

KIRKLEES COUNCIL

AUDITED STATEMENT OF ACCOUNTS 2019/2020

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	Page
Narrative Report	2
Statement of Responsibilities and Certificate	20
<u>Main Financial Statements</u>	
Comprehensive Income and Expenditure Statement	21
Statement of Movement in Reserves	22
Balance Sheet	23
Cash Flow Statement	24
<u>Notes to the Main Financial Statements</u>	
Index to Notes	25
Disclosures	26
<u>Group Accounts</u>	
Introduction	106
Group Comprehensive Income and Expenditure Statement	108
Group Statement of Movement in Reserves	109
Group Balance Sheet	110
Group Cash Flow Statement	111
Notes to the Group Accounts	112
<u>Additional Financial Statements</u>	
Housing Revenue Account Income and Expenditure Account and Statement of Movement on the Housing Revenue Account Balance	117
Collection Fund	124
Glossary of Terms	127
Annual Governance Statement	132

Foreword

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

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

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

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

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

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

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

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

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

Our budget plans for 2020-23 and updated capital plans 2020-25 include further investment proposals that reflect the administration's political priorities; in particular in relation to delivery of outstanding children's services, tackling climate change and investing in our places, as well as effective and efficient

corporate capacity and capability to support the overall approach and Council ambition for the district's residents.

Acknowledgements

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

Eamonn Croston
Service Director - Finance

Introduction to Kirklees



Digley Reservoir, Holmfirth

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

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

The Council

Kirklees’ Services



The Workforce

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

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

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

Council performance in 2019/20

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

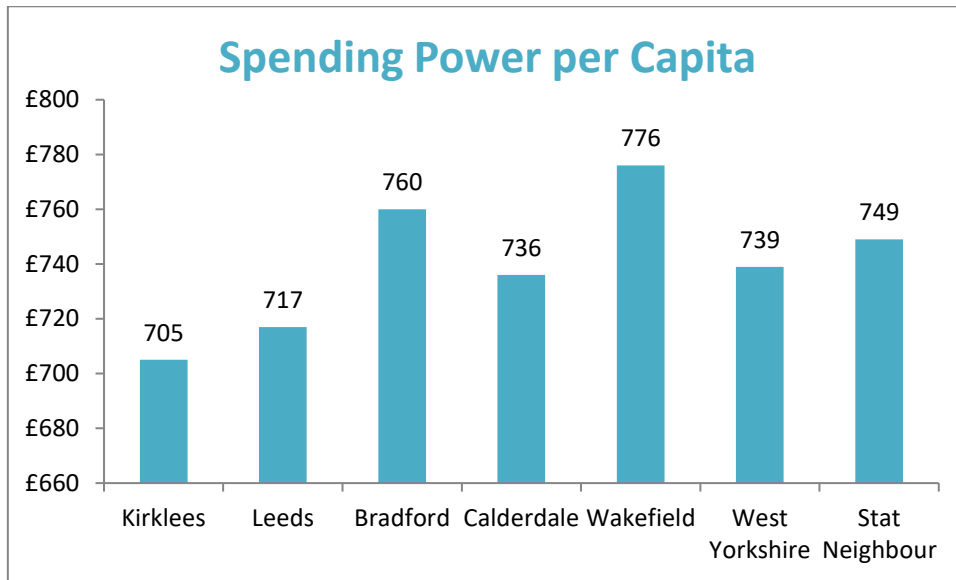
“a district which combines a strong, sustainable economy with a great quality of life - leading to thriving communities, growing businesses, high prosperity and low inequality where people enjoy better health throughout their lives”.

To deliver this vision, the Council is developing into one that focuses on achieving outcomes by working with people rather than doing to them, working with Partners and recognising the importance of local identity and how needs differ in different places. Existing budget plans for 2019-22, whilst acknowledging the continuing financial challenges facing the Council, also include significant new

investment; in particular in children services, adults, regeneration activity, housing growth agenda, transformation capability and corporate capacity to support this approach.

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

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



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

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

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

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

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

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

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

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

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

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

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

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

Financial Performance in 2019/20

Service developments in year

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

Revenue – General Fund

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

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

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

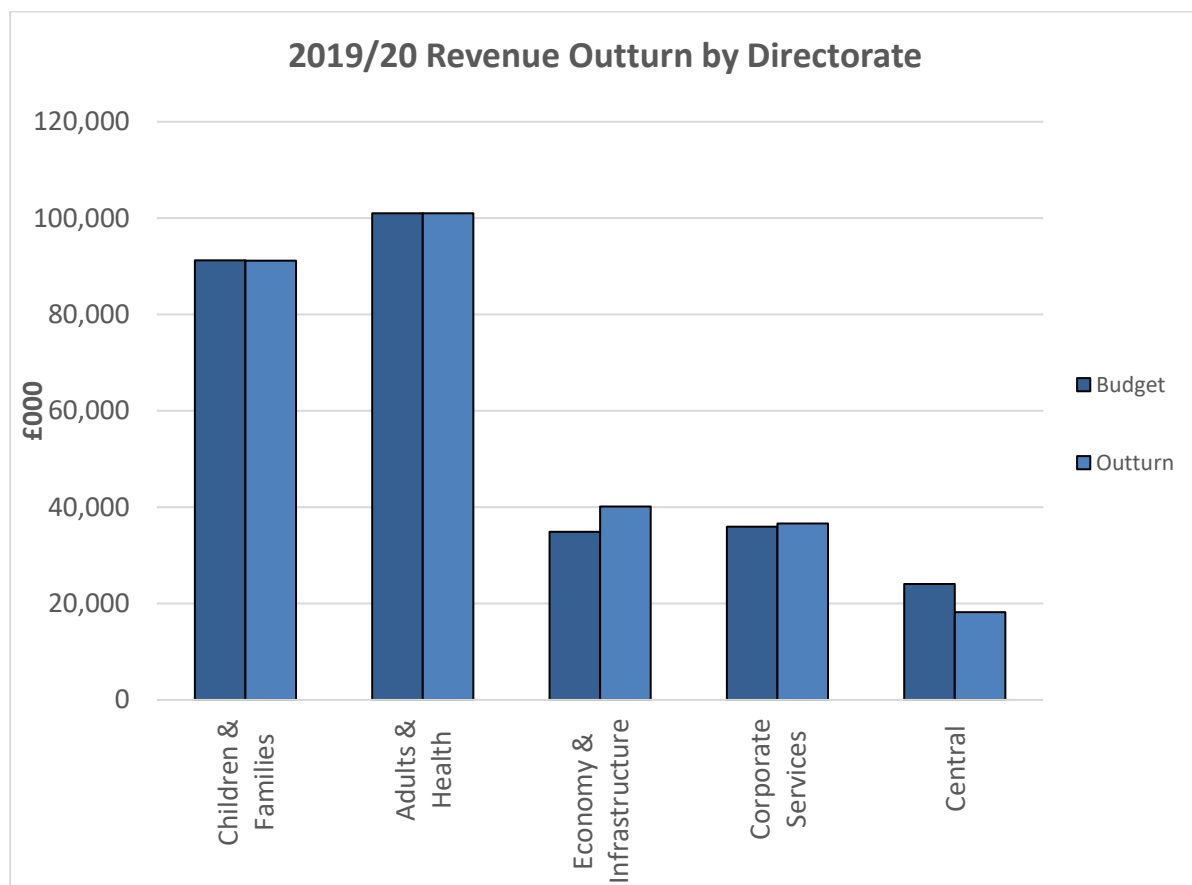
The Authority’s net revenue spend totalled £287.1m in 2019/20.

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

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

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

The actual spend to budget is summarised by department below:



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

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

High needs is a known and growing pressure.

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

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

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

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

Revenue – Housing Revenue Account (HRA)

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

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

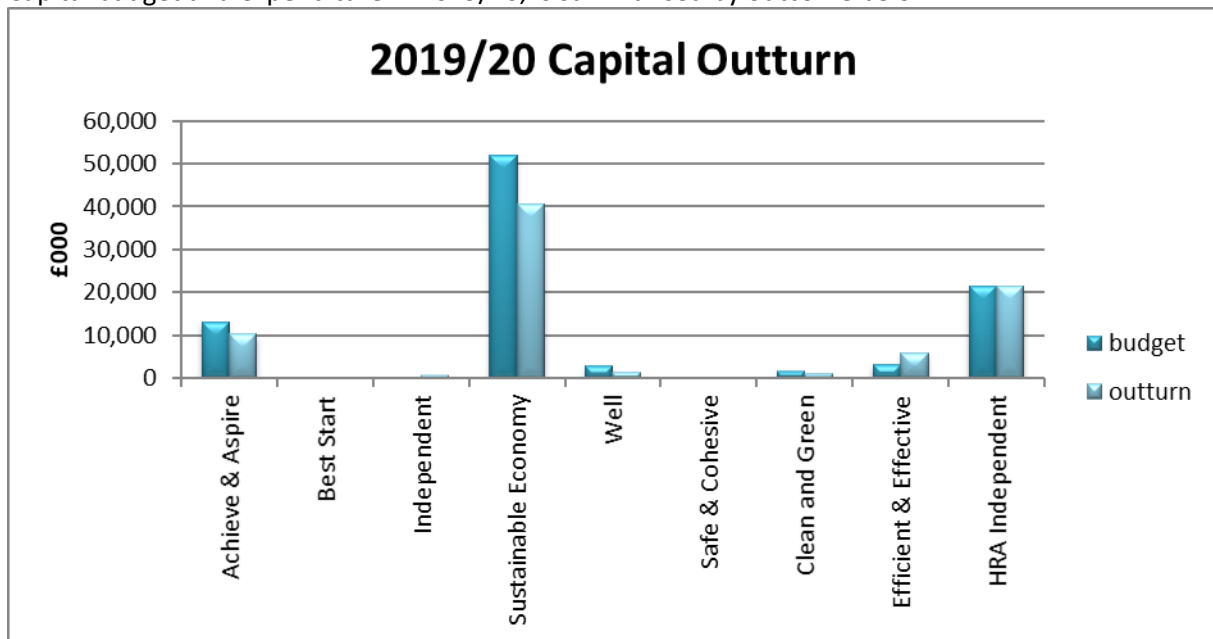
Capital expenditure

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

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

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

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



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

Collection Fund

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

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

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

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

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

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

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

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

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

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

Balance Sheet

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

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

Assets

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

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

Liabilities

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

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

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

Whilst the pensions liability figure is substantial it should be remembered that:

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

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

Balances and Reserves

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

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

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

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

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

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

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

Group accounts

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

Council finances – future prospects

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

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

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

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

The 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. General Fund reserves of £37.1m have been set aside specifically for this purpose within 'financial resilience' reserves, for mitigation against future budget and other unfunded risks. This is equivalent to 12.6% of the current year £294.7m (net) controllable revenue budget.

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

High Needs

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

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

Budget plans for 2019/20 had initially assumed that the High Needs pressure would be part offset from the planned release of Central Budget Minimum Revenue Provision (MRP) budget of £5.0m. In

anticipation of Government confirmation of its consultation on treatment of DSG deficits, the 2020-23 Annual Budget Report included proposals to create a demand reserve from the re-direct of MRP set asides that would previously have been used to at least part offset in year High Needs spend pressures.

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

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

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

Social Care

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

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

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

Future service developments

Covid-19

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

households, alongside the Council's commitment to support the national effort to protect the NHS and support businesses.

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

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

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

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

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

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

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

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

In the March 2020 budget, Government announced that it had agreed a devolution deal with West Yorkshire to establish a Mayoral Combined Authority with a directly elected Mayor from May 2021. Government stated that this deal will provide £1.1 billion of investment for the area over 30 years, as

well as devolving significant new decision making powers on transport, planning and skills. It also underpins the agreement of a long-term intra-city transport settlement for the region starting in 2022/23.

Future Accounting Developments

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

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

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

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

Key Risks

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

The areas identified are summarised below:

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

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

Statement of Accounts

The Financial Statements

The Statement of Accounts contains four core accounting statements:

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

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

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

Other Accounting Information

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

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

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

The accounts also include:

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

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

The Council’s Responsibilities

The Council is required to:

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

The Service Director Finances’ Responsibilities

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

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

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

The Service Director has also:

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

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

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

Certificate

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

Eamonn Croston
Service Director - Finance
24th November 2020

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

Will Simpson
Chair, Corporate Governance and Audit Committee

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT (CIES)

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

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

STATEMENT OF MOVEMENT IN RESERVES

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

	General Fund Balances	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Council Reserves
	£000	£000	£000	£000	£000	£000	£000	£000
<u>2019/20</u>								
Balance at 31 March 2019	-104,972	-61,782	-18,050	0	-26,325	-211,129	-92,518	-303,647
<i>Movement in reserves during 2019/20</i>								
Total Comprehensive Income and Expenditure	92,406	-75,114	0	0	0	17,292	3,579	20,871
Adjustments between accounting & funding basis under regulations (Note 10)	-100,876	75,878	-1,863	0	-5,385	-32,246	32,246	0
Net Increase(-)/ Decrease	-8,470	764	-1,863	0	-5,385	-14,954	35,825	20,871
Balance at 31 March 2020 carried forward	-113,442	-61,018	-19,913	0	-31,710	-226,083	-56,693	-282,776
<u>2018/19</u>								
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

BALANCE SHEET

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

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

CASH FLOW STATEMENT

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

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

Index to Notes	Page
1. Accounting Policies	26
2. Prior Period Adjustments	43
3. Accounting Standards that have been issued but have not yet been adopted	43
4. Critical Judgements	44
5. Assumptions and Major Sources of Estimation Uncertainty	44
6. Exceptional Items and Material Items of Income and Expense	46
7. Events after the reporting period	46
8. Expenditure and Funding Analysis	47
9. Expenditure and Income analysed by nature (Subjective Analysis)	51
10. Adjustments between accounting basis and funding basis under regulations	52
11. Transfers to/from Earmarked Reserves	56
Notes Referring to Specific Items in the CIES	
12. Other Operating Expenditure	57
13. Financing and Investment Income and Expenditure	57
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	74
21. Short Term Debtors	75
22. Cash and Cash Equivalents	75
23. Short Term Creditors	75
24. Provisions	76
25. Other Long Term Liabilities	76
26. Usable Reserves	76
27. Unusable Reserves	77
Notes Referring to Specific Items in the Cash Flow Statement	
28. Operating Activities	80
29. Adjustments to net surplus or deficit on the provision of services for non-cash movements	80
30. Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	80
Other disclosures	
31. External Audit Costs	81
32. Pooled Funds	82
33. Officers' Remuneration	83
34. Deployment of Dedicated Schools Grant (DSG)	86
35. Related Party Transactions	86
36. Grant Income	88
37. Capital Expenditure and Capital Financing	89
38. Leases	90
39. Private Finance Initiative (PFI) Transactions	93
40. Pensions Disclosures	97

1 Accounting Policies

General Principles

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

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

Accruals of Income and Expenditure

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

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

Cash and Cash Equivalents

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

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

Charges to Revenue for Non-Current Assets

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

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

- Amortisation of intangible fixed assets attributable to the service.

The Council is not required to raise Council Tax to fund depreciation, revaluation and impairment losses or amortisation. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis determined by the Council in accordance with statutory guidance. Depreciation, revaluation and impairment losses and amortisation are therefore replaced by the contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

Collection Fund

The transactions of the Collection Fund are wholly prescribed by legislation. The effect of this is:

- Shares of Non-Domestic Rating income to major preceptors and a billing authority are paid out of the Collection Fund and credited to the CIESs of precepting and billing authorities. However, the transactions presented in the Collection Fund Statement are limited to the cash flows permitted by statute for the financial year, whereas each authority will recognise income on a full accruals basis (ie sharing out in full of surpluses and deficits at the end of the year, even though it will be distributed to or recovered in a subsequent financial year).
- A share (after allowable deductions) of the Non-Domestic Rating income is paid out of the Collection Fund to Central Government.
- Council Tax precepts for major precepting authorities and a billing authority's demand on the fund are paid out of the Collection Fund and credited to the CIESs of precepting and billing authorities. However, as with Non-Domestic rating income, the transactions presented in the Collection Fund Statement are limited to the cash flows permitted by statute for the financial year, whereas each authority will recognise income on a full accruals basis (ie sharing out in full of surpluses and deficits at the end of the year, even though it will be distributed to or recovered in a subsequent financial year).
- Parish precepts are paid from the General Fund of billing authorities and are disclosed on the notes to the CIES.
- The difference between the Non-Domestic Rate and Council Tax income included in the CIES and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account and reported in the Movement in Reserves Statement.

Employee Benefits

Benefits Payable During Employment

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, annual and sick leave, and bonuses for current employees and are recognised as an expense for services in the year in which employees render service to the Council.

An accrual is made for the cost of holiday and flexi-time entitlements earned by employees but not taken before the year-end, which employees can carry forward into the next financial year. The accrual is charged to the Surplus or Deficit on the Provision of Services, but then statutory regulations require this to be reversed out through the Movement in Reserves Statement, so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the appropriate service or, where applicable, to

Non Distributed Costs within the Central Budgets line in the CIES when the Council is demonstrably committed to the termination of the employment of an officer or group of officers.

Post Employment Benefits

Employees of the Council are members of three separate pension schemes:

- The Teachers' Pension Scheme, administered by Capita Business Services on behalf of the Department for Education (DfE).
- The NHS Pension Scheme, administered by the NHS Business Services Authority.
- West Yorkshire Pension Fund, which is part of the Local Government Pension Scheme (LGPS), administered by City of Bradford Metropolitan District Council.

The schemes provide defined benefits to members (retirement lump sums and pensions), earned as employees worked for the Council.

The Teachers' Pension Scheme -

This scheme is unfunded, meaning it has no investment assets. The administrator uses a notional fund as the basis for calculating the employers' contribution rate by local education authorities. This means that liabilities for benefits cannot be identified specifically to the Council. The scheme is therefore accounted for as if it were a defined contribution scheme and no liability for future payments of benefits is recognised in the Balance Sheet. The Children & Families service line in the CIES is charged with the employer's contributions payable to Teachers' Pensions in the year.

The NHS Pension Scheme -

Public Health staff transferred to the Council on 1 April 2013 have retained access to the NHS Pension Scheme. This scheme is also unfunded and is accounted for on a defined contribution basis. The Corporate Strategy, Commissioning and Public Health line in the CIES is charged with the employer's contributions payable to NHS Pensions in the year.

The Local Government Pension Scheme (LGPS) -

This is a funded scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pensions' liabilities with investment assets over the long term.

The Local Government Scheme is accounted for as a defined benefits scheme:

- The liabilities of the West Yorkshire Pension Fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – that is an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of projected earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate of 2.6% (based on UK AA rated bond prices compiled into a model by the Council's actuary Aon Hewitt Limited).
- The assets attributable to the Council are included in the Balance Sheet at their fair value.

The change in the net pensions liability is analysed into the following components:

- Service cost comprising:
 - Current service cost – the increase in liabilities as a result of years of service earned this year. Allocated in the CIES to the services for which the employees worked.

- Past service cost – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years. Debited to the Surplus or Deficit on the Provision of Services in the CIES as part of Non Distributed Costs in Central Budgets.
- Net interest on the net defined benefit liability (asset) ie net interest expense for the Council – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the CIES. This is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period, taking account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.
- Remeasurements comprising –
 - The return on plan assets – excluding amounts included in net interest on the net defined benefit liability (asset). Charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
 - Actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because actuaries have updated their assumptions. Charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
- Contributions paid to the fund – cash paid as employer’s contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

The LGPS permits employees retiring to take an increase in their lump sum payment on retirement in exchange for a reduction in their future annual pension. The figures in this year’s Statement of Accounts have been prepared by our actuary, based on the assumption that each member will exchange 75% of the maximum amount permitted of their service pension rights on retirement for additional lump sum.

In relation to retirement benefits, statutory provisions require the General Fund Balance to be charged with the amount payable by the Council to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are transfers to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits earned by employees.

Discretionary Benefits -

The Council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff (including teachers) are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

Events After the Balance Sheet Date

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

- Those that provide evidence of conditions that existed at the end of the reporting period. In these cases, the accounting statements are adjusted to reflect such events, if they have a material effect;

- Those that are indicative of conditions that arose after the reporting period. In these cases, the accounting statements are not adjusted to reflect such events, but where they would have a material effect, disclosure is made in the notes as to the nature of the events and their estimated financial effect.

Fair Value Measurement

The Council measures some of its non-financial assets such as surplus assets and investment properties and some of its financial instruments such as equity shareholdings at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The Council measures the fair value of an asset or liability using the assumptions that market participants would use when pricing the asset or liability, assuming that the market participants act in their economic best interest. When measuring the fair value of a non-financial asset, the Council takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Council uses appropriate valuation techniques for each circumstance and for which sufficient data is available, maximising the use of relevant known data and minimising the use of estimates or unknowns. This takes into account the three levels of categories for inputs to valuations for fair value assets:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that the Council can access at the measurement date.
- Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 – unobservable inputs for the asset or liability.

Financial Instruments

Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the CIES for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

For most of the borrowings that the Council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the CIES is the amount payable for the year according to the loan agreement.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Financing and Investment Income and Expenditure line in the CIES in the year of repurchase/settlement. However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or

discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write down to the CIES is spread over the life of the loan by an adjustment to the effective interest rate.

Where premiums and discounts have been charged to the CIES, regulations allow the impact on the General Fund Balance to be spread over future years. The Council has a policy of spreading the losses over the term that was remaining on the replacement loan and similarly for gains up to a maximum of ten years. The reconciliation of amounts charged to the CIES to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Financial Assets

There are three main classes of financial assets measured at:

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

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

Financial Assets Measured at Amortised Cost

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

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

Financial Assets Measured at Fair Value through Profit of Loss (FVPL)

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

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

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

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

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

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

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

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

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

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

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

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

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

Expected Credit Loss Model

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

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

Instruments Entered Into Before 1 April 2006

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

Soft loans

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

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

Government Grants and Contributions

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

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

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

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

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

Heritage Assets

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

Recognition and Measurement

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

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

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

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

Where assets are not principally maintained for their contribution to knowledge and culture, for example listed buildings being used for operational purposes such as museums, they are recorded on the Balance Sheet under Property, Plant and Equipment.

The Council has had a number of heritage assets kindly donated over the years. The Council has insufficient information as to when such assets were donated and/or what the value of these items would have been when they were donated. The Council therefore has not recognised any heritage assets in the Donated Assets Account on the Balance Sheet prior to 1 April 2010. The Council has no material intangible heritage assets.

Depreciation and impairment

Depreciation is only provided on the structural heritage assets. Depreciation is not warranted on other heritage assets as their lives are either indefinite or sufficiently long to mean any charge would not be material. The carrying amounts of heritage assets are reviewed for evidence of impairment, for example where an item has suffered physical deterioration or breakage or doubts arise to its authenticity. Any impairment is recognised and measured in accordance with the Council's policies on impairment for Property, Plant and Equipment.

Disposal

The Council has a strong presumption against the disposal of any items in its collections. However, it will occasionally dispose of heritage assets which have a doubtful provenance or are unsuitable for public display. The proceeds of such items are accounted for in accordance with the provisions relating to the disposal of Property, Plant and Equipment.

Intangible Assets

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Council as a result of past events (for example, software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Council.

Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and is intended to be completed (with adequate resources being available) and the Council will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset. Expenditure is capitalised where it can be measured reliably as attributable to the asset and is restricted to that incurred during the development phase (research expenditure cannot be capitalised).

Expenditure on the development of websites is not capitalised if the website is solely or primarily intended to promote or advertise the Council's goods or services.

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

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Council can be determined by reference to an active market. In practice, no intangible asset held by the Council meets this criterion, and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life (usually between 5 and 10 years) to the relevant service line in the CIES. Straight-line amortisation has been adopted and it is assumed that residual value is insignificant or nil. An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the relevant service line in the CIES.

Amortisation and impairment charges are not permitted to have an impact on the General Fund Balance. Entries are effectively reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account.

Interests in Companies and Other Entities

The Council has a material interest in one company and one other entity that require it to prepare group accounts. In the Council's own single-entity accounts, the interests in companies and other entities are recorded as investments.

Inventories

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

Investment Property

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

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

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

Joint Operations

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

Leases

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

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

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

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

No prior period adjustments were required in this year's accounts.

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

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

IFRS16 Leases will require local authorities that are lessees to recognise most leases on their Balance Sheets as right-of-use assets with corresponding lease liabilities (there is recognition for low-value and short-term leases). CIPFA/LASAAC have deferred implementation of IFRS16 for Local Government to 1 April 2021.

IAS19 Employee Benefits will require the remeasurement of net pension asset/liability following plan amendments, curtailments or settlements to be used to determine current service cost and net interest for the remainder of the year after the change to the plan. The updating of these assumptions only applies to changes from 1 April 2020 and, since this could result in positive, negative or no movement in the net pension liability, no prediction can be made of the possible accounting impact.

IAS28 Investment in Associates and Joint Ventures will require amendments to long term Interests in Associates and Joint Ventures.

4 Critical Judgements

In preparing the accounts, the Council has made judgements in applying its accounting policies in Note 1. Those which have a significant bearing on the figures recognised in the financial statements include:

- Schools – The Council recognises the land and buildings used by schools in line with the provisions of the Code of Practice. It states that property used by local authority maintained schools should be recognised in accordance with the asset recognition tests relevant to the arrangements that prevail for the property. The Council recognises a school's land and buildings on its Balance Sheet where it owns the assets, the school or the school governing body own the assets or there is evidence that substantive ownership rights of assets have been transferred from another entity. As a result, the Council does not recognise foundation trust, voluntary aided or voluntary controlled schools on its Balance Sheet. Up to the point of schools being transferred to trust or academy status, their valuation on the Balance Sheet is based on continuing service potential.
- Grants – Where grant funding has been received, judgement has been made as to whether any conditions associated with the receipt of grant have been met or not. Where it is judged that conditions have been met, the grant is recognised in the CIES. Note 36 shows the details.
- Provisions – In calculating provisions, judgements have been made as to the certainty of a particular event happening giving rise to a liability and whether a reliable estimate can be made of that liability. Where this is not the case, the Council may disclose the issue as a contingent liability.
- Group Accounts – The Council has considered its relationships with a number of organisations and made a judgement as to its level of control and interest in these bodies. As a result, it has prepared Group Accounts, incorporating a subsidiary and a joint venture.
- Private Finance Initiatives (PFIs) – The Council has evaluated its four PFI schemes under the requirements of the Code and determined, irrespective of legal title, that the assets should be recognised on its Balance Sheet, together with a liability to pay for the assets. Note 39 in the Notes to the Core Financial Statements and Note H10 to the HRA give further details for each scheme.
- Leases – All leases have been assessed to determine whether they should be classified as finance or operating leases. A number of tests have been applied and it has been determined that the Council has a number of finance leases where it is both lessor and lessee. Note 38 gives further details on lease treatment.
- Heritage Assets – The Code allows discretion over how to value heritage assets. The Council has made a judgement to value some of its heritage assets using insurance values. However, some assets, such as war memorials and certain museum exhibits, are not recognised on Balance Sheet because cost information is not available and it has been judged that the cost of obtaining valuations outweighs the benefits to users of the accounts. Note 16 gives more valuation details for heritage assets.

5 Assumptions and Major Sources of Estimation Uncertainty

The Statement of Accounts contains estimated figures that are based on assumptions made by the Council about the future, or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the Council’s balance sheet at 31 March 2020 for which there is a significant risk of material adjustment within the next financial year are as follows:

Item and Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant and Equipment (Note 15)	
<p>Assets are depreciated over their useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Council will be able to sustain its current spending on repairs and maintenance in the longer term bringing into doubt the useful lives assigned to assets.</p> <p>Asset valuations are based on market prices and are periodically reviewed to ensure that the Council does not materially misstate its non-current assets. The Council’s external valuers provided valuations for approximately 60% of its operational portfolio. The remaining balance of operational properties were also reviewed to ensure values reflect current values. The outbreak of Covid-19 has impacted global financial markets and as at the valuation date, less weight can be attached to previous market evidence to inform opinions of value. There is an unprecedented set of circumstances on which to base a judgement.</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 £4.6 million for every year that the useful lives had reduced.</p> <p>Valuations are therefore reported on the basis of ‘material valuation uncertainty’ as per the RICS Red Book Global. Consequently, less certainty and a higher degree of caution should be attached to the valuation. At the current time, it is not possible to accurately predict the longevity and severity of the impact of Covid-19 on the economy. Therefore, values have been based on the situation prior to Covid-19, on the assumption that values will be restored when the real estate market becomes more fluid.</p>
Pensions Liability (Note 40)	
<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 2020 was £824.7 million.</p> <p>A material valuation uncertainty clause has been included in a number of property fund valuation reports in which the Fund invests due to the possible impact of Covid-19. Therefore there is less certainty, and a higher degree of caution should be attached to the valuation of level 3 unquoted property investments at the year-end than would normally be the case.</p>	<p>The Actuaries provide information in relation to the sensitivity of the results to key assumptions and these are set out in the pensions note.</p> <p>A number of valuations provided for private equity funds at 31 March 2020 did not include the impact of the events of the March quarter. The outbreak of Covid-19 has resulted in additional uncertainty with regard to the valuation of these investments at 31 March 2020.</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.

At the current time, it is not possible to accurately predict the longevity and severity of the impact of Covid-19 on the economy. Therefore, it has been difficult to value property assets. Values have been based on the situation prior to Covid-19, on the assumption that values will be restored when the real estate market becomes more fluid. However, where observable data has changed in the weeks following 31 March 2020 asset values have been reviewed and adjusted accordingly.

6 Exceptional Items and Material Items of Income and Expense

Where items are not disclosed on the face of the Comprehensive Income and Expenditure Statement (CIES) the Council must set these out in a note.

There were no exceptional items during 2019/20.

7 Events after the reporting period

These accounts were authorised for issue on the date the Service Director Finance signed the accounts – see Statement of Responsibilities and Certificate on page 20.

Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2020, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

There are no non-adjusting events after the Balance Sheet date.

However, due to Covid-19 there will be an impact on the Council's future cash flow and income streams. An initial impact assessment has been made and an updated cash flow statement prepared up until 31 March 2021. Further analysis and scenario planning for the potential risks to future income streams will be developed and considered. The Government is putting in place a range of financial measures to ensure businesses and the public sector are supported during this turbulent time. Despite the challenges that the Council will face, the Council has a proven record of delivering savings and will respond with an action plan at a future date to mitigate against any changes to income streams. The Council will continue in operational existence for a considerable time and the short term financial issues that will arise from Covid-19 do not impact upon the accounting concept of the Council being a 'going concern'.

NOTES TO THE MAIN FINANCIAL STATEMENTS
KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2019/20

8 Expenditure and Funding Analysis

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

	Outturn reported to Council	Adjustments between net cost of services and other income and expenditure	Net Expenditure Chargeable to the General Fund and HRA Balances	Adjustments between the Funding and Accounting Basis	Net Expenditure in the CIES
<u>2019/20</u>	£000	£000	£000	£000	£000
Children & Families	91,174	4,048	95,222	6,059	101,281
Adults & Health	100,977	0	100,977	9,380	110,357
Economy & Infrastructure	40,134	4,086	44,220	41,154	85,374
Corporate Strategy, Commissioning & Public Health	36,615	0	36,615	9,282	45,897
Central Budgets	17,270	6,150	23,420	184	23,604
HRA	763	-11,564	-10,801	-74,036	-84,837
Net Cost of Services	286,933	2,720	289,653	-7,977	281,676
Other operating expenditure	779	1,059	1,838	13,456	15,294
Financing and investment income and expenditure	0	22,525	22,525	38,193	60,718
Taxation and non-specific grant income	-295,418	-26,304	-321,722	-18,674	-340,396
Net Surplus(-)/Deficit	-7,706	0	-7,706	24,998	17,292

Opening Balances at 31 March 2019:

General Fund	-104,972
HRA	-61,782
	-166,754

Add net Surplus in Year

-7,706

Closing General Fund and HRA Balance at 31 March 2020

-174,460

General Fund

-113,442

HRA

-61,018

NOTES TO THE MAIN FINANCIAL STATEMENTS
KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2019/20

	Outturn reported to Council	Adjustments between net cost of services and other income and expenditure	Net Expenditure Chargeable to the General Fund and HRA Balances	Adjustments between the Funding and Accounting Basis	Net Expenditure in the CIES
<u>2018/19</u>	£000	£000	£000	£000	£000
Children & Families	83,129	3,895	87,024	13,059	100,083
Adults & Health	98,928	0	98,928	5,989	104,917
Economy & Infrastructure	37,684	4,284	41,968	40,122	82,090
Corporate Strategy, Commissioning & Public Health	32,828	407	33,235	4,992	38,227
Central Budgets	22,468	-1,338	21,130	23,090	44,220
HRA	-1,424	-12,178	-13,602	-31,228	-44,830
Net Cost of Services	273,613	-4,930	268,683	56,024	324,707
Other operating expenditure	758	1,091	1,849	12,375	14,224
Financing and investment income and expenditure	0	23,118	23,118	7,737	30,855
Taxation and non-specific grant income	-291,984	-19,279	-311,263	-27,037	-338,300
Net Surplus(-)/Deficit	-17,613	0	-17,613	49,099	31,486
Opening Balances at 31 March 2018:					
General Fund			-88,783		
HRA			-60,358		
			-149,141		
Add net Surplus in Year			-17,613		
Closing General Fund and HRA Balance at 31 March 2019			-166,754		
General Fund			-104,972		
HRA			-61,782		

NOTES TO THE MAIN FINANCIAL STATEMENTS
KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2019/20

A more detailed breakdown of the adjustments between funding and accounting basis is shown below:

- (i) This note details the adjustments from the Net expenditure Chargeable to the General Fund and HRA Balances to arrive at amounts in the CIES.

	Adjustments for Capital Purposes (a)	Net change for the Pensions Adjustments (b)	Other Differences (c)	Total Adjustments
2019/20	£000	£000	£000	£000
Children & Families	-6,890	12,880	69	6,059
Adults & Health	1,577	7,684	119	9,380
Economy & Infrastructure	29,798	11,163	193	41,154
Corporate Strategy, Commissioning & Public Health	3,726	5,483	73	9,282
Central Budgets	2,306	-1,978	-144	184
HRA	-74,036	0	0	-74,036
Net Cost of Services	-43,519	35,232	310	-7,977
Other operating expenditure	13,456	0	0	13,456
Financing and investment income and expenditure	20,015	17,277	901	38,193
Taxation and non-specific grant income	-23,022		4,348	-18,674
Difference between General Fund and HRA Surplus/Deficit and CIES Surplus/Deficit on the Provision of Services	-33,070	52,509	5,559	24,998
2018/19	£000	£000	£000	£000
Children & Families	5,522	7,627	-90	13,059
Adults & Health	1,241	4,788	-40	5,989
Economy & Infrastructure	32,661	7,382	79	40,122
Corporate Strategy, Commissioning & Public Health	1,071	3,957	-36	4,992
Central Budgets	2,340	20,890	-140	23,090
HRA	-31,228	0	0	-31,228
Net Cost of Services	11,607	44,644	-227	56,024
Other operating expenditure	12,375	0	0	12,375
Financing and investment income and expenditure	-7,709	15,446	0	7,737
Taxation and non-specific grant income	-27,037	0	0	-27,037
Difference between General Fund and HRA Surplus/Deficit and CIES Surplus/Deficit on the Provision of Services	-10,764	60,090	-227	49,099

(a) Adjustments for Capital Purposes

- Adds in capital charges (depreciation, impairment, REFUS, 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;

NOTES TO THE MAIN FINANCIAL STATEMENTS
KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2019/20

- The Financing and Investment Income and Expenditure line is adjusted for capital disposals with a transfer of income on disposal of investment property and amounts written off for those assets;
- Adds in capital grants into the Taxation and Non-Specific Grant Income line.

(b) Net Change for the Pensions Adjustments

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

(c) Other Differences

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

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

	Grants and Contributions	Fees and Charges	Capital Charge and Pension Credits	Total
	£000	£000	£000	£000
2019/20				
Children & Families	-274,036	-14,452	-14,659	-303,147
Adults & Health	-54,881	-24,235	-8,693	-87,809
Economy & Infrastructure	-7,739	-41,575	-4,180	-53,494
Corporate Strategy, Commissioning & Public Health	-109,510	-6,885	0	-116,395
Central Budgets	-584	-882	-36,745	-38,211
HRA	-7,929	-82,467	-63,872	-154,268
Total Income analysed on a segmental basis	-454,679	-170,496	-128,149	-753,324
2018/19				
Children & Families	-281,584	-12,622	-6,020	-300,226
Adults & Health	-45,491	-25,147	0	-70,638
Economy & Infrastructure	-8,268	-40,870	-1,859	-50,997
Corporate Strategy, Commissioning & Public Health	-123,912	-6,003	0	-129,915
Central Budgets	-16	-257	-12,399	-12,672
HRA	-7,925	-82,372	-22,189	-112,486
Total Income analysed on a segmental basis	-467,196	-167,271	-42,467	-676,934

NOTES TO THE MAIN FINANCIAL STATEMENTS
KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2019/20

9 Expenditure and Income analysed by nature (Subjective Analysis)

	2019/20	2018/19
	£000	£000
Expenditure		
Employee Expenses*	445,202	419,853
Premises and Transport	100,709	109,895
Supplies and Services	156,675	136,232
Other Service Expenses	329,401	333,207
Support Charges	17,248	15,503
Capital Charges	74,457	70,606
Precepts and Levies	979	954
Payments to Housing Capital Receipts Pool	2,456	2,037
Losses on the Disposal of PPE and Investment Assets	10,179	10,945
Interest Payable and Similar Charges	27,243	27,351
Net interest on the defined benefit obligation	17,277	15,446
Central Items	-10,635	5,723
Total Expenditure	1,171,191	1,147,752
Income		
Fees, Charges and Other Service Income	-173,505	-170,693
Grants, Reimbursements and Contributions	-549,543	-526,971
Capital Charges Credits	-70,479	-42,498
Internal Recharges	-97,990	-91,855
Interest and Investment Income	-5,492	-5,526
Income from Council Tax and Business Rates	-256,890	-278,723
Total Income	-1,153,899	-1,116,266
Surplus(-)/Deficit on Provision of Services	17,292	31,486

*This includes £42.9 million in 2019/20 (£47.3 million in 2018/19) relating to employees of Voluntary Aided and Trust schools who are not employees of the Council but are required to be consolidated into the Council's financial statements.

NOTES TO THE MAIN FINANCIAL STATEMENTS
KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2019/20

10 Adjustments between accounting basis and funding basis under regulations

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

	Usable Reserves					
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£000	£000	£000	£000	£000	£000
2019/20						
<u>Adjustments involving the Capital Adjustment Account (CAA):</u>						
Charges for depreciation and impairment of non-current assets	-38,956	0	0	-17,176	0	56,132
Amortisation of Intangible Assets	-294	0	0	0	0	294
Revaluation losses on PPE	-17,641	-27	0	0	0	17,668
Revaluation gains on PPE	26,760	63,872	0	0	0	-90,632
Movements in the market value of Investment Properties	-19,617	-1,355	0	0	0	20,972
Revenue expenditure funded from capital under statute (REFCUS)	-13,021	0	0	0	0	13,021
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	-14,935	-6,167	0	0	0	21,102
Capital grants and contributions applied	7,630	125	0	0	0	-7,755
Capital grants and contributions applied (REFCUS)	5,134	0	0	0	0	-5,134
Deferred Income written down - Waste PFI	537	0	0	0	0	-537
Provision for the financing of capital investment	3,525	2,607	0	0	0	-6,132
Capital expenditure charged against balances	2,010	7,691	0	0	0	-9,701
Financial instruments impairment charges	-220	0	0	0	0	220
<u>Adjustments involving the Capital Grants Unapplied Account:</u>						
Capital grants and contributions unapplied and credited to the CIES	16,724	0	0	0	-16,724	0
Application of grants to capital financing transferred to the CAA	0	0	0	0	11,339	-11,339
<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	1,967	9,307	-11,274	0	0	0
Financing new capital expenditure	0	0	6,933	0	0	-6,933

NOTES TO THE MAIN FINANCIAL STATEMENTS
KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2019/20

2019/20 Continued

Contribution towards administrative costs of asset disposals	-61	-69	130	0	0	0
Contribution to finance the payments to the Government capital receipts pool	-2,456	0	2,456	0	0	0
Cash receipts from the repayment of capital loans given	0	0	-108	0	0	108
<u>Adjustment involving the Deferred Capital Receipts Reserve:</u>						
Finance Leases - Amount by which sale proceeds received in CIES differs from those received in accordance with statutory requirements	-2	0	0	0	0	2
<u>Adjustment involving the Major Repairs Reserve:</u>						
Financing of new capital expenditure (transfer to CAA)	0	0	0	12,593	0	-12,593
Used to repay debt (transfer to CAA)	0	0	0	4,583	0	-4,583
<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	244	-106	0	0	0	-138
<u>Adjustments involving the Pensions Reserve:</u>						
Reversal of items relating to retirement benefits debited or credited to the CIES	-89,207	0	0	0	0	89,207
Employer's pensions contributions and direct payments	36,698	0	0	0	0	-36,698
<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	-4,348	0	0	0	0	4,348
<u>Adjustment involving the Accumulated Absences Account:</u>						
Amount by which officer remuneration charged to the CIES on an accruals basis is different from that required by statutory regulations	-453	0	0	0	0	453
<u>Adjustment involving the Pooled Fund Adjustment Account:</u>						
Charges for fair value movements on the CCLA Property Fund	-894	0	0	0	0	894
Total Adjustments 2019/20	-100,876	75,878	-1,863	0	-5,385	32,246

NOTES TO THE MAIN FINANCIAL STATEMENTS
KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2019/20

2018/19

Adjustments involving the Capital

Adjustment Account (CAA):

Charges for depreciation and impairment of non-current assets	-39,951	0	0	-16,087	0	56,038
Amortisation of Intangible Assets	-109	0	0	0	0	109
Revaluation losses on PPE	-10,490	-5	0	0	0	10,495
Revaluation gains on PPE	8,710	22,188	0	0	0	-30,898
Movements in the market value of Investment Properties	8,160	33	0	0	0	-8,193
Revenue expenditure funded from capital under statute (REFCUS)	-16,704	0	0	0	0	16,704
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	-17,674	-5,742	0	0	0	23,416
Capital grants and contributions applied	12,911	162	0	0	0	-13,073
Capital grants and contributions applied (REFCUS)	10,014	0	0	0	0	-10,014
Deferred Income written down - Waste PFI	537	0	0	0	0	-537
Provision for the financing of capital investment	2,950	2,260	0	0	0	-5,210
Capital expenditure charged against balances	1,554	6,785	0	0	0	-8,339
Financial instruments impairment charges	-679	0	0	0	0	679

Adjustments involving the Capital Grants

Unapplied Account:

Capital grants and contributions unapplied and credited to the CIES	10,002	0	0	0	-10,002	0
Application of grants to capital financing transferred to the CAA	0	0	0	0	6,717	-6,717

Adjustments involving the Capital Receipts

Reserve:

Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the CIES	3,743	9,533	-	13,276	0	0	0
Financing new capital expenditure	0	0	5,612	0	0	0	-5,612
Contribution towards administrative costs of asset disposals	-88	-75	163	0	0	0	0
Contribution to finance the payments to the Government capital receipts pool	-2,037	0	2,037	0	0	0	0
Cash receipts from the repayment of capital loans given	0	0	-834	0	0	0	834
Used to repay debt (transfer to CAA)	0	0	716	0	0	0	-716

**NOTES TO THE MAIN FINANCIAL STATEMENTS
KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2019/20**

2018/19 Continued

Adjustment involving the Deferred Capital

Receipts Reserve:

Finance Leases - Amount by which sale proceeds received in CIES differs from those received in accordance with statutory requirements	-2	0	0	0	0	2
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Adjustment involving the Major Repairs

Reserve:

Financing of new capital expenditure (transfer to CAA)	0	0	0	8,985	0	-8,985
Used to repay debt (transfer to CAA)	0	0	0	7,511	0	-7,511

Adjustment involving the Financial

Instruments Adjustment Account:

Amount by which finance costs charged to the CIES are different from those required by statutory regulations	407	0	0	0	0	-407
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Adjustments involving the Pensions

Reserve:

Reversal of items relating to retirement benefits debited or credited to the CIES	-96,004	0	0	0	0	96,004
Employer's pensions contributions and direct payments	35,657	0	0	0	0	-35,657

Adjustments involving the Collection Fund

Adjustment Account:

Amount by which Council Tax and Non-Domestic Rating income credited to the CIES is different from that required by statutory regulations	4,645	0	0	0	0	-4,645
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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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NOTES TO THE MAIN FINANCIAL STATEMENTS
KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2019/20

11 Transfers to/from Earmarked Reserves

This note sets out the amounts set aside from the General Fund Balance in earmarked reserves to provide financing for future expenditure plans. No earmarked reserves have been set up for the HRA.

	Balance at 31 March 2018	Transfers Out 2018/19	Transfers In 2018/19	Balance at 31 March 2019	Transfers Out 2019/20	Transfers In 2019/20	Balance at 31 March 2020
Earmarked Reserves							
Statutory (Schools Reserve)	-8,936	895	-1,436	-9,477	12	-502	-9,967
Statutory (Schools Reserve - DSG/Other)	-891	662	-39	-268	14,664	0	14,396
Financial Resilience	-37,146	9,845	-5,445	-32,746	0	-4,400	-37,146
Health and Social Care	0	0	-2,496	-2,496	300	0	-2,196
Revenue Grants	-10,936	3,412	-7,489	-15,013	8,368	-3,600	-10,245
Strategic Investment Support	0	0	-5,400	-5,400	1,441	-20	-3,979
Adverse Weather Reserve	0	600	-4,600	-4,000	1,595	-27	-2,432
Property and Other Loans	0	1,000	-4,000	-3,000	0	0	-3,000
Waste Management	0	0	-11,000	-11,000	1,316	0	-9,684
Covid-19 Response	0	0	0	0	1,129	-12,228	-11,099
Schools PFI	0	0	0	0	0	-2,184	-2,184
Demand	0	0	0	0	0	-11,707	-11,707
Other	-22,067	16,745	-6,036	-11,358	4,412	-7,255	-14,200
Total Earmarked Reserves	-79,976	33,159	-47,941	-94,758	33,237	-41,923	-103,443
<i>Unallocated Balances</i>	<i>-8,807</i>			<i>-10,214</i>			<i>-9,999</i>
General Fund Balances	-88,783			-104,972			-113,442

- The Statutory (Schools Reserve) relates to individual school balances/deficits carried forward to following years under the terms of the Education Reform Act 1988. The balance at 31 March 2020 represents 110 schools with cumulative balances of £11.7 million (117 schools and £12.1 million at 31 March 2019) and 16 schools with cumulative deficits amounting to £1.7 million (15 schools and £2.6 million at 31 March 2019).
- The Statutory (Schools Reserve - DSG/Other) relates to Dedicated Schools Grant (DSG) which is statutorily ring-fenced for schools related expenditure. The negative balance as at 31 March 2020 includes a £12.9 million High Needs deficit carried forward on the Balance Sheet to be funded by future DSG income as per updated statutory guidance. There is also a £2.2 million negative balance which represents Schools PFI costs pending confirmation from the DfE that this expenditure can be funded from General Fund under the new regulations. The remaining balance reflects net underspends elsewhere of £0.7 million, mainly due to underspending on Early Years.
- The Financial Resilience Reserve covers a range of potential costs highlighted in the Council's corporate risk assessment, including budget risks and those covering certain contingent liabilities. This is linked into the reserves and balances strategy agreed as part of the Medium Term Financial Plan.
- The Health and Social Care Reserve had been set up to support future expenditure on health and social care issues.
- The Revenue Grants Reserve represents grants and contributions recognised in the CIES before expenditure has been incurred.

- The Strategic Investment Support Reserve has been set up to address the scale of development costs required to support the upscaling of capital investment activity and major project activity over the MTFP.
- The Adverse Weather Reserve has been set up to mitigate against budget risk arising from severe weather events in the district.
- The Property and Other Loans Reserve has been set up to set aside against the potential risk of future loan default arising from the introduction of a new Local government accounting code intended to strengthen Balance Sheet transparency.
- The Waste Management Reserve has been set up to support the development of the Council's waste management strategy, in light of the known financial implications of the current PFI Waste Contract ending in 2022/23.
- The Covid-19 Response Reserve reflects the balance of Covid-19 Support Grant funding received and recognised in 2019/20 before expenditure was incurred.
- The Schools PFI Reserve has been set aside to cover schools PFI costs pending confirmation from the DfE that such costs can continue to be funded from General Fund under the new regulations. If confirmation is received, the reserve will be drawn down and will part offset the negative balance held on the Statutory (Schools Reserve - DSG/Other) reserve.
- The Demand Reserve has been set up to mitigate the impact/volatility of a range of potential demand risks on statutorily provided service activity.

12 Other Operating Expenditure

	2019/20	2018/19
	£000	£000
Parish council precepts	780	758
Levies	200	196
Payment to Government Housing Capital Receipts Pool	2,456	2,036
Losses on the disposal of non-current assets	10,999	10,461
Revaluation losses on assets held for sale	0	-122
Derecognition of Academies' Balances	859	895
Total	15,294	14,224

Losses on the disposal of non-current assets includes academy and trust school transfers and assets transferred as part of the Community Asset transfer policy. These totalled £13.5 million in 2019/20 as part of four academy conversions and one community transfer (2018/19 £6.6 million as part of two schools academy conversions).

13 Financing and Investment Income and Expenditure

	2019/20	2018/19
	£000	£000
Interest payable and similar charges	26,428	27,351
Net interest on the net defined benefit obligation	17,277	15,446
Interest receivable and similar income	-707	-1,853
Income and expenditure in relation to investment property and changes in fair value (Note 17)	18,016	-10,451
Dividend Income	-1,410	-317
Other – movements on financial instruments	1,114	679
Total	60,718	30,855

14 Taxation and Non-Specific Grant Income

	2019/20	2018/19
	£000	£000
Council Tax income	-179,239	-172,909
Non Domestic Rates	-77,651	-105,814
Non-ring fenced government grants	-60,484	-37,325
Capital grants and contributions	-23,022	-22,252
Total	-340,396	-338,300

More detail on grant income is shown in Note 36 and on Council Tax and Non Domestic Rate income in the section on Collection Fund.

NOTES TO THE MAIN FINANCIAL STATEMENTS
KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2019/20

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
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Movement in 2019/20									
Cost or Valuation									
At 1 April 2019	617,824	525,113	35,458	413,748	11,812	28,980	0	1,632,935	76,666
Additions	21,600	14,748	5,537	24,540	190	2,120	889	69,624	978
Revaluation increases/decreases(-) recognised in the Revaluation Reserve	0	27,702	0	0	0	-6,931	0	20,771	79
Revaluation increases/decreases(-) recognised in the Provision of Services	46,870	2,005	0	0	0	-2,342	0	46,533	831
De-recognition – disposals	-3,752	-14,254	-1,554	0	0	-668	0	-20,228	0
De-recognition – other	0	0	0	0	0	0	0	0	0
Assets reclassified to Held for Sale	-2,888	0	0	0	0	0	0	-2,888	0
Other movements in cost or valuation	0	-2,289	0	0	0	2,610	1,259	1,580	0
At 31 March 2020	679,654	553,025	39,441	438,288	12,002	23,769	2,148	1,748,327	78,554
Accumulated Depreciation and Impairment									
At 1 April 2019	0	-29,517	-17,727	-226,270	-10,715	-113	0	-284,342	-2,206
Depreciation charge	-16,985	-14,545	-3,554	-20,084	-279	-157	0	-55,604	-1,983
Depreciation written out to the Revaluation Reserve	0	9,754	0	0	0	0	0	9,754	11
Depreciation written out to the Deficit on the Provision of Services	16,985	9,624	0	0	0	28	0	26,637	283
Impairment losses recognised in the Revaluation Reserve	0	-107	0	0	0	0	0	-107	0
Impairment losses recognised in the Deficit on the Provision of Services	0	-523	0	0	0	0	0	-523	0
De-recognition – disposals	0	524	1,401	0	0	36	0	1,961	0
Other movements in depreciation and impairment	0	52	0	0	0	-42	0	10	0
At 31 March 2020	0	-24,738	-19,880	-246,354	-10,994	-248	0	-302,214	-3,895
Net Book Value									
at 31 March 2020	679,654	528,287	19,561	191,934	1,008	23,521	2,148	1,446,113	74,659
at 31 March 2019	617,824	495,596	17,731	187,478	1,097	28,867	0	1,348,593	74,460

NOTES TO THE MAIN FINANCIAL STATEMENTS
KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2019/20

	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 2018/19									
Cost or Valuation									
At 1 April 2018	599,304	536,620	34,538	394,979	11,762	25,077	0	1,602,280	89,218
Additions	17,923	10,140	3,886	18,769	50	1,637	0	52,405	924
Revaluation increases/ decreases(-) recognised in the Revaluation Reserve	0	3,866	0	0	0	1,922	0	5,788	-1,902
Revaluation increases/decreases(-) recognised in the Provision of Services	6,287	-8,438	0	0	0	365	0	-1,786	-8,958
De-recognition – disposals	-3,275	-16,569	-2,966	0	0	-176	0	-22,986	-2,616
De-recognition – other	0	0	0	0	0	0	0	0	0
Assets reclassified to Held for Sale	-2,415	0	0	0	0	0	0	-2,415	0
Other movements in cost or valuation	0	-506	0	0	0	155	0	-351	0
At 31 March 2019	617,824	525,113	35,458	413,748	11,812	28,980	0	1,632,935	76,666
Accumulated Depreciation and Impairment									
At 1 April 2018	0	-27,581	-17,228	-207,125	-10,420	-358	0	-262,712	-6,984
Depreciation charge	-15,900	-17,359	-3,181	-19,145	-295	-151	0	-56,031	-2,536
Depreciation written out to the Revaluation Reserve	0	6,757	0	0	0	231	0	6,988	3,060
Depreciation written out to the Deficit on the Provision of Services	15,900	6,139	0	0	0	173	0	22,212	3,926
Impairment losses recognised in the Revaluation Reserve	0	0	0	0	0	0	0	0	0
Impairment losses recognised in the Deficit on the Provision of Services	0	0	0	0	0	0	0	0	0
De-recognition – disposals	0	2,519	2,682	0	0	0	0	5,201	328
Other movements in depreciation and impairment	0	8	0	0	0	-8	0	0	0
At 31 March 2019	0	-29,517	-17,727	-226,270	-10,715	-113	0	-284,342	-2,206
Net Book Value									
at 31 March 2019	617,824	495,596	17,731	187,478	1,097	28,867	0	1,348,593	74,460
at 31 March 2018	599,304	509,039	17,310	187,854	1,342	24,719	0	1,339,568	82,234

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.

NOTES TO THE MAIN FINANCIAL STATEMENTS
KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2019/20

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

Revaluations

The Council carries out a rolling valuation programme which ensures that all PPE that is required to be measured at fair value is revalued at least every five years. All valuations this year were carried out by external valuers - HRA properties by Cushman & Wakefield and General Fund properties by Wilks Head & Eve. The valuers hold the appropriate qualification required and belong to the Royal Institution of Chartered Surveyors (RICS). The valuation of dwellings were carried out on 12 September 2019 and the valuations for the remaining land and buildings were carried out 31 December 2019 in accordance with the methodologies and bases for estimation set out in the professional standards of the RICS.

There was a net gain in the PPE values of £103.7 million as the result of revaluations. The effect of any gains and losses have been split between the revaluation reserve and the provision of services in the CIES.

Assets not revalued in year have been assessed for accurate valuation at 31 March 2020. Specialised operational assets valued at Depreciated Replacement Cost have been assessed by using BCIS indices as a reference for construction costs. Assets valued at Existing Use Value have been assessed to ensure ongoing remaining service potential and by looking at comparable market evidence.

The table below shows current values of assets, whether valued at historical cost or at revalued amounts, identifying the year they were last revalued.

	Council Dwellings	Other Land & Buildings	Vehicles, Plant, Furniture and Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Carried at historical cost	0	7,761	19,561	191,934	1,008	0	2,148	222,412
Carried at current value as at:								
2019/20	679,654	280,641	0	0	0	11,802	0	972,097
2018/19	0	118,006	0	0	0	4,510	0	122,516
2017/18	0	92,950	0	0	0	1,245	0	94,195
2016/17	0	7,039	0	0	0	5,750	0	12,789
2015/16	0	21,890	0	0	0	214	0	22,104
Total	679,654	528,287	19,561	191,934	1,008	23,521	2,148	1,446,113

Capital Commitments

In February 2020, the Council approved a capital programme of £183 million for 2020/21. A further £633.4 million of capital investment was also approved for the following four years. This covers expenditure on PPE, investment properties, intangible assets and revenue expenditure funded from capital under statute. The Council has capital commitments of £46.4 million at 31 March 2020 (£12.8 million at 31 March 2019) for schemes under progress.

16 Heritage Assets

	Fine Art Collection	Museums and Galleries Exhibits	Other	Total Assets
	£000	£000	£000	£000
<u>Movement in 2019/20</u>				
Cost or Valuation				
At 1 April 2019	44,368	3,302	2,368	50,038
Additions	0	0	0	0
Revaluation increases/decreases(-) recognised in the Revaluation Reserve	0	0	-24	-24
Revaluations recognised in the Provision of Services	0	0	-41	-41
At 31 March 2020	44,368	3,302	2,303	49,973
Accumulated Depreciation				
At 1 April 2019	0	0	-13	-13
Depreciation charge	0	0	-6	-6
Depreciation written out to the Revaluation Reserve	0	0	8	8
Depreciation written out to the Provision of Services	0	0	11	11
At 31 March 2020	0	0	0	0
<u>Movement in 2018/19</u>				
Cost or Valuation				
At 1 April 2018	44,368	3,302	2,368	50,038
Additions	0	0	0	0
Revaluation increases/decreases(-) recognised in the Revaluation Reserve	0	0	0	0
Revaluations recognised in the Provision of Services	0	0	0	0
At 31 March 2019	44,368	3,302	2,368	50,038
Accumulated Depreciation				
At 1 April 2018	0	0	-6	-6
Depreciation charge	0	0	-7	-7
Depreciation written out to the Revaluation Reserve	0	0	0	0
Depreciation written out to the Provision of Services	0	0	0	0
At 31 March 2019	0	0	-13	-13
Net Book Value				
at 31 March 2020	44,368	3,302	2,303	49,973
at 31 March 2019	44,368	3,302	2,355	50,025

Fine Art and Museum Exhibits Collections

Kirklees Museums and Galleries Service manages the collections of fine art and museum exhibits. Although many early additions to the collections were acquired by purchase, more recent additions are likely to be by donation or, occasionally, by bequests.

Some items have been purchased through the national purchase grant fund administered by the Victoria and Albert Museum and the Museums, Libraries and Archives Council. The collection has also benefited from continued membership of the Contemporary Art Society. The majority of items acquired in this way have covenants covering terms of use and restrictions on sale.

Like most museums and galleries services, much of the collection is in store. The Council showcases the best of the collections and includes wide ranging collections from the dawn of time to present day of local, regional, national and international significance. The Council has a “Collections Development Policy” which gives details on how the collections are managed through review, rationalisation, acquisition, disposal, care, conservation and documentation. The Policy is approved by Council and is reviewed at least once every five years.

There have been no significant purchases, disposals or impairments of items over the last five years.

Fine Art Collection

The collection comprises of around 3,000 artworks. At any given time approximately 15% of the collection is on display to the public in Council’s museums, galleries and town halls. In addition, artworks from the collection are often loaned to other institutions, nationally and internationally.

The most significant exhibit in the collection is the “Figure Study II” by Francis Bacon. It was acquired as a gift from the Contemporary Art Society. The painting has a value of £20.0 million (£20.0 million at 31 March 2019) and was last valued externally by Bonhams. Being a donated asset the painting has conditions placed upon it. Other notable pieces include two paintings by L S Lowry, the “Huddersfield Canvas” and “Level Crossing Canvas”, with a combined value of £6.7 million (£6.7 million 31 March 2019) and the “Falling Warrior” sculpture by Henry Moore valued at £5.0 million (£5.0 million 31 March 2019). The total value of donated artwork items as at 31 March 2020 is £24.4 million (£24.4 million 31 March 2019).

Museum Exhibits

The collection consists of around 750,000 items relating to archaeology, arts and crafts (ceramics, furniture etc), industry, natural sciences, social history and world cultures which have been collected during the nineteenth and twentieth centuries. At any time 4% of the collection is on display across the museum sites. Some of the more significant items include the Skelmanthorpe Flag; the Porritt Collection (British butterflies and moths); a collection linked to Bamforth and Company (publishers of comic postcards); a collection of Mesolithic material; and a photographic archive of over 250,000 images on glass plate and celluloid negatives, lantern slides and original prints.

Other Heritage Assets

This category includes the Civic Silver Collection, structural heritage assets, statues and books of remembrance. In terms of monetary value, the first two are the most significant. There have been no significant purchases, disposals or impairments under this category over the last five years.

The Civic Silver Collection consists of 387 items, mainly comprising of chains and pendants of office, maces and silverware. Its value as at 31 March 2020 is £1.6 million (£1.6 million 31 March 2019). Many of the pieces have been donated over the years to mark historic occasions or events and the current value of donated civic silver items recognised as Long Term Assets is £0.9 million (£0.9 million 31 March 2019).

The Council has a number of structural heritage assets which are not recognised elsewhere on the Balance Sheet. These comprise of two clock towers, a Victorian tower and two park band stands. Of particular note is the Victorian Tower on Castle Hill, Huddersfield which was completed in 1899 to

celebrate the 60th anniversary of Queen Victoria's reign. The value of structural assets as at 31 March 2020 is £0.3 million (£0.3 million 31 March 2019).

Heritage Assets not recognised on the Balance Sheet

The Council also holds a number of heritage assets which are not recognised on the Balance Sheet, notably Castle Hill, war memorials, the local studies collection and a number of museum exhibits, including the British Archaeology, Natural Sciences (bird's eggs) and the Ethnography Collections. Castle Hill, Huddersfield is a Scheduled Ancient Monument and a Regionally Important Geological Site. The Victorian Tower mentioned above is built on Castle Hill. The land and the Tower were transferred into the Council's ownership from the Ramsden Estate in 1920.

Heritage Assets recognised under other asset categories

Where assets are operational and not principally maintained for their contribution to knowledge and culture, they are recorded on the Balance Sheet under Property, Plant and Equipment. The most notable building is Oakwell Hall in Gomersal, a grade one listed Elizabethan manor house with Bronte connections which is used as a museum. The Council also has a number of grade two listed buildings largely used for museum, civic and commercial purposes.

17 Investment Property

The following items of income and expense have been accounted for in the Financing and Investment Income and Expenditure line in the CIES:

	2019/20	2018/19
	£000	£000
Rental income from investment property	-3,282	-3,424
Direct operating expenses arising from investment property	1,524	1,360
Net gain	-1,758	-2,064
Net gains (-)/loss from fair value adjustments	20,972	-8,193
Net gains on disposals of assets	-1,198	-194
Net income (-)/expenditure in relation to investment property and changes in fair value	18,016	-10,451

There are no restrictions on the Council's ability to realise the value inherent in its investment property or on the Council's right to the remittance of income and the proceeds of disposal. The Council has no contractual obligations to purchase, construct or develop investment property or repair, maintain or enhance such property.

The movement in the fair value of investment property over the year is as follows:

	2019/20	2018/19
	£000	£000
Balance at 1 April	124,087	118,355
Additions	1	152
Disposals	-420	-2,964
Net gains (-)/loss from fair value adjustments	-20,972	8,193
Transfers to Property, Plant and Equipment	-1,591	351
Balance at 31 March	101,105	124,087

Fair Value Measurement

The Authority has accounted for investment property in accordance with IFRS13 which has been achieved through a fair value hierarchy. The fair value of investment property has been measured

using a market approach, which takes into account quoted prices for similar assets in active markets, existing lease terms and rental, research into market evidence including market rentals and yields, the covenant strength for existing tenants, and data and market knowledge gained in managing the Council's investment asset portfolio. Market conditions are such that similar properties are actively purchased and sold and the level of observable are significant, leading to the properties being categorised as level 2 on the fair value hierarchy.

There have been no transfers between the different levels of hierarchy during the year.

Investment property has been valued at highest and best use. There have been some changes in valuation technique from income based approach to market value approach. This is not always the current use of the asset – in some cases, agricultural holdings which are being used for grazing land are in residential areas and could be used for development. Similarly pieces of undeveloped land previously valued without development have now been valued this time with development potential. This market value approach has resulted in a gain of £0.4 million (31 March 2019 £2.0 million).

Revaluations

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

18 Intangible Assets

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

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

Amortisation of £0.3 million was charged to CIES in 2019/20 (£0.1 million in 2018/19).

	2019/20	2018/19
	£000	£000
Balance at 1 April		
Gross carrying amounts	6,896	6,343
Accumulated amortisation	-6,014	-5,939
Net carrying amount at 1 April	882	404
Additions - Purchases	0	587
Amortisation for the period	-294	-109
Net carrying amount at 31 March	588	882
Comprising:		
Gross carrying amounts	6,896	6,896
Accumulated amortisation	-6,308	-6,014
	588	882

There are no significant contractual commitments relating to intangible assets for 2019/20.

NOTES TO THE MAIN FINANCIAL STATEMENTS
KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2019/20

19 Financial Instruments

A financial instrument is a contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Non-exchange transactions, such as those relating to taxes (Council Tax, Non-Domestic Rates) and government grants, do not give rise to financial instruments.

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

Financial Assets

	Non-Current				Current			
	Investments		Debtors		Investments		Debtors	
	31 March		31 March		31 March		31 March	
	2020	2019	2020	2019	2020	2019	2020	2019
	£000	£000	£000	£000	£000	£000	£000	£000
Amortised cost								
Investment principal	0	0	2,415	1,506	0	0	35,382	28,370
Soft loans principal	0	0	16,601	17,491	0	0	0	0
Soft loans accrued interest	0	0	0	0	0	8	0	0
Cash and cash equivalents	0	0	0	0	14,350	12,286	0	0
Cash and cash equivalents accrued interest	0	0	0	0	4	9	0	0
Total Amortised cost	0	0	19,016	18,997	14,354	12,303	35,382	28,370
Fair value through profit and loss	9,106	0	0	0	27,011	27,086	0	0
Fair value through other comprehensive income – designated equity instruments	4,320	4,372	0	0	0	0	0	0
Total Financial Assets	13,426	4,372	19,016	18,997	41,365	39,389	35,382	28,370
Non-Financial Assets	0	0	6,327	6,668	0	0	25,154	26,752
Total	13,426	4,372	25,343	25,665	41,365	39,389	60,536	55,122

Financial Liabilities

	Non-Current				Current			
	Borrowings		Creditors		Borrowings		Creditors	
	31 March		31 March		31 March		31 March	
	2020	2019	2020	2019	2020	2019	2020	2019
	£000	£000	£000	£000	£000	£000	£000	£000
Amortised cost								
Principal	-372,111	-382,537	0	0	-53,207	-11,733	-55,042	-63,214
Loans accrued interest	0	0	0	0	-4,375	-4,457	0	0
Market loans EIR adjustment	-1,549	-1,578	0	0	0	0	0	0
PFI, finance lease and transferred debt	-94,050	-100,026	0	0	-6,148	-6,239	0	0
Total Financial Liabilities	-467,710	-484,141	0	0	-63,730	-22,429	-55,042	-63,214
Non-Financial Liabilities	0	0	0	0	0	0	-35,220	-24,405
Total	-467,710	-484,141	0	0	-63,730	-22,429	-90,262	-87,619

NOTES TO THE MAIN FINANCIAL STATEMENTS
KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2019/20

Borrowings	31 March 2020		31 March 2019	
	Non-Current	Current	Non-Current	Current
	£000	£000	£000	£000
PWLB	-261,501	-14,651	-273,246	-8,302
LOBOs	-61,549	-648	-71,578	-5,764
Other market debt	-43,627	-42,013	-32,308	-1,854
Stock	-6,983	-270	-6,983	-270
Total	-373,660	-57,582	-384,115	-16,190

Material Soft Loans made by the Council

The Council provided support in 2009/10 to Kirklees College's Waterfront Development with a loan. The loan is secured against the assets of the College and the loan is charged at the cost of the borrowing to the Council plus a small margin to cover administration. The fair value of the loan at initial recognition was arrived at by adding a margin of 1.75% to reflect risk. The loan is being repaid on an annuity basis. The College requested a repayment holiday for one year from August 2019 to July 2020. This was approved by the Strategic Director Economy and Infrastructure on the 28 September 2018 so the College will now repay the full amount advanced by 2035/36. The Council has also provided interest free loans to Kirklees' householders in respect of renewable energy works. The loans are secured as a fixed charge on the householder's properties (that is the loans are recoverable when the householder sells the property). The fair value of the renewable energy loans at initial recognition were arrived at by taking the cost to the Council of taking a ten year loan and adding an allowance of 2% for risk.

Movements on material soft loans are detailed as follows:

	College	Renewable Energy	Total
	£000	£000	£000
Balance at 1 April 2018	16,396	1,824	18,220
Loans repaid	-716	-46	-762
Impairment loss allowance	-584	-95	-679
Unwinding of discount	176	116	292
Balance at 31 March 2019	15,272	1,799	17,071
Loans repaid	0	-71	-71
Change in impairment loss allowance	-217	-3	-220
Unwinding of discount	0	146	146
Balance at 31 March 2020	15,055	1,871	16,926
Nominal value at 31 March 2019	18,030	2,130	20,160
Nominal value at 31 March 2020	18,030	2,060	20,090

NOTES TO THE MAIN FINANCIAL STATEMENTS
KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2019/20

Equity Instruments Designated at Fair Value Through Other Comprehensive Income

The Council has elected to account for the following investments in equity instruments at fair value through other comprehensive income because they are long-term strategic holdings and changes in their fair value are not considered to be part of the Council's annual financial performance.

	Fair value	
	31 March 2020 £000	31 March 2019 £000
LCR Revolving Investment Fund	3,054	2,995
Kirklees Henry Boot Partnership Ltd	125	125
Kirklees Schools Services Ltd	927	977
QED (KMC) Holdings Ltd	214	275
Total	4,320	4,372

Offsetting Financial Assets and Liabilities

The Council has legal right of offset on its current account banking arrangements and as at 31 March 2020 had a credit balance of £0.8 million at the bank (£0.9 million 31 March 2019) offset by a debit balance of £0.8 million (£0.9 million 31 March 2019).

Income, Expense, Gains and Losses

The gains and losses recognised in the Comprehensive Income and Expenditure Statement in relation to financial instruments are detailed as follows:

	Financial Liabilities		Financial Assets		2019/20	2018/19
	Amortised cost £000	Amortised cost £000	Fair value through OCI £000	Fair value through profit and loss £000	Total £000	Total £000
Interest expense	26,428	0	0	0	26,428	27,501
Losses on derecognition	54	0	0	0	54	49
Impairment losses	0	1,343	0	0	1,343	672
Interest payable and similar charges	26,482	1,343	0	0	27,825	28,222
Interest income	0	-256	0	-173	-429	-1,603
Dividend income	0	0	0	-183	-183	0
Gains on derecognition	-30	0	0	0	-30	-10
Interest and investment income	-30	-256	0	-356	-642	-1,613
Net impact on Surplus/Deficit on the Provision of Service	26,452	1,087	0	-356	27,183	26,609
Gains on revaluation	0	0	-59	0	-59	-270
Losses on revaluation	0	0	112	0	112	39
Impact on other comprehensive income	0	0	53	0	53	-231
Net gain(-)/loss for the year	26,452	1,087	53	-356	27,236	26,378

NOTES TO THE MAIN FINANCIAL STATEMENTS
KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2019/20

Fair Value of Financial Instruments

Some of the Council's financial assets are measured at fair value in the Balance Sheet on a recurring basis and are described in the following table, including the valuation techniques used to measure them.

			31 March 2020	31 March 2019
Recurring fair value measurements	Input level in fair value hierarchy	Valuation technique used to measure fair value	Fair value	Fair value
			£000	£000
Fair value through profit and loss				
CCLA Property Fund	Level 2	Inputs other than quoted prices that are observable for the asset	9,106	0
Fair value through other comprehensive income				
LCR Revolving Investment Fund	Level 3	Discounted cash flow techniques	3,054	2,995
Kirklees Henry Boot Partnership Ltd Kirklees Schools Services Ltd QED (KMC) Holdings Ltd	Level 3	Discounted cash flow techniques or historic cost of the original investment	1,266	1,377

Property funds have been moved from level 1 to level 2 of the hierarchy for 2019/20 reflecting that there is no longer an active market in these instruments. Fund managers have suspended redemptions reflecting market conditions for underlying properties caused by the economic consequences of the Covid 19 pandemic.

In addition, the fair value of short-term instruments, including investments, borrowing, cash, trade payables and receivables, is assumed to approximate to the carrying amount. However, there are a number of financial assets and liabilities which are carried in the Balance Sheet at amortised cost. Their fair values are shown in the tables below:

Financial Assets

	Fair value level	31 March 2020		31 March 2019	
		Carrying amount	Fair value	Carrying amount	Fair value
		£000	£000	£000	£000
Long-term debtors	2	19,016	22,943	18,997	23,103
Short-term debtors		35,382	35,382	28,370	28,370
Cash and cash equivalents		41,365	41,365	39,389	39,389
Total		95,763	99,690	86,756	90,862

The fair value of financial assets held at amortised cost is higher than their Balance Sheet carrying amount because the interest rate on similar investments is now lower than that obtained when the investment was originally made.

NOTES TO THE MAIN FINANCIAL STATEMENTS
KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2019/20

Financial Liabilities

	Fair value level	31 March 2020		31 March 2019	
		Carrying amount	Fair value	Carrying amount	Fair value
		£000	£000	£000	£000
Borrowings					
PWLB	2	-276,152	-393,338	-281,548	-391,383
LOBOs	2	-62,197	-97,672	-77,342	-115,320
Other market debt	2	-85,640	-105,192	-34,162	-43,808
Loan stock	2	-7,253	-14,473	-7,253	-15,028
PFI, transferred debt & finance lease liabilities	2	-100,198	-138,243	-106,265	-153,974
Short-term creditors		-55,042	-55,042	-63,214	-63,214
Total		-586,482	-803,960	-569,784	-782,727

The fair values have been estimated by calculating the net present value of the remaining contractual cash flows at 31 March 2020, using the following methods and assumptions:

- Loans from the Public Works Loan Board (PWLB) have been valued by discounting the contractual cash flows over the life of the instrument at the appropriate market rate for local authority loans.
- The value of “Lender’s Option Borrower’s Option” (LOBO) loans have been increased by the value of the embedded options. Lenders’ options to propose an increase to the interest rate on the loan have been valued according to a proprietary model for Bermudan cancellable swaps. Borrower’s contingent options to accept the increased rate or repay the loan have been valued at zero, on the assumption that lenders will only exercise their options when market rates have risen above the contractual loan rate.
- The fair values of other market debt, loan stock and investments have been discounted at the market rates for similar instruments with similar remaining terms to maturity on 31 March 2020.
- The fair values of finance lease assets and liabilities and of PFI scheme liabilities have been calculated by discounting the contractual cash flows at the appropriate AA-rated corporate bond yield.
- No early repayment or impairment is recognised for any financial instrument.

The above fair values are judged to be Level 2 in the fair value hierarchy, using significant observable inputs.

The fair value of liabilities is more than the carrying amount because the Council’s portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the rates available for similar loans at the Balance Sheet date. This shows a notional future loss (based on economic conditions at 31 March 2020) arising from a commitment to pay interest to lenders above current market rates.

Fair Value Hierarchy for Financial Assets and Financial Liabilities that are not measured at Fair Value

	Other significant observable inputs (Level 2)	
	31 March 2020	31 March 2019
	£000	£000
Financial Assets held at amortised cost:	14,354	12,303
Financial Liabilities held at amortised cost:		
PWLB	-261,501	-273,246
Non-PWLB	-112,159	-110,869
Short-term debt	-53,207	-11,733
PFI, transferred debt and finance lease liabilities	-100,198	-106,265
Total	-527,065	-502,113

The fair value for financial assets and financial liabilities that are not measured at fair value included in the table above have been arrived at using a discounted cash flow analysis with the most significant inputs being the discount rate detailed.

The fair value for financial assets and financial liabilities that are not measured at fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using the assumptions detailed above, primarily for financial liabilities the fair value is arrived at by applying the discounted cash flow calculations based on the PWLB premium/discount calculations.

Nature and Extent of Risks Arising from Financial Instruments

The Council's activities expose it to a variety of financial risks:

- Credit risk – the possibility that other parties might fail to pay amounts due to the Council.
- Liquidity risk – the possibility that the Council might not have funds available to meet its commitments to make payments.
- Market risk – the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates and other financial market movements.

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

Full details of the Council's Treasury Management Strategy for 2019/20 can be found on the Council's website.

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

Credit risk

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

The full Investment Strategy for 2019/20 was approved by the Council on 13 February 2019 and is available on the Council's website.

The table below summarises the credit risk exposures of the Council's treasury investment portfolio by credit rating and remaining time to maturity:

Credit rating	31 March 2020 Short-term £000	31 March 2019 Short-term £000
AAA	26,935	27,074
AA-	15,030	10,019
A+	0	1,975
Total	41,965	39,068

The investments detailed above are for cashflow purposes, made up entirely of cash equivalents with no short-term investments. Cash equivalents by definition are highly liquid deposits with an insignificant risk of change in value. The Council did not make any investments of a treasury management nature longer than two months in 2019/20.

The Council's maximum exposure to credit risk in relation to the above balances cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution.

The Council does not generally allow credit for customers and trade debts are actively pursued. As at 31 March 2020, the Council had a balance owing from its customers (mainly services and rent) of £37.5 million (£30.4 million 31 March 2019). The exposure to default has been assessed and is reflected in an impairment provision of £3.1 million (£2.9 million 31 March 2019). Of the trade debtors outstanding as at 31 March 2020 (£18.7 million), 79% (74% 2018/19) relate to outstanding debt due within 3 months of the Balance Sheet date, 8% (7% 2018/19) within 3 to 6 months, 3% (5% 2018/19) within 6 to 12 months and 10% (14% 2018/19) more than 12 months.

Liquidity risk

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

NOTES TO THE MAIN FINANCIAL STATEMENTS
KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2019/20

The maturity analysis of financial instruments is shown below:

Time to maturity (years)	31 March 2020			31 March 2019		
	Liabilities £000	Assets £000	Net £000	Liabilities £000	Assets £000	Net £000
Less than one year	-112,624	76,747	-35,877	-79,404	67,759	-11,645
Between 1 and 2 years	-8,093	1,796	-6,297	-12,236	2,029	-10,207
Between 2 and 5 years	-14,627	4,289	-10,338	-19,502	4,089	-15,413
Between 5 and 10 years	-5,317	14,394	9,077	-5,619	4,207	-1,412
Between 10 and 20 years	-45,728	7,727	-38,001	-46,852	8,793	-38,059
More than 20 years	-298,346	4,236	-294,110	-298,328	4,251	-294,077
	-484,735	109,189	-375,546	-461,941	91,128	-370,813

The above analysis assumes that Lender Option, Borrower Option loans (LOBOs – see below) run their full term.

The Council has a general target of paying all trade and other payables within 30 days, although due to the current Covid 19 pandemic, payments are being made immediately once the payment has been processed and approved.

Market risk

Interest Rate Risk

The Council is exposed to significant risk in terms of its exposure to interest rate movements in particular on borrowings. Movements in interest rates have a complex impact on the Council. For instance, a rise in interest rates would have the following effects:

- Borrowings at variable rates – the interest expense charged to the CIES will rise.
- Borrowings at fixed rates – the fair value of the liabilities will fall.
- Investments at variable rates – the interest income credited to the CIES will rise.
- Investments at fixed rates – the fair value of the assets will fall.

The Council has a number of strategies for managing interest rate risk, including keeping a maximum of 40% of its borrowings in variable rate loans. During periods of falling interest rates, and where economic circumstances make it favourable, fixed rate loans may be repaid to limit exposure to losses. The risk of loss is ameliorated by the fact that a proportion of government grant payable on financing costs will normally move with prevailing interest rates and provide compensation for a proportion of any higher borrowing costs.

The Treasury Management Strategy is proactive, providing for the constant assessment of interest rate exposures and deciding whether new borrowing taken out is fixed or variable.

As at 31 March 2020, investments held by the Council for cashflow purposes were at both fixed and variable rates, with 64% being at variable rate for instant access. In terms of borrowing, the Council held £61.5 million debt in the form of LOBOs. LOBO agreements have periodic option dates on which lenders can opt to change the interest rate on a loan. If lenders exercise their option then the Council can either repay the loan (at no extra cost) or agree to the change of interest rate for the remaining term of the loan or until the lender chooses to exercise the option again. In July 2019, the Council negotiated with a lender not to exercise its options to increase interest rates on its LOBO loan held by

the Council. This effectively made the loan a fixed rate maturity loan and brings the total of LOBO loans held as at 31 March 2020 to £61.5 million, which equates to 14% of its total borrowing. All LOBO debt is exposed to variable rates through lender options. A 1% change in interest rates with all other variables held constant would increase or decrease interest costs by £0.4 million.

Price Risk

The Council does not generally invest in equity shares but does have shareholdings to the value of £1.3 million in a number of joint ventures. The Council is consequently exposed to losses arising from movements in the values of the shares. As the shareholdings have arisen in the acquisition of specific interests, the Council is not in a position to limit its exposure to price movements by diversifying its portfolio.

The equity shares are classified as “fair value through other comprehensive income – designated equity instruments”, meaning that any movements in fair value will not be recognised in the CIES, instead movements will be shown in the Financial Instruments Revaluation Reserve.

The Council holds investment units with the CCLA Property Fund which is subject to the risk of falling commercial property prices. The fund has been classified as fair value through profit and loss, however the Council has chosen to use the 5 year override as allowed by CIPFA to allocate to fair value through other comprehensive income, therefore any gains or losses on prices will be charged to Financing and Investment Income and Expenditure line in the CIES which is then transferred to the Pooled Fund Adjustment Account.

Foreign Exchange Risk

The Council has no material financial assets or liabilities denominated in foreign currencies. In this way, the Council has little exposure to loss arising from movements in exchange rates.

20 Long Term Debtors

This note identifies amounts owing to the Council which are being repaid over various periods longer than one year.

	31 March 2020	31 March 2019
	£000	£000
Kirklees College	15,103	15,856
PFI Prepayments (i)	2,921	3,259
Finance Leases (ii)	3,407	3,409
Charges on Property for Residential Care	1,029	1,104
Renewable Energy	1,969	1,894
103 New Street	802	0
Other	1,032	852
	26,263	26,374
Impairment Provision	-920	-709
Net Long Term Debtors	25,343	25,665

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

21 Short Term Debtors

	31 March 2020	31 March 2019
	£000	£000
Central government bodies	12,085	11,195
Other local authorities	5,899	3,262
NHS bodies	7,219	5,919
Other entities and individuals	55,820	52,816
	81,023	73,192
Bad Debt Provision – Other entities and individuals	-20,487	-18,070
Net Short Term Debtors	60,536	55,122

22 Cash and Cash Equivalents

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

	31 March 2020	31 March 2019
	£000	£000
Cash held by the Council	26	23
Bank current accounts	2,299	2,105
Instant access deposit accounts/investments that mature within 90 days or less	42,045	39,097
	44,370	41,225
Cash in transit	1,041	2,268
BACs payments and cheques not yet cleared	-4,046	-4,104
Total Cash and Cash Equivalents	41,365	39,389

23 Short Term Creditors

	31 March 2020	31 March 2019
	£000	£000
Central government bodies	-19,115	-16,324
Other local authorities	-1,707	-1,538
NHS bodies	-1,225	-940
Other entities and individuals	-68,215	-68,817
Total	-90,262	-87,619

24 Provisions

	Insurance	Business Rate Appeals	Other	Total
	£000	£000	£000	£000
Balance at 1 April 2019	-10,007	-4,752	-44	-14,803
Additional provision made in 2019/20	-3,985	0	0	-3,985
Amounts used in 2019/20	3,405	2,844	0	6,249
Amounts reversed in 2019/20	4	0	0	4
Balance at 31 March 2020	-10,583	-1,908	-44	-12,535

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

Amounts have been set aside on the Council's Financial Resilience Reserve to cover uninsured and unexpected losses which may arise from possible claims for third party asbestos, flooding and environmental impairment (pollution). It is not possible to state with any certainty the amount or timing of the likely use of the reserve due to the nature of the risks covered.

Council's are liable for a share of any repayments to ratepayers as a result of reductions in Rateable Value (RV) arising from successful appeals against rates charged. Appeals are determined by the Valuation Office Agency, and can go back a number of years

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

	Short Term Provisions	Long Term Provisions	Total Provisions
	£000	£000	£000
Balance at 31 March 2020	-3,487	-9,048	-12,535
Balance at 1 April 2019	-3,945	-10,858	-14,803

25 Other Long Term Liabilities

	31 March 2020	31 March 2019
	£000	£000
Deferred Liabilities (mainly outstanding PFI finance lease obligations)	-94,050	-100,026
Net Liability Related to Defined Benefit Pension Scheme	-824,749	-738,134
Long Term Provisions	-9,048	-10,858
PFI Deferred Income	-1,612	-2,149
Total	-929,460	-851,167

26 Usable Reserves

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

27 Unusable Reserves

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

	31 March 2020	31 March 2019
	£000	£000
Capital Adjustment Account	-695,084	-663,874
Revaluation Reserve	-194,568	-169,375
Pensions Reserve	824,749	738,134
Financial Instruments Revaluation Reserve	-1,239	-1,291
Financial Instruments Adjustment Account	3,161	3,299
Pooled Fund Adjustment Account	894	0
Deferred Capital Receipts Reserve	-3,408	-3,411
Collection Fund Adjustment Account	-2,729	-7,077
Accumulated Absences Account	11,531	11,077
Total Unusable Reserves	-56,693	-92,518

Details of the movements on the Capital Adjustment Account, Revaluation Reserve and Pensions Reserve are detailed below. The purpose of the other reserves is explained in the Glossary and the movements of the larger ones are detailed in Note 10.

Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the CIES (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The account is credited with the amounts set aside by the Council as finance for the costs of acquisition, construction and enhancement.

The Account contains accumulated gains and losses on Investment Property. It also contains the revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date the Revaluation Reserve was created to hold such gains.

	2019/20	2018/19
	£000	£000
Balance at 1 April	-663,874	-660,024
<u>Capital financing applied in the year:</u>		
Use of Capital Receipts Reserve to finance new capital expenditure	-6,933	-5,612
Use of Capital Receipts Reserve to repay debt	0	-716
Use of the Major Repairs Reserve to finance new capital expenditure	-12,593	-8,985
Capital grants and contributions credited to the CIES that have been applied to capital financing	-12,889	-23,087
Application of grants to capital financing from the Capital Grants Unapplied Account	-11,340	-6,717
Statutory provision for the financing of capital investment charged against the General Fund, HRA Balances and Major Repairs Reserve	-10,715	-12,721
Capital expenditure charged against the General Fund and HRA Balances	-9,702	-8,339
	-728,046	-726,201
Charges for depreciation and impairment of non-current assets	56,133	56,038
Amortisation of intangible assets	294	109
Revaluation losses on PPE	17,668	10,495
Revaluation gains on PPE	-90,632	-30,898
Movements in the market value of Investment Property	20,972	-8,193
Revenue expenditure funded from capital under statute (REFCUS)	13,021	16,704
Amounts of non-current assets written off on disposal or sale	21,102	23,416
Adjusting amounts written out of the Revaluation Reserve	-5,388	-6,320
Deferred Income written down - Waste PFI	-537	-537
Long-term debtors written down	109	834
Financial Instruments impairment charge	220	679
Balance at 31 March	-695,084	-663,874

Revaluation Reserve

The Revaluation Reserve contains the gains made by the Council arising from increases in the value of its Property, Plant and Equipment. The balance is reduced when assets with accumulated gains are:

- revalued downwards or impaired and the gains are lost

NOTES TO THE MAIN FINANCIAL STATEMENTS
KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2019/20

- used in the provision of services and the gains are consumed through depreciation, or
- disposed of and the gains are realised.

The Reserve contains only revaluation gains accumulated since 1 April 2007, the date the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

	2019/20	2018/19
	£000	£000
Balance at 1 April	-169,375	-162,897
Upward revaluation of assets	-49,129	-20,176
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	18,549	7,378
Difference between fair value depreciation and historical cost depreciation	2,310	3,916
Accumulated gains on assets sold or scrapped	3,077	2,404
Balance at 31 March	-194,568	-169,375

Pensions Reserve

This Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The Council accounts for post-employment benefits in the CIES as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, charging assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Council makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pension Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

	2019/20			2018/19		
	LGPS	Teachers	Total	LGPS	Teachers	Total
	£000	£000	£000	£000	£000	£000
Balance at 1 April	681,877	56,257	738,134	555,178	56,604	611,782
Pension cost payable to Pension Fund	-33,195	-3,503	-36,698	-32,090	-3,567	-35,657
Actuarial gain/loss (-)	38,983	-4,877	34,106	64,211	1,794	66,005
Reversal of IAS19 entries	87,899	1,308	89,207	94,578	1,426	96,004
Balance at 31 March	775,564	49,185	824,749	681,877	56,257	738,134

28 Cash Flow - Operating Activities

The cash flows for operating activities include the following items:

	2019/20	2018/19
	£000	£000
Interest received	-578	-1,584
Interest paid	26,342	27,460
Dividend received	-764	-317

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

	2019/20	2018/19
	£000	£000
Pension adjustments	-52,509	-60,347
Depreciation, impairment and amortisation	-54,433	-54,787
Revaluation gains/losses	51,991	28,596
Carrying amount of non-current assets sold or de-recognised	-21,102	-23,416
Movements on -		
Provisions	2,267	420
Inventories	-333	685
Revenue debtors (including bad debt provision)	5,019	1,226
Revenue creditors	405	-13,020
Other non-cash items	-1,332	-190
Total non-cash movements	-70,027	-120,833

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

	2019/20	2018/19
	£000	£000
Capital grants	22,485	21,715
Proceeds from the sale of property, plant and equipment (PPE), investment property and intangible assets.	11,432	13,399
Total	33,917	35,114

Cash Flow - Reconciliation of Liabilities arising from Financing Activities

	2019/20				2018/19			
	At 1 April £000	Financing cashflows £000	Non cash changes £000	At 31 March £000	At 1 April £000	Financing cashflows £000	Non cash changes £000	At 31 March £000
Long term borrowing	384,116	-10,458	2	373,660	392,458	-8,366	24	384,116
Short term borrowing	16,190	41,371	21	57,582	25,250	-9,058	-2	16,190
PFI & finance lease liabilities	106,265	-6,068	0	100,197	111,289	-5,024	0	106,265
Other - NNDR & Collection Fund	7,077	1,089	-5,436	2,730	2,432	-6,115	10,760	7,077
Total liabilities from financing activities	513,648	25,934	-5,413	534,169	531,429	-28,563	10,782	513,648

31 External Audit Costs

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

	2019/20	2018/19
	£000	£000
External audit services – scale fee	122	122
External audit services – additional charges	30	16
Certification of grant claims and returns	46	30
Non audit services	12	19
PSAA refund	0	-15
Total	210	172

32 Pooled Funds

Section 75 of the National Health Service Act 2006 and the NHS Bodies and Local Authorities Partnership Arrangements Regulations 2000 enable the establishment of joint working arrangements between NHS bodies and local authorities. Pooled funds allow health bodies and local authorities to work collaboratively to address specific local health issues.

Integrated Community Equipment Service

In 2003/04, the Council in association with the local Clinical Commissioning Groups (CCGs) (formerly Primary Care Trusts) established an Integrated Community Equipment Service. The partners contribute funds to the agreed budget and there is no fixed split of contributions. These are negotiated and agreed between the parties each year. The pooled budget is hosted by the Council on behalf of the partners to the arrangement.

	2019/20	2018/19
	£000	£000
Funding provided to the pooled budget		
Kirklees Council	-2,167	-2,128
Greater Huddersfield CCG	-1,052	-1,018
North Kirklees CCG	-841	-837
Total Funding	-4,060	-3,983
Expenditure met from the pooled budget		
Kirklees Council	1,629	1,542
Greater Huddersfield CCG	917	868
North Kirklees Clinical CCG	712	674
Total Expenditure	3,258	3,084
Net surplus arising on pooled budget during the year	-802	-899
Council share of the net surplus arising on the pooled budget	-539	-584

Better Care Fund

Introduced with effect from the 2015/16 financial year, the Better Care Fund was established by the Government to drive closer integration with health services and improve outcomes for patients and service users. The Council in association with the local CCGs established a pooled budget to deliver the aims of the Better Care Fund in Kirklees. The pooled budget is hosted by the Council on behalf of the partners to the arrangement.

	2019/20	2018/19
	£000	£000
Funding provided to the pooled budget		
Kirklees Council	-26,471	-21,341
Greater Huddersfield CCG	-15,988	-15,296
North Kirklees CCG	-12,894	-12,337
Total Funding	-55,353	-48,974
Expenditure met from the pooled budget		
Kirklees Council	44,433	38,526
Greater Huddersfield CCG	6,220	5,951
North Kirklees CCG	4,700	4,497
Total Expenditure	55,353	48,974
Net surplus arising on pooled budget during the year	0	0
Council share of the net surplus arising on the pooled budget	0	0

33 Officers' Remuneration

The number of employees whose remuneration was £50,000 or more was as follows. This table includes Senior Officers who are disclosed in the next part of the note:

Remuneration Band (£)	2019/20		2018/19	
	Teachers	Other	Teachers	Other
50,000 - 54,999	89	37	93	39
55,000 - 59,999	61	9	53	10
60,000 - 64,999	36	20	47	16
65,000 - 69,999	23	4	25	2
70,000 - 74,999	19	7	11	6
75,000 - 79,999	10	5	9	0
80,000 - 84,999	7	4	3	2
85,000 - 89,999	3	1	1	1
90,000 - 94,999	0	1	0	0
95,000 - 99,999	0	0	1	3
100,000 - 104,999	1	6	1	1
105,000 - 109,999	2	1	2	2
110,000 - 114,999	2	0	0	1
115,000 - 119,999	0	0	0	1
120,000 - 124,999	0	1	0	1
125,000 - 129,999	0	2	0	1
130,000 - 134,999	0	1	0	0
135,000 - 139,999	0	0	0	0
140,000 - 144,999	0	0	0	0
145,000 - 149,999	0	0	0	0
150,000 - 154,999	0	0	0	1
155,000 - 159,999	0	0	0	0
160,000 - 169,999	0	0	0	0
170,000 - 174,999	0	1	0	0
Total	253	100	246	87

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

It should be noted that 3 employees received redundancy payments in 2019/20 (2018/19 3 employees) and exceeded the £50,000 remuneration band, who would not normally have done so.

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

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

NOTES TO THE MAIN FINANCIAL STATEMENTS
KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2019/20

Senior Officers' emoluments

Post holder information (Post title)	Salary including fees and allowances £	Compensation for loss of office £	Total Remuneration Excluding pension contributions £	Employers pension contributions (4) £	Total Remuneration including pension contributions £
2019/20					
Chief Executive – Jacqui Gedman	171,775	0	171,775	27,650	199,425
Strategic Director Adults & Health	131,630	0	131,630	21,188	152,818
Strategic Director Children & Families (1)	126,681	0	126,681	20,391	147,072
Strategic Director Economy & Infrastructure	129,177	0	129,177	20,793	149,970
Strategic Director Corporate Strategy, Commissioning & Public Health (2)	123,979	0	123,979	19,924	143,903
Service Director Governance & Commissioning (Monitoring Officer)	100,355	0	100,355	16,153	116,508
Service Director Finance (s151 Officer) (3)	90,976	0	90,976	14,637	105,613
2018/19					
Chief Executive – Jacqui Gedman	153,442	0	153,442	24,704	178,146
Strategic Director Adults & Health	129,056	0	129,056	20,778	149,834
Strategic Director Children & Families (1)	42,960	0	42,960	6,917	49,877
Strategic Director Economy & Infrastructure	123,189	0	123,189	19,833	143,022
Strategic Director Corporate Strategy, Commissioning & Public Health (2)	118,450	0	118,450	19,070	137,520
Service Director Governance & Commissioning (Monitoring Officer)	98,393	0	98,393	15,841	114,234
Service Director Finance (s151 Officer) (3)	83,349	0	83,349	13,419	96,768

- (1) The Strategic Director Children & Families was appointed on the 3 December 2018 and the annualised salary is £132,885. Prior to the appointment of the Strategic Director Children & Families the position was assigned to an employee who is employed and paid by Leeds City Council as part of a Strategic Partnership Agreement (Improvement Plan) between the Council and Leeds City Council. A payment is then made by the Council to Leeds City Council to cover the salary costs. The payment made for the period includes salary payment of £125,535 and employers pension contributions of £20,342.
- (2) The Strategic Director Corporate Strategy, Commissioning & Public Health was substantively appointed to the position on the 22 January 2019 following an acting up arrangement as the Temporary Director of Public Health and (Acting) Strategic Director Corporate Services.
- (3) The Service Director Finance was substantively appointed to the position on the 12 September 2018 following an acting up arrangement from 19 March 2018.
- (4) No added years pensions were provided for Senior Officers.

Exit Packages and Termination Benefits

Exit packages include compulsory and voluntary redundancy costs, pension contributions in respect of added years, ex gratia payments and other departure costs. Pension strain arises when an employee retires early without actuarial reduction of their pension.

Exit package cost band	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band	Total cost of exit packages in each band	Split of exit packages (Termination Benefit)	Split of exit packages (Pension Strain)
				£000	£000	£000
2019/20						
£0 - £20,000	0	1	1	19	19	0
£20,001 - £40,000	0	4	4	123	97	26
£40,001 - £60,000	0	3	3	149	15	134
£60,001 - £80,000	0	0	0	0	0	0
£80,001 - £100,000	0	0	0	0	0	0
£100,001 - £150,000	0	0	0	0	0	0
Total	0	8	8	291	131	160
2018/19						
£0 - £20,000	0	3	3	16	15	1
£20,001 - £40,000	0	3	3	73	56	17
£40,001 - £60,000	0	0	0	0	0	0
£60,001 - £80,000	0	0	0	0	0	0
£80,001 - £100,000	0	1	1	86	26	59
£100,001 - £150,000	0	1	1	146	36	111
Total	0	8	8	321	133	188

34 Deployment of Dedicated Schools Grant

The Council's expenditure on schools is funded primarily by grant monies provided by the Education Funding Agency, the Dedicated Schools Grant (DSG). DSG is ring fenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the School Finance and Early Years (England) Regulations 2015. The Schools Budget includes elements for a range of educational services provided on a Council-wide basis and for the Individual Schools Budget (ISB), which is divided into a budget share for each maintained school.

Details of the deployment of DSG receivable are as follows:

	Central Expenditure	ISB	Total
	£000	£000	£000
Final DSG for 2019/20 before Academy recoupment			-362,762
Academy figure recouped for 2019/20			126,579
Total DSG after Academy recoupment for 2019/20			-236,183
Plus brought forward from 2018/19			-268
Less carry forward to 2020/21 agreed in advance			0
Agreed budgeted distribution for 2019/20	-42,704	-193,747	-236,451
In year adjustments	3,286	-3,588	-302
Final budgeted distribution for 2019/20	-39,418	-197,335	-236,753
Less actual central expenditure	51,630		51,630
Less actual ISB deployed to schools		199,519	199,519
Plus Council contribution for 2019/20	0	0	0
Total carry forward to 2020/21	12,212	2,184	14,396

35 Related Party Transactions

The Council is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the Council, or to be controlled or influenced by the Council. Disclosure of these transactions allows stakeholders to assess the extent to which the Council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to transact freely with the Council.

i) Elected Members and Chief Officers

There were 4 material disclosures to declare for 2019/20, 3 relating to Elected Members and a chief officer. The material disclosures are mentioned below. It should be noted that all members' financial and other interests which could conflict with those of the Council are open to public inspection as required by regulation. Members are also required to disclose personal and prejudicial interests in matters being considered at meetings at which they are present. Officers also have a duty to declare any interests which could conflict with those of the Council.

A Councillor worked as a solicitor for a local housing association. In 2019/20, the Council made payments of £0.561 million to the association and received £0.007 million from the association.

A Councillor was a Non-Executive Director of Yorkshire Water Services Ltd. During 2019/20, the Council made payments of £1.062 million to the company and received £0.023 million from the company.

A Councillor's partner was the manager of an independently run local community centre. In 2019/20, the Council made payments of £0.069 million to the centre and received no income from the centre.

NOTES TO THE MAIN FINANCIAL STATEMENTS
KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2019/20

A service director was a director for a social enterprise delivering a range of local services and facilities for the benefit of residents in a local ward of Huddersfield. In 2019/20 the Council made payments of £0.294 million to the enterprise and received £0.003 million from the enterprise.

ii) Companies

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

	Receipts from the companies		Payments to the companies		Net amounts owed to/by(-) the Council	
	2019/20	2018/19	2019/20	2018/19	31 March 2020	31 March 2019
	£000	£000	£000	£000	£000	£000
Kirklees Henry Boot Partnership Limited	-3	-1	0	0	0	0
Calderdale and Kirklees Careers Service	-59	-91	2,289	2,309	-59	-198
Kirklees Active Leisure	-1,261	-1,171	2,342	1,816	578	32
Kirklees Community Association	-92	-92	1	0	0	13
Kirklees Theatre Trust	-9	-23	225	214	0	5
Kirklees Music School	-8	-7	5	2	0	0
North Huddersfield Trust	-101	0	0	0	0	0
Yorkshire Energy Services	-29	-61	3	6	4	11
Locala Community Partnerships	-834	-906	15,195	15,435	340	187
Spensborough Co-operative Trust	-4	-4	1	1	1	3

The Council has given a loan to Media Centre Network Ltd. As at 31 March 2020, £0.198 million was outstanding (£0.203 million as at 31 March 2019).

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 36).
- NHS Bodies (see Notes 32 and 36).
- Precepting authorities (see the CIES and the Collection Fund Income and Expenditure Statement). The Council also pays Joint Committees for providing services such as Trading Standards and West Yorkshire Combined Authority. Payments in 2019/20 amounted to £19.3 million (2018/19 £19.8 million). Certain Parish Councils have also invested funds with the Council. As at 31 March 2020, £0.431 million (£0.491 million at 31 March 2019) was invested.
- Pension Fund (see Note 40).
- Subsidiary (Kirklees Neighbourhood Housing Limited) and joint venture company (Kirklees Stadium Development Limited) included in Group Accounts.
- PFI Transactions (see Note 39 and Note H10 in the HRA).

36 Grant Income

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

	2019/20	2018/19
	£000	£000
Credited to Taxation and Non Specific Grant Income		
NNDR Top up Grant	-14,098	0
PFI Grants	-11,359	-11,359
New Homes Grant	-3,863	-4,661
Business Rates Relief	-15,472	-16,490
Covid19 Support Grant	-12,228	0
Other Non-Specific Grants (under £2 million)	-3,464	-4,815
	60,484	37,325
<u>Grants and Contributions related to capital financing which cannot be identified to particular services or assets</u>		
Standards Fund	-4,712	-4,716
Local Transport Plan (LTP)	-7,334	-10,071
Other Capital Grants and Contributions (under £2 million)	-10,976	-7,465
Total	-83,506	-59,577
Credited to Services		
<u>Revenue</u>		
Dedicated Schools Grant	-236,485	-242,375
DWP – Rent Allowance	-42,639	-49,048
DWP – Rent Rebate	-35,824	-40,861
Department of Health Grant (Public Health)	-25,305	-25,987
Clinical Commissioning Groups (CCGs)	-18,203	-17,114
Pupil Premium Grant	-13,139	-14,011
PFI Grant (ring fenced to HRA)	-7,912	-7,912
Universal Infant Free School Meals Grant	-4,253	-4,520
Teachers Pension Grant	-3,729	0
Social Care Support Grant	-3,177	0
Improved Better Care Fund (IBCF)	-12,810	-7,104
Additional Better Care Fund (ABCF)	-2,628	-5,298
Other Revenue Grants and Contributions (under £2 million)	-27,432	-29,907
<u>Capital (REFCUS)</u>		
Standards Fund	-3,114	-7,347
Disabled Facilities Grant	-3,194	-3,314
Various Capital Grants and Contributions (under £2 million)	-820	-713
Total	-440,664	-455,511
Total Grants in CIES	-524,170	-515,088

37 Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred in the year is shown in the table below (including the value of assets acquired under finance leases and PFI contracts), together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Council, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Council that has yet to be financed. The movement in CFR is analysed in the second part of this note.

	2019/20	2018/19
	£000	£000
<i>Opening Capital Financing Requirement</i>	714,118	710,343
<u>Capital Investment</u>		
Property, Plant and Equipment	69,620	52,405
Investment Property	1	152
Intangible Assets	0	587
Revenue Expenditure Funded from Capital under Statute	13,021	16,704
Loans and Investments	802	421
<u>Sources of Finance</u>		
Capital Receipts	-6,933	-5,612
Government Grants and Other Contributions	-24,229	-29,804
Major Repairs Reserve	-12,593	-8,985
Direct Revenue Contributions	-9,706	-8,339
To repay debt:		
Minimum Revenue Provision	-6,315	-5,527
Major Repairs Reserve	-4,583	-7,511
Capital Receipts	0	-716
<i>Closing Capital Financing Requirement</i>	733,203	714,118
<u>Explanation of movements in year</u>		
Increase in underlying need to borrow:		
PFI Finance Lease Liability	219	300
Other	29,764	17,229
Provision for Repayment of Debt	-10,898	-13,754
<i>Increase in Capital Financing Requirement</i>	19,085	3,775

38 Leases

Council as Lessee

Finance Leases

The Council has a finance lease on Civic Centre 1, the Stadium Pool & Fitness Suite and also on part of Dewsbury Sports Centre. The assets acquired under these leases are carried as Property, Plant and Equipment in the Balance Sheet at the following amounts:

	31 March 2020	31 March 2019
	£000	£000
Cost or valuation		
At 1 April	12,559	12,524
Additions & Transfers	254	35
Revaluation increases recognised in the Revaluation Reserve	642	0
Revaluation decreases recognised in the provision of services	-1,223	0
At 31 March	12,232	12,559
Depreciation and impairments		
At 1 April	-627	-365
Depreciation charge	-263	-262
Depreciation written out to the Revaluation Reserve	420	0
Depreciation written out to the provision of services	313	0
At 31 March	-157	-627
Net Book Value	12,075	11,932

The Council is committed to making minimum payments under these leases comprising settlement of the long-term liability for the interest in the property acquired by the Council and finance cost that will be payable by the Council in future years while the liability remains outstanding. The minimum lease payments are made up of the following amounts:

	31 March 2020	31 March 2019
	£000	£000
Finance lease liabilities (net present value of minimum lease payments):		
Non-current	1,049	1,049
Finance costs payable in future years	6,241	6,331
Minimum lease payments	7,290	7,380

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

	Minimum Lease Payments		Finance Lease Liabilities	
	31 March 2020	31 March 2019	31 March 2020	31 March 2019
	£000	£000	£000	£000
Not later than one year	90	90	0	0
Later than one year and not later than five years	360	360	0	0
Later than five years	6,840	6,930	1,049	1,049
	7,290	7,380	1,049	1,049

Council as Lessor

Finance Leases:

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

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

	31 March	31 March
	2020	2019
	£000	£000
Finance lease debtor (net present of value of minimum lease payments):		
Non-current	3,409	3,411
Unearned finance income	14,835	15,108
Gross investment in the lease	18,244	18,519

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

	Gross Investment in the Lease		Minimum Lease Payments	
	31 March	31 March	31 March	31 March
	2020	2019	2020	2019
	£000	£000	£000	£000
Not later than one year	275	275	275	275
Later than one year and not later than five years	1,100	1,100	1,100	1,100
Later than five years	16,869	17,144	16,869	17,144
	18,244	18,519	18,244	18,519

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into. As there are no contingent rents the minimum lease payments are the same as the gross investment in the leases.

Operating Leases:

The Council leases out property under operating leases for the following purposes:

- For service provision. For example, the Markets' service hires out stalls within Market Halls.
- Receiving income from land and property on a commercial basis.
- Sports facilities to Kirklees Active Leisure (a company that runs community recreation facilities on behalf of the Council). The rentals are at peppercorn rents.
- Various buildings and sites leased to contractors carrying out the Council's PFI schemes. Rentals are at peppercorn rents.

NOTES TO THE MAIN FINANCIAL STATEMENTS
KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2019/20

The value of the assets leased out is as follows:

	31 March 2020 £000	31 March 2019 £000
Cost or valuation		
At 1 April	160,688	155,245
Additions	501	1,387
Revaluation increases/decreases(-) recognised in the Revaluation Reserve	3,360	-423
Revaluation increases/decreases(-) recognised in provision of services	3,189	5,158
De-recognition - disposals	-255	-188
De-recognition - other	0	0
Other movements in cost or valuation (re-classifications)	-2,035	-491
At 31 March	165,448	160,688
Depreciation and impairments		
At 1 April	-8,834	-3,747
Depreciation and impairment charge for year	-5,612	-5,536
Depreciation written out to the Revaluation Reserve	3,299	189
Depreciation written out to the Surplus/Deficit to Services	3,040	260
De-recognition - disposals	0	0
De-recognition - other	3	0
At 31 March	-8,104	-8,834
Net Book Value	157,344	151,854

The Council received £4.5 million in rent on operating leases in 2019/20 (£5.0 million 2018/19).

The following shows commitments relating to non-cancellable contracts:

	31 March 2020 £000	31 March 2019 £000
Not later than one year	1,664	1,763
Later than one year and not later than five years	2,705	3,136
Later than five years	1,896	2,544
	6,265	7,443

39 Private Finance Initiative (PFI) Transactions

The Council has four PFI schemes – two school, one waste disposal and one housing scheme. A summary of all scheme future payments, asset values and liability values are shown below. This is followed by the details on each scheme with the exception of the Housing PFI, which is covered in Note H10 for the HRA.

Estimated payments on all schemes are as follows:

	Service Charges £000	Interest Charges £000	Repayments Of Liability £000	Other £000	Total £000
In 2020/21	23,842	7,026	6,035	1,646	38,549
Between 2021/22 to 2024/25	82,006	23,748	22,793	7,186	135,733
Between 2025/26 to 2029/30	87,294	20,447	34,644	8,626	151,011
Between 2030/31 to 2034/35	63,350	5,382	38,134	4,941	111,807
	256,492	56,603	101,606	22,399	437,100

The value of assets held under all schemes:

	2019/20 £000	2018/19 £000
Net Book Value at 1 April	74,460	82,234
Additions	979	924
Revaluations net of depreciation written back	1,189	-10,604
Disposals	0	-2,616
Depreciation	-1,969	4,522
Net Book Value at 31 March	74,659	74,460

The value of liabilities for all schemes:

	2019/20 £000	2018/19 £000
At 1 April	-102,270	-107,168
Movement in the year	5,895	4,898
At 31 March	-96,375	-102,270

a) Waste Disposal Services

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

NOTES TO THE MAIN FINANCIAL STATEMENTS
KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2019/20

The Council incurred costs of £12.5 million under the contract in 2019/20 (2018/19 £12.5 million) and received £3.2 million in PFI Grant (2018/19 £3.2 million). Details of estimated payments due to be made are as follows:

	Service Charges £000	Interest Charges £000	Repayments Of Liability £000	Total £000
In 2020/21	9,406	352	1,442	11,200
Between 2021/22 to 2022/23	18,752	371	3,277	22,400
	28,158	723	4,719	33,600

The estimated payments for service charges are based on expected tonnages and 2019/20 price base. The estimates do not include extra charges arising from changes in statutory regulations.

Under this contract, the operator receives a significant part of their income from third parties, either from gate fees, sale of energy production or recycled materials. A proportion of the assets are effectively financed with third party revenues rather than with fixed payments from the Council. A balancing credit, pro rata to the proportion of fixed payments from the Council and expected third party payments, has been created in the form of a Deferred Income balance. This balance is released to income and expenditure over the life of the contract, with a corresponding appropriation from the Capital Adjustment Account to the Movement in Reserves Statement. The balance as at 31 March 2020 was £1.6 million (31 March 2019 £2.1 million).

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

	2019/20 £000	2018/19 £000
Net Book Value at 1 April	15,361	16,101
Additions	4	0
Revaluations net of depreciation written back	102	0
Depreciation	-740	-740
Net Book Value at 31 March	14,727	15,361

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

	2019/20 £000	2018/19 £000
At 1 April	-6,131	-7,551
Movement in the year	1,409	1,420
At 31 March	-4,722	-6,131

b) Schools 1

In March 2001, the Council entered into a thirty two and a half year contract with Kirklees Schools Services Ltd for the delivery of services to nineteen of the Council's schools consisting of:

- Initial investment to carry out major repairs and improvements.
- Maintenance of the buildings over the contract period.
- Provision of caretaking and cleaning services for the contract period.

NOTES TO THE MAIN FINANCIAL STATEMENTS
KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2019/20

At the start of the contract, existing school buildings were leased to the operator. At the end of the contract, the operator is obliged to hand over the schools to the Council in a specified condition for no incremental consideration. Some of the schools have transferred to academy/trust status during the contract and therefore hold no Balance Sheet value for the Council.

The operator does have the right to use the assets for appropriate third party use, outside the times they must be available to meet the Council's requirements. The amount of third party use varies from asset to asset, but is not significant within the overall context of the contract.

The Council incurred costs of £15.7 million under the contract in 2019/20 (2018/19 £14.7 million) and received £5.9 million in PFI Grant (2018/19 £5.9 million). Details of estimated payments due to be made are as follows:

	Service Charges £000	Interest Charges £000	Repayments Of Liability £000	Other £000	Total £000
In 2020/21	10,682	2,433	1,379	1,312	15,806
Between 2021/22 to 2024/25	45,579	8,805	5,978	5,672	66,034
Between 2025/26 to 2029/30	61,358	7,892	12,780	7,380	89,410
Between 2030/31 to 2034/35	45,516	1,901	13,550	4,812	65,779
	163,135	21,031	33,687	19,176	237,029

Estimated payments assume annual inflation of 2.5%, where appropriate. Other costs largely relate to lifecycle replacement costs.

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

	2019/20 £000	2018/19 £000
Net Book Value at 1 April	43,113	49,753
Additions	673	565
Revaluations	0	-9,636
Disposals	0	-2,616
Depreciation	-890	5,047
Net Book Value at 31 March	42,896	43,113

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

	2019/20 £000	2018/19 £000
At 1 April	-35,431	-36,583
Movement in the year	1,742	1,152
At 31 March	-33,689	-35,431

c) Schools 2

In March 2005, the Council entered into a PFI contract with QED (KMC) Holdings Ltd for a period until 31 August 2031, for delivery to three of the Council's Special Schools of:

- New build schools at two sites, and major extensions to and full refurbishment of existing buildings at a third.

NOTES TO THE MAIN FINANCIAL STATEMENTS
KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2019/20

- Maintenance of the buildings over the contract period.
- Provision of caretaking, cleaning and other premises management functions over the term of the contract.

The operator is obliged to hand over the schools to the Council in a specified condition at the end of the contract for no incremental consideration. Some of the schools have transferred to academy/trust status during the contract and therefore hold no Balance Sheet value for the Council.

The Council incurred costs of £2.8 million under the contract in 2019/20 (£2.8 million in 2018/19) and received £2.2 million in PFI Grant (2018/19 £2.2 million). Details of estimated payments due to be made are as follows:

	Service Charges £000	Interest Charges £000	Repayments Of Liability £000	Other £000	Total £000
In 2020/21	1,271	619	494	334	2,718
Between 2021/22 to 2024/25	5,365	2,013	1,984	1,514	10,876
Between 2025/26 to 2029/30	7,509	1,430	3,539	1,246	13,724
Between 2030/31 to 2032/33	2,316	103	1,397	129	3,945
	16,461	4,165	7,414	3,223	31,263

Part of the contract payment deflates at 2.5% annually, whilst the other part is indexed annually in line with “All items RPI”. The estimated payments above assume future annual inflation of 2.5%, where appropriate. Other costs largely relate to lifecycle replacement costs.

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

	2019/20 £000	2018/19 £000
Net Book Value at 1 April	3,555	4,339
Additions	82	59
Revaluations	0	-1,313
Disposals	0	0
Depreciation	-73	470
Net Book Value at 31 March	3,564	3,555

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

	2019/20 £000	2018/19 £000
At 1 April	-7,772	-8,137
Movement in the year	358	365
At 31 March	-7,414	-7,772

40 Pensions Disclosures

Participation in Pension Schemes

As part of the terms and conditions of employment of its employees, the Council offers retirement benefits. Although these benefits will not actually be payable until employees retire, the Council has a commitment which needs to be disclosed at the time that employees earn their future entitlement.

The Council participates in three pension schemes:

- The Local Government Pension Scheme (LGPS) – a funded defined benefit final salary scheme administered by the West Yorkshire Pension Fund (WYPF) whereby the Council and employees pay contributions into a fund, calculated at a level intended to balance the pension's liabilities with investment assets in the long term. Employee benefits earned up to 31 March 2014 are linked to final salary, after 31 March 2014 benefits are based on a Career Average Revalued Earnings Scheme.
- Teachers employed by the Council are members of the Teachers' Pension Scheme, administered by Capita Business Services Limited on behalf of the Department for Education. Under the Code, this scheme is classed as a multi-employer defined benefit scheme for which liabilities of individual employers cannot be separated. The scheme is therefore treated as a defined contribution scheme under the Code. In 2019/20, the Council paid £16.5 million (2018/19 £14.3 million) in respect of teachers' retirement benefits, representing 20.0% (2018/19 16.5%) of pensionable pay. Payments of £0.6 million were owing to the scheme as at 31 March 2020 (31 March 2019 £1.8 million). As a proportion of the total contributions to the scheme during the year ending 31 March 2020, the Council's contribution equated to approximately 0.23% (2018/19 0.23%).
- Employees transferred across from Kirklees PCT (Public Health) are members of the NHS Pension Scheme, administered by the NHS Business Services Authority (NHSBSA). Similar to the Teachers' Pension Scheme, this scheme is classed as a multi-employer defined benefit scheme and is treated as a defined contribution scheme under the Code. In 2019/20, the Council paid £0.1 million (2018/19 £0.1 million) to the NHSBSA, representing 14.4% (2018/19 14.5%) of pensionable pay. As a proportion of the total contributions to the Scheme during the year ending 31 March 2020, the Council's contribution equated to approximately 0.001% (2018/19 0.001%).

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

Transactions Relating to Retirement Benefits

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

NOTES TO THE MAIN FINANCIAL STATEMENTS
KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2019/20

	LGPS		Teachers	Total
	Funded	Unfunded		
	£000	£000	£000	£000
2019/20				
Comprehensive Income and Expenditure Statement				
<u>Cost of Services:</u>				
Current service cost	71,633	0	0	71,633
Past service cost	297	0	0	297
<u>Financing and Investment income and expenditure:</u>				
Net interest expense	15,307	662	1,308	17,277
Total Post-employment Benefits charged to the Surplus/Deficit on the Provision of Services	87,237	662	1,308	89,207
<u>Remeasurement of the net defined benefit liability comprising:</u>				
Return on plan assets (excluding the amount included in the net interest expense)	178,275	0	0	178,275
Actuarial gains and losses arising on changes in demographic assumptions	-82,648	-1,975	-3,301	-87,924
Actuarial gains and losses arising on changes in financial assumptions	-43,864	-214	-513	-44,591
Actuarial gains and losses due to liability experience	-9,277	-1,314	-1,063	-11,654
Total Post Employment Benefit charged to the CIES	129,723	-2,841	-3,569	123,313
Movement in Reserves Statement				
Reversal of net charges made to the Surplus/Deficit on the Provision of Services for retirement benefits	-87,237	-662	-1,308	-89,207
Actual amount charged against General Fund Balance for pensions in the year:				
Employers' contributions payable to scheme	31,143	2,052	0	33,195
Retirement benefits payable to pensioners	0	0	3,503	3,503

NOTES TO THE MAIN FINANCIAL STATEMENTS
KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2019/20

	LGPS		Teachers	Total
	Funded	Unfunded		
2018/19	£000	£000	£000	£000
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
<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 2019/20

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

	LGPS		Teachers	Total
	Funded	Unfunded		
	£000	£000	£000	£000
2019/20				
Opening balance 1 April 2019	-2,413,147	-28,619	-56,257	-2,498,023
Current Service Cost	-71,633	0	0	-71,633
Interest cost	-57,226	-662	-1,308	-59,196
Contributions by scheme participants	-12,025	0	0	-12,025
Remeasurement gain/loss(-):				
Arising on changes in demographic assumptions	82,648	1,975	513	85,136
Arising on changes in financial assumptions	43,864	214	3,301	47,379
Due to liability experience	9,277	1,314	1,063	11,654
Benefits/transfers paid	70,729	2,052	3,503	76,284
Past service costs	-297	0	0	-297
Net increase in liabilities from disposals/acquisitions	0	0	0	0
Closing balance 31 March 2020	-2,347,810	-23,726	-49,185	-2,420,721
2018/19				
Opening balance 1 April 2018	-2,213,824	-29,181	-56,604	-2,299,609
Current Service Cost	-56,833	0	0	-56,833
Interest cost	-56,820	-731	-1,426	-58,977
Contributions by scheme participants	-11,273	0	0	-11,273
Remeasurement gain/loss(-):				
Arising on changes in demographic assumptions	0	0	0	0
Arising on changes in financial assumptions	-125,731	-749	-1,634	-128,114
Due to liability experience	2,442	-82	-160	2,200
Benefits/transfers paid	65,837	2,124	3,567	71,528
Past service costs	-23,725	0	0	-23,725
Net increase in liabilities from disposals/acquisitions	6,780	0	0	6,780
Closing balance 31 March 2019	-2,413,147	-28,619	-56,257	-2,498,023

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

	31 March 2020 £000	31 March 2019 £000
Opening balance 1 April	1,759,889	1,687,827
Interest income on assets	41,919	43,531
Remeasurement gains and losses	-178,275	59,909
Employer contributions	31,143	29,966
Contributions by scheme participants	12,025	11,273
Benefits paid	-70,729	-65,837
Net increase in assets from disposals/acquisitions	0	-6,780
Closing balance 31 March	1,595,972	1,759,889

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date. Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.

The actual return on scheme assets in the year showed a return of £146.9 million (2018/19 return of £103.4 million). WYPF does not hold any of the Council's transferable financial instruments as plan assets.

Assets in the LGPS are valued at fair value, principally market value for investments, totalling £13.2 billion for the Fund as a whole at 31 March 2020 (£14.4 billion at 31 March 2019). The approximate split of assets for the Fund as a whole is shown in the table below. The assets allocated to each employer in the Fund are notional and the assets are assumed to be invested in line with the investments of the total Fund. The Fund is largely liquid and as a consequence there would be no significant restriction on realising assets if a large payment is required to be paid (e.g. bulk transfer payment).

The administering authority does not invest in property or assets related to itself. It is possible, however, that assets may be invested in shares relating to some of the private sector employers participating in the Fund, if it forms part of their balanced investment strategy.

The percentage breakdown of Fund assets is as follows:

			2019/20	2018/19
	Quoted	Unquoted	Total	Total
	%	%	%	%
Equity investments	67.4	10.1	77.5	74.0
Government Bonds	9.6	0	9.6	11.2
Other Bonds	5.1	0	5.1	4.0
Property	1.9	2.6	4.5	4.7
Cash/ liquidity	0	1.9	1.9	2.3
Other	0	1.4	1.4	3.8
	84.0	16.0	100.0	100.0

NOTES TO THE MAIN FINANCIAL STATEMENTS
KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2019/20

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

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

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc. Both the LGPS and Teachers' Unfunded Discretionary Benefits liabilities have been assessed by Aon Hewitt Limited, an independent firm of actuaries, estimates for the LGPS being based on the latest full valuation of the West Yorkshire Pension Fund carried out as at 31 March 2019.

The principal assumptions used by the actuary have been:

	2019/20			2018/19		
	LGPS		Teachers	LGPS		Teachers
	Funded	Unfunded		Funded	Unfunded	
Rate of inflation – CPI	2.00%	2.00%	2.00%	2.20%	2.20%	2.20%
Rate of increase in salaries	3.25%	n/a	n/a	3.45%	n/a	n/a
Rate of increase in pensions	2.00%	2.00%	2.00%	2.20%	2.20%	2.20%
Rate for discounting liabilities	2.30%	2.30%	2.30%	2.40%	2.40%	2.40%
Take up of option to convert annual pension into retirement grant	75%	n/a	n/a	75%	n/a	n/a

Mortality assumptions (years):

Longevity at 65 for current pensioners:						
Men	21.8	21.8	21.8	22.2	22.2	22.2
Women	24.6	24.6	24.6	25.4	25.4	25.4
Longevity at 65 for future pensioners:						
Men	22.5	n/a	n/a	23.2	n/a	n/a
Women	25.7	n/a	n/a	27.2	n/a	n/a

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes that for each change only the assumption being analysed changes, whilst all other assumptions remain constant. The analysis only applies to Funded LGPS benefits – the sensitivity of unfunded benefits is not included on materiality grounds. The base figure for the liabilities is £2,347.8 million and for projected service cost is £69.8 million.

NOTES TO THE MAIN FINANCIAL STATEMENTS
KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2019/20

	2019/20		2018/19	
Discount rate assumption				
Adjustment to discount rate	+0.1% p.a.	-0.1% p.a.	+0.1% p.a.	-0.1% p.a.
Present value of total obligation £k	2,301,573	2,394,976	2,369,173	2,457,937
% change in present value of total obligation	-2.0%	+2.0%	-1.8%	+1.9%
Projected service cost £k	68,381	73,274	62,065	65,823
Approximate % change in projected service cost	-3.4%	+3.5%	-2.9%	+3.0%
Rate of general increase in salaries				
Adjustment to salary increase rate p.a	+0.1%	-0.1%	+0.1%	-0.1%
Present value of total obligation £k	2,353,435	2,342,247	2,422,440	2,403,944
% change in present value of total obligation	+0.2%	-0.2%	+0.4%	-0.4%
Projected service cost £k	70,791	70,791	63,921	63,921
Approximate % change in projected service cost	0.0%	0.0%	0.0%	0.0%
Rate of increase to pensions in payment and deferred pensions assumptions, and rate of revaluation of pension accounts assumption				
Adjustment to pension increase rate	+0.1% p.a.	-0.1% p.a.	+0.1% p.a.	-0.1% p.a.
Present value of total obligation £k	2,390,980	2,305,559	2,448,561	2,378,294
% change in present value of total obligation	+1.8%	-1.8%	+1.5%	-1.4%
Projected service cost £k	73,274	68,381	65,823	62,065
Approximate % change in projected service cost	+3.5%	-3.4%	+3.0%	-2.9%
Post retirement mortality assumption*				
Adjustment to longevity	-1 Year	+1 Year	-1 Year	+1 Year
Present value of total obligation £k	2,424,774	2,271,642	2,489,288	2,337,673
% change in present value of total obligation	+3.3%	-3.2%	+3.2%	-3.1%
Projected service cost £k	73,527	68,083	66,314	61,549
Approximate % change in projected service cost	+3.9%	-3.8%	+3.7%	-3.7%
*A rating of +1 year means that members are assumed to follow the mortality pattern of the base table for an individual that is 1 year older than them.				

NOTES TO THE MAIN FINANCIAL STATEMENTS
KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2019/20

Asset and Liability Matching Strategy

	2019/20	2018/19	2017/18 Restated	2016/17	2015/16
	£000	£000	£000	£000	£000
Present value of liabilities:					
LGPS Funded	-2,347,810	-2,413,147	-2,213,824	-2,114,440	-1,887,026
LGPS Unfunded	-23,726	-28,619	-29,181	-30,064	-29,630
Teachers	-49,185	-56,257	-56,604	-57,663	-56,019
Fair value of assets in the LGPS	1,595,972	1,759,889	1,687,827	1,645,821	1,449,758
Deficit in the scheme:					
LGPS Funded	-751,838	-653,258	-525,997	-468,619	-437,268
LGPS Unfunded	-23,726	-28,619	-29,181	-30,064	-29,630
Teachers	-49,185	-56,257	-56,604	-57,663	-56,019
Total	-824,749	-738,134	-611,782	-556,346	-522,917

The net liabilities show the underlying commitments that the Council has in the long run to pay retirement benefits. The total liability of £824.7 million has a substantial impact on the net worth of the Council as recorded in the Balance Sheet. However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy:

- The deficit on the Local Government Pension Scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary.
- Funding is only required to be raised to cover the unfunded benefits when the pensions are actually paid.

It should be noted that the net liability is volatile as:

- The liabilities are linked to yields on AA-rated corporate bonds
- A significant proportion of the assets of the scheme are invested in equities.

Changes in equity markets in conjunction with any volatility on the discount rate, leads to volatility in the funded status of the pension plan. This volatility also affects actuarial gains and losses in Other Comprehensive Income.

An asset-liability matching strategy aims to match the amount and timing of cash inflows from plan assets with those of cash outflows from the defined benefit obligation. WYPF does not currently have any formal asset liability matching strategies in place such as annuities or longevity swaps to manage risk, although it does review the mix of assets held after each triennial valuation, to ensure there is an appropriate balance between the expected return from those assets and the risk that outcomes will not meet expectations.

WYPF aim to reach 100% funding over a period of time and therefore the assets built up will be able to meet all present and future liabilities. The way in which WYPF seeks to achieve this is set out in their Funding Strategy Statement (FSS), which in turn also refers to the Statement of Investment Principles (SIP) governing the asset mix which WYPF would seek to hold at any time.

Both the Funding Strategy Statement and Statement of Investment Principles can be found on WYPFs website.

The total contributions expected to be made to the LGPS by the Council in the year to 31 March 2021 is £33.5 million. Additional contributions may also become due in respect of any employer discretions to enhance members' benefits in the Fund over the next accounting period.

GROUP ACCOUNTS

INTRODUCTION

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

The Group Accounts include:

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

The Council's Group Accounts for 2019/20 are made up of the accounts of the Council, a wholly owned subsidiary (Kirklees Neighbourhood Housing Limited) and a joint venture (Kirklees Stadium Development Limited). The Group Accounts have been prepared on the basis of a full consolidation of the financial transactions and balances of the subsidiary aforementioned. The subsidiary is consolidated using "the line by line method". KSDL is consolidated on the Equity method. The consolidation has been prepared in accordance with the IFRS Code and CIPFA's Group Accounts in Local Authorities Practitioners' Workbook. Any divergences from these recommended practices are explained in the notes to the Group Accounts.

Kirklees Neighbourhood Housing Limited (KNH)

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

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

In 2019/20, the Company made an operating deficit of £11.6 million (operating deficit £6.7 million 2018/19). As at 31 March 2020, the Company had net current liabilities of £61.5 million (£39.4 million at 31 March 2019).

The Council plans to bring the activity of KNH back into the Council on 1 April 2021.

Kirklees Stadium Development Limited (KSDL)

The company was formed to carry out the development, construction and running of the sports stadium in Huddersfield. At the Company's Balance Sheet date, the Council had a shareholding of 40%, with Huddersfield Sporting Pride Limited holding 20% and Huddersfield Town Association Football Club Limited holding 40%.

GROUP ACCOUNTS
GROUP COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT
KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2019/20

Given the nature of KSDL's business, the ideal time for preparing accounts is during the football close season, giving the company a year end date of 31 July. In order to achieve a consolidation consistent with the Council's Balance Sheet date, KSDL management have provided management accounts as at 31 March 2020.

In 2019/20, based on the Council's interest and adjusted in line with the Group's accounting policies, the Company made an operating deficit of £0.2 million (operating deficit £0.1 million 2018/19). Similarly, as at 31 March 2020, the Company had net assets of £5.0 million (£5.1 million at 31 March 2019).

Major Sources of Estimation Uncertainty

KSDL Ltd Stadium Valuation:

The outbreak of Covid-19 has impacted global financial markets and as at the valuation date, less weight can be attached to previous market evidence to inform opinions of value. There is an unprecedented set of circumstances on which to base a judgement. Valuations are therefore reported on the basis of 'material valuation uncertainty' as per the RICS Red Book Global. Consequently, less certainty and a higher degree of caution should be attached to the valuation. At the current time, it is not possible to accurately predict the longevity and severity of the impact of Covid-19 on the economy. Therefore, values have been based on the situation prior to Covid-19, on the assumption that values will be restored when the real estate market becomes more fluid.

GROUP ACCOUNTS
GROUP COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT
KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2019/20

GROUP COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT (CIES)

This Statement sets out the accounting cost of the Group providing services in accordance with generally accepted accounting practices. This may be different from the accounting cost.

	2019/20			2018/19		
	Gross	Gross	Net	Gross	Gross	Net
	Exp	Income	Exp	Exp	Income	Exp
	£000	£000	£000	£000	£000	£000
Children & Families	404,427	-303,147	101,280	400,309	-300,226	100,083
Adults & Health	198,166	-87,809	110,357	175,554	-70,638	104,916
Economy & Infrastructure	116,186	-51,318	64,868	115,130	-47,398	67,732
Corporate Strategy, Commissioning & Public Health	162,292	-116,395	45,897	168,144	-129,915	38,229
Central Budgets	61,816	-38,211	23,605	48,732	-4,512	44,220
HRA	28,574	-146,382	-117,808	28,523	-106,844	-78,321
Subsidiary (KNH)	66,543	-2,492	64,051	54,014	-3,265	50,749
Cost of Services	1,038,004	-745,754	292,250	990,406	-662,798	327,608
Other operating expenditure			15,294			14,224
Financing and investment income and expenditure			61,780			31,749
Taxation and non-specific grant income			-340,396			-338,300
Surplus(-)/Deficit on Provision of Services			28,928			35,281
Joint venture accounted for on an equity basis			172			477
Tax expenses of subsidiary and joint venture			3			3
Group Surplus(-)/Deficit			29,103			35,761
Surplus(-)/Deficit on revaluation of PPE and Heritage assets			-30,687			-12,798
Impairment losses on non-current assets to the Revaluation Reserve			107			0
Surplus on revaluation of available for sale financial assets			53			-231
Remeasurements of the net defined benefit liability			43,598			68,894
Share of other comprehensive income and expenditure of joint venture			-12,592			0
Other Comprehensive Income and Expenditure			479			55,865
Total Comprehensive Income and Expenditure			29,582			91,626

GROUP ACCOUNTS
GROUP COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT
KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2019/20

GROUP STATEMENT OF MOVEMENT IN RESERVES

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

	General Fund Balances £000	Housing Revenue Account £000	Useable Capital Reserves £000	Total Council Usable Reserves £000	Total Council Unusable Reserves £000	Total Council Reserves £000	Group Entities Usable Reserve £000	Group Entities Unusable Reserves £000	Total Group Reserves £000
2019/20									
Balance at 31 March 2019	-104,972	-61,782	-44,375	-211,129	-92,518	-303,647	38,437	-4,173	-269,383
Movement in reserves during 2019/20									
Total Comprehensive Income and Expenditure	71,900	-108,085	0	-36,185	3,579	-32,606	74,780	-12,592	29,582
Adjustments between group and authority accounts	20,506	32,971	0	53,477	0	53,477	-53,477	0	0
Adjustments between accounting & funding basis under regulations	-100,876	75,878	-7,248	-32,246	32,246	0	0	0	0
Net Increase(-)/Decrease	-8,470	764	-7,248	-14,954	35,825	20,871	21,303	-12,592	29,582
Balance at 31 March 2020 carried forward	-113,442	-61,018	-51,623	-226,083	-56,693	-282,776	59,740	-16,765	-239,801
2018/19									
Balance at 31 March 2018	-88,783	-60,358	-35,917	-185,058	-203,051	-388,109	31,273	-4,173	-361,009
Movement in reserves during 2018/19									
Total Comprehensive Income and Expenditure	53,692	-70,054	0	-16,362	52,976	36,614	55,012	0	91,626
Adjustments between group and authority accounts	14,357	33,491	0	47,848	0	47,848	-47,848	0	0
Adjustments between accounting & funding basis under regulations	-84,238	35,139	-8,458	-57,557	57,557	0	0	0	0
Net Increase(-)/Decrease	-16,189	-1,424	-8,458	-26,071	110,533	84,462	7,164	0	91,626
Balance at 31 March 2019 carried forward	-104,972	-61,782	-44,375	-211,129	-92,518	-303,647	38,437	-4,173	-269,383

GROUP ACCOUNTS
GROUP STATEMENT OF MOVEMENT IN RESERVES
KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2019/20

GROUP BALANCE SHEET

This Group Balance Sheet summarises the financial position of the Group. It shows the value of the Group assets and liabilities at the end of the financial year.

	31 March 2020	31 March 2019	Note
	£000	£000	
Property, Plant & Equipment	1,446,113	1,348,593	
Heritage Assets	49,973	50,025	
Investment Property	101,105	124,087	
Intangible Assets	588	882	
Long Term Investments	13,426	4,372	
Investments in Joint Venture	17,578	5,158	
Long Term Debtors	25,343	25,665	
Long Term Assets	1,654,126	1,558,782	
Inventories	7,872	7,047	
Short Term Debtors	59,375	53,951	
Assets Held for Sale	2,888	2,415	
Cash and Cash Equivalents	42,193	43,311	G3
Current Assets	112,328	106,724	
Short Term Borrowing	-57,582	-16,190	
Short Term Creditors	-92,252	-89,590	
Other Short Term Liabilities	-6,148	-6,239	
Provisions	-3,487	-3,945	
Current Liabilities	-159,469	-115,964	
Long Term Borrowing	-373,660	-384,115	
Other Long Term Liabilities	-993,524	-896,044	G4
Long Term Liabilities	-1,367,184	-1,280,159	
Net Assets	239,801	269,383	
Usable Reserves	-166,343	-172,692	
Unusable Reserves	-73,458	-96,691	G5
Total Reserves	-239,801	-269,383	

GROUP CASH FLOW STATEMENT

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

	2019/20		2018/19		Note
	£000	£000	£000	£000	
Net surplus(-)/deficit on the provision of services		28,929		35,281	
Adjustments to net surplus/deficit on the provision of services for non-cash movements		-78,665		-126,186	
Adjustment for items included in the net surplus/deficit on the provision of services that are investing and financing activities		33,917		35,114	
Net cash flows from Operating Activities		-15,819		-55,791	
Net cash flows from Investing Activities					
Purchase of PPE, investment property and intangible assets	66,325		52,817		
Purchase of short-term and long-term investments	10,802		421		
Proceeds from the sale of PPE, investment property and intangible assets	-11,437		-13,398		
Proceeds from short-term and long-term investments	-170		-469		
Other receipts from investing activities	-22,652	42,868	-20,848	18,523	
Net cash flows from Financing Activities					
Cash receipts of short and long-term borrowing	-64,067		-5,917		
Other receipts from financing activities	-1,154		0		
Cash payments for the reduction for the outstanding liabilities relating to finance leases and PFI contracts	6,068		5,024		
Repayments of short and long-term borrowing	33,154		23,341		
Other payments for financing activities	68	-25,931	6,117	28,565	
Net increase(-)/decrease in cash and cash equivalents		1,118		-8,703	
Cash and cash equivalents at the beginning of the reporting period		43,311		34,608	G3
Cash and cash equivalents at the end of the reporting period		42,193		43,311	G3

Notes to the Group 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 Separate Financial Statements and IFRS11 Joint Arrangements.

Companies do have some scope to adopt different accounting policies under UK GAAP and therefore adjustments must be made to the company figures and policies where necessary in order to bring them into line with the reporting authority's policies.

The accounting 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 Reserves	Group Entities Unusable Reserves	Total Group Reserves
	£000	£000	£000	£000	£000	£000	£000	£000	£000
2019/20									
Purchase of goods and services from subsidiary	20,506	32,971	0	53,477	0	53,477	-53,477	0	0
Total adjustments between group accounts and authority accounts	20,506	32,971	0	53,477	0	53,477	-53,477	0	0
2018/19									
Purchase of goods and services from subsidiary	14,357	33,491	0	47,848	0	47,848	-47,848	0	0
Total adjustments between group accounts and authority accounts	14,357	33,491	0	47,848	0	47,848	-47,848	0	0

G3 Cash and Cash Equivalents

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

	KNH £000	Council £000	Total £000
Cash held	1	26	27
Bank current accounts	473	2,299	2,772
Instant access interest accounts	1,098	42,045	43,143
	1,572	44,370	45,942
Cash in transit	0	1,041	1,041
BACs payments and cheques not yet cleared	-744	-4,046	-4,790
Total Cash and Cash Equivalents as at 31 March 2020	828	41,365	42,193
Cash held	4	23	27
Bank current accounts	185	2,105	2,290
Instant access interest accounts	3,905	39,097	43,002
	4,094	41,225	45,319
Cash in transit	0	2,268	2,268
BACs payments and cheques not yet cleared	-172	-4,104	-4,276
Total Cash and Cash Equivalents as at 31 March 2019	3,922	39,389	43,311

G4 Other Long Term Liabilities

	KNH £000	Council £000	2019/20 Total £000	2018/19 Total £000
Deferred Liabilities (mainly outstanding PFI finance lease obligations)	0	-94,050	-94,050	-100,026
Net Liability Related to Defined Benefit Pension	-64,064	-824,750	-888,814	-783,011
Long Term Provisions	0	-9,048	-9,048	-10,858
PFI Deferred Income	0	-1,612	-1,612	-2,149
Total	-64,064	-929,460	-993,524	-896,044

G5 Unusable Reserves

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

	KSDL	Council	Total
	£000	£000	£000
Capital Adjustment Account	-4,173	-695,084	-699,257
Revaluation Reserve	-12,592	-194,568	-207,160
Pensions Reserve	0	824,749	824,749
Other	0	8,210	8,210
Balance at 31 March 2020	-16,765	-56,693	-73,458

Capital Adjustment Account	-4,173	-663,874	-668,047
Revaluation Reserve	0	-169,375	-169,375
Pensions Reserve	0	738,134	738,134
Other	0	2,597	2,597
Balance at 31 March 2019	-4,173	-92,518	-96,691

G6 Related Party Transactions

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

Kirklees Neighbourhood Housing Limited

During 2019/20, KNH incurred costs of £10.1 million (2018/19 £9.2 million) for Council services including insurance and office accommodation.

The Council incurred costs of £40.9 million (2018/19 £39.1 million) in relation to KNH's management fee. There was no management fee outstanding at 31 March 2020 (31 March 2019 nil). Costs of £22.6 million (2018/19 £17.7 million) in relation to property services charges, at 31 March 2020 £3.0 million was outstanding (31 March 2019 £2.2 million).

Kirklees Stadium Development Limited

The Council made no grant payments in 2019/20 to KSDL (2018/19 £0.1 million).

G7 Notes to the Cash Flow Statement

The cash flows of KNH are consolidated into the statement -

KNH - The Company has a Net Cash inflow of Operating Activities of £3.0 million (2018/19 £1.5 million Net Cash inflow).

G8 Pensions Disclosures

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

	Council £000	KNH £000	Total £000
Opening balance 1 April 2019	-2,498,023	-208,242	-2,706,265
Current Service Cost	-71,633	-8,804	-80,437
Interest cost	-59,196	-5,163	-64,359
Contributions by scheme participants	-12,025	-1,611	-13,636
Remeasurement gain/loss(-):			
Arising on changes in demographic assumptions	85,136	7,428	92,564
Arising on changes in financial assumptions	47,379	95	47,474
Due to liability experience	11,654	-2,279	9,375
Benefits/transfers paid	76,284	5,188	81,472
Past service costs	-297	-3,040	-3,337
Closing balance 31 March 2020	-2,420,721	-216,428	-2,637,149

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

	Council £000	KNH £000	Total £000
Opening balance 1 April 2019	1,759,889	163,366	1,923,255
Interest income on assets	41,919	4,081	46,000
Remeasurement gains and losses	-178,275	-14,736	-193,011
Employer contributions	31,143	3,230	34,373
Contributions by scheme participants	12,025	1,611	13,636
Benefits paid	-70,729	-5,188	-75,917
Closing balance 31 March 2020	1,595,972	152,364	1,748,336

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 2019/20

HOUSING REVENUE ACCOUNT (HRA) INCOME AND EXPENDITURE STATEMENT

The HRA Income and Expenditure Statement shows the economic cost in the year of providing housing services in accordance with generally accepted accounting practices, rather than the amount to be funded from rents and government grants. Authorities charge rents to cover expenditure in accordance with regulations; this may be different from the accounting cost. The increase or decrease in the year, on the basis of which rents are raised, is shown in the Movement on the HRA Statement.

	2019/20	2018/19	Notes
	£000	£000	
Expenditure			
Repairs and maintenance	24,077	22,800	
Supervision and management	25,583	25,576	
Special services	1,565	1,730	
Rent, rates, taxes and other charges	306	614	
Depreciation of non-current assets	17,176	16,087	H1
Debt management costs	14	15	
Movement in the allowance for bad debts	683	829	
Revaluation losses on Property, Plant and Equipment	27	5	H1
Total Expenditure	69,431	67,656	
Income			
Dwelling rents	-79,541	-79,590	
Non-dwelling rents	-231	-227	
Charges for services and facilities	-2,695	-2,555	
Grants and contributions	-7,929	-7,925	H10
Revaluation gains on Property, Plant and Equipment	-63,872	-22,189	H1
Total Income	-154,268	-112,486	
Net Income of HRA Services as included in the CIES	-84,837	-44,830	
HRA share of Corporate & Democratic Core	416	407	
HRA share of Non-distributed costs	29	28	
Net Income of HRA Services	-84,392	-44,395	
HRA share of operating income and expenditure included in the CIES:			
Gain on sale of HRA non-current assets	-3,070	-3,715	H4
Interest payable and similar charges	12,047	12,530	
Interest and investment income	-481	-337	H1
Income and expenditure in relation to investment properties and changes in fair value	908	-484	
Capital grants and contributions receivable	-126	-162	
Surplus for the year on HRA services	-75,114	-36,563	

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 2019/20

MOVEMENT ON THE HRA STATEMENT

This statement takes the outturn on the HRA Income and Expenditure Statement and reconciles it to the surplus or deficit for the year on the HRA Balance, calculated in accordance with the requirements of the Local Government and Housing Act 1989.

	2019/20		2018/19		Notes
	£000	£000	£000	£000	
Balance on the HRA at the end of the previous year		-61,782		-60,358	
Surplus for the year on the HRA Income and Expenditure Statement		-75,114		-36,563	
<u>Adjustments involving the Capital Adjustment Account:</u>					
Net revaluation gains on PPE	63,844		22,250		H1
Movements in the market value of Investment Property	-1,354		-33		
Capital grants and contributions applied	126		162		
Amounts of non-current assets written off on disposal or sale	-6,167		-5,742		H4
Capital expenditure charged against balances	7,691		6,785		
Provision for the financing of capital investment	2,607	66,747	2,260	25,682	
<u>Adjustments involving the Capital Receipts Reserve:</u>					
Transfer of cash sale proceeds credited as part of the gain/loss on disposal	9,307		9,533		H4
Contribution towards administrative costs of asset disposals	-70	9,237	-76	9,457	
<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		-106		0	
Increase(-)/decrease in the year on the HRA		764		-1,424	
Balance at the end of the current year		-61,018		-61,782	

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 2019/20

NOTES TO THE HRA

H1 Depreciation and revaluation gains

The depreciation charge for council dwellings in 2019/20 is £17.0 million (2018/19 £16.1 million).

Revaluations of council dwellings during the year resulted in a £63.9 million gain (2018/19 £22.2 million gain). The value is obtained by taking the cost of buying a vacant dwelling of a similar type, and applying an adjustment factor according to the type of tenancy and regional factors to reflect that the property is used for social housing. The Stock Valuation guidance, which was updated in November 2016, provides the adjustment factor for Yorkshire and Humber as 41.0%. However if the valuer feels that this does not provide a fair reflection of the existing use social housing for the portfolio as a whole in the local area then a different adjustment factor can be used. After using a Discounted Cash Flow model to look at the relationship between 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 38% (2018/19 36%).

There was a revaluation loss on investment properties of £1.4 million in 2019/20 (2018/19 £0.1 million loss).

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 2019/20

H2 Movement in HRA Fixed Assets

	PPE Council Dwellings	Council Dwellings Held For Sale	Other Land and Buildings	Investment Properties	Total Assets
	£000	£000	£000	£000	£000
Cost or Valuation					
At 1 April 2019	617,824	2,415	3,555	9,245	633,039
Additions	21,600	0	0	0	21,600
Revaluation increases/decreases(-) recognised in the Revaluation Reserve	0	0	3	0	3
Revaluation increases/decreases(-) Revaluation recognised in Surplus on the Provision of Services	46,870	0	-13	-1,355	45,502
De-recognition - disposals	-3,752	-2,415	0	0	-6,167
Assets reclassified to(-)/ from Held for Sale	-2,888	2,888	0	0	0
At 31 March 2020	679,654	2,888	3,545	7,890	693,977
Accumulated Depreciation and Impairment					
At 1 April 2019	0	0	-287	0	-287
Depreciation charge	-16,985	0	-191	0	-17,176
Depreciation written out to the Revaluation Reserve	0	0	46	0	46
Depreciation written out to Surplus on the Provision of Services	16,985	0	3	0	16,988
At 31 March 2020	0	0	-429	0	-429
Net Book Value					
at 31 March 2020	679,654	2,888	3,116	7,890	693,548
at 1 April 2019	617,824	2,415	3,268	9,245	632,752

H3 Fixed Asset Valuation

A revaluation of HRA dwellings was carried out as at 12 September 2019 by Cushman and Wakefield, who are RICS qualified. As at that date, the vacant possession value of dwellings was £1,760 million. The difference between this and the Balance Sheet value reflects the economic cost of providing council housing at less than open market rents.

H4 Gains and Losses on Asset Disposals

Gains and losses on asset disposals are shown on the face of the HRA Income and Expenditure Statement. The gain on disposal in 2019/20 was £3.1 million (2018/19 gain £3.7 million).

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 2019/20

H5 Major Repairs Reserve

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

	2019/20	2018/19
	£000	£000
Balance at 1 April	0	-409
Amount equivalent to depreciation	-17,176	-16,087
	-17,176	-16,496
Financing of new capital expenditure	12,593	8,985
Used to repay debt	4,583	7,511
Balance at 31 March	0	0

H6 Capital Expenditure and Sources of Finance

	2019/20	2018/19
	£000	£000
Capital Expenditure:		
Fixed Assets (including PFI)	21,599	17,895
Total Capital Expenditure	21,599	17,895
Financed by:		
Finance Lease (PFI)	-220	-300
Major Repairs Reserve	-12,593	-8,985
Capital Receipts	-969	-1,214
Capital Grant and Contributions	-126	-612
HRA RCCO/Reserves	-7,691	-6,784
Total Sources of Finance	-21,599	-17,895

H7 Capital Receipts

	2019/20	2018/19
	£000	£000
Capital receipts from sales of:		
Dwellings	-9,226	-9,482
Land	-51	-45
Clawback of legal title on Right to Buy sales	-30	-6
Capital receipts from mortgage repayments	0	0
	-9,307	-9,533
Contribution to Housing Pooled Capital Receipts	2,456	2,037
Disposal costs	70	76
Usable capital receipts	-6,781	-7,420

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

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 2019/20

H8 Housing Stock

The Council's housing stock at 31 March 2020 is analysed below by size and age:

	1	2	3	4+	
<u>By Size</u>	Bedroom	Bedrooms	Bedrooms	Bedrooms	Total
Houses/ Bungalows	2,780	5,377	4,285	323	12,765
Flats/ Bedsits and Maisonettes	6,986	2,378	100	0	9,464
	9,766	7,755	4,385	323	22,229
<u>By Age</u>	Pre 1945	1945-64	1965-74	Post 1974	
Houses/ Bungalows	5,459	5,141	1,516	649	12,765
Flats/ Bedsits and Maisonettes	189	2,338	3,829	3,108	9,464
	5,648	7,479	5,345	3,757	22,229

H9 Rent Arrears

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

	2019/20	2018/19
	£000	£000
Rent Arrears	4,466	3,744
Less Bad Debt Provision	-1,382	-1,045
Net Rent Arrears	3,084	2,699

H10 Housing PFI

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

The Council incurred costs of £9.2 million under the contract in 2019/20 (2018/19 £9.1 million) and received £7.9 million in PFI Grant (2018/19 £7.9 million). Details of estimated payments due to be made are as follows:

	Service Charges	Interest Charges	Repayments of Liability	Total
	£000	£000	£000	£000
In 2020/21	2,483	3,622	2,720	8,825
Between 2021/22 and 2024/25	12,310	12,559	11,554	36,423
Between 2025/26 and 2029/30	18,427	11,125	18,325	47,877
Between 2030/31 and 2034/35	15,518	3,378	23,187	42,083
Total	48,738	30,684	55,786	135,208

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

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 2019/20

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

	2019/20	2018/19
	£000	£000
Net Book Value at 1 April	12,431	12,041
Additions	220	300
Revaluations net of depreciation written back	1,101	345
Depreciation	-280	-255
Net Book Value at 31 March	13,472	12,431

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

	2019/20	2018/19
	£000	£000
At 1 April	-52,936	-54,897
Movement in the year	2,387	1,961
At 31 March	-50,549	-52,936

ADDITIONAL FINANCIAL STATEMENTS
COLLECTION FUND
KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2019/20

COLLECTION FUND STATEMENT

The Collection Fund Statement shows the transactions of the billing council in relation to the collection from taxpayers and distribution to local authorities and Government of Council Tax and Non-Domestic (Business) Rates.

	2019/20			2018/19			Note
	Business Rates	Council Tax	Total	Business Rates	Council Tax	Total	
	£000	£000	£000	£000	£000	£000	
<u>Income</u>							
Income from Council Tax		-214,488	-214,488		-202,484	-202,484	C1
Income Collectable from Business Ratepayers	-105,741		-105,741	-105,498		-105,498	C2
Contributions towards previous years' Collection Fund deficit	0	-1,360	-1,360	-2	0	-2	
Total Income	-105,741	-215,848	-321,589	-105,500	-202,484	-307,984	
<u>Expenditure</u>							
Precepts and demands -							
Central Government	25,516		25,516	0		0	
Kirklees Council	75,528	179,977	255,505	99,648	173,379	273,027	
West Yorkshire Fire and Rescue	1,021	7,668	8,689	1,007	8,002	9,009	
West Yorkshire Police		22,193	22,193		18,575	18,575	
Allowance for impairment of debt	1,886	5,511	7,397	672	3,090	3,762	
Provision for Appeals	-2,221		-2,221	-6,729		-6,729	
Cost of collection	590		590	598		598	
Transitional Protection Payment	601		601	1,447		1,447	
Designated Areas	241		241	72		72	
Distribution of previous year's Collection Fund surplus	6,999	0	6,999		4,000	4,000	
Total Expenditure	110,161	215,349	325,510	96,715	207,046	303,761	
Surplus(-)/Deficit	4,420	-499	3,921	-8,785	4,562	-4,223	
Balance at 1 April	-8,794	1,866	-6,928	-9	-2,696	-2,705	
Balance at 31 March	-4,374	1,367	-3,007	-8,794	1,866	-6,928	C3

NOTES TO THE COLLECTION FUND STATEMENT

C1 Council Tax

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

<u>Estimated at the start of the year</u>						
2019/20				2018/19		
Number of Chargeable Dwellings	Band D Equivalent Dwellings	Average Council Tax	Band	Number of Chargeable Dwellings	Band D Equivalent Dwellings	Average Council Tax
		£				£
78	43	982.04	A (5/9)	77	42	943.25
53,798	35,865	1,178.45	A (6/9)	52,842	35,228	1,131.90
27,763	21,593	1,374.85	B (7/9)	27,365	21,284	1,320.55
27,261	24,232	1,571.26	C (8/9)	27,049	24,044	1,509.20
14,941	14,941	1,767.67	D (9/9)	14,814	14,814	1,697.85
10,814	13,217	2,160.49	E (11/9)	10,648	13,015	2,075.15
4,884	7,054	2,553.30	F (13/9)	4,835	6,984	2,452.46
2,006	3,344	2,946.12	G (15/9)	1,995	3,324	2,829.75
99	198	3,535.34	H (18/9)	99	197	3,395.70
120,487			Total	118,932		
-1,778			Estimated losses on collection	-1,162		
118,709			Council Tax Base	117,770		

C2 Non-Domestic (Business) Rates

The Government specifies a multiplier and, subject to the effects of transitional arrangements and other reliefs, local businesses pay rates calculated by applying the multiplier to their rateable value. There are two multipliers – the national non-domestic rating multiplier of 50.4p (2018/19 49.3p) and the small business non-domestic rating multiplier of 49.1p (2018/19 48.0p) which is applicable to those that qualify for small business rate relief. The Council is responsible for collection rates due from ratepayers in its area and pays 25% of the proceeds to Central Government and 1% to West Yorkshire Fire and Rescue Authority.

	2019/20	2018/19
	£000	£000
Non-domestic rate income 2019/20 (average rateable value £287,740,454)	-141,281	
Non-domestic rate income 2018/19 (average rateable value £285,705,189)		-137,138
Allowance and other adjustments (net)	35,540	31,640
	-105,741	-105,498

The actual non-domestic rateable value at 31 March 2020 was £288,136,598 (£286,052,693 at 31 March 2019).

ADDITIONAL FINANCIAL STATEMENTS
COLLECTION FUND
KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2019/20

Kirklees has been part of a Leeds City Region (LCR) business rates pool since April 2013. It pools the business rates income of member authorities, which includes Kirklees, Bradford, Wakefield & Calderdale (top up authorities), and Leeds, Harrogate and York (tariff authorities). Leeds are the lead authority for the administration of the LCR Pool. The Pool is established for one year at a time and in 2019/20 the Pool was successful in its application to pilot 75% Business Rates Retention, together with authorities from a North Yorkshire pool as part of a combined LCR and North Yorkshire pool. The 75% pilot will cease at the end of 2019/20 but Government confirmed a successful further Joint North and West Yorkshire Business Rates 50% pool application for 2020/21.

The pooling proposals offer suitable groups of authorities (where there is a mixture of top-ups and tariffs) the opportunity to avoid or significantly reduce government levies for which their tariff authorities would otherwise be liable if they grow their business rates income by more than inflation. As a result of the latter, the unaudited gain to the joint pool was £26.7 million in 2019/20 for the benefit of all Pool members.

C3 Movement on Balances

The balance on the Collection Fund relates to Council Tax, Community Charge and Business Rates. That part of the balance which relates to Community Charge will be paid to the Council in subsequent financial years. That part of the balance which relates to Council Tax will be shared between the Council, West Yorkshire Police Authority and West Yorkshire Fire and Rescue Authority in proportion to their precepts and demand on the Fund, again in subsequent financial years. That part of the balance which relates to Business Rates will be shared between the Council, Central Government and West Yorkshire Fire and Rescue Authority in proportion to their precepts and demand on the Fund, again in subsequent financial years. The balance is split as follows:

	1 April 2019	Share of 2019/20 Surplus(-)/ Deficit	31 March 2020
	£000	£000	£000
Council Tax and Community Charge			
Kirklees Council : Community Charge	-10	0	-10
Council Tax	1,621	-441	1,180
Collection Fund Adjustment Account - Council Tax	1,611	-441	1,170
West Yorkshire Police Authority - Council Tax	186	-38	148
West Yorkshire Fire and Rescue Authority - Council Tax	69	-20	49
	1,866	-499	1,367
Business Rates			
Kirklees Council - Business Rates	-8,701	5,016	-3,685
Collection Fund Adjustment Account - Business Rates	-8,701	5,016	-3,685
Central Government - Business Rates	-5	-640	-645
West Yorkshire Fire and Rescue Authority - Business Rates	-88	44	-44
	-8,794	4,420	-4,374

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

Glossary of Terms

Accruals

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

Capital Expenditure

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

Capital Receipts

These are the proceeds from the sale of capital assets.

Cash Equivalents

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

Community Assets

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

Contingent Asset

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

Contingent Liability

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

Corporate and Democratic Core

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

Current Service (Pensions) Cost

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

Defined Benefit Pension Scheme

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

Depreciated Replacement Cost

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

Depreciation

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

Existing Use Value (EUV)

The estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arms-length transaction, after proper marketing, wherein the parties had acted knowledgeably, prudently and without compulsion, assuming that the buyer is granted vacant possession of all parts of the property required by the business and disregarding potential alternative uses and any other characteristics of the property that would cause its market value to differ from that needed to replace the remaining service potential at least cost.

Existing Use Value – Social Housing (EUV – SH)

Existing Use Value for Social Housing is the estimated amount for which a property should exchange, on the date of valuation, between a willing buyer and a willing seller, in an arms-length transaction, after proper marketing, wherein the parties had each acted knowledgeably, prudently and without compulsion, subject to the following assumptions:

- The property will continue to be let by a body and used for social housing;
- At the valuation date, any regulatory body, in applying its criteria for approval, would not unreasonably hinder the vendor's ability to dispose of the property to organisations intending to manage their housing stock in accordance with that regulatory body's requirements;
- Properties temporarily vacant pending re-letting should be valued, if there is a letting demand, on the basis that the prospective purchaser intends to re-let then, rather than with vacant possession; and
- Any subsequent sale would be subject to all of the above assumptions.

Fair Value

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's-length transaction.

Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another. It covers the most straightforward financial assets and liabilities such as trade receivables and payables, and more complex ones such as forward investments and stepped rate loan instruments.

General Fund

This is the account for the major functions for which the Council is responsible, excluding the HRA and Collection Fund.

Heritage Assets

A type of asset which is kept primarily for its contribution to knowledge and culture. Examples of heritage assets include museum artefacts, paintings, sculptures and civic regalia.

Housing Revenue Account (HRA)

This fulfils the statutory obligation for Councils to account separately for the provision of Council houses. The Local Government and Housing Act 1989 ring fenced the HRA so that no subsidy can be received from the General Fund.

Impairment

A reduction in the value of a fixed asset below its carrying amount on the Balance Sheet.

Infrastructure Assets

Fixed assets that are inalienable, expenditure on which is recoverable only by continued use of the asset created. Examples of infrastructure assets are highways and footpaths.

Intangible Assets

Intangible assets are assets which do not have a physical form e.g. externally purchased software.

Interest Cost (Pensions)

For a defined benefit scheme, the expected increase during the period in the present value of scheme liabilities because the benefits are one period closer to settlement.

Leasing

A method of financing capital expenditure which allows the Council to use, but not own an asset. A third party (the lessor) purchases the asset on behalf of the Council (the lessee) which then pays the lessor a rental over the life of the asset. A finance lease substantially transfers the risks and rewards of ownership of a fixed asset to the lessee. An operating lease is any lease other than a finance lease.

Live Condition – Grant

Live conditions are those conditions that specify that a grant must be used for a specific purpose and if it isn't used for that purpose, the grant funding must be returned to the giver.

Net Realisable Value

The open market value of the asset in its existing use (or open market value in the case of non-operational assets), less the expenses of realising the asset.

Non-Domestic Rates (also known as Business Rates)

This is the levy on business property, based on a national rate in the pound applied to the rateable value of the property. The Government determines national rate poundage each year.

Non-distributed Costs

These are overheads from which no service now benefits. Costs that may be included are certain pension costs and expenditure on certain unused assets.

Past Service (Pensions) Costs

Past service costs are a non-periodic cost, arising from decisions taken in the current year, but whose financial effect is derived from years of service earned in earlier years. Discretionary benefits, particularly added years, awarded on early retirement are treated as past service costs.

Precept

This is a charge levied by a local authority which is collected on its behalf by another authority (for example, the Police or Fire Authority). It does this by adding the precept to its own Council Tax and paying over the appropriate cash collected.

Provisions

These are liabilities of uncertain timing or amount.

Related Parties

Individuals or bodies who have the potential to influence or control the Council or to be influenced or controlled by the Council.

Revenue Expenditure

This is money spent on the day to day running costs of providing services. It is usually of a recurring nature and produces no permanent asset.

Revenue Expenditure Funded from Capital under Statute (REFCUS)

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

Settlements and Curtailments (Pensions)

Settlements and curtailments are non-periodic costs. They are events that change the pensions' liabilities but are not normally covered by actuarial assumptions, for example a reduction in employees through a transfer or termination of an operation.

Soft Loans

Authorities sometimes make loans to individuals or organisations at less than market rates, where a service objective would justify the Council making a concession. The Code requires the discounted interest rate to be recognised as a reduction in the fair value of the asset when measured for the first time. In subsequent years this discount is unwound by applying a market rate of interest, which will write up the value of the loan less any repayments of principal.

Usable Reserves

These represent reserves available to support revenue and capital expenditure and are divided as follows:

- General Fund Balances – This is the general reserve available for Council use, excluding Housing Revenue Account purposes.
- Earmarked General Fund Reserves – These are reserves set aside for specific areas of expenditure and risk.
- Housing Revenue Account (HRA) – This is a general reserve available for HRA purposes.
- Capital Receipts Reserve – Income from the disposal of assets and capital loans is credited to this reserve. A proportion of the receipts relating to housing disposals is payable to the Government. The balance on the reserve can be used to finance new capital investment or set aside to reduce the Council's underlying need to borrow.
- Major Repairs Reserve – The Council is required by regulations to maintain this reserve. The main credit to the reserve is an amount equivalent to the charge for depreciation on HRA assets. The reserve can be used to finance capital expenditure on HRA assets or repay HRA debt.

- Capital Grants Unapplied – Capital grants and contributions received by the Council are credited to this reserve when there is an expectation that any conditions related to the grants will be met. These grants and contributions are then used to fund related capital expenditure when it is incurred.

Unusable Reserves

- Capital Adjustment Account - This account reflects the difference between the cost of fixed assets consumed and the capital financing set aside to pay for them.
- Revaluation Reserve - This account records the net gain from fixed asset revaluations made after 1 April 2007.
- Accumulated Absences Account – This account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year, e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.
- The Collection Fund Adjustment Account – This account manages the differences arising from the recognition of Council Tax income in the CIES as it falls due from Council Tax payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.
- The Deferred Capital Receipts Reserve – This reserve holds the gains recognised on the disposal of non-current assets but for which cash settlement has yet to take place. Under statutory arrangements, the Council does not treat these gains as usable for financing new Capital expenditure until they are backed by cash receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the Capital Receipts Reserve.
- Financial Instruments Adjustment Account – This account provides a balancing mechanism between different rates at which gains and losses (such as premiums on the early repayment of debt and soft loans) are recognised under the Code and are required by statute to be met from the General Fund.
- Available for Sale Financial Instruments Reserve - This Reserve records gains made by the Council arising from increases in the value of its investments that have quoted market prices or otherwise do not have fixed or determinable payments. The balance is reduced when investments with accumulated gains are revalued downwards or impaired and the gains are lost or disposed of and the gains are realised.

Kirklees Council

Annual Governance Statement **2019/20**

Coronavirus Response

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

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

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

Overall Conclusion & Opinion

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

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

Signed:

Cllr. Shabir Pandor, Leader of the Council



Jacqui Gedman, Chief Executive



Coronavirus Period Conclusion / Opinion

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

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

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

Whilst initially the Cabinet, and the regulatory functions exercised by the Planning & Licensing Committees continued to operate, as all political leaders supported a suspension to the non-business critical work of the Council, by 24 March 2020 all meetings had to be cancelled as social distancing measures could not be maintained if Members were actually present to take decisions as then required.

Matters about which a decision was required and which could not be deferred were then dealt with by the Chief Executive personally (or through a delegate) as provided for in the Constitution in an emergency (in consultation with the Leader, a Committee Chair and in some cases the Cabinet and Group leaders), or by Strategic Directors in accordance with the Officer Scheme of Delegation. The Chief Executive met regularly with Group leaders during this period (Public Health Emergency Advisory Group) to update them on matters and decisions which were required, as well as with the Chair of Scrutiny.

The Coronavirus (Flexibility of Local Authority and Police and Crime Panel Meetings) Regulations 2020 came into force on 4 April 2020. This put in place the ability for Councils to hold meetings virtually so long as they meet certain criteria specified in the Regulations. The first virtual meeting of the Cabinet took place on 1 May at which the Chief Executive reported back on the decisions she had taken in the interim as required by the Constitution. The Regulations also enabled deferment of the Annual General Meeting.

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

Coronavirus related Significant Governance Issues

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

Wider Significant Governance Issues during 2019/20

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

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

Progress with the Issues in last year's Statement

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

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

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

Issue / Inclusion Criteria	Progress	Further Action
<p>Further strengthen the Corporate Plan with improved linkages to both revenue and capital resource allocation and performance measures.</p> <p>(A, B, F)</p>	<p>A new strengthened Corporate Plan was produced for 2018-20 which explained the journey from <i>New Council to We’re Kirklees</i>, focussed on the whole Borough and seven shared outcomes for residents.</p> <p>3 key principles underpin this</p> <ul style="list-style-type: none"> • Working with our partners • Working with (and not doing to, or for) residents • Working better in places <p>The new Council Plan, Our Council Plan 2020/21, is intended as a roadmap for recovery in Kirklees. At its heart is a determination to build a fairer and more equal borough for people to live, work and grow up in. The Plan retains its focus on outcomes for people but elevates our ambition and puts an extra focus on breaking down the barriers that have previously prevented people from sharing in the benefits of plans like this. Overseen by a new Inequalities Commission, we will make sure our focus on tackling inequalities delivers for everyone in Kirklees.</p> <p>Both the Medium Term Financial Plan 2020-23 (revenue) and Capital Plan (2020-25) are well aligned to corporate plan ambition and priorities. Reviewing budget setting</p>	<p>The corporate planning process is likely to include a substantial revision to reflect the impact on the organisation and its finances consequent to Coronavirus (reference to the Council’s guardians of the future transformation work).</p> <p>To develop a more robust, intelligence led performance management mechanism across the organisation aligned with the annual planning cycle to drive resource allocation decisions that are better aligned to priority outcomes and to monitor their delivery.</p> <p>The performance management system needs embedding for both business critical indicators and other service measures used, including the development of more relevant qualitative indicators alongside quantitative ones to better measure outcomes and impacts. Consideration is also being given to how service planning can be more closely aligned with this mechanism.</p> <p>The next Corporate Plan also needs to take account of developmental issues included in the Peer Review Action Plan with an aligned Communications Strategy.</p>

Issue / Inclusion Criteria	Progress	Further Action
	<p>arrangements for 2019/20 and beyond regarding outcome based budgeting was acknowledged to be a work in progress as regards the most recent budget round.</p> <p>A revised quarterly performance monitoring system has been introduced and will be embedded.</p>	

Issue / Inclusion Criteria	Progress	Further Action
<p>Manage delivery of the Council's Transformation Activities. (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.</p> <p>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.</p> <p>The Transformation Team clarified and enhanced its offer to respond to changing demands for a mix of robust project management, innovative business change skills and the ability to challenge and offer new insights.</p> <p>Transformation is now focused on the ongoing development and sustainability of public services, which means continuing change and innovation. It is less driven by the savings targets that will come through services and overall budget monitoring.</p>	<p>Guardians of the future work in relation to organisational re-design provides the context. Focus on the following areas of priority for allocation of transformation resources:</p> <ol style="list-style-type: none"> 1. Organisation Design - <p>Work has started to consider the future shape of the organisation.</p> <ol style="list-style-type: none"> 2. Development of Place-based working - <p>Working with communities and delivering services that recognise the diversity of the different places across Kirklees and their needs.</p> <ol style="list-style-type: none"> 3. Strengthening enabling services. 4. High Needs, Placements & Waste - <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> <ol style="list-style-type: none"> 5. Adult Social Care, Children's Improvement - <p>These are moving beyond transformation into a 'business as usual' state. Transformation resources are being gradually withdrawn as change is embedded into working practice.</p> <p>These priorities may be amended consequent to learning as a consequence of coronavirus.</p>
<p>Strengthen Partnership Governance (A, B, F)</p>	<p>A light touch governance review has been completed and is leading to more solid governance structures for the Partnership Executive: a revised executive arrangement is in place with themed meetings</p>	<p>Even prior to Covid-19 there was still scope to increase the effectiveness of some partnership arrangements and for changes made in 2019/20 to become embedded. This need now has a</p>

Issue / Inclusion Criteria	Progress	Further Action
	<p>throughout the year that draw the partner together on a topic basis.</p> <p>Revised governance framework and Partnership agreement with KNH. Interim governance control and management arrangements were implemented at KNH to enable revised responsibilities and authority between the Cabinet and KNH Board to become operational and seamless.</p> <p>The Children’s Partnership Board arrangements have re-launched recently.</p> <p>Arrangements for the Health & Wellbeing Board are being refreshed with engagement including other local authorities’</p> <p>Recruited and realigned resources to support partnership working.</p>	<p>sharpened focus than ever before because of the heightened risks faced with associated parties/partnerships - KNH/ Kirklees Stadium Development Limited, plus KAL. Also, Kirklees Community Association is now in view for governance reasons.</p> <p>In conjunction with the outcome of the Corporate Peer Review a report was taken to Cabinet during May 2020 on the options for the future of housing management and KNH, and following a consultation process with tenants and other stakeholders, KNH is to return to the Council’s direct control from 1 April 2021.</p>
<p>Continue to Strengthen Risk Management</p> <p>(A, B, D, F)</p>	<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. The CGAC has commented positively on the Corporate Matrix but expressed concerns about the quality and consistency of the directorate based risk management processes.</p>	<p>This still needs more work, as the quality of directorate based risk arrangements requires improvement, as does risk elevation.</p>

Issue / Inclusion Criteria	Progress	Further Action
<p>Continue to improve manager capacity and skill base. (A, F)</p>	<p>Work continues on each of the 3 key strands of the People Strategy (Attraction, Development and Wellbeing). Updates on each theme have been reported regularly to Scrutiny Panel and the Modern Organisation Board. The 'Development' strand addresses cultural transformation, developing our workforce, leadership and management and performance.</p>	<p>Complete implementation of the People Strategy and embed across the manager base.</p> <p>Strengthen the wider corporate centre to develop its capacity; and invest in the Council's ICT systems.</p>
<p>School Governance arrangements need review and improvement. (D, E)</p>	<p>A Schools Causing Concern Group chaired by the Service Director has been established to identify and share issues for remediation.</p>	<p>Look to understand what is causing a (historically) large number of complaints about governance and management in schools, and look to identify potential solutions.</p>
<p>Governance arrangements need developing to identify and manage issues arising from historically different service delivery. To learn from the lessons arising and make sure the issues are addressed.</p>	<p>Work has commenced to develop a corporate approach that satisfies initial management of such issues as they emerge through the corporate risk management process via the Risk Panel and these are flagged up to ET and enable organisational reflection and learning with a view to being less insular and to draw upon wider external assurances and develop an assurance backed culture.</p> <p>Where issues such as historically poor safeguarding, health and safety or HR practices are identified, checking will be undertaken to ensure that the same practices are not still in operation and to take appropriate action.</p>	<p>To embed and disseminate the learning following the identification and response of such issues on a corporate basis.</p>

New Issues

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

Issue / Inclusion Criteria	Action
<p>Continue to develop and strengthen the governance arrangements for decision-making and place-based working, including greater clarity to the roles and responsibilities of Members and officers, including greater congruence between officer and member structures (as per Peer Review).</p> <p>(A, B & C)</p>	<p>Build upon the progress achieved since the Peer Review.</p> <p>Develop new proposals around governance and decision-making arrangements</p> <p>Complete the re-design of the councillor role profile. This will form the basis of how we redesign support for councillors and how officers work more effectively and collaboratively with them.</p>
<p>Address the health and safety issues raised in connection with housing properties managed by KNH and the complete buildings portfolio, ensuring that management and operational arrangements provide for the health and safety of all Council tenants, employees and residents.</p> <p>(C, D, E)</p>	<p>Implement the recommendations in the agreed Action Plan as monitored by the Chief Operating Officer, Board and Cabinet.</p> <p>Establish and operate an Assurance Board in connection with all such issues affecting the complete Council buildings portfolio.</p>
<p>Formulate a corporate Assurance Framework and culture in connection with all key and emerging business risks, such as the health and safety one above.</p> <p>Identify and respond to any gaps and address matters identified.</p> <p>(All)</p>	<p>Compile all the various sources of assurance and determine how they inter-relate to one another.</p> <p>Manage any wider areas about which assurance needs strengthening.</p> <p>Ensure issues are responded to appropriately and actions are delivered.</p> <p>One area for early review relates to good and sustainable financial management in the Council. Internal Audit to be commissioned to undertake an initial self-assessment review based on the best practice in CIPFA's Financial Management Code and report back to CGAC for an initial assessment.</p>

Accelerate the response to the Climate Change Emergency Declaration. (A, E, F)	<p>The Council declared a climate emergency in 2019 because we all must take urgent action to improve and protect our environment. Our vision is to make Kirklees completely carbon neutral by 2038.</p> <p>The Climate Change Working Party to oversee Phase 1 actions including</p> <ul style="list-style-type: none"> • Setting a carbon budget • Free parking for low emission vehicles • Considering the environmental impact in decision making • Creating a Climate Commission and Green Charter • Developing a detailed and ambitious action plan for Phase 2 to achieve the 2038 target.
Develop a more strategic corporate management of the investigation and treatment of cases of suspected fraud & corruption. (D)	Refresh the Corporate Strategy engaging Members and CGAC in particular and focus resources on key risk areas.

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

Statement Scope

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

Kirklees Council has a Local Code of Corporate Governance, which is consistent with the principles of the CIPFA / SOLACE framework Delivering Good Governance in Local Government 2016. A copy of the Code is available from the Monitoring Officer. The current version following annual review can be found at

<https://www.kirklees.gov.uk/beta/council-and-democracy.aspx#your-council>

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

key issues and the main areas of work that have been progressed during 2019/20. A more detailed Action Plan sits behind this summary.

The purpose of the governance framework

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

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

The key parts of the governance framework

- a Local Code of Corporate Governance overseen by the Service Director Legal, Governance & Commissioning and the Corporate Governance and Audit Committee, to assess operational practice and behaviour, and prepare this Statement.
- a Council Constitution
- a Leader and Cabinet model of governance, supplemented by decisions of the Chief Executive March – May 2020 under the emergency powers of Part 3.7 of the Constitution and Strategic Directors under the Officer Scheme of Delegation. Cabinet meetings have been held virtually since 1 May in accordance with new legislation. Virtual meetings were rolled out to enable other Committees to meet similarly as soon as was possible.
- a corporate governance, audit and scrutiny process as set out in the Constitution,
- statutory officer roles performed by the Chief Executive as Head of Paid Service, the Service Director Legal, Governance & Commissioning as Monitoring Officer and the Service Director Finance as Section 151 Officer. The S151 Officer is a professionally qualified accountant and reports directly on financial matters to the Chief Executive as a member of the Executive Team (ET).
- a Corporate Plan that outlines how officers will seek to run the Council to meet our community commitments and objectives
- oversight and delivery of the Council Transformation Programme, including a number of officer boards as described in the Constitution, notably the Children's Board
- a Monitoring Officer who has responsibility for the Constitution and ensuring the legality of Council actions and decision making.
- a S151 Officer who has responsibility for ensuring that the financial management arrangements conform with all of the governance requirements of the five principles that define the core activities and behaviours that belong to the role in the CIPFA Statement on The Role of the Chief Financial Officer in Local Authorities (2014).
- codes of conduct defining the standards of behaviour for Members and employees
- an Anti-Fraud & Corruption Policy
- a Risk Management Strategy
- systems of financial and business internal control
- an internal audit section, that is compliant with the Public Sector Internal Audit Standards and Code of Ethics

- whistle blowing arrangements
- a complaints system for residents and service users
- business continuity arrangements
- a senior manager to act as the Caldicott Guardian to protect the confidentiality of patient and service-user information
- a Data Protection Officer reporting directly to the Chief Executive and a Senior Information Risk Officer
- arrangements to manage other parts of the Council's Group. The S151 Officer monitors and reports on the financial effectiveness of the subsidiary and joint venture companies, whose accounts are subject to external audit.

The governance arrangements of Kirklees Neighbourhood Housing (KNH) Limited were revised in 2018/19 with a strengthened Board to oversee housing operations and to act as a single purpose vehicle to deliver the housing management and maintenance service. Housing Policy and Strategy, housing/asset investment and HRA business planning matters are determined by the Council, Cabinet or Council officers with advice from KNH officers.

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

2019/20 Review of effectiveness

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

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

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

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

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

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

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

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

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

3. External Auditor's Review

During the year the External Auditor's Annual Report included

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

The period to which this Statement relates has been elongated this time beyond the normal point of the September following the end of the previous financial year by two factors additional professional requirements on the external auditor, and The impact of coronavirus.

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

4. Corporate Governance & Audit Committee (CGAC)

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

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

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

5. Overview & Scrutiny Management Committee

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

6. Standards Committee

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

7. Role of the Chief Financial Officer

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

8. External Inspections & Peer Reviews

Two key pieces of work were undertaken during the year.

- Local Government Association Corporate Peer Review Challenge

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

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

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

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

- Ofsted Inspection – Children's Services

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

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

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

9 Officer Governance

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

10 Significant Partnerships

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

11 Director of Public Health / Emergency Planning

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

12 Monitoring Officer / Senior Information Risk Owner

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