# KIRKLEES COUNCIL

# AUDITED
# STATEMENT OF ACCOUNTS
# 2021/2022

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

# Contents

**Foreword**

I am pleased to introduce the Council's Statement of Accounts for the year ended 31 March 2022.

The preparation of the Statement of Accounts is a statutory requirement and local authorities are normally required to have them signed by the section 151 Officer by 31 May and published with an Audit Certificate by 31 July, following the end of the financial year. However, having considered the impact Covid-19 is having on Local Authorities, the Ministry of Housing, Communities & Local Government extended the statutory deadlines for local authorities to approve and publish their accounts for the 2020/21 and 2021/22 financial years. The revised deadlines applicable to local authorities are to have them signed by the section 151 Officer by 31 July and published with an Audit Certificate by 30 November.

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

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

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

During the year the Council has been faced with the challenges of supporting the local recovery from a global pandemic which has meant significant changes to the way Councillors, Council Officers and partner organisations have had to operate, deliver services to, and work with communities, residents, and businesses, while ensuring continuing support to our most vulnerable residents. The financial impact on the Council has been significant with additional costs of response and loss of both tax and service income.

The Statement of Accounts give an overview of the Council's finances for 2021/22. In addition to the essential business as usual activities that continued to be provided, the breadth and range of Covid-19 specific actions and consequential financial impacts are also reflected in the accounts as appropriate.

The Council's updated revenue budget plans for 2022/23 and future years, and updated capital plans 2021-27 roll forward existing approved investment in the Administration's political priorities; namely the delivery of outstanding children's services, tackling climate change and investing in our Places, effective and efficient corporate capacity and capability to support the overall approach and Council ambition for the borough's residents. They also reflect opportunities for prioritisation of existing budgets to support the Administration's inclusive investment ambition through the Covid-19 recovery plan.

At the same time, this continues to be balanced against medium term budget risks and ensuring the Council can continue to deliver within its means for the foreseeable future. The Council approved budget plans for 2022/23 in particular gives the Council continued financial stability over the next 12 months, in light of continuing recovery from Covid-19 and volatility on the Council's overall financial position.

The Council must live within its means not just for today, but for the foreseeable future. The Council's reserves position continues to reflect relatively strong financial resilience over the short to medium term. The Council's Medium-Term Financial Plan (MTFP) will continue to be updated In light of emerging national, regional and local intelligence in what remains a very challenging national and local financial landscape for local government.

**Acknowledgements**

I wish to thank colleagues in Finance for their hard work, commitment and skill in completing this Statement of Accounts and all the supporting information by 29 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 29 July in line with this years revised statutory deadline.

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 **433,300 residents**, and this figure is projected to increase by 2.5% overall to 452,300 by 2030; this includes an 18% projected increase in ages 65 and over to 93,400; included within this is a 30% increase specifically for ages 85 and over.

- **Kirklees ranks twelfth out of 331 districts** in terms of population in England and Wales.

- **Population by ethnic group;** 79%* White, 16% Asian or British Asian, 5% Other (*England & Wales average 85%).

- **3rd largest metropolitan district in area** covering 157 square miles.

- **181,100 households,** of which about 67% are owner occupied, and 12% Council rented. Households are projected to increase 10% by 2043, to 199,200.

- **152,000 employees in Kirklees,** of which 16% relates to Manufacturing, double the Great British average of 8%. Health also provides 13%; with Education and Retail accounting for a further 11% each.

- **The average median gross weekly earnings for Kirklees residents in 2021 is £461.50;** lower than the Great Britain average of **£506.70.**

- **Unemployment rates* at May 2022 are 4.4%**; in comparison to the Great Britain average of 3.9% (*unemployment rates relate to the claimant count for Jobseekers' Allowance plus those who claim Universal Credit and are required to seek work and be available for work).

- **69 Local Councillors serve 23 wards**; following the May 2022 election Labour became the majority party with 36 seats; prior to 2018 there had been no overall control in the Council since 1999.

- **72% 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 2021 (source Kirklees People Services):

| | Full-time | Part-time | Total | Full time equivalent (fte) |
|---|---|---|---|---|
| Non-schools | 4,685 | 3,724 | **8,409** | 6,809 |
| Schools | 1,843 | 4,382 | **6,225** | 4,273 |
| Total | **6,528** | **8,106** | **14,634** | **11,082** |

To put the above into perspective, the full time equivalent figure in 2010 was 14,003; this represents an overall reduction of 2,921, approximately 26%, over the period.

### Council performance in 2021/22

The Council's annual Corporate Plan for 2021-23 sets out a vision for an ambitious Council for the residents and communities of Kirklees:

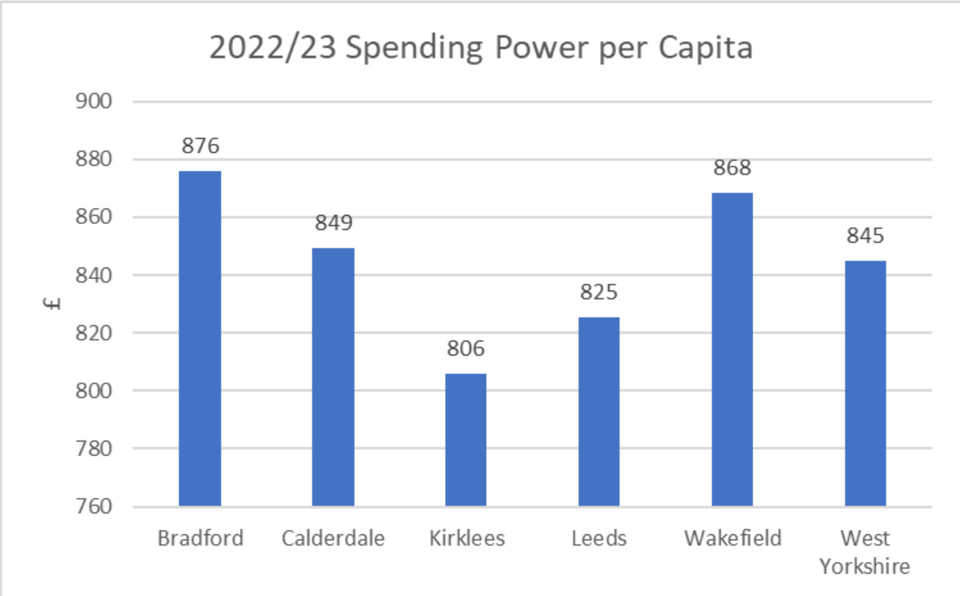
*"a district that combines a strong, sustainable economy with a great quality of life - leading to thriving communities, growing businesses, high prosperity and low inequality where people enjoy better health throughout their lives".*

To deliver this vision, the Council is developing into one that focuses on achieving outcomes by working with people rather than doing to them, working with and alongside Partners and recognising the unique identities of our local places, their strengths and aspirations. Existing budget plans for 2022-27, whilst acknowledging the continuing financial challenges facing the Council, roll forward existing approved commitments namely; the delivery of outstanding Children's Services, tackling climate change and investing in our Places, effective and efficient corporate capacity and capability to support the overall approach and Council ambition for the Borough's residents. They also reflect opportunities for prioritisation of existing budgets to support the Administration's inclusive investment ambition through the Covid-19 recovery plan.

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

Kirklees has recently become a member of a newly established campaign group called F20. The group is made up of some of the lowest funded Councils in the country and is lobbying ministers to level up local government funding, with the belief that without change, those at the bottom end of the funding tables will be the hardest hit as a result of delayed funding reforms.

The Government's own calculation of funding that each Council has available, expressed as an amount per resident, places Kirklees as the 3rd lowest of the 36 metropolitan authorities in 2022/23, and lowest of the 5 Councils in the West Yorkshire regions (see below):




The Council aims to be outcomes focussed and intelligence driven. The Council Plan for 2021-23 incorporated a range of agreed priority actions and deliverables aligned to the eight shared Kirklees outcomes, articulating a vision for Kirklees as a district which combines a strong, sustainable economy with a great quality of life - leading to thriving communities, growing businesses, high prosperity and low inequality where people enjoy better health throughout their lives.

Monitoring our impacts and outcomes at a population level ensures that our services are clear about the context within which they are delivering and how well we are meeting the needs of citizens and communities. Monitoring our impacts and outcomes at a service level helps us to understand how much we are doing, how well and what difference we are making to our customers and service users. Progress made across all services is summarised in quarterly or twice yearly performance and impact reports. In 2021/22 it was agreed that the End of Year Corporate Performance and Impact Report would focus on the Council Plan 2021-23 deliverables.

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

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

**Shaped by people:**

- Over 9,000 people have now participated in Place Standard engagement activities and the first projects are being supported by our new Place Standard Investment Fund.
- Interest in Democracy Friendly Schools – a programme to help our young citizens learn about (and be part of) local democracy and civic life has been very strong. We have helped schools to work with local councillors, growing young people's confidence and enabling social action.

**Best Start:**

- Our Family Hubs model is positively impacting the quality of support families are receiving. The percentage of cases moving from Early Support to Children's Social Care has reduced significantly.
- The long-term stability of placements for Children Looked After continues to be excellent and well above national benchmarking.

**Well:**

- Community Champions helped to increase Covid-19 vaccination uptake rates and reduce inequalities in uptake rates. Community Champions spoke to over 8,500 residents, working with 58 Voluntary and Community Sector organisations and provided help for other needs including mental health issues and bereavement support.
- As part of a pilot scheme, 450 people have undertaken a Health Check in the community. In 80% of cases, a health issue was identified that may have otherwise not been detected until a later stage (where more intensive treatment may have then been required).

**Independent:**

- Around 10% of adults say they need help and support to live at home. There has been a 6% increase in the proportion of people aged 75+ years who say they need help and support compared with 2016 and the 75+ population has grown by an estimated 13% in the same period
- Library Services continue to increase visits, events, lending and digital offer after the significant downturn during the pandemic.

**Aspire and Achieve:**

- Successful co-production and launch of Our Kirklees Futures, a system-wide 10-year strategy for the lifelong learning journey across Kirklees.
- Successfully securing £36 million investment in capital build projects, in line with an ambitious SEND Transformation Plan, for ambitious re-rebuilding of two special schools.
- Employment and skills support has successfully supported more people into work and exceeded delivery objectives in adult community learning. The Works Better programme and work with partners is placing a greater emphasis on supporting people in work to develop skills and progress careers.

**Sustainable Economy:**

- This year has seen significant progress made on developing major projects towards delivery. Some are now in delivery, such as the West Yorkshire Transport Fund schemes on the A62 Smart Corridor and Huddersfield Southern Corridor.
- Place Standard consultations in Holmfirth, Heckmondwike, Cleckheaton and Batley will inform the development of proposals and funding bids for projects in these towns including the Levelling Up Fund bid for Batley.

**Safe and Cohesive:**

- The Inclusive Communities Framework (ICF) is near completion. This has been contributed to and shaped by multiple agencies across Kirklees.

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

- Additional recyclable materials added to domestic recycling collections.
- £23.2 million invested in roads and £6.25 million committed to replace Council vehicles with greener and electric models.
- Kirklees climate change roadmap now in place.
- Wide range of pandemic recovery activities undertaken to improve the quality of our environment including ward Councillor priorities.

**Efficient and Effective (Council Ambition)**

- Kirklees Council has very successfully launched Project Search. This is an internship programme for young people with autism and learning disabilities.

## Financial Performance in 2021/22

### Service developments in year

During the year, there have been 6 schools that have converted to Academy status, none of these schools were Trust schools. Employees have been transferred to the new bodies together with assets valued at £0.7 million. These transfers have resulted in a reduction in revenue spending of £3.8 million and a corresponding amount of Dedicated Schools Grant.

### Revenue – General Fund

The General Fund Net Revenue Budget for 2021/22 was £317.9 million, approved at Council on 10 February 2021.

There was a net transfer from reserves to General Fund in-year, totalling £9.3 million. The revised budget in 2021/22 was £327.2 million.

The Council's net revenue spend totalled £327.2 million in 2021/22.

The overall outturn position was break-even against a £327.2 million revenue budget (compared to break-even in 2020/21) and reflects sound overall financial management of budgets in-year.

The 2021/22 revenue budget continued the direction of travel set out in successive recent budget rounds to deliver the Council's ambitions and priorities for the district, within overall reducing resources.

The actual spend to budget is summarised by department below:

| | Revised Budget | Outturn | Variance |
|---|---|---|---|
| | £000 | £000 | £000 |
| Children & Families | 79,443 | 80,797 | 1,354 |
| Adults & Health | 108,680 | 107,701 | (979) |
| Environment & Climate Change | 32,938 | 41,519 | 8,581 |
| Growth & Regeneration | 13,085 | 14,066 | 981 |
| Corporate Services | 49,312 | 55,370 | 6,058 |
| Central Budgets | 31,348 | 29,044 | (2,304) |
| **General Fund Sub Total** | **314,806** | **328,497** | **13,691** |
| Offset of Covid-19 Pressures | 12,354 | (1,296) | (13,650) |
| **Revised General Fund Total** | **327,160** | **327,201** | **41** |

Within the overall break-even position, there were a number of significant underlying service pressures, including £12.8 million on Special Educational Needs and Disability (SEND) activity, in excess of the £43.1 million resources available to fund this activity through the High Needs funding block allocation within the Dedicated Schools Grant (DSG).

Following the introduction of a new Statutory Instrument in November 2020 and an update of the CIPFA Code, this 'deficit' balance is held in the 'Dedicated Schools Grant Adjustment Account', an unusable reserve.

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

As a result, this balance has not formed part of the overall break-even position for 2021/22.

The Secretary of State for Education also confirmed, on 24 March 2022, the Council's successful participation in the Round 2 Dedicated Schools Grant (DSG) deficit reduction (Safety Valve) Programme. This resulted in a Government funding contribution of £13.5 million of DSG on the 31st March 2022, which reduced the cumulative deficit to carry forward into 2022/23. This additional funding represents the first payment under this Safety Valve agreement, which commits the Council to bring the DSG into an in-year balanced position by 2026/27.

The balance of the agreed £20.0 million government funding contribution to the Council's DSG deficit over the next 5 years is dependent on delivery of in-year DSG High Needs savings target.

As a result of these in-year movements, the DSG deficit at 31st March 2022 is £22.3 million.

There was also an overall overspend on Schools Transport of £2.2 million relating to volume pressures. As at 31 March 2022, 214 children with Education Health and Care Plans (EHCP's) are using Post 16 Home to School Transport. Approved 2022/23 budget plans include £0.9 million base budget uplift to reflect recurrent demand pressures on schools transport service.

There was also an overspend in the SENDACT Team of £1.3 million as a result of a high volume of Agency staff being employed to cover vacancies, sickness and maternity leave. Approximately £0.5 million of the pressure relates to a temporary team employed (through agency) to address the backlog of assessments that had built up.

Environment and Climate Change included £2.1 million Covid-19 related spend pressures across the directorate, with £0.8 million of this offset in full by a range of specific Covid-19 funding streams. The pressures include costs of £0.5 million for Covid-19 Community Support Officers and £0.5 million additional spend on Waste Services; largely associated with additional vehicles and hired staff required during Covid-19. There was also £0.6 million spend relating to a range of backlog and recovery issues, funded from the Covid-19 Response Recovery Fund. There were also Covid-19 impacted income losses of £3.6 million across the directorate; the most significant being £1.7 million on Catering due to under recovery of income from school meals as a result of reduced pupil numbers. Other losses included £0.8 million on Markets, £0.4 million on Licensing and £0.3 million on Parking Fees; the latter due to increased home working and local measures to encourage high street footfall through free parking for key workers in the Borough's major towns.

Growth and Regeneration included Covid-19 impacted income losses of £0.6 million, these included £0.5 million on Commercial Properties and £0.1 million on Building Control fees.

Within Corporate Strategy, Commissioning and Public Health there was a £3.5 million pressure as a result of a payment to Kirklees Active Leisure (KAL) to address the continued net revenue losses resulting from enforced closure of leisure centres during the pandemic, and gradual recovery of the leisure industry both nationally and locally. This underwrite was part of the Council and KAL Partnership Framework report approved by Cabinet on 27 July 2021. The payments to KAL were funded through drawdown of the Covid-19 Response reserve. There was also an overspend of £1.0 million on Benefit Payments, due to Homelessness costs in excess of Homelessness Support grant, plus cost of non-HRA claims administered under historic rules which are not fully eligible for Housing Subsidy grant.

Within Legal Services there was an in-year pressure of £1.2 million reflecting increased demands on Legal Services as the requirement for legal intervention rises, in particular relating to childcare. This was offset in part by the re-direct of £0.5 million Social Care grant funding.

General Fund reserves and balances have decreased through 2021/22 by £30.6 million; from £197.4 million at the start of the year to £166.8 million as at 31 March 2022.

**Covid-19**

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

**Covid-19 Grant Schemes**

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

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

The table below provides a summary of the Covid-19 grant schemes administered by the Council during 2021/22:

| Funding Category | 2021/22 £k | 2020/21 £k |
|---|---|---|
| Covid-19 General Funding | 19,272 | 49,530 |
| Test & Trace and COMF Funding | 3,154 | 13,589 |
| Funding for Adult Social Care | 14,410 | 18,922 |
| Funding for Grants to Businesses – Council acting as Agent | 25,585 | 166,391 |
| Funding for Grants to Businesses – Council acting as Principal | 3,328 | 22,257 |
| Other Government Funding for Local Authorities | 12,628 | 14,145 |
| | **78,377** | **284,834** |

**Council Tax Energy Rebate**

In February 2022, the Government announced Councils would be responsible for administering the Council Tax Energy Rebate scheme. The Council received a grant of £25.6 million on 30 March 2022. As this was for a 2022/23 scheme the Council held this sum in its Balance Sheet as a receipt in advance at the year-end.

**Revenue – Housing Revenue Account (HRA)**

The HRA is a ring-fenced account that holds all income and expenditure in relation to the provision of landlord services to approximately 23,000 tenancies.

In 2021/22, the HRA reported a £3.5 million deficit against an annual turnover budget of £92.1 million. This included £2.2 million of additional forward programmed investment for compliance. There were also additional costs for the patrolling watch for the high-rise blocks and inflationary cost increases and the demand for labour and materials.

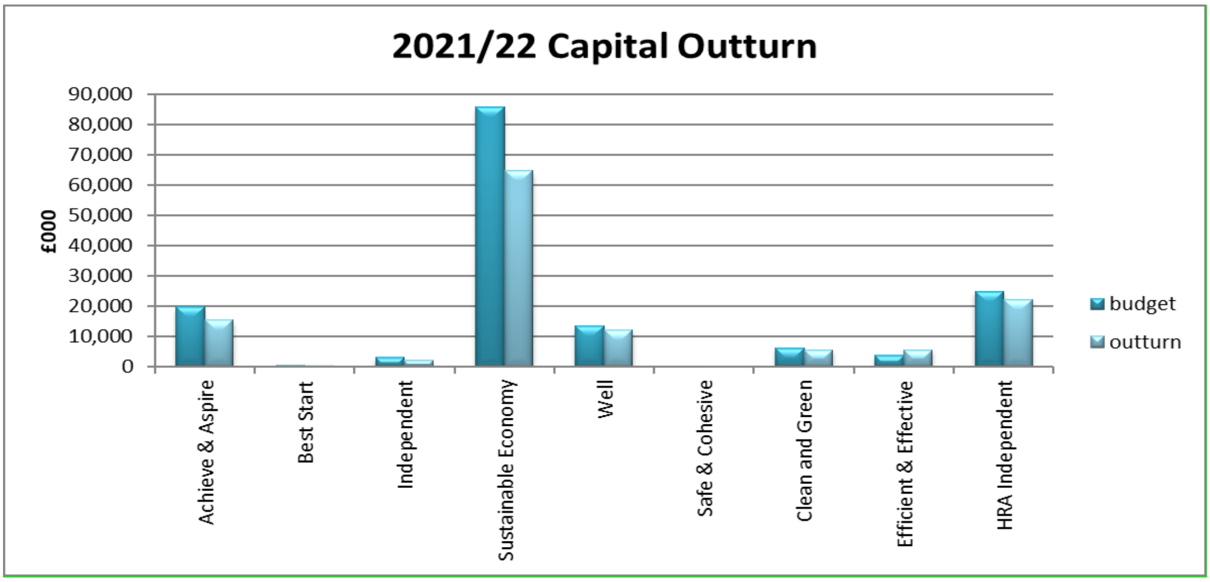
**Capital expenditure**

The Council's revised capital plan budget was £157.4 million in 2021/22.

Capital expenditure in 2021/22 totalled £128.2 million; equivalent to 81% against committed investment. Of the total spend, £64.4 million related to strategic priorities, £57.3 million related to baseline spend and the balance of £6.5 million related to schemes of a one-off nature.

The outturn position relative to budget reflects a number of deferred expenditure commitments rolled forward into future years; examples include slippage on strategic priority capital schemes, including £3.2 million on Transforming Cities Fund, £2.3 million on the Town Centre Action Plans, £5.2 million on West Yorkshire plus Transport schemes and £1.7 million on Active Travel Fund schemes. Delays and slippage are also reflected in Baseline schemes, including Highways at £3.1 million and Corporate Landlord at £0.5 million.

Capital budget and expenditure in 2021/22, is summarised by outcome below:



Capital expenditure in 2021/22 was funded by the following sources of finance; borrowing £57.3 million, grants and contributions £40.8 million, capital receipts at £9.7 million, Major Repairs Reserve (HRA) at £15.3 million, Reserves/Revenue contributions to capital at £5.1 million.

**Collection Fund**

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

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

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

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

The year-end deficit balance on Business Rates of £13.4 million is largely due to the additional reliefs which were awarded to ratepayers in 2021/22 due to the ongoing effects of the Covid-19 pandemic. The Retail Discount Scheme was extended, with compensating Section 31 grant of £10.5 million being received. This funding was moved to reserves in 2021/22 and will be applied against the rolled forward business rates deficit in 2022/23.

There was a £7.1 million in-year deficit within Business Rates which included the aforementioned £10.5 million that is 'technical' in nature. The majority of the remaining £3.4 million in-year surplus, was a result of work undertaken by the service with regards to recovery action on outstanding arrears and this resulted in a significant reduction in arrears and a lower than budgeted bad debt requirement.

The Council's share of overall Collection Fund financial performance in 2021/22 is summarised below.

**Collection Fund Summary**

| **Collection Fund (Council Share)** | **Council Tax** | **Business Rates** | **Total** |
|---|---|---|---|
| | **£000** | **£000** | **£000** |
| **(Surplus)/Deficit at 1 April 2021** | **4,554** | **30,933** | **35,487** |
| Re-payments to/(from) General Fund 2021/22 | (2,117) | (24,613) | (26,730) |
| In year Financial Performance | (1,693) | 7,078 | 5,385 |
| **(Surplus)/Deficit at 31 March 2022** | **744** | **13,398** | **14,142** |

Due to the impact of Covid-19 on the collection of both Council Tax and Business Rates, a change to Collection Fund accounting was introduced for 2020/21, which spreads the impact of Covid-19 related deficits over three financial years, thus smoothing the impact on the revenue budget. The Council's 2021/22 – 2023/24 budgets have been prepared using this new facility.

The percentage of Council Tax collected in year was 95.78% (2020/21 95.67%). The Council's share of the arrears outstanding as at 31 March 2022 was £18.5 million (31 March 2021 £17.1 million).

The percentage of Business Rates collected in the year was 94.65% (2020/21 80.32%). The Council's share of the arrears outstanding at 31 March 2022 was £4.5 million (31 March 2021 £7.6 million). In addition, there is a provision for Business Rates appeals outstanding. The Council's share of this provision at 31 March 2022 is £1.6 million (31 March 2021 £2.6 million).

The Council is also part of a regional business rates pooling arrangement – Leeds City Region Business Rates Pool, for 2021/22.

**Balance Sheet**

The table below summarises the Balance Sheet movements during 2021/22 and indicates that the Council maintains an overall positive Balance Sheet in terms of net assets and usable reserves.

| | At March 2021 | At March 2022 | Movements in-year |
|---|---|---|---|
| | £m | £m | £m |
| Long Term Assets | 1,683.3 | 1,800.8 | 117.5 |
| Net Current Assets | -52.3 | -52.0 | 0.3 |
| Long Term Liabilities | -1,473.6 | -1,314.6 | 159.0 |
| Net assets | 157.4 | 434.2 | 276.8 |
| | | | |
| *Represented by :* | | | |
| Usable Reserves | -312.7 | -279.4 | 33.3 |
| Unusable Reserves | 155.3 | -154.8 | -310.1 |

Assets

The value of Property, Plant and Equipment has increased during the year by £101.5 million to £1,589.5 million. The increase is largely due to additions of £91.2 million, net valuation gains on Plant, Property and Equipment of £74.9 million, offset by assets being reclassified as Held for Sale (£5.2 million), the disposals of assets (£3.8 million), including schools transferring to academy status, and depreciation (£55.2 million). In addition, the Council had Heritage Assets and Investment Property valued at £55.2 million and £103.7 million respectively as at 31 March 2022 (31 March 2021 £55.2 million and £97.3 million). Current assets increased by £19.8 million to £158.0 million.

The Council's policy towards cash flow management is prudent and all deposits/investments in 2021/22 have been placed short-term with a view towards security and liquidity. As at 31 March 2022, the Council held investments of £65.1 million within "cash equivalents", that is highly liquid deposits with an insignificant risk of change in value (31 March 2021 £26.2 million).

Liabilities

Current liabilities increased by £19.5 million to £210.0 million and long-term liabilities decreased by £159.1 million to £1,314.6 million. As at 31 March 2022, the Council had total provisions (long term and short term) of £13.2 million (31 March 2021 £14.7 million).

Total external borrowing during the year increased from £430.1 million to £473.3 million. £50.0 million of new long term borrowing was taken from the Public Works Loan Board (PWLB) in the year and short term borrowing decreased by £23.2 million.

The average interest rate for long term borrowing in 2021/22 was 3.84% (2020/21 4.46%).

Other long term liabilities contains a net pensions liability of £759.7 million (31 March 2021 £998.6 million). This represents an actuarial assessment of the Council's share of the pension fund assets and the underlying commitment of the Council to pay future retirement benefits. The decrease in the pension liability reflects increases in actuarial gains due to changes in financial assumptions.

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

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

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

<u>Balances and Reserves</u>

General Fund Balances at 31 March 2022 were £166.8 million (31 March 2021 £197.4 million), a net decrease of £30.6 million. These balances include £156.8 million that has been earmarked for particular purposes, including £37.1 million Financial Resilience Reserves covering a range of potential unfunded risks and pressures (including budget savings risks highlighted in the Council's corporate risk assessment).

Approximately £12.0 million of the reduction in reserves relates to technical net transfers from the Extended Business Rates Relief reserve to offset the carried forward Collection Fund deficit. This reflects the release of £23.5 million grant received from Government in 2020/21 for Kirklees' share of Extended Business Rate Reliefs passed onto businesses by the Council, offset in part by the transfer into reserves of £11.5 million equivalent grant received in 2021/22. Due to current accounting rules, this funding cannot be discharged against the Collection Fund deficit until the following financial year and thus the movement to/from earmarked reserves reflects this timing difference.

There were also net drawdowns of £21.4 million from Covid-19 related reserves. This comprised:

- £8.3 million from the Covid-19 Response reserve to offset projected Covid-19 related costs unfunded by specific funding streams. This included the £3.5 million for payments to Kirklees Active Leisure (KAL) and £0.6 million for backlog and recovery spend.
- £11.2 million drawdown from the Covid-19 Grants and Business Grants reserves to fund specific eligible Covid-19 related spend.
- £1.9 million drawdown from the Tax Income Loss Compensation reserve to support the Council's bottom line as per the 2021-26 Annual Budget report.

£2.2 million was transferred into reserves at the start of the year for Local Welfare Provision initiatives, with a further £0.4 million during the year.

Council reserves also includes an amount of £15.5 million (31 March 2021 £13.6 million) relating to schools' balances.

Total usable reserves (excluding ring-fenced Schools and Public Health Reserves) as at 31 March 2022 are £149.8 million, equivalent to 44.7% of the 2022/23 £335.0 million (net) revenue budget (31 March 2021 48.2% of £317.9 million).

For comparator purposes, the median percentage across the 36 Metropolitan Councils on this particular indicator was 62% as at 31 March 2021.

The significance of this indicator is that it features as part of CIPFA's suite of 'financial resilience' performance indicators 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. The updated 2021/22 indicator is expected to be released towards the end of 2022 by CIPFA, recognising that comparator benchmarking across Councils for 2021/22 will continue to be somewhat distorted by Covid-19 funding and associated spend timing issues rolled forward through Council reserves. This will be a sectoral wide issue, not just limited to a few Councils.

HRA Balances at 31 March 2022 were £54.7 million and these will be used to help sustain a balanced revenue position for the HRA over the medium to longer term informed by the 30 year HRA business plan. There was a nil balance on the Major Repairs Reserve as at 31 March 2022 (31 March 2021 nil), which was previously used to support capital expenditure and repay debt within the year.

There are two Capital reserves – unapplied capital grants and capital receipts – which total £57.9 million as at 31 March 2022 (31 March 2021 £56.9 million).

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

Also, as previously noted, since 31 March 2021 the DSG deficit is held separately as an unusable reserve.

**Group accounts**

The Council's Group Accounts are made up of the accounts of the Council 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 company. The Group Accounts are of equal stature to the Council's single-entity accounts. Based on draft accounts and the Council's interest and adjusted in line with the Group's accounting policies, KSDL made an operating deficit of £0.1 million.

**<u>Council finances – future prospects</u>**

Achieving objectives within available resources in the context of the ongoing recovery from Covid-19, along with inflationary, demographic and other demand pressures locally continues to be the biggest challenges facing the Council.

Budget plans for 2022/27 were approved at budget Council on 16 February 2022. These are summarised below.

***<u>Summary General Fund budget plans 2022-27:</u>***

| | 2022/23 | 2023/24 | 2024/25 | 2025/26 | 2026/27 |
|---|---|---|---|---|---|
| | £m | £m | £m | £m | £m |
| **Budget Gap (MTFP 2021-26)** | **14.6** | **17.1** | **24.3** | **21.0** | **21.0** |
| Funding Changes | (16.0) | (19.1) | (19.3) | (23.4) | (34.8) |
| Spending Changes | 6.9 | 18.4 | 26.4 | 35.9 | 52.0 |
| **Updated Budget Gap before use of reserves** | **5.5** | **16.4** | **31.4** | **33.5** | **38.2** |
| Earmarked reserves applied to support the MTFP | (5.5) | - | - | - | - |
| **Updated Budget Gap (MTFP 2022-27)** | **-** | **16.4** | **31.4** | **33.5** | **38.2** |

The Councils refreshed reserves strategy is directed at strengthening organisational flexibility and financial resilience over the short to medium term in light of the continued funding uncertainty for Council's post 2022/23. General Fund reserves of £37.1 million 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 11.6% of the current year £317.9 million (net) controllable revenue budget.

Council updated budget plans reflect a 1.99% general Council Tax uplift in 2022/23 plus a further 1.00% Adult Social Care precept uplift; 2.99% in total, and equivalent to £6.0 million additional funding. The majority of Kirklees homes are classified as Band A. At this level, a 2.99% Council Tax uplift is equivalent to an increase of £32.86; from £1,098.75 in 2021/22 to £1,131.61 in 2022/23 (before Fire, Police and Parish Council precepts).

The approved budget plans reflected the Administration's priorities and Council ambition in the Council Plan, including acknowledgement of the impact of the global pandemic and emerging global recovery, global supply issues, pent up consumer demand pressures on cost inflation, and labour supply recruitment and retention issues across all sectors of the economy. Based on prevailing national and international macro-economic forecasts, it was anticipated that a number of these pressures would be transitory rather than structural in nature and was factored accordingly into Council forward budget plans.

Subsequent to Budget Council, a number of key assumptions incorporated into the budget plans for 2022/23 and future years are likely to be impacted on by current volatile global and national economic conditions including: salary/national living wage inflation, energy inflation, borrowing costs and cost of living impacts on local businesses and partner organisations. The above factors and their impacts are currently under review, albeit in a rapidly changing economic and national policy context.

*<u>High Needs</u>*

The Secretary of State for Education confirmed, on 24 March 2022, the Council's successful participation in the Round 2 Dedicated Schools Grant (DSG) deficit reduction (Safety Valve) Programme. This included an initial 2021/22 Government funding contribution of £13.5 million made on 31 March 2022. This has offset the in-year pressure of £12.8 million. As a result of the in-year movements, the DSG deficit at 31st March 2022 is £22.3 million, which is held as an 'unusable reserve' in line with accounting regulations.

The balance of agreed £20.0 million government funding contribution to the Council's DSG deficit over the next 5 years is dependent on delivery of in-year DSG High Needs savings target.

High Needs remains an area of significant and growing pressure on Council budgets nationally and locally. 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 transformational action plan with key educational partners across the borough. Budget proposals reflect the Council's commitment to continued SEND investment (both revenue and capital) over the medium term.

*Social Care*

The Local Government Finance Settlement for 2022/23 confirmed that all existing Social Care specific grants, including Better Care Fund, will roll into 2022/23 baseline. These include the existing Social Care grant at £13.5 million and the Improved Better Care Fund (iBCF) totalling £17.3 million. There is also funding allocated through the Better Care Fund (BCF) pooled with Health, with the Council share about £19.5 million. This (along with the iBCF, and Winter Pressures grant) has national reporting conditions and joint health sign off agreements.

Also confirmed in the 2022/23 Local Government Finance Settlement was a further national increase in the Social Care funding by £699.0 million; the Council's share of this additional funding is £5.5 million; consisting of £5.0 million additional Social Care grant and £0.5 million iBCF inflation.

The 2021 Spending Review also included provision for Councils with Social Care responsibilities to raise a proportion of their Adult Social Care funding requirement through an Adult Social Care precept up to 1%. The additional 1% has been applied in full in updated baseline funding forecasts for 2022/23 to meet forecast Adult Social Care spending needs over the coming financial year.

Demand led volume and cost pressures and demographic trends are having a continuing and significant impact on already stretched Council budgets and this has been well documented both nationally and at a local level over recent years.

The care provider market continues to be impacted on by significant local and national pressures. The 2021 Spending Review contained announcements about £3.6 billion national funding from the health and social care levy over the next 3 years to allow Local Authorities to move towards paying a fair cost of care and preparing provider markets for forthcoming social care reforms, and this will be important in moving toward a more sustainable market. This brings some clarity, but uncertainty still remains around the means and nature of longer-term funding.

## Future Service Developments

### Integrated Care

Following changes in legislation to deliver Health and Care reform, Clinical Commissioning Groups (CCG's) in West Yorkshire will no longer exist after June 2022. A new body will be created effective from 1st July 2022 (NHS West Yorkshire Integrated Care Board (ICB)). Whilst the formal structures and organisations associated with the commissioning of NHS services will change, operations within this ICB will continue at the 5 different Places for the foreseeable future (Bradford District and Craven, Calderdale, Kirklees, Leeds, Wakefield). The commissioning structure will maintain a link with the Council at its core, and the ambition remains to work closely in partnership, with the NHS and Local Government as equals in the Integrated Care System.

## Future Accounting Developments

The only significant change to Code of Practice on Local Authority Accounting for 2021/22 was implementation of changes in the way in which derecognition of highways infrastructure assets are accounted for (Update to the Code and specifications for Future Codes for Infrastructure Assets November 2022). Further information can be found at Note 15 of the accounts. The implementation of International Financial Reporting Standard (IFRS) 16 Leases, previously expected to be applied from 2022/23, has been deferred until 2024/25, although local authorities will have the option to adopt it earlier.

**Key Risks**

The Council Corporate Risk Matrix for 2022/23 was agreed in February 2022. The matrix highlights risk areas, and headline mitigations and management actions.

The areas identified are summarised below:

- The risks associated with the response to crises and events and the implications on the local community and the Council.
- The risks associated with the need to deliver budget savings required by the Medium Term Financial Plan.
- Overspending on particular budget heads due to increase in volumes, rising prices, or a failure to properly control projects; concerns about growth in volumes of children, Adult Social Care and Educational High Needs (and in the longer term the cost of Waste Disposal) beyond those provided in financial plans.
- Coronavirus has added significant income risks and imposed additional costs (some of which have been met by Government funding) which have a current year and likely medium-term continuing impact.
- Risk of infection with a High Consequence Infectious Disease (HCIDs airborne) with the consequent impacts of pressure on services through demand, and a reduced ability to deliver services resultant from staff absences and similar.
- The financial regime set by Government causes a further loss of resources or increased and under-funded obligations (e.g. in relation to Social Care), with impact on the strategic plans.
- The funding impacts of the national “living wage” and other inflationary pressures faced by contractors, and impacts from other legislative changes and the resultant effects on the quality or performance of services.
- Council supplier and market failure.
- Safeguarding risks associated with the care of children and vulnerable adults.
- Workforce management issues (including loss of experienced staff; need for different skills sets and inability to identify or reach all staff to deliver appropriate training; difficulties recruiting and retraining staff in specific areas).
- Funding shortfall in partner agencies e.g. NHS.
- Failure to address matters of violent extremism and related safer stronger community factors.
- Unforeseen legislative changes.
- Unforeseen significant environmental events e.g. severe weather impact.
- Management of information from loss or inappropriate destruction or retention and the risk of failure to comply with the obligations of General Data Protection Regulations (GDPR), Freedom of Information (FOI) and Data Protection.
- Cyber related threats affecting data integrity and system functionality/security.
- Heightened national attention to Child Sexual Exploitation and historical abuse cases leading to increased demand, higher professional expectations and greater public scrutiny.
- Inadequate arrangements to effectively determine and implement policies in a timely manner leading to delays, failure, error or illegality.
- 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.
- 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 2022**
- **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 and Certificate** - 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.

**Certification of the Statement of Accounts**

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 2022.

Eamonn Croston
Service Director Finance
10th February 2023

I certify that this Statement of Accounts was approved by the Corporate Governance and Audit Committee on 10th February 2023.

Yusra Hussain
Chair, Corporate Governance and Audit Committee

## COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT (CIES)

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

| | | **2021/22** | | | 2020/21 | | |
|---|---|---|---|---|---|---|---|
| | **Gross Exp** | **Gross Income** | **Net Exp** | Gross Exp | Gross Income | Net Exp | |
| | **£000** | **£000** | **£000** | £000 | £000 | £000 | Note |
| Children & Families | **428,931** | **-310,740** | **118,191** | 402,361 | -296,647 | 105,714 | |
| Adults & Health | **242,172** | **-120,039** | **122,133** | 224,716 | -112,651 | 112,065 | |
| Growth & Regeneration | **157,095** | **-25,361** | **131,734** | 41,455 | -19,207 | 22,248 | |
| Environment & Climate Change | **118,861** | **-33,973** | **84,888** | 106,968 | -41,989 | 64,979 | |
| Corporate Strategy, Commissioning & Public Health | **195,218** | **-122,730** | **72,488** | 189,517 | -149,895 | 39,622 | |
| Central Budgets | **33,360** | **-1,911** | **31,449** | 26,543 | -4,975 | 21,568 | |
| HRA | **80,462** | **-107,103** | **-26,641** | 75,338 | -137,258 | -61,920 | |
| **Cost of Services** | **1,256,099** | **-721,857** | **534,242** | 1,066,898 | -762,622 | 304,276 | |
| Other operating expenditure | | | **730** | | | 43,541 | **12** |
| Financing and investment income and expenditure | | | **38,259** | | | 43,745 | **13** |
| Taxation and non-specific grant income | | | **-371,980** | | | -370,170 | **14** |
| **Deficit on Provision of Services** | | | **201,251** | | | 21,392 | |
| Surplus(-)/Deficit on revaluation of Property, Plant and Equipment (PPE) and Heritage assets | | | **-66,642** | | | -21,864 | **15** |
| Surplus(-)/Deficit from investments in equity instruments designated at fair value through other comprehensive income | | | **-69** | | | -57 | |
| Remeasurements of the net defined benefit liability | | | **-432,447** | | | 120,958 | **41** |
| **Other Comprehensive Income and Expenditure** | | | **-499,158** | | | 99,037 | |
| **Total Comprehensive Income and Expenditure** | | | **-297,907** | | | 120,429 | |

## STATEMENT OF MOVEMENT IN RESERVES

This statement shows the movement in the year on the different reserves held by the Council, analysed into "usable reserves" (i.e. those that can be applied to fund expenditure or reduce local taxation) and other "unusable reserves". The statement shows how the movements in year of the Council's reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and statutory adjustments required to return to the amounts chargeable to Council Tax/Housing Rents for the year. The Net Increase/Decrease line shows the statutory General Fund Balance and Housing Revenue Account Balance movements in the year following those adjustments. Explanations and detailed movements of each reserve can be found in the Glossary and in Notes 11 and 28.

| | General Fund Balances | Housing Revenue Account | Capital Receipts Reserve | Major Repairs Reserve | Capital Grants Unapplied | Total Usable Reserves | Unusable Reserves | Total Council Reserves |
|---|---|---|---|---|---|---|---|---|
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| **2021/22** | | | | | | | | |
| Balance at 31 March 2021 | -197,353 | -58,418 | -17,088 | 0 | -39,801 | -312,660 | 155,313 | -157,347 |
| ***Movement in reserves during 2021/22*** | | | | | | | | |
| Total Comprehensive Income and Expenditure | 218,121 | -16,870 | 0 | 0 | 0 | 201,251 | -499,158 | -297,907 |
| Adjustments between accounting & funding basis under regulations (Note 10) | -187,561 | 20,594 | -2,420 | 0 | 1,392 | **-167,995** | 167,995 | **0** |
| **Net Increase(-)/ Decrease** | **30,560** | **3,724** | **-2,420** | **0** | **1,392** | **33,256** | **-331,163** | **-297,907** |
| **Balance at 31 March 2022 carried forward** | **-166,793** | **-54,694** | **-19,508** | **0** | **-38,409** | **-279,404** | **-175,850** | **-455,254** |
| **2020/21** | | | | | | | | |
| Balance at 31 March 2020 | -113,442 | -61,018 | -19,913 | 0 | -31,710 | -226,083 | -51,693 | -277,776 |
| Reporting of Schools Budget Deficit to new Adjustment Account at 1 April 2020 | -14,396 | 0 | 0 | 0 | 0 | -14,396 | 14,396 | 0 |
| Restated balance at 1 April 2020 | -127,838 | -61,018 | -19,913 | 0 | -31,710 | -240,479 | -37,297 | -277,776 |
| ***Movement in reserves during 2020/21*** | | | | | | | | |
| Total Comprehensive Income and Expenditure | 73,452 | -52,060 | 0 | 0 | 0 | 21,392 | 99,037 | 120,429 |
| Adjustments between accounting & funding basis under regulations (Note 10) | -142,967 | 54,660 | 2,825 | 0 | -8,091 | -93,573 | 93,573 | 0 |
| **Net Increase(-)/ Decrease** | -69,515 | 2,600 | 2,825 | 0 | -8,091 | -72,181 | 192,610 | 120,429 |
| **Balance at 31 March 2021 carried forward** | -197,353 | -58,418 | -17,088 | 0 | -39,801 | -312,660 | 155,313 | -157,347 |

## 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 2022** | 31 March 2021 | |
|---|---|---|---|
| | **£000** | £000 | Note |
| Property, Plant & Equipment (PPE) | **1,589,513** | 1,488,017 | **15** |
| Heritage Assets | **55,156** | 55,166 | **16** |
| Investment Property | **103,670** | 97,335 | **17** |
| Intangible Assets | **770** | 493 | **18** |
| Long Term Investments | **15,134** | 13,477 | **19** |
| Long Term Debtors | **36,534** | 28,853 | **19&20** |
| **Long Term Assets** | **1,800,777** | 1,683,341 | |
| | | | |
| Inventories | **7,360** | 5,086 | **21** |
| Short Term Debtors | **78,252** | 100,695 | **19&22** |
| Assets Held for Sale | **7,325** | 6,250 | |
| Cash and Cash Equivalents | **65,065** | 26,199 | **19&23** |
| **Current Assets** | **158,002** | 138,230 | |
| | | | |
| Short Term Borrowing | **-31,015** | -54,233 | **19** |
| Short Term Creditors | **-168,455** | -125,551 | **19&24** |
| Other Short Term Liabilities | **-6,934** | -6,191 | |
| Provisions | **-3,629** | -4,600 | **25** |
| **Current Liabilities** | **-210,033** | -190,575 | |
| | | | |
| Long Term Borrowing | **-442,282** | -375,817 | **19** |
| Other Long Term Liabilities | **-851,210** | -1,097,832 | **26** |
| **Long Term Liabilities** | **-1,293,492** | -1,473,649 | |
| | | | |
| **Net Assets** | **455,254** | 157,347 | |
| | | | |
| Usable Reserves | **-279,404** | -312,660 | **27** |
| Unusable Reserves | **-175,850** | 155,313 | **28** |
| **Total Reserves** | **-455,254** | -157,347 | |

## 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.

| | | **2021/22** | | 2020/21 | |
|---|---|---|---|---|---|
| | **£000** | **£000** | £000 | £000 | Note |
| Net surplus(-)/deficit on the provision of | | **201,251** | | 21,392 | |
| Adjustments to net surplus/deficit on the provision of services for non-cash movements | | **-290,419** | | -131,489 | **30** |
| Adjustment for items included in the net surplus/deficit on the provision of services that are investing and financing activities | | **43,860** | | 36,694 | **31** |
| **Net cash flows from Operating Activities** | | **-45,308** | | **-73,403** | |
| | | | | | |
| **Net cash flows from Investing Activities** | | | | | |
| Purchase of property, plant and equipment, investment property and intangible assets | **96,539** | | 78,738 | | |
| Purchase of short-term and long-term investments | **8,691** | | 4,470 | | |
| Proceeds from the sale of property, plant and equipment, investment property and intangible assets | **-14,153** | | -7,485 | | |
| Proceeds from short-term and long-term investments | **-951** | | -806 | | |
| Other receipts from investing activities | **-26,625** | **63,501** | -26,863 | 48,054 | |
| | | | | | |
| **Net cash flows from Financing Activities** | | | | | |
| Cash receipts of short and long-term borrowing | **-167,515** | | -248,334 | | |
| Other receipts from financing activities | **-19,485** | | 32,752 | | |
| Cash payments for the reduction for the outstanding liabilities relating to finance leases and PFI contracts | **6,040** | | 5,899 | | |
| Repayments of short and long-term borrowing | **124,270** | | 249,527 | | |
| Other payments for financing activities | **-369** | **-57,059** | 671 | 40,515 | |
| | | | | | |
| **Net increase(-)/decrease in cash and cash equivalents** | | **-38,866** | | **15,166** | |
| | | | | | |
| Cash and cash equivalents at the beginning of the reporting period | | **26,199** | | 41,365 | |
| Cash and cash equivalents at the end of the reporting period | | **65,065** | | 26,199 | **23** |

## 1 Accounting Policies

### 1.1 General Principles

The Statement of Accounts summarises the Council's transactions for the 2021/22 financial year and its position at the year-end of 31 March 2022. 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 2021/22 (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.

### 1.2 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.

### 1.3 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.

## 1.4 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.

## 1.5 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.

## 1.6 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 Solutions UK Ltd.
- 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.

## 1.7 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.

## 1.8 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.

## 1.9 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 four 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 line in the CIES when it becomes receivable by the Council. Changes in fair value are posted to Other Comprehensive Income and Expenditure and are balanced by an entry in the Financial Instruments Revaluation Reserve.

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

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

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

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

**Instruments Entered into Before 1 April 2006**
The Council entered into a number of financial guarantees that are not required to be accounted for as financial instruments. These guarantees are reflected in the Statement of Accounts to the extent that provisions might be required, or a contingent liability note is needed under the policies set out in the section on Provisions, Contingent Liabilities and Contingent Assets.

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

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

## 1.10 Government Grants and Contributions

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

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

Amounts recognised as due to the Council are not credited to the CIES until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor. The grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non-ringfenced revenue grants and all capital grants) in the CIES.

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

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

## 1.11 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, 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.

**1.12 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.

**1.13 Interests in Companies and Other Entities**

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

**1.14 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. Work in Progress is shown at current cost, including overheads.

**1.15 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.

**1.16 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.

## 1.17 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.

### 1.18 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.

### 1.19 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.

**1.20 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 extended during the year by a further two years to 2025.
- 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.

## 1.21 Property, Plant and Equipment (PPE) – Excluding Highways Network Infrastructure Assets

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 three years. Council dwellings are valued annually. Assets are carried in the Balance Sheet using the following measurement bases:

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

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

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

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

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

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

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

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

| | |
|---|---|
| • Buildings | 50/60 years |
| • 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.

## 1.22 Highways Network Infrastructure Assets

Highways network infrastructure assets include carriageways, footways and cycle tracks, structures (eg bridges), street lighting, street furniture (eg illuminated traffic signals, bollards), traffic management systems and land which together form a single integrated network.

**Recognition**
Expenditure on the acquisition or replacement of components of the network is capitalised on an accrual basis, provided that it is probable that the future economic benefits associated with the item will flow to the Council and the cost of the item can be measured reliably.

**Measurement**
Highways network infrastructure assets are generally measured at depreciated historical cost. However, this is a modified form of historical cost - opening balances for highways infrastructure assets were originally recorded in balance sheets at amounts of capital undischarged for sums borrowed as at 1 April 1994 which was deemed at that time to be historical cost. Where impairment losses are

identified, they are accounted for by the carrying amount of the asset being written down to the recoverable amount.

**Depreciation**
Depreciation is provided on the parts of the highways network infrastructure assets that are subject to deterioration or depletion and by the systematic allocation of their depreciable amounts over their useful lives. Depreciation is charged on a straight-line basis.

Annual depreciation is the depreciation amount allocated each year. All highways network infrastructure assets are assumed to have a useful life of 20 years.

**Disposals and derecognition**
When a component of the network is disposed of or decommissioned, the carrying amount of the component in the Balance Sheet is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement, also as part of the gain or loss on disposal (ie netted off against the carrying value of the asset at the time of disposal).

The written-off amounts of disposals are 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 transferred to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

Where a part of the network is replaced, an adaptation provided in a separate update to the Code (Update to the Code and Specification for Future Codes for Infrastructure Assets. November 2022) assumes that from the introduction of the IFRS based Code when parts of an asset are replaced or restored the carrying amount of the derecognised part will be zero because parts of infrastructure assets are rarely replaced before the part has been fully consumed.

## 1.23 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.

## 1.24 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.

## 1.25 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.

## 1.26 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.

### 1.27 Schools

In line with accounting standards and the Code on group accounts and consolidation, all maintained schools are considered to be entities controlled by the Council. Rather than produce group accounts the income, expenditure, assets, liabilities, reserves and cash flows of each school are recognised in the Council's single entity accounts. The Council has the following types of maintained schools under its control:

- Community
- Voluntary Aided
- Voluntary Controlled
- Foundation Trust
- Foundation

Schools' non-current assets (school buildings and playing fields) are recognised on the Balance Sheet where the Council directly owns the assets, where the Council holds the balance of control of the assets or where the school or the school governing body own the assets.

When a maintained school converts to an Academy, the school's non-current assets held on the Council's Balance Sheet are treated as a disposal for nil consideration, on the date the school converts to Academy status. The carrying value of the asset is written off to Other Operating Expenditure in the Comprehensive Income and Expenditure Statement. Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

The written-off asset value is not a charge against the General Fund, as the cost of non-current asset disposals resulting from schools transferring to an Academy status 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.

### 1.28 Value Added Tax (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

The Code of Practice on Local Authority Accounting in the United Kingdom (the Code) requires the disclosure of information relating to the expected impact of an accounting change that will be required by a new standard which has been issued but is yet to be adopted by the 2021/22 Code.

The Code also requires that changes in accounting policy are to be applied retrospectively unless transitional arrangements are specified, this would, therefore result in an impact on disclosures spanning two financial years.

Accounting changes that are introduced by the 2022/23 Code are:

- IFRS 16 Leases (but only for those local authorities that have decided to adopt IFRS 16 in the 2022/23 year)
- Annual Improvements to IFRS Standards 2018–2020. The annual IFRS improvement programme notes 4 changed standards:

- IFRS 1 (First-time adoption) – amendment relates to foreign operations of acquired subsidiaries transitioning to IFRS
- IAS 37 (Onerous contracts) – clarifies the intention of the standard
- IFRS 16 (Leases) – amendment removes a misleading example that is not referenced in the Code material
- IAS 41 (Agriculture) – one of a small number of IFRSs that are only expected to apply to local authorities in limited circumstance

These changes are not expected to have a material impact on the Council's single entity statements or group statements.

## 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:

**Accounting for Schools – Balance Sheet Recognition**

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 school land and buildings on its Balance Sheet where it directly owns the assets or where the school or school Governing Body own the assets or where rights to use the assets have been transferred from another entity.

Where the land and building assets used by the school are owned by an entity other than the Council, school or school Governing Body then it is not included on the Council's Balance Sheet. The exception is where the entity has transferred the rights of use of the asset to the Council, school or school Governing Body.

The Council has completed a school-by-school assessment across the different types of schools it controls within the Borough. Judgements have been made to determine the arrangements in place and the accounting treatment of the land and building assets.

All Community schools are owned by the Council and the land and buildings used by the schools are included on the Council's Balance Sheet. Legal ownership of Voluntary Controlled (VC) and Voluntary Aided (VA) school land and buildings usually rests with a charity, normally a religious body who have granted a licence to the school to use the land and buildings. Under this licence arrangement, the rights of use of the land and buildings have not transferred to the school and thus are not included on the Council's Balance Sheet.

Foundation and Foundation Trust schools were created to give greater freedom to the Governing Body responsible for school staff appointments and who also set the admission criteria with legal ownership of the land and buildings by a separate Trust, so these assets are not included on the Council's Balance Sheet.

Academies are not considered to be maintained schools in the Council's control. The land and building assets are not owned by the Council and are therefore not included on the Council's Balance Sheet.

**Group Boundaries**

The Council carries out a complex range of activities, often in conjunction with external organisations. Where those organisations are in partnership with or under the ultimate control of the Council a judgement is made by management as to whether they are within the Council's group boundary. This judgement is made in line with the provisions set out in the Code and relevant accounting standards.

Those entities which fall within the boundary and are considered to be material, are included in the Council's group accounts. Profit and loss, net worth, and the value of assets and liabilities are considered individually for each organisation against a materiality limit set by the Council.

The Council has assessed its group boundary for 2021/22 and has identified one Joint Venture considered to be material and will be consolidated into its group accounts. This is KSDL (Kirklees Stadium Development Ltd). Further details can be found in the group accounts section of the accounts.

**Asset Classifications**

The Council has made judgements on whether assets are classified as Investment Property, or Property, Plant and Equipment. These judgements are based on the main reason that the Council is holding the asset. If the asset is used in the delivery of services or is occupied by third parties that are subsidised by the Council it is deemed to be a Property, Plant and Equipment asset. If there is no subsidy and/or a full market rent being charged this would indicate that the asset is an Investment Property. The classification determines the valuation method used. Details of the fair value of Investment Property are provided in Note 17.

**PFI and Similar Contracts**

The Council has made judgements on its four PFI schemes under the requirements of the Code and determined, irrespective of legal title, whether the Council controls through ownership, beneficial entitlement or otherwise any significant residual interest at the end of the arrangement, that the assets should be recognised on its Balance Sheet, together with a liability to pay for the assets. – Note 40 in the Notes to the Core Financial Statements and Note H10 to the HRA give further details for each scheme.

**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 2022 for which there is a significant risk of material adjustment within the next financial year are as follows:

- **Property, Plant and Equipment (Note 15)**

  Assets are depreciated over their useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Council will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets. If the useful life of assets is reduced (non HRA), the depreciation increases and the carrying amount of the asset falls. It is estimated that the annual depreciation charge would increase by £6.2 million for every year that the useful lives had reduced.

  The Council carries out a rolling programme of valuations for PPE required to be measured at current value and £220.2 million of assets were valued at current value in 2021/22. The Council's external valuers provided valuations for approximately 33% of its operational portfolio. A 1%

change to the PPE valuations made for the year would change the reported value of PPE by £2.2 million.

- **Investment Property (Note 17)**

The Council values its Investment Property (IP) annually (greater than £0.25 million) and the fair value at 31 March 2022 was £91.8 million. It is uncertain what impact the current economic climate will have on property values and there is a risk of material changes during the next year. A 1% change to the IP valuations would change the reported value of IP by £0.9 million.

- **Pensions Liability (Note 41)**

The 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 in retirement age, mortality rates and expected returns on pension fund assets. A firm of qualified actuaries is engaged to provide the Council with expert professional advice about the assumptions to be applied.

Variations in key assumptions would have the following impact on the net liability:

- A 0.1% increase in the discount rate would reduce the net pension liability by £122.0 million
- A 0.1% increase in the assumed level of pension increases will increase the net pension liability by £18.3 million
- An increase in one year of longevity would increase the net pension liability by £213.6 million

- **Arrears**

At 31 March 2022, the Council had a gross balance of debtors (other entities and individuals) of £58.4 million. The current level of impairment allowance (bad debt provision) based on previous experience, current and forecast economic conditions, is £25.4 million, which represents 44% of the balance. If collection rates were to deteriorate and our impairment rate (bad debt) increased to 50% of the balance, it would require and additional £3.8 million to set aside as an allowance.

- **PFI and Similar Arrangements**

PFI and similar arrangements have been considered to have an implied finance lease within the agreement. In reassessing the leases, the Council has estimated the implied interest rate within the leases to calculate interest and principal payments. In addition, the future RPI increase within the contracts has been estimated as remaining constant throughout the remaining period of the contract.

- **Business Rates**

Following the introduction of the Business Rates Retention Scheme in April 2013, Local Authorities are liable for a share of the cost of successful appeals by businesses against their rateable value in 2021/22 and earlier financial years. A provision has therefore been recognised in the statement of accounts. The estimated provision has been calculated using the latest Valuation Office Agency (VOA) ratings list of ratings appeals and the analysis of successful appeals to date. The Council's share of the balance of business rate appeals provisions at 31 March 2022 was £1.6 million. An increase of the appeals provision estimate of 10% would increase the Councils share of the NDR appeals provision by £0.2 million.

## 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.

During 2021/22, £99.4 million of KNH pension was included in the Growth and Regeneration line of the CIES.

**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 21.

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 2022, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

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

**8 Expenditure and Funding Analysis**

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** |
|---|---|---|---|---|---|
| 2021/22 | £000 | £000 | **£000** | £000 | **£000** |
| Children & Families | 80,797 | 4,119 | **84,916** | 33,275 | **118,191** |
| Adults & Health | 107,701 | 0 | **107,701** | 14,432 | **122,133** |
| Growth & Regeneration | 14,066 | -109 | **13,957** | 117,777 | **131,734** |
| Environment & Climate Change | 41,519 | -244 | **41,275** | 43,613 | **84,888** |
| Corporate Strategy, Commissioning & Public Health | 55,370 | 0 | **55,370** | 17,118 | **72,488** |
| Central Budgets | 27,748 | 401 | **28,149** | 3,300 | **31,449** |
| HRA | 8,084 | -10,833 | **-2,749** | -23,892 | **-26,641** |
| **Net Cost of Services** | **335,285** | **-6,666** | **328,619** | **205,623** | **534,242** |
| Other operating expenditure | -6,509 | 8,511 | **2,002** | -1,272 | **730** |
| Financing and investment income and expenditure | 0 | 21,047 | **21,047** | 17,212 | **38,259** |
| Taxation and non-specific grant income | -297,345 | -22,892 | **-320,237** | -51,743 | **-371,980** |
| **Net Surplus(-)/Deficit** | **31,431** | **0** | **31,431** | **169,820** | **201,251** |
| | | | | | |
| **Opening Balances at 31 March 2021:** | | | | | |
| General Fund | | | -197,353 | | |
| HRA | | | -58,418 | | |
| | | | **-255,771** | | |
| Add net Deficit in Year | | | 31,431 | | |
| Movement in DSG Unusable Reserve | | | 2,852 | | |
| **Closing General Fund and HRA Balance at 31 March 2022** | | | **-221,488** | | |
| | | | | | |
| General Fund | | | -166,794 | | |
| HRA | | | -54,694 | | |

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

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 |
|---|---|---|---|---|
| **2021/22** | £000 | £000 | £000 | £000 |
| Children & Families | 11,579 | 21,605 | 91 | 33,275 |
| Adults & Health | 1,214 | 13,081 | 137 | 14,432 |
| Growth & Regeneration | 3,960 | 112,407 | 1,410 | 117,777 |
| Environment & Climate Change | 28,665 | 14,755 | 193 | 43,613 |
| Corporate Strategy, Commissioning & Public Health | 6,193 | 10,835 | 90 | 17,118 |
| Central Budgets | 5,259 | -1,673 | -286 | 3,300 |
| HRA | -23,927 | 0 | 35 | -23,892 |
| **Net Cost of Services** | **32,943** | **171,010** | **1,670** | **205,623** |
| Other operating expenditure | -1,272 | 0 | 0 | -1,272 |
| Financing and investment income and expenditure | -3,615 | 22,599 | -1,772 | 17,212 |
| Taxation and non-specific grant income | -30,242 | 0 | -21,501 | -51,743 |
| **Difference between General Fund and HRA Surplus/Deficit and CIES Surplus/Deficit on the Provision of Services** | **-2,186** | **193,609** | **-21,603** | **169,820** |
| | | | | |
| **2020/21** | £000 | £000 | £000 | £000 |
| Children & Families | -990 | 11,302 | 97 | 10,409 |
| Adults & Health | 916 | 7,151 | 150 | 8,217 |
| Growth & Regeneration | 1,391 | 3,039 | 39 | 4,469 |
| Environment & Climate Change | 18,176 | 7,731 | 213 | 26,120 |
| Corporate Strategy, Commissioning & Public Health | 5,478 | 5,432 | 96 | 11,006 |
| Central Budgets | -1,176 | -356 | -258 | -1,790 |
| HRA | -53,264 | 0 | 35 | -53,229 |
| **Net Cost of Services** | **-29,469** | **34,299** | **372** | **5,202** |
| Other operating expenditure | 41,887 | 0 | 0 | 41,887 |
| Financing and investment income and expenditure | 3,381 | 18,563 | -34 | 21,910 |
| Taxation and non-specific grant income | -29,747 | 0 | 38,345 | 8,598 |
| **Difference between General Fund and HRA Surplus/Deficit and CIES Surplus/Deficit on the Provision of Services** | **-13,948** | **52,862** | **38,683** | **77,597** |

(a) Adjustments for Capital Purposes

- Adds in capital charges (depreciation, impairment, REFCUS, revaluation gains and losses) and deducts statutory charges for capital financing in the services line;

- Adjusts in the Other Operating Expenditure line for capital disposals with a transfer of income on disposal of PPE assets and amounts written for those assets and for the payment to the Government Housing Capital Receipts Pool;
- The Financing and Investment Income and Expenditure line is adjusted for capital disposals with a transfer of income on disposal of Investment Property and amounts written off for those assets;
- Adds in capital grants into the Taxation and Non-Specific Grant Income line.

(b) Net Change for the Pensions Adjustments

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

(c) Other Differences

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

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

| | Grants and Contributions | Fees and Charges | Capital Charge and Pension Credits | Total |
|---|---|---|---|---|
| **2021/22** | £000 | £000 | £000 | £000 |
| | | | | |
| Children & Families | -292,742 | -14,907 | -3,091 | -310,740 |
| Adults & Health | -94,879 | -25,150 | -10 | -120,039 |
| Growth & Regeneration | -9,298 | -15,482 | -581 | -25,361 |
| Environment & Climate Change | -4,315 | -28,657 | -1,001 | -33,973 |
| Corporate Strategy, Commissioning & Public Health | -117,956 | -4,685 | -89 | -122,730 |
| Central Budgets | -733 | -1,097 | -81 | -1,911 |
| HRA | -7,912 | -82,880 | -16,311 | -107,103 |
| **Total Income analysed on a segmental basis** | **-527,835** | **-172,858** | **-21,164** | **-721,857** |
| | | | | |
| **2020/21** | | | | |
| | | | | |
| Children & Families | -277,514 | -12,246 | -6,887 | -296,647 |
| Adults & Health | -89,132 | -22,992 | -527 | -112,651 |
| Growth & Regeneration | -9,666 | -9,070 | -471 | -19,207 |
| Environment & Climate Change | -7,456 | -23,715 | -10,818 | -41,989 |
| Corporate Strategy, Commissioning & Public Health | -144,248 | -5,588 | -59 | -149,895 |
| Central Budgets | -548 | -973 | -3,454 | -4,975 |
| HRA | -7,912 | -82,118 | -47,228 | -137,258 |
| **Total Income analysed on a segmental basis** | **-536,476** | **-156,702** | **-69,444** | **-762,622** |

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

| | 2021/22 | 2020/21 |
|---|---|---|
| | £000 | £000 |
| **Expenditure** | | |
| Employee Expenses* | **649,573** | 456,552 |
| Premises and Transport | **137,216** | 102,617 |
| Supplies and Services | **206,908** | 184,555 |
| Other Service Expenses | **365,622** | 355,676 |
| Support Charges | **30,477** | 16,666 |
| Capital Charges | **68,173** | 62,521 |
| Precepts and Levies | **913** | 1,015 |
| Payments to Housing Capital Receipts Pool | **2,013** | 2,108 |
| Losses on the Disposal of PPE and Investment Assets | **0** | 40,786 |
| Interest Payable and Similar Charges | **24,668** | 25,379 |
| Net interest on the defined benefit obligation | **22,599** | 18,563 |
| Central Items | **4,190** | 5,539 |
| **Total Expenditure** | **1,512,352** | **1,271,977** |
| | | |
| **Income** | | |
| Fees, Charges and Other Service Income | **-175,803** | -159,916 |
| Grants, Reimbursements and Contributions | **-670,616** | -710,207 |
| Capital Charges Credits | **-24,203** | -66,496 |
| Internal Recharges | **-187,993** | -99,649 |
| Interest and Investment Income | **-6,347** | -6,520 |
| Gains on the Disposal of PPE and Investment Assets | **-5,582** | 0 |
| Income from Council Tax and Business Rates | **-240,557** | -207,797 |
| **Total Income** | **-1,311,101** | **-1,250,585** |
| **Surplus(-)/Deficit on Provision of Services** | **201,251** | **21,392** |

*This includes £41.3 million in 2021/22 (£43.0 million in 2020/21) relating to employees of Voluntary Aided and Trust schools who are not employees of the Council but are required to be consolidated into the Council's financial statements.

**10 Adjustments between accounting basis and funding basis under regulations**

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

| | 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 |
| **2021/22** | | | | | | |
| **Adjustments involving the Capital Adjustment Account (CAA):** | | | | | | |
| Charges for depreciation and impairment of non-current assets | -36,919 | 0 | 0 | -18,289 | 0 | 55,208 |
| Amortisation of Intangible Assets | -334 | 0 | 0 | 0 | 0 | 334 |
| Revaluation losses on PPE | -12,938 | 0 | 0 | 0 | 0 | 12,938 |
| Revaluation gains on PPE | 4,853 | 16,311 | 0 | 0 | 0 | -21,164 |
| Movements in the market value of Investment Properties | 4,681 | -1,642 | 0 | 0 | 0 | -3,039 |
| Revenue expenditure funded from capital under statute (REFCUS) | -28,343 | 0 | 0 | 0 | 0 | 28,343 |
| Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES | -2,924 | -7,073 | 0 | 0 | 0 | 9,997 |
| Capital grants and contributions applied | 13,734 | 370 | 0 | 0 | 0 | -14,104 |
| Capital grants and contributions applied (REFCUS) | 6,835 | 0 | 0 | 0 | 0 | -6,835 |
| Deferred Income written down - Waste PFI | 537 | 0 | 0 | 0 | 0 | -537 |
| Provision for the financing of capital investment | 5,000 | 3,027 | 0 | 0 | 0 | -8,027 |
| Capital expenditure charged against balances | 2,224 | 4,590 | 0 | 0 | 0 | -6,814 |
| Financial instruments impairment charges | 35 | 0 | 0 | 0 | 0 | -35 |
| **Adjustments involving the Capital Grants Unapplied Account:** | | | | | | |
| Capital grants and contributions unapplied and credited to the CIES | 18,407 | 0 | 0 | 0 | -18,407 | 0 |
| Application of grants to capital financing transferred to the CAA | 0 | 0 | 0 | 0 | 19,799 | -19,799 |
| **Adjustments involving the Capital Receipts Reserve:** | | | | | | |
| Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the CIES | 4,623 | 9,478 | -14,101 | 0 | 0 | 0 |
| Financing new capital expenditure | 0 | 0 | 9,662 | 0 | 0 | -9,662 |
| Contribution towards administrative costs of asset disposals | -73 | -72 | 145 | 0 | 0 | 0 |

| | | | | | | |
|---|---|---|---|---|---|---|
| **2021/22 Continued** | | | | | | |
| Contribution to finance the payments to the Government capital receipts pool | -2,013 | 0 | 2,013 | 0 | 0 | 0 |
| Cash receipts from the repayment of capital loans given | 0 | 0 | -931 | 0 | 0 | 931 |
| Used to repay debt (transfer to CAA) | 0 | 0 | 792 | 0 | 0 | -792 |
| **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 | -3 | 0 | 0 | 0 | 0 | 3 |
| **Adjustment involving the Major Repairs Reserve:** | | | | | | |
| Financing of new capital expenditure (transfer to CAA) | 0 | 0 | 0 | 15,368 | 0 | -15,368 |
| Used to repay debt (transfer to CAA) | 0 | 0 | 0 | 2,921 | 0 | -2,921 |
| **Adjustment involving the Financial Instruments Adjustment Account:** | | | | | | |
| Amount by which finance costs charged to the CIES are different from those required by statutory regulations | 286 | -35 | 0 | 0 | 0 | -251 |
| **Adjustments involving the Pensions Reserve:** | | | | | | |
| Reversal of items relating to retirement benefits debited or credited to the CIES | -236,898 | 0 | 0 | 0 | 0 | 236,898 |
| Employer's pensions contributions and direct payments | 43,290 | 0 | 0 | 0 | 0 | -43,290 |
| **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 | 21,501 | 0 | 0 | 0 | 0 | -21,501 |
| **Adjustment involving the Accumulated Absences Account:** | | | | | | |
| Amount by which officer remuneration charged to the CIES on an accruals basis is different from that required by statutory regulations | -1,921 | 0 | 0 | 0 | 0 | 1,921 |
| **Adjustment involving the Dedicated Schools Grant Adjustment Account** | | | | | | |
| Amount of schools budget deficit to DSG adjustment accounts | 2,852 | 0 | 0 | 0 | 0 | -2,852 |
| **Adjustment involving the Pooled Fund Adjustment Account** | | | | | | |
| Charges for fair value movements on the CCLA Property Fund | 1,587 | 0 | 0 | 0 | 0 | -1,587 |
| **Adjustment involving KNH Surplus Reserve** | | | | | | |
| Transfer to HRA | 4,360 | -4,360 | 0 | 0 | 0 | 0 |
| **Total Adjustments 2021/22** | **-187,561** | **20,594** | **-2,420** | **0** | **1,392** | **167,995** |

**2020/21**

| | | | | | | |
|---|---|---|---|---|---|---|
| **Adjustments involving the Capital Adjustment Account (CAA):** | | | | | | |
| Charges for depreciation and impairment of non-current assets | -35,593 | 0 | 0 | -17,757 | 0 | 53,350 |
| Amortisation of Intangible Assets | -294 | 0 | 0 | 0 | 0 | 294 |
| Revaluation losses on PPE | -9,645 | 0 | 0 | 0 | 0 | 9,645 |
| Revaluation gains on PPE | 22,217 | 47,228 | 0 | 0 | 0 | -69,445 |
| Movements in the market value of Investment Properties | -2,907 | -42 | 0 | 0 | 0 | 2,949 |
| Revenue expenditure funded from capital under statute (REFCUS) | -14,695 | 0 | 0 | 0 | 0 | 14,695 |
| Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES | -43,507 | -4,137 | 0 | 0 | 0 | 47,644 |
| Capital grants and contributions applied | 11,210 | 209 | 0 | 0 | 0 | -11,419 |
| Capital grants and contributions applied (REFCUS) | 6,225 | 0 | 0 | 0 | 0 | -6,225 |
| Deferred Income written down - Waste PFI | 537 | 0 | 0 | 0 | 0 | -537 |
| Provision for the financing of capital investment | 3,914 | 2,720 | 0 | 0 | 0 | -6,634 |
| Capital expenditure charged against balances | 2,019 | 3,316 | 0 | 0 | 0 | -5,335 |
| Financial instruments impairment charges | 25 | 0 | 0 | 0 | 0 | -25 |
| **Adjustments involving the Capital Grants Unapplied Account:** | | | | | | |
| Capital grants and contributions unapplied and credited to the CIES | 20,360 | 0 | 0 | 0 | -20,360 | 0 |
| Application of grants to capital financing transferred to the CAA | 0 | 0 | 0 | 0 | 12,269 | -12,269 |
| **Adjustments involving the Capital Receipts Reserve:** | | | | | | |
| Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the CIES | 1,524 | 5,450 | -6,974 | 0 | 0 | 0 |
| Financing new capital expenditure | 0 | 0 | 7,669 | 0 | 0 | -7,669 |
| Contribution towards administrative costs of asset disposals | -27 | -48 | 75 | 0 | 0 | 0 |
| Contribution to finance the payments to the Government capital receipts pool | -2,108 | 0 | 2,108 | 0 | 0 | 0 |
| Cash receipts from the repayment of capital loans given | 0 | 0 | -806 | 0 | 0 | 806 |
| Used to repay debt (transfer to CAA) | 0 | 0 | 753 | 0 | 0 | -753 |
| **Adjustment involving the Deferred Capital Receipts Reserve:** | | | | | | |
| Finance Leases - Amount by which sale proceeds received in CIES differs from those received in accordance with statutory requirements | -2 | 0 | 0 | 0 | 0 | 2 |

**2020/21 Continued**

| | | | | | | |
|---|---|---|---|---|---|---|
| **Adjustment involving the Major Repairs Reserve:** | | | | | | |
| Financing of new capital expenditure (transfer to CAA) | 0 | 0 | 0 | 12,750 | 0 | -12,750 |
| Used to repay debt (transfer to CAA) | 0 | 0 | 0 | 5,007 | 0 | -5,007 |
| **Adjustment involving the Financial Instruments Adjustment Account:** | | | | | | |
| Amount by which finance costs charged to the CIES are different from those required by statutory regulations | 358 | -36 | 0 | 0 | 0 | -322 |
| **Adjustments involving the Pensions Reserve:** | | | | | | |
| Reversal of items relating to retirement benefits debited or credited to the CIES | -88,310 | 0 | 0 | 0 | 0 | 88,310 |
| Employer's pensions contributions and direct payments | 35,448 | 0 | 0 | 0 | 0 | -35,448 |
| **Adjustments involving the Collection Fund Adjustment Account:** | | | | | | |
| Amount by which Council Tax and Non-Domestic Rating income credited to the CIES is different from that required by statutory regulations | -38,346 | 0 | 0 | 0 | 0 | 38,346 |
| **Adjustment involving the Accumulated Absences Account:** | | | | | | |
| Amount by which officer remuneration charged to the CIES on an accruals basis is different from that required by statutory regulations | -595 | 0 | 0 | 0 | 0 | 595 |
| **Adjustment involving the Dedicated Schools Grant Adjustment Account:** | | | | | | |
| Amount of schools budget deficit to DSG adjustment accounts | -10,710 | 0 | 0 | 0 | 0 | 10,710 |
| **Adjustment involving the Pooled Fund Adjustment Account:** | | | | | | |
| Charges for fair value movements on the CCLA Property Fund | -65 | 0 | 0 | 0 | 0 | 65 |
| **Total Adjustments 2020/21** | **-142,967** | **54,660** | **2,825** | **0** | **-8,091** | **93,573** |

### 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 2020 | Transfers Out 2020/21 | Transfers In 2020/21 | Balance at 31 March 2021 | Transfers Out 2021/22 | Transfers In 2021/22 | Balance at 31 March 2022 |
|---|---|---|---|---|---|---|---|
| **Earmarked Reserves** | | | | | | | |
| Statutory (Schools Reserve) | -9,967 | 871 | -4,466 | -13,562 | 558 | -2,499 | -15,503 |
| Statutory (Schools Reserve - DSG/Other) | 14,396 | 0 | -14,396 | 0 | 0 | 0 | 0 |
| Transformation | 0 | 0 | -2,348 | -2,348 | 1,051 | -2,869 | -4,166 |
| Financial Resilience | -37,146 | 0 | 0 | -37,146 | 0 | 0 | -37,146 |
| Social Care Reserve | -2,196 | 158 | -61 | -2,099 | 814 | 0 | -1,285 |
| Revenue Grants | -10,245 | 3,632 | -13,850 | -20,463 | 14,752 | -16,309 | -22,020 |
| Strategic Investment Support | -3,979 | 1,447 | -2,422 | -4,954 | 1,443 | -990 | -4,501 |
| Adverse Weather Reserve | -2,432 | 2,432 | 0 | 0 | 0 | 0 | 0 |
| Property and Other Loans | -3,000 | 0 | 0 | -3,000 | 0 | 0 | -3,000 |
| Waste Management | -9,684 | 4,000 | 0 | -5,684 | 3,684 | 0 | -2,000 |
| Covid-19 Response | -11,099 | 34,559 | -43,454 | -19,994 | 8,867 | -1,524 | -12,651 |
| Schools PFI | -2,184 | 2,949 | -2,047 | -1,282 | 1,282 | 0 | 0 |
| Demand | -11,707 | 0 | -7,600 | -19,307 | 1,955 | 0 | -17,352 |
| Inclusive Investment | -2,000 | 0 | -1,000 | -3,000 | 655 | -700 | -3,045 |
| Extended Business Rate Relief | 0 | 0 | -23,955 | -23,955 | 23,520 | -11,480 | -11,915 |
| Tax Income Loss Compensation | 0 | 0 | -5,002 | -5,002 | 1,900 | 0 | -3,102 |
| Covid-19 Business Grants Reserve | 0 | 0 | -7,953 | -7,953 | 7,669 | 0 | -284 |
| Local Welfare Provision Initiatives | 0 | 0 | 0 | 0 | 0 | -2,640 | -2,640 |
| Other | -12,201 | 1,533 | -6,933 | -17,601 | 3,666 | -2,286 | -16,221 |
| **Total Earmarked Reserves** | **-103,444** | **51,581** | **-135,487** | **-187,350** | **71,816** | **-41,297** | **-156,831** |
| *Unallocated Balances* | *-9,999* | | | *-10,003* | | | *-9,962* |
| ***General Fund Balances*** | ***-113,443*** | | | ***-197,353*** | | | ***-166,793*** |

- 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 2022 represents 109 schools with cumulative balances of £15.7 million (111 schools and £14.0 million at 31 March 2021) and 5 schools with cumulative deficits amounting to £0.2 million (9 schools and £0.5 million at 31 March 2021).

- The Statutory (Schools Reserve - DSG/Other) relates to Dedicated Schools Grant (DSG) which is statutorily ring-fenced for schools related expenditure. The deficit balance as at 1 April 2020 was transferred to the Dedicated Schools Grant Adjustment Account and is shown in Note 28 Unusable Reserves. This was following new provisions put in place by the School and Early Years Finance (England) Regulations 2020 and Local Authority Finance Regulations.
- The Transformation Reserve has been set up for strategic transformation developments over the next 12 to 24 months.
- The Financial Resilience Reserve covers a range of potential costs highlighted in the Council's corporate risk assessment, including budget risks as set out in the sensitivity analysis within the 2021-26 Annual Budget report.
- The Social Care Reserve had been set up to cover phased rollout of a range of social care expenditure commitments as agreed at Cabinet in August 2018.
- The Revenue Grants Reserve represents grants and contributions recognised in the CIES before expenditure has been incurred.
- The Strategic Investment Support Reserve has been set up to address the scale of development costs required to support the upscaling of capital investment activity and major project activity over the MTFP.
- The Property and Other Loans Reserve has been set up to set aside in part against the potential risk of future loan defaults and in part to offset potential unfunded technical accounting entries on General Fund revenue arising purely from the introduction of a new local government accounting code intended to strengthen Balance Sheet transparency.
- The Waste Management Reserve has been set up to support the implementation of the Council's waste management strategy, including phased release over the MTFP to manage current PFI contract transition in light of the current Council PFI Waste Contract ending in 2022/23.
- The Covid-19 Response Reserve reflects a specific reserve set aside to cover the costs of the Council's Covid-19 response.
- The Schools PFI Reserve was set aside to cover reduced DSG budget contributions to Council services in 2020/21 and 2021/22.
- The Demand Reserve has been set up to mitigate the impact/volatility of a range of potential demand risks on statutorily provided service activity.
- The Inclusive Investment Reserve has been set up for a range of targeted development activity that supports the Council's inclusive investment ambition.
- The Extended Business Rate Relief Reserve - During 2020/21 and 2021/22, local authorities received Section 31 grants to offset the reliefs given to businesses during Covid-19. Under current collection fund accounting rules, the Section 31 grants received cannot be discharged against the Collection Fund deficit in-year. The additional Section 31 grants were therefore transferred into the Extended Business Rates Relief Reserve, to be drawn down the following year against the rolled forward Collection Fund deficit.
- The Tax Income Loss Compensation Reserve - Local authorities were compensated for the loss of local tax income in 2020/21 as a result of Covid-19. The compensation amount was transferred into the Tax Income Loss Compensation Reserve to be drawn down in future years against the rolled forward Collection Fund deficit.
- The Covid-19 Business Grants Reserve reflects the balance of Covid-19 Business Grants received and recognised in 2020/21 and 2021/22 before expenditure was incurred.
- The Local Welfare Provision Initiatives Reserve has been set up for a range of existing Local Welfare Provision measures to support some of the borough's vulnerable families and individuals in financial hardship.

## 12 Other Operating Expenditure

| | 2021/22 | 2020/21 |
|---|---|---|
| | **£000** | £000 |
| Parish council precepts | **704** | 809 |
| Levies | **209** | 206 |
| Payment to Government Housing Capital Receipts Pool | **2,013** | 2,108 |
| Gains(-)/losses on the disposal of non-current assets | **-3,285** | 39,778 |
| De-recognition of Academies' Balances | **1,089** | 640 |
| **Total** | **730** | **43,541** |

Net gains 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 £0.7 million in 2021/22 as part of six academy conversions (2020/21 £29.2 million as part of six schools' academy conversions).

## 13 Financing and Investment Income and Expenditure

| | 2021/22 | 2020/21 |
|---|---|---|
| | **£000** | £000 |
| Interest payable and similar charges | **24,699** | 25,409 |
| Net interest on the net defined benefit obligation | **22,599** | 18,563 |
| Interest receivable and similar income | **-1,494** | -1,703 |
| Income and expenditure in relation to investment property and changes in fair value (Note 17) | **-5,201** | 1,890 |
| Dividend Income | **-722** | -455 |
| Other – movements on financial instruments | **-1,622** | 41 |
| **Total** | **38,259** | **43,745** |

## 14 Taxation and Non-Specific Grant Income

| | 2021/22 | 2020/21 |
|---|---|---|
| | **£000** | £000 |
| Council Tax income | **-198,817** | -187,169 |
| Non Domestic Rates | **-41,741** | -20,628 |
| Non-ring fenced government grants | **-101,178** | -132,627 |
| Capital grants and contributions | **-30,244** | -29,746 |
| **Total** | **-371,980** | **-370,170** |

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

## 15 Property, Plant and Equipment (PPE)

| | Council Dwellings | Other Land and Buildings | Vehicles. Plant Furniture and Equipment | Community Assets | Surplus Assets | Assets Under Construction | Total Property, Plant and Equipment | *PFI Assets Included in PPE* |
|---|---|---|---|---|---|---|---|---|
| **Movement in 2021/22** | £000 | £000 | £000 | £000 | £000 | £000 | £000 | *£000* |
| **Cost or Valuation** | | | | | | | | |
| At 1 April 2021 | 720,632 | 535,762 | 41,799 | 12,473 | 22,828 | 10,300 | 1,343,794 | *93,627* |
| Additions | 19,245 | 14,518 | 5,184 | 662 | 2,701 | 16,829 | 59,139 | *2,657* |
| Revaluation increases/ decreases(-) recognised in the Revaluation Reserve | 39,666 | 6,146 | 0 | 0 | 1,243 | 0 | 47,055 | *-2,300* |
| Revaluation increases/ decreases(-) recognised in the Provision of Services | 12,744 | -2,372 | 0 | 0 | -7,904 | 0 | 2,468 | *1,091* |
| De-recognition – disposals | -2,806 | -10,899 | -867 | 0 | -1 | 0 | -14,573 | *0* |
| De-recognition – other | 0 | 0 | 0 | 0 | 0 | 0 | 0 | *0* |
| Assets reclassified to Held for Sale | -5,245 | 0 | 0 | 0 | 0 | 0 | -5,245 | *0* |
| Other movements in cost or valuation | 0 | 15,559 | 0 | 0 | 3,623 | -19,586 | -404 | *0* |
| **At 31 March 2022** | **784,236** | **558,714** | **46,116** | **13,135** | **22,490** | **7,543** | **1,432,234** | ***95,075*** |
| **Accumulated Depreciation and Impairment** | | | | | | | | |
| At 1 April 2021 | 0 | -20,673 | -20,297 | -11,294 | -46 | 0 | -52,310 | *-4* |
| Depreciation charge | -17,931 | -9,932 | -4,436 | -149 | -149 | 0 | -32,597 | *-2,886* |
| Depreciation written out to the Revaluation Reserve | 14,364 | 5,224 | 0 | 0 | 4 | 0 | 19,592 | *1,878* |
| Depreciation written out to the Deficit on the Provision of Services | 3,567 | 2,050 | 0 | 0 | 141 | 0 | 5,758 | *415* |
| Impairment losses recognised in the | 0 | 0 | 0 | 0 | 0 | 0 | 0 | *0* |
| Impairment losses recognised in the Deficit on the Provision of | 0 | 0 | 0 | 0 | 0 | 0 | 0 | *0* |
| De-recognition – disposals | 0 | 10,079 | 744 | 0 | 0 | 0 | 10,823 | *0* |
| Other movements in depreciation and | 0 | 0 | 0 | 0 | 0 | 0 | 0 | *0* |
| **At 31 March 2022** | **0** | **-13,252** | **-23,989** | **-11,443** | **-50** | **0** | **-48,734** | ***-597*** |
| **Net Book Value** | | | | | | | | |
| **at 31 March 2022** | **784,236** | **545,462** | **22,127** | **1,692** | **22,440** | **7,543** | **1,383,500** | ***94,478*** |
| at 31 March 2021 | 720,632 | 515,089 | 21,502 | 1,179 | 22,782 | 10,300 | 1,291,484 | 93,623 |

| Movement in 2020/21 | Council Dwellings | Other Land and Buildings | Vehicles. Plant Furniture and Equipment | 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* |
| **Cost or Valuation** | | | | | | | | |
| At 1 April 2020 | 679,654 | 548,025 | 39,441 | 12,002 | 23,769 | 2,148 | 1,305,039 | *78,554* |
| Additions | 16,830 | 9,356 | 6,420 | 471 | 6,988 | 7,937 | 48,002 | *1,239* |
| Revaluation increases/ decreases(-) recognised in the Revaluation Reserve | 0 | 10,562 | 0 | 0 | -1,525 | 0 | 9,037 | *9,158* |
| Revaluation increases/decreases(-) recognised in the Provision of Services | 29,665 | 5,974 | 0 | 0 | 1,070 | 0 | 36,709 | *11,765* |
| De-recognition – | -1,250 | -35,275 | -4,062 | 0 | -8,157 | 0 | -48,744 | *-7,089* |
| De-recognition – other | 0 | 0 | 0 | 0 | 0 | 0 | 0 | *0* |
| Assets reclassified to Held for Sale | -4,267 | 0 | 0 | 0 | 0 | 0 | -4,267 | *0* |
| Other movements in cost or valuation | 0 | -2,880 | 0 | 0 | 683 | 215 | -1,982 | *0* |
| **At 31 March 2021** | **720,632** | **535,762** | **41,799** | **12,473** | **22,828** | **10,300** | **1,343,794** | ***93,627*** |
| **Accumulated Depreciation and Impairment** | | | | | | | | |
| At 1 April 2020 | 0 | -24,738 | -19,880 | -10,994 | -248 | 0 | -55,860 | *-3,895* |
| Depreciation charge | -17,562 | -9,884 | -4,087 | -300 | -201 | 0 | -32,034 | *-2,007* |
| Depreciation written out to the Revaluation Reserve | 0 | 7,495 | 0 | 0 | 134 | 0 | 7,629 | *1,502* |
| Depreciation written out to the Deficit on the Provision of Services | 17,562 | 5,473 | 0 | 0 | 57 | 0 | 23,092 | *4,108* |
| Impairment losses recognised in the | 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* |
| De-recognition – disposals | 0 | 842 | 3,670 | 0 | 351 | 0 | 4,863 | *288* |
| Other movements in depreciation and impairment | 0 | 139 | 0 | 0 | -139 | 0 | 0 | *0* |
| **At 31 March 2021** | **0** | **-20,673** | **-20,297** | **-11,294** | **-46** | **0** | **-52,310** | ***-4*** |
| **Net Book Value** | | | | | | | | |
| **at 31 March 2021** | **720,632** | **515,089** | **21,502** | **1,179** | **22,782** | **10,300** | **1,291,484** | ***93,623*** |
| at 31 March 2020 | 679,654 | 523,287 | 19,561 | 1,008 | 23,521 | 2,148 | 1,249,179 | *74,659* |

**Highways Infrastructure Assets**
**Movements on Balances**

| | 2021/22 | 2020/21 |
|---|---|---|
| | £000 | £000 |
| **Net Book Value (Modified Historical Cost)** | | |
| At 1 April | **196,534** | 191,934 |
| Additions | **32,085** | 25,911 |
| De-recognition – disposals | **0** | 0 |
| Depreciation charge | **-22,606** | -21,311 |
| Impairment | **0** | 0 |
| Other movements in cost | **0** | 0 |
| **Net Book Value 31 March** | **206,013** | 196,534 |

**Reconciling note with the Balance Sheet**

| | 2021/22 | 2020/21 |
|---|---|---|
| | £000 | £000 |
| Infrastructure Assets | **206,013** | 196,534 |
| Other PPE Assets | **1,383,500** | 1,291,484 |
| **Total PPE Assets** | **1,589,513** | 1,488,018 |

In accordance with the Update to the Code on infrastructure assets (Update to the Code and Specifications for Future Codes for Infrastructure Assets November 2022) this note does not include disclosure of gross cost and accumulated depreciation for infrastructure assets because historical reporting practices and resultant information deficits mean that this would not faithfully represent the asset position to the users of the financial statements.

Gross costs and accumulated depreciation have not been disclosed in the accounts because it would be difficult to identify and account for those parts of the Highways Network that have been derecognised during the year – the Council does not hold the required level of detail to comply with Code without the application of the Update noted above.

The Authority believes that the information not disclosed does not prevent users of the financial statements to take economic or other decisions.

The authority has determined in accordance with Regulation 30M of the Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2022 that the carrying amounts to be derecognised for infrastructure assets when there is replacement expenditure is nil.

Fair value measurement of surplus assets
The Council has accounted for surplus assets in accordance with IFRS13 which has been achieved through a fair value hierarchy. Surplus assets have been valued at the highest and best use. The fair value of surplus property has been measured using a market approach, which takes into account quoted prices for similar assets in active markets. The valuers are of the opinion that all surplus assets are at Level 2 on the fair value hierarchy using significant observable inputs.
There have been no transfers between the different levels of hierarchy during the year. There has been no change in the valuation techniques used during the year for surplus assets.

Revaluations
The Council carries out a rolling valuation programme which ensures that all PPE that is required to be measured at current value is revalued at least every three years. All valuations this year were carried

out by external valuers - HRA properties by DVS Property Specialists and General Fund properties by Wilks Head & Eve. The valuers hold the appropriate qualification required and belong to the Royal Institution of Chartered Surveyors (RICS). Both valuations were carried out on 31 December 2021 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 £74.9 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 2022. Specialised operational assets valued at Depreciated Replacement Cost have been assessed by using BCIS indices as a reference for construction costs. Assets valued at Exiting Use Value have been assessed to ensure ongoing remaining service potential and by looking at comparable market evidence.

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

| | Council Dwellings | Other Land & Buildings | Vehicles, Plant, Furniture and Equipment | Infrastructure Assets | Community Assets | Surplus Assets | Assets Under Construction | Total |
|---|---|---|---|---|---|---|---|---|
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| Carried at historical cost | 0 | 25,581 | 22,127 | 206,013 | 1,692 | 290 | 7,543 | 263,246 |
| Carried at current value as at: | | | | | | | | |
| 2021/22 | 784,236 | 215,501 | 0 | 0 | 0 | 11,759 | 0 | 1,011,496 |
| 2020/21 | 0 | 142,772 | 0 | 0 | 0 | 4,727 | 0 | 147,499 |
| 2019/20 | 0 | 161,608 | 0 | 0 | 0 | 5,664 | 0 | 167,272 |
| **Total** | **784,236** | **545,462** | **22,127** | **206,013** | **1,692** | **22,440** | **7,543** | **1,589,513** |

Capital Commitments

In February 2022, the Council approved a capital programme of £255.2 million for 2022/23. A further £842.4 million of capital investment was also approved for the following four years. This covers expenditure on PPE, intangible assets and revenue expenditure funded from capital under statute. The Council has capital commitments of £25.1 million at 31 March 2022 (£34.8 million at 31 March 2021) for schemes under progress.

## 16 Heritage Assets

| | Fine Art Collection | Museums and Galleries Exhibits | Other | Total Assets |
|---|---|---|---|---|
| **Movement in 2021/22** | £000 | £000 | £000 | £000 |
| **Cost or Valuation** | | | | |
| At 1 April 2021 | 49,566 | 3,302 | 2,303 | 55,171 |
| Additions | 0 | 0 | 0 | 0 |
| Revaluation increases/decreases(-) recognised in the Revaluation Reserve | 0 | 0 | -5 | -5 |
| Revaluations recognised in the Provision of Services | 0 | 0 | 0 | 0 |
| **At 31 March 2022** | **49,566** | **3,302** | **2,298** | **55,166** |
| **Accumulated Depreciation** | | | | |
| At 1 April 2021 | 0 | 0 | -5 | -5 |
| Depreciation charge | 0 | 0 | -5 | -5 |
| Depreciation written out to the Revaluation Reserve | 0 | 0 | 0 | 0 |
| Depreciation written out to the Provision of Services | 0 | 0 | 0 | 0 |
| **At 31 March 2022** | **0** | **0** | **-10** | **-10** |
| | | | | |
| **Movement in 2020/21** | | | | |
| **Cost or Valuation** | | | | |
| At 1 April 2020 | 44,368 | 3,302 | 2,303 | 49,973 |
| Additions | 0 | 0 | 0 | 0 |
| Revaluation increases/decreases(-) recognised in the Revaluation Reserve | 5,198 | 0 | 0 | 5,198 |
| Revaluations recognised in the Provision of Services | 0 | 0 | 0 | 0 |
| **At 31 March 2021** | **49,566** | **3,302** | **2,303** | **55,171** |
| **Accumulated Depreciation** | | | | |
| At 1 April 2020 | 0 | 0 | 0 | 0 |
| Depreciation charge | 0 | 0 | -5 | -5 |
| Depreciation written out to the Revaluation Reserve | 0 | 0 | 0 | 0 |
| Depreciation written out to the Provision of Services | 0 | 0 | 0 | 0 |
| **At 31 March 2021** | **0** | **0** | **-5** | **-5** |
| | | | | |
| **Net Book Value** | | | | |
| **at 31 March 2022** | **49,566** | **3,302** | **2,288** | **55,156** |
| at 31 March 2021 | 49,566 | 3,302 | 2,298 | 55,166 |

**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. Although a small number of artworks are on display in Kirklees museums and town halls along with artworks from the collection that are on loan and on display at other institutions (nationally and internationally), the majority of the Kirklees Art Collection is now in storage whilst repair work is being undertaken on the Huddersfield Library building, the top floor of which is the location of Huddersfield Art Gallery.

The most significant exhibit in the collection is the “Figure Study II” by Francis Bacon. It was acquired as a gift from the Contemporary Art Society. The painting has a value of £20 million (£20.0 million at 31 March 2021) 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 2021) and the “Falling Warrior” sculpture by Henry Moore valued at £6.0 million (£6.0 million 31 March 2021). The total value of donated artwork items as at 31 March 2022 is £26.6 million (£26.6 million 31 March 2021).

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 2022 is £1.6 million (£1.6 million 31 March 2021). 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 2021).

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 2022 is £0.2 million (£0.3 million 31 March 2021).

**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:

| | **2021/22** | 2020/21 |
|---|---|---|
| | **£000** | £000 |
| Rental income from Investment Property | **-2,698** | -2,958 |
| Direct operating expenses arising from Investment Property | **1,262** | 1,441 |
| Net gain | **-1,436** | -1,517 |
| Net gains (-)/loss from fair value adjustments | **-3,039** | 2,949 |
| Net gains (-)/loss on disposals of assets | **-726** | 457 |
| Net income (-)/expenditure in relation to investment property and changes in fair value | **-5,201** | **1,889** |

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:

| | **2021/22** | 2020/21 |
|---|---|---|
| | **£000** | £000 |
| **Balance at 1 April** | **97,335** | 101,105 |
| Additions | **4,972** | 55 |
| Disposals | **0** | -876 |
| Net gains (-)/loss from fair value adjustments | **3,039** | -2,949 |
| Transfers to Property, Plant and Equipment | **-1,676** | 0 |
| **Balance at 31 March** | **103,670** | **97,335** |

Fair Value Measurement

The Council 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.

Revaluations

The fair value of the Council'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 2021/22 (£0.3 million in 2020/21).

| | **2021/22** | 2020/21 |
|---|---|---|
| | **£000** | £000 |
| Balance at 1 April | | |
| Gross carrying amounts | **7,095** | 6,896 |
| Accumulated amortisation | **-6,602** | -6,308 |
| Net carrying amount at 1 April | **493** | 588 |
| Additions – Purchases | **610** | 199 |
| Amortisation for the period | **-333** | -294 |
| Net carrying amount at 31 March | **770** | **493** |
| Comprising: | | |
| Gross carrying amounts | **7,705** | 7,095 |
| Accumulated amortisation | **-6,935** | -6,602 |
| | **770** | **493** |

There are no significant contractual commitments relating to intangible assets for 2021/22.

## 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 | |
| | **2022** | 2021 | **2022** | 2021 | **2022** | 2021 | **2022** | 2021 |
| | **£000** | £000 | **£000** | £000 | **£000** | £000 | **£000** | £000 |
| **Amortised cost** | | | | | | | | |
| Investment principal | **60** | 60 | **15,213** | 6,813 | **0** | 0 | **38,155** | 41,138 |
| Soft loans principal | **0** | 0 | **15,344** | 16,063 | **0** | 0 | **0** | 0 |
| Soft loans accrued interest | **0** | 0 | **0** | 0 | **7** | 7 | **0** | 0 |
| Cash and cash equivalents | **0** | 0 | **0** | 0 | **42,754** | 4,602 | **0** | 0 |
| Cash and cash equivalents accrued interest | **0** | 0 | **0** | 0 | **3** | 2 | **0** | 0 |
| **Total Amortised cost** | **60** | **60** | **30,557** | **22,876** | **42,764** | **4,611** | **38,155** | **41,138** |
| Fair value through profit and loss | **10,628** | 9,041 | **0** | 0 | **22,301** | 21,588 | 0 | 0 |
| Fair value through other comprehensive income – designated equity instruments | **4,446** | 4,376 | **0** | 0 | **0** | 0 | 0 | 0 |
| **Total Financial Assets** | **15,134** | **13,477** | **30,557** | **22,876** | **65,065** | **26,199** | **38,155** | **41,138** |
| Non-Financial Assets | **0** | 0 | **5,977** | 5,977 | **0** | 0 | **40,097** | 59,557 |
| **Total** | **15,134** | **13,477** | **36,534** | **28,853** | **65,065** | **26,199** | **78,252** | **100,695** |

Financial Liabilities

| | **Non-Current** | | | | **Current** | | | |
|---|---|---|---|---|---|---|---|---|
| | **Borrowings** | | **Creditors** | | **Borrowings** | | **Creditors** | |
| | **31 March** | | **31 March** | | **31 March** | | **31 March** | |
| | **2022** | 2021 | **2022** | 2021 | **2022** | 2021 | **2022** | 2021 |
| | **£000** | £000 | **£000** | £000 | **£000** | £000 | **£000** | £000 |
| **Amortised cost** | | | | | | | | |
| Principal | **-440,795** | -374,298 | **0** | 0 | **-26,659** | -50,025 | **-112,727** | -99,748 |
| Loans accrued interest | **0** | 0 | **0** | 0 | **-4,356** | -4,208 | **0** | 0 |
| Market loans EIR adjustment | **-1,487** | -1,519 | **0** | 0 | **0** | 0 | **0** | 0 |
| PFI, finance lease and transferred debt | **-81,324** | -88,107 | **0** | 0 | **-6,934** | -6,191 | **0** | 0 |
| **Total Financial Liabilities** | **-523,606** | **-463,924** | **0** | **0** | **-37,949** | **-60,424** | **-112,727** | **-99,748** |
| Non-Financial Liabilities | **0** | 0 | **0** | 0 | **0** | 0 | **-55,728** | -25,803 |
| **Total** | **-523,606** | **-463,924** | **0** | **0** | **-37,949** | **-60,424** | **-168,455** | **-125,551** |

Borrowings

| | **Non-Current** | **Current** | Non-Current | Current |
|---|---|---|---|---|
| | **31 March 2022** | | 31 March 2021 | |
| | **£000** | **£000** | £000 | £000 |
| PWLB | **-309,509** | **-6,643** | -263,793 | -10,431 |
| LOBOs | **-61,487** | **-648** | -61,519 | -648 |
| Other market debt | **-64,303** | **-23,455** | -43,522 | -42,885 |
| Stock | **-6,983** | **-269** | -6,983 | -269 |
| **Total** | **-442,282** | **-31,015** | **-375,817** | **-54,233** |

**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 £000 | Renewable Energy £000 | Total £000 |
|---|---|---|---|
| Balance at 1 April 2020 | 15,055 | 1,871 | 16,926 |
| Loans repaid | -753 | -28 | -781 |
| Change in impairment loss allowance | 27 | -3 | 24 |
| Unwinding of discount | 177 | 81 | 258 |
| Balance at 31 March 2021 | **14,506** | **1,921** | **16,427** |
| Loans repaid | -792 | -116 | -908 |
| Change in impairment loss allowance | 30 | 5 | 35 |
| Unwinding of discount | 176 | 19 | 195 |
| **Balance at 31 March 2022** | **13,920** | **1,829** | **15,749** |
| Nominal value at 31 March 2021 | 17,276 | 2,031 | 19,307 |
| **Nominal value at 31 March 2022** | **16,484** | **1,925** | **18,409** |

**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 2022 £000** | 31 March 2021 £000 |
| LCR Revolving Investment Fund | **3,090** | 3,050 |
| Kirklees Schools Services Ltd | **1,006** | 979 |
| QED (KMC) Holdings Ltd | **225** | 222 |
| Kirklees Henry Boot Partnership Ltd | **125** | 125 |
| **Total** | **4,446** | **4,376** |

**Offsetting Financial Assets and Liabilities**

The Council has legal right of offset on its current account banking arrangements and as at 31 March 2022 had a credit balance of £1.4 million at the bank (£1.7 million 31 March 2021) offset by a debit balance of £1.4 million (£1.7 million 31 March 2021).

**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** | | | **2021/22** | **2020/21** |
|---|---|---|---|---|---|---|
| | Amortised Cost | Amortised Cost | Fair Value through OCI | Fair Value through Profit and Loss | **Total** | Total |
| | £000 | £000 | £000 | £000 | **£000** | £000 |
| Interest expense | 24,729 | 0 | 0 | 0 | **24,729** | 25,437 |
| Losses on de-recognition | 38 | 0 | 0 | 0 | **38** | 36 |
| Impairment losses | 0 | 1,522 | 0 | 0 | **1,522** | 986 |
| **Interest payable and similar charges** | **24,767** | **1,522** | **0** | **0** | **26,289** | **26,459** |
| Interest income | 0 | -1,481 | 0 | -13 | **-1,494** | -1,703 |
| Dividend income | 0 | 0 | 0 | -349 | **-349** | -387 |
| Gains on de-recognition | -37 | 0 | 0 | 0 | **-37** | -35 |
| **Interest and investment income** | **-37** | **-1,481** | **0** | **-362** | **-1,880** | **-2,125** |
| **Net impact on Surplus/Deficit on the Provision of Service** | **24,730** | **41** | **0** | **-362** | **24,409** | **24,334** |
| Gains on revaluation | 0 | 0 | -69 | 0 | **-69** | -61 |
| Losses on revaluation | 0 | 0 | 0 | 0 | **0** | 4 |
| **Impact on other comprehensive income** | **0** | **0** | **-69** | **0** | **-69** | **-57** |
| **Net gain(-)/loss for the year** | **24,730** | **41** | **-69** | **-362** | **24,340** | **24,277** |

**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.

| Recurring Fair Value Measurements | Input level in Fair Value Hierarchy | Valuation technique used to measure Fair Value | **31 March 2022 Fair Value** | 31 March 2021 Fair Value |
|---|---|---|---|---|
| | | | **£000** | £000 |
| **Fair Value through Profit and Loss** | | | | |
| CCLA Property Fund | Level 1 | Unadjusted quoted prices in active markets for identical shares | **10,628** | 9,041 |
| Money Market Funds | Level 1 | Unadjusted quoted prices in active markets for identical shares | **22,301** | 21,588 |
| **Fair Value through Other Comprehensive Income** | | | | |
| LCR Revolving Investment Fund | Level 3 | Discounted cash flow techniques | **3,090** | 3,050 |
| Kirklees Henry Boot Partnership Ltd<br>Kirklees Schools Services Ltd<br>QED (KMC) Holdings Ltd | Level 3 | Discounted cash flow techniques or historic cost of the original investment | **1,356** | 1,326 |

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

| | | **31 March 2022** | | 31 March 2021 | |
|---|---|---|---|---|---|
| | Fair Value level | **Carrying Amount** | **Fair Value** | Carrying Amount | Fair Value |
| | | **£000** | **£000** | £000 | £000 |
| Long-term debtors | 2 | **30,557** | **34,876** | 22,876 | 27,689 |
| Short-term debtors | | **38,155** | **38,155** | 41,138 | 41,138 |
| Cash and cash equivalents | | **65,065** | **65,065** | 26,199 | 26,199 |
| **Total** | | **133,777** | **138,096** | **90,213** | **95,026** |

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

Financial Liabilities

| | | 31 March 2022 | | 31 March 2021 | |
|---|---|---|---|---|---|
| | Fair Value level | **Carrying Amount** | **Fair Value** | Carrying Amount | Fair Value |
| | | **£000** | **£000** | £000 | £000 |
| Borrowings | | | | | |
| PWLB | 2 | **-316,152** | **-380,053** | -274,224 | -391,563 |
| LOBOs | 2 | **-62,135** | **-86,987** | -62,167 | -96,934 |
| Other market debt | 2 | **-87,758** | **-97,813** | -86,407 | -106,404 |
| Loan stock | 2 | **-7,252** | **-12,495** | -7,252 | -13,969 |
| PFI, transferred debt & finance lease liabilities | 2 | **-88,258** | **-117,883** | -94,298 | -137,787 |
| Short-term creditors | | **-112,727** | **-112,727** | -99,748 | -99,748 |
| Total | | **-674,282** | **-807,958** | **-624,096** | **-846,405** |

The fair values have been estimated by calculating the net present value of the remaining contractual cash flows at 31 March 2022, 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 2022.
- 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 2022) arising from a commitment to pay interest to lenders above current market rates.

**Nature and Extent of Risks Arising from Financial Instruments**
The Council's activities expose it to a variety of financial risks:

- Credit Risk – the possibility that other parties might fail to pay amounts due to the Council.

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

The Council's overall risk management programme focuses on minimising any potential adverse effects on the resources available to fund services. Procedures for risk management on treasury management are set out in the Local Government Act 2003 and associated regulations. 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 2021/22 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 2021/22 was approved by the Council on 10 February 2021 and is available on the Council's website.

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

| | **31 March 2022** | 31 March 2021 |
|---|---|---|
| Credit rating | **Short-term** | Short-term |
| | **£000** | £000 |
| AAA | **22,210** | 21,501 |
| AA- | **46,660** | 0 |
| A+ | **0** | 5,640 |
| **Total** | **68,870** | **27,141** |

The investments detailed above are for cash flow purposes, made up entirely of cash equivalents with no short-term investments. Cash equivalents by definition are highly liquid deposits with an insignificant risk of change in value. The Council did not make any investments of a treasury management nature longer than two months in 2021/22.

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 2022, the Council had a balance owing from its customers (mainly services and rent) of £40.8 million (£43.2 million 31 March 2021). The exposure to default has been assessed and is reflected in an impairment provision of £4.1 million (£3.4 million 31 March 2021). Of the trade debtors outstanding as at 31 March 2022 (£15.0 million), 72% (69% 2020/21) relate to outstanding debt due within 3 months of the Balance Sheet date, 6% (8% 2020/21) within 3 to 6 months, 5% (7% 2020/21) within 6 to 12 months and 17% (16% 2020/21) 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.

The maturity analysis of financial instruments is shown below:

| | **31 March 2022** | | | 31 March 2021 | | |
|---|---|---|---|---|---|---|
| Time to maturity (years) | **Liabilities** | **Assets** | **Net** | Liabilities | Assets | Net |
| | **£000** | **£000** | **£000** | £000 | £000 | £000 |
| Less than one year | **-143,742** | **103,221** | **-40,521** | -153,981 | 67,337 | -86,644 |
| Between 1 and 2 years | **-30,016** | **5,653** | **-24,363** | -2,297 | 1,915 | -382 |
| Between 2 and 5 years | **-19,453** | **14,384** | **-5,069** | -16,213 | 4,451 | -11,762 |
| Between 5 and 10 years | **-27,605** | **15,731** | **-11,874** | -7,873 | 18,980 | 11,107 |
| Between 10 and 20 years | **-74,585** | **5,518** | **-69,067** | -54,175 | 6,664 | -47,511 |
| More than 20 years | **-289,136** | **4,404** | **-284,732** | -293,740 | 4,343 | -289,397 |
| | **-584,537** | **148,911** | **-435,626** | **-528,279** | **103,690** | **-424,589** |

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 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 2022, investments held by the Council for cash flow purposes were at both fixed and variable rates, with 32% being at variable rate for instant access. In terms of borrowing, the Council held £61.5 million debt in the form of LOBOs which equates to 13% of its total borrowing. 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. 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 £0.2 million.

Price Risk

The Council does not generally invest in equity shares but does have shareholdings to the value of £1.4 million in a number of joint ventures. The Council is consequently exposed to losses arising from movements in the values of the shares. As the shareholdings have arisen in the acquisition of specific interests, the Council is not in a position to limit its exposure to price movements by diversifying its portfolio.

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

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

Foreign Exchange Risk

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

## 20 Long Term Debtors

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

| | **31 March 2022** | 31 March 2021 |
|---|---|---|
| | **£000** | £000 |
| Kirklees College | **13,831** | 14,488 |
| PFI Prepayments (i) | **2,576** | 2,573 |
| Finance Leases (ii) | **3,401** | 3,404 |
| Charges on Property for Residential Care | **1,105** | 1,229 |
| Renewable Energy | **1,925** | 2,022 |
| 103 New Street | **9,910** | 5,155 |
| Kirklees Stadium Development Ltd | **3,822** | 0 |
| Other | **826** | 881 |
| | **37,396** | 29,752 |
| Impairment Provision | **-862** | -899 |
| **Net Long Term Debtors** | **36,534** | **28,853** |

(i) Under the terms of the PFI contracts, the Council makes prepayments which the contractor puts into sinking funds which will be used to meet future costs incurred in the schemes.

(ii) Relates to obligations outstanding from lessees on leases judged to be finance leases.

## 21 Inventories

| | Consumable Stores and Maintenance Materials | Construction Costs | Rechargeable Work in Progress | **Total** |
|---|---|---|---|---|
| | £000 | £000 | £000 | **£000** |
| Balance at 1 April 2021 | 1,643 | 3,443 | 0 | **5,086** |
| Purchases | 10,778 | 4,847 | 0 | **15,625** |
| Recognised as an expense in the year | -9,948 | -8,290 | 0 | **-18,238** |
| Reversals of write-offs in previous years | 105 | 0 | 0 | **105** |
| Movement in work in progress | 0 | 0 | 4,782 | **4,782** |
| **Balance at 31 March 2022** | **2,578** | **0** | **4,782** | **7,360** |

The construction of a new primary school, Brambles Academy, was completed during 2021/22 and was transferred to South Pennines Academies Trust on a long-term lease for a nominal sum.

## 22 Short Term Debtors

| | 31 March 2022 £000 | 31 March 2021 £000 |
|---|---|---|
| Central government bodies | **24,575** | 53,138 |
| Other local authorities | **3,271** | 3,182 |
| NHS bodies | **1,664** | 4,787 |
| Public corporations & trading funds | **0** | 18 |
| Capital debtors | **7,214** | 3,900 |
| Payments in advance | **10,276** | 8,540 |
| Other entities and individuals | **56,656** | 52,332 |
| | **103,656** | **125,897** |
| Bad debt provision – Other entities and individuals | **-25,404** | -25,202 |
| **Net Short Term Debtors** | **78,252** | **100,695** |

The decrease of £28.6 million in Central Government bodies is mainly due to an £18.5 million reduction in expanded retail and nursery reliefs as part of the Government's response to the Covid-19 pandemic. Reliefs awarded in 2021/22 were significantly reduced compared to 2020/21 which resulted in having a lesser impact on in year collectable rates. There was also £8.0 million of Covid-19 grants that were included in the short term debtors figure for 2020/21.

## 23 Cash and Cash Equivalents

| | 31 March 2022 £000 | 31 March 2021 £000 |
|---|---|---|
| Cash held by the Council | **29** | 21 |
| Bank overdraft | **-3,935** | -1,059 |
| Instant access deposit accounts/investments that mature within 90 days or less | **68,971** | 27,237 |
| **Total Cash and Cash Equivalents** | **65,065** | **26,199** |

## 24 Short Term Creditors

| | 31 March 2022 £000 | 31 March 2021 £000 |
|---|---|---|
| Central government bodies | **-61,843** | -57,025 |
| Other local authorities | **-3,532** | -2,004 |
| NHS bodies | **-510** | -561 |
| Capital creditors | **-6,298** | -6,031 |
| Accumulated absences | **-14,047** | -12,126 |
| Receipts in advance | **-39,952** | -11,785 |
| Other entities and individuals | **-42,273** | -36,019 |
| **Total** | **-168,455** | **-125,551** |

The increase in receipts in advance of £28.2 million was mainly due to the receipt of £25.6 million Council Tax Energy Rebate grant monies on 30 March 2022.

## 25 Provisions

| | Insurance | Business Rate Appeals | Other | Total |
|---|---|---|---|---|
| | £000 | £000 | £000 | £000 |
| Balance at 1 April 2021 | -11,598 | -2,583 | -500 | -14,681 |
| Additional provision made in 2021/22 | -2,913 | 0 | -486 | -3,399 |
| Amounts used in 2021/22 | 3,343 | 990 | 500 | 4,833 |
| Amounts reversed in 2021/22 | 0 | 0 | 0 | 0 |
| **Balance at 31 March 2022** | **-11,168** | **-1,593** | **-486** | **-13,247** |

The insurance provision covers obligations arising from claims relating to Employer's Liability, Public Liability, Motor, Fire and miscellaneous risks. The nature of insurance claims, particularly liability claims, means that there can be significant lead in times as claimants do not need to lodge claims for some time after the event occurred. For each insurance claim received an expected value is calculated based on best known estimates at the time. The figures are derived from those calculated during the latest three-yearly actuarial valuation (2020/21). The short term element of this provision is estimated based on the percentage of claims paid out in the previous year.

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

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

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

| | Short Term Provisions | Long Term Provisions | Total Provisions |
|---|---|---|---|
| | £000 | £000 | £000 |
| **Balance at 31 March 2022** | **-3,629** | **-9,618** | **-13,247** |
| | | | |
| Balance at 1 April 2021 | -4,600 | -10,081 | -14,681 |

## 26 Other Long Term Liabilities

| | **31 March 2022** | 31 March 2021 |
|---|---|---|
| | **£000** | £000 |
| Deferred Liabilities (mainly outstanding PFI finance lease obligations) | **-81,324** | -88,107 |
| Net Liability Related to Defined Benefit Pension Scheme | **-759,731** | -998,570 |
| Long Term Provisions | **-9,618** | -10,081 |
| PFI Deferred Income | **-537** | -1,074 |
| **Total** | **-851,210** | **-1,097,832** |

**27 Usable Reserves**

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

**28 Unusable Reserves**

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

| | **31 March 2022** | 31 March 2021 |
|---|---|---|
| | **£000** | £000 |
| Capital Adjustment Account | **-725,440** | -722,259 |
| Revaluation Reserve | **-257,749** | -192,942 |
| Pensions Reserve | **759,731** | 998,570 |
| Financial Instruments Revaluation Reserve | **-1,366** | -1,296 |
| Financial Instruments Adjustment Account | **2,587** | 2,838 |
| Pooled Fund Adjustment Account | **-627** | 959 |
| Deferred Capital Receipts Reserve | **-3,403** | -3,406 |
| Collection Fund Adjustment Account | **14,116** | 35,617 |
| Accumulated Absences Account | **14,047** | 12,126 |
| Dedicated Schools Grant Adjustment Account | **22,254** | 25,106 |
| **Total Unusable Reserves** | **-175,850** | **155,313** |

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

The Dedicated Schools Grant Adjustment Account negative balance of £22.3 million as at 31 March 2022 includes a £22.7 million High Needs deficit carried forward on the Balance Sheet to be funded by future DSG income as per updated statutory guidance. The remaining surplus balance of £0.4 million includes net savings on Early Years and Central School Services budgets in 2021/22.

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.

<u>Capital Adjustment Account</u>

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.

| | 2021/22 | 2020/21 |
|---|---|---|
| | **£000** | £000 |
| **Balance at 1 April** | **-722,259** | -695,084 |
| Capital financing applied in the year: | | |
| Use of Capital Receipts Reserve to finance new capital expenditure | **-9,662** | -7,669 |
| Use of Capital Receipts Reserve to repay debt | **-792** | -753 |
| Use of the Major Repairs Reserve to finance new capital expenditure | **-15,368** | -12,750 |
| Capital grants and contributions credited to the CIES that have been applied to capital financing | **-20,939** | -17,644 |
| Application of grants to capital financing from the Capital Grants Unapplied Account | **-19,799** | -12,269 |
| Statutory provision for the financing of capital investment charged against the General Fund, HRA Balances and Major Repairs Reserve | **-10,948** | -11,641 |
| Capital expenditure charged against the General Fund and HRA Balances | **-6,814** | -5,335 |
| | **-806,581** | -763,145 |
| Charges for depreciation and impairment of non-current assets | **55,208** | 53,350 |
| Amortisation of intangible assets | **334** | 294 |
| Revaluation losses on PPE | **12,938** | 9,645 |
| Revaluation gains on PPE | **-21,164** | -69,446 |
| Movements in the market value of Investment Property | **-3,039** | 2,949 |
| Revenue expenditure funded from capital under statute (REFCUS) | **28,343** | 14,695 |
| Amounts of non-current assets written off on disposal or sale | **9,997** | 47,645 |
| Adjusting amounts written out of the Revaluation Reserve | **-1,835** | -18,491 |
| Deferred Income written down - Waste PFI | **-537** | -537 |
| Long-term debtors written down | **931** | 806 |
| Financial Instruments impairment charge | **-35** | -24 |
| **Balance at 31 March** | **-725,440** | **-722,259** |

Revaluation Reserve

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

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

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

| | **2021/22** | 2020/21 |
|---|---|---|
| | **£000** | £000 |
| **Balance at 1 April** | **-192,942** | -189,568 |
| Upward revaluation of assets | **-72,281** | -34,986 |
| Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services | **5,639** | 13,122 |
| | **-259,584** | -211,432 |
| Difference between fair value depreciation and historical cost depreciation | **1,356** | 1,471 |
| Accumulated gains on assets sold or scrapped | **479** | 17,019 |
| **Balance at 31 March** | **-257,749** | **-192,942** |

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.

| | | | **2021/22** | | | 2020/21 |
|---|---|---|---|---|---|---|
| | **LGPS** | **Teachers** | **Total** | LGPS | Teachers | Total |
| | **£000** | **£000** | **£000** | £000 | £000 | £000 |
| **Balance at 1 April** | **948,835** | **49,735** | **998,570** | 775,565 | 49,185 | 824,750 |
| Pension cost payable to Pension Fund | **-39,611** | **-3,679** | **-43,290** | -31,983 | -3,465 | -35,448 |
| Actuarial gain(-)/loss | **-430,796** | **-1,651** | **-432,447** | 118,035 | 2,923 | 120,958 |
| Reversal of IAS19 entries | **235,892** | **1,006** | **236,898** | 87,218 | 1,092 | 88,310 |
| **Balance at 31 March** | **714,320** | **45,411** | **759,731** | **948,835** | **49,735** | **998,570** |

## 29 Cash Flow - Operating Activities

The cash flows for operating activities include the following items:

| | **2021/22** | 2020/21 |
|---|---|---|
| | **£000** | £000 |
| Interest received | **-1,302** | -1,451 |
| Interest paid | **24,846** | 25,235 |
| Dividend received | **-443** | -454 |

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

| | 2021/22 | 2020/21 |
|---|---|---|
| | £000 | £000 |
| Pension adjustments | -193,608 | -52,862 |
| Depreciation, impairment and amortisation | -52,739 | -51,074 |
| Revaluation gains/losses | 11,265 | 56,851 |
| Carrying amount of non-current assets sold or de-recognised | -9,997 | -47,645 |
| Movements on - | | |
| Provisions | 1,433 | -2,145 |
| Inventories | 2,274 | 3,048 |
| Revenue debtors (including bad debt provision) | -26,039 | 37,785 |
| Revenue creditors | -24,817 | -75,315 |
| Other non-cash items | 1,809 | -132 |
| **Total non-cash movements** | **-290,419** | **-131,489** |

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

| | 2021/22 | 2020/21 |
|---|---|---|
| | £000 | £000 |
| Capital grants | 29,707 | 29,209 |
| Proceeds from the sale of Property, Plant and Equipment (PPE), Investment Property and Intangible Assets. | 14,153 | 7,485 |
| **Total** | **43,860** | **36,694** |

### Cash Flow - Reconciliation of Liabilities arising from Financing Activities

| | 2021/22 | | | | 2020/21 | | | |
|---|---|---|---|---|---|---|---|---|
| | At 1 April | Financing cashflows | Non cash changes | At 31 March | At 1 April | Financing cashflows | Non cash changes | At 31 March |
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| Long term borrowing | 375,817 | 66,463 | 2 | 442,282 | 373,660 | 2,156 | 1 | 375,817 |
| Short term borrowing | 54,233 | -23,218 | 0 | 31,015 | 57,582 | -3,349 | 0 | 54,233 |
| PFI & finance lease liabilities | 94,298 | -6,040 | 0 | 88,258 | 100,197 | -5,899 | 0 | 94,298 |
| **Total liabilities from financing activities** | **524,348** | **37,205** | **2** | **561,555** | **531,439** | **-7,092** | **1** | **524,348** |

## 32 External Audit Costs

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

| | 2021/22 | 2020/21 |
|---|---|---|
| | **£000** | £000 |
| **Grant Thornton**: | | |
| External audit services – scale fee | **131** | 122 |
| External audit services – additional charges | **81** | 74 |
| Non audit services | **0** | 9 |
| | **212** | **205** |
| **Mazars:** | | |
| Certification of grant claims and returns | **30** | 30 |
| | **242** | **235** |
| PSAA refund | **0** | -24 |
| Redmond review grant | **-63** | 0 |
| **Total** | **179** | **211** |

## 33 Pooled Funds

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

**Integrated Community Equipment Service**

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

| | 2021/22 | 2020/21 |
|---|---|---|
| | **£000** | £000 |
| Funding provided to the pooled budget | | |
| Kirklees Council - Adults | -1,826 | -1,809 |
| Kirklees Council - Children | -516 | -504 |
| Kirklees CCG | -1,683 | -1,654 |
| **Total Funding** | **-4,025** | **-3,967** |
| Expenditure met from the pooled budget | | |
| Kirklees Council - Adults | 1,397 | 1,297 |
| Kirklees Council - Children | 275 | 255 |
| Kirklees CCG | 1,671 | 1,551 |
| **Total Expenditure** | **3,343** | **3,103** |
| **Net surplus arising on pooled budget during the year** | -682 | -864 |
| **Council share of the net surplus arising on the pooled budget** | -670 | -761 |

**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.

| | **2021/22** | 2020/21 |
|---|---|---|
| | **£000** | £000 |
| Funding provided to the pooled budget | | |
| Kirklees Council | -26,901 | -26,901 |
| Kirklees CCG schemes | -31,920 | -30,631 |
| **Total Funding** | **-58,821** | **-57,532** |
| Expenditure met from the pooled budget | | |
| Kirklees Council | 46,779 | 45,799 |
| Kirklees CCG schemes | 12,042 | 11,733 |
| **Total Expenditure** | **58,821** | **57,532** |
| **Net surplus arising on pooled budget during the year** | 0 | 0 |
| **Council share of the net surplus arising on the pooled budget** | 0 | 0 |

## 34 Officers' Remuneration

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

| | **2021/22** | | 2020/21 | |
|---|---|---|---|---|
| Remuneration Band (£) | **Teachers** | **Other** | Teachers | Other |
| 50,000 - 54,999 | 91 | 112 | 112 | 48 |
| 55,000 - 59,999 | 65 | 29 | 60 | 16 |
| 60,000 - 64,999 | 46 | 23 | 42 | 18 |
| 65,000 - 69,999 | 30 | 3 | 28 | 11 |
| 70,000 - 74,999 | 24 | 8 | 23 | 4 |
| 75,000 - 79,999 | 12 | 3 | 10 | 5 |
| 80,000 - 84,999 | 5 | 11 | 8 | 4 |
| 85,000 - 89,999 | 5 | 2 | 3 | 2 |
| 90,000 - 94,999 | 3 | 0 | 1 | 0 |
| 95,000 - 99,999 | 0 | 3 | 0 | 2 |
| 100,000 - 104,999 | 1 | 5 | 1 | 7 |
| 105,000 - 109,999 | 0 | 3 | 1 | 0 |
| 110,000 - 114,999 | 0 | 0 | 1 | 0 |
| 115,000 - 119,999 | 1 | 1 | 1 | 1 |
| 120,000 - 124,999 | 0 | 0 | 0 | 1 |
| 125,000 - 129,999 | 1 | 2 | 0 | 1 |
| 130,000 - 134,999 | 0 | 0 | 0 | 2 |
| 135,000 - 139,999 | 0 | 3 | 0 | 0 |
| 140,000 - 144,999 | 0 | 0 | 0 | 0 |
| 145,000 - 149,999 | 0 | 0 | 0 | 0 |
| 150,000 - 154,999 | 0 | 0 | 0 | 0 |
| 155,000 - 159,999 | 0 | 0 | 0 | 0 |
| 160,000 - 164,999 | 0 | 1 | 0 | 0 |
| 165,000 - 169,999 | 0 | 0 | 0 | 1 |
| 170,000 - 179,999 | 0 | 0 | 0 | 0 |
| 180,000 - 189,999 | 0 | 0 | 0 | 0 |
| 190,000 - 194,999 | 0 | 1 | 0 | 0 |
| **Total** | **284** | **210** | **291** | **123** |

The remuneration figures include employee pension contributions and any severance costs but exclude employer's pension contributions.
It should be noted that no employees received redundancy payments in 2021/22 (2020/21 no employees) exceeding the £50,000 remuneration band, who would not normally have done so.

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

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

Senior Officers' emoluments

| Post holder information (Post title) | Salary including fees and allowances | Compensation for loss of office | Total Remuneration Excluding pension contributions | Employers pension contributions (3) | Total Remuneration including pension contributions |
|---|---|---|---|---|---|
| | £ | £ | £ | £ | £ |
| **2021/22** | | | | | |
| Chief Executive – Jacqui Gedman | 190,363 | 0 | 190,363 | 30,268 | 220,631 |
| Strategic Director Adults & Health | 137,935 | 0 | 137,935 | 21,932 | 159,867 |
| Strategic Director Children & Families | 138,946 | 0 | 138,946 | 22,092 | 161,038 |
| Strategic Director Corporate Strategy, Commissioning & Public Health | 135,975 | 0 | 135,975 | 21,620 | 157,595 |
| Strategic Director Environment & Climate Change | 127,096 | 0 | 127,096 | 20,208 | 147,304 |
| Strategic Director Growth & Regeneration | 127,003 | 0 | 127,003 | 20,193 | 147,196 |
| Service Director Governance & Commissioning (Monitoring Officer) | 105,162 | 0 | 105,162 | 16,721 | 121,883 |
| Service Director Finance (s151 Officer) | 105,162 | 0 | 105,162 | 16,721 | 121,883 |
| **2020/21** | | | | | |
| Chief Executive – Jacqui Gedman | 168,903 | 0 | 168,903 | 26,855 | 195,758 |
| Strategic Director Adults & Health | 133,451 | 0 | 133,451 | 21,219 | 154,670 |
| Strategic Director Children & Families | 130,417 | 0 | 130,417 | 20,736 | 151,153 |
| Strategic Director Corporate Strategy, Commissioning & Public Health | 128,539 | 0 | 128,539 | 20,438 | 148,977 |
| Strategic Director Environment & Climate Change (1) | 68,808 | 0 | 68,808 | 10,940 | 79,748 |
| Strategic Director Growth & Regeneration (2) | 61,711 | 0 | 61,711 | 9,812 | 71,523 |
| Service Director Governance & Commissioning (Monitoring Officer) | 101,743 | 0 | 101,743 | 16,177 | 117,920 |
| Service Director Finance (s151 Officer) | 98,825 | 0 | 98,825 | 15,713 | 114,538 |

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

It should be noted that the 2020/21 figures for senior officer's emoluments only relate to individuals who continued to be employed in 2021/22 and will exclude those who left the Council in 2020/21. This is because the requirements of this note are specific to employees qualifying for the current year, not for persons who left the Council in the prior year.

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

| Exit package cost band | Number of compulsory redundancies | Number of other departures agreed | Total number of exit packages by cost band | Total cost of exit packages in each band | Split of exit packages (Termination Benefit) | Split of exit packages (Pension Strain) |
|---|---|---|---|---|---|---|
| **2021/22** | | | | £000 | £000 | £000 |
| £0 - £20,000 | 0 | 5 | 5 | 64 | 53 | 11 |
| £20,001 - £40,000 | 0 | 1 | 1 | 24 | 24 | 0 |
| £40,001 - £60,000 | 0 | 0 | 0 | 0 | 0 | 0 |
| £60,001 - £80,000 | 0 | 0 | 0 | 0 | 0 | 0 |
| £80,001 - £100,000 | 0 | 0 | 0 | 0 | 0 | 0 |
| £100,001 - £150,000 | 0 | 0 | 0 | 0 | 0 | 0 |
| **Total** | **0** | **6** | **6** | 88 | 77 | 11 |
| **2020/21** | | | | | | |
| £0 - £20,000 | 0 | 3 | 3 | 15 | 9 | 6 |
| £20,001 - £40,000 | 0 | 3 | 3 | 93 | 93 | 0 |
| £40,001 - £60,000 | 0 | 0 | 0 | 0 | 0 | 0 |
| £60,001 - £80,000 | 0 | 0 | 0 | 0 | 0 | 0 |
| £80,001 - £100,000 | 0 | 0 | 0 | 0 | 0 | 0 |
| £100,001 - £150,000 | 0 | 0 | 0 | 0 | 0 | 0 |
| **Total** | **0** | **6** | **6** | **108** | **102** | **6** |

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

Details of the deployment of DSG receivable are as follows:

| | Central Expenditure | ISB | Total |
|---|---|---|---|
| | £000 | £000 | £000 |
| Final DSG for 2021/22 before recoupment | | | -404,440 |
| Academy and High Needs figure recouped for 2021/22 | | | 163,126 |
| Total DSG after recoupment for 2021/22 | | | -241,314 |
| Plus brought forward from 2020/21 | | | 0 |
| Less carry forward to 2022/23 agreed in advance | | | 0 |
| Agreed initial budgeted distribution for 2021/22 | -48,960 | -192,354 | -241,314 |
| In year adjustments | -12,310 | -2,804 | -15,114 |
| Final budget distribution for 2021/22 | -61,270 | -195,158 | -256,428 |
| Less actual central expenditure | 58,418 | | 58,418 |
| Less actual ISB deployed to schools | | 195,158 | 195,158 |
| Plus Local authority contribution for 2021/22 | 0 | 0 | 0 |
| **In Year Carry-forward to 2022/23** | **-2,852** | **0** | **-2,852** |
| Plus/Minus Carry-forward to 2022/23 agreed in advance | | | 0 |
| Carry-forward to 2022/23 | | | -2,852 |
| DSG unusable reserve at the end of 2021/22 | | | 25,106 |
| Addition to DSG unusable reserve at the end of 2021/22 | | | 0 |
| Total of DSG unusable reserve at the end of 2021/22 | | | 25,106 |
| **Net DSG position at the end of 2021/22** | | | **22,254** |

## 36 Related Party Transactions

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

### i) Elected Members and Chief Officers

There were 5 material disclosures to declare for 2021/22, 4 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 was a trustee and chair of Yorkshire Water Community Trust. During 2021/22, the Council made no payments to the trust and received no income from it.

A Councillor was a director of Media Centre Network Ltd. The Council has given a loan to Media Centre Network Ltd. As at 31 March 2022, £0.183 million was outstanding (£0.191 million as at 31 March 2021).

A Councillor was a Director of Kirklees Community Association (KCA). In 2021/22, the Council received £0.266 million income from KCA (£0.079 million in 2020/21).

A Councillor was a Director of Calderdale and Kirklees Careers Ltd. In 2021/22, the Council made payments of £2.332 million to the Company and received £0.010 million from it.

A Service Director was a Director for a Social Enterprise delivering a range of local Services and facilities for the benefit of residents in a local ward of Huddersfield. In 2021/22 the Council made payments of £0.476 million to the enterprise and received £0.001 million from the enterprise.

5 Councillors were Directors of Kirklees Neighbourhood Housing along with a Senior officer of the Council. The Company is not currently trading and In 2021/22 no transactions took place.

**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 | |
|---|---|---|---|---|---|---|
| | **2021/22** | 2020/21 | **2021/22** | 2020/21 | **31 March 2022** | 31 March 2021 |
| | **£000** | £000 | **£000** | £000 | **£000** | £000 |
| Calderdale and Kirklees Careers Service | **-10** | -35 | **2,332** | 2,259 | **-1** | -4 |
| Kirklees Active Leisure | **-1,295** | -616 | **6,708** | 7,148 | **135** | 96 |
| Kirklees Community Association | **-266** | -79 | **0** | 0 | **35** | 29 |
| Kirklees Theatre Trust | **-16** | -15 | **266** | 217 | **0** | 1 |
| North Huddersfield Trust | **-144** | -116 | **0** | 0 | **1** | 21 |
| Yorkshire Energy Services | **-19** | -22 | **0** | 0 | **0** | 2 |

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

- The UK Central Government exerts significant influence through legislation and grant funding (see Note 37).
- NHS Bodies (see Notes 33 and 37).
- Precepting authorities (see the CIES and the Collection Fund Income and Expenditure Statement). The Council also pays Joint Committees for providing services such as Trading Standards and West Yorkshire Combined Authority. Payments in 2021/22 amounted to £19.7 million (2020/21 £19.1 million). Certain Parish Councils have also invested funds with the Council. As at 31 March 2022, £0.352 million (£0.421 million at 31 March 2021) was invested.
- Pension Fund (see Note 41).
- Joint venture company (Kirklees Stadium Development Limited) included in Group Accounts.
- PFI Transactions with Suez Recycling and Recovery Kirklees Ltd, Kirklees School Services Ltd and QED (KMC) Holdings Ltd (see Note 40).

The Council has provided a £3.8 million loan to Kirklees Stadium Development Ltd (KSDL). The recoverability of the loan is uncertain due to a potential restructure of KSDL and an impairment of the loan may be necessary. At the balance sheet date, no impairment has been reflected in the Statement of Accounts.

## 37 Grant Income

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

| | **2021/22** | 2020/21 |
|---|---|---|
| | **£000** | £000 |
| **Credited to Taxation and Non-Specific Grant Income** | | |
| Revenue Support Grant (RSG) | **-13,104** | -13,033 |
| NNDR Top up Grant | **-28,808** | -28,808 |
| PFI Grants | **-11,359** | -11,359 |
| New Homes Grant | **-2,780** | -3,438 |
| Business Rates Relief | **-22,442** | -35,790 |
| Covid-19 Support Grant | **-12,220** | -23,630 |
| Covid-19 SFC Compensation | **-1,296** | -8,671 |
| Covid-19 Tax Loss Compensation | **-380** | -5,002 |
| Covid-19 Local Council Tax Support Scheme | **-5,376** | 0 |
| Other Non-Specific Grants (under £2 million) | **-3,413** | -2,897 |
| | **-101,178** | **-132,628** |
| Grants and Contributions related to capital financing which cannot be identified to particular services or assets | | |
| Standards Fund | **-2,246** | -3,133 |
| Local Transport Plan (LTP) | **-6,227** | -7,906 |
| Other Capital Grants and Contributions (under £2 million) | **-21,771** | -18,707 |
| **Total** | **-131,422** | **-162,374** |
| | | |
| **Credited to Services** | | |
| Revenue | | |
| Dedicated Schools Grant | **-254,474** | -234,393 |
| DWP – Rent Allowance | **-35,930** | -39,748 |
| DWP – Rent Rebate | **-31,269** | -33,372 |
| Department of Health Grant (Public Health) | **-26,286** | -26,055 |
| Clinical Commissioning Groups (CCGs) – Better Care Fund | **-19,968** | -18,869 |
| Clinical Commissioning Groups (CCGs) – Other | **-12,348** | -14,659 |
| Pupil Premium Grant | **-12,081** | -12,356 |
| PFI Grant (ring fenced to HRA) | **-7,912** | -7,912 |
| Universal Infant Free School Meals Grant | **-3,561** | -3,937 |
| Teachers' Pension Grant | **-255** | -6,229 |
| Social Care Support Grant | **-13,500** | -11,031 |
| Improved Better Care Fund (IBCF) | **-17,298** | -17,298 |
| Covid-19 Grants | **-30,272** | -57,299 |
| Other Revenue Grants and Contributions (under £2 million) | **-31,565** | -27,902 |
| Capital (REFCUS) | | |
| Standards Fund | **-3,766** | -3,563 |
| Disabled Facilities Grant | **-3,624** | -3,624 |
| Various Capital Grants and Contributions (under £2 million) | **-2,248** | -1,608 |
| **Total** | **-506,357** | **-519,855** |
| | | |
| **Total Grants in CIES** | **-637,779** | **-682,229** |

## 38 Capital Expenditure and Capital Financing

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

| | **2021/22** | 2020/21 |
|---|---|---|
| | **£000** | £000 |
| *Opening Capital Financing Requirement* | **760,957** | 733,203 |
| Capital Investment | | |
| Property, Plant and Equipment | **91,039** | 73,913 |
| Investment Property | **4,972** | 55 |
| Intangible Assets | **610** | 199 |
| Revenue Expenditure Funded from Capital under Statute | **20,053** | 14,868 |
| Loans and Investments | **8,577** | 4,180 |
| Inventories | **4,847** | 3,443 |
| Sources of Finance | | |
| Capital Receipts | **-9,663** | -8,512 |
| Government Grants and Other Contributions | **-40,737** | -29,913 |
| Major Repairs Reserve | **-15,368** | -12,750 |
| Direct Revenue Contributions | **-6,814** | -5,335 |
| To repay debt: | | |
| Minimum Revenue Provision | **-8,027** | -6,634 |
| Major Repairs Reserve | **-2,921** | -5,007 |
| Capital Receipts | **-792** | -753 |
| ***Closing Capital Financing Requirement*** | **806,733** | **760,957** |
| Explanation of movements in year | | |
| Increase in underlying need to borrow: | | |
| PFI Finance Lease Liability | **201** | 248 |
| Other | **57,315** | 39,900 |
| Provision for Repayment of Debt | **-11,740** | -12,394 |
| ***Increase in Capital Financing Requirement*** | **45,776** | **27,754** |

## 39 Leases

Council as Lessee

*Finance Leases*

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

| | **31 March 2022** | 31 March 2021 |
|---|---|---|
| **Cost or valuation** | **£000** | £000 |
| At 1 April | **12,117** | 12,232 |
| Additions & Transfers | **2,027** | 335 |
| Revaluation increases recognised in the Revaluation Reserve | **2,098** | 0 |
| Revaluation decreases recognised in the provision of services | **0** | -450 |
| At 31 March | **16,242** | **12,117** |
| **Depreciation and impairments** | | |
| At 1 April | **-142** | -157 |
| Depreciation charge | **-208** | -227 |
| Depreciation written out to the Revaluation Reserve | **141** | 0 |
| Depreciation written out to the provision of services | **0** | 242 |
| At 31 March | **-209** | **-142** |
| **Net Book Value as at 31 March** | **16,033** | **11,975** |

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 2022** | 31 March 2021 |
|---|---|---|
| | **£000** | £000 |
| Finance lease liabilities (net present value of minimum lease payments): | | |
| Non-current | **1,049** | 1,049 |
| Finance costs payable in future years | **6,061** | 6,151 |
| Minimum lease payments | **7,110** | **7,200** |

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

| | Minimum Lease Payments | | Finance Lease Liabilities | |
|---|---|---|---|---|
| | **31 March 2022** | 31 March 2021 | **31 March 2022** | 31 March 2021 |
| | **£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 | **6,660** | 6,750 | **1,049** | 1,049 |
| | **7,110** | **7,200** | **1,049** | **1,049** |

*Operating Leases*
The Council uses vehicles throughout the Kirklees district, financed under the terms of operating leases. The Council is committed at 31 March 2022 to make future minimum lease payments due under non-cancellable leases as follows:

| | Minimum Lease Payments | | Minimum Sub Leases Receivable | |
|---|---|---|---|---|
| | **31 March 2022** | 31 March 2021 | **31 March 2022** | 31 March 2021 |
| | **£000** | £000 | **£000** | £000 |
| Not later than one year | **1,125** | 1,197 | **0** | 0 |
| Later than one year and not later than five years | **2,178** | 3,303 | **0** | 0 |
| Later than five years | **0** | 0 | **0** | 0 |
| | **3,303** | **4,500** | **0** | **0** |

Leases and sub lease payments recognised in the year are as follows:

| | **2021/22** | 2020/21 |
|---|---|---|
| | **£000** | £000 |
| Minimum Lease Payments | **1,207** | 950 |
| Contingent Rents | **0** | 0 |
| Sub Lease Payments | **0** | 0 |
| | **1,207** | **950** |

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 Council in future years whilst the debtor remains outstanding. The gross investment is made up of the following amounts:

| | **31 March 2022** | 31 March 2021 |
|---|---|---|
| | **£000** | £000 |
| Finance lease debtor (net present of value of minimum lease payments): | | |
| Non-current | **3,404** | 3,406 |
| Unearned finance income | **14,290** | 14,563 |
| Gross investment in the lease | **17,694** | **17,969** |

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 2022** | 31 March 2021 | **31 March 2022** | 31 March 2021 |
| | **£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 | **16,319** | 16,594 | **16,319** | 16,594 |
| | **17,694** | **17,969** | **17,694** | **17,969** |

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

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

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

The value of the assets leased out is as follows:

| | 31 March 2022 £000 | 31 March 2021 £000 |
|---|---|---|
| **Cost or valuation** | | |
| At 1 April | **164,567** | 165,448 |
| Additions | **3,046** | 875 |
| Revaluation increases/decreases(-) recognised in the Revaluation Reserve | **4,373** | 98 |
| Revaluation increases/decreases(-) recognised in provision of services | **1,141** | -1,562 |
| De-recognition - disposals | **-7,839** | -645 |
| De-recognition - other | **0** | 0 |
| Other movements in cost or valuation (re-classifications) | **19,327** | 353 |
| At 31 March | **184,615** | **164,567** |
| | | |
| **Depreciation and impairments** | | |
| At 1 April | **-9,343** | -8,104 |
| Depreciation and impairment charge for year | **-1,545** | -1,556 |
| Depreciation written out to the Revaluation Reserve | **1,498** | 47 |
| Depreciation written out to the Surplus/Deficit to Services | **182** | 212 |
| De-recognition - disposals | **7,839** | 58 |
| De-recognition - other | **0** | 0 |
| At 31 March | **-1,369** | **-9,343** |
| | | |
| **Net Book Value as at 31 March** | **183,246** | **155,224** |

The Council received £4.4 million in rent on operating leases in 2021/22 (£4.7 million 2020/21).

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

| | 31 March 2022 £000 | 31 March 2021 £000 |
|---|---|---|
| Not later than one year | **1,684** | 1,592 |
| Later than one year and not later than five years | **2,484** | 2,598 |
| Later than five years | **1,589** | 1,962 |
| | **5,757** | **6,152** |

## 40 Private Finance Initiative (PFI) Transactions

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

Estimated payments on all schemes are as follows:

| | Service Charges £000 | Interest Charges £000 | Repayments Of Liability £000 | Other £000 | Total £000 |
|---|---|---|---|---|---|
| In 2022/23 | 28,940 | 6,143 | 6,831 | 1,686 | **43,600** |
| Between 2023/24 to 2026/27 | 97,740 | 20,550 | 21,312 | 7,391 | **146,993** |
| Between 2027/28 to 2031/32 | 86,026 | 14,988 | 42,165 | 8,221 | **151,400** |
| Between 2032/33 to 2034/35 | 24,867 | 1,308 | 19,130 | 1,776 | **47,081** |
| | **237,573** | **42,989** | **89,438** | **19,074** | **389,074** |

The value of assets held under all schemes:

| | **2021/22 £000** | 2020/21 £000 |
|---|---|---|
| Net Book Value at 1 April | **93,623** | 74,659 |
| Additions | **2,657** | 1,239 |
| Revaluations net of depreciation written back | **-1,209** | 26,533 |
| Disposals | **0** | -6,801 |
| Depreciation | **-593** | -2,007 |
| **Net Book Value at 31 March** | **94,478** | **93,623** |

The value of liabilities for all schemes:

| | **2021/22 £000** | 2020/21 £000 |
|---|---|---|
| At 1 April | **-90,587** | -96,375 |
| Movement in the year | **5,939** | 5,788 |
| **At 31 March** | **-84,648** | **-90,587** |

### 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 contract has now been extended a further two years to 2024/25. The Council leased various sites, including landfill and civic amenity, to the operator and the operator pledged as part of the contract to carry out capital work, which included the building of a new waste to energy plant/recycling centre at Huddersfield and a transfer station at Dewsbury. All assets constructed on leased land come into Council ownership at the end of the contract and these assets must be in a condition which would allow services to continue. Contract payments are part fixed and the other part varies according to tonnages and meeting targets. The Council pays for any additional costs arising from new statutory requirements concerning waste disposal, such as Landfill Tax.

The Council incurred costs of £15.4 million under the contract in 2021/22 (2020/21 £12.9 million) and received £3.2 million in PFI Grant (2020/21 £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 2022/23 | 13,989 | 127 | 1,706 | 15,822 |
| Between 2023/24 to 2024/25 | 31,644 | 0 | 0 | 31,644 |
| | **45,633** | **127** | **1,706** | **47,466** |

The estimated payments for service charges are based on expected tonnages and 2021/22 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 2022 was £0.5 million (31 March 2021 £1.1 million).

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

| | **2021/22 £000** | 2020/21 £000 |
|---|---|---|
| Net Book Value at 1 April | **28,890** | 14,727 |
| Additions | **1,174** | 0 |
| Revaluations net of depreciation written back | **-2,683** | 14,903 |
| Depreciation | **-19** | -740 |
| **Net Book Value at 31 March** | **27,362** | **28,890** |

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

| | **2021/22 £000** | 2020/21 £000 |
|---|---|---|
| At 1 April | **-3,279** | -4,722 |
| Movement in the year | **1,573** | 1,443 |
| **At 31 March** | **-1,706** | **-3,279** |

**b) Schools 1**

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

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

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

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

The Council incurred costs of £16.0 million under the contract in 2021/22 (2020/21 £15.9 million) and received £5.9 million in PFI Grant (2020/21 £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 2022/23 | 10,740 | 2,276 | 1,675 | 1,350 | 16,041 |
| Between 2023/24 to 2026/27 | 46,310 | 7,822 | 6,974 | 5,927 | 67,033 |
| Between 2027/28 to 2031/32 | 61,206 | 5,767 | 16,483 | 7,350 | 90,806 |
| Between 2032/33 to 2033/34 | 15,951 | 385 | 6,258 | 1,776 | 24,370 |
| | **134,207** | **16,250** | **31,390** | **16,403** | **198,250** |

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:

| | **2021/22 £000** | 2020/21 £000 |
|---|---|---|
| Net Book Value at 1 April | **46,281** | 42,896 |
| Additions | **547** | 809 |
| Revaluations | **878** | 10,282 |
| Disposals | **0** | -6,801 |
| Depreciation | **-573** | -905 |
| **Net Book Value at 31 March** | **47,133** | **46,281** |

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

| | **2021/22 £000** | 2020/21 £000 |
|---|---|---|
| At 1 April | **-32,310** | -33,689 |
| Movement in the year | **920** | 1,379 |
| **At 31 March** | **-31,390** | **-32,310** |

**c) Schools 2**

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

- New build schools at two sites, and major extensions to and full refurbishment of existing buildings at a third.
- Maintenance of the buildings over the contract period.
- Provision of caretaking, cleaning and other premises management functions over the term of the contract.

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

The Council incurred costs of £2.8 million under the contract in 2021/22 (£2.8 million in 2020/21) and received £2.2 million in PFI Grant (2020/21 £2.2 million). Details of estimated payments due to be made are as follows:

| | Service Charges | Interest Charges | Repayments Of Liability | Other | Total |
|---|---|---|---|---|---|
| | £000 | £000 | £000 | £000 | £000 |
| In 2022/23 | 1,328 | 519 | 534 | 336 | 2,717 |
| Between 2023/24 to 2026/27 | 5,625 | 1,678 | 2,136 | 1,465 | 10,904 |
| Between 2027/28 to 2031/32 | 6,925 | 778 | 3,632 | 871 | 12,206 |
| | **13,878** | **2,975** | **6,302** | **2,672** | **25,827** |

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:

| | **2021/22** | 2020/21 |
|---|---|---|
| | **£000** | £000 |
| Net Book Value at 1 April | **3,954** | 3,564 |
| Additions | **736** | 182 |
| Revaluations | **-177** | 282 |
| Disposals | **0** | 0 |
| Depreciation | **0** | -74 |
| **Net Book Value at 31 March** | **4,513** | **3,954** |

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

| | **2021/22** | 2020/21 |
|---|---|---|
| | **£000** | £000 |
| At 1 April | **-6,920** | -7,414 |
| Movement in the year | **618** | 494 |
| **At 31 March** | **-6,302** | **-6,920** |

## 41 Pensions Disclosures

Participation in Pension Schemes

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

The Council participates in three pension schemes:

- The Local Government Pension Scheme (LGPS) – a funded defined benefit final salary scheme administered by the West Yorkshire Pension Fund (WYPF) whereby the Council and employees pay contributions into a fund, calculated at a level intended to balance the pension's liabilities with investment assets in the long term. Employee benefits earned up to 31 March 2014 are linked to final salary, after 31 March 2014 benefits are based on a Career Average Revalued Earnings Scheme.
- Teachers employed by the Council are members of the Teachers' Pension Scheme, administered by Capita Business Services Limited on behalf of the Department for Education. Under the Code, this scheme is classed as a multi-employer defined benefit scheme for which liabilities of individual employers cannot be separated. The scheme is therefore treated as a defined contribution scheme under the Code. In 2021/22, the Council paid £17.0 million (2020/21 £17.5 million) in respect of teachers' retirement benefits, representing 23.7% (2020/21 23.5%) of pensionable pay. Payments of £1.5 million were owing to the scheme as at 31 March 2022 (31 March 2021 £1.6 million). As a proportion of the total contributions to the scheme during the year ending 31 March 2022, the Council's contribution equated to approximately 0.2% (2020/21 0.2%).
- 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 2021/22, the Council paid £0.1 million (2020/21 £0.1 million) to the NHSBSA, representing 14.4% (2020/21 14.4%) of pensionable pay. As a proportion of the total contributions to the Scheme during the year ending 31 March 2022, the Council's contribution equated to approximately 0.001% (2020/21 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:

| | LGPS | | Teachers | Total |
|---|---|---|---|---|
| | Funded | Unfunded | | |
| | £000 | £000 | £000 | £000 |
| **2021/22** | | | | |
| **Comprehensive Income and Expenditure Statement** | | | | |
| Cost of Services: | | | | |
| Current service cost | 114,882 | 0 | 0 | 114,882 |
| Past service cost | 0 | 0 | 0 | 0 |
| Financing and Investment income and expenditure: | | | | |
| Net interest expense | 21,121 | 472 | 1,006 | 22,599 |
| **Total Post-employment Benefits charged to the Surplus/Deficit on the Provision of Services** | **136,003** | **472** | **1,006** | **137,481** |
| Remeasurement of the net defined benefit liability comprising: | | | | |
| Return on plan assets (excluding the amount included in the net interest expense) | -203,527 | 0 | 0 | -203,527 |
| Actuarial gains and losses arising on changes in demographic assumptions | -28,080 | -329 | -670 | -29,079 |
| Actuarial gains and losses arising on changes in financial assumptions | -204,012 | -505 | -1,164 | -205,681 |
| Actuarial gains and losses due to liability experience | 5,571 | 86 | 183 | 5,840 |
| **Total Post Employment Benefit charged to the CIES** | **-294,045** | **-276** | **-645** | **-294,966** |
| | | | | |
| **Movement in Reserves Statement** | | | | |
| Reversal of net charges made to the Surplus/Deficit on the Provision of Services for retirement benefits | -136,003 | -472 | -1,006 | -137,481 |
| | | | | |
| **Actual amount charged against General Fund Balance for pensions in the year:** | | | | |
| Employers' contributions payable to scheme | 37,640 | 1,971 | 0 | 39,611 |
| Retirement benefits payable to pensioners | 0 | 0 | 3,679 | 3,679 |

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

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

| | LGPS | | Teachers | Total |
|---|---|---|---|---|
| | Funded | Unfunded | | |
| **2021/22** | £000 | £000 | £000 | £000 |
| Opening balance 1 April 2021 | -2,865,993 | -23,475 | -49,735 | -2,939,203 |
| Current Service Cost | -114,882 | 0 | 0 | -114,882 |
| Interest cost | -65,618 | -472 | -1,006 | -67,096 |
| Contributions by scheme participants | -14,988 | 0 | 0 | -14,988 |
| Remeasurement gain/loss(-): | | | | |
| Arising on changes in demographic assumptions | 28,080 | 329 | 670 | 29,079 |
| Arising on changes in financial assumptions | 204,012 | 505 | 1,164 | 205,681 |
| Due to liability experience | -5,571 | -86 | -183 | -5,840 |
| Benefits/transfers paid | 71,073 | 1,971 | 3,679 | 76,723 |
| Past service costs | 0 | 0 | 0 | 0 |
| Net increase in liabilities from disposals/acquisitions | -286,969 | 0 | 0 | -286,969 |
| **Closing balance 31 March 2022** | **-3,050,856** | **-21,228** | **-45,411** | **-3,117,495** |
| | | | | |
| **2020/21** | | | | |
| Opening balance 1 April 2020 | -2,347,810 | -23,726 | -49,185 | -2,420,721 |
| Current Service Cost | -69,540 | 0 | 0 | -69,540 |
| Interest cost | -53,402 | -522 | -1,092 | -55,016 |
| Contributions by scheme participants | -12,588 | 0 | 0 | -12,588 |
| Remeasurement gain/loss(-): | | | | |
| Arising on changes in demographic assumptions | 0 | 0 | 0 | 0 |
| Arising on changes in financial assumptions | -477,100 | -1,592 | -3,611 | -482,303 |
| Due to liability experience | 29,543 | 327 | 688 | 30,558 |
| Benefits/transfers paid | 65,111 | 2,038 | 3,465 | 70,614 |
| Past service costs | -207 | 0 | 0 | -207 |
| Net increase in liabilities from disposals/acquisitions | 0 | 0 | 0 | 0 |
| **Closing balance 31 March 2021** | **-2,865,993** | **-23,475** | **-49,735** | **-2,939,203** |

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

| | **31 March 2022** | 31 March 2021 |
|---|---|---|
| | **£000** | £000 |
| Opening balance 1 April | **1,940,636** | 1,595,972 |
| Interest income on assets | **44,497** | 36,453 |
| Remeasurement gains and losses | **203,527** | 330,789 |
| Employer contributions | **37,640** | 29,945 |
| Contributions by scheme participants | **14,988** | 12,588 |
| Benefits paid | **-71,073** | -65,111 |
| Net increase in assets from disposals/acquisitions | **187,549** | 0 |
| **Closing balance 31 March** | **2,357,764** | **1,940,636** |

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 £248.0 million (2020/21 return of £367.2 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 £17.8 billion for the Fund as a whole at 31 March 2022 (£16.2 billion at 31 March 2021). 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:

| | | | **2021/22** | 2020/21 |
|---|---|---|---|---|
| | **Quoted** | **Unquoted** | **Total** | Total |
| | **%** | **%** | **%** | % |
| Equity investments | **67.8** | **12.0** | **79.8** | 79.7 |
| Government Bonds | **7.4** | **0** | **7.4** | 8.3 |
| Other Bonds | **4.8** | **0** | **4.8** | 4.6 |
| Property | **1.6** | **2.4** | **4.0** | 3.8 |
| Cash/ liquidity | **0** | **2.9** | **2.9** | 2.0 |
| Other | **0** | **1.1** | **1.1** | 1.6 |
| | **81.6** | **18.4** | **100.0** | **100.0** |

A more detailed breakdown of assets and associated risks are published in the accounts for the West Yorkshire Pension Fund. These form part of Bradford MDC Statement of Accounts and can be found on Bradford Councils website at - Bradford.gov.uk/your-council/council-budgets-and spending.

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc. Both the LGPS and Teachers' Unfunded Discretionary Benefits liabilities have been assessed by Aon Solutions UK Ltd, 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:

| | **2021/22** | | | 2020/21 | | |
|---|---|---|---|---|---|---|
| | **LGPS** | | **Teachers** | LGPS | | Teachers |
| | **Funded** | **Unfunded** | | Funded | Unfunded | |
| Rate of inflation – CPI | **3.00%** | **3.00%** | **3.00%** | 2.70% | 2.70% | 2.70% |
| Rate of increase in salaries | **4.25%** | **n/a** | **n/a** | 3.95% | n/a | n/a |
| Rate of increase in pensions | **3.00%** | **3.00%** | **3.00%** | 2.70% | 2.70% | 2.70% |
| Rate for discounting liabilities | **2.70%** | **2.70%** | **2.70%** | 2.10% | 2.10% | 2.10% |
| 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** | 21.9 | 21.9 | 21.9 |
| Women | **24.6** | **24.6** | **24.6** | 24.7 | 24.7 | 24.7 |
| Longevity at 65 for future pensioners: | | | | | | |
| Men | **22.5** | **n/a** | **n/a** | 22.6 | n/a | n/a |
| Women | **25.7** | **n/a** | **n/a** | 25.8 | 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 £3,050.9 million and for projected service cost is £104.7 million.

| | **2021/22** | | 2020/21 | |
|---|---|---|---|---|
| **Discount rate assumption** | | | | |
| Adjustment to discount rate p.a. | +0.1% | -0.1% | +0.1% | -0.1% |
| Present value of total obligation £k | 2,989,839 | 3,111,873 | 2,808,673 | 2,923,313 |
| % change in present value of total obligation | -2.0% | +2.0% | -2.0% | +2.0% |
| Projected service cost £k | 101,251 | 108,266 | 95,783 | 102,420 |
| Approximate % change in projected service cost | -3.3% | +3.4% | -3.3% | +3.4% |
| **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 | 3,060,009 | 3,041,703 | 2,874,591 | 2,860,261 |
| % change in present value of total obligation | +0.3% | -0.3% | +0.3% | -0.2% |
| Projected service cost £k | 104,706 | 104,706 | 99,052 | 99,052 |
| 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 p.a. | +0.1% | -0.1% | +0.1% | -0.1% |
| Present value of total obligation £k | 3,102,721 | 2,998,991 | 2,914,715 | 2,817,271 |
| % change in present value of total obligation | +1.7% | -1.7% | +1.7% | -1.7% |
| Projected service cost £k | 108,266 | 101,251 | 102,420 | 95,783 |
| Approximate % change in projected service cost | +3.4% | -3.3% | +3.4% | -3.3% |
| **Post retirement mortality assumption*** | | | | |
| Adjustment to longevity | -1 Year | +1 Year | -1 Year | +1 Year |
| Present value of total obligation £k | 3,157,636 | 2,944,076 | 2,972,035 | 2,762,817 |
| % change in present value of total obligation | +3.5% | -3.5% | +3.7% | -3.6% |
| Projected service cost £k | 108,999 | 100,518 | 103,212 | 94,991 |
| Approximate % change in projected service cost | +4.1% | -4.0% | +4.2% | -4.1% |

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

Asset and Liability Matching Strategy

| | 2021/22 | 2020/21 | 2019/20 | 2018/19 | 2017/18 |
|---|---|---|---|---|---|
| | **£000** | £000 | £000 | £000 | £000 |
| **Present value of liabilities:** | | | | | |
| LGPS Funded | **-3,050,856** | -2,865,993 | -2,347,810 | -2,413,147 | -2,213,824 |
| LGPS Unfunded | **-21,228** | -23,475 | -23,726 | -28,619 | -29,181 |
| Teachers | **-45,411** | -49,735 | -49,185 | -56,257 | -56,604 |
| **Fair value of assets in the LGPS** | **2,357,764** | 1,940,636 | 1,595,972 | 1,759,889 | 1,687,827 |
| Deficit in the scheme: | | | | | |
| LGPS Funded | **-693,092** | -925,360 | -751,838 | -653,258 | -525,997 |
| LGPS Unfunded | **-21,228** | -23,475 | -23,726 | -28,619 | -29,181 |
| Teachers | **-45,411** | -49,735 | -49,185 | -56,257 | -56,604 |
| **Total** | **-759,731** | **-998,570** | **-824,749** | **-738,134** | **-611,782** |

The net liabilities show the underlying commitments that the Council has in the long run to pay retirement benefits. The total liability of £759.7 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 form 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 2023 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**
- **Notes to the Accounts**

The Council's Group Accounts for 2021/22 are made up of the accounts of the Council and a joint venture (Kirklees Stadium Development Limited). 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 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%.

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 2022.

In 2021/22, based on the Council's interest and after adjusting for the valuation of the stadium, in line with the Group's accounting policies, the Company made an operating deficit of £0.1 million, (operating deficit £0.2 million 2020/21). Similarly, as at 31 March 2022, the Company had net assets of £17.6 million (£17.3 million at 31 March 2021).

## 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.

| | 2021/22 | | | 2020/21 | | |
|---|---|---|---|---|---|---|
| | **Gross Exp £000** | **Gross Income £000** | **Net Exp £000** | Gross Exp £000 | Gross Income £000 | Net Exp £000 |
| Children & Families | **428,931** | **-310,740** | **118,191** | 402,361 | -296,647 | 105,714 |
| Adults & Health | **242,172** | **-120,039** | **122,133** | 224,716 | -112,134 | 112,582 |
| Growth & Regeneration | **56,386** | **-21,001** | **35,385** | 41,455 | -17,757 | 23,698 |
| Environment & Climate Change | **118,861** | **-33,973** | **84,888** | 88,477 | -39,778 | 48,699 |
| Corporate Strategy, Commissioning & Public Health | **291,567** | **-122,730** | **168,837** | 189,517 | -149,895 | 39,622 |
| Central Budgets | **33,360** | **-1,911** | **31,449** | 26,543 | -4,975 | 21,568 |
| HRA | **80,462** | **-107,103** | **-26,641** | 30,980 | -130,974 | -99,994 |
| Subsidiary (KNH) | **0** | **0** | **0** | 60,112 | -2,112 | 58,000 |
| **Cost of Services** | **1,251,739** | **-717,497** | **534,242** | **1,064,161** | **-754,272** | **309,889** |
| Other operating expenditure | | | **730** | | | 43,541 |
| Financing and investment income and expenditure | | | **38,259** | | | 45,189 |
| Taxation and non-specific grant income | | | **-371,980** | | | -370,170 |
| **Surplus(-)/Deficit on Provision of Services** | | | **201,251** | | | **28,449** |
| Joint venture accounted for on an equity basis | | | **292** | | | 261 |
| Tax expenses of subsidiary and joint venture | | | **0** | | | 8 |
| **Group Surplus(-)/Deficit** | | | **201,543** | | | **28,718** |
| Surplus(-)/Deficit on revaluation of PPE and Heritage assets | | | **-66,642** | | | -21,864 |
| Impairment losses on non-current assets to the Revaluation Reserve | | | **0** | | | 0 |
| Surplus on revaluation of available for sale financial assets | | | **-69** | | | -57 |
| Re measurements of the net defined benefit liability | | | **-432,447** | | | 149,709 |
| Share of other comprehensive income and expenditure of joint venture | | | **-620** | | | 0 |
| **Other Comprehensive Income and Expenditure** | | | **-499,778** | | | **127,788** |
| **Total Comprehensive Income and Expenditure** | | | **-298,235** | | | **156,506** |

## 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 |
|---|---|---|---|---|---|---|---|---|---|
| **2021/22** | | | | | | | | | |
| Balance at 31 March 2021 | -197,353 | -58,418 | -56,889 | -312,660 | 155,313 | -157,347 | 95,918 | -16,866 | -78,295 |
| **Movement in reserves during 2021/22** | | | | | | | | | |
| Total Comprehensive Income and Expenditure | 218,121 | -16,870 | 0 | 201,251 | -499,158 | -297,907 | 292 | -620 | -298,235 |
| Adjustments between group and Council accounts | 0 | -4,360 | 0 | -4,360 | 100,735 | 96,375 | -96,409 | 40 | 6 |
| Adjustments between accounting & funding basis under regulations | -187,561 | 24,954 | -1,028 | -163,635 | 67,260 | -96,375 | 0 | 0 | -96,375 |
| **Net Increase(-)/Decrease** | **30,560** | **3,724** | **-1,028** | **33,256** | **-331,163** | **-297,907** | **-96,117** | **-580** | **-394,604** |
| **Balance at 31 March 2022 carried forward** | **-166,793** | **-54,694** | **-57,917** | **-279,404** | **-175,850** | **-455,254** | **-199** | **-17,446** | **-472,899** |
| **2020/21** | | | | | | | | | |
| Balance at 31 March 2020 | -113,442 | -61,018 | -51,623 | -226,083 | -51,693 | -277,776 | 59,740 | -16,765 | -234,801 |
| Reporting of Schools Budget Deficit to new DSG Adjustment Account at 1 April 2020 | -14,396 | 0 | 0 | -14,396 | 14,396 | 0 | 0 | 0 | 0 |
| **Restated balance at 1 April 2020** | **-127,838** | **-61,018** | **-51,623** | **-240,479** | **-37,297** | **-277,776** | **59,740** | **-16,765** | **-234,801** |
| **Movement in reserves during 2020/21** | | | | | | | | | |
| Total Comprehensive Income and Expenditure | 59,139 | -90,134 | 0 | -30,995 | 99,037 | 68,042 | 88,464 | 0 | 156,506 |
| Adjustments between group and Council accounts | 14,313 | 38,074 | 0 | 52,387 | 0 | 52,387 | -52,286 | -101 | 0 |
| Adjustments between accounting & funding basis under regulations | -142,967 | 54,660 | -5,266 | -93,573 | 93,573 | 0 | 0 | 0 | 0 |
| **Net Increase(-)/Decrease** | -69,515 | 2,600 | -5,266 | -72,181 | 192,610 | 120,429 | 36,178 | -101 | 156,506 |
| **Balance at 31 March 2021 carried forward** | **-197,353** | **-58,418** | **-56,889** | **-312,660** | **155,313** | **-157,347** | **95,918** | **-16,866** | **-78,295** |

## 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 2022 £000** | 31 March 2021 £000 | Note |
|---|---|---|---|
| Property, Plant & Equipment | **1,589,513** | 1,488,017 | |
| Heritage Assets | **55,156** | 55,166 | |
| Investment Property | **103,670** | 97,335 | |
| Intangible Assets | **770** | 493 | |
| Long Term Investments | **15,134** | 13,477 | |
| Investments in Joint Venture | **17,645** | 17,317 | |
| Long Term Debtors | **36,534** | 28,853 | |
| **Long Term Assets** | **1,818,422** | **1,700,658** | |
| | | | |
| Inventories | **7,360** | 9,424 | |
| Short Term Debtors | **78,252** | 100,070 | |
| Assets Held for Sale | **7,325** | 6,250 | |
| Cash and Cash Equivalents | **65,065** | 27,527 | |
| **Current Assets** | **158,002** | **143,271** | |
| | | | |
| Short Term Borrowing | **-31,015** | -54,233 | |
| Short Term Creditors | **-168,455** | -127,514 | |
| Other Short Term Liabilities | **-6,934** | -6,191 | |
| Provisions | **-3,629** | -4,600 | |
| **Current Liabilities** | **-210,033** | **-192,538** | |
| | | | |
| Long Term Borrowing | **-442,282** | -375,817 | |
| Other Long Term Liabilities | **-851,210** | -1,197,279 | |
| **Long Term Liabilities** | **-1,293,492** | **-1,573,096** | |
| **Net Assets** | **472,899** | **78,295** | |
| | | | |
| Usable Reserves | **-279,603** | -216,742 | |
| Unusable Reserves | **-193,296** | 138,447 | **G2** |
| **Total Reserves** | **-472,899** | **-78,295** | |

## Notes to the Group Accounts

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

## G1 Accounting Policies

The main accounting policies to which the Council now complies with under IFRS for Group Accounts are IFRS10 Consolidated Financial Statements and IFRS11 Joint Arrangements.

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

The accounting polices used in the Group Accounts are the same as those for the single entity accounts unless otherwise stated.

### Tangible Fixed Assets

The Code requires that the reporting authority and its companies share the same accounting policies in relation to measurement, recognition, valuation and depreciation of fixed assets. These policies are detailed in the single entity accounting policies.

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

## G2 Unusable Reserves

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

| | KSDL | Council | Total |
|---|---|---|---|
| | £000 | £000 | £000 |
| Capital Adjustment Account | 0 | -725,439 | -725,439 |
| Revaluation Reserve | -13,213 | -257,749 | -270,962 |
| Pensions Reserve | 0 | 759,731 | 759,731 |
| Other | -4,233 | 47,607 | 43,374 |
| **Balance at 31 March 2022** | **-17,446** | **-175,850** | **-193,296** |
| | | | |
| Capital Adjustment Account | 0 | -722,259 | -722,259 |
| Revaluation Reserve | -12,593 | -192,942 | -205,535 |
| Pensions Reserve | 0 | 998,570 | 998,570 |
| Other | -4,273 | 71,944 | 67,671 |
| Balance at 31 March 2021 | **-16,866** | **155,313** | **138,447** |

**G3 Related Party Transactions**

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

**Kirklees Stadium Development Limited**

During 2021/22 the Council incurred costs of £0.03 million in relation to services provided by KSDL.

The Council loaned £3.8 million to KSDL on a short-term basis in 2021/22 (2020/21 nil). At 31 March 2022 the total amount owed to the Council is £4.0 million.

## 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.

| | 2021/22 | 2020/21 | Notes |
|---|---|---|---|
| | £000 | £000 | |
| Expenditure | | | |
| Repairs and maintenance | **29,266** | 26,992 | |
| Supervision and management | **29,796** | 27,413 | |
| Special services | **1,731** | 1,644 | |
| Rent, rates, taxes and other charges | **974** | 772 | |
| Depreciation of non-current assets | **18,289** | 17,757 | **H1** |
| Debt management costs | **22** | 25 | |
| Movement in the allowance for bad debts | **384** | 735 | |
| **Total Expenditure** | **80,462** | **75,338** | |
| Income | | | |
| Dwelling rents | **-80,110** | -79,333 | |
| Non-dwelling rents | **-186** | -226 | |
| Charges for services and facilities | **-2,584** | -2,559 | |
| Grants and contributions | **-7,912** | -7,912 | **H10** |
| Revaluation gains on Property, Plant and Equipment | **-16,311** | -47,228 | **H1** |
| **Total Income** | **-107,103** | **-137,258** | |
| **Net Income of HRA Services as included in the CIES** | **-26,641** | -61,920 | |
| HRA share of Corporate & Democratic Core | **156** | 154 | |
| HRA share of Non-distributed costs | **26** | 26 | |
| **Net Income of HRA Services** | **-26,459** | **-61,740** | |
| **HRA share of operating income and expenditure included in the CIES:** | | | |
| Gain on sale of HRA non-current assets | **-2,334** | -1,264 | **H4** |
| Interest payable and similar charges | **11,124** | 11,636 | |
| Interest and investment income | **-58** | -97 | **H1** |
| Income and expenditure in relation to Investment Properties and changes in fair value | **1,226** | -386 | |
| Capital grants and contributions receivable | **-369** | -209 | |
| **Surplus for the year on HRA services** | **-16,870** | **-52,060** | |

## 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.

| | **2021/22** | | 2020/21 | | Notes |
|---|---|---|---|---|---|
| | **£000** | **£000** | £000 | £000 | |
| Balance on the HRA at the end of the previous year | | **-58,418** | | -61,018 | |
| Surplus for the year on the HRA Income and Expenditure Statement | | **-16,870** | | -52,060 | |
| **Adjustments involving the Capital Adjustment Account:** | | | | | |
| Net revaluation gains on PPE | **14,669** | | 47,226 | | **H1** |
| Movements in the market value of Investment Property | **0** | | -41 | | |
| Capital grants and contributions applied | **369** | | 209 | | |
| Amounts of non-current assets written off on disposal or sale | **-7,073** | | -4,138 | | **H4** |
| Capital expenditure charged against balances | **4,590** | | 3,317 | | |
| Provision for the financing of capital investment | **3,027** | **15,582** | 2,720 | 49,293 | |
| **Adjustments involving the Capital Receipts Reserve:** | | | | | |
| Transfer of cash sale proceeds credited as part of the gain/loss on disposal | **9,478** | | 5,450 | | **H4** |
| Contribution towards administrative costs of asset disposals | **-71** | **9,407** | -48 | 5,402 | |
| **Adjustments involving the Financial Instruments Adjustment Account:** | | | | | |
| Amount by which finance costs charged to the HRA Income and Expenditure Account are different from those required by statutory regulations | | **-35** | | -35 | |
| **Adjustments involving the KNH Surplus Reserve** | | | | | |
| Transfer from General Fund to HRA | | **-4,360** | | 0 | |
| Increase(-)/decrease in the year on the HRA | | **3,724** | | 2,600 | |
| **Balance at the end of the current year** | | **-54,694** | | -58,418 | |

## NOTES TO THE HRA

### H1 Depreciation and revaluation gains

The depreciation charge for Council dwellings in 2021/22 is £17.9 million (2020/21 £17.6 million).

The revaluation of the HRA was carried out on the 31 December 2021 by the DVS Valuation Office Agency.

Revaluations of Council dwellings during the year resulted in a £70.3 million gain (2020/21 £47.2 million gain) – of which a £45.1 million increase at the formal valuation date of 31 December 2021 and an estimated increase of £25.2 million from January – March 2022 based on an increase of 3.4% as advised by the DVS Valuation Office Agency. 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% (2020/21 41% as adjusted by the valuer).

There was a revaluation loss on Investment Properties of £1.642 million in 2021/22 (2020/21 £0.043 million loss).

## H2 Movement in HRA Fixed Assets

| | PPE Council Dwellings | Council Dwellings Held For Sale | Other Land and Buildings | Assets Under Construction | Investment Properties | Total Assets |
|---|---|---|---|---|---|---|
| | £000 | £000 | £000 | £000 | £000 | £000 |
| **Cost or Valuation** | | | | | | |
| At 1 April 2021 | 720,632 | 4,267 | 4,467 | 813 | 7,847 | 738,026 |
| Additions | 19,245 | 0 | 0 | 2,979 | 0 | 22,224 |
| Revaluation increases/decreases(-) recognised in the Revaluation Reserve | 39,666 | 0 | 38 | 0 | 0 | 39,704 |
| Revaluation increases/decreases(-) Revaluation recognised in Surplus on the Provision of Services | 12,744 | 0 | 8 | 0 | -1,642 | 11,110 |
| De-recognition - disposals | -2,806 | -4,267 | 0 | 0 | 0 | -7,073 |
| Assets reclassified to(-)/ from Held for Sale | -5,245 | 5,245 | 0 | 0 | 0 | 0 |
| Other movements | 0 | 0 | 0 | 405 | 0 | 405 |
| **At 31 March 2022** | **784,236** | **5,245** | **4,513** | **4,197** | **6,205** | **804,396** |
| **Accumulated Depreciation and Impairment** | | | | | | |
| At 1 April 2021 | 0 | 0 | 0 | 0 | 0 | 0 |
| Depreciation charge | -17,931 | 0 | -358 | 0 | 0 | -18,289 |
| Depreciation written out to the Revaluation Reserve | 14,289 | 0 | 356 | 0 | 0 | 14,645 |
| Depreciation written out to Surplus on the Provision of Services | 3,642 | 0 | 2 | 0 | 0 | 3,644 |
| **At 31 March 2022** | **0** | **0** | **0** | **0** | **0** | **0** |
| Net Book Value | | | | | | |
| **at 31 March 2022** | **784,236** | **5,245** | **4,513** | **4,197** | **6,205** | **804,396** |
| at 1 April 2021 | 720,632 | 4,267 | 4,467 | 813 | 7,847 | 738,026 |

## H3 Fixed Asset Valuation

A revaluation of HRA dwellings was carried out as at 31 December 2021 by DVS Property Specialists, who are RICS qualified. As at that date, the vacant possession value of dwellings was £1,851 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 2021/22 was £2.3 million (2020/21 gain £1.3 million).

## H5 Major Repairs Reserve

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

| | **2021/22** | 2020/21 |
|---|---|---|
| | **£000** | £000 |
| Balance at 1 April | **0** | 0 |
| Amount equivalent to depreciation | **-18,289** | -17,757 |
| | **-18,289** | **-17,757** |
| Financing of new capital expenditure | **15,368** | 12,750 |
| Used to repay debt | **2,921** | 5,007 |
| **Balance at 31 March** | **0** | **0** |

## H6 Capital Expenditure and Sources of Finance

| | **2021/22** | 2020/21 |
|---|---|---|
| | **£000** | £000 |
| Capital Expenditure: | | |
| Fixed Assets (including PFI) | **22,417** | 17,675 |
| **Total Capital Expenditure** | **22,417** | **17,675** |
| Financed by: | | |
| Finance Lease (PFI) | **-200** | -248 |
| Major Repairs Reserve | **-15,368** | -12,750 |
| Capital Receipts | **-1,889** | -1,151 |
| Capital Grant and Contributions | **-370** | -209 |
| HRA RCCO/Reserves | **-4,590** | -3,317 |
| **Total Sources of Finance** | **-22,417** | **-17,675** |

## H7 Capital Receipts

| | **2021/22** | 2020/21 |
|---|---|---|
| | **£000** | £000 |
| Capital receipts from sales of: | | |
| Dwellings | **-9,453** | -5,385 |
| Land | **-20** | 0 |
| Clawback of legal title on Right to Buy sales | **-5** | -65 |
| Capital receipts from mortgage repayments | **0** | 0 |
| | **-9,478** | **-5,450** |
| Contribution to Housing Pooled Capital Receipts | **2,013** | 2,108 |
| Disposal costs | **72** | 48 |
| **Usable capital receipts** | **-7,393** | **-3,294** |

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

## H8 Housing Stock

The Council's housing stock at 31 March 2022 is analysed below by size and age:

| By Size | 1 Bedroom | 2 Bedrooms | 3 Bedrooms | 4+ Bedrooms | Total |
|---|---|---|---|---|---|
| Houses/ Bungalows | 2,774 | 5,253 | 4,183 | 319 | 12,529 |
| Flats/ Bedsits and Maisonettes | 6,966 | 2,353 | 101 | 0 | 9,420 |
| | 9,740 | 7,606 | 4,284 | 319 | 21,949 |
| **By Age** | Pre 1945 | 1945-64 | 1965-74 | Post 1974 | Total |
| Houses/ Bungalows | 5,338 | 5,049 | 1,503 | 639 | 12,529 |
| Flats/ Bedsits and Maisonettes | 188 | 2,318 | 3,812 | 3,102 | 9,420 |
| | 5,526 | 7,367 | 5,315 | 3,741 | 21,949 |

## H9 Rent Arrears

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

| | **2021/22** | 2020/21 |
|---|---|---|
| | **£000** | £000 |
| Rent Arrears | **4,672** | 4,754 |
| Less Bad Debt Provision | **-1,559** | -1,503 |
| **Net Rent Arrears** | **3,113** | **3,251** |

## 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.

The Council incurred costs of £9.5 million under the contract in 2021/22 (2020/21 £9.3 million) and received £7.9 million in PFI Grant (2020/21 £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 2022/23 | 2,882 | 3,221 | 2,916 | 9,019 |
| Between 2023/24 and 2026/27 | 14,161 | 11,050 | 12,202 | 37,413 |
| Between 2027/28 and 2031/32 | 17,895 | 8,443 | 22,050 | 48,388 |
| Between 2032/33 and 2034/35 | 8,916 | 923 | 12,872 | 22,711 |
| **Total** | **43,854** | **23,637** | **50,040** | **117,531** |

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

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

| | 2021/22 £000 | 2020/21 £000 |
|---|---|---|
| Net Book Value at 1 April | **14,498** | 13,472 |
| Additions | **201** | 248 |
| Revaluations net of depreciation written back | **773** | 1,066 |
| Depreciation | **0** | -288 |
| **Net Book Value at 31 March** | **15,472** | **14,498** |

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

| | 2021/22 £000 | 2020/21 £000 |
|---|---|---|
| At 1 April | **-48,077** | -50,549 |
| Movement in the year | **2,826** | 2,472 |
| **At 31 March** | **-45,251** | **-48,077** |

## 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.

| | 2021/22 | | | 2020/21 | | | |
|---|---|---|---|---|---|---|---|
| | Business Rates | Council Tax | Total | Business Rates | Council Tax | Total | Note |
| | £000 | £000 | £000 | £000 | £000 | £000 | |
| Income | | | | | | | |
| Income from Council Tax | | -232,631 | -232,631 | | -217,471 | -217,471 | C1 |
| Income Collectable from Business Ratepayers | -80,809 | | -80,809 | -54,951 | | -54,951 | C2 |
| Contributions towards previous years' Collection Fund deficit | -50,443 | -2,469 | -52,912 | 0 | 0 | 0 | |
| General fund Contribution for discretionary discounts | 0 | -2,800 | -2,800 | 0 | -4,548 | -4,548 | |
| **Total Income** | -131,252 | -237,900 | -369,152 | -54,951 | -222,019 | -276,970 | |
| | | | | | | | |
| Expenditure | | | | | | | |
| Precepts and demands - | | | | | | | |
| Central Government | 49,328 | | 49,328 | 52,599 | | 52,599 | |
| Kirklees Council | 48,341 | 197,123 | 245,464 | 51,547 | 190,484 | 242,031 | |
| West Yorkshire Fire and Rescue | 987 | 8,006 | 8,993 | 1,052 | 7,958 | 9,010 | |
| West Yorkshire Police | | 25,180 | 25,180 | | 23,716 | 23,716 | |
| Allowance for impairment of debt | -3,728 | 3,139 | -589 | 8,380 | 3,729 | 12,109 | |
| Provision for Appeals | -2,021 | 0 | -2,021 | 2,692 | 0 | 2,692 | |
| Cost of collection | 587 | | 587 | 586 | | 586 | |
| Transitional Protection Payment | 1,508 | | 1,508 | 1,696 | | 1,696 | |
| Designated Areas | 252 | | 252 | 157 | | 157 | |
| Distribution of previous year's Collection Fund surplus | 0 | 0 | 0 | 3,957 | 68 | 4,025 | |
| **Total Expenditure** | 95,254 | 233,448 | 328,702 | 122,666 | 225,955 | 348,621 | |
| | | | | | | | |
| **Surplus(-)/Deficit** | -35,998 | -4,452 | -40,450 | 67,715 | 3,936 | 71,651 | |
| Balance at 1 April | 63,341 | 5,303 | 68,644 | -4,374 | 1,367 | -3,007 | |
| **Balance at 31 March** | 27,343 | 851 | 28,194 | 63,341 | 5,303 | 68,644 | C3 |

## NOTES TO THE COLLECTION FUND STATEMENT

### C1 Council Tax

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

| Estimated at the start of the year | | | | | | |
|---|---|---|---|---|---|---|
| | **2021/22** | | | | 2020/21 | |
| **Number of Chargeable Dwellings** | **Band D Equivalent Dwellings** | **Average Council Tax** | Band | Number of Chargeable Dwellings | Band D Equivalent Dwellings | Average Council Tax |
| | | **£** | | | | £ |
| **72** | 40 | 1,073.61 | A (5/9) | 70 | 39 | 1,021.47 |
| **54,082** | 36,055 | 1,288.33 | A (6/9) | 54,518 | 36,345 | 1,225.76 |
| **28,057** | 21,822 | 1,503.05 | B (7/9) | 28,189 | 21,925 | 1,430.05 |
| **27,782** | 24,695 | 1,717.77 | C (8/9) | 27,802 | 24,713 | 1,634.35 |
| **15,336** | 15,336 | 1,932.49 | D (9/9) | 15,210 | 15,210 | 1,838.64 |
| **11,146** | 13,623 | 2,361.93 | E (11/9) | 11,046 | 13,501 | 2,247.23 |
| **5,084** | 7,344 | 2,791.37 | F (13/9) | 5,017 | 7,247 | 2,655.81 |
| **2,055** | 3,426 | 3,220.82 | G (15/9) | 2,034 | 3,389 | 3,064.40 |
| **109** | 218 | 3,864.98 | H (18/9) | 109 | 218 | 3,677.28 |
| | **122,559** | | Total | | 122,587 | |
| | **-3,381** | | Estimated losses on collection | | -1,759 | |
| | **119,178** | | Council Tax Base | | **120,828** | |

### C2 Non-Domestic (Business) Rates

The Government specifies a multiplier and, subject to the effects of transitional arrangements and other reliefs, local businesses pay rates calculated by applying the multiplier to their rateable value. There are two multipliers – the national non-domestic rating multiplier of 51.2p (2020/21 51.2p) and the small business non-domestic rating multiplier of 49.9p (2020/21 49.9p) which is applicable to those that qualify for small business rate relief. The Council is responsible for collection rates due from ratepayers in its area and pays 50% of the proceeds to Central Government and 1% to West Yorkshire Fire and Rescue Authority.

| | **2021/22** | 2020/21 |
|---|---|---|
| | **£000** | £000 |
| Non-domestic rate income 2021/22 (average rateable value £283,701,999) | **-141,567** | |
| Non-domestic rate income 2020/21 (average rateable value £286,732,293) | | -143,079 |
| Allowance and other adjustments (net) | **60,758** | 88,128 |
| | **-80,809** | **-54,951** |

The actual non-domestic rateable value at 31 March 2022 was £283,872,779 (£286,230,899 at 31 March 2021).

Kirklees has been part of a Leeds City Region (LCR) business rates pool since April 2013. It pools the business rates income of member authorities, which includes Kirklees, Bradford, Wakefield & Calderdale (top up authorities), and Leeds, Harrogate and York (tariff authorities). Leeds are the lead authority for the administration of the LCR Pool. For 2019/20 and 2020/21 the pool was expanded, with a combined LCR and North Yorkshire pool being approved by Government, but the pool reverted to its original LCR membership of West Yorkshire authorities plus Harrogate and York in 2021/22.

The pool is established for one year at a time and thus the existing pool will cease at the end of 2021/22. As part of the 2022/23 Local Government Finance Settlement, Government confirmed a further 50% pool application for 2022/23 was successful.

The pooling proposals offer suitable groups of authorities (where there is a mixture of top-ups and tariffs) the opportunity to avoid or significantly reduce government levies for which their tariff authorities would otherwise be liable if they grow their business rates income by more than inflation. The overall pool position for 2021/22 has yet to be determined, but as in previous years any gain will be utilised for the benefit of all pool members.

### C3 Movement on Balances

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

| | 1 April 2021 | Share of 2021/22 Surplus (-)/ Deficit | **31 March 2022** |
|---|---|---|---|
| | £000 | £000 | **£000** |
| **Council Tax and Community Charge** | | | |
| Kirklees Council: Community Charge | -10 | 0 | **-10** |
| Council Tax | 4,554 | -3,810 | **744** |
| Collection Fund Adjustment Account - Council Tax | 4,544 | -3,810 | **734** |
| West Yorkshire Police Authority - Council Tax | 570 | -483 | **87** |
| West Yorkshire Fire and Rescue Authority - Council Tax | 189 | -159 | **30** |
| | **5,303** | **-4,452** | **851** |
| **Business Rates** | | | |
| Kirklees Council - Business Rates | 30,933 | -17,535 | **13,398** |
| Collection Fund Adjustment Account - Business Rates | 30,933 | -17,535 | **13,398** |
| Central Government - Business Rates | 31,775 | -18,103 | **13,672** |
| West Yorkshire Fire and Rescue Authority - Business Rates | 633 | -360 | **273** |
| | **63,341** | **-35,998** | **27,343** |

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

The Business Rates deficit for 2021/22 is again larger than in previous years. This is primarily as a result of businesses being awarded expanded retail and nursery reliefs in 2021/22 totalling around £10.5 million, as part of the Governments response to the Covid-19 pandemic. These reliefs were not anticipated on the 2021/22 NNDR1 Government return submitted to Central Government in January 2021. This Government return informed the Council's Budget setting for 2021/22.

The reliefs effectively reduce the net amount the Council can collect from businesses, and as the precept amounts cannot be changed the result is a considerable deficit. However, these reliefs are funded by MHCLG through Section 31 Grants. These grants have been received in 2021/22 and have been transferred to the Council's earmarked reserve. This reserve will be used to offset the Collection Fund deficit when it is charged to the Council's General Fund in 2022/23.

A further relief announced in March 2021 but for which guidance was only issued in December 2021 was the Covid-19 Additional Relief Fund (CARF). The Council was awarded £7.4 million of CARF grant. However, given the timing of the award and the requirements to apply the reliefs to businesses, it was not utilised in 2021/22. As the CARF grant was received on account and as it will not be reconciled until 2022/23, the grant is held as a creditor on the Council's Balance Sheet.

The financial year 2021/22 marked the second year of charges relating to the phasing of Collection Fund deficits. The intention to implement the three year local tax Collection Fund deficit phasing was announced by the Secretary of State in July 2020. The Local Authorities (Collection Fund: Surplus and Deficit) (Coronavirus) (England) Regulations 2020 came into force on 1 December 2020. The regulations amended the rules governing the apportionment of Collection Fund surpluses and deficits for Council Tax and Business Rates set out in the Local Authorities (Funds) (England) Regulations 1992 and the Non-Domestic Rating (Rates Retention) Regulations 2013. The phasing of deficits relates only to the 'exceptional amount' (i.e relating to Covid-19), therefore does not include any amount brought forward into the Collection Fund, relating to previous years surpluses or deficits.

## Glossary of Terms

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

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

**Capital Receipts**
These are the proceeds from the sale of capital assets.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**Non-Domestic Rates (also known as Business Rates)**
This is the levy on business property, based on a national rate in the pound applied to the rateable value of the property. The Government determines national rate poundage each year.

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

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

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

**Provisions**
These are liabilities of uncertain timing or amount.

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

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

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

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

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

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

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

These grants and contributions are then used to fund related capital expenditure when it is incurred.

**Unusable Reserves**

- Capital Adjustment Account **-** This account reflects the difference between the cost of fixed assets consumed and the capital financing set aside to pay for them.
- Revaluation Reserve **-** This account records the net gain from fixed asset revaluations made after 1 April 2007.
- Accumulated Absences Account – This account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year, e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.
- The Collection Fund Adjustment Account – This account manages the differences arising from the recognition of Council Tax income in the CIES as it falls due from Council Tax payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.
- The Deferred Capital Receipts Reserve – This reserve holds the gains recognised on the disposal of non-current assets but for which cash settlement has yet to take place. Under statutory arrangements, the Council does not treat these gains as usable for financing new Capital expenditure until they are backed by cash receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the Capital Receipts Reserve.
- Financial Instruments Adjustment Account – This account provides a balancing mechanism between different rates at which gains and losses (such as premiums on the early repayment of debt and soft loans) are recognised under the Code and are required by statute to be met from the General Fund.
- Available for Sale Financial Instruments Reserve - This Reserve records gains made by the Council arising from increases in the value of its investments that have quoted market prices or otherwise do not have fixed or determinable payments. The balance is reduced when investments with accumulated gains are revalued downwards or impaired and the gains are lost or disposed of and the gains are realised.
- Dedicated School Grant Adjustment Account - A temporary ringfenced reserve established by the 2020/21 Code to hold any DSG deficit separately from the Council’s General Fund Earmarked reserves.

# Kirklees Council

# Annual Governance Statement 2021/22

**February 2023**

## Overall Conclusion & Opinion

We have considered carefully the effectiveness of the Council's governance framework and have been advised by the Corporate Governance and Audit Committee. We are satisfied that the Council's overall governance arrangements are in accordance with our governance framework and Code of Corporate Governance.

We will continue to enhance our governance arrangements as recommended 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 during 2022/23 and beyond in conjunction with the Corporate Governance & Audit Committee.

Signed:

Cllr. Shabir Pandor, Leader of the Council

Jacqui Gedman, Chief Executive

## Significant Governance Issues during 2021/22

The annual corporate review process has identified and evaluated both progress with addressing ongoing issues from the 2020/21 Statement and some new areas of potential concern. Any of these that meets one or more of the following criteria (suggested by CIPFA / SOLACE) has been regarded as significant and included in this Statement:

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

## Progress with the Significant Governance Issues in last year's Statement

Our previous Statements recognise that many issues are complex, and sometimes not solely entirely under the Council's direct control. These often take longer than one year to address and embed remedial action. Therefore, some of these may feature in one form or another for a longer period, even if some aspects can be resolved during the year. This has been reflected in what remains to be done, as shown in the table over the page. Nevertheless, good governance will always be subject to actions that seek continuous improvement.

Good progress has been made since the 2020/21 Statement in addressing several of the Issues highlighted in it and consequently these have been omitted from the current Statement, as they no longer represent a threat to the organisation. Similarly, where there has been a change of focus or circumstance this has resulted in several being combined and revised herein.

| No. | Governance Issue / Theme | Reason for Inclusion | Direction of Travel / Progress in 2021/22 | Further Action in 2022/23 |
|---|---|---|---|---|
| | | | | |
| 1 | The Corporate Planning process needs further strengthening with improved linkages to | Delivery of key Council objectives could be undermined. | The refreshed Corporate Plan, *Our Council Plan 2021/23*, was agreed as a roadmap for recovery in Kirklees. At its heart is a determination to build a fairer and more equal place | An Annual Planning Cycle has been agreed, which will lead to the publishing of the next revision to the Council Plan in January 2023. This will reflect |

| No. | Governance Issue / Theme | Reason for Inclusion | Direction of Travel / Progress in 2021/22 | Further Action in 2022/23 |
|---|---|---|---|---|
| | both revenue and capital resource allocation and performance measures to ensure delivery of key Council objectives.<br><br>(A, B, F) | | for people to live, work and grow up in. It includes clear statements of priorities and actions to achieve them and is subject to regular performance reporting on which the Leader and Cabinet are held to account by Scrutiny and Council.<br><br>The Medium-Term Financial Plan 2020-23 (revenue), Capital Plan (2020-25) and the subsequent budget planning cycles for the financial years 2021/22 and 2022/23 have been aligned to Corporate Plan ambition and priorities. Reviewing budget setting arrangements regarding outcome-based budgeting remains a "work in progress" in the 2022/23 budget exercise (early 2022). | the Administration's priorities and the impact on the organisation and its finances post pandemic. It will recognise other national and international pressures -particularly inflation and the impact of the Cost of Living Crisis for residents and staff. Ongoing work is already informing the 2023/24 budget process.<br><br>Ongoing review of the Council's challenging in-year 2022/23 financial position, including impact of unprecedented cost of living inflationary and other pressures organisation wide, management actions and updated financial strategies, and a financial governance framework that supports deliverable cost reduction/base budget savings plans: both current year and future years.<br><br>To develop a more robust, intelligence-led performance management mechanism (using quantitative and qualitative indicators) across the organisation |

| No. | Governance Issue / Theme | Reason for Inclusion | Direction of Travel / Progress in 2021/22 | Further Action in 2022/23 |
|---|---|---|---|---|
| | | | | aligned with the annual planning cycle to drive resource allocation aligned to priority outcomes and to monitor their delivery.<br><br>An aligned Communications Strategy will be further developed and agreed, including the engagement of all Members. |
| 2 | Delivery of the Council's Transformation Activities.<br><br>(A, F) | Work is ongoing corporately to embed innovation and change to help ensure key priorities can be achieved. | The priority transformation programmes, to which transformation resources are allocated, have been updated to areas of priority based on need and scale of challenge. | The focus is on ensuring these priorities are further shaped and delivered over the coming years to produce better outcomes and increasing prioritisation focus on the delivery of future significant cashable savings / cost avoidance. |
| 3 | Strengthen and develop Partnership Governance and new relationships.<br><br>(A, E, F) | Key outcomes require significant input from partners and others. | Partnership governance has improved at an Executive and 'anchor institution' (key public and private sector partners) level.<br><br>Uncertainties have arisen associated with changed ways of working with newly emerging / re-shaped anchor /strategic partnerships and our influence in helping shape these from a strategic partnership /influencing /integration perspective, especially regional funders and partners, including the | Continue to develop further developments to partnership working, recognising the different perspective of those partners with their own resources, and those who are dependent partially, or wholly, on the council for funding, and to reflect these developing relationships with increased visibility at Cabinet level through six monthly assurance reporting on the Council's key |

| No. | Governance Issue / Theme | Reason for Inclusion | Direction of Travel / Progress in 2021/22 | Further Action in 2022/23 |
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| | | | West Yorkshire Mayor and Combined Authority. Competitive bidding is one such case and also the impact on Integrated Care Plans and the role of the Health & Wellbeing Board and matters arising from the Integrated Care Strategy. | partnerships and associated parties. |
| 4 | Continue to Strengthen Risk Management.<br><br>(B, C, D) | To ensure sufficient organisational resilience to resist the type of failings experienced in the local authority sector and beyond. | Work has been ongoing to improve the quality of directorate-based risk arrangements and risk elevation.<br>An initial corporate Assurance Framework and culture has been developed in connection with all key and emerging business risks, including learning the lessons from historically different service delivery. | Embed the changes made during the year and new assurance arrangements to deliver greater knowledge and active choices about risk, appetite, and options.<br><br>Establish and embed a corporate assurance process to provide oversight of the corporate risk management process. |
| 5 | Employee recruitment & retention pressures<br><br>(A, F) | People resources is a vital part of being able to deliver the key outcomes for the Council. | National and local challenges continue in one of the toughest labour markets for 50 years. There are many hard to fill roles, including highways engineering, social workers and care staff, and HGV drivers, where additional focus and support over and above the People Strategy programme of work has been introduced.<br><br>The refreshed People Strategy work programme has continued aiming at various retention related initiatives and market | Recognising the labour market challenges the budget identified £4.7m for workforce planning. Action plans at service level needs to be completed and consolidated into a coherent arrangement.<br><br>To ensure that budgets to support workforce planning are prioritised, an assurance process will require fully costed, evidence-based business cases to be scrutinised, prioritised |

| No. | Governance Issue / Theme | Reason for Inclusion | Direction of Travel / Progress in 2021/22 | Further Action in 2022/23 |
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| | | | supplements, plus a longer term "grow your own" approach via apprenticeships etc. | and approved by the Executive Team.<br><br>Personnel Committee will maintain oversight of this activity and receive updates and assurance on the effectiveness of relevant strategies adopted.<br><br>Retention strategies need to be embedded and deployed effectively. |
| 6 | 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.<br><br>(B, C, F) | Having the right structures and mechanisms in place is key to achieving delivery of the Council's priorities. | Ongoing consolidation of governance arrangements identified last year to enhance the Constitution, in particular working with Members to look at some of the issues that came from the consultation and make any changes that may be required to the current Standards process. The Council considered the adoption of the LGA Model Code of Conduct. Following a thorough analysis, the Standards Committee concluded the best fit for the Council would be to produce our own hybrid version and this was adopted by the Council in December 2021.<br><br>Consideration of proposals to review options around committee structures. | A programme of Member Training to reflect on the New Code and work of the Standards Committee.<br><br>Consolidate findings from internal and external sources into an options paper for decision.<br><br>Implementing a new operating model that takes us to service delivery at a less centralised level and ensuring that all staff understand the role they play in Place-Based Working as council officers. |

| No. | Governance Issue / Theme | Reason for Inclusion | Direction of Travel / Progress in 2021/22 | Further Action in 2022/23 |
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| | | | Implementation of the reviews.<br><br>Work has been ongoing to develop and embed place-based working. | |
| 7 | Address the health and safety issues raised in connection with housing properties and the complete buildings portfolio, ensuring that management and operational arrangements provide for the health and safety of all Council tenants, employees and residents.<br><br>(A, C, E) | Work is ongoing to embed innovation and change but it has not yet reached a *business as usual* state. | Following transfer of the ALMO, a report from an external consultant in summer 2021 identified a number of areas of improvement placing significant risk on the Council, namely:<br><br>• Poor data integrity and lack of system integration<br><br>• Overdue delivery of fire safety remedial actions<br><br>• Water Hygiene: lack of visibility of risk across domestic dwellings, completion of communal re-inspection programmes and review dwellings included, completion of remedial actions<br><br>• Asbestos management: poor data management, completion of inspection and re-inspection programme.<br><br>An Action Plan of 55 recommendations was formulated, of which 76% had been implemented by the end of 2021. Cabinet was informed that overall, the improvement plan remained on programme as we continue to complete | Continue prioritised delivery of the Action Plan to ensure completion by the programmed date of March 2024.<br><br>Data integrity has been strengthened for building safety in particular data for fire safety with interim IT solutions and all high-risk fire safety remedial actions have been completed.<br><br>Asbestos and re-inspection programmes are now in place and being competed to target with any remedial works identified completed promptly to ensure continued compliance.<br><br>This is now 80% complete and the outstanding high-risk actions are now complete. The remaining actions, due to their complexity, are the subject of commissions with external consultants to ensure the management plans for |

| No. | Governance Issue / Theme | Reason for Inclusion | Direction of Travel / Progress in 2021/22 | Further Action in 2022/23 |
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| | | | recommendations by priority and key areas of the improvement plan. The remaining actions due to their scale and complexity are being progressed with support from corporate enablers e.g., IT, Data and Intelligence and Transformation colleagues. The estimated completion date of the overall plan is March 24. Given the priority relating to overdue Fire Risk Assessment (FRA) remedial actions, we also track the completion of every high priority action and those to high rise blocks notified to the Regulator. Of the outstanding 1,164 high risk remediation actions at the time of the review, 1,118 have been completed with the balance in procurement or in contract. The low and medium rise FRA actions are currently at the early stages of contract negotiation. The outcome of these will determine the programme.<br><br>Discussions with the Regulator in summer 2022 recognised the good progress being made, at a challenging time for the housing sector, that there was still work to be done to deliver the recommendations of the review and agreed to continue to receive monthly updates on progress. Good | each of the Big 6 compliance areas are reviewed including process maps. Also, a separate commission to enable data validation to increase the integrity of the data held on building safety. These contracts are due to be awarded at the start of 2023.<br><br>The low-rise contract for low and medium risk actions had been tendered and preferred contractor identified, however due to the nature contract discussions had to be mutually abandoned to avoid commercial and procurement risk to both parties. This now being re-packaged and being prepared for re-procurement and so the programme will extend beyond March 2024.<br><br>The scope of the overall transformation programme has been agreed and workstream leads identified with the priorities focused on compliance and process redesign in conjunction with the commissions for management plans and data validation. |

| No. | Governance Issue / Theme | Reason for Inclusion | Direction of Travel / Progress in 2021/22 | Further Action in 2022/23 |
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| | | | progress is being made and there are regular programmes of inspection and re-inspection for all 6 building safety workstreams including asbestos and water hygiene whilst, the early work on strengthening processes and data integrity is supporting a stronger internal framework of assurance. | Replacement of the housing management system is well progressed following a pause for review post transfer. This is due to go live in late summer 2023.<br><br>Continued dialogue with the Regulator who has had monthly updates and meetings with the Service Director. |
| 8 | Develop a more strategic corporate management of the investigation and treatment of cases of suspected fraud & corruption.<br><br>(B, D) | A key pillar to sound financial governance. | The Counter Fraud Strategy is being revised to fully reflect the national recommended approach and CIPFA Code of Practice. The Corporate Fraud Team transferred to Internal Audit on 1 April 2022. | Adopt and embed the revised Strategy.<br><br>Prioritise investigative work and report outcomes to ET and CGAC.<br><br>Develop and commence training and awareness raising amongst key operational staff. |

## New Issues

The annual review of the effectiveness of our governance arrangements has identified areas of heightened concern, risk, or significant uncertainty that require a corporate response. Where appropriate, these matters have been incorporated into exiting or slightly refocussed Issues brought forward from last year's Statement.

| Governance Issue / Theme | Reason for Inclusion | Action Required in 2022/23 |
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| Cost of Living Crisis<br><br>The impact on residents and the Council itself from the current and projected levels of price inflation on key commodities is such that many of the key objectives may not be able to be achieved as planned, as the focus of many residents changes to meeting basic requirements in terms of food, heat and travel in particular and potentially significantly increased resident, business and community demand for Council services.<br><br>This in turn may impact on the Council's main income streams and in its expenditure plans to support the most vulnerable members of the community.<br><br>(A, E, F) | Could prevent achievement of key objectives | There will be an increased focus through the Council's formal decision-making processes on understanding what the impact of any council policy, or change to policy, will have on the financial wellbeing of residents and other stakeholders within the area.<br><br>Ensure timely and effective strategic communication to all residents, prompt delivery of existing support and advice of all aid and benefit take-up that is available, and ensure sufficient capacity and infrastructure within the Council, anchor partner and community support organisations, to deliver timely and effective support to scale.<br><br>Ensure cost of living pressures, alongside the impact of the Government 2023/24 financial settlement. are factored into updated financial, performance and risk management reports into the corporate member arena in a timely fashion, and to aid current and future decision-making to respond to emerging and significantly increased organisational challenges accordingly. In year mitigation actions to be |

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| | | taken to manage budget overspends likely as a result of increased inflation and energy costs.<br><br>Ensure the Council has robust governance to support the delivery of sustainable medium term financial strategies and plans in light of cost of living impacted financial challenges, and that will ensure the Council can statutorily continue to live within its available financial means, for the foreseeable future. |

A detailed Action Plan sits behind this summary and the Executive Team and Corporate Governance & Audit Committee will monitor progress during 2022/23.

## 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 2021/22 and up to the date that the Statement of Accounts is approved (February 2023) and thus meets the requirements of the Accounts and Audit Regulations 2015, and the Accounts and Audit (Amendment) Regulations 2020. It provides assurance about the Council's governance framework, including the other entity in the Group Accounts, a joint venture, Kirklees Stadium Development Limited, to enable readers of the consolidated Accounts to be satisfied that 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 2021/22 and those which are planned or ongoing in 2022/23.

## 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 through which it engages with, leads and accounts to its communities. Effective governance should enable the Council to monitor the achievement of its strategic objectives and to assess if this has led to the delivery of appropriate services and value for money.

System of internal control are a significant part of any organisations governance framework, designed to manage risk to a reasonable level. They cannot eliminate all risk of failure to achieve policies, aims and objectives and provide reasonable, but 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 Corporate Plan that outlines how officers will seek to run the Council to meet our community commitments and objective
- A Leader and Cabinet model of governance.
- A corporate governance, audit and scrutiny process as set out in the Constitution.
- Oversight and delivery of the Council Transformation Programme, including several officer boards as described in the Constitution, notably the Children's Board.
- 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).
- The Monitoring Officer who has responsibility for the Constitution and ensuring the legality of Council actions and decision making.
- The S151 Officer who has responsibility for ensuring that the financial management arrangements conform with all of the governance requirements of the five principles that define the core activities and behaviours that belong to the role in the *CIPFA Statement on The Role of the Chief Financial Officer in Local Authorities (2014).*
- Codes of conduct defining the standards of behaviour for Members and employees

- An Anti-Fraud & Anti-Corruption Policy and arrangements that endeavour to comply with the CIPFA Code and best practice
- A Risk Management Strategy
- Systems of financial and business internal control
- An internal audit section, which 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 (Monitoring Officer)
- Arrangements to manage other parts of the Council's (financial) 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.

## 2021/22 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 several 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 (CGAC)
- The Overview & Scrutiny Committee; and
- The Standards Committee.

The main parts of the review process are described below:

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

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

In December 2022, an external assessment as part of a regional peer review process concluded that Internal Audit "Generally Conforms" to PSIAS, this being the highest level of compliance opinion.

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

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

3. External Auditor's Review

During the year the External Auditor's Annual Report included

- an unqualified opinion on the Council's 2020/21 financial statements; and
- an unqualified value for money conclusion, stating that we have made proper arrangements to secure economy, efficiency and effectiveness in our use of resources.

4. Corporate Governance & Audit Committee (CGAC)

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

During 2021/22 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 received assurance from various 2021/22 annual reports such as health and safety, emergency planning and business continuity, information governance and customer corporate standards on complaint handling, and a review of the Ombudsman and Third Stage Complaints received, together with details of the Whistleblowing Complaints that have been received.

Recognising the need to ensure that both new and existing members of the Committee have the appropriate support and skills to conduct their role, training sessions are provided at various intervals, and this includes treasury management, over which the Committee has corporate oversight.

5 Overview & Scrutiny Management Committee

During 2021/22 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.

6. Standards Committee

During the year the Committee reviewed various aspects of Member conduct in addition to an evaluation of the merits of adopting the LGA Code of Conduct which resulted in a hybrid version being adopted.

7 Role of the Chief Financial Officer

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

The CFO and an Internal Audit assessment have confirmed that the Council is compliant with the CIPFA Financial Management Code, and he has undertaken to review how overall arrangements can be strengthened further in line with recommendations made in the report.

8 External Inspections & Peer Reviews

A central repository of the outcome and future timetable of all external inspections, audits, accreditations and reviews has been established during the year by colleagues in the Policy Team from information provided by Service Directors. Areas for improvement and recommendations to be implemented can be identified quickly and progress monitored accordingly to ensure complete corporate oversight, including any areas that may represent significant governance issues for inclusion herein. All Strategic Directors are set an annual objective of participating in LGA Peer Reviews to ensure organisation learning from best in class.

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 Monitoring Officer / Senior Information Risk Owner

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