplus assets have been valued at the highest and best use. The fair value of surplus property has been measured using a market approach, which takes into account quoted prices for similar assets in active markets. The valuers are of the opinion that all surplus assets are at Level 2 on the fair value hierarchy using significant observable inputs.

There have been no transfers between the different levels of hierarchy during the year. There has been no change in the valuation techniques used during the year for surplus assets.

Revaluations

The Council carries out a rolling valuation programme which ensures that all PPE that is required to be measured at 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 2018 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 £33.2 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	0	3,001	17,731	187,478	1,097	0	0	209,307
Carried at fair value as at:								
2018/19	617,824	125,402	0	0	0	5,026	0	748,252
2017/18	0	98,010	0	0	0	1,247	0	99,257
2016/17	0	98,589	0	0	0	3,988	0	102,577
2015/16	0	109,890	0	0	0	18,469	0	128,359
2014/15	0	60,704	0	0	0	137	0	60,841
Total	617,824	495,596	17,731	187,478	1,097	28,867	0	1,348,593

Capital Commitments

In February 2019, the Council approved a capital programme of £148 million for 2019/20. A further £485 million of capital investment was also approved for the following four years. This covers

NOTES TO THE MAIN FINANCIAL STATEMENTS
KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2018/19

expenditure on PPE, investment properties, intangible assets and revenue expenditure funded from capital under statute. The Council has capital commitments of £12.8 million at 31 March 2019 (£6.0 million at 31 March 2018) for schemes under progress.

16 Heritage Assets

	Fine Art Collection	Museums and Galleries Exhibits	Other	Total Assets
	£000	£000	£000	£000
Movement in 2018/19				
Cost or Valuation				
At 1 April 2018	44,368	3,302	2,368	50,038
Additions	0	0	0	0
Revaluations recognised in the Revaluation Reserve	0	0	0	0
Revaluations recognised in the Provision of Services	0	0	0	0
At 31 March 2019	44,368	3,302	2,368	50,038
Accumulated Depreciation				
At 1 April 2018	0	0	-6	-6
Depreciation charge	0	0	-7	-7
Depreciation written out to the Revaluation Reserve	0	0	0	0
Depreciation written out to the Provision of Services	0	0	0	0
At 31 March 2019	0	0	-13	-13
Movement in 2017/18				
Cost or Valuation				
At 1 April 2017	43,998	3,211	2,369	49,578
Additions	0	0	0	0
Revaluation increases/decreases(-) 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
Net Book Value				
at 31 March 2019	44,368	3,302	2,355	50,025
at 31 March 2018	44,368	3,302	2,362	50,032

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 million (£20.0 million at 31 March 2018) 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 2018) and the “Falling Warrior” sculpture by Henry Moore valued at £5 million (£5 million 31 March 2018). The total value of donated artwork items as at 31 March 2019 is £24.4 million (£24.4 million 31 March 2018).

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 2019 is £1.6 million (£1.6 million 31 March 2018). 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 2018).

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 2019 is £0.3 million (£0.3 million 31 March 2018).

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:

	2018/19	2017/18
	£000	£000
Rental income from investment property	-3,424	-3,803
Direct operating expenses arising from investment property	1,360	1,561
Net gain	-2,064	-2,241
Net gains from fair value adjustments	-8,193	-23,375
Net gains on disposals of assets	-194	-1,784
Other changes	679	0
Net income in relation to investment property and changes in fair value	-9,772	-27,401

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:

	2018/19	2017/18
	£000	£000
Balance at 1 April	118,355	95,465
Additions	152	137
Disposals	-2,964	-2,225

NOTES TO THE MAIN FINANCIAL STATEMENTS
KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2018/19

Net gains from fair value adjustments	8,193	23,376
Transfers to Property, Plant and Equipment	351	1,602
Transfer of properties from Henry Boot (joint venture)	0	0
Balance at 31 March	124,087	118,355

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 £2 million (31 March 2018 £19.4 million).

Revaluations

The fair value of the authority's investment property is measured annually at each reporting date. Valuations are carried out by external valuers – Wilks Head and Eve – in accordance with the methodologies and bases for estimation set out in the professional standards of RICS.

18 Intangible Assets

The Council accounts for software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and Equipment. The intangible assets include purchased licences and other purchased software. The Council does not have any internally generated intangible assets.

Intangible assets are initially measured at cost. Amounts are only revalued where the fair value of the assets held by the Council can be determined by reference to an active market. In practice, no intangible asset held by the Council meets this criterion, and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life (usually between 5 and 10 years) on a straight line basis.

Amortisation of £0.1 million was charged to CIES in 2018/19 (£1.5 million in 2017/18).

	2018/19	2017/18
	£000	£000
Balance at 1 April		
Gross carrying amounts	6,343	6,478
Accumulated amortisation	-5,939	-4,868
Net carrying amount at 1 April	404	1,610
Additions - Purchases	587	287
Amortisation for the period	-109	-1,493

NOTES TO THE MAIN FINANCIAL STATEMENTS
KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2018/19

Net carrying amount at 31 March	882	404
Comprising:		
Gross carrying amounts	6,896	6,343
Accumulated amortisation	-6,014	-5,939
	882	404

There are no significant contractual commitments relating to intangible assets for 2018/19.

19 Financial Instruments

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

	31 March 2019		31 March 2018	
	Long-term £000	Current £000	Long-term £000	Current £000
Investments and cash				
Loans and receivables				
Principal at amortised cost	0	11,992	0	5
Investment accrual	0	12	0	8
Cash & Cash Equivalents	0	27,385	0	32,136
Fair Value through Comprehensive				
Income - Other	4,372	0	3,720	0
Total Investments	4,372	39,389	3,720	32,149
Debtors*				
Loans and receivables	25,665	0	26,610	0
Financial assets carried at amortised cost	0	46,433	0	39,122
Total Debtors	25,665	46,433	26,610	39,122
Borrowings				
Loans at amortised cost				
Principal sum borrowed	-383,671	-11,754	-392,016	-20,709
Accrued interest	0	-4,436	0	-4,561
Adjustments for Effective Interest Rate (EIR)	-444	0	-442	20
Total Borrowings	-384,115	-16,190	-392,458	-25,250
Other Long Term Liabilities				
Financial liabilities at amortised cost	-106,720	0	-105,966	-5,323
Total other long term liabilities	-106,720	0	-105,966	-5,323
Creditors*				
Financial liabilities carried at amortised costs	0	-88,393	0	-74,758
Total Creditors	0	-88,393	0	-74,758

* 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

NOTES TO THE MAIN FINANCIAL STATEMENTS
KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2018/19

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:

	College	Renewable Energy	Total
	£000	£000	£000
Balance at 1 April 2017	16,902	1,802	18,704
Loans repaid	-682	-87	-769
Unwinding of discount	176	109	285
Balance at 31 March 2018	16,396	1,824	18,220
Loans repaid	-716	-46	-762
Unwinding of discount	176	116	292
Balance at 31 March 2019	15,856	1,894	17,750
Nominal value at 31 March 2018	18,746	2,175	20,921
Nominal value at 31 March 2019	18,030	2,129	20,159

Income, Expense, Gains and Losses

	Financial Liabilities at Amortised Cost	Financial Assets: Measured at Amortised Cost	Financial Assets: Measured at Fair Value	Financial Assets: Available for Sale	Total
	£000	£000	£000	£000	£000
2018/19					
Interest expense	27,501	0	0	0	27,501
Losses on derecognition	49	0	0	0	49
Impairment losses	0	672	0	0	672
Total expense in Surplus/Deficit on the Provision of Services	27,550	672	0	0	28,222
Interest income	0	-1,440	0	-162	-1,602
Gains on derecognition	-10	0	0	0	-10
Total income in Surplus/Deficit on the Provision of Services	-10	--1,440	0	-162	-1,612
Gains on rerecognition	0	0	-231	0	-231
Net gain(-)/loss for the year	27,540	-768	-231	-162	26,379
2017/18					
Interest Expense	28,318	0	0	0	28,318
Losses on derecognition	20	0	0	0	20
Impairment losses	0	836	0	0	836
Total expense in Surplus/Deficit on the Provision of Services	28,338	836	0	0	29,174
Interest Income	0	-1,670	0	0	-1,670

NOTES TO THE MAIN FINANCIAL STATEMENTS
KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2018/19

Gains on derecognition	0	0	0	0	0
Total income in Surplus/Deficit on the Provision of Services	0	-1,670	0	0	-1,670
Gains on revaluation	0	0	0	0	0
Net gain(-)/loss for year	28,338	-834	0	0	27,504

Offsetting Financial Assets and Liabilities

The Council has legal right of offset on its current account banking arrangements and as at 31 March 2019 had a credit balance of £0.9 million at the bank (£1.0 million 31 March 2018) offset by a debit balance of £0.9 million (£0.9 million 31 March 2018).

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 2019 was £1.4 million (£1.4 million 31 March 2018). 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 2019		31 March 2018	
		Carrying amount	Fair value	Carrying amount	Fair value
		£000	£000	£000	£000
Borrowings					
PWLB	2	-278,633	-391,383	-289,672	-402,782
LOBOs	2	-77,329	-115,320	-77,340	-117,352
Long Term Loans & Loan Stock	2	-38,063	-58,836	-50,669	-59,952
PFI, Transferred Debt & Finance Lease Liabilities					
PFI, Transferred Debt & Finance Lease Liabilities	2	-106,263	-153,974	-111,289	-160,283
Long-term debtors	2	25,665	25,616	26,610	35,182

The fair values have been estimated by calculating the net present value of the remaining contractual cash flows at 31 March 2019, 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 2019.
- 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 2019) 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.
- Re financing risk - the possibility that the Council might not have funds available to meet its commitments to make payments.
- Market risk – the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates and other financial market movements.

The Council's overall risk management programme focuses on minimising any potential adverse effects on the resources available to fund services. Procedures for risk management on treasury management are set out in the Local Government Act 2003 and associated regulations. As directed by the Act, the Council has formerly adopted the CIPFA Treasury Management Code of Practice and complies with the CIPFA Prudential Code. As part of the adoption of the Treasury Management Code, the Council approves a Treasury Management Strategy before the commencement of the year to which it relates, and sets out the parameters for the management risks associated with financial instruments. The Service Director - Finance, 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.

Full details of the Council's Treasury Management Strategy for 2018/19 can be found on the Council's website.

The strategy also includes an Annual Investment Strategy for the forthcoming year, setting out the Council's criteria for both investing and selecting investment counterparties in compliance with Government guidelines together with guidance from Arlingclose Limited, its Treasury Management advisor.

Credit risk

Credit risk arises from deposits with banks and other financial institutions, as well as credit exposures to the council's customers. The risk is minimised through the Annual Investment Strategy which requires that deposits are not made with counterparties unless they meet the minimum criteria set out in the strategy and also considers the maximum time and amounts of investments with each institution.

The full Investment Strategy for 2018/19 was approved by the Council on 30 January 2018 and is available on the Council’s website.

At the year end, the Council held investments of £39.0 million for cash purposes, made up of cash equivalents and short-term investments (£36.1 million and nil respectively 31 March 2018). 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 2018/19.

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 2019, the Council had a balance owing from its customers (mainly services and rent) of £30.4 million (£31.8 million 31 March 2018). The exposure to default has been assessed and is reflected in an impairment provision of £3.0 million (£3.0 million 31 March 2018). Of the trade debtors outstanding as at 31 March 2019 (£14.9 million), 74% (62% 2017/18) relate to outstanding debt due within 90 days of the Balance Sheet date, 7% (6% 2017/18) within 90-180 days and 19% (32% 2017/18) 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 2019	31 March 2018
	£000	£000
Less than one year	-15,715	-25,248
Between 1 and 2 years	-14,493	-10,348
Between 2 and 5 years	-21,656	-20,952
Between 5 and 10 years	-404	-15,580
Between 10 and 15 years	-16,191	-16,186
More than 15 years	-330,049	-329,394
	-398,508	-417,708

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.

Refinancing risk

Refinancing risk relates to managing the replacement of longer term maturing financial instruments. The Council maintains a significant debt and investment portfolio which is managed in accordance

with the Treasury Management Strategy to ensure that any refinancing risk relating to both longer term liabilities and longer term assets are managed in accordance with the Council's cashflow.

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 2019, investments held by the Council for cashflow purposes were at both fixed and variable rates, with 70% being at variable rate for 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 2019 was £76.6 million, which equates to 20% 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 £94 million.

The fair value of fixed rate borrowings would decrease by around £94 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 2019	31 March 2018
	£000	£000
Kirklees College	15,856	15,697
PFI Prepayments (i)	3,259	3,055
Finance Leases (ii)	3,409	3,411
Charges on Property for Residential Care	1,104	1,802
Renewable Energy	1,894	1,824
Other	852	854
	26,374	26,643
Impairment Provision	-709	-33
Net Long Term Debtors	25,665	26,610

(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 2019	31 March 2018
	£000	£000
Central government bodies	11,195	10,340
Other local authorities	3,262	1,924
NHS bodies	5,919	8,005
Public corporations and trading funds	0	0
Other entities and individuals	52,816	48,992
	73,192	69,261
Bad Debt Provision – Other entities and individuals	-18,070	-16,557
Net Short Term Debtors	55,122	52,704

22 Cash and Cash Equivalents

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

	31 March 2019	31 March 2018
	£000	£000
Cash held by the Council	23	31
Bank current accounts	2,105	3,857
Instant access deposit accounts/investments that mature within 90 days or less	39,097	36,130
	41,225	40,018
Cash in transit	2,268	1,965

NOTES TO THE MAIN FINANCIAL STATEMENTS
KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2018/19

BACs payments and cheques not yet cleared	-4,104	-9,834
Total Cash and Cash Equivalents	39,389	32,149

23 Short Term Creditors

	31 March 2019	31 March 2018
	£000	£000
Central government bodies	-16,324	-12,086
Other local authorities	-1,538	-1,233
NHS bodies	-940	-995
Public corporations and trading funds	0	0
Other entities and individuals	-68,817	-66,785
Total	-87,619	-81,099

24 Provisions

	Insurance	Business Rate Appeals	Other	Total
	£000	£000	£000	£000
Balance at 1 April 2018	-9,573	-5,650	0	-15,223
Additional provision made in 2018/19	-4,056	0	-44	-4,100
Amounts used in 2018/19	3,619	898	0	4,517
Amounts reversed in 2018/19	3	0	0	3
Balance at 31 March 2019	-10,007	-4,752	-44	-14,803

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 2019	-3,945	-10,858	-14,803
Balance at 1 April 2018	-3,927	-11,296	-15,223

25 Other Long Term Liabilities

	31 March 2019	31 March 2018 Restated
	£000	£000
Deferred Liabilities (mainly outstanding PFI finance lease obligations)	-100,026	-105,967
Net Liability Related to Defined Benefit Pension Scheme	-738,134	-611,782
Long Term Provisions	-10,858	-11,296
PFI Deferred Income	-2,149	-2,686
Total	-851,167	-731,731

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 2019	31 March 2018 Restated
	£000	£000
Capital Adjustment Account	-663,874	-660,024
Revaluation Reserve	-169,375	-162,897
Pensions Reserve	738,134	611,782
Available for Sale Financial Instruments Reserve	-1,291	-1,061
Financial Instruments Adjustment Account	3,299	3,707
Deferred Capital Receipts Reserve	-3,411	-3,413
Collection Fund Adjustment Account	-7,077	-2,432
Accumulated Absences Account	11,077	11,287
Total Unusable Reserves	-92,518	-203,051

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.

	2018/19	2017/18
	£000	£000
Balance at 1 April	-660,024	-651,904
<u>Capital financing applied in the year:</u>		
Use of Capital Receipts Reserve to finance new capital expenditure	-5,612	-6,549
Use of Capital Receipts Reserve to repay debt	-716	-3,900
Use of the Major Repairs Reserve to finance new capital expenditure	-8,985	-12,616
Capital grants and contributions credited to the CIES that have been applied to capital financing	-23,087	-17,443
Application of grants to capital financing from the Capital Grants Unapplied Account	-6,717	-9,730
Statutory provision for the financing of capital investment charged against the General Fund, HRA Balances and Major Repairs Reserve	-12,721	-12,868
Capital expenditure charged against the General Fund and HRA Balances	-8,339	-1,791
	-726,201	-716,801
Charges for depreciation and impairment of non-current assets	56,038	56,346
Amortisation of intangible assets	109	1,493
Revaluation losses on PPE	10,495	4,893
Revaluation gains on PPE	-30,898	-12,049
Movements in the market value of Investment Property	-8,193	-23,376
Income in relation to donated assets credited to CIES	0	-6,785
Revenue expenditure funded from capital under statute (REFCUS)	16,704	18,964
Amounts of non-current assets written off on disposal or sale	23,416	17,444
Adjusting amounts written out of the Revaluation Reserve	-6,320	-3,623
Deferred Income written down - Waste PFI	-537	-537
Long-term debtors written down	834	4,007
Financial Instruments impairment charge	679	0
Balance at 31 March 2019	-663,874	-660,024

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.

	2018/19	2017/18
	£000	£000
Balance at 1 April	-162,897	-173,361
Upward revaluation of assets	-20,176	-9,745
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	7,378	16,586
Sub Total	-175,695	-166,520
Difference between fair value depreciation and historical cost depreciation	3,916	2,404
Accumulated gains on assets sold or scrapped	2,404	1,219
Balance at 31 March 2019	-169,375	-162,897

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.

	2018/19			2017/18		
	LGPS	Teachers	Total	LGPS	Teachers	Total
	£000	£000	£000	£000	£000	£000
Balance at 1 April	555,178	56,604	611,782	498,684	57,663	556,347

NOTES TO THE MAIN FINANCIAL STATEMENTS
KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2018/19

Pension cost payable to Pension Fund	-32,090	-3,567	-35,657	-32,794	-3,605	-36,399
Actuarial gain/loss (-)	64,211	1,794	66,005	20,200	1,093	21,293
Reversal of IAS19 entries	94,578	1,426	96,004	69,088	1,453	70,541
Balance at 31 March 2019	681,877	56,257	738,134	555,178	56,604	611,782

28 Cash Flow - Operating Activities

The cash flows for operating activities include the following items:

	2018/19	2017/18
	£000	£000
Interest received	-1,584	-1,437
Interest paid	27,460	28,341
Dividend received	-317	-684

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

	2018/19	2017/18
	£000	£000
Pension adjustments	-60,347	-34,142
Depreciation, impairment and amortisation	-54,787	-57,087
Revaluation gains/losses	28,596	30,532
Carrying amount of non-current assets sold	-23,416	-17,445
Movements on -		
Provisions	420	-1,057
Inventories	685	-927
Revenue debtors (including bad debt provision)	1,226	3,532
Revenue creditors	-13,020	-934
Other	-190	6,804
Total non-cash movements	-120,833	-70,724

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

	2018/19	2017/18
	£000	£000
Capital grants	21,715	22,836
Proceeds from the sale of PPE, investment property and intangible assets.	13,399	14,640
Total	35,114	37,476

Cash Flow - Reconciliation of Liabilities arising from Financing Activities

	2018/19			2017/18				
	At 1.4.18	Financing cashflows	Non cash changes	At 31.3.19	At 1.4.17	Financing cashflows	Non cash changes	At 31.3.18
	£000	£000	£000	£000	£000	£000	£000	£000
Long term borrowing	392,458	-3,366	24	389,116	400,498	-8,062	22	392,458
Short term borrowings	25,250	-14,058	-2	11,190	42,404	-17,152	-2	25,250
PFI & lease liabilities	111,289	-5,024		106,265	116,553	-5,264		111,289
Other - NNDR & Coll fund	2,432	-6,115	10,760	7,077	1,707	7,308	-6,583	2,432
Total liabilities from fin activities	531,429	-28,563	10,782	513,648	561,162	-23,170	-6,563	531,429

31 Trading Operations

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

	2018/19			2017/18		
	Turnover	Expenditure	Surplus(-)/Deficit	Turnover	Expenditure	Surplus(-)/Deficit
	£000	£000	£000	£000	£000	£000
Cleaning of Buildings	-6,421	7,419	998	-6,508	7,388	880
Catering	-19,740	20,157	417	-19,768	19,893	125
Looking Local	0	0	0	-547	834	287
Building Control	-880	878	-2	-792	737	-55
Markets	-1,981	1,845	-136	-1,683	1,585	-98
Trade Refuse	-3,962	3,865	-97	-3,814	3,340	-474
Car Parking	-4,151	2,072	-2,079	-4,120	2,364	-1,756
Commercial Estates	-3,302	1,615	-1,687	-3,594	1,855	-1,739
Total	-40,437	37,851	-2,586	-63,856	61,609	-2,247

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.

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:

	2018/19	2017/18
	£000	£000
Net surplus on trading operations	-2,586	-2,247
Internal Trading surpluses/deficits recharged back to CIES Expenditure	-1,097	-1,819
Rentals Received and Expenses Incurred on Investment Property	1,687	1,739
Net gains in Net Cost of Services	-1,996	-2,327

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

	2018/19	2017/18
	£000	£000
Cleaning of Buildings – charge to various services	-1,097	-963

Additional Information Relating to Trading Operations

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

32 External Audit Costs

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

	2018/19	2017/18
	£000	£000
For external audit services	122	159
PSAA Refund	-	-24
For the certification of grant claims and returns	30	28
Other assurance work	19	16
Total	171	179

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.

NOTES TO THE MAIN FINANCIAL STATEMENTS
KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2018/19

Integrated Community Equipment Service	2018/19	2017/18
	£000	£000
<u>Funding provided to the pooled budget</u>		
Kirklees Council	-2,128	-2,096
Greater Huddersfield CCG	-1,018	-1,000
North Kirklees CCG	-837	-823
Total Funding	-3,983	-3,919
<u>Expenditure met from the pooled budget</u>		
Kirklees Council	1,542	1,582
Greater Huddersfield CCG	868	890
North Kirklees Clinical CCG	674	691
Total Expenditure	3,084	3,163
Net surplus arising on pooled budget during the year	-899	-756
Council share of the net surplus arising on the pooled budget	-586	-514

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	2018/19	2017/18
	£000	£000
<u>Funding provided to the pooled budget</u>		
Kirklees Council	-21,341	-17,793
Greater Huddersfield CCG	-15,296	-15,012
North Kirklees CCG	-12,337	-12,107
Total Funding	-48,974	-44,912
<u>Expenditure met from the pooled budget *</u>		
Kirklees Council	38,526	34,429
Greater Huddersfield CCG	5,951	5,951
North Kirklees CCG	4,497	4,532
Total Expenditure	48,974	44,912
Net surplus arising on pooled budget during the year	0	0
Council share of the net surplus arising on the pooled budget	0	0

* The expenditure shown against the Council for 2017-18 has been amended in the table above to better reflect the commissioning arrangements.

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 (£)	2018/19		2017/18	
	Teachers	Other	Teachers	Other
50,000 - 54,999	93	39	50	23
55,000 - 59,999	53	10	37	25
60,000 - 64,999	47	16	26	8
65,000 - 69,999	25	2	18	3
70,000 - 74,999	11	6	14	3
75,000 - 79,999	9	0	4	0
80,000 - 84,999	3	2	1	3
85,000 - 89,999	1	1	0	1
90,000 - 94,999	0	0	0	1
95,000 - 99,999	1	3	2	2
100,000 - 104,999	1	1	0	0
105,000 - 109,999	2	2	1	0
110,000 - 114,999	0	1	0	0
115,000 - 119,999	0	1	0	1
120,000 - 124,999	0	1	0	0
125,000 - 129,999	0	1	0	2
130,000 - 134,999	0	0	0	0
135,000 - 139,999	0	0	0	0
140,000 - 144,999	0	0	0	0
145,000 - 149,999	0	0	0	0
150,000 - 154,999	0	1	0	1
155,000 - 159,999	0	0	0	0
Total	246	87	153	73

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

It should be noted that 3 employees received redundancy payments in 2018/19 (2017/18 16 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

NOTES TO THE MAIN FINANCIAL STATEMENTS
KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2018/19

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
	£	£	£	£	£
2018/19					
Chief Executive – Jacqui Gedman	153,442	0	153,442	24,704	178,146
Strategic Director Adults & Health	129,056	0	129,056	20,778	149,834
Strategic Director Children & Families (1)					
Strategic Director Children & Families (2)	42,960	0	42,960	6,917	49,877
Strategic Director Economy & Infrastructure (3)	123,189	0	123,189	19,833	143,022
Strategic Director Corporate Strategy, Commissioning & Public Health (4)	118,450	0	118,450	19,070	137,520
Service Director – Governance & Commissioning (Monitoring Officer)	98,393	0	98,393	15,841	114,234
Service Director – Finance (s151 Officer) (5)	83,349	0	83,349	13,419	96,768
Director of Communities, Transformation & Change (6)	7,517	10,909	18,426	1,210	19,636
2017/18					
Chief Executive – Jacqui Gedman	150,361	0	150,361	24,208	174,569
Strategic Director Adults & Health	126,465	0	126,465	20,361	146,826
Strategic Director Children & Families (1)					
Strategic Director Economy & Infrastructure (3)	22,551	0	22,551	3,630	26,181
Temporary Director of Public Health and (Acting) Strategic Director Corporate Services (4)	94,352	0	94,352	16,660	111,012
Service Director – Governance & Commissioning (Monitoring Officer)	96,416	0	96,416	15,523	111,939
(Acting) Service Director – Finance, Transactional Services (5)	2,519	0	2,519	403	2,922
Director of Communities, Transformation & Change (6)	74,153	0	74,153	11,939	86,092

- (1) Prior to the appointment of the Strategic Director Children & Families (see note 2 below) the position was assigned to an employee who is employed and paid by Leeds City Council as part of a Strategic Partnership Agreement (Improvement Plan) between the Council and Leeds City Council. A payment is then made by the Council to Leeds City Council to cover the salary costs. The payment made for the period includes salary payment of £125,535 (2017-18: £110,174) and employers pension contributions of £20,342 (2017-18: £17,187).
- (2) The Strategic Director for Children & Families was appointed on the 3rd December 2018 the annualised salary is £132,885.
- (3) The Strategic Director for Economy & Infrastructure was appointed on the 1st February 2018
- (4) The Strategic Director Corporate Strategy, Commissioning & Public Health was substantively appointed to the position of on the 22nd January 2019 following an acting up arrangement as the Temporary Director of Public Health and (Acting) Strategic Director Corporate Services.
- (5) The Service Director – Finance was substantively appointed to the position on the 12th September 2018 following an acting up arrangement from 19th March 2018.
- (6) The Director of Communities, Transformation & Change left the authority on 15th May 2018, prior to that they had been on secondment with a neighbouring authority since 14 November 2016.
- (7) No added years pensions were provided for Senior Officers.

It should be noted that the 2017/18 figures for senior officers emoluments only relate to individuals who continued to be employed in 2018/19 and will exclude those who left the Council in 2017/18. 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)
				£000	£000	£000
2018/19						
£0 - £20,000	0	3	3	16	15	1
£20,001 - £40,000	0	3	3	73	56	17
£40,001 - £60,000	0	0	0	0	0	0
£60,001 - £80,000	0	0	0	0	0	0
£80,001 - £100,000	0	1	1	86	26	59
£100,001 - £150,000	0	1	1	146	36	111
£150,001 - £200,000	0	0	0	0	0	0
Total	0	8	8	321	133	188
2017/18						
£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

NOTES TO THE MAIN FINANCIAL STATEMENTS
KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2018/19

£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

The figures for 2018/19 include 1 employee (2017/18 2 employees), who had not left the Council as at 31 March 2018, but had agreed a package offer. The estimated cost of this package is £30k (31 March 2018 £200k).

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 2018/19 before Academy recoupment			-349,471
Academy figure recouped for 2018/19			107,396
Total DSG after Academy recoupment for 2018/19			-242,075
Plus brought forward from 2017/18			-891
Less carry forward to 2019/20 agreed in advance			0
Agreed budgeted distribution for 2018/19	-40,354	-202,612	-242,966
In year adjustments	2,099	-2,399	-300
Final budgeted distribution for 2018/19	-38,255	-205,011	-243,266
Less actual central expenditure	46,045		46,045
Less actual ISB deployed to schools		207,202	207,202
Plus Council contribution for 2018/19	-8,057	-2,191	-10,248
Total carry forward to 2019/20	-267	0	-267

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 5 material disclosures to declare for 2018/19, 3 relating to Elected Members and a chief officer. The material disclosures are mentioned below. It should be noted that all members' financial and other interests which could conflict with those of the Council are open to public inspection as required by regulation. Members are also required to disclose personal and prejudicial interests in matters being considered at meetings at which they are present. Officers also have a duty to declare any interests which could conflict with those of the Council.

NOTES TO THE MAIN FINANCIAL STATEMENTS
KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2018/19

A Councillor worked as a solicitor for a local housing association. In 2018/19, the Council made payments of £0.366 million to the association and received £0.016 million from the association.

A Councillor was a Non-Executive Director of Yorkshire Water Services Ltd. During 2018/19, the Council made payments of £0.965 million to the company and received £0.215 million from the company.

A Councillor's partner was the manager of an independently run local community centre. In 2018/19, the Council made payments of £0.097 million to the centre and received £0.001 million from the centre.

A service director was a director for a social enterprise delivering a range of local services and facilities for the benefit of residents in a local ward of Huddersfield. In 2018/19 the Council made payments of £0.449 million to the enterprise and received £0.002 million from the enterprise.

A deputy director's partner was a director of a training and consultancy company. The Council made payments of £0.061 million to the company in 2018/19.

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	
	2018/19	2017/18	2018/19	2017/18	31 March 2019	31 March 2018
	£000	£000	£000	£000	£000	£000
Kirklees Henry Boot Partnership Limited	-1	-1	0	0	0	0
Calderdale and Kirklees Careers Service	-91	-64	2,309	2,105	-198	-143
Kirklees Active Leisure	-1,171	-1,348	1,816	1,899	32	136
Kirklees Community Association	-92	-117	0	0	13	19
Kirklees Theatre Trust	-23	-11	214	208	5	0
Kirklees Music School	-7	-8	2	7	0	0
Media Centre Network Ltd	0	0	0	21	0	0
Yorkshire Energy Services	-61	-69	6	3	11	9
Locala Community Partnerships	-906	-795	15,435	15,422	187	137
Spenborough Co-operative Trust	-4	-1	1	1	3	1
YHGfL Foundation *	0	0	0	0	0	32

* The YHGfL foundation company is in creditors voluntary liquidation.

The Council has given a loan to Media Centre Network Ltd. As at 31 March 2019, £0.203 million was outstanding (£0.203 million as at 31 March 2018).

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 2018/19 amounted to £19.8 million (2017/18 £20.0 million). Certain Parish Councils have also invested funds with the Council. As at 31 March 2019, £0.491 million (£0.447 million at 31 March 2018) 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:

	2018/19	2017/18
	£000	£000
Credited to Taxation and Non Specific Grant Income		
Revenue Support Grant (RSG)	0	-32,763
NNDR Top up Grant	0	-26,676
PFI Grants	-11,359	-11,359
Education Services Grant	0	-1,246
New Homes Grant	-4,661	-7,342
Small Businesses Rate Relief	-16,490	-7,047
Other Non-Specific Grants (under £2 million)	-4,815	-4,576
<u>Grants and Contributions related to capital financing which cannot be identified to particular services or assets</u>		
Standards Fund	-4,716	-6,777
Local Transport Plan (LTP)	-10,071	-7,903
Donated Income	0	-6,785
Other Capital Grants and Contributions (under £2 million)	-7,465	-8,694
Total	-59,577	-121,168
Credited to Services		
<u>Revenue</u>		
Dedicated Schools Grant	-242,375	-240,983
DWP – Rent Allowance	-49,048	-58,587
DWP – Rent Rebate	-40,861	-48,718
Department of Health Grant (Public Health)	-25,987	-28,541
Clinical Commissioning Groups (CCGs)	-17,114	-16,604
Pupil Premium Grant	-14,011	-14,257
PFI Grant (ring fenced to HRA)	-7,912	-7,912
Universal Infant Free School Meals Grant	-4,520	-4,626
Improved Better Care Fund (IBCF)	-7,104	-8,259
Additional Better Care Fund (ABCF)	-5,298	0
Other Revenue Grants and Contributions (under £2 million)	-29,907	-22,313
<u>Capital (REFCUS)</u>		
Standards Fund	-7,347	-8,032
Disabled Facilities Grant	-3,314	-2,996
Various Capital Grants and Contributions (under £2 million)	-713	-247
Total	-455,511	-462,075
Total Grants in CIES	-515,088	-583,243

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.

	2018/19	2017/18
	£000	£000
<i>Opening Capital Financing Requirement</i>	710,343	711,323
<u>Capital Investment</u>		
Property, Plant and Equipment	52,405	43,613
Heritage Assets	0	0
Investment Property	152	137
Intangible Assets	587	287
Revenue Expenditure Funded from Capital under Statute	16,704	18,964
Loans and Investments	421	918
<u>Sources of Finance</u>		
Capital Receipts	-5,612	-6,549
Government Grants and Other Contributions	-29,804	-27,173
Major Repairs Reserve	-8,985	-12,617
Direct Revenue Contributions	-8,339	-1,791
<u>To repay debt:</u>		
Minimum Revenue Provision	-5,527	-9,531
Major Repairs Reserve	-7,511	-3,338
Capital Receipts	-716	-3,900
<i>Closing Capital Financing Requirement</i>	714,118	710,343
<u>Explanation of movements in year</u>		
Increase in underlying need to borrow:		
PFI Finance Lease Liability	300	324
Other	17,229	15,465
Provision for Repayment of Debt	-13,754	-16,769
<i>Increase in Capital Financing Requirement</i>	3,775	-980

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 2019	31 March 2018
	£000	£000
Cost or valuation		
At 1 April	12,524	14,804
Additions & Transfers	35	290
Revaluation decreases recognised in the Revaluation Reserve	0	-2,424
Revaluation decreases recognised in the provision of services	0	-146
At 31 March	12,559	12,524
Depreciation and impairments		
At 1 April	-365	-810
Depreciation charge	-262	-375
Depreciation written out to the Revaluation Reserve	0	801
Depreciation written out to the provision of services	0	19
At 31 March	-627	-365
Net Book Value as at 31 March	11,932	12,159

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 2019	31 March 2018
	£000	£000
Finance lease liabilities (net present value of minimum lease)		
Non-current	1,049	1,049
Finance costs payable in future years	6,331	6,421
Minimum lease payments	7,380	7,470

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

	Minimum Lease Payments		Finance Lease Liabilities	
	31 March 2019	31 March 2018	31 March 2019	31 March 2018
	£000	£000	£000	£000
Not later than one year	90	90	0	0
Later than one year and not later than five years	360	360	0	0
Later than five years	6,930	7,020	1,049	1,049
	7,380	7,470	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 2019 £000	31 March 2018 £000
Finance lease debtor (net present of value of minimum lease payments):		
Non-current	3,411	3,413
Unearned finance income	15,108	15,381
Gross investment in the lease	18,519	18,794

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 2019 £000	31 March 2018 £000	31 March 2019 £000	31 March 2018 £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	17,144	17,419	17,144	17,419
	18,519	18,794	18,519	18,794

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.

NOTES TO THE MAIN FINANCIAL STATEMENTS
KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2018/19

The value of the assets leased out is as follows:

	31 March 2019 £000	31 March 2018 £000
Cost or valuation		
At 1 April	155,245	142,291
Additions	1,387	695
Revaluation decreases recognised in the Revaluation Reserve	-423	-1,117
Revaluation increase/decrease recognised in provision of services	5,158	12,956
De-recognition - disposals	-188	-1,574
De-recognition - other	0	0
Other movements in cost or valuation (re-classifications)	-491	1,994
At 31 March	160,688	155,245
Depreciation and impairments		
At 1 April	-3,747	-1,980
Depreciation and impairment charge for year	-5,536	-1,963
Depreciation written out to the Revaluation Reserve	189	241
Depreciation written out to the Surplus/Deficit to Services	260	0
De-recognition - disposals	0	0
De-recognition - other	0	-45
At 31 March	-8,834	-3,747
Net Book Value at 31 March	151,854	151,498

The Council received £5 million in rent on operating leases in 2018/19 (£5.4 million 2017/18).

The following shows commitments relating to non-cancellable contracts:

	31 March 2019 £000	31 March 2018 £000
Not later than one year	1,763	1,953
Later than one year and not later than five years	3,136	3,178
Later than five years	2,544	2,727
	7,443	7,858

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 2019/20	22,579	7,485	6,119	1,673	37,856
Between 2020/21 to 2023/24	87,976	25,417	23,470	6,948	143,811
Between 2024/25 to 2028/29	84,728	22,681	30,618	8,964	146,991
Between 2029/30 to 2033/34	76,967	8,500	45,850	6,486	137,803
In 2034/35	770	5	1,670	0	2,445
	273,020	64,088	107,727	24,071	468,906

The value of assets held under all schemes:

	2018/19 £000	2017/18 £000
Net Book Value at 1 April	82,234	82,016
Additions	924	2,307
Revaluations net of depreciation written back	-10,604	382
Disposals	-2,616	0
Depreciation	4,522	-2,471
Net Book Value at 31 March	74,460	82,234

The value of liabilities for all schemes:

	2018/19 £000	2017/18 £000
At 1 April	-107,168	-112,301
Movement in the year	4,898	5,133
At 31 March	102,270	-107,168

a) Waste Disposal Services

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

The Council incurred costs of £12.5 million under the contract in 2018/19 (2017/18 £11.8 million) and received £3.2 million in PFI Grant (2017/18 £3.2 million). Details of estimated payments due to be made are as follows:

NOTES TO THE MAIN FINANCIAL STATEMENTS
KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2018/19

	Service Charges £000	Interest Charges £000	Repayments Of Liability £000	Total £000
In 2019/20	9,331	456	1,413	11,200
Between 2020/21 to 2022/23	28,157	723	4,720	33,600
	37,488	1,179	6,133	44,800

The estimated payments for service charges are based on expected tonnages and 2018/19 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 2019 was £2.1 million (31 March 2018 £2.7 million).

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

	2018/19 £000	2017/18 £000
Net Book Value at 1 April	16,101	16,779
Additions	0	58
Revaluations net of depreciation written back	0	0
Depreciation	-740	-736
Net Book Value at 31 March	15,361	16,101

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

	2018/19 £000	2017/18 £000
At 1 April	-7,551	-8,914
Movement in the year	1,420	1,363
At 31 March	-6,131	-7,551

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.

NOTES TO THE MAIN FINANCIAL STATEMENTS
KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2018/19

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 £14.7 million under the contract in 2018/19 (2017/18 £14.9 million) and received £5.9 million in PFI Grant (2017/18 £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 2019/20	9,677	2,572	1,742	1,191	15,182
Between 2020/21 to 2023/24	43,189	9,197	5,409	5,581	63,376
Between 2024/25 to 2028/29	58,767	8,719	10,738	7,472	85,696
Between 2029/30 to 2033/34	55,130	3,115	17,541	6,123	81,909
	<u>166,763</u>	<u>23,603</u>	<u>35,430</u>	<u>20,367</u>	<u>246,163</u>

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:

	2018/19 £000	2017/18 £000
Net Book Value at 1 April	49,753	49,226
Additions	565	1,890
Revaluations	-9,636	0
Disposals	-2,616	0
Depreciation	5,047	-1,363
Net Book Value at 31 March	43,113	49,753

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

	2018/19 £000	2017/18 £000
At 1 April	-36,583	-37,933
Movement in the year	1,152	1,350
At 31 March	-35,431	-36,583

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.

NOTES TO THE MAIN FINANCIAL STATEMENTS
KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2018/19

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 2018/19 (£2.8 million in 2017/18) and received £2.2 million in PFI Grant (2017/18 £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 2019/20	1,230	653	357	482	2,722
Between 2020/21 to 2023/24	5,258	2,188	2,059	1,367	10,872
Between 2024/25 to 2028/29	7,316	1,711	3,161	1,492	13,680
Between 2029/30 to 2031/32	3,887	266	2,194	363	6,710
	17,691	4,818	7,771	3,704	33,984

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:

	2018/19 £000	2017/18 £000
Net Book Value at 1 April	4,339	4,367
Additions	59	93
Revaluations	-1,313	0
Disposals	0	0
Depreciation	470	-121
Net Book Value at 31 March	3,555	4,339

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

	2018/19 £000	2017/18 £000
At 1 April	-8,137	-8,629
Movement in the year	365	492
At 31 March	-7,772	-8,137

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 2018/19, the Council paid £14.3 million (2017/18 £14.6 million) in respect of teachers' retirement benefits, representing 16.5% (2017/18 16.5%) of pensionable pay. Payments of £1.8m were owing to the scheme as at 31 March 2019 (31 March 2018 £0 million). As a proportion of the total contributions to the scheme during the year ending 31 March 2019, the Council's contribution equated to approximately 0.23% (2017/18 0.26%).
- 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 2018/19, the Council paid £0.1 million (2017/18 £0.2 million) to the NHSBSA, representing 14.5% (2017/18 14.4%) of pensionable pay. As a proportion of the total contributions to the Scheme during the year ending 31 March 2019, the Council's contribution equated to approximately 0.001% (2017/18 0.001%).

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

Transactions Relating to Retirement Benefits

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

NOTES TO THE MAIN FINANCIAL STATEMENTS
KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2018/19

	LGPS		Teachers	Total
	Funded	Unfunded		
	£000	£000	£000	£000
2018/19				
Comprehensive Income and Expenditure Statement				
<u>Cost of Services:</u>				
Current service cost	56,833	0	0	56,833
Past service cost	23,725	0	0	23,725
Settlements and Curtailments	0	0	0	0
<u>Financing and Investment income and Expenditure:</u>				
Net interest expense	13,289	731	1,426	15,446
Total Post-employment Benefits charged to the Surplus/Deficit on the Provision of Services	93,847	731	1,426	96,004
<u>Remeasurement of the net defined benefit liability comprising:</u>				
Return on plan assets (excluding the amount included in the net interest expense)	-59,909	0	0	-59,909
Actuarial gains and losses arising on changes in demographic assumptions	0	0	0	0
Actuarial gains and losses arising on changes in financial assumptions	125,731	749	1,634	128,114
Actuarial gains and losses due to liability experience	-2,442	82	160	-2,200
Total Post Employment Benefit charged to the CIES	157,227	1,562	3,220	162,009
Movement in Reserves Statement				
Reversal of net charges made to the Surplus/Deficit on the Provision of Services for retirement benefits	-93,847	-731	-1,426	-96,004
Actual amount charged against General Fund Balance for pensions in the year:				
Employers' contributions payable to scheme	29,966	2,124	0	32,090
Retirement benefits payable to pensioners	0	0	3,567	3,567

NOTES TO THE MAIN FINANCIAL STATEMENTS
KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2018/19

	LGPS		Teachers	Total
	Funded	Unfunded		
2017/18 Restated	£000	£000	£000	£000
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 Surplus/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)	-19,969	0	0	-19,969
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 CIES	88,000	1,289	2,546	91,835
Movement in Reserves Statement				
Reversal of net charges made to the Surplus /Deficit on the Provision of Services for	-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

NOTES TO THE MAIN FINANCIAL STATEMENTS
KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2018/19

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

	LGPS		Teachers	Total
	Funded	Unfunded		
2018/19	£000	£000	£000	£000
Opening balance 1 April 2018	-2,213,824	-29,181	-56,604	-2,299,609
Current Service Cost	-56,833	0	0	-56,833
Interest cost	-56,820	-731	-1,426	-58,977
Contributions by scheme participants	-11,273	0	0	-11,273
Remeasurement gain/loss(-):				
Arising on changes in demographic assumptions	0	0	0	0
Arising on changes in financial assumptions	-125,731	-749	-1,634	-128,114
Due to liability experience	2,442	-82	-160	2,200
Benefits/transfers paid	65,837	2,124	3,567	71,528
Past service costs	-23,725	0	0	-23,725
Net increase in liabilities from disposals/acquisitions	6,780	0	0	6,780
Settlements	0	0	0	0
Closing balance 31 March 2019	-2,413,147	-28,619	-56,257	-2,498,023
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

NOTES TO THE MAIN FINANCIAL STATEMENTS
KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2018/19

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

	31 March 2019	31 March 2018 Restated
	£000	£000
Opening balance 1 April	1,687,827	1,645,821
Interest income on assets	43,531	42,533
Remeasurement gains and losses	59,909	19,969
Employer contributions	29,966	30,622
Contributions by scheme participants	11,273	11,685
Benefits paid	-65,837	-62,454
Net increase in assets from disposals/acquisitions	-6,780	-349
Settlements	0	0
Closing balance 31 March	1,759,889	1,687,827

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 £103.4 million (2017/18 return of £62.5 million restated). 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 £14.4 billion for the Fund as a whole at 31 March 2019 (£13.8 billion at 31 March 2018). 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:

			2018/19	2017/18
	Quoted	Unquoted	Total	Total
	%	%	%	%
Equity investments	62.5	11.5	74.0	77.3
Government Bonds	11.2	0	11.2	9.4
Other Bonds	4.0	0	4.0	3.7
Property	0.2	4.5	4.7	4.5
Cash/ liquidity	0	2.3	2.3	1.8
Other	0	3.8	3.8	3.3
	77.9	22.1	100.0	100.0

NOTES TO THE MAIN FINANCIAL STATEMENTS
KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2018/19

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:

	2018/19			2017/18		
	LGPS		Teachers	LGPS		Teachers
	Funded	Unfunded		Funded	Unfunded	
Rate of inflation – RPI	3.30%	3.30%	3.30%	3.20%	3.20%	3.20%
Rate of inflation – CPI	2.20%	2.20%	2.20%	2.10%	2.10%	2.10%
Rate of increase in salaries	3.45%	n/a	n/a	3.35%	n/a	n/a
Rate of increase in pensions	2.20%	2.20%	2.20%	2.10%	2.10%	2.10%
Rate for discounting liabilities	2.40%	2.40%	2.40%	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	22.2	22.2	22.2	22.1	22.1	22.1
Women	25.4	25.4	25.4	25.3	25.3	25.3

Longevity at 65 for future pensioners:

Men	23.2	n/a	n/a	23.1	n/a	n/a
Women	27.2	n/a	n/a	27.1	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 £2,413 million and for projected service cost is £63.9 million.

NOTES TO THE MAIN FINANCIAL STATEMENTS
KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2018/19

	2018/19		2017/18	
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	2,369,173	2,457,937	2,173,482	2,254,915
% change in present value of total obligation	-1.8%	+1.9%	-1.8%	+1.9%
Projected service cost £k	62,065	65,823	55,981	59,469
Approximate % change in projected service cost	-2.9%	+3.0%	-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	2,422,440	2,403,944	2,222,370	2,205,361
% change in present value of total obligation	+0.4%	-0.4%	+0.4%	-0.4%
Projected service cost £k	63,921	63,921	57,703	57,703
Approximate % change in projected service cost	0.0%	0.0%	0.0%	0.0%
Rate of increase to pensions in payment and deferred pensions assumptions, and rate of revaluation of pension accounts assumption				
Adjustment to pension increase rate	+0.1% p.a.	-0.1% p.a.	+0.1% p.a.	-0.1% p.a.
Present value of total obligation £k	2,448,561	2,378,294	2,246,293	2,181,870
% change in present value of total obligation	+1.5%	-1.4%	+1.5%	-1.4%
Projected service cost £k	65,823	62,065	59,469	55,981
Approximate % change in projected service cost	+3.0%	-2.9%	+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	2,489,288	2,337,673	2,280,884	2,147,130
% change in present value of total obligation	+3.2%	-3.1%	+3.0%	-3.0%
Projected service cost £k	66,314	61,549	59,825	55,593
Approximate % change in projected service cost	+3.7%	-3.7%	+3.7%	-3.7%

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

Asset and Liability Matching Strategy

	2018/19	2017/18	2016/17	2015/16	2014/15
	£000	Restated £000	£000	£000	£000
Present value of liabilities:					
LGPS Funded	-2,413,147	-2,213,824	-2,114,440	-1,887,026	-1,909,580
LGPS Unfunded	-28,619	-29,181	-30,064	-29,630	-32,346
Teachers	-56,257	-56,604	-57,663	-56,019	-60,410
Fair value of assets in the LGPS	1,759,889	1,687,827	1,645,821	1,449,758	1,455,847
Deficit in the scheme:					
LGPS Funded	-653,258	-525,997	-468,619	-437,268	-453,733
LGPS Unfunded	-28,619	-29,181	-30,064	-29,630	-32,346
Teachers	-56,257	-56,604	-57,663	-56,019	-60,410
Total	-738,134	-611,782	-556,346	-522,917	-546,489

The net liabilities show the underlying commitments that the Council has in the long run to pay retirement benefits. The total liability of £738 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 2020 is £32.5 million. Additional contributions may also become due in respect of any employer discretions to enhance members' benefits in the Fund over the next accounting period.

GROUP ACCOUNTS

INTRODUCTION

The increasing diversity of service delivery vehicles used by local authorities over recent years has resulted in a requirement to produce Group Accounts. Rather than just using traditional types of service provision, many local authorities now form or invest in separate companies in the public and private sector. As these companies and investments are separate entities, they are not considered in the accounts of the Council. This can result in accounts that do not give a full picture of the services provided and the risks, rewards and costs taken on as a result.

The Group Accounts include:

- **Movement in Reserves Statement**
- **Comprehensive Income and Expenditure Statement**
- **Balance Sheet**
- **Cash Flow Statement**
- **Notes to the Accounts**

The Council's Group Accounts for 2018/19 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 2018/19, the Company made an operating deficit of £6.7 million (operating deficit £2.5 million 2017/18).

As at 31 March 2019, the Company had net current assets of £5.3 million (£4.0 million at 31 March 2018).

Kirklees Stadium Development Limited (KSDL)

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

GROUP ACCOUNTS
GROUP COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT
KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2018/19

Huddersfield Sporting Pride Limited holding 20% and Huddersfield Town Association Football Club Limited holding 40%.

Given the nature of KSDL's business, the ideal time for preparing accounts is during the football close season, giving the company a year end date of 31 July. In order to achieve a consolidation consistent with the Council's Balance Sheet date, KSDL management have provided management accounts as at 31 March 2019.

In 2018/19, 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 £0.1 million 2017/18). Similarly, as at 31 March 2019, the Company had net assets of £5.1 million (£5.6 million at 31 March 2018).

GROUP ACCOUNTS
GROUP COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT
KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2018/19

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.

	2018/2019			2017/2018 Restated		
	Gross	Gross	Net	Gross	Gross	Net
	Exp	Income	Exp	Exp	Income	Exp
	£000	£000	£000	£000	£000	£000
Child Protection & Family Support	63,479	-2,893	60,586	59,601	-1,975	57,626
Learning & Early Support	336,831	-297,333	39,498	333,546	-289,721	43,825
Quality, Assurance, Safeguarding	0	0	0	3,389	-524	2,865
Service Integration	9,660	-2,309	7,351	72,302	-13,610	58,692
Adults Social Care	93,471	-51,234	42,237	93,851	-50,909	42,942
Economy, Regeneration & Culture	28,058	-14,319	13,739	21,020	-10,003	11,017
Commercial, Regulatory & Op	87,072	-33,079	53,993	87,345	-38,634	48,711
Policy, Intelligence & Public Health	36,012	-32,723	3,289	33,635	-32,559	1,076
Office of the Chief Executive	11,008	-841	10,167	20,146	-3,453	16,693
Governance & Commissioning	3,086	-309	2,777	2,561	-127	2,434
Finance, IT & Transactional Services	118,038	-96,042	21,996	139,872	-112,942	26,930
Commissioning, Quality & Performance	75,825	-20,498	55,327	0	0	0
Central Budgets	56,892	-12,672	44,220	25,327	-295	25,032
HRA	28,523	-106,844	-78,321	29,512	-99,172	-69,660
Subsidiary (KNH)	54,014	-3,265	50,749	53,733	-1,064	52,669
Cost of Services	1,001,969	-674,361	327,608	975,840	-654,988	320,852
Other operating expenditure			14,224			9,441
Financing and investment income and expenditure			31,749			13,339
Taxation and non-specific grant income			-338,300			-330,016
Surplus(-)/Deficit on Provision of Services			35,281			13,616
Joint venture accounted for on an equity basis			477			-126
Tax expenses of subsidiary and joint venture			3			2
Group Surplus(-)/Deficit			35,761			13,492
Surplus(-)/Deficit on revaluation of PPE and Heritage assets			-12,798			-16,586
Impairment losses on non-current assets to the Revaluation Reserve			0			23,427
Surplus on revaluation of available for sale financial assets			-231			0
Remeasurements of the net defined benefit liability			68,894			19,189
Share of other comprehensive income and expenditure of joint venture			0			0
Other Comprehensive Income and Expenditure			55,865			26,030
Total Comprehensive Income and Expenditure			91,626			39,522

GROUP ACCOUNTS
GROUP COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT
KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2018/19

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
2018/19									
Balance at 31 March 2018	-88,783	-60,358	-35,917	-185,058	-203,051	-388,109	31,273	-4,173	-361,009
Movement in reserves during 2018/19									
Total Comprehensive Income and Expenditure	53,692	-70,054	0	-16,362	52,976	36,614	55,012	0	91,626
Adjustments between group and authority accounts	14,357	33,491	0	47,848	0	47,848	-47,848	0	0
Adjustments between accounting & funding basis under regulations	-84,238	35,139	-8,458	-57,557	57,557	0	0	0	0
Net Increase(-)/ Decrease	-16,189	-1,424	-8,458	-26,071	110,533	84,462	7,164	0	91,626
Balance at 31 March 2019 carried forward	-104,972	-61,782	-44,375	-211,129	-92,518	-303,647	38,437	-4,173	-269,383
2017/18 Restated									
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	28,135	-11,747	51,269	0	39,522
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	57,925	39,382	140	0	39,522
Balance at 31 March 2018 carried forward	-88,783	-60,358	-35,917	-185,058	-203,051	-388,109	31,273	-4,173	-361,009

GROUP ACCOUNTS
GROUP STATEMENT OF MOVEMENT IN RESERVES
KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2018/19

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 2019	31 March 2018 Restated	Note
	£000	£000	
Property, Plant & Equipment	1,348,593	1,339,568	
Heritage Assets	50,025	50,032	
Investment Property	124,087	118,355	
Intangible Assets	882	404	
Long Term Investments	4,372	3,720	
Investments in Joint Venture	5,158	5,634	
Long Term Debtors	25,665	26,610	
Long Term Assets	1,558,782	1,544,323	
Inventories	7,047	5,623	
Short Term Debtors	53,951	56,467	
Assets Held for Sale	2,415	2,668	
Cash and Cash Equivalents	43,311	34,608	G3
Current Assets	106,724	99,366	
Short Term Borrowing	-16,190	-25,250	
Short Term Creditors	-89,590	-87,236	
Other Short Term Liabilities	-6,239	-5,323	
Provisions	-3,945	-3,927	
Current Liabilities	-115,964	-121,736	
Long Term Borrowing	-384,115	-392,458	
Other Long Term Liabilities	-896,044	-768,486	G4
Long Term Liabilities	-1,280,159	-1,160,944	
Net Assets	269,383	361,009	
Usable Reserves	-172,692	-153,785	
Unusable Reserves	-96,691	-207,224	G5
Total Reserves	-269,383	-361,009	

GROUP ACCOUNTS
GROUP CASH FLOW STATEMENT
KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2018/19

GROUP CASH FLOW STATEMENT

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

	2018/19		2017/18		Note
	£000	£000	£000	£000	
Net surplus(-)/deficit on the provision of services		35,281		13,616	
Adjustments to net surplus/deficit on the provision of services for non-cash movements		-126,186		-67,455	
Adjustment for items included in the net surplus/ deficit on the provision of services that are investing and financing activities		35,114		37,476	
Net cash flows from Operating Activities		-55,791		-16,363	
Net cash flows from Investing Activities					
Purchase of PPE, investment property and intangible assets	52,817		39,885		
Purchase of short-term and long-term investments	421		3,718		
Proceeds from the sale of PPE, investment property and intangible assets	-13,398		-14,641		
Proceeds from short-term and long-term investments	-469		-11,741		
Other receipts from investing activities	-20,848	18,523	-23,007	-5,786	
Net cash flows from Financing Activities					
Cash receipts of short and long-term borrowing	-5,917		-95,223		
Other receipts from financing activities	0		0		
Cash payments for the reduction for the outstanding liabilities relating to finance leases and PFI contracts	5,024		5,264		
Repayments of short and long-term borrowing	23,341		120,437		
Other payments for financing activities	6,117	28,565	-7,308	23,170	
Net increase in cash and cash equivalents		-8,703		1,021	
Cash and cash equivalents at the beginning of the reporting period		34,608		35,629	G3
Cash and cash equivalents at the end of the reporting period		43,311		34,608	G3

Notes to the Group Accounts

The Council has only included notes which are materially different from the single entity disclosure notes

G1 Accounting Policies

The main accounting policies to which the Council now complies with under IFRS for Group Accounts are 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
2018/19									
Purchase of goods and services from subsidiary	14,357	33,491	0	47,848	0	47,848	-47,848	0	0
Total adjustments between Group Accounts and authority accounts	14,357	33,491	0	47,848	0	47,848	-47,848	0	0
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

G3 Cash and Cash Equivalents

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

	KNH	Council	Total
	£000	£000	£000
Cash held	4	23	27
Bank current accounts	185	2,105	2,290
Instant access interest accounts	3,905	39,097	43,002
	4,094	41,225	45,319
Cash in transit	0	2,268	2,268
BACs payments and cheques not yet cleared	-172	-4,104	-4,276
Total Cash and Cash Equivalents as at 31 March 2019	3,922	39,389	43,311
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 2018	2,459	32,149	34,608

G4 Other Long Term Liabilities

	KNH	Council	Total	2017-18 Restated
	£000	£000	£000	£000
Deferred Liabilities (mainly outstanding PFI finance)	0	-100,026	-100,026	-105,967
Net Liability Related to Defined Benefit Pension	-44,876	-738,135	-783,011	-648,537
Long Term Provisions	0	-10,858	-10,858	-11,296
PFI Deferred Income	0	-2,149	-2,149	-2,686
Total	-44,876	-851,168	-896,044	-768,486

G5 Unusable Reserves

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

	KSDL	Council	Total
	£000	£000	£000
Capital Adjustment Account	-4,173	-663,874	-668,047
Revaluation Reserve	0	-169,375	-169,375
Pensions Reserve	0	738,134	738,134
Other	0	2,597	2,597
Balance at 31 March 2019	-4,173	-92,518	-96,691
Capital Adjustment Account	-4,173	-660,024	-664,197
Revaluation Reserve	0	-162,897	-162,897
Pensions Reserve	0	545,634	545,634
Other	0	8,088	8,088
Balance at 31 March 2018 Restated	-4,173	-269,199	-273,372

G6 Related Party Transactions

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

Kirklees Neighbourhood Housing Limited

During 2018/19, KNH incurred costs of £9.2 million (2017/18 £7.3 million) for Council services including insurance and office accommodation.

The Council incurred costs of £39.1 million (2017/18 £39.5 million) in relation to KNH's management fee. At 31 March 2019, £0.0 million was outstanding (31 March 2018 £0.5 million).

Kirklees Stadium Development Limited

The Council made grant payments totalling £0.1 million to KSDL (2017/18 £0.1 million).

G7 Notes to the Cash Flow Statement

The cash flows of KNH are consolidated into the statement -

KNH - The Company has a Net Cash inflow of Operating Activities of £1.5 million (2017/18 £5.6 million Net Cash inflow).

G8 Pensions Disclosures:

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

	Council	KNH	Total
	£000		£000
2018/19			
Opening balance 1 April 2018	-2,299,609	-186,003	-2,485,612
Current Service Cost	-56,833	-7,552	-64,385
Interest cost	-58,977	-4,817	-63,794
Contributions by scheme participants	-11,273	-1,616	-12,889
Remeasurement gain/loss(-):			
Arising on changes in demographic assumptions	0	0	0
Arising on changes in financial assumptions	-128,114	-8,982	-137,096
Due to liability experience	2,200	-1,699	3,899
Benefits/transfers paid	71,528	3,189	74,817
Past service costs	-23,725	-762	-24,487
Net increase in liabilities from disposals/acquisitions	6,780	0	6,780
Settlements	0	0	0
Closing balance 31 March 2019	-2,498,023	-208,242	-2,706,265

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

	Council	KNH	Total
	£000		£000
Opening balance 1 April	1,687,827	149,248	1,837,075
Interest income on assets	43,531	3,913	47,444
Remeasurement gains and losses	59,909	7,780	67,689
Employer contributions	29,966	3,998	33,964
Contributions by scheme participants	11,273	1,616	12,889
Benefits paid	-65,837	-3,189	-69,026
Net increase in assets from disposals/acquisitions	-6,780	0	-6,780
Settlements	0	0	0
Closing balance 31 March	1,759,889	163,366	1,923,255

ADDITIONAL FINANCIAL STATEMENTS
HOUSING REVENUE ACCOUNT INCOME AND EXPENDITURE ACCOUNT AND STATEMENT OF
MOVEMENT ON THE HOUSING REVENUE ACCOUNT BALANCE
KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2018/19

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.

	2018/19	2017/18	Notes
	£000	£000	
Expenditure			
Repairs and maintenance	22,800	22,379	
Supervision and management	25,576	27,526	
Special services	1,730	1,569	
Rent, rates, taxes and other charges	614	266	
Depreciation of non-current assets	16,087	16,364	H1
Debt management costs	15	16	
Movement in the allowance for bad debts	829	923	
Revaluation losses on property, plant and equipment	5	0	H1
Total Expenditure	67,656	69,043	
Income			
Dwelling rents	-79,590	-81,406	
Non-dwelling rents	-227	-230	
Charges for services and facilities	-2,555	-2,772	
Contributions towards expenditure	0	0	
Grants and contributions	-7,925	-7,927	H10
Revaluation gains on property, plant and equipment	-22,189	-10,959	H1
Total Income	-112,486	-103,294	
Net Income(-) of HRA Services as included in the CIES	-44,830	-34,251	
HRA share of Corporate & Democratic Core	407	399	
HRA share of Non-distributed costs	28	27	
Net Income(-) of HRA Services	-44,395	-33,825	
HRA share of operating income and expenditure included in the CIES:			
Gain on sale of HRA non-current assets	-3,715	-3,464	H4
Interest payable and similar charges	12,530	12,875	
Interest and investment income	-337	-123	H1
Income and expenditure in relation to investment properties and changes in fair value	-484	-330	
Capital grants and contributions receivable	-162	-502	
Surplus(-) for the year on HRA services	-36,563	-25,369	

ADDITIONAL FINANCIAL STATEMENTS
HOUSING REVENUE ACCOUNT INCOME AND EXPENDITURE ACCOUNT AND STATEMENT OF
MOVEMENT ON THE HOUSING REVENUE ACCOUNT BALANCE
KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2018/19

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.

	2018/19		2017/18		Note
	£000	£000	£000	£000	
Balance on the HRA at the end of the previous year		-60,358		-52,013	
Surplus for the year on the HRA Income and Expenditure Statement		-36,563		-25,369	
<u>Adjustments involving the Capital Adjustment Account:</u>					
Net revaluation gains on PPE		22,250		10,959	H1
Movements in the market value of Investment Property		-33		-95	
Capital grants and contributions applied		162		502	
Amounts of non-current assets written off on disposal or sale		-5,742		-5,807	H4
Capital expenditure charged against balances		6,785		0	
Provision for the financing of capital		2,260	25,682	2,194	7,753
<u>Adjustments involving the Capital Receipts Reserve:</u>					
Transfer of cash sale proceeds credited as part of the gain/ loss on disposal		9,533		9,332	H4
Contribution towards administrative costs of asset disposals		-76	9,457	-61	9,271
<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		0
Increase in the year on the HRA		-1,424		-8,345	
Balance at the end of the current year		-61,782		-60,358	

ADDITIONAL FINANCIAL STATEMENTS
HOUSING REVENUE ACCOUNT INCOME AND EXPENDITURE ACCOUNT AND STATEMENT OF
MOVEMENT ON THE HOUSING REVENUE ACCOUNT BALANCE
KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2018/19

NOTES TO THE HRA

H1 Depreciation and revaluation gains

The depreciation charge for council dwellings in 2018/19 is £16.1 million (2017/18 £16.2 million).

Revaluations of council dwellings during the year resulted in a £22.2 million gain (2017/18 £10.9 million gain). The value is obtained by taking the cost of buying a vacant dwelling of a similar type, and applying an adjustment factor according to the type of tenancy and regional factors to reflect that the property is used for social housing. The Stock Valuation guidance, which was updated in November 2016, provides the adjustment factor for Yorkshire and Humber as 41.0%. 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% (2017/18 36.0%).

There was a revaluation loss on investment properties of £0.03 million in 2018/19 (2017/18 £0.1 million loss).

ADDITIONAL FINANCIAL STATEMENTS
HOUSING REVENUE ACCOUNT INCOME AND EXPENDITURE ACCOUNT AND STATEMENT OF
MOVEMENT ON THE HOUSING REVENUE ACCOUNT BALANCE
KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2018/19

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 2018	599,304	2,468	3,545	9,212	614,529
Additions	17,923	0	0	0	17,923
Revaluation increases/decreases(-) recognised in the Revaluation Reserve	0	0	15	0	15
Revaluation increases/decreases(-) Revaluation recognised in Surplus on the Provision of Services	6,287	0	-5	33	6,315
De-recognition - disposals	-3,275	-2,468	0	0	-5,743
Assets reclassified to(-)/ from Held for Sale	-2,415	2,415	0	0	0
Other movement in cost or valuation	0	0	0	0	0
At 31 March 2019	617,824	2,415	3,555	9,245	633,039
Accumulated Depreciation and Impairment					
At 1 April 2018	0	0	-143	0	-143
Depreciation charge	-15,900	0	-187	0	-16,087
Depreciation written out to the Revaluation Reserve	0	0	41	0	41
Depreciation written out to Surplus on the Provision of Services	15,900	0	2	0	15,902
Other movements in depreciation and impairment	0	0	0	0	0
At 31 March 2019	0	0	-287	0	-287
Net Book Value					
at 31 March 2019	617,824	2,415	3,268	9,245	632,752
at 1 April 2018	599,304	2,468	3,402	9,212	614,386

H3 Fixed Asset Valuation

A revaluation of HRA dwellings was carried out as at 1 April 2018 by Cushman and Wakefield, who are RICS qualified. As at that date, the vacant possession value of dwellings was £1,682 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 2018/19 was £3.7 million (2017/18 gain £3.5 million).

ADDITIONAL FINANCIAL STATEMENTS
HOUSING REVENUE ACCOUNT INCOME AND EXPENDITURE ACCOUNT AND STATEMENT OF
MOVEMENT ON THE HOUSING REVENUE ACCOUNT BALANCE
KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2018/19

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.

	2018/19	2017/18
	£000	£000
Balance at 1 April	-409	0
Amount equivalent to depreciation	-16,087	-16,364
	-16,496	-16,364
Financing of new capital expenditure	8,985	12,617
Used to repay debt	7,511	3,338
Balance at 31 March	0	-409

H6 Capital Expenditure and Sources of Finance

	2018/19	2017/18
	£000	£000
Capital Expenditure:		
Fixed Assets (including PFI)	17,895	13,514
Total Capital Expenditure	17,895	13,514
Financed by:		
Finance Lease (PFI)	-300	-266
Major Repairs Reserve	-8,985	-12,616
Capital Receipts	-1,214	-130
Capital Grant and Contributions	-612	-502
HRA RCCO/Reserves	-6,784	0
Revenue	0	0
Total Sources of Finance	-17,895	-13,514

H7 Capital Receipts

	2018/19	2017/18
	£000	£000
Capital receipts from sales of:		
Dwellings	-9,482	-8,267
Land	-45	0
Clawback of legal title on Right to Buy sales	-6	0
Capital receipts from mortgage repayments	0	-2
	-9,533	-8,269
Contribution to Housing Pooled Capital Receipts	2,037	3,577
Disposal costs	76	61
Usable capital receipts	-7,420	-4,631

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

ADDITIONAL FINANCIAL STATEMENTS
HOUSING REVENUE ACCOUNT INCOME AND EXPENDITURE ACCOUNT AND STATEMENT OF
MOVEMENT ON THE HOUSING REVENUE ACCOUNT BALANCE
KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2018/19

H8 Housing Stock

The Council's housing stock at 31 March 2019 is analysed below by size and age:

	1	2	3	4+	Total
<u>By Size</u>	Bedroom	Bedrooms	Bedrooms	Bedrooms	
Houses/ Bungalows	2,784	5,450	4,364	322	12,920
Flats/ Bedsits and Maisonettes	6,993	2,382	100	0	9,475
	9,777	7,832	4,464	322	22,395
<u>By Age</u>	Pre 1945	1945-64	1965-74	Post 1974	
Houses/ Bungalows	5,540	5,205	1,527	648	12,920
Flats/ Bedsits and Maisonettes	189	2,339	3,836	3,111	9,475
	5,729	7,544	5,363	3,759	22,395

H9 Rent Arrears

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

	2018/19	2017/18
	£000	£000
Rent Arrears	3,744	3,034
Less Bad Debt Provision	-1,045	-878
Net Rent Arrears	2,699	2,156

H10 Housing PFI

In December 2011, the Council entered into a twenty two and a half year contract with Regenter Excellent Homes for Life for the design, build, financing and operation of a PFI contract to provide 466 units of HRA housing. The contractor has a licence from the Council to build and operate on Council sites. The operator is obliged to hand over the housing units in a specified condition at the end of the contract for no incremental consideration. Rent income is collected by Kirklees Neighbourhood Housing (KNH) on behalf of the Council.

The Council incurred costs of £9.1 million under the contract in 2018/19 (2017/18 £8.9 million) and received £7.9 million in PFI Grant (2017/18 £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 2019/20	2,341	3,804	2,607	8,752
Between 2020/21 and 2023/24	11,372	13,309	11,282	35,963
Between 2024/25 and 2028/29	18,645	12,251	16,719	47,615
Between 2029/30 and 2033/34	17,950	5,119	26,115	49,184
In 2034/35	770	5	1,670	2,445
Total	51,078	34,488	58,393	143,959

ADDITIONAL FINANCIAL STATEMENTS
HOUSING REVENUE ACCOUNT INCOME AND EXPENDITURE ACCOUNT AND STATEMENT OF
MOVEMENT ON THE HOUSING REVENUE ACCOUNT BALANCE
KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2018/19

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:

	2018/19	2017/18
	£000	£000
Net Book Value at 1 April	12,041	11,644
Additions	300	266
Revaluations net of depreciation written back	345	382
Depreciation	-255	-251
Net Book Value at 31 March	12,431	12,041

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

	2018/19	2017/18
	£000	£000
At 1 April	-54,897	-56,825
Movement in the year	1,961	1,928
At 31 March	-52,936	-54,897

ADDITIONAL FINANCIAL STATEMENTS
COLLECTION FUND
KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2018/19

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.

	2018/19			2017/18			Note
	Business Rates	Council Tax	Total	Business Rates	Council Tax	Total	
	£000	£000	£000	£000	£000	£000	
Income							
Income from Council Tax		-202,484	-202,484		-188,818	-188,818	C1
Income Collectable from Business Ratepayers	-105,498		-105,498	-104,278		-104,278	C2
Contributions towards previous years' Collection Fund deficit	-2		-2	-3,845	0	-3,845	
Total Income	-105,500	-202,484	-307,984	-108,123	-188,818	-296,941	
Expenditure							
Precepts and demands -							
Central Government	0		0	48,616		48,616	
Kirklees Council	99,648	173,379	273,027	47,644	160,286	207,930	
West Yorkshire Fire and Rescue	1,007	8,002	9,009	972	7,025	7,997	
West Yorkshire Police		18,575	18,575		17,415	17,415	
Allowance for impairment of debt	672	3,090	3,762	792	2,561	3,353	
Provision for Appeals	-6,729		-6,729	3,024	0	3,024	
Cost of collection	598		598	600		600	
Transitional Protection Payment	1,447		1,447	3,706		3,706	
Designated Areas	72		72	84		84	
Distribution of previous year's Collection Fund surplus		4,000	4,000		2,328	2,328	
Total Expenditure	96,715	207,046	303,761	105,438	189,615	295,053	
Surplus(-)/Deficit	-8,785	4,562	-4,223	-2,685	797	-1,888	
Balance at 1 April	-9	-2,696	-2,705	2,676	-3,493	-817	
Balance at 31 March	-8,794	1,866	-6,928	-9	-2,696	-2,705	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.

<u>Estimated at the start of the year</u>						
2018/19				2017/18		
Number of Chargeable Dwellings	Band D Equivalent Dwellings	Average Council Tax	Band	Number of Chargeable Dwellings	Band D Equivalent Dwellings	Average Council Tax
		£				£
77	42	943.25	A (5/9)	74	41	889.53
52,842	35,228	1,131.90	A (6/9)	51,633	34,422	1,067.43
27,365	21,284	1,320.55	B (7/9)	26,999	20,999	1,245.34
27,049	24,044	1,509.20	C (8/9)	26,696	23,730	1,423.24
14,814	14,814	1,697.85	D (9/9)	14,663	14,663	1,601.15
10,648	13,015	2,075.15	E (11/9)	10,444	12,764	1,956.96
4,835	6,984	2,452.46	F (13/9)	4,778	6,901	2,312.77
1,995	3,324	2,829.75	G (15/9)	1,948	3,247	2,668.58
99	197	3,395.70	H (18/9)	97	194	3,202.30
		118,932	Total			116,961
		-1,162	Estimated losses on collection			-1,590
		117,770	Council Tax Base			115,371

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 49.3p (2017/18 47.9p) and the small business non-domestic rating multiplier of 48p (2017/18 46.6p) 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 1% to West Yorkshire Fire and Rescue Authority.

	2018/19	2017/18
	£000	£000
Non-domestic rate income 2018/19 (average rateable value £285,705,189)	-137,138	
Non-domestic rate income 2017/18 (average rateable value £284,492,132)		-132,573
Allowance and other adjustments (net)	31,640	28,295
	-105,498	-104,278

ADDITIONAL FINANCIAL STATEMENTS
COLLECTION FUND
KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2018/19

The actual non-domestic rateable value at 31 March 2019 was £286,052,693 (£285,091,371 at 31 March 2018).

Kirklees has been part of a Leeds City Region (LCR) business rates pool since April 2013. It pools the business rates income of member authorities, which includes Kirklees, Bradford, Wakefield & Calderdale (top up authorities), and Leeds, Harrogate and York (tariff authorities). Leeds are the lead authority for the administration of the LCR Pool. The Pool is established for one year at a time and in 2018-19 the Pool was successful in its application to pilot 100% Business Rates Retention. The member authorities have confirmed their continued participation in the Pool in 2019/20 and have joined with authorities from a North Yorkshire pool to create a joined pool, which was successful in its application to pilot 75% Business Rates Retention.

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 £41 million in 2018/19 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 2018	Share of 2018/19 Surplus(-)/ Deficit	31 March 2019
	£000	£000	£000
Council Tax and Community Charge			
Kirklees Council : Community Charge	-10	0	-10
Council Tax	-2,321	3,942	1,621
Collection Fund Adjustment Account – Council Tax	-2,331	3,942	1,611
West Yorkshire Police Authority – Council Tax	-257	443	186
West Yorkshire Fire and Rescue Authority – Council Tax	-108	177	69
	-2,696	4,562	1,866
Business Rates			
Kirklees Council – Business Rates	-4	-8,697	-8,701
Collection Fund Adjustment Account - Business Rates	-4	-8,697	-8,701
Central Government - Business Rates	-5	0	-5
West Yorkshire Fire and Rescue Authority – Business Rates	0	-88	-88
	-9	-8,785	-8,794

The Collection Fund Adjustment Account manages the differences arising from the recognition of Council Tax and Business Rates income in the CIES as it falls due from payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

Glossary of Terms

Accruals

The concept that income and expenditure are recognised as they are earned or incurred, not as money is received or paid.

Capital Expenditure

Expenditure on the acquisition of a fixed asset or expenditure which adds to and not merely maintains the value of an existing fixed asset.

Capital Receipts

These are the proceeds from the sale of capital assets.

Cash Equivalents

Short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

Community Assets

Assets that the Council intends to hold in perpetuity, have no determinable useful life, and may have restrictions on their disposal. Examples of community assets are parks.

Contingent Asset

A possible asset that arises from past events, and whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Council's control. Examples of contingent assets include claims for compensation being pursued through the legal process.

Contingent Liability

A possible obligation at the Balance Sheet date, whose existence will be confirmed only on the occurrence or non-occurrence of one or more uncertain future events. Where a material loss can be estimated with reasonable accuracy a liability is accrued in the financial statements. If, however a loss cannot be accurately estimated or its occurrence is not considered sufficiently probable to accrue it, the obligation is disclosed in a note to the Balance Sheet. Examples of contingent liabilities include legal claims pending settlement.

Corporate and Democratic Core

Costs of corporate policy making and all Council member-based activities, together with costs relating to corporate management, public accountability and treasury management.

Current Service (Pensions) Cost

The current service cost is an estimate of the true economic cost of employing people in a financial year, earning years of service that will eventually entitle them to the receipt of a lump sum and pension when they retire. It measures the full liability estimated to have been generated in the year (at today's prices) and is thus unaffected by whether any fund established to meet liabilities is in surplus or deficit.

Defined Benefit Pension Scheme

A scheme in which retirement benefits are determined independently of the investments of the scheme and employers have obligations to make contributions where assets are insufficient to meet employee benefits. Accounted for by recognising liabilities as benefits are earned (i.e. employees work qualifying years of service), and matching them with the organisation's attributable share of the scheme's investments.

Depreciated Replacement Cost

A method of valuation which provides a recognised proxy for the market value of specialised properties. It is an estimate of the market value for the existing use of land, plus the current gross replacement (or reproduction) costs of improvement, less allowances for physical deterioration and all relevant forms of obsolescence and optimisation.

Depreciation

The measure of the cost or revalued amount of the benefit, of the fixed asset that has been consumed during the period. Consumption includes the wearing out or other reduction in the useful economic life of a fixed asset, whether arising from use, passage of time or obsolescence through technological or other changes.

Existing Use Value (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.

Kirklees Council

Draft Annual Governance Statement 2018/19



Overall Conclusion & Opinion

We have been advised on the implications of the annual review of effectiveness of the governance framework by the Corporate Governance and Audit Committee, and are satisfied that overall the arrangements continue to be regarded as fit for purpose in accordance with our governance framework and Code of Corporate Governance.

We propose over the coming year to take steps to address the issues needed to further enhance our governance arrangements as contained in the Action Plan that underpins this Statement. We are satisfied that these steps will address the need for improvements that were identified in our review and will monitor their implementation and operation during 2019/20 in conjunction with the Corporate Governance & Audit Committee ahead of next year's review.

Signed:

Cllr. Shabir Pandor, Leader of the Council



Jacqui Gedman, Chief Executive



Significant Governance Issues

The annual review process identifies and evaluates any ongoing or new Issue and if it meets one or more of the following criteria suggested by CIPFA / SOLACE it is regarded as Significant and included in this Statement:

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

Progress with the Issues in last year's Statement

The Executive Team and the Corporate Governance & Audit Committee have received reports to monitor progress during 2018/19. Various parts of each Issue have been resolved during the year and where appropriate this has been reflected in what remains ongoing.

Original Issue / Inclusion Criteria	Progress	Further Action
Strengthen the Corporate Plan with improved linkages to resource allocation and performance measures. (A, B, F)	A new strengthened Corporate Plan has been produced for 2018-20 which explains the journey from <i>New Council</i> to <i>We're Kirklees</i> , focussed on the whole Borough and seven shared outcomes for residents. 3 key principles underpin this <ul style="list-style-type: none"> • Working with our partners • Working with (and not doing to) residents • Working better in places A shift to longer term strategic	To develop a more robust, intelligence led performance management mechanism across the organisation aligned with the annual planning cycle to drive resource allocation decisions

Original Issue / Inclusion Criteria	Progress	Further Action
	<p>planning made in 2018/19 means only relatively minor changes will be made to the Corporate Plan for 2019/20. Reviewing budget setting arrangements for 2019/20 and beyond regarding outcome based budgeting is acknowledged to be a work in progress as regards the most recent budget round. A revised quarterly performance monitoring system has been introduced.</p>	<p>that are better aligned to priority outcomes and to monitor their delivery.</p> <p>The performance management system needs embedding for both business critical indicators and other service measures used, including the development of more relevant qualitative indicators alongside quantitative ones to better measure outcomes and impacts.</p>
<p>Manage delivery of the Council's Transformation Activities.</p> <p>(A, F)</p>	<p>Dedicated council resources were allocated to add quality, assurance and organisation. The input of an external partner added skills and further rigour. An assessment of the impact of transformation activities in the summer of 2018 also illustrated a number of areas for learning and potential re-focus. The Transformation Team clarified and enhanced its offer to respond to changing demands for a mix of robust</p>	<p>Focus on the following areas of priority for allocation of transformation resources:</p> <p>1. Organisation Design -</p> <p>Work has started to consider the future shape of the</p>

Original Issue / Inclusion Criteria	Progress	Further Action
	<p>project management, innovative business change skills and the ability to challenge and offer new insights.</p> <p>The Council achieved its 2018/19 savings targets, including those associated with the majority of the transformation efforts. Transformation is now focused on the ongoing development and sustainability of public services, which means continuing change and innovation. It is less driven by the large savings targets that will come through services and overall budget monitoring.</p>	<p>organisation.</p> <p>2. Development of Place-based working -</p> <p>Working with communities and delivering services that recognise the diversity of the different places across Kirklees and their needs.</p> <p>3. Strengthening enabling services.</p> <p>4. High Needs, Placements & Waste -</p> <p>Existing areas of work within services, where Executive Team has identified that a broader approach may be beneficial, hence the input of transformation resources.</p> <p>5. Adult Social Care, Children’s Improvement -</p> <p>These are moving beyond transformation into a ‘business</p>

Original Issue / Inclusion Criteria	Progress	Further Action
		as usual' state. Transformation resources are being gradually withdrawn as change is embedded into working practice.
Strengthen Partnership Governance (A, B, F)	<p>The light touch governance review has been completed and is leading to more solid governance structures for the Partnership Executive: a revised executive arrangement is in place with themed meetings throughout the year that draw the partner together on a topic basis.</p> <p>Revised governance framework and Partnership agreement with KNH. The Children's Partnership Board arrangements have re-launched recently. Recruited and realigned resources to support partnership working.</p>	<p>There is still scope to increase the effectiveness of some partnership arrangements.</p> <p>New governance control and management arrangements have been implemented at KNH. These interim changes need to be embedded effectively enabling revised responsibilities and authority between the Cabinet and KNH Board to become operational and seamless. A review will be undertaken in 12-18 months.</p> <p>Arrangements for the Health & Wellbeing Board are being refreshed with engagement including other local</p>

Original Issue / Inclusion Criteria	Progress	Further Action
		authorities.
Strengthen Risk Management (A, B, D, F)	<p>New Strategy & Risk Panel established.</p> <p>The Corporate Matrix has been regularly updated along with an emerging risk report, and this has been discussed by the Executive Team and Leadership Management Team.</p> <p>The CGAC has commented positively on the Corporate Matrix but expressed concerns about the quality and consistency of the directorate based risk management processes.</p>	This still needs more work, as the quality of directorate based risk arrangements requires improvement, as does risk elevation.
Implement & embed the Children	The new Strategic Director has taken up her role, and following a positive Ofsted outcome the	Ensure that consistency and quality improves in relation to a timely initial response to cases where children need a social work assessment, and in relation to ensuring that children's records are

Original Issue / Inclusion Criteria	Progress	Further Action
<p>Improvement Plan. (A, C, E)</p>	<p>Department for Education have indicated a willingness for the Director to take statutory control, currently held by officers of Leeds CC.</p> <p>Consistency of leadership is very important and there will be a significant handover period with current temporary leaders through the next phase of the improvement plan.</p> <p>Ofsted’s latest monitoring visit in December 2018 found significant progress has been made in improving its initial response to children and young people who need help and protection. Improvement is gathering pace and there is now increasing focus on quality as well as ensuring that statutory</p>	<p>comprehensive and up to date. A comprehensive core skills programme of training for social workers and managers has commenced in order to support good-quality improvements across the workforce.</p>

ANNUAL GOVERNANCE STATEMENT
KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2018/19

Original Issue / Inclusion Criteria	Progress	Further Action
	compliance is met.	
<p>Meeting the challenge of delivering the Council's Medium Term Financial Plan within available resources.</p> <p>(A, D, F)</p>	<p>General fund revenue budget £191m. On track to deliver 77% against planned savings (£12.4m from £16.2m planned). Demand led forecast volatility accurately forecast through the year. Overall forecast overspend at Q3 of just £1.1m (0.4%) but expected to break-even by year end. HRA on track to deliver £2.8m planned savings in-year.</p>	<p>General fund planned savings £10.9m, and HRA planned savings £2.4m in 2019/20.</p> <p>Continuous improvement in the quality and timeliness of financial monitoring information presented at operational management and corporate member levels across the organisation. Ongoing development of more sophisticated modelling and impact analysis across a range of complex demand management activity.</p> <p>Review and strengthening of overall Council capital project management and governance oversight, monitoring and review to ensure it remains fit for purpose in light of the significant scaling up of Council capital investment and other major projects over the medium term, from current.</p>
<p>Improve Information Governance to</p>	<p>Work is ongoing with the aim of Data Protection Act 2018 / GDPR compliance by May</p>	<p>Undertake a second round of Service Director self-assessments to assess</p>

Original Issue / Inclusion Criteria	Progress	Further Action
<p>manage GDPR compliance and Cyber Security.</p> <p>(All)</p>	<p>2019.</p> <p>Cyber Security Strategy approved.</p> <p>Lead councillor briefed and engaged. Tactical investments have been made around perimeter security and cyber training.</p>	<p>progress corporately and identify any Services requiring further support and training from the IG Team.</p> <p>An ongoing programme of work is being pulled together for briefing at IG Board and update for ET.</p>
<p>Improve effectiveness and challenge in governance arrangements.</p> <p>(B)</p>	<p>CGAC training delivered (Chair in role of audit committee, and all Members in treasury management and effectiveness of audit committee challenge).</p> <p>Corporate Scrutiny Panel member training on the Council's finances.</p>	<p>Local Government Association Peer Review in July will review our arrangements and provide a challenge to their robustness.</p> <p>Review the Code of Corporate Governance. Planned externally facilitated Scrutiny Panel training on commercialisation approaches, and refresher training to CGAC on financial statements, treasury</p>

Original Issue / Inclusion Criteria	Progress	Further Action
	<p>Work on progressing the work streams arising from the Democracy Commission recommendations is continuing at pace, including:</p> <ul style="list-style-type: none"> • The changing role of the councillor and how it is supported, • Putting councillors at the heart of the organisation; • Citizen engagement in the context of place based working, • Networked councillors, • Decision making processes, practice and culture and • Improving electoral registration. <p>This does not currently include a programmed approach to Member Training over and above new councillor induction, core training and specific requests from political groups. A robust governance structure is in place which sees the cross party Member Working Group meeting regularly to oversee the work, supported by an officer Programme Board and a Theme Leads Working Group.</p>	<p>management and other training needs as identified by the Committee. Steps / actions from Democracy Commission</p>

Original Issue / Inclusion Criteria	Progress	Further Action
<p>Ensure Procurement Rule Awareness and Compliance</p> <p>(B, F)</p>	<p>Centralised function now almost fully resourced.</p> <p>Training and awareness raising of CPRs continued to be delivered throughout the year.</p> <p>All EU procurement evaluations are chaired / overseen by Procurement staff to mitigate risk.</p>	<p>Work continues on increasing the transparency and visibility of the Council's contracts.</p> <p>Progress continues with the implementation of the new procurement model which continues to highlight compliance and value for money challenges (with plans being put in place to improve this within the categories of spend).</p>
<p>Improve manager capacity and skill base.</p> <p>(A, F)</p>	<p>Work continues on the 3 key strands of the People Strategy (Attraction, Development and Wellbeing). A specific focus is on the 'Development' strand which addresses cultural transformation, developing our workforce, leadership and management and performance.</p> <p>Key activities to date include</p> <ul style="list-style-type: none"> • delivering workshops on promoting emotional intelligence, and • the design of a performance framework based around outcomes based accountability. • a cohort of existing employees that are being developed in a "grown our own" Aspiring Managers programme. 	<p>Complete implementation of the People Strategy and embed across the manager base.</p>

Original Issue / Inclusion Criteria	Progress	Further Action
<p>Improve Income Collection</p> <p>(D)</p>	<p>Staff recruitment completed to address historic debt.</p> <p>The need for a more formalised and structured approach and greater Service Director ownership has been identified.</p> <p>Initial analysis of debt created and recovered has identified some key areas to revise process and introduce electronic payment at the point of order as the norm.</p>	<p>Pursue all debt wherever possible, or cancel or write-off if not, in accordance with existing procedures.</p> <p>Revise Financial Procedure Rules to clarify responsibilities and strengthen overall control.</p> <p>Target key areas for improved income collection procedures with regard to commercial activity.</p>

Original Issue / Inclusion Criteria	Progress	Further Action
Some key Medium Term Risks require Decisions in the Short Term, such as Waste Strategy & Management. (A)	ET has discussed a number of matters contained within the corporate matrix and emerging risk matrix. Management actions are already underway where appropriate, although they are interlinked, in some cases towards wider decisions about policy and strategy (e.g. waste management contract and waste strategy).	Continue to monitor medium term risks and ensure an effective combination of pace and thorough consideration of those with significant long term impact, of which the Waste Strategy, and the renewal on waste disposal arrangements (2023-2028) is one of the most significant given the potential cost implications.

New Issues identified in the 2018/19 Review

The current review of governance effectiveness has identified these additional issues:

Issue / Inclusion Criteria	Review Source	Managed Action
Compliance with new Local Government Ethical	CGAC / Standards Committee	Proposal for addressing best practice advocated by the Committee for Standards in Public Life has been

<p>Standards.</p> <p>(B, C)</p>		<p>approved by the Standards Committee and changes to some practice and some amendments to strengthen the Code of Conduct in Kirklees will be considered by CGAC and Annual Council.</p> <p>If adopted, further work will keep this under review and monitor compliance.</p>
<p>Governance arrangements need developing to identify and manage circumstances when previous service delivery did not conform with current day expectations and practice, one particular example being historic child sexual exploitation.</p>	<p>Various</p>	<p>Develop a corporate approach that satisfies initial management of such issues and enables organisational reflection and learning.</p>

<p>To learn from the lessons arising and make sure the issues are addressed.</p>		
<p>Corporate health and safety assurance needs developing. (D)</p>	<p>ARIA / Risk Management</p>	<p>Additional resources have been provided to the Corporate Health & Safety function.</p>
<p>School Governance arrangements need review and improvement. (D, E)</p>	<p>ARIA / Whistleblowing</p>	<p>Look to understand what is causing a (historically) large number of complaints about governance and management in schools, and look to identify potential solutions.</p>
<p>SAP Security and User Access</p>	<p>External auditor / Annual Report of</p>	<p>While there has been some progress to date from previous recommendations</p>

<p>Controls need strengthening.</p> <p>(C, D)</p>	<p>Internal Audit (ARIA)</p>	<p>from KPMG, Grant Thornton, the current external auditor’s SAP controls review has identified a number of outstanding SAP access control issues that IT, in conjunction with HD-One, have determined to prioritise and resolve by the completion of this year’s audit.</p>
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A detailed Action Plan sits behind this summary and the Executive Team and Corporate Governance & Audit Committee will monitor progress quarterly.

Statement Scope

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

Kirklees Council has a Code of Corporate Governance, which is consistent with the principles of the CIPFA / SOLACE framework *Delivering Good Governance in Local Government 2016*. A copy of the Code is available from the Monitoring Officer.
<https://democracy.kirklees.gov.uk/documents/s20587/Item%208D.%20Draft%20Amended%20Code%20of%20Corp%20Governance%2017%20Nov%2017.pdf>

This Statement explains how the Council has complied with the Code during 2018/19 and up to the date that the Statement of Accounts was approved and thus meets the requirements of Accounts and Audit Regulations 2015. It provides assurance about the Council’s governance framework, including the other entities in the Group

Accounts, a wholly owned subsidiary, Kirklees Neighbourhood Housing Limited and a joint venture, Kirklees Stadium Development Limited, to enable readers of the consolidated Accounts to be satisfied that proper arrangements are in place to govern spending and safeguard assets. Where specific improvements and/ actions are ongoing or needed, brief information is provided about the key issues and the main areas of work that have been progressed during 2018/19. A more detailed Action Plan is provided at the end.

The purpose of the governance framework

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

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

The key parts of the governance framework

- a Code of Corporate Governance overseen by the Service Director Legal, Governance & Commissioning and the Corporate Governance and Audit Committee, to assess operational practice and behaviour, and prepare this Statement.
- a Leader and Cabinet model of governance.
- a governance and scrutiny process as set out in the Constitution
- statutory officer roles performed by the Chief Executive as Head of Paid Service, the Service Director Legal, Governance & Commissioning as Monitoring Officer and the Service Director Finance as Section 151 Officer. During the year the Acting S151 Officer became substantive. The S151 Officer is a professionally qualified accountant and reports directly on financial matters to the Chief Executive as a member of the Executive Team (ET).
- a Corporate Plan that outlines how officers will seek to run the Council to meet our community commitments and objectives
<https://www.kirklees.gov.uk/beta/delivering-services/pdf/corporate-plan-201820.pdf>
- oversight and delivery of the Council Transformation Programme, including a number of officer boards as described in the Constitution
- a Monitoring Officer who has responsibility for the Constitution and ensuring the legality of Council actions and decision making.
- a S151 Officer who has responsibility for ensuring that the financial management arrangements conform with all of the governance requirements of the five principles that define the core activities and behaviours that belong to

the role in the CIPFA *Statement on The Role of the Chief Financial Officer in Local Government (2010)*.

- codes of conduct defining the standards of behaviour for Members and employees
- an Anti-Fraud & Corruption Policy
- a Risk Management Strategy
- systems of financial and business internal control
- an internal audit section, that is compliant with the Public Sector Internal Audit Standards and Code of Ethics
- whistle blowing arrangements
- a complaints system for residents and service users
- business continuity arrangements
- a senior manager to act as the **Caldicott Guardian** to protect the confidentiality of patient and service-user information
- arrangements to manage other parts of the Council's Group. The S151 Officer monitors and reports on the financial effectiveness of the subsidiary and joint venture companies, whose accounts are subject to external audit.

During the year the governance arrangements of Kirklees Neighbourhood Housing (KNH) Limited were revised. The Board was strengthened to oversee housing operations and to act as a single purpose vehicle to deliver the housing management and maintenance service. Housing Policy and Strategy, housing/asset investment and HRA business planning matters will be determined by the Council, Cabinet or Council officers with advice from KNH officers. The Council will establish a specific Housing Strategy Steering Group with cross-party representation to work with the KNH Board and help guide Cabinet decisions. This group will be supported by the Tenant Panel to ensure the tenants' voice is central to decision making.

2018/19 Review of effectiveness

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

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

The main parts of the review process are as follows:

1. Annual Review of effectiveness of the system of internal control

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

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

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

Concern was expressed about the following key areas about which Limited Assurance opinions were produced and which may warrant Significant Governance Issue status:

New Areas

- SAP Security and User Access Controls
- Corporate Health & Safety Assurance / Bereavement Services – cemetery safety (coupled with tree safety from risk management)

Areas with an Action Plan from 2017/18 Statement

- Child Support & Family Protection Safeguarding
- Performance Indicators
- Risk Management

A common theme behind a number of these opinions was a reduction of control due to resource issues as part of austerity downsizing.

3. External Auditor's Review

During the year the External Auditor's Annual Report

- an unqualified opinion on the Council's 2017/18 financial statements; and
- an unqualified value for money conclusion, except for Children's Services, stating that we have made proper arrangements to secure economy, efficiency and effectiveness in our use of resources.

4. Corporate Governance & Audit Committee (CGAC)

The Committee's terms of reference include agreeing and updating regularly the Council's Code of Corporate Governance, monitoring its operation and compliance with it.

During 2018/19 the CGAC reviewed a number of aspects of the Council's governance arrangements and noted or approved revisions or made recommendations to Council as appropriate. CGAC also receives assurance from various annual reports such as health and safety, emergency planning and business continuity, information governance and customer corporate complaints and is informed of peer review activity.

Recognising the need to ensure that members of the Committee have the appropriate support and skills to carry out their role a series of short training sessions were provided through the year looking at Treasury management, the role and expectations of Governance and Audit Committee as well as interpreting financial accounts. The sessions were also offered to other members with an interest in the topics.

5. Overview & Scrutiny Committee

During 2018/19 the Committee reviewed a number of aspects of the Council's governance arrangements.

6. Standards Committee

During the year the Committee reviewed various aspects of Member conduct, support and training, the appointment of an Independent Person for the Council and consultation by the Committee on Standards in Public Life to inform review of Local Government Ethical Standards.

7 Role of the Chief Financial Officer

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

8 External Inspections & Peer Reviews

The outcomes of each formal inspection and commissioned peer or external review provide assurance about things which are working well and areas requiring further improvement. Activity during 2018/19 is summarised below:

Inspections

Ofsted – Children's Services

A series of monitoring visits has been undertaken this year, the latest being early December 2018, following which HM Inspectors concluded that the Council has made significant progress in improving its initial response to children and young people who need help and protection. Improvement is

gathering pace and there is now increasing focus on quality as well as ensuring that statutory compliance is met.

Office of Surveillance Commissioners

The Regulation of Investigatory Powers Policy was revised and other key actions agreed.

Peer & Other External Review Activity has included:

- Adult Safeguarding Board Peer Challenge
- Assistive Technology External Review
- Public Health Sector Led Improvement Peer Review (of health protection, wellness model and whole systems approach to health improvement).
- Children Leaving Care External Review
- Members' Allowances Independent Review Panel

9 Officer Governance

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

10 Significant Partnerships

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

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To insert the audit opinion.