

# **KIRKLEES COUNCIL**

## **AUDITED STATEMENT OF ACCOUNTS 2022/2023**

**I Brittain  
Service Director Finance  
Civic Centre 3  
Market Street  
Huddersfield  
HD1 1WG**

<b>Contents</b>	<b>Page</b>
<b>Narrative Report</b>	<b>3</b>
<b>Statement of Responsibilities and Certificate</b>	<b>23</b>
<b><u>Main Financial Statements</u></b>	
<b>Comprehensive Income and Expenditure Statement</b>	<b>24</b>
<b>Statement of Movement in Reserves</b>	<b>25</b>
<b>Balance Sheet</b>	<b>26</b>
<b>Cash Flow Statement</b>	<b>27</b>
<b><u>Notes to the Main Financial Statements</u></b>	
<b>1. Accounting Policies</b>	<b>28</b>
<b>2. Prior Period Adjustments</b>	<b>47</b>
<b>3. Accounting Standards that have been issued but have not yet been adopted</b>	<b>47</b>
<b>4. Critical Judgements</b>	<b>48</b>
<b>5. Assumptions and Major Sources of Estimation Uncertainty</b>	<b>50</b>
<b>6. Exceptional Items and Material Items of Income and Expense</b>	<b>51</b>
<b>7. Events after the reporting period</b>	<b>51</b>
<b>8. Expenditure and Funding Analysis</b>	<b>52</b>
<b>9. Expenditure and Income analysed by nature (Subjective Analysis)</b>	<b>56</b>
<b>10. Adjustments between accounting basis and funding basis under regulations</b>	<b>57</b>
<b>11. Transfers to/from Earmarked Reserves</b>	<b>61</b>
<b><u>Notes Referring to Specific Items in the CIES</u></b>	
<b>12. Other Operating Expenditure</b>	<b>63</b>
<b>13. Financing and Investment Income and Expenditure</b>	<b>63</b>
<b>14. Taxation and Non-Specific Grant Income</b>	<b>63</b>
<b><u>Notes Referring to Specific Items in the Balance Sheet</u></b>	
<b>15. Property, Plant and Equipment (PPE)</b>	<b>64</b>
<b>16. Heritage Assets</b>	<b>68</b>
<b>17. Investment Property</b>	<b>70</b>
<b>18. Intangible Assets</b>	<b>71</b>
<b>19. Financial Instruments</b>	<b>72</b>
<b>20. Long Term Debtors</b>	<b>81</b>
<b>21. Inventories</b>	<b>81</b>
<b>22. Short Term Debtors</b>	<b>82</b>
<b>23. Cash and Cash Equivalents</b>	<b>82</b>
<b>24. Short Term Creditors</b>	<b>82</b>
<b>25. Provisions</b>	<b>83</b>
<b>26. Other Long Term Liabilities</b>	<b>84</b>
<b>27. Usable Reserves</b>	<b>84</b>
<b>28. Unusable Reserves</b>	<b>84</b>

<b><u>Notes Referring to Specific Items in the Cash Flow Statement</u></b>	
<b>29. Operating Activities</b>	<b>87</b>
<b>30. Adjustments to net surplus or deficit on the provision of services for non-cash movements</b>	<b>87</b>
<b>31. Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities</b>	<b>87</b>
<b><u>Other disclosures</u></b>	
<b>32. External Audit Costs</b>	<b>88</b>
<b>33. Pooled Funds</b>	<b>88</b>
<b>34. Officers' Remuneration</b>	<b>90</b>
<b>35. Deployment of Dedicated Schools Grant (DSG)</b>	<b>93</b>
<b>36. Related Party Transactions</b>	<b>93</b>
<b>37. Grant Income</b>	<b>96</b>
<b>38. Capital Expenditure and Capital Financing</b>	<b>97</b>
<b>39. Leases</b>	<b>98</b>
<b>40. Private Finance Initiative (PFI) Transactions</b>	<b>102</b>
<b>41. Pensions Disclosures</b>	<b>106</b>
<b><u>Group Accounts</u></b>	
<b>Introduction</b>	<b>114</b>
<b>Group Comprehensive Income and Expenditure Statement</b>	<b>115</b>
<b>Group Statement of Movement in Reserves</b>	<b>116</b>
<b>Group Balance Sheet</b>	<b>117</b>
<b>Notes to the Group Accounts</b>	<b>118</b>
<b><u>Additional Financial Statements</u></b>	
<b>Housing Revenue Account (HRA) Income and Expenditure Account</b>	<b>120</b>
<b>Movement on the Housing Revenue Account (HRA) Statement</b>	<b>121</b>
<b>Notes to the Housing Revenue Account (HRA)</b>	<b>122</b>
<b>Collection Fund</b>	<b>127</b>
<b>Notes to the Collection Fund</b>	<b>128</b>
<b>Glossary of Terms</b>	<b>131</b>
<b>Annual Governance Statement</b>	<b>136</b>

### Foreword

I am pleased to introduce the Council's Statement of Accounts for the year ended 31 March 2023.

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. The impact of Covid-19 along with wider sectoral issues within the external audit market has resulted in changes to these deadlines since 2020. The deadline for the completion of the audit of the 2022/23 accounts is 30 September 2023, with draft accounts to be published by 31 May 2023. The Accounts and Audit (Amendment) Regulations 2022 brought forward the date from 30 November (which was applicable to the 2021/22 accounts).

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 the overall financial health of the organisation.

The 2022/23 financial performance should be assessed in the context of one of the most challenging economic backdrops in living memory, with high energy prices, high and persistent inflation and rising interest rates. The overall outturn position was an overspend of £27.0 million on the revenue budget, £15.1 million of which was specific Cost of Living pressures.

The Council's budget plans for 2023/24 reflect the Administration's primary aim; to give stability to the Council's finances in the face of continuing inflationary pressures. Achieving financial sustainability is essential to allowing the Council to continue to deliver services for residents. In achieving this aim, the 2023/24 budget plans to use over £24 million in unallocated reserves as a short-term stability measure largely to address unprecedented Cost of Living pressures. The budget plans also roll forward existing approved investment in the Administration's political priorities: the Kirklees Inclusive Economic Strategy, the Inclusive Communities Framework and the Joint Health and Wellbeing Strategy.

The budget includes sustainable savings of £18.6 million, which the Council must ensure that it delivers in 2023/24, alongside maintaining overall plans within the approved budget envelopes. This will be supported by appropriate and robust member and officer stewardship, monitoring and review and will form the basis of overall in-year financial reporting through established annual Council planning cycle and governance processes.

The unallocated reserves balance at 31<sup>st</sup> March 2023 was £47.1 million; equivalent to 12.6% of the 2023/24 net revenue budget. Given the planned drawdown of £24.6 million of unallocated reserves in 2023/24 to balance the overall budget position, there is forecast to be a remaining unallocated reserves balance of £22.5 million, or 6.0%, of the 2023/24 net revenue budget. By using its reserves in this way, the Council acknowledges that it will be operating with a minimum prudent level of reserves in 2023/24.

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 June. I also want to thank colleagues across the organisation and partner organisations for their collective commitment to support the finalisation of the draft Statement of Accounts by 29 June.

Isabel Brittain  
Service Director - Finance

## Introduction to Kirklees



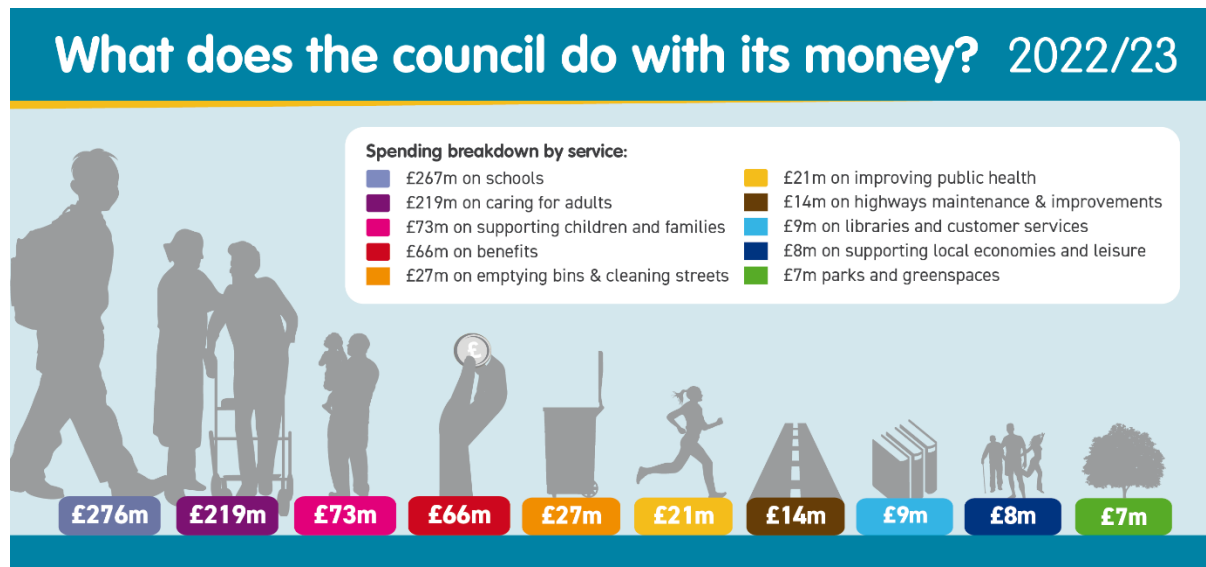
Digley Reservoir, Holmfirth

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 **433,400 residents**, and this figure is projected to increase by 4.3% 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 (2021).
- **Population by ethnic group**; 74%\* White, 19% Asian or British Asian, 7% Other (\*England & Wales average 82%).
- **3rd largest metropolitan district in area** covering 157 square miles.
- **178,000 households**, of which about 66% are owner occupied, and 11% Council rented. Households are projected to increase 10% by 2043, to 199,200.
- **161,350 employees in Kirklees**, of which 19% relates to Manufacturing, more than double the Great British average of 8%. Health also provides 14%; with Education accounting for 11% and Retail 9%.
- **The average median gross weekly earnings for Kirklees residents in 2022 is £513.50**; lower than the Great Britain average of **£535.00**.
- **Unemployment rates\* at March 2023 are 4.4%**; in comparison to the Great Britain average of 3.8% (\*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 2022 (source Kirklees People Services):

	Full-time	Part-time	Total	Full time equivalent (fte)
Non-schools	4,873	3,704	<b>8,577</b>	6,979
Schools	1,680	3,997	<b>5,677</b>	3,931
<b>Total</b>	<b>6,553</b>	<b>7,701</b>	<b>14,254</b>	<b>10,910</b>

To put the above into perspective, the full-time equivalent figure in 2010 was 14,003; this represents an overall reduction of 3,093, approximately 22%, over the period.

**Council performance in 2022/23**

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

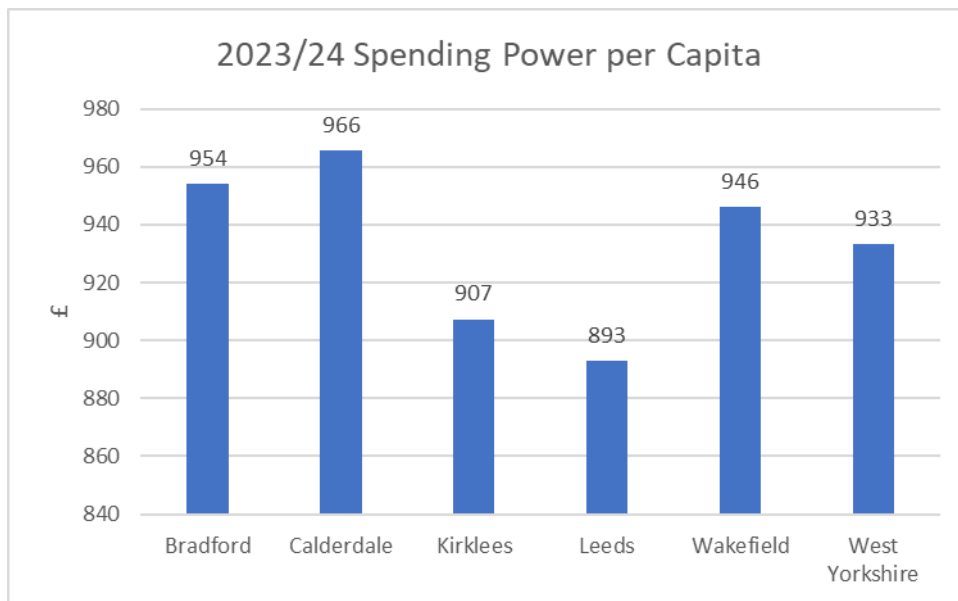
*“a district that combines a strong, sustainable economy with a great quality of life - leading to thriving communities, growing businesses, high prosperity and low inequality where people enjoy better health throughout their lives”.*

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 2023-28, whilst acknowledging the continuing financial challenges facing the Council, build on the three key strategies: the Kirklees Inclusive Economic Strategy, the Inclusive Communities Framework and the Joint Health and Wellbeing Strategy.

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 is a member of the 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 4th lowest of the 36 metropolitan authorities in 2023/24, and second 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 2022/23 it was agreed that the End of Year Corporate Performance and Impact Report would focus on the Council Plan 2022-24 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:**

- 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, 31 schools have shown an interest. We have helped schools to work with local councillors, growing young people's confidence and enabling social action.
- Over £617k in funding has been agreed to help deliver some of the action plan priorities outlined in the thirteen action plans published during the year.
- Almost 1,360 individuals took part in place standard conversations.

### **Best Start:**

- The Families Together Offer continues to grow, delivering support and intervention for children, young people and families across Kirklees.
- There has been an increase in children with an Education Health and Care Plan (EHCP) achieving good level of development at the end of reception across Kirklees.

### **Well:**

- Over 1000 NHS health checks were delivered during the Wellness Service community pilot identifying potential health issues in 79% of cases and reaching a larger proportion of non-White British ethnic groups than is in the Kirklees population overall.
- Co-productive work with local people has resulted in a new Direct Payment Policy, Direct Payment Guidance, and Third-Party Agreement. The working group included a diverse range of 15 people who draw on care and support, with positive feedback received from participants.

### **Independent:**

- Independent review of Home Adaptations provision in Kirklees has been completed involving engagement from Kirklees Citizens and service users.
- The Library Service has just been awarded the "Quality for Health" award and is, nationally, the first library service to have received this award based on the quality of the service offer (stock and staff knowledge) to enable residents to improve their health.
- Libraries are continuing to provide cost of living support; in the first half of this year (April to September) the use of our physical book lending service, e-book lending service and e-magazine and newspaper lending service saved our customers £5,221,708.

### **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-building 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:**

- The Cultural Heart business case has been approved
- Successful submission of several Levelling Up schemes including town centres and transport

### **Safe and Cohesive:**

- Completion of the fire door programme has made living in high rise blocks safer for tenants. It offers greater assurance about safety, helping to reduce anxiety and improve wellbeing
- The Inclusive Communities Framework (ICF) has been completed. The strong relationships built between multiple agencies across Kirklees continue to work together to embed the ICF.

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

- Wide range of pandemic recovery activities undertaken to improve the quality of our environment including ward Councillor priorities.
- The re-use containers continue to be a great success. Since November 2021, 83 tonnes of donated and re-usable items have been collected and distributed from the two HHW containers. Following its launch, the items collected in the containers will be distributed via the new re-use shop.
- The introduction of 35 EV's vans supports the Councils vision of reaching carbon net zero by 2038 by reducing fleet tailpipe emissions, providing an accelerated roadmap to a fully net zero fleet.

**Efficient and Effective (Council Ambition)**

- The Council is piloting a workforce planning toolkit in priority areas, including introductory priming sessions and an exploration of workforce demographics in the services.

**Financial Performance in 2022/23**

**Service developments in year**

During the year, there have been 5 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 £4.5 million. These transfers have resulted in a reduction in revenue spending of £8.1 million and a corresponding amount of Dedicated Schools Grant.

**Revenue – General Fund**

The General Fund Net Revenue Budget for 2022/23 was £335.0 million, approved at Council on 16 February 2022.

There was a net transfer from reserves to General Fund in-year, totalling £15.5 million. The revised budget in 2022/23 was £350.5 million.

The Council's net revenue spend totalled £377.5 million in 2022/23.

The overall outturn position was an overspend of £27.0 million revenue budget (compared to break-even in 2021/22). This was attributable in part to specific Cost of Living pressures above budgeted assumptions.

The 2022/23 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	Total variance	Variance split:	
				Cost of Living	Other
	£000	£000	£000	£000	£000
Children & Families	97,321	103,844	6,523	2,875	3,648
Adults & Health	116,709	118,153	1,444	-	1,444
Environment & Climate Change	38,556	48,549	9,993	915	9,078
Growth & Regeneration	20,905	23,484	2,579	-	2,579
Corporate Strategy, Commissioning & Public Health	52,091	54,168	2,077	712	1,365
Central Budgets	24,898	29,300	4,402	10,553	(6,151)
<b>General Fund Total</b>	<b>350,480</b>	<b>377,498</b>	<b>27,018</b>	<b>15,055</b>	<b>11,963</b>

### Cost of Living Pressures:

The 2022/23 budget plans were approved on 16 February 2022 and 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. However, the Russian invasion in Ukraine in February 2022 delivered a further global shockwave with significant structural global and national macro-economic and societal impacts that are continuing to have an impact. The final cost of living impacts in 2022/23 amounted to a total of £15.1 million.

There was an overspend of £8.6 million when compared to the budgeted uplift level of 2% as a result of the local government sector national employer representatives pay award.

There was an overall overspend of £5.6 million for energy inflation. Unprecedented inflationary increases in energy prices resulted in an overspend of £2.0 million for Council direct costs. There was a further overspend of £2.9 million within Children & Families (Learning Services) due to costs borne by the Council in excess of annual RPI relating to energy charges for PPP 1 and 2 contracts with 19 schools. There was also a £0.7 million energy pressure on Kirklees Active Leisure (KAL) budgets; aligned to Corporate Services (Sports and Physical Activity).

There was an overall overspend of £0.9 million for fuel/food inflation. Within Environment & Climate change, there was a catering pressure of £0.3 million due to increasing food costs, and a further £0.6 million pressure on Transport services due to high fuel prices.

Beyond the cost of living pressures, there were a number of significant underlying service pressures, including £13.6 million (2021/22: £12.8 million) on Special Educational Needs and Disability (SEND) activity, in excess of the resources available to fund this activity through the High Needs funding block allocation within the Dedicated Schools Grant (DSG).

The overall DSG Deficit was £28.8 million at 31 March 2023. This is off track with the Safety Valve modelled projections by £5.8 million. The increase in costs was mainly due to rising complexity and demand in mainstream schools. The latest 5 year management plan projection still reflects an overall in-year balanced budget position by 2026/27 with a projected remaining balance of DSG deficit now

at £1.4 million; significantly reduced from the baseline starting point £35 million deficit projection at year end 2021/22 prior to the Council's participation in the Safety Valve Round 2 Programme in February 2022.

Costs continue to increase in relation to High Needs expenditure. The two main areas with additional cost pressures are Mainstream Top-Ups and Independent School Places. Mainstream top ups have increased by £1.5 million due to increases in complexity and top up rates to reflect pay awards. The vast majority of Education, Health & Care Plans (EHCP) awarded are now at Band A or Band A exceptional which is the highest level of funding provided. Independent School Places costs are increasing by approximately £0.5 million due to rising numbers and placement costs; including an element of placement costs that relates to Cost of Living impacted inflationary increases.

As part of the signed DSG deficit agreement, and the Council's continuing contribution towards the in-year DSG deficit savings target, £1.4 million of costs that would otherwise have been recharged from Learning & Early Support to the High Needs block have instead been absorbed. Due to the timing of the management agreement, the 2022/23 costs have been offset from demand reserves drawdown, and the intention is to build the additional cost absorption into subsequent service budget development for 2023/24 onwards.

Following the introduction of a Statutory Instrument in November 2020 and an extension for a further 3 years (from 2022/23 to 2025/26) along with 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 financial position for 2022/23.

There was also an overall overspend on Schools Transport of £3.7 million relating mostly to volume pressures and also increased fuel costs. As at 31 March 2023, 388 children with Education Health and Care Plans (EHCP's) are using Post 16 Home to School Transport (214 at 31 March 2022). Approved 2023/24 budget plans include £3.2 million base budget uplift to reflect recurrent demand pressures on schools transport service.

There was also an overspend in the SENDACT Team of £0.7 million as a result of the use of agency staff to cover vacancies and sickness absence. It should be noted that agency usage is now at a minimum and has ended in March 2023 as the substantive posts have now been successfully recruited to. There was also an overspend of £0.8m on Special Educational Needs and Disability Inclusion Fund (SENDIF). The overspend was a result of the continued increase in the numbers of children accessing the system and a rising complexity of need in these cases.

There was a £1.0 million overspend within Child Protection and Family Support largely a result of increased volumes and complexity of need on demand led Children with Disability Service (CDS) Agency Homecare Packages. The main area of this budget relates to Demand Led Sufficiency. Costs also increased because of Orchard View being unavailable at the moment and alternative placements needing to be utilised. The service is also experiencing increasing numbers of UASC (Unaccompanied Asylum Seeking Children).

The overall position for Adults was an overspend of £1.4 million. Variances have been seen across key demand-led headings, notably on Independent Sector Home Care, on Independent Sector Residential & Nursing Placements, and on Self Directed Support.

Environment and Climate Change included an overspend of £1.2 million within Highways, with approximately £0.6 million of the additional costs relating to hired vehicles, materials and subcontractors within Highways operations and a £0.6 million pressure on General Maintenance reactive works. There were also pressures of £1.1 million within parking largely due to multi storey and other site closures and lower than budgeted parking fees and fines income. Adverse Weather budgets were also overspent by £0.6 million due to above average gritting, night patrol actions and snowfall. There were other overspends including: £1.2 million for catering due to a shortfall in income, £0.8 million in Markets, £0.3 million in Town & Public Halls £0.3 million in Bereavement largely due to reduced income and £0.3 million within Licensing resulting from a shortfall of income.

Growth and Regeneration included an overspend of £2.5 million on Property, £0.9 million of which related to Commercial Properties. There was also a £1.0 million overspend in Planning and Building control due to lower than expected demand for planning and inspections. This was partly offset by smaller underspends including Major Projects (£0.3 million) and Employment and Skills (£0.4 million).

Within Corporate Strategy, Commissioning and Public Health there was an overspend of £0.9 million within People Service. This largely related to staffing overspends within both HR, with regards to succession planning, and HD-One, for specific projects. There was also an overspend of £0.9 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 Central budgets a £4.0 million contingency, reflecting the protracted recovery of service income from sales fees and charges and commercial rents as a result of COVID over the medium term, was released from central budgets in-year to offset service losses held within Directorates. There was a further benefit of £0.7 million from an unbudgeted distribution of the 2022/23 business rates levy account. There was also a surplus of £0.6 million compared to budget across various un-ringfenced grants from government. 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 2022/23 by £70.2 million; from £166.8 million at the start of the year to £96.6 million as at 31 March 2023.

### **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 2022/23, the HRA reported a £1.7 million deficit after a transfer from reserves of £4.5 million, against an annual turnover budget of £94.8 million. The deficit follows a review of inflationary pressures, where there was an increase in the contribution from HRA reserves by £1.8 million and a commitment to in-year efficiency savings of £3 million.

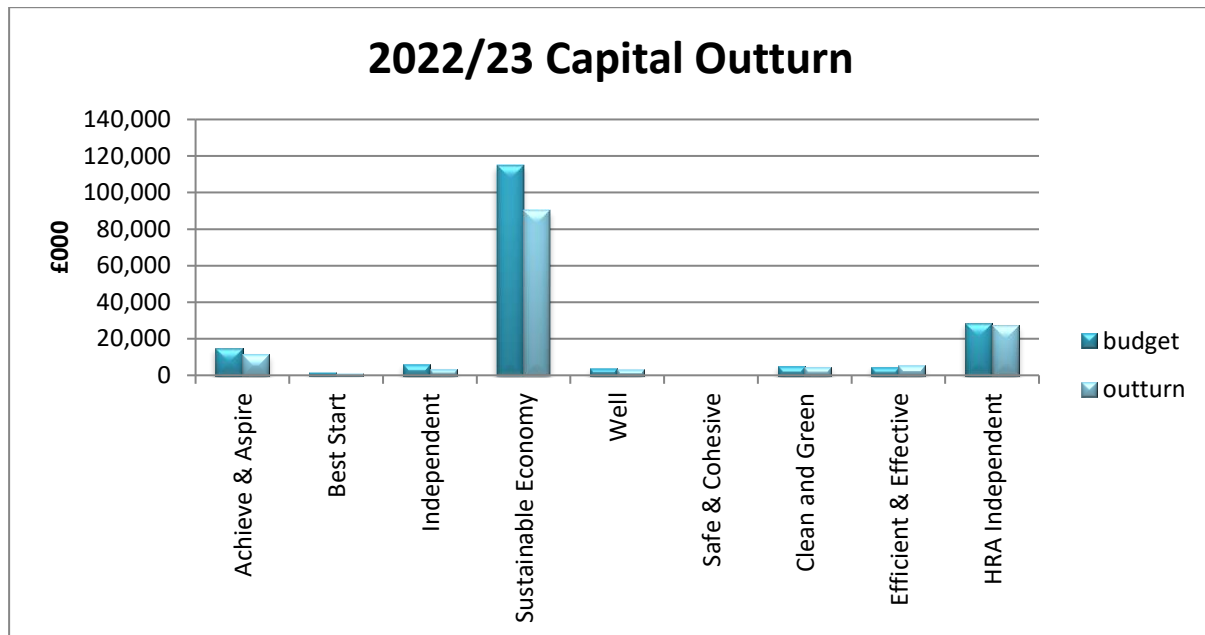
### **Capital Expenditure**

The Council's revised capital plan budget was £179.3 million in 2022/23.

Capital expenditure in 2022/23 totalled £146.2 million; equivalent to 82% against committed investment. Of the total spend, £72.6 million related to strategic priorities, £67.2 million related to baseline spend and the balance of £6.4 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 £8.5 million on Cultural Heart, £8.6 million on the Town Centre Action Plans (Huddersfield/Dewsbury), £2.6 million on Transforming Cities Fund schemes and £1.4 million on Knowl Park House new build. Delays and slippage are also reflected in Baseline schemes, including Highways at £2.5 million, Corporate Landlord at £2.2 million and £2.1 million on School Capital Maintenance schemes.

Capital budget and expenditure in 2022/23, is summarised by outcome below:



Capital expenditure in 2022/23 was funded by the following sources of finance; borrowing £67.2 million, grants and contributions £48.1 million, capital receipts at £7.7 million, Major Repairs Reserve (HRA) at £18.8 million, Reserves/Revenue contributions to capital at £4.4 million.

### Collection Fund

The Collection Fund separately accounts for income and expenditure relating to Council Tax and Business Rates 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 in-year Council Tax performance was a £1.7 million deficit (0.8% of budgeted income). This position was largely due to reduced income because of higher than budgeted exemptions and Single

Person Discounts. There was also an increased bad debt provision requirement, resulting from slower than anticipated debt repayments linked to Cost of Living pressures on residents.

The in-year Business Rates performance was a net £0.5 million deficit (1.0% of budgeted income). The estimated growth in Business Rates income (post-COVID recovery) was not seen in-year, with Kirklees' total non domestic rateable value increasing by only 0.1% between 31<sup>st</sup> March 2022 and 31<sup>st</sup> March 2023. Approximately £1.5 million of additional budgeted Business Rates income was therefore not achieved.

The Council's share of overall Collection Fund financial performance in 2022/23 is summarised below.

### Collection Fund Summary

Collection Fund (Council Share)	Council Tax	Business Rates	Total
	£000	£000	£000
<b>(Surplus)/Deficit at 1 April 2022</b>	<b>744</b>	<b>13,398</b>	<b>14,142</b>
Re-payments to/(from) General Fund 2022/23	(1,026)	(15,135)	(16,161)
In year Financial Performance	1,729	490	2,219
<b>(Surplus)/Deficit at 31 March 2023</b>	<b>1,447</b>	<b>(1,247)</b>	<b>200</b>
Planned Repayments to general fund 23/24	282	1,737	2,019
<b>Adjusted (Surplus)/Deficit</b>	<b>1,729</b>	<b>490</b>	<b>2,219</b>

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 95.94% (2021/22 95.78%). The Council's share of the arrears outstanding as at 31 March 2023 was £20.6 million (31 March 2022 £18.6 million).

The percentage of Business Rates collected in the year was 95.27% (2021/22 94.65%). The Council's share of the arrears outstanding at 31 March 2023 was £4.4 million (31 March 2022 £4.5 million). In addition, there is a provision for Business Rates appeals outstanding. The Council's share of this provision at 31 March 2023 is £1.7 million (31 March 2022 £1.6 million).

The Council is also part of a regional business rates pooling arrangement – Leeds City Region Business Rates Pool, for 2022/23.

### Balance Sheet

The table below summarises the Balance Sheet movements during 2022/23 and indicates that the Council maintains an overall positive Balance Sheet in terms of net assets and usable reserves.

	At March 2022	At March 2023	Movements in-year
	£m	£m	£m
Long Term Assets	1,800.8	1,931.3	130.5
Net Current Assets	-52.0	-85.5	-33.5
Long Term Liabilities	-1,293.5	-659.2	634.3
Net assets	455.3	1,186.6	731.3
<i>Represented by :</i>			
Usable Reserves	-279.4	-224.5	54.9
Unusable Reserves	-175.9	-962.1	-786.2

### Assets

The value of Property, Plant and Equipment has increased during the year by £68.1 million to £1,657.6 million. The increase is largely due to additions of £117.8 million, net revaluation gains on Plant, Property and Equipment of £21.9 million, offset by assets being reclassified as Held for Sale (£4.8 million), the disposals of assets (£6.7 million), including schools transferring to academy status, and depreciation (£60.3 million). In addition, the Council had Heritage Assets and Investment Property valued at £55.2 million and £97.5 million respectively as at 31 March 2023 (31 March 2022 £55.2 million and £103.7 million). Current assets decreased by £16.6 million to £145.3 million.

The Council's policy towards cash flow management is prudent and all deposits/investments in 2022/23 have been placed short-term with a view towards security and liquidity. As at 31 March 2023, the Council held investments of £34.2 million within "cash equivalents", that is highly liquid deposits with an insignificant risk of change in value (31 March 2022 £69.0 million).

### Liabilities

Current liabilities increased by £16.9 million to £230.9 million and long-term liabilities decreased by £634.3 million to £659.2 million. As at 31 March 2023, the Council had total provisions (long term and short term) of £13.6 million (31 March 2022 £13.2 million).

Total external borrowing during the year increased from £473.3 million to £619.3 million. £70.0 million of new long term borrowing was taken from the Public Works Loan Board (PWLb) in the year and short term borrowing increased by £75.5 million.

The average interest rate for long term borrowing in 2022/23 was 3.67% (2021/22 3.84%).

Other long term assets contains a LGPS funded pension asset of £74.2 million (at 31 March 2022 this was a long term liability of £693.1 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 significant movement in the pension liability reflects increases in actuarial gains due to changes in financial assumptions.

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

- The sum is the current assessment taking a long-term view of the current and future contributions to the fund and 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, with many pension funds currently in a net asset position.



- The West Yorkshire Pension Fund is regularly reviewed and contributions to the fund are amended accordingly to ensure it remains sustainable over the long term.
- Employee contribution rates may change as may the method of calculating accrued benefits and therefore, liabilities.

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

### Balances and Reserves

General Fund Balances at 31 March 2023 were £96.6 million (31 March 2022 £166.8 million), a net decrease of £70.2 million. This compares to a projected year end figure of £98.8 million assumed in the 2023/24 Annual Budget Report; equating to a difference of only £2.2 million. The difference from the Budget Report projections reflects additional net drawdowns of £5.5 million in-year, including £3.8 million from School balances, offset by a lower than anticipated revenue overspend. Estimates in the budget report assumed an overspend of £30.3 million, in line with Quarter 2 projections. The final overspend position of £27.0 million reflects a £3.3 million reduction from this estimate; thereby reducing the impact on general balances by this amount.

Of the £70.2 million in-year reduction in General Fund Reserves, £27.7 million relates to transfers approved in the 2022-27 Annual Budget report. The remaining £42.5 million balance of movement is broken down as follows:

- £11.4 million planned net drawdowns from reserves during the year, including the £3.8 million from Schools Balances as noted above. The most significant drawdowns to support Directorate spending were £2.7 million from Specific Risk reserves, £2.1 million from COVID reserves, £2.1 million from Development Funding reserves and £1.3 million from the Social Care reserve.
- Drawdown of £1.4 million from the demand reserve to offset annual General Fund costs previously recharged to High Needs block, now absorbed by Learning Services as part of the Council contribution to the overall Safety Valve funding agreement.
- Drawdown of £2.7 million from Specific Risk reserves to fund the creation of a bad debt provision with regards to KSDL, as currently negotiations are taking place between shareholders regarding restructuring.
- Transfer of the 2022/23 overspend of £27.0 million against unallocated reserves at year end.

£27.0 million was transferred in year from existing earmarked reserves into unallocated reserves to offset the in-year overspend.

The unallocated reserves balance at 31<sup>st</sup> March 2023 was £47.1 million; equivalent to 12.6% of the 2023/24 net revenue budget. There is also a further planned drawdown of £24.6 million of unallocated reserves in 2023/24 to balance the overall budget position; approved in the Annual Budget report to Cabinet and Council in February and March 2023 respectively. This leaves a remaining unallocated reserves balance of £22.5 million, or 6.0%, of the 2023/24 net revenue budget.

Council reserves also includes an amount of £11.7 million (31 March 2022 £15.5 million) relating to schools' balances.

Total usable reserves (excluding ring-fenced Schools and Public Health Reserves) as at 31 March 2023 are £84.1 million, equivalent to 22.5% of the 2023/24 £373.0 million (net) revenue budget (31 March 2022 44.7% of £335.0 million).

For comparator purposes, the median percentage across the 36 Metropolitan Councils on this particular indicator was 56% as at 31 March 2022.

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 2022/23 indicator is expected to be released towards the end of 2023 by CIPFA.

HRA Balances at 31 March 2023 were £44.4 million and these will be used to help sustain a balanced revenue position for the HRA over the medium to longer term informed by the 30 year HRA business plan. There was a nil balance on the Major Repairs Reserve as at 31 March 2023 (31 March 2022 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 £83.5 million as at 31 March 2023 (31 March 2022 £57.9 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 £0.3 million.

### **Council finances – future prospects**

Achieving objectives within available resources in the context of the ongoing inflationary, demographic and other demand pressures locally continues to be amongst the biggest challenges facing the Council. The approved 2023/24 budget includes sustainable savings of £18.6 million, plus the use of £24.6 million in unallocated reserves as a short-term stability measure largely to address the unprecedented Cost of Living pressures. The Council must ensure that it delivers the £18.6 million savings proposals in 2023/24, alongside maintaining overall plans within the approved budget envelopes. This will be supported by appropriate and robust member and officer stewardship, monitoring and review, and will form the basis of overall in-year financial reporting in the corporate member arena through established annual Council planning cycle and governance processes.

Budget plans for 2023-28 were approved at budget Council on 8 March 2023. These are summarised below.

***Summary General Fund budget plans 2023-28:***

	23/24	24/25	25/26	26/27	27/28
	£m	£m	£m	£m	£m
<b>Budget Gap (MTEP 22-27)</b>	<b>16.4</b>	<b>31.4</b>	<b>33.5</b>	<b>38.2</b>	<b>38.2</b>
Funding Changes	(10.5)	(10.5)	(10.5)	(10.5)	(10.5)
Spending Changes	35.4	37.7	41.3	41.5	41.5
<b>Budget gap (23/24 MTFS Update report)</b>	<b>41.3</b>	<b>58.6</b>	<b>64.3</b>	<b>69.2</b>	<b>69.2</b>
Funding Changes	1.1	(9.3)	(10.3)	(11.4)	(24.4)
Spending Changes	0.8	6.0	10.4	13.0	26.6
<b>Budget gap (Post-Financial Settlement 2023/24)</b>	<b>43.2</b>	<b>55.3</b>	<b>64.4</b>	<b>70.8</b>	<b>71.4</b>
Savings proposals	(18.6)	(30.1)	(39.6)	(42.9)	(40.6)
Use of unallocated reserves	(24.6)				
<b>Balanced Budget position 2023/24</b>	<b>-</b>	<b>25.2</b>	<b>24.8</b>	<b>27.9</b>	<b>30.8</b>

The Council set its budget for 2023/24 against one of the most challenging economic backdrops in living memory. Many of the sources of economic turbulence were unforeseeable, such as war in Ukraine and its impact on energy prices. Though inflation was already a feature of the economy at the start of 2022/23, its rapid rise during 2023 exerted significant extra pressure on pay, goods and services beyond the council’s planning. Rises in interest rates have added further costs to the council which could not reasonably have been forecast at the start of the financial year.

The external crises of 2022/23 have compounded long-running structural challenges for the council. This includes historic central government underfunding, and when compared to local authorities with similar characteristics and challenges to Kirklees. The 2023/24 local government financial settlement continues to leave Kirklees at a relative disadvantage and failed to mitigate many of the Cost of Living cost increases faced by the Council. Government expectation is that Councils use their reserves to mitigate these pressures. As well, the Government pause in implementing social care reforms continues to put future uncertainty on budgets for all Councils that deliver these vital services. The above sits alongside increasing demand, especially during a cost-of-living crisis when many residents need additional support from a variety of council activities.

The approved budget plans reflected the Administration’s primary aim; to give stability to the council’s finances in the face of extraordinary pressures. Achieving financial sustainability is essential to allowing the council to continue to deliver services for residents. In achieving this aim, the 2023/24 budget will utilise over £24 million in unallocated reserves as a short-term stability measure largely to address unprecedented Cost of Living pressures. In recent years, the council has maintained a prudent level of reserves to be deployed in the event of major economic and/or fiscal shocks that could not have been forecast. Those unforeseeable circumstances have now materialised. By using its reserves in this way, the council acknowledges that it will be operating with a minimum prudent level of reserves in 2023/24.

Council updated budget plans reflect a 2.99% general Council Tax uplift in 2023/24 plus a further 2.00% Adult Social Care precept uplift; 4.99% in total, and equivalent to £10.5 million additional funding. The majority of Kirklees homes are classified as Band A. At this level, a 4.99% Council Tax uplift is equivalent to an increase of £56.46; from £1,131.61 in 2022/23 to £1,188.07 in 2023/24 (before Fire, Police and Parish Council precepts).

### High Needs

The Council signed up to the Government's Safety Valve Agreement in March 2022 as one of a number of Councils with a significant Dedicated Schools Grant (DSG) deficit; £36 million at the time the safety valve agreement was signed in March 2022.

The Safety Valve Agreement, is intended to eliminate the Council's DSG deficit completely by 2026/27 through a Council 5 year Special Educational Needs & Disabilities (SEND) management plan. The plan is intended to bring the in-year High Needs spend position into 'balance' within available in-year DSG funding, by 2026/27. Government have agreed a contribution of £33.5 million to help clear the historic DSG deficit, including an initial £13.5 million 'down payment' received in March 2022.

Further annual contributions by Government of £4.0 million over the next 4 years will be released quarterly in £1.0 million tranches; subject to satisfactory quarterly monitoring reviews with the Department for Education (DfE) Safety Valve Team. There was an in-year spend on High Needs spend in excess of the Dedicated Schools Grant (DSG) funding allocation of £13.6 million (equivalent in-year deficit in 2021/22 was £12.8 million). The overall DSG Deficit was £28.8 million at 31 March 2023. This is off track with the Safety Valve modelled projections by £5.8 million.

The 5 year DSG management plan projection continues to be updated on a regular basis to reflect actual income and expenditure. Quarterly reports are submitted to the ESFA to highlight the progress towards the safety valve planned position and the Council continues to have regular meetings with the ESFA Safety Valve Team to track progress. The management plan also allows for some flexibility to review spend and funding profiles over the lifetime of the Plan, with appropriate DfE Safety Valve agreement where circumstances permit.

The DSG deficit at 31st March 2023 is £28.8 million and is held as an 'unusable reserve' in line with accounting regulations.

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 Autumn Statement made clear Government's commitment to prioritise additional funding for social care. This was confirmed in the 2023/24 financial settlement with an increase in Council Social Care grant funding of £16.9 million in 2023/24. Of this increase, £7.1 million had already been assumed in existing budget plans. The balance of additional funding is intended to mitigate the additional £6.9 million Cost of Living pressures, and a further £1.3 million Social Care Grant earmarked to Children's.

The Local Government Finance Settlement for 2023/24 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 2%. The additional 2% has been applied in full in updated baseline funding forecasts for 2023/24 to meet forecast Adult Social Care spending needs over the coming financial year.

Government also confirmed the deferral of expected social care reforms to 2025/26 at the earliest. The funding previously set aside to fund these reforms at a national level has instead been re-directed

to support existing Council social care pressures. The Council's share of this is £4.4 million and forms part of the overall £16.9 million funding uplift for 2023/24.

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.

Work will also be undertaken with the wider Health and Care system to ensure that the cost and design of services are properly reflected. With regard to the wider trends and shape of the market, transformational work will also be undertaken with an external change partner to model future demand and to identify and deliver social care efficiencies. The Communities and Access Service area will work to create an integrated model to further maximise citizen and community outcomes.

### **Future Accounting Developments**

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 2023/24 was agreed in March 2023. 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.
- Failure to maintain sufficient level of priority and focus that could lead to in year savings not being achieved, resulting in budget overspend and / or next years budget not being delivered to timetable.
- Risk of medium-long term financial instability caused by failure to develop or adhere to robust financial planning processes and procedures leading to reductions in service provision, possible government intervention and reputational damage.
- Inflationary pressures are resulting in cost increases, which impact on the council directly, and on the ability of contractors to deliver activities of the specified quality at the agreed price.
- The risk of a reduction in expected income as tenants, residents and businesses are unable to meet financial commitments resulting in a failure to meet budgeted income targets for Council Tax, Business Rates and other payments.
- 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.
- 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).
- Insufficient visibility of the council-wide change delivery programme incorporating both transformation and project activity, concerns that the organisational capacity to deliver is insufficient to cope with the ambitious change agenda, coupled with challenging 'steady state' conditions.

- Funding shortfall in partner agencies e.g. NHS.
- Failure to address matters of violent extremism and related safer stronger community factors.
- Unforeseen legislative changes.
- The impact of the “cost of living crisis” (specifically inflationary pressure leading to increased prices for food and fuel) on individuals, the community, partners and the business sector, and on their priorities, and their consequent demands for council service. Impact on the voluntary sectors may reduce their ability to support communities, with a consequent impact on the council.
- 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 (corporate and residential).
- 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 2023**
- **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.

## STATEMENT OF RESPONSIBILITIES AND CERTIFICATE

---

### **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 2023.

Isabel Brittain  
Service Director Finance  
Xxxxxxxx 2023

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

Cllr J Homewood  
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.

	2022/23			2021/22			Note
	Gross Exp	Gross Income	Net Exp	Gross Exp	Gross Income	Net Exp	
	£000	£000	£000	£000	£000	£000	
Children & Families	436,219	-306,277	129,942	428,931	-310,740	118,191	
Adults & Health	257,686	-125,940	131,746	242,172	-120,039	122,133	
Growth & Regeneration	72,796	-23,146	49,650	157,095	-25,361	131,734	
Environment & Climate	139,921	-40,163	99,758	118,861	-33,973	84,888	
Corporate Strategy, Commissioning & Public	182,494	-110,377	72,117	195,218	-122,730	72,488	
Central Budgets	29,592	-1,101	28,491	33,360	-1,911	31,449	
HRA	86,994	-104,744	-17,750	80,462	-107,103	-26,641	
<b>Cost of Services</b>	<b>1,205,702</b>	<b>-711,748</b>	<b>493,954</b>	<b>1,256,099</b>	<b>-721,857</b>	<b>534,242</b>	
Other operating expenditure			5,542			730	12
Financing and investment income and expenditure			55,688			38,259	13
Taxation and non-specific grant income			-398,066			-371,980	14
<b>Deficit on Provision of Services</b>			<b>157,118</b>			<b>201,251</b>	
Surplus(-)/Deficit on revaluation of Property, Plant and Equipment (PPE) and Heritage assets			-30,869			-66,642	15&16
Surplus(-)/Deficit from investments in equity instruments designated at fair value through other comprehensive income			219			-69	
Remeasurements of the net defined benefit asset/liability			-857,773			-432,447	41
<b>Other Comprehensive Income and Expenditure</b>			<b>-888,423</b>			<b>-499,158</b>	
<b>Total Comprehensive Income and Expenditure</b>			<b>-731,305</b>			<b>-297,907</b>	

**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
<b>2022/23</b>								
Balance at 31 March 2022	-166,793	-54,694	-19,508	0	-38,409	-279,404	-175,850	-455,254
<b>Movement in reserves during 2022/23</b>								
Total Comprehensive Income and Expenditure	169,329	-12,211	0	0	0	157,118	-888,423	-731,305
Adjustments between accounting & funding basis under regulations (Note 10)	-99,157	22,489	-3,294	0	-22,278	-102,240	102,240	0
<b>Net Increase(-)/ Decrease</b>	<b>70,172</b>	<b>10,278</b>	<b>-3,294</b>	<b>0</b>	<b>-22,278</b>	<b>54,878</b>	<b>-786,183</b>	<b>-731,305</b>
<b>Balance at 31 March 2023 carried forward</b>	<b>-96,621</b>	<b>-44,416</b>	<b>-22,802</b>	<b>0</b>	<b>-60,687</b>	<b>-224,526</b>	<b>-962,033</b>	<b>-1,186,559</b>
<b>2021/22</b>								
Balance at 31 March 2021	-197,353	-58,418	-17,088	0	-39,801	-312,660	155,313	-157,347
<b>Movement in reserves during 2021/22</b>								
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
<b>Net Increase(-)/ Decrease</b>	<b>30,560</b>	<b>3,724</b>	<b>-2,420</b>	<b>0</b>	<b>1,392</b>	<b>33,256</b>	<b>-331,163</b>	<b>-297,907</b>
<b>Balance at 31 March 2022 carried forward</b>	<b>-166,793</b>	<b>-54,694</b>	<b>-19,508</b>	<b>0</b>	<b>-38,409</b>	<b>-279,404</b>	<b>-175,850</b>	<b>-455,254</b>

**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”.

	<b>31 March 2023</b>	31 March 2022	
	<b>£000</b>	£000	Note
Property, Plant & Equipment (PPE)	<b>1,657,600</b>	1,589,513	<b>15</b>
Heritage Assets	<b>55,197</b>	55,156	<b>16</b>
Investment Property	<b>97,535</b>	103,670	<b>17</b>
Intangible Assets	<b>1,779</b>	770	<b>18</b>
Long Term Investments	<b>13,162</b>	15,134	<b>19</b>
Long Term Debtors	<b>31,796</b>	36,534	<b>19&amp;20</b>
Pension Asset	<b>74,210</b>	0	<b>26&amp;41</b>
<b>Long Term Assets</b>	<b>1,931,279</b>	1,800,777	
Inventories	<b>3,363</b>	7,360	<b>21</b>
Short Term Debtors	<b>102,994</b>	78,252	<b>19&amp;22</b>
Assets Held for Sale	<b>4,757</b>	7,325	
Cash and Cash Equivalents	<b>34,211</b>	69,000	<b>19&amp;23</b>
<b>Current Assets</b>	<b>145,325</b>	161,937	
Bank Overdraft	<b>-7,345</b>	-3,935	<b>23</b>
Short Term Borrowing	<b>-106,475</b>	-31,015	<b>19</b>
Short Term Creditors	<b>-109,355</b>	-168,455	<b>19&amp;24</b>
Other Short Term Liabilities	<b>-4,566</b>	-6,934	
Provisions	<b>-3,122</b>	-3,629	<b>25</b>
<b>Current Liabilities</b>	<b>-230,863</b>	-213,968	
Long Term Borrowing	<b>-512,785</b>	-442,282	<b>19</b>
Other Long Term Liabilities	<b>-146,397</b>	-851,210	<b>26</b>
<b>Long Term Liabilities</b>	<b>-659,182</b>	-1,293,492	
<b>Net Assets</b>	<b>1,186,559</b>	455,254	
Usable Reserves	<b>-224,526</b>	-279,404	<b>27</b>
Unusable Reserves	<b>-962,033</b>	-175,850	<b>28</b>
<b>Total Reserves</b>	<b>-1,186,559</b>	-455,254	

**CASH FLOW STATEMENT**

Single Entity and Group

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.

	2022/23		2021/22		
	£000	£000	£000	£000	Note
Net surplus(-)/deficit on the provision of		<b>157,118</b>		201,251	
Adjustments to net surplus/deficit on the provision of services for non-cash movements		<b>-119,194</b>		-290,419	<b>30</b>
Adjustment for items included in the net surplus/deficit on the provision of services that are investing and financing activities		<b>71,799</b>		43,860	<b>31</b>
<b>Net cash flows from Operating Activities</b>		<b>109,723</b>		<b>-45,308</b>	
<b>Net cash flows from Investing Activities</b>					
Purchase of property, plant and equipment, investment property and intangible assets	<b>126,719</b>		96,539		
Purchase of short-term and long-term investments	<b>2,396</b>		8,691		
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	<b>-12,135</b>		-14,153		
Proceeds from short-term and long-term investments	<b>-826</b>		-951		
Other receipts from investing activities	<b>-33,611</b>	<b>82,543</b>	-26,625	63,501	
<b>Net cash flows from Financing Activities</b>					
Cash receipts of short and long-term borrowing	<b>-186,257</b>		-167,515		
Other receipts from financing activities	<b>-15,002</b>		-19,485		
Cash payments for the reduction for the outstanding liabilities relating to finance leases and PFI contracts	<b>6,597</b>		6,040		
Repayments of short and long-term borrowing	<b>40,296</b>		124,270		
Other payments for financing activities	<b>299</b>	<b>-154,067</b>	-369	-57,059	
<b>Net increase(-)/decrease in cash and cash equivalents</b>		<b>38,199</b>		<b>-38,866</b>	
Cash and cash equivalents at the beginning of the reporting period		<b>65,065</b>		26,199	
Cash and cash equivalents at the end of the reporting period		<b>26,866</b>		65,065	<b>23</b>

### 1 Accounting Policies

#### **1.1 General Principles**

The Statement of Accounts summarises the Council's transactions for the 2022/23 financial year and its position at the year-end of 31 March 2023. 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 2022/23 (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 (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 pension asset/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 three 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 an estimated useful life as follows:

- |   |           |
|---|-----------|
| • Carriageways                                  | 25 years  |
| • Footways and Cycle tracks                     | 25 years  |
| • Structures (bridges, tunnels and underpasses) | 100 years |
| • Street lighting and street furniture          | 40 years  |
| • Traffic management systems                    | 15 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 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 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 2022/23 Code.

At the balance sheet date, the following new standards and amendments to existing standards have been published but not yet adopted by the Code of Practice of Local Authority Accounting in the United Kingdom and will be adopted in 2023/24:



- IFRS 16 Leases (but only for those local authorities that have decided to adopt IFRS 16 in the 2023/24 year)
- Definition of Accounting Estimates (Amendments to IAS8) issued in February 2021
- Disclosure of Accounting Policies (Amendments to IAS1 and IFRS Practice Statement 2) issued in February 2021
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS12) issued in May 2021
- Updating a Reference to the Conceptual Framework (Amendments to IFRS3 Business Combinations) issued in May 2020

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.

## NOTES TO THE MAIN FINANCIAL STATEMENTS

The total numbers and types of schools are noted in the table below.

Type of School	Number of					Total
	Nursery Schools	Primary Schools	Secondary Schools	Special Schools	Other Schools	
Community	1	57	2	3	0	63
Voluntary Controlled (VC)	0	28	0	0	0	28
Voluntary Aided (VA)	0	10	1	0	0	11
Foundation/Foundation Trusts	0	3	3	1	0	7
<b>Maintained Schools</b>	<b>1</b>	<b>98</b>	<b>6</b>	<b>4</b>	<b>0</b>	<b>109</b>
Academies	0	45	19	2	4	70
Free Schools	0	0	0	0	1	1
<b>Total Schools</b>	<b>1</b>	<b>143</b>	<b>25</b>	<b>6</b>	<b>5</b>	<b>180</b>

### 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 2022/23 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 Main 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 2023 for which there is a significant risk of material adjustment within the next financial year are as follows:

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

The Council carries out a rolling programme of valuations for PPE required to be measured at current value and £322.4 million of assets were valued at current value in 2022/23. The Council's external valuers provided valuations for approximately 33% of its operational portfolio. Property values will vary according to market conditions, or where an asset is valued on a depreciated replacement cost (DRC) basis, land values, construction costs and remaining life's are key variables. Build costs, in particular, can fluctuate - a 10% change to the DRC building valuations would change the reported value of PPE by £34.1 million.

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 £7.8 million for every year that the useful lives had reduced.

- **Investment Property (Note 17)**

The Council values its Investment Property (IP) annually (greater than £0.25 million) and the fair value at 31 March 2023 was £83.8 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 £0.8 million.

- **Pensions Asset/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.

During 2022/23 the Council's actuaries advised that the net pension liability had decreased by £775.1 million. This resulted in the creation of a net pension asset of £15.3 million to be held on the Balance Sheet under Long Term Assets.

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 £38.2 million
- A 0.1% increase in the assumed level of pension increases will increase the net pension liability by £33.7 million
- An increase in one year of longevity would increase the net pension liability by £58.4 million

- **Arrears**

At 31 March 2023, the Council had a gross balance of debtors (other entities and individuals) of £64.7 million. The current level of impairment allowance (bad debt provision) based on previous experience, current and forecast economic conditions, is £27.6 million, which represents 43% of the balance. If collection rates were to deteriorate and our impairment rate (bad debt) increased to 50% of the balance, it would require an additional £4.8 million to set aside as an allowance.

### **6 Exceptional Items and Material Items of Income and Expense**

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

There were no exceptional items during 2022/23. However in 2021/22 £99.4 million of KNH pension was included in the Growth and Regeneration line of the CIES. This relates to KNH coming back into Council ownership on 1<sup>st</sup> April 2021.

### **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 23.

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 2023, 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.

## NOTES TO THE MAIN FINANCIAL STATEMENTS

### 8 Expenditure and Funding Analysis

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

	Outturn reported to Council	Adjustments between net cost of services and other income and expenditure	Net Expenditure Chargeable to the General Fund and HRA Balances	Adjustments between the Funding and Accounting Basis	Net Expenditure in the CIES
<u>2022/23</u>	£000	£000	£000	£000	£000
Children & Families	103,844	3,745	<b>107,589</b>	22,353	<b>129,942</b>
Adults & Health	118,152	0	<b>118,152</b>	13,594	<b>131,746</b>
Growth & Regeneration	23,484	3,772	<b>27,256</b>	22,394	<b>49,650</b>
Environment & Climate Change	48,549	-128	<b>48,421</b>	51,337	<b>99,758</b>
Corporate Strategy, Commissioning & Public Health	54,167	0	<b>54,167</b>	17,950	<b>72,117</b>
Central Budgets	29,305	-5,884	<b>23,421</b>	5,070	<b>28,491</b>
HRA	10,278	-9,762	<b>516</b>	-18,266	<b>-17,750</b>
<b>Net Cost of Services</b>	<b>387,779</b>	<b>-8,257</b>	<b>379,522</b>	<b>114,432</b>	<b>493,954</b>
Other operating expenditure	5,426	-2,582	<b>2,844</b>	2,698	<b>5,542</b>
Financing and investment income and expenditure	0	21,764	<b>21,764</b>	33,924	<b>55,688</b>
Taxation and non-specific grant income	-312,754	-10,925	<b>-323,679</b>	-74,387	<b>-398,066</b>
<b>Net Surplus(-)/Deficit</b>	<b>80,451</b>	<b>0</b>	<b>80,451</b>	<b>76,667</b>	<b>157,118</b>
<b>Opening Balances at 31 March 2022:</b>					
General Fund			-166,794		
HRA			-54,694		
			<b>-221,488</b>		
Add net deficit in Year			80,451		
<b>Closing General Fund and HRA Balance at 31 March 2023</b>			<b>-141,037</b>		
General Fund			-96,621		
HRA			-44,416		

## NOTES TO THE MAIN FINANCIAL STATEMENTS

	Outturn reported to Council	Adjustments between net cost of services and other income and expenditure	<b>Net Expenditure Chargeable to the General Fund and HRA Balances</b>	Adjustments between the Funding and Accounting Basis	<b>Net Expenditure in the CIES</b>
<u>2021/22</u>	£000	£000	<b>£000</b>	£000	<b>£000</b>
Children & Families	80,797	4,119	<b>84,916</b>	33,275	<b>118,191</b>
Adults & Health	107,701	0	<b>107,701</b>	14,432	<b>122,133</b>
Growth & Regeneration	14,066	-109	<b>13,957</b>	117,777	<b>131,734</b>
Environment & Climate Change	41,519	-244	<b>41,275</b>	43,613	<b>84,888</b>
Corporate Strategy, Commissioning & Public Health	55,370	0	<b>55,370</b>	17,118	<b>72,488</b>
Central Budgets	27,748	3,253	<b>31,001</b>	448	<b>31,449</b>
HRA	8,084	-10,833	<b>-2,749</b>	-23,892	<b>-26,641</b>
<b>Net Cost of Services</b>	<b>335,285</b>	<b>-3,814</b>	<b>331,471</b>	<b>202,771</b>	<b>534,242</b>
Other operating expenditure	-3,657	5,659	<b>2,002</b>	-1,272	<b>730</b>
Financing and investment income and expenditure	0	21,047	<b>21,047</b>	17,212	<b>38,259</b>
Taxation and non-specific grant income	-297,345	-22,892	<b>-320,237</b>	-51,743	<b>-371,980</b>
<b>Net Surplus(-)/Deficit</b>	<b>34,283</b>	<b>0</b>	<b>34,283</b>	<b>166,968</b>	<b>201,251</b>
<b>Opening Balances at 31 March 2021:</b>					
General Fund			-197,353		
HRA			-58,418		
			<b>-255,771</b>		
Add net deficit in Year			34,283		
<b>Closing General Fund and HRA Balance at 31 March 2022</b>			<b>-221,488</b>		
General Fund			-166,794		
HRA			-54,694		

## NOTES TO THE MAIN FINANCIAL STATEMENTS

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
<b>2022/23</b>	£000	£000	£000	£000
Children & Families	4,122	18,502	-271	22,353
Adults & Health	2,002	12,017	-425	13,594
Growth & Regeneration	11,027	11,714	-347	22,394
Environment & Climate Change	38,495	13,399	-557	51,337
Corporate Strategy, Commissioning & Public Health	9,002	9,239	-291	17,950
Central Budgets	783	-2,049	6,336	5,070
HRA	-18,302	0	36	-18,266
<b>Net Cost of Services</b>	<b>47,129</b>	<b>62,822</b>	<b>4,481</b>	<b>114,432</b>
Other operating expenditure	2,698	0	0	2,698
Financing and investment income and expenditure	12,468	19,879	1,577	33,924
Taxation and non-specific grant income	-60,201	0	-14,186	-74,387
<b>Difference between General Fund and HRA Surplus/Deficit and CIES Surplus/Deficit on the Provision of Services</b>	<b>2,094</b>	<b>82,701</b>	<b>-8,128</b>	<b>76,667</b>
<b>2021/22</b>	£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	-3,138	448
HRA	-23,927	0	35	-23,892
<b>Net Cost of Services</b>	<b>32,943</b>	<b>171,010</b>	<b>-1,182</b>	<b>202,771</b>
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

## NOTES TO THE MAIN FINANCIAL STATEMENTS

### Difference between General Fund and HRA Surplus/Deficit and CIES Surplus/Deficit on the Provision of Services

	-2,186	193,609	-24,455	166,968
--	--------	---------	---------	---------

(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
<b>2022/23</b>	£000	£000	£000	£000
Children & Families	-284,449	-18,041	-3,787	-306,277
Adults & Health	-99,849	-26,014	-77	-125,940
Growth & Regeneration	-10,556	-12,539	-51	-23,146
Environment & Climate Change	-4,751	-34,466	-946	-40,163
Corporate Strategy, Commissioning & Public Health	-104,294	-4,715	-1,368	-110,377
Central Budgets	-1,027	-29	-45	-1,101
HRA	-8,002	-85,376	-11,366	-104,744
<b>Total Income analysed on a segmental basis</b>	<b>-512,928</b>	<b>-181,180</b>	<b>-17,640</b>	<b>-711,748</b>

### 2021/22

Children & Families	-292,742	-14,907	-3,091	-310,740
Adults & Health	-94,879	-25,150	-10	-120,039



## NOTES TO THE MAIN FINANCIAL STATEMENTS

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
<b>Total Income analysed on a segmental basis</b>	<b>-527,835</b>	<b>-172,858</b>	<b>-21,164</b>	<b>-721,857</b>

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

	2022/23	2021/22
	£000	£000
<b>Expenditure</b>		
Employee Expenses*	568,361	649,573
Premises and Transport	148,383	137,216
Supplies and Services	189,282	206,908
Other Service Expenses	390,630	365,622
Support Charges	27,852	30,477
Capital Charges	103,081	68,173
Precepts and Levies	1,004	913
Payments to Housing Capital Receipts Pool	0	2,013
Losses on the Disposal of PPE and Investment Assets	4,522	0
Interest Payable and Similar Charges	26,122	24,668
Net interest on the defined benefit obligation	19,879	22,599
Central Items	266	4,190
<b>Total Expenditure</b>	<b>1,479,382</b>	<b>1,512,352</b>
<b>Income</b>		
Fees, Charges and Other Service Income	-183,669	-175,803
Grants, Reimbursements and Contributions	-661,949	-670,616
Capital Charges Credits	-21,180	-24,203
Internal Recharges	-202,987	-187,993
Interest and Investment Income	-3,344	-6,347
Gains on the Disposal of PPE and Investment Assets	-89	-5,582
Income from Council Tax and Business Rates	-249,046	-240,557
<b>Total Income</b>	<b>-1,322,264</b>	<b>-1,311,101</b>
<b>Surplus(-)/Deficit on Provision of Services</b>	<b>157,118</b>	<b>201,251</b>

\*This includes £37.4 million in 2022/23 (£41.3 million in 2021/22) 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 £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
<b>2022/23</b>						
<b><u>Adjustments involving the Capital Adjustment Account (CAA):</u></b>						
Charges for depreciation and impairment of non-current assets	-41,459	0	0	-18,886	0	60,345
Amortisation of Intangible Assets	-162	0	0	0	0	162
Revaluation losses on PPE	-26,638	-2,827	0	0	0	29,465
Revaluation gains on PPE	6,273	14,192	0	0	0	-20,465
Movements in the market value of Investment Properties	-8,251	1,035	0	0	0	7,216
Revenue expenditure funded from capital under statute (REFCUS)	-23,568	0	0	0	0	23,568
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	-9,400	-6,908	0	0	0	16,308
Capital grants and contributions applied	16,768	1,159	0	0	0	-17,927
Capital grants and contributions applied (REFCUS)	8,599	0	0	0	0	-8,599
Deferred Income written down - Waste PFI	537	0	0	0	0	-537
Provision for the financing of capital expenditure	7,414	2,916	0	0	0	-10,330
Capital expenditure charged against balances	2,089	4,020	0	0	0	-6,109
Financial instruments impairment charges	-3,334	0	0	0	0	3,334
<b><u>Adjustments involving the Capital Grants Unapplied Account:</u></b>						
Capital grants and contributions unapplied and credited to the CIES	43,842	0	0	0	-43,842	0

## NOTES TO THE MAIN FINANCIAL STATEMENTS

Application of grants to capital financing transferred to the CAA	0	0	0	0	21,564	-21,564
---	---	---	---	---	--------	---------

### **Adjustments involving the Capital Receipts Reserve:**

Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the CIES	2,873	9,174	-12,047	0	0	0
--	-------	-------	---------	---	---	---

Financing new capital expenditure	0	0	8,566	0	0	-8,566
-----------------------------------	---	---	-------	---	---	--------

Contribution towards administrative costs of asset disposals	-24	-237	261	0	0	0
--	-----	------	-----	---	---	---

### **2022/23 Continued**

Contribution to finance the payments to the Government capital receipts pool	0	0	0	0	0	0
--	---	---	---	---	---	---

Cash receipts from the repayment of capital loans given	0	0	-907	0	0	907
---	---	---	------	---	---	-----

Used to repay debt (transfer to CAA)	0	0	833	0	0	-833
--------------------------------------	---	---	-----	---	---	------

### **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	18,886	0	-18,886
--	---	---	---	--------	---	---------

Used to repay debt (transfer to CAA)	0	0	0	0	0	0
--------------------------------------	---	---	---	---	---	---

### **Adjustment involving the Financial Instruments Adjustment Account:**

Amount by which finance costs charged to the CIES are different from those required by statutory regulations	275	-35	0	0	0	-240
--	-----	-----	---	---	---	------

### **Adjustments involving the Pensions Reserve:**

Reversal of items relating to retirement benefits debited or credited to the CIES	-129,962	0	0	0	0	129,962
---	----------	---	---	---	---	---------

Employer's pensions contributions and direct payments	47,261	0	0	0	0	-47,261
---	--------	---	---	---	---	---------

### **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	14,186	0	0	0	0	-14,186
--	--------	---	---	---	---	---------

### **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	1,891	0	0	0	0	-1,891
--	-------	---	---	---	---	--------

### **Adjustment involving the Dedicated Schools Grant Adjustment Account**

## NOTES TO THE MAIN FINANCIAL STATEMENTS

Amount of schools budget deficit to DSG adjustment accounts	-6,612	0	0	0	0	6,612
---	--------	---	---	---	---	-------

### **Adjustment involving the Pooled Fund Adjustment Account**

Charges for fair value movements on the CCLA Property Fund	-1,752	0	0	0	0	1,752
--	--------	---	---	---	---	-------

<b>Total Adjustments 2022/23</b>	<b>-99,157</b>	<b>22,489</b>	<b>-3,294</b>	<b>0</b>	<b>-22,278</b>	<b>102,240</b>
----------------------------------	----------------	---------------	---------------	----------	----------------	----------------

### **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 expenditure	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
--	-----	-----	-----	---	---	---

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
---	---	---	------	---	---	-----

**NOTES TO THE MAIN FINANCIAL STATEMENTS**

Used to repay debt (transfer to CAA)	0	0	792	0	0	-792
<b><u>Adjustment involving the Deferred Capital Receipts Reserve:</u></b>						
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
<b>2021/22 Continued</b>						
<b><u>Adjustment involving the Major Repairs Reserve:</u></b>						
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
<b><u>Adjustment involving the Financial Instruments Adjustment Account:</u></b>						
Amount by which finance costs charged to the CIES are different from those required by statutory regulations	286	-35	0	0	0	-251
<b><u>Adjustments involving the Pensions Reserve:</u></b>						
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
<b><u>Adjustments involving the Collection Fund Adjustment Account:</u></b>						
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
<b><u>Adjustment involving the Accumulated Absences Account:</u></b>						
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
<b><u>Adjustment involving the Dedicated Schools Grant Adjustment Account:</u></b>						
Amount of schools budget deficit to DSG adjustment accounts	2,852	0	0	0	0	-2,852
<b><u>Adjustment involving the Pooled Fund Adjustment Account:</u></b>						
Charges for fair value movements on the CCLA Property Fund	1,587	0	0	0	0	-1,587
<b><u>Adjustment involving KNH Surplus Reserve:</u></b>						
Transfer to HRA	4,360	-4,360	0	0	0	0
<b>Total Adjustments 2021/22</b>	<b>-187,561</b>	<b>20,594</b>	<b>-2,420</b>	<b>0</b>	<b>1,392</b>	<b>167,995</b>

**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 2021	Transfers Out 2021/22	Transfers In 2021/22	Balance at 31 March 2022	Transfers Out 2022/23	Transfers In 2022/23	Balance at 31 March 2023
	£000	£000	£000	£000	£000	£000	£000
<b>Earmarked Reserves</b>							
Statutory	-15,004	558	-2,499	-16,945	4,615	-241	-12,571
Member Led	-5,102	1,171	-994	-4,925	2,767	-304	-2,462
Apprenticeship Levy	-3,191	276	0	-2,915	0	-216	-3,131
Transformation	-2,348	1,051	-2,869	-4,166	1,245	-918	-3,839
Demand	-19,307	1,955	0	-17,352	6,602	0	-10,750
Development Funding	-13,638	5,782	-4,330	-12,186	12,129	-791	-848
Revenue Grants	-17,515	15,320	-16,626	-18,821	21,624	-12,139	-9,336
Stronger Families Grant	-1,531	7	0	-1,524	384	0	-1,140
Health and Social Care	-2,099	814	0	-1,285	1,312	-27	0
Schools PFI	-1,282	1,282	0	0	0	0	0
Specific Risk	-5,860	0	0	-5,860	6,560	-700	0
Covid-19	-59,014	41,956	-13,004	-30,062	29,833	-3,511	-3,740
Other	-41,459	1,644	-975	-40,790	39,511	-416	-1,695
<b>Total Earmarked Reserves</b>	<b>-187,350</b>	<b>71,816</b>	<b>-41,297</b>	<b>-156,831</b>	<b>126,582</b>	<b>-19,263</b>	<b>-49,512</b>
<i>Unallocated Balances</i>	<i>-10,003</i>			<i>-9,962</i>			<i>-47,109</i>
<b>General Fund Balances</b>	<b>-197,353</b>			<b>-166,793</b>			<b>-96,621</b>

- The Statutory Reserve relates to individual school balances/deficits carried forward to following years under the terms of the Education Reform Act 1988 and timing issues on Public Health grant spend commitments. The balance at 31 March 2023 represents 86 Schools with cumulative balances of £12.1 million (109 schools and £15.7 million at 31 March 2022) and 23 schools with cumulative deficits amounting to £0.4 million (5 schools and £0.2 million at 31 March 2022) and Public Health grant spend commitments of £0.9 million (£1.4 million at 31 March 2022).
- The Member Led Reserve reflects timing issues on ward-based activity spend commitments, support of a number of local area based mental health initiatives and to support the resourcing of emerging Place Standard action plans.
- The Apprenticeship Levy Reserve is to be used to fund future payments into the apprenticeship levy.
- The Transformation Reserve has been set up for strategic transformation developments over the next 12 to 24 months.
- 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 Development Funding Reserve was set aside to address the scale of development costs required to support targeted development and the upscaling of capital investment activity and major project activity over the MTFP.

- The Revenue Grants Reserve represents grants and contributions recognised in the CIES before expenditure has been incurred.
- The Stronger Families Grant Reserve reflects timing issues on expenditure commitments supporting a range of Stronger Families activity, funded from external grant.
- The Health and 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 Schools PFI Reserve was set aside to cover reduced DSG budget contributions to Council services in 2020/21 and 2021/22.
- The Specific Risk Reserve was set aside to manage specific risks, including the potential risk of future loan defaults and managing the volatility surrounding treasury management budgets with respect to both potential changes in interest rates and the level of delivery of the capital plan.
- The Covid-19 Reserves reflects a specific reserve set aside to cover the costs of the Council's Covid-19 response, including specific Covid-19 grants recognised in the CIES before expenditure has been incurred.
- The Other Reserve balance includes a transfer of £37.1 million Financial Resilience Reserve to General Fund Unallocated Balances.

**12 Other Operating Expenditure**

	2022/23	2021/22
	£000	£000
Parish council precepts	786	704
Levies	218	209
Payment to Government Housing Capital Receipts Pool	0	2,013
Gains(-)/losses on the disposal of non-current assets	2,698	-3,285
De-recognition of Academies' Balances	1,840	1,089
<b>Total</b>	<b>5,542</b>	<b>730</b>

Net loss on the disposal of non-current assets includes academy transfers. These totalled £4.5 million in 2022/23 as part of four academy conversions (2021/22 £0.7 million as part of six schools' academy conversions).

**13 Financing and Investment Income and Expenditure**

	2022/23	2021/22
	£000	£000
Interest payable and similar charges	26,126	24,699
Net interest on the net defined benefit obligation	19,879	22,599
Interest receivable and similar income	-2,918	-1,494
Income and expenditure in relation to investment property and changes in fair value (Note 17)	8,209	-5,201
Dividend Income	-694	-722
Other – movements on financial instruments	5,086	-1,622
<b>Total</b>	<b>55,688</b>	<b>38,259</b>

**14 Taxation and Non-Specific Grant Income**

	2022/23	2021/22
	£000	£000
Council Tax income	-205,980	-198,817
Non Domestic Rates	-43,066	-41,741
Non-ring fenced government grants	-88,819	-101,178
Capital grants and contributions	-60,201	-30,244
<b>Total</b>	<b>-398,066</b>	<b>-371,980</b>

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
	£000	£000	£000	£000	£000	£000	£000	£000
<b>Movement in 2022/23</b>								
<b>Cost or Valuation</b>								
At 1 April 2022	784,236	558,714	46,116	13,135	22,490	7,543	1,432,234	95,075
Additions	21,558	19,301	3,722	599	4,923	18,765	68,868	2,960
Revaluation increases/decreases(-) recognised in the Revaluation Reserve	-50	2,566	0	0	677	0	3,193	6
Revaluation increases/decreases(-) recognised in the Provision of Services	10,823	-19,759	0	0	-4,370	0	-13,306	-526
De-recognition – disposals	-1,626	-8,635	-5,907	-796	-193	0	-17,157	0
De-recognition – other	0	0	0	0	0	0	0	0
Assets reclassified to Held for Sale	-4,757	0	0	0	0	0	-4,757	0
Other movements in cost or valuation	1,862	-10,879	0	0	9,732	-1,226	-511	0
<b>At 31 March 2023</b>	<b>812,046</b>	<b>541,308</b>	<b>43,931</b>	<b>12,938</b>	<b>33,259</b>	<b>25,082</b>	<b>1,468,564</b>	<b>97,515</b>
<b>Accumulated Depreciation and Impairment</b>								
At 1 April 2022	0	-13,252	-23,989	-11,443	-50	0	-48,734	-597
Depreciation charge	-18,556	-11,834	-5,179	-216	-346	0	-36,131	-4,638
Depreciation written out to the Revaluation Reserve	18,256	9,315	0	0	68	0	27,639	4,711
Depreciation written out to the Deficit on the Provision of Services	303	3,854	0	0	180	0	4,337	432
Impairment losses recognised in the Revaluation Reserve	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	3,868	5,847	796	16	0	10,527	0
Other movements in depreciation and impairment	-3	993	0	0	-272	0	718	0
<b>At 31 March 2023</b>	<b>0</b>	<b>-7,056</b>	<b>-23,321</b>	<b>-10,863</b>	<b>-404</b>	<b>0</b>	<b>-41,644</b>	<b>-92</b>
<b>Net Book Value</b>								
<b>at 31 March 2023</b>	<b>812,046</b>	<b>534,252</b>	<b>20,610</b>	<b>2,075</b>	<b>32,855</b>	<b>25,082</b>	<b>1,426,920</b>	<b>97,423</b>
at 31 March 2022	784,236	545,462	22,127	1,692	22,440	7,543	1,383,500	94,478

NOTES TO THE MAIN FINANCIAL STATEMENTS

	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
<b>Movement in 2021/22</b>	£000	£000	£000	£000	£000	£000	£000	£000
<b>Cost or Valuation</b>								
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
<b>At 31 March 2022</b>	<b>784,236</b>	<b>558,714</b>	<b>46,116</b>	<b>13,135</b>	<b>22,490</b>	<b>7,543</b>	<b>1,432,234</b>	<b>95,075</b>
<b>Accumulated Depreciation and Impairment</b>								
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 Revaluation Reserve	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	10,079	744	0	0	0	10,823	0
Other movements in depreciation and impairment	0	0	0	0	0	0	0	0
<b>At 31 March 2022</b>	<b>0</b>	<b>-13,252</b>	<b>-23,989</b>	<b>-11,443</b>	<b>-50</b>	<b>0</b>	<b>-48,734</b>	<b>-597</b>
<b>Net Book Value</b>								
<b>at 31 March 2022</b>	<b>784,236</b>	<b>545,462</b>	<b>22,127</b>	<b>1,692</b>	<b>22,440</b>	<b>7,543</b>	<b>1,383,500</b>	<b>94,478</b>
at 31 March 2021	720,632	515,089	21,502	1,179	22,782	10,300	1,291,484	93,623

**Highways Infrastructure Assets  
Movements on Balances**

	2022/23	2021/22
	£000	£000
<b>Net Book Value (Modified Historical Cost)</b>		
At 1 April	206,013	196,534
Additions	48,877	32,085
De-recognition – disposals	0	0
Depreciation charge	-24,210	-22,606
Impairment	0	0
Other movements in cost	0	0
<b>Net Book Value 31 March</b>	<b>230,680</b>	<b>206,013</b>

**Reconciling note with the Balance Sheet**

	2022/23	2021/22
	£000	£000
Infrastructure Assets	230,680	206,013
Other PPE Assets	1,426,920	1,383,500
<b>Total PPE Assets</b>	<b>1,657,600</b>	<b>1,589,513</b>

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

The Council 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

## NOTES TO THE MAIN FINANCIAL STATEMENTS

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 2022 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 £21.9 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 2023. 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	5,184	20,610	230,680	2,075	1,923	25,082	285,554
Carried at current value as at:								
2022/23	812,046	320,871	0	0	0	10,429		1,143,346
2021/22	0	114,591	0	0	0	16,045		130,636
2020/21	0	29,062	0	0	0	1,864		30,926
2019/20	0	64,544	0	0	0	2,594		67,138
<b>Total</b>	<b>812,046</b>	<b>534,252</b>	<b>20,610</b>	<b>230,680</b>	<b>2,075</b>	<b>32,855</b>	<b>25,082</b>	<b>1,657,600</b>

### Capital Commitments

In March 2023, the Council approved a capital programme of £237.0 million for 2023/24. A further £866.0 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 £49.3 million at 31 March 2023 (£25.1 million at 31 March 2022) for schemes under progress.

## 16 Heritage Assets

	Fine Art Collection	Museums and Galleries Exhibits	Other	Total Assets
	£000	£000	£000	£000
<b>Movement in 2022/23</b>				
<b>Cost or Valuation</b>				
At 1 April 2022	49,566	3,302	2,298	55,166
Additions	0	0	38	38
Revaluation increases/decreases(-) recognised in the Revaluation Reserve	0	0	36	36
Revaluations recognised in the Provision of Services	0	0	-38	-38
<b>At 31 March 2023</b>	<b>49,566</b>	<b>3,302</b>	<b>2,334</b>	<b>55,202</b>
<b>Accumulated Depreciation</b>				
At 1 April 2022	0	0	-10	-10
Depreciation charge	0	0	-4	-4
Depreciation written out to the Revaluation Reserve	0	0	1	1
Depreciation written out to the Provision of Services	0	0	8	8
<b>At 31 March 2023</b>	<b>0</b>	<b>0</b>	<b>-5</b>	<b>-5</b>
<b>Movement in 2021/22</b>				
<b>Cost or Valuation</b>				
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
<b>At 31 March 2022</b>	<b>49,566</b>	<b>3,302</b>	<b>2,298</b>	<b>55,166</b>
<b>Accumulated Depreciation</b>				
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
<b>At 31 March 2022</b>	<b>0</b>	<b>0</b>	<b>-10</b>	<b>-10</b>
<b>Net Book Value</b>				
<b>at 31 March 2023</b>	<b>49,566</b>	<b>3,302</b>	<b>2,329</b>	<b>55,197</b>
<b>at 31 March 2022</b>	<b>49,566</b>	<b>3,302</b>	<b>2,288</b>	<b>55,156</b>

**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 £20.0 million (£20.0 million at 31 March 2022) 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 2022) and the "Falling Warrior" sculpture by Henry Moore valued at £6.0 million (£6.0 million 31 March 2022). The total value of donated artwork items as at 31 March 2023 is £26.6 million (£26.6 million 31 March 2022).

### 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 2023 is £1.6 million (£1.6 million 31 March 2022). 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 2022).

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 2023 is £0.2 million (£0.2 million 31 March 2022).

**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:

	2022/23	2021/22
	£000	£000
Rental income from Investment Property	-2,221	-2,698
Direct operating expenses arising from Investment Property	1,478	1,262
Net gain	-743	-1,436
Net gains (-)/loss from fair value adjustments	7,216	-3,039
Net gains (-)/loss on disposals of assets	1,736	-726
Net income (-)/expenditure in relation to investment property and changes in fair value	8,209	-5,201

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:

	2022/23	2021/22
	£000	£000
<b>Balance at 1 April</b>	<b>103,670</b>	97,335
Additions	3,640	4,972
Disposals	-2,353	0
Net gains (-)/loss from fair value adjustments	-7,216	3,039
Transfers to Property, Plant and Equipment	-206	-1,676
<b>Balance at 31 March</b>	<b>97,535</b>	<b>103,670</b>

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 £0.2 million was charged to CIES in 2022/23 (£0.3 million in 2021/22).

	2022/23	2021/22
	£000	£000
Balance at 1 April		
Gross carrying amounts	7,705	7,095
Accumulated amortisation	-6,935	-6,602
Net carrying amount at 1 April	770	493
Additions – Purchases	1,171	610
Amortisation for the period	-162	-333
Net carrying amount at 31 March	1,779	770
Comprising:		
Gross carrying amounts	7,816	7,705
Accumulated amortisation	-6,037	-6,935
	1,779	770

There are no significant contractual commitments relating to intangible assets for 2022/23.



## NOTES TO THE MAIN FINANCIAL STATEMENTS

### 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	
	2023	2022	2023	2022	2023	2022	2023	2022
	£000	£000	£000	£000	£000	£000	£000	£000
<b>Amortised cost</b>								
Investment principal	60	60	11,347	15,213	0	0	67,406	38,155
Soft loans principal	0	0	14,624	15,344	0	0	0	0
Soft loans accrued interest	0	0	0	0	7	7	0	0
Cash and cash equivalents	0	0	0	0	8,215	42,754	0	0
Cash and cash equivalents accrued interest	0	0	0	0	12	3	0	0
<b>Total Amortised cost</b>	<b>60</b>	<b>60</b>	<b>25,971</b>	<b>30,557</b>	<b>8,234</b>	<b>42,764</b>	<b>67,406</b>	<b>38,155</b>
Fair value through profit and loss	8,876	10,628	0	0	18,632	22,301	0	0
Fair value through other comprehensive income – designated equity instruments	4,226	4,446	0	0	0	0	0	0
<b>Total Financial Assets</b>	<b>13,162</b>	<b>15,134</b>	<b>25,971</b>	<b>30,557</b>	<b>26,866</b>	<b>65,065</b>	<b>67,406</b>	<b>38,155</b>
Non-Financial Assets	0	0	5,825	5,977	0	0	35,588	40,097
<b>Total</b>	<b>13,162</b>	<b>15,134</b>	<b>31,796</b>	<b>36,534</b>	<b>26,866</b>	<b>65,065</b>	<b>102,994</b>	<b>78,252</b>

## NOTES TO THE MAIN FINANCIAL STATEMENTS

### Financial Liabilities

	Non-Current				Current			
	Borrowings		Creditors		Borrowings		Creditors	
	31 March		31 March		31 March		31 March	
	2023	2022	2023	2022	2023	2022	2023	2022
	£000	£000	£000	£000	£000	£000	£000	£000
<b>Amortised cost</b>								
Principal	-511,331	-440,795	0	0	-101,024	-26,659	-78,390	-112,727
Loans accrued interest	0	0	0	0	-5,451	-4,356	0	0
Market loans EIR adjustment	-1,454	-1,487	0	0	0	0	0	0
PFI, finance lease and transferred debt	-77,095	-81,324	0	0	-4,566	-6,934	0	0
<b>Total Financial Liabilities</b>	<b>-589,880</b>	<b>-523,606</b>	<b>0</b>	<b>0</b>	<b>-111,041</b>	<b>-37,949</b>	<b>-78,390</b>	<b>-112,727</b>
Non-Financial Liabilities	0	0	0	0	0	0	-30,965	-55,728
<b>Total</b>	<b>-589,880</b>	<b>-523,606</b>	<b>0</b>	<b>0</b>	<b>-111,041</b>	<b>-37,949</b>	<b>-109,355</b>	<b>-168,455</b>

### Borrowings

	Non-Current		Current	
	31 March 2023		31 March 2022	
	£000	£000	£000	£000
PWLB	-361,706	-20,448	-309,509	-6,643
LOBOs	-61,454	-652	-61,487	-648
Other market debt	-82,642	-85,106	-64,303	-23,455
Stock	-6,983	-269	-6,983	-269
<b>Total</b>	<b>-512,785</b>	<b>-106,475</b>	<b>-442,282</b>	<b>-31,015</b>

### **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.

## NOTES TO THE MAIN FINANCIAL STATEMENTS

Movements on material soft loans are detailed as follows:

	College £000	Renewable Energy £000	Total £000
Balance at 1 April 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
<b>Balance at 31 March 2022</b>	<b>13,920</b>	<b>1,829</b>	<b>15,749</b>
Loans repaid	-833	-47	-880
Change in impairment loss allowance	32	3	35
Unwinding of discount	175	0	175
<b>Balance at 31 March 2023</b>	<b>13,294</b>	<b>1,785</b>	<b>15,079</b>
Nominal value at 31 March 2022	16,484	1,925	18,409
<b>Nominal value at 31 March 2023</b>	<b>15,652</b>	<b>1,878</b>	<b>17,530</b>

### 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 2023 £000	31 March 2022 £000
LCR Revolving Investment Fund	2,988	3,090
Kirklees Schools Services Ltd	941	1,006
QED (KMC) Holdings Ltd	172	225
Kirklees Henry Boot Partnership Ltd	125	125
<b>Total</b>	<b>4,226</b>	<b>4,446</b>

### Offsetting Financial Assets and Liabilities

The Council has legal right of offset on its current account banking arrangements and as at 31 March 2023 had a credit balance of £1.3 million at the bank (£1.4 million 31 March 2022) offset by a debit balance of £1.3 million (£1.4 million 31 March 2022).

## NOTES TO THE MAIN FINANCIAL STATEMENTS

### 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		2022/23	2021/22
	Amortised Cost	Amortised Cost	Fair Value through OCI	Fair Value through Profit and Loss	Total	Total
	£000	£000	£000	£000	£000	£000
Interest expense	26,154	0	0	0	26,154	24,729
Losses on de-recognition	40	0	0	0	40	38
Impairment losses	0	7,681	0	0	7,681	1,522
<b>Interest payable and similar charges</b>	<b>26,194</b>	<b>7,681</b>	<b>0</b>	<b>0</b>	<b>33,875</b>	<b>26,289</b>
Interest income	0	-2,188	0	-475	-2,663	-1,494
Dividend income	0	0	0	-379	-379	-349
Gains on de-recognition	-39	0	0	0	-39	-37
<b>Interest and investment income</b>	<b>-39</b>	<b>-2,188</b>	<b>0</b>	<b>-854</b>	<b>-3,081</b>	<b>-1,880</b>
<b>Net impact on Surplus/Deficit on the Provision of Service</b>	<b>26,155</b>	<b>5,493</b>	<b>0</b>	<b>-854</b>	<b>30,794</b>	<b>24,409</b>
Gains on revaluation	0	0	0	0	0	-69
Losses on revaluation	0	0	220	0	220	0
<b>Impact on other comprehensive income</b>	<b>0</b>	<b>0</b>	<b>220</b>	<b>0</b>	<b>220</b>	<b>-69</b>
<b>Net gain(-)/loss for the year</b>	<b>26,155</b>	<b>5,493</b>	<b>220</b>	<b>-854</b>	<b>31,014</b>	<b>24,340</b>

## NOTES TO THE MAIN FINANCIAL STATEMENTS

### 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 2023	31 March 2022
			Fair Value	Fair Value
			£000	£000
<b>Fair Value through Profit and Loss</b>				
Money Market Funds	Level 1	Unadjusted quoted prices in active markets for identical shares	<b>18,537</b>	22,301
CCLA Property Fund	Level 2	Inputs that are observable for the asset, other than quoted prices	<b>8,971</b>	10,628
<b>Fair Value through Other Comprehensive Income</b>				
LCR Revolving Investment Fund	Level 3	Discounted cash flow techniques	<b>2,988</b>	3,090
Kirklees Henry Boot Partnership Ltd Kirklees Schools Services Ltd QED (KMC) Holdings Ltd	Level 3	Discounted cash flow techniques or historic cost of the original investment	<b>1,238</b>	1,356

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

### **Financial Assets**

	Fair Value level	31 March 2023		31 March 2022	
		Carrying Amount	Fair Value	Carrying Amount	Fair Value
		£000	£000	£000	£000
Long-term debtors	2	<b>25,971</b>	<b>29,765</b>	30,557	34,876
Short-term debtors		<b>67,406</b>	<b>67,406</b>	38,155	38,155
Cash and cash equivalents		<b>8,234</b>	<b>8,234</b>	42,764	42,764
<b>Total Amortised Cost</b>		<b>101,611</b>	<b>105,405</b>	111,476	115,795
Cash and cash equivalents - Fair value through profit and loss		<b>18,632</b>	<b>18,632</b>	22,301	22,301

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

## NOTES TO THE MAIN FINANCIAL STATEMENTS

### Financial Liabilities

	Fair Value level	31 March 2023		31 March 2022	
		Carrying Amount	Fair Value	Carrying Amount	Fair Value
		£000	£000	£000	£000
Borrowings					
PWLB	2	-382,154	-341,648	-316,152	-380,053
LOBOs	2	-62,106	-68,607	-62,135	-86,987
Other market debt	2	-167,748	-157,155	-87,758	-97,813
Loan stock	2	-7,252	-10,493	-7,252	-12,495
PFI, transferred debt & finance lease liabilities	2	-81,661	-94,803	-88,258	-117,883
Short-term creditors		-78,390	-78,390	-112,727	-112,727
<b>Total</b>		<b>-779,311</b>	<b>-751,096</b>	<b>-674,282</b>	<b>-807,958</b>

The fair values have been estimated by calculating the net present value of the remaining contractual cash flows at 31 March 2023, 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 2023.
- 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 less than the carrying amount because the Council’s portfolio of loans includes a number of fixed rate loans where the interest rate payable is lower 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 2023) 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.

## NOTES TO THE MAIN FINANCIAL STATEMENTS

- 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 2022/23 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 2022/23 was approved by the Council on 16 February 2022 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:

	<b>31 March 2023</b>	31 March 2022
Credit rating	<b>Short-term</b>	Short-term
	<b>£000</b>	£000
AAA	<b>18,487</b>	22,210
AA-	<b>15,000</b>	46,660
A+	<b>512</b>	0
<b>Total</b>	<b>33,999</b>	<b>68,870</b>

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 six months in 2022/23.

## NOTES TO THE MAIN FINANCIAL STATEMENTS

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 2023, the Council had a balance owing from its customers (mainly services and rent) of £70.5 million (£40.8 million 31 March 2022). The exposure to default has been assessed and is reflected in an impairment provision of £4.8 million (£4.1 million 31 March 2022). Of the trade debtors outstanding as at 31 March 2023 of £18.8 million, 73% (2021/22 72%) relate to outstanding debt due within 3 months of the Balance Sheet date, 5% (2021/22 6%) within 3 to 6 months, 7% (2021/22 5%) within 6 to 12 months and 15% (2021/22 17%) 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 Council holds £19.0 million (£38.3 million 31 March 2022) of liquid financial assets that can be withdrawn or sold at short notice if required to meet cash outflows on financial liabilities.

The maturity analysis of financial instruments is shown below:

Time to maturity (years)	31 March 2023			31 March 2022		
	Liabilities £000	Assets £000	Net £000	Liabilities £000	Assets £000	Net £000
Less than one year	-184,865	94,273	-90,592	-143,742	103,221	-40,521
Between 1 and 2 years	-24,951	3,008	-21,943	-30,016	5,653	-24,363
Between 2 and 5 years	-51,586	13,336	-38,250	-19,453	14,384	-5,069
Between 5 and 10 years	-49,889	14,493	-35,396	-27,605	15,731	-11,874
Between 10 and 20 years	-107,055	5,234	-101,821	-74,585	5,518	-69,067
More than 20 years	-277,850	3,061	-274,789	-289,136	4,404	-284,732
	<b>-696,196</b>	<b>133,405</b>	<b>-562,791</b>	<b>-584,537</b>	<b>148,911</b>	<b>-435,626</b>

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 and the subsequent cost of living crisis, 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 2023, investments held by the Council for cash flow purposes were at both fixed and variable rates, with 56% 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 10% 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 £0.6 million.

### Price Risk

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

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

The Council holds investment units with the CCLA Property Fund which is subject to the risk of falling commercial property prices. The fund has been classified as fair value through profit and loss, however the Council has chosen to use the statutory 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.

	<b>31 March 2023</b>	31 March 2022
	<b>£000</b>	£000
Kirklees College	<b>13,130</b>	13,831
PFI Prepayments (i)	<b>2,427</b>	2,576
Finance Leases (ii)	<b>3,398</b>	3,401
Charges on Property for Residential Care	<b>1,129</b>	1,105
Renewable Energy	<b>1,879</b>	1,925
103 New Street	<b>12,131</b>	9,910
Kirklees Stadium Development Ltd	<b>3,822</b>	3,822
Other	<b>777</b>	826
	<b>38,693</b>	37,396
Impairment Provision	<b>-6,897</b>	-862
<b>Net Long Term Debtors</b>	<b>31,796</b>	<b>36,534</b>

(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	Rechargeable Work in Progress	<b>Total</b>
	£000	£000	£000
Balance at 1 April 2022	2,578	4,782	<b>7,360</b>
Purchases	6,934	0	<b>6,934</b>
Recognised as an expense in the year	-6,533	0	<b>-6,533</b>
Reversals of write-offs in previous years	168	0	<b>168</b>
Movement in work in progress	0	-4,566	<b>-4,566</b>
<b>Balance at 31 March 2023</b>	<b>3,147</b>	<b>216</b>	<b>3,363</b>

**22 Short Term Debtors**

	31 March 2023	31 March 2022
	£000	£000
Central government bodies	19,391	24,575
Other local authorities	3,703	3,271
NHS bodies	539	1,664
Public corporations & trading funds	106	0
Capital debtors	29,255	7,214
Payments in advance	12,851	10,276
Other entities and individuals	64,700	56,656
	<b>130,545</b>	<b>103,656</b>
Bad debt provision – Other entities and individuals	-27,551	-25,404
<b>Net Short Term Debtors</b>	<b>102,994</b>	<b>78,252</b>

The Capital debtors figure of £29.3 million includes grants owed at 31 March 23 of £12.2 million West Yorkshire Combined Authority (WYCA) City Region Transport and £11.1 million WYCA Transport Fund.

**23 Cash and Cash Equivalents**

	31 March 2023	31 March 2022
	£000	£000
Cash held by the Council	47	29
Instant access deposit accounts/investments that mature within 90 days or less	34,164	68,971
<b>Cash and Cash Equivalents</b>	<b>34,211</b>	<b>69,000</b>
Bank overdraft considered to be an integral part of cash management	-7,345	-3,935

**24 Short Term Creditors**

	31 March 2023	31 March 2022
	£000	£000
Central government bodies	-39,031	-61,843
Other local authorities	-2,611	-3,532
NHS bodies	-1,366	-510
Capital creditors	-2,172	-6,298
Accumulated absences	-12,156	-14,047
Receipts in advance	-13,938	-39,952
Other entities and individuals	-38,081	-42,273
<b>Total</b>	<b>-109,355</b>	<b>-168,455</b>

## NOTES TO THE MAIN FINANCIAL STATEMENTS

The Central government bodies movement above relates to a reduction in amounts owing at 31 March 2023 of £5.5 million (£19.3 million 31 March 2022) in S31 Business Rates and £3.8 million (£7.4 million 31 March 2022) of CARF (Covid Additional Restrictions Funding).

The reduction in receipts in advance of £26.0 million was mainly due to a receipt of £25.6 million Council Tax Energy Rebate grant monies received on 30 March 2022 paid out during 2022/23.

### 25 Provisions

	Insurance	Business Rate Appeals	Housing Benefits Subsidy	Total
	£000	£000	£000	£000
Balance at 1 April 2022	-11,168	-1,593	-486	-13,247
Additional provision made in 2022/23	-3,804	-763	0	-4,567
Amounts used in 2022/23	3,410	680	168	4,258
Amounts reversed in 2022/23	0	0	0	0
<b>Balance at 31 March 2023</b>	<b>-11,562</b>	<b>-1,676</b>	<b>-318</b>	<b>-13,556</b>

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 within the Council's reserves 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
<b>Balance at 31 March 2023</b>	<b>-3,122</b>	<b>-10,434</b>	<b>-13,556</b>
Balance at 1 April 2022	-3,629	-9,618	-13,247

**26 Other Long Term Liabilities**

	<b>31 March 2023</b>	31 March 2022
	<b>£000</b>	£000
Deferred Liabilities (mainly outstanding PFI finance lease obligations)	<b>-77,094</b>	-81,324
Net Liability Related to Defined Benefit Pension Scheme	<b>-58,869</b>	-759,731
Long Term Provisions	<b>-10,434</b>	-9,618
PFI Deferred Income	<b>0</b>	-537
<b>Total</b>	<b>-146,397</b>	<b>-851,210</b>

The Net Liability Related to Defined Benefit Pension Scheme only includes the LGPS Unfunded and Teachers pensions schemes in 2022/23 as the LGPS Funded pension scheme is now a Pension Asset as at 31 March 2023 and is shown in Long Term Assets. Note 41 on retirement benefits provides further detail.

**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:

	<b>31 March 2023</b>	31 March 2022
	<b>£000</b>	£000
Capital Adjustment Account	<b>-702,869</b>	-725,440
Revaluation Reserve	<b>-283,699</b>	-257,749
Pensions Reserve	<b>-15,341</b>	759,731
Financial Instruments Revaluation Reserve	<b>-1,146</b>	-1,366
Financial Instruments Adjustment Account	<b>2,346</b>	2,587
Pooled Fund Adjustment Account	<b>1,124</b>	-627
Deferred Capital Receipts Reserve	<b>-3,401</b>	-3,403
Collection Fund Adjustment Account	<b>-69</b>	14,116
Accumulated Absences Account	<b>12,156</b>	14,047
Dedicated Schools Grant Adjustment Account	<b>28,866</b>	22,254
<b>Total Unusable Reserves</b>	<b>-962,033</b>	<b>-175,850</b>

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 2025/26. 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 £28.8 million as at 31 March 2023 includes a £29.0 million High Needs deficit carried forward on the Balance Sheet to be funded by

## NOTES TO THE MAIN FINANCIAL STATEMENTS

future DSG income as per updated statutory guidance. The remaining surplus balance of £0.2 million includes net savings on Early Years and Central School Services budgets in 2022/23.

Details of the movements on the Capital Adjustment Account, Revaluation Reserve and Pensions Reserve are detailed below.

The purpose of the other reserves is explained in the Glossary and the movements of the larger ones are detailed in Note 10.

### Capital Adjustment Account

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

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

	2022/23	2021/22
	£000	£000
<b>Balance at 1 April</b>	<b>-725,440</b>	<b>-722,259</b>
<u>Capital financing applied in the year:</u>		
Use of Capital Receipts Reserve to finance new capital expenditure	-8,566	-9,662
Use of Capital Receipts Reserve to repay debt	-832	-792
Use of the Major Repairs Reserve to finance new capital expenditure	-18,886	-15,368
Capital grants and contributions credited to the CIES that have been applied to capital financing	-26,526	-20,939
Application of grants to capital financing from the Capital Grants Unapplied Account	-21,564	-19,799
Statutory provision for the financing of capital investment charged against the General Fund, HRA Balances and Major Repairs Reserve	-10,330	-10,948
Capital expenditure charged against the General Fund and HRA Balances	-6,109	-6,814
	<b>-818,253</b>	<b>-806,581</b>
Charges for depreciation and impairment of non-current assets	60,345	55,208
Amortisation of intangible assets	162	334
Revaluation losses on PPE	29,465	12,938
Revaluation gains on PPE	-20,465	-21,164
Movements in the market value of Investment Property	7,216	-3,039
Revenue expenditure funded from capital under statute (REFCUS)	23,568	28,343
Amounts of non-current assets written off on disposal or sale	16,308	9,997
Adjusting amounts written out of the Revaluation Reserve	-4,919	-1,835
Deferred Income written down - Waste PFI	-537	-537
Long-term debtors written down	907	931
Financial Instruments impairment charge	3,334	-35
<b>Balance at 31 March</b>	<b>-702,869</b>	<b>-725,440</b>

## NOTES TO THE MAIN FINANCIAL STATEMENTS

### 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.

	2022/23	2021/22
	£000	£000
<b>Balance at 1 April</b>	<b>-257,749</b>	-192,942
Upward revaluation of assets	-53,530	-72,281
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	22,661	5,639
	<b>-288,618</b>	<b>-259,584</b>
Difference between fair value depreciation and historical cost depreciation	3,799	1,356
Accumulated gains on assets sold or scrapped	1,120	479
<b>Balance at 31 March</b>	<b>-283,699</b>	<b>-257,749</b>

### 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.

	2022/23			2021/22		
	LGPS £000	Teachers £000	Total £000	LGPS £000	Teachers £000	Total £000
<b>Balance at 1 April</b>	<b>714,320</b>	<b>45,411</b>	<b>759,731</b>	948,835	49,735	998,570
Pension cost payable to Pension Fund	-43,887	-3,374	-47,261	-39,611	-3,679	-43,290
Actuarial gain (-) /loss	-854,578	-3,195	-857,773	-430,796	-1,651	-432,447
Reversal of IAS19 entries	128,781	1,181	129,962	235,892	1,006	236,898
<b>Balance at 31 March</b>	<b>-55,364</b>	<b>40,023</b>	<b>-15,341</b>	<b>714,320</b>	<b>45,411</b>	<b>759,731</b>

**29 Cash Flow - Operating Activities**

The cash flows for operating activities include the following items:

	2022/23	2021/22
	£000	£000
Interest received	-2,743	-1,302
Interest paid	26,120	24,846
Dividend received	-694	-443

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

	2022/23	2021/22
	£000	£000
Pension adjustments	-82,701	-193,608
Depreciation, impairment and amortisation	-58,401	-52,739
Revaluation gains/losses	-16,216	11,265
Carrying amount of non-current assets sold or de-recognised	-16,308	-9,997
Movements on -		
Provisions	-309	1,433
Inventories	-3,996	2,274
Revenue debtors (including bad debt provision)	49,798	-26,039
Revenue creditors	67,412	-24,817
Other non-cash items	-7,762	1,809
<b>Total non-cash movements</b>	<b>-68,483</b>	<b>-290,419</b>

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

	2022/23	2021/22
	£000	£000
Capital grants	59,664	29,707
Proceeds from the sale of Property, Plant and Equipment (PPE), Investment Property and Intangible Assets.	12,135	14,153
<b>Total</b>	<b>71,799</b>	<b>43,860</b>



## NOTES TO THE MAIN FINANCIAL STATEMENTS

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

	2022/23				2021/22			
	At 1 April £000	Financing cashflows £000	Non cash changes £000	At 31 March £000	At 1 April £000	Financing cashflows £000	Non cash changes £000	At 31 March £000
Long term borrowing	442,282	70,510	-7	512,785	375,817	66,463	2	442,282
Short term borrowing	31,015	75,451	9	106,475	54,233	-23,218	0	31,015
PFI & finance lease liabilities	88,258	-6,598	0	81,660	94,298	-6,040	0	88,258
<b>Total liabilities from financing activities</b>	<b>561,555</b>	<b>139,363</b>	<b>2</b>	<b>700,920</b>	<b>524,348</b>	<b>37,205</b>	<b>2</b>	<b>561,555</b>

### 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:

	2022/23 £000	2021/22 £000
<b>Grant Thornton:</b>		
External audit services – scale fee	146	132
External audit services – additional charges	67	68
Certification of grant claims and returns	47	0
	<b>260</b>	<b>200</b>
<b>Mazars:</b>		
Certification of grant claims and returns	0	30
	<b>260</b>	<b>230</b>
Redmond review grant	0	-63
<b>Total</b>	<b>260</b>	<b>167</b>

### 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 Integrated Care Board (ICB) (formerly Clinical Commissioning Group/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. The Council accounts for the pool as a whole, along with the Adults and Childrens contributions to the pool.

	<b>2022/23</b>	2021/22
	<b>£000</b>	£000
<b><u>Funding provided to the pooled budget</u></b>		
Kirklees Council - Adults	-1,993	-1,826
Kirklees Council - Children	-508	-516
Kirklees ICB	-1,842	-1,683
<b>Total Funding</b>	<b>-4,343</b>	<b>-4,025</b>
<b><u>Expenditure met from the pooled budget</u></b>		
Kirklees Council - Adults	1,374	1,397
Kirklees Council - Children	270	275
Kirklees ICB	1,644	1,671
<b>Total Expenditure</b>	<b>3,288</b>	<b>3,343</b>
<b>Net surplus arising on pooled budget during the year</b>	<b>-1,055</b>	<b>-682</b>
<b>Council share of the net surplus arising on the pooled budget</b>	<b>-858</b>	<b>-670</b>

**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 ICBs 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. The Council accounts for the gross contribution less amounts retained for ICB commissioned services.

	<b>2022/23</b>	2021/22
	<b>£000</b>	£000
<b><u>Funding provided to the pooled budget</u></b>		
Kirklees Council	-27,425	-26,901
Kirklees ICB schemes	-33,726	-31,920
<b>Total Funding</b>	<b>-61,151</b>	<b>-58,821</b>
<b><u>Expenditure met from the pooled budget</u></b>		
Kirklees Council	48,646	46,779
Kirklees ICB schemes	12,505	12,042
<b>Total Expenditure</b>	<b>61,151</b>	<b>58,821</b>
<b>Net surplus arising on pooled budget during the year</b>	<b>0</b>	<b>0</b>
<b>Council share of the net surplus arising on the pooled budget</b>	<b>0</b>	<b>0</b>

**34 Officers' Remuneration**

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

Remuneration Band (£)	2022/23		2021/22	
	Teachers	Other	Teachers	Other
50,000 - 54,999	116	196	91	112
55,000 - 59,999	66	70	65	29
60,000 - 64,999	41	16	46	23
65,000 - 69,999	33	19	30	3
70,000 - 74,999	21	5	24	8
75,000 - 79,999	24	3	12	3
80,000 - 84,999	4	8	5	11
85,000 - 89,999	4	8	5	2
90,000 - 94,999	6	1	3	0
95,000 - 99,999	2	1	0	3
100,000 - 104,999	1	4	1	5
105,000 - 109,999	0	9	0	3
110,000 - 114,999	0	0	0	0
115,000 - 119,999	0	1	1	1
120,000 - 124,999	1	0	0	0
125,000 - 129,999	0	0	1	2
130,000 - 134,999	1	2	0	0
135,000 - 139,999	0	3	0	3
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	0	0	1
165,000 - 169,999	0	0	0	0
170,000 - 179,999	0	0	0	0
180,000 - 189,999	0	1	0	0
190,000 - 194,999	0	0	0	1
<b>Total</b>	<b>320</b>	<b>347</b>	<b>284</b>	<b>210</b>

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 2022/23 (2021/22 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.

## NOTES TO THE MAIN FINANCIAL STATEMENTS

### 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 (1) £	Total Remuneration including pension contributions £
<b>2022/23</b>					
Chief Executive – Jacqui Gedman	187,087	0	187,087	29,747	216,834
Strategic Director Adults & Health	139,860	0	139,860	22,238	162,098
Strategic Director Children & Families	139,860	0	139,860	22,238	162,098
Strategic Director Corporate Strategy, Commissioning & Public Health	139,860	0	139,860	22,238	162,098
Strategic Director Environment & Climate Change	130,366	0	130,366	20,728	151,094
Strategic Director Growth & Regeneration	130,366	0	130,366	20,728	151,094
Service Director Governance & Commissioning (Monitoring Officer)	107,087	0	107,087	17,027	124,114
Service Director Finance (s151 Officer)	107,087	0	107,087	17,027	124,114
<b>2021/22</b>					
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

(1) No added years pensions were provided for Senior Officers.

It should be noted that the 2021/22 figures for senior officer's emoluments only relate to individuals who continued to be employed in 2022/23 and will exclude those who left the Council in 2021/22. 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)
	£000	£000	£000	£000	£000	£000
<b>2022/23</b>						
£0 - £20,000	0	14	14	97	97	0
£20,001 - £40,000	0	5	5	130	122	8
£40,001 - £60,000	0	1	1	42	42	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
<b>Total</b>	<b>0</b>	<b>20</b>	<b>20</b>	<b>269</b>	<b>261</b>	<b>8</b>
<b>2021/22</b>						
£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
<b>Total</b>	<b>0</b>	<b>6</b>	<b>6</b>	<b>88</b>	<b>77</b>	<b>11</b>

**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 2022/23 before recoupment			-422,668
Academy and High Needs figure recouped for 2022/23			180,467
Total DSG after recoupment for 2022/23			-242,201
Plus brought forward from 2021/22			-2,852
Less carry forward to 2023/24 agreed in advance			0
Agreed initial budgeted distribution for 2022/23	-57,119	-187,934	-245,053
In year adjustments	-4,200	209	-3,991
Final budget distribution for 2022/23	-61,319	-187,725	-249,044
Less actual central expenditure	66,479		66,479
Less actual ISB deployed to schools		187,725	187,725
Plus Local authority contribution for 2022/23	-1,400	0	-1,400
<b>In Year Carry-forward to 2023/24</b>	<b>3,760</b>	<b>0</b>	<b>3,760</b>
Plus Carry-forward to 2023/24 agreed in advance			0
Carry-forward to 2023/24			0
DSG unusable reserve at the end of 2021/22			25,106
Addition to DSG unusable reserve at the end of 2022/23			3,760
Total of DSG unusable reserve at the end of 2022/23			28,866
<b>Net DSG position at the end of 2022/23</b>			<b>28,866</b>

**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.

Where members have an interest in companies or other organisations, details of such interest are recorded in the Register of Members’ Interests which is open to public inspection and can be found on the Council’s website. 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.

The following members and officers held positions of control or significant influence in related parties to the Council during 2022/23.

**i) Elected Members and Chief Officers**

There were 5 material disclosures to declare for 2022/23, 5 relating to Elected Members and 2 Chief Officers.

## NOTES TO THE MAIN FINANCIAL STATEMENTS

A Councillor and an Officer were Directors of Creative Media Centres Ltd. The Council has given a loan to the Company which as at 31 March 2023, £0.173 million was outstanding (£0.183 million as at 31 March 2022).

2 Councillors were Directors of Kirklees Community Association (KCA). In 2022/23, the Council received £0.181 million from KCA.

2 Councillors were Directors of Calderdale and Kirklees Careers Ltd. In 2022/23, the Council made payments of £2.820 million to the Company and received £0.007 million from it.

5 Councillors were Directors of Kirklees Neighbourhood Housing along with a Senior officer of the Council. The Company was dissolved on 1<sup>st</sup> November 2022 and in 2022/23 no transactions took place.

A Councillor and a Service Director were Directors for Local Services 2 You Ltd, a Social Enterprise organisation delivering a range of local Services and facilities for the benefit of residents in a local ward of Huddersfield. In 2022/23 the Council made payments of £0.643 million to the enterprise and received no income from it.

There were 4 additional companies where Councillors had control however there were no transactions between the Council during 2022/23.

### 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	
	2022/23	2021/22	2022/23	2021/22	31 March 2023	31 March 2022
	£000	£000	£000	£000	£000	£000
Calderdale and Kirklees Careers Service Ltd	-7	-10	2,820	2,332	-358	-1
Kirklees Active Leisure	-1,649	-1,295	3,161	6,708	19	135
Kirklees Community Association	-181	-266	0	0	24	35
Kirklees Theatre Trust	-11	-16	229	266	0	0
North Huddersfield Trust	-319	-144	0	0	1	1

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 2022/23 amounted to £19.9 million (2021/22 £19.7 million). Certain Parish Councils have also invested funds with the Council. As at 31 March 2023, £0.298 million (£0.352 million at 31 March 2022) 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, a provision of £2.7 million has been reflected in the Statement of Accounts.



**37 Grant Income**

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

	2022/23	2021/22
	£000	£000
<b><u>Credited to Taxation and Non-Specific Grant Income</u></b>		
Revenue Support Grant (RSG)	-13,514	-13,104
NNDR Top up Grant	-28,808	-28,808
PFI Grants	-11,223	-11,359
New Homes Grant	-1,927	-2,780
Business Rates Relief	-23,671	-22,442
Covid-19 Grants	0	-19,272
Services Grant	-5,700	0
Other Non-Specific Grants (under £2 million)	-3,973	-3,413
	<b>-88,816</b>	<b>-101,178</b>
<b><u>Grants and Contributions related to capital financing which cannot be identified to particular services or assets</u></b>		
Standards Fund	-18,496	-2,246
Local Transport Plan (LTP)	0	-6,227
City Region Sustainable Transport Settlement	-12,163	0
West Yorkshire Transport Fund	-8,995	-4,895
Other Capital Grants and Contributions (under £2 million)	-20,547	-16,876
<b>Total</b>	<b>-149,017</b>	<b>-131,422</b>
<b><u>Credited to Services</u></b>		
<b><u>Revenue</u></b>		
Dedicated Schools Grant	-244,067	-254,474
DWP – Rent Allowance	-32,722	-35,930
DWP – Rent Rebate	-29,770	-31,269
Department of Health Grant (Public Health)	-27,117	-26,286
Clinical Commissioning Groups (ICBs) – Better Care Fund	-21,035	-19,968
Clinical Commissioning Groups (ICBs) – Other	-10,975	-12,348
Pupil Premium Grant	-11,941	-12,081
PFI Grant (ring fenced to HRA)	-7,912	-7,912
Universal Infant Free School Meals Grant	-3,340	-3,561
Social Care Support Grant	-18,481	-13,500
Improved Better Care Fund (IBCF)	-17,822	-17,298
Covid-19 Grants	-6,554	-30,272
Schools Grants - Other	-10,349	-6,502
Homes for Ukraine Grant	-4,839	0
Other Revenue Grants and Contributions (under £2 million)	-32,330	-25,318
<b><u>Capital (REFCUS)</u></b>		
Standards Fund	-3,577	-3,766
Disabled Facilities Grant	-3,624	-3,624
Various Capital Grants and Contributions (under £2 million)	-3,504	-2,248
<b>Total</b>	<b>-489,959</b>	<b>-506,357</b>
<b>Total Grants in CIES</b>	<b>-638,976</b>	<b>-637,779</b>

**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.

	2022/23	2021/22
	£000	£000
<b>Opening Capital Financing Requirement</b>	<b>806,733</b>	760,957
<u>Capital Investment</u>		
Property, Plant and Equipment	117,744	91,039
Investment Property	3,640	4,972
Heritage Assets	38	0
Intangible Assets	1,171	610
Revenue Expenditure Funded from Capital under Statute	23,568	20,053
Loans and Investments	2,220	8,577
Inventories	0	4,847
<u>Sources of Finance</u>		
Capital Receipts	-7,722	-9,663
Government Grants and Other Contributions	-48,090	-40,737
Major Repairs Reserve	-18,886	-15,368
Direct Revenue Contributions	-6,109	-6,814
To repay debt:		
Minimum Revenue Provision	-10,330	-8,027
Major Repairs Reserve	0	-2,921
Capital Receipts	-832	-792
<b>Closing Capital Financing Requirement</b>	<b>863,145</b>	<b>806,733</b>
<u>Explanation of movements in year</u>		
Increase in underlying need to borrow:		
PFI Finance Lease Liability	336	201
Other	67,239	57,315
Provision for Repayment of Debt	-11,163	-11,740
<b>Increase in Capital Financing Requirement</b>	<b>56,412</b>	<b>45,776</b>

**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:

	<b>31 March 2023</b>	31 March 2022
	<b>£000</b>	£000
<b>Cost or valuation</b>		
At 1 April	<b>16,242</b>	12,117
Additions	<b>5,529</b>	2,027
Revaluation increases recognised in the Revaluation Reserve	<b>-112</b>	2,098
Revaluation decreases recognised in the provision of services	<b>-6,610</b>	0
At 31 March	<b>15,049</b>	<b>16,242</b>
<b>Depreciation and impairments</b>		
At 1 April	<b>-209</b>	-142
Depreciation charge	<b>-283</b>	-208
Depreciation written out to the Revaluation Reserve	<b>106</b>	141
Depreciation written out to the provision of services	<b>386</b>	0
At 31 March	<b>0</b>	<b>-209</b>
<b>Net Book Value as at 31 March</b>	<b>15,049</b>	<b>16,033</b>

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:

	<b>31 March 2023</b>	31 March 2022
	<b>£000</b>	£000
Finance lease liabilities (net present value of minimum lease payments):		
Non-current	<b>1,049</b>	1,049
Finance costs payable in future years	<b>5,971</b>	6,061
Minimum lease payments	<b>7,020</b>	<b>7,110</b>

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

	Minimum Lease Payments		Finance Lease Liabilities	
	<b>31 March 2023</b>	31 March 2022	<b>31 March 2023</b>	31 March 2022
	<b>£000</b>	£000	<b>£000</b>	£000
Not later than one year	<b>90</b>	90	<b>0</b>	0
Later than one year and not later than five years	<b>360</b>	360	<b>0</b>	0
Later than five years	<b>6,570</b>	6,660	<b>1,049</b>	1,049
	<b>7,020</b>	<b>7,110</b>	<b>1,049</b>	<b>1,049</b>

## NOTES TO THE MAIN FINANCIAL STATEMENTS

### Operating Leases

The Council uses vehicles throughout the Kirklees district, financed under the terms of operating leases. The Council is committed at 31 March 2023 to make future minimum lease payments due under non-cancellable leases as follows:

	Minimum Lease Payments		Minimum Sub Leases Receivable	
	31 March 2023	31 March 2022	31 March 2023	31 March 2022
	£000	£000	£000	£000
Not later than one year	991	1,125	0	0
Later than one year and not later than five years	1,200	2,178	0	0
Later than five years	0	0	0	0
	<b>2,191</b>	<b>3,303</b>	<b>0</b>	<b>0</b>

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

	2022/23	2021/22
	£000	£000
Minimum Lease Payments	1,245	1,207
Contingent Rents	0	0
Sub Lease Payments	0	0
	<b>1,245</b>	<b>1,207</b>

### 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 2023	31 March 2022
	£000	£000
Finance lease debtor (net present of value of minimum lease payments):		
Non-current	3,401	3,404
Unearned finance income	14,018	14,290
Gross investment in the lease	<b>17,419</b>	<b>17,694</b>

## NOTES TO THE MAIN FINANCIAL STATEMENTS

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 2023	31 March 2022	31 March 2023	31 March 2022
	£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	16,044	16,319	16,044	16,319
	<b>17,419</b>	<b>17,694</b>	<b>17,419</b>	<b>17,694</b>

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

### *Operating Leases:*

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

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

## NOTES TO THE MAIN FINANCIAL STATEMENTS

The value of the assets leased out is as follows:

	31 March 2023 £000	31 March 2022 £000
<b>Cost or valuation</b>		
At 1 April	184,615	164,567
Additions	4,287	3,046
Revaluation increases/decreases(-) recognised in the Revaluation Reserve	-786	4,373
Revaluation increases/decreases(-) recognised in provision of services	-14,805	1,141
De-recognition - disposals	-1,239	-7,839
De-recognition - other	0	0
Other movements in cost or valuation (re-classifications)	-3,081	19,327
<b>At 31 March</b>	<b>168,991</b>	<b>184,615</b>
<b>Depreciation and impairments</b>		
At 1 April	-1,369	-9,343
Depreciation and impairment charge for year	-1,930	-1,545
Depreciation written out to the Revaluation Reserve	1,023	1,498
Depreciation written out to the Surplus/Deficit to Services	1,636	182
De-recognition - disposals	2	7,839
De-recognition - other	109	0
<b>At 31 March</b>	<b>-529</b>	<b>-1,369</b>
<b>Net Book Value as at 31 March</b>	<b>168,462</b>	<b>183,246</b>

The Council received £4.9 million in rent on operating leases in 2022/23 (£4.4 million 2021/22).

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

	31 March 2023 £000	31 March 2022 £000
Not later than one year	2,348	1,684
Later than one year and not later than five years	3,025	2,484
Later than five years	1,690	1,589
	<b>7,063</b>	<b>5,757</b>

**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 2023/24	35,554	5,661	4,468	1,939	<b>47,622</b>
Between 2024/25 to 2027/28	97,671	19,033	23,720	7,158	<b>147,582</b>
Between 2028/29 to 2032/33	105,909	11,862	45,788	7,918	<b>171,477</b>
Between 2033/34 to 2034/35	10,244	291	8,631	373	<b>19,539</b>
	<b>249,378</b>	<b>36,847</b>	<b>82,607</b>	<b>17,388</b>	<b>386,220</b>

The value of assets held under all schemes:

	2022/23 £000	2021/22 £000
Net Book Value at 1 April	<b>94,478</b>	93,623
Additions	<b>2,960</b>	2,657
Revaluations net of depreciation written back	<b>4,623</b>	-1,209
Disposals	<b>0</b>	296
Depreciation	<b>-4,637</b>	-889
<b>Net Book Value at 31 March</b>	<b>97,424</b>	<b>94,478</b>

The value of liabilities for all schemes:

	2022/23 £000	2021/22 £000
At 1 April	<b>-84,648</b>	-90,587
Movement in the year	<b>6,495</b>	5,939
<b>At 31 March</b>	<b>-78,153</b>	<b>-84,648</b>

**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.

## NOTES TO THE MAIN FINANCIAL STATEMENTS

The Council incurred costs of £15.4 million under the contract in 2022/23 (2021/22 £15.4 million) and received £3.1 million in PFI Grant (2021/22 £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 2023/24	15,822	0	0	15,822
In 2024/25	15,822	0	0	15,822
	<b>31,644</b>	<b>0</b>	<b>0</b>	<b>31,644</b>

The estimated payments for service charges are based on expected tonnages and 2022/23 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 2023 was nil (31 March 2022 £0.5 million).

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

	2022/23 £000	2021/22 £000
Net Book Value at 1 April	27,362	28,890
Additions	1,590	1,174
Revaluations net of depreciation written back	-1,411	-2,683
Depreciation	-3,300	-19
<b>Net Book Value at 31 March</b>	<b>24,241</b>	<b>27,362</b>

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

	2022/23 £000	2021/22 £000
At 1 April	-1,706	-3,279
Movement in the year	1,706	1,573
<b>At 31 March</b>	<b>-0</b>	<b>-1,706</b>

### b) Schools 1

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

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



## NOTES TO THE MAIN FINANCIAL STATEMENTS

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 £19.7 million under the contract in 2022/23 (2021/22 £16.0 million) and received £5.9 million in PFI Grant (2021/22 £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 2023/24	14,778	2,141	1,436	1,458	19,813
Between 2024/25 to 2027/28	61,757	7,301	8,085	5,944	83,087
Between 2028/29 to 2032/33	82,547	4,509	18,904	7,277	113,237
In 2033/34	5,130	23	1,290	373	6,816
	<b>164,212</b>	<b>13,974</b>	<b>29,715</b>	<b>15,052</b>	<b>222,953</b>

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:

	2022/23 £000	2021/22 £000
Net Book Value at 1 April	47,133	46,281
Additions	471	547
Revaluations net of depreciation written back	5,675	878
Disposals	0	0
Depreciation	-946	-573
<b>Net Book Value at 31 March</b>	<b>52,333</b>	<b>47,133</b>

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

	2022/23 £000	2021/22 £000
At 1 April	-31,390	-32,310
Movement in the year	1,675	920
<b>At 31 March</b>	<b>-29,715</b>	<b>-31,390</b>

### 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:

## NOTES TO THE MAIN FINANCIAL STATEMENTS

- 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 £2.9 million under the contract in 2022/23 (£2.8 million in 2021/22) and received £2.2 million in PFI Grant (2021/22 £2.2 million). Details of estimated payments due to be made are as follows:

	Service Charges £000	Interest Charges £000	Repayments Of Liability £000	Other £000	Total £000
In 2023/24	1,347	479	413	481	2,720
Between 2024/25 to 2027/28	5,781	1,486	2,446	1,214	10,927
Between 2028/29 to 2031/32	5,422	492	2,909	641	9,464
	<b>12,550</b>	<b>2,457</b>	<b>5,768</b>	<b>2,336</b>	<b>23,111</b>

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:

	2022/23 £000	2021/22 £000
Net Book Value at 1 April	4,513	3,954
Additions	563	736
Revaluations net of depreciation written back	0	-177
Disposals	0	0
Depreciation	-88	0
<b>Net Book Value at 31 March</b>	<b>4,988</b>	<b>4,513</b>

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

	2022/23 £000	2021/22 £000
At 1 April	-6,302	-6,920
Movement in the year	534	618
<b>At 31 March</b>	<b>-5,768</b>	<b>-6,302</b>

### 41 Pensions Disclosures

#### Participation in Pension Schemes

As part of the terms and conditions of employment of its officers, the Council makes contributions towards the cost of post-employment benefits. Although these benefits will not actually be payable until employees retire, the Council has a commitment to make the payments (for those benefits) that and to disclose them at the time the 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 2022/23, the Council paid £18.0 million (2021/22 £17.0 million) in respect of teachers' retirement benefits, representing 23.7% (2021/22 23.7%) of pensionable pay. Payments of £1.5 million were owing to the scheme as at 31 March 2023 (31 March 2022 £1.5 million).
- 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 2022/23, the Council paid £0.1 million (2021/22 £0.1 million) to the NHSBSA, representing 14.4% (2021/22 14.4%) of pensionable pay.

#### Transactions Relating to Retirement Benefits

In 2022/23 the Council paid an employer's contribution of £41.2 million (2021/22 £37.5 million) to the WYPF.

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

## NOTES TO THE MAIN FINANCIAL STATEMENTS

	LGPS		Teachers	Total
	Funded	Unfunded		
	£000	£000	£000	£000
<b>2022/23</b>				
<b>Comprehensive Income and Expenditure Statement</b>				
<u>Cost of Services:</u>				
Current service cost	109,813	0	0	109,813
Past service cost	270	0	0	270
<u>Financing and Investment income and expenditure:</u>				
Net interest expense	18,150	548	1,181	19,879
<b>Total Post-employment Benefits charged to the Surplus/Deficit on the Provision of Services</b>	<b>128,233</b>	<b>548</b>	<b>1,181</b>	<b>129,962</b>
<u>Remeasurement of the net defined benefit liability comprising:</u>				
Return on plan assets (excluding the amount included in the net interest expense)	76,384	0	0	76,384
Actuarial gains and losses arising on changes in demographic assumptions	8,415	593	990	9,998
Actuarial gains and losses arising on changes in financial assumptions	-1,175,580	-3,243	-8,171	-1,186,994
Actuarial gains and losses due to liability experience	237,261	1,592	3,986	242,839
<b>Total Post Employment Benefit charged to the CIES</b>	<b>-725,287</b>	<b>-510</b>	<b>-2,014</b>	<b>-727,811</b>
<b>Movement in Reserves Statement</b>				
Reversal of net charges made to the Surplus/Deficit on the Provision of Services for retirement benefits	-128,233	-548	-1,181	-129,962
<b>Actual amount charged against General Fund Balance for pensions in the year:</b>				
Employers' contributions payable to scheme	42,015	1,872	0	43,887
Retirement benefits payable to pensioners	0	0	3,374	3,374

## NOTES TO THE MAIN FINANCIAL STATEMENTS

	LGPS		Teachers	Total
	Funded	Unfunded		
2021/22	£000	£000	£000	£000
<b>Comprehensive Income and Expenditure Statement</b>				
<u>Cost of Services:</u>				
Current service cost	114,882	0	0	114,882
Past service cost	0	0	0	0
<u>Financing and Investment income and expenditure:</u>				
Net interest expense	21,121	472	1,006	22,599
<b>Total Post-employment Benefits charged to the Surplus/Deficit on the Provision of Services</b>	<b>136,003</b>	<b>472</b>	<b>1,006</b>	<b>137,481</b>
<u>Remeasurement of the net defined benefit liability comprising:</u>				
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
<b>Total Post Employment Benefit charged to the CIES</b>	<b>-294,045</b>	<b>-276</b>	<b>-645</b>	<b>-294,966</b>
<b>Movement in Reserves Statement</b>				
Reversal of net charges made to the Surplus /Deficit on the Provision of Services for retirement benefits	-136,003	-472	-1,006	-137,481
<b>Actual amount charged against General Fund Balance for pensions in the year:</b>				
Employers' contributions payable to scheme	37,640	1,971	0	39,611
Retirement benefits payable to pensioners	0	0	3,679	3,679

**Pension Assets and Liabilities Recognised in the Balance Sheet**

The underlying assets and liabilities for retirement benefits attributable to the Council and the amounts included in the Balance sheet as at 31 March 2023 are shown the following table:

	<b>2022/23</b>	2021/22
	<b>£000</b>	£000
Present value of liabilities:		
LGPS Funded	<b>-2,245,260</b>	-3,050,856
LGPS Unfunded	<b>-18,846</b>	-21,228
Teachers	<b>-40,023</b>	-45,411
Fair value of assets in the LGPS	<b>2,319,470</b>	2,357,764
<b>Net asset/liability (-)</b>	<b>15,341</b>	<b>-759,731</b>
LGPS Funded	<b>74,210</b>	-693,092
LGPS Unfunded	<b>-18,846</b>	-21,228
Teachers	<b>-40,023</b>	-45,411
<b>Net asset/liability (-)</b>	<b>15,341</b>	<b>-759,731</b>

**Asset Ceiling**

Following the pensions valuation by the Council's actuary, the Council determined that the fair value of its pension plan assets outweighed the present value of the plan obligations at 31 March 2023 resulting in a pension plan asset for the first time. IAS19 Employee Benefits required that, where a pension plan asset exists, it is measured at the lower of:

- The surplus in the defined benefit plan: and
- The asset ceiling.

The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The Council's surplus recognition policy is in line with accounting guidance above.

The Council's actuaries calculated that the net pension asset can be recognised in full at the accounting date. This is because, based on the results of the latest valuation, the employer can gain an economic benefit from payment of reduced contributions below the cost of the expected IAS19 service costs in the future. The Council is not paying any deficit recovery contributions (also known as secondary contributions), so there is no additional liability to recognise under a minimum funding requirement, and therefore surplus can be recognised in full.

## NOTES TO THE MAIN FINANCIAL STATEMENTS

### Assets and Liabilities in relation to Post-Employment Benefits

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

	LGPS		Teachers	Total
	Funded £000	Unfunded £000	£000	£000
<b>2022/23</b>				
Opening balance 1 April 2022	-3,050,856	-21,228	-45,411	-3,117,495
Current Service Cost	-109,813	0	0	-109,813
Interest cost	-81,484	-548	-1,181	-83,213
Contributions by scheme participants	-16,915	0	0	-16,915
Remeasurement gain/loss(-):				
Arising on changes in demographic assumptions	-8,415	-593	-990	-9,998
Arising on changes in financial assumptions	1,175,580	3,243	8,171	1,186,994
Due to liability experience	-237,261	-1,592	-3,986	-242,839
Benefits/transfers paid	84,174	1,872	3,374	89,420
Past service costs	-270	0	0	-270
Net increase in liabilities from disposals/acquisitions	0	0	0	0
<b>Closing balance 31 March 2023</b>	<b>-2,245,260</b>	<b>-18,846</b>	<b>-40,023</b>	<b>-2,304,129</b>
<b>2021/22</b>				
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
<b>Closing balance 31 March 2022</b>	<b>-3,050,856</b>	<b>-21,228</b>	<b>-45,411</b>	<b>-3,117,495</b>

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

	31 March 2023	31 March 2022
	£000	£000
Opening balance 1 April	2,357,764	1,940,636
Interest income on assets	63,334	44,497
Remeasurement gains and losses	-76,384	203,527
Employer contributions	42,015	37,640
Contributions by scheme participants	16,915	14,988
Benefits paid	-84,174	-71,073
Net increase in assets from disposals/acquisitions	0	187,549
<b>Closing balance 31 March</b>	<b>2,319,470</b>	<b>2,357,764</b>

## NOTES TO THE MAIN FINANCIAL STATEMENTS

The Council's share of pension fund assets is rolled forward, by the actuary, from the latest formal valuation date. The roll forward amount is then adjusted for investment returns, the effective contributions paid into and estimated benefits paid from the fund by the Council and its employees. As such this estimate may differ from the actual assets held by the Pension Fund on 31 March 2023.

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 loss of £13.1 million (2021/22 return of £248.0 million).

### **Pension Scheme Assets**

The percentage breakdown of Fund assets is as follows:

			<b>2022/23</b>	2021/22
	<b>Quoted</b>	<b>Unquoted</b>	<b>Total</b>	Total
	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>
Equity investments	<b>66.1</b>	<b>14.7</b>	<b>80.8</b>	79.8
Government Bonds	<b>6.9</b>	<b>0.0</b>	<b>6.9</b>	7.4
Other Bonds	<b>4.6</b>	<b>0.0</b>	<b>4.6</b>	4.8
Property	<b>1.1</b>	<b>2.2</b>	<b>3.3</b>	4.0
Cash/ liquidity	<b>0.0</b>	<b>2.3</b>	<b>2.3</b>	2.9
Other	<b>0.0</b>	<b>2.1</b>	<b>2.1</b>	1.1
	<b>78.7</b>	<b>21.3</b>	<b>100.0</b>	<b>100.0</b>

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.



**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 triennial full valuation of the West Yorkshire Pension Fund carried out as at 31 March 2022.

The significant assumptions used by the actuary have been:

	2022/23			2021/22		
	LGPS		Teachers	LGPS		Teachers
	Funded	Unfunded		Funded	Unfunded	
Rate of inflation – CPI	<b>2.70%</b>	<b>2.70%</b>	<b>2.70%</b>	3.00%	3.00%	3.00%
Rate of increase in salaries	<b>3.95%</b>	<b>n/a</b>	<b>n/a</b>	4.25%	n/a	n/a
Rate of increase in pensions	<b>2.70%</b>	<b>2.70%</b>	<b>2.70%</b>	3.00%	3.00%	3.00%
Rate for discounting liabilities	<b>4.70%</b>	<b>4.70%</b>	<b>4.70%</b>	2.70%	2.70%	2.70%
Take up of option to convert annual pension into retirement grant	<b>75%</b>	<b>n/a</b>	<b>n/a</b>	75%	n/a	n/a
<b>Mortality assumptions (years):</b>						
Longevity at 65 for current pensioners:						
Men	<b>21.6</b>	<b>21.6</b>	<b>21.6</b>	21.8	21.8	21.8
Women	<b>24.6</b>	<b>24.6</b>	<b>24.6</b>	24.6	24.6	24.6
Longevity at 65 for future pensioners:						
Men	<b>22.9</b>	<b>n/a</b>	<b>n/a</b>	22.5	n/a	n/a
Women	<b>25.7</b>	<b>n/a</b>	<b>n/a</b>	25.7	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 analysis below is based on possible changes to the assumptions occurring at the end of the reporting period. For each assumption change all other assumptions remain constant. The analysis only applies to Funded LGPS benefits – the sensitivity of unfunded benefits is not included on materiality grounds. The base figure for the liabilities is £2,245.3 million and for projected service cost is £54.0 million.

## NOTES TO THE MAIN FINANCIAL STATEMENTS

	<b>Approximate % Increase in Defined Benefit Obligation</b>	<b>Approximate Monetary Amount</b>
		<b>£000</b>
0.1% decrease in real discount rate	<b>1.70%</b>	<b>51,931</b>
1 year increase in member life expectancy	<b>2.60%</b>	<b>52,202</b>
0.1% increase in the salary increase rate	<b>0.20%</b>	<b>54,039</b>
0.1% increase in the pension increase rate	<b>1.50%</b>	<b>56,201</b>

### **Impact on the Council's cash flows**

The objective of the scheme is to keep employers' contributions at as constant a rate as possible. Funding levels are monitored on an annual basis. The contribution rate set by the current triennial valuation took effect from the financial year starting 1 April 2022. The next triennial valuation is due to be completed on 31 March 2025.

The scheme will need to take account of the national changes to the scheme under the Public Pensions Services Act 2013. Under the Act, the LGPS in England and Wales and the other main existing public service schemes may not provide benefits in relation to service after 31 March 2014 (or services after 31 March 2015 for other main existing public service pension schemes in England and Wales). The Act provides for scheme regulations to be made within a common framework, to establish new career average revalued earnings schemes to pay pensions and other benefits to certain public servants.

The total funded contributions expected to be made to West Yorkshire Pension Fund by the Council in the year to 31 March 2024 is £43.1 million. The weighted average duration of the defined benefit obligation for the scheme members is 17.2 years.

## 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 2022/23 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 2023.

In 2022/23, 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 0.3 million, (operating deficit £0.1 million 2021/22). Similarly, as at 31 March 2023, the Company had net assets of £18.8 million (£17.6 million at 31 March 2022).

The Council's share of KSDL's financial results is summarised in the table below.

	<b>Company Accounts</b>	<b>Council Share</b>	<b>Council Share</b>
	<b>£000</b>		<b>£000</b>
Net Assets	47,082	40%	18,833
Group Surplus	1,855	40%	742
Other Comprehensive Income and Expenditure	-4,825	40%	-1,930
Total Comprehensive Income and Expenditure	-2,970	40%	-1,188

## 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.

	2022/23			2021/22		
	Gross	Gross	Net	Gross	Gross	Net
	Exp	Income	Exp	Exp	Income	Exp
	£000	£000	£000	£000	£000	£000
Children & Families	436,219	-306,277	129,942	428,931	-310,740	118,191
Adults & Health	257,686	-125,940	131,746	242,172	-120,039	122,133
Growth & Regeneration	72,796	-23,146	49,650	56,386	-21,001	35,385
Environment & Climate Change	139,921	-40,163	99,758	118,861	-33,973	84,888
Corporate Strategy, Commissioning & Public Health	182,494	-110,377	72,117	291,567	-122,730	168,837
Central Budgets	29,592	-1,101	28,491	33,360	-1,911	31,449
HRA	86,994	-104,744	-17,750	80,462	-107,103	-26,641
<b>Cost of Services</b>	<b>1,205,702</b>	<b>-711,748</b>	<b>493,954</b>	<b>1,251,739</b>	<b>-717,497</b>	<b>534,242</b>
Other operating expenditure			5,542			730
Financing and investment income and expenditure			55,688			38,259
Taxation and non-specific grant income			-398,066			-371,980
<b>Surplus(-)/Deficit on Provision of Services</b>			<b>157,118</b>			<b>201,251</b>
Joint venture accounted for on an equity basis			742			292
Tax expenses of subsidiary and joint venture			0			0
<b>Group Surplus(-)/Deficit</b>			<b>157,860</b>			<b>201,543</b>
Surplus(-)/Deficit on revaluation of PPE and Heritage assets			-30,869			-66,642
Impairment losses on non-current assets to the Revaluation Reserve			0			0
Surplus(-)/Deficit on revaluation of available for sale financial assets			219			-69
Re measurements of the net defined benefit liability			-857,773			-432,447
Share of other comprehensive income and expenditure of joint venture			-1,930			-620
<b>Other Comprehensive Income and Expenditure</b>			<b>-890,353</b>			<b>-499,778</b>
<b>Total Comprehensive Income and Expenditure</b>			<b>-732,493</b>			<b>-298,235</b>

## 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
<b>2022/23</b>									
Balance at 31 March 2022	-166,793	-54,694	-57,917	-279,404	-175,850	-455,254	-199	-17,446	-472,899
<b>Movement in reserves during 2022/23</b>									
Total Comprehensive Income and Expenditure	169,329	-12,211	0	157,118	-888,423	-731,305	742	-1,930	-732,493
Adjustments between group and Council accounts	0	0	0	0	0	0	0	0	0
Adjustments between accounting & funding basis under regulations	-99,157	22,489	-25,572	-102,240	102,240	0	0	0	0
<b>Net Increase(-)/Decrease</b>	<b>70,172</b>	<b>10,278</b>	<b>-25,572</b>	<b>54,878</b>	<b>-786,183</b>	<b>-731,305</b>	<b>742</b>	<b>-1,930</b>	<b>-732,493</b>
<b>Balance at 31 March 2023 carried forward</b>	<b>-96,621</b>	<b>-44,416</b>	<b>-83,489</b>	<b>-224,526</b>	<b>-962,033</b>	<b>-1,186,559</b>	<b>543</b>	<b>-19,376</b>	<b>-1,205,392</b>
<b>2021/22</b>									
Balance at 31 March 2021	-197,353	-58,418	-56,889	-312,660	155,313	-157,347	95,918	-16,866	-78,295
<b>Movement in reserves during 2021/22</b>									
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
<b>Net Increase(-)/Decrease</b>	<b>30,560</b>	<b>3,724</b>	<b>-1,028</b>	<b>33,256</b>	<b>-331,163</b>	<b>-297,907</b>	<b>-96,117</b>	<b>-580</b>	<b>-394,604</b>
<b>Balance at 31 March 2022 carried forward</b>	<b>-166,793</b>	<b>-54,694</b>	<b>-57,917</b>	<b>-279,404</b>	<b>-175,850</b>	<b>-455,254</b>	<b>-199</b>	<b>-17,446</b>	<b>-472,899</b>

## 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.

	<b>31 March 2023</b>	31 March 2022	Note
	<b>£000</b>	£000	
Property, Plant & Equipment	<b>1,657,600</b>	1,589,513	
Heritage Assets	<b>55,197</b>	55,156	
Investment Property	<b>97,535</b>	103,670	
Intangible Assets	<b>1,779</b>	770	
Long Term Investments	<b>13,162</b>	15,134	
Investments in Joint Venture	<b>18,833</b>	17,645	
Long Term Debtors	<b>31,796</b>	36,534	
Pension Asset	<b>74,210</b>	0	
<b>Long Term Assets</b>	<b>1,950,112</b>	<b>1,818,422</b>	
Inventories	<b>3,363</b>	7,360	
Short Term Debtors	<b>102,994</b>	78,252	
Assets Held for Sale	<b>4,757</b>	7,325	
Cash and Cash Equivalents	<b>34,211</b>	69,000	
<b>Current Assets</b>	<b>145,325</b>	<b>161,937</b>	
Bank Overdraft	<b>-7,345</b>	-3,935	
Short Term Borrowing	<b>-106,475</b>	-31,015	
Short Term Creditors	<b>-109,355</b>	-168,455	
Other Short Term Liabilities	<b>-4,566</b>	-6,934	
Provisions	<b>-3,122</b>	-3,629	
<b>Current Liabilities</b>	<b>-230,863</b>	<b>-213,968</b>	
Long Term Borrowing	<b>-512,785</b>	-442,282	
Other Long Term Liabilities	<b>-146,397</b>	-851,210	
<b>Long Term Liabilities</b>	<b>-659,182</b>	<b>-1,293,492</b>	
<b>Net Assets</b>	<b>1,205,392</b>	<b>472,899</b>	
Usable Reserves	<b>-223,983</b>	-279,603	
Unusable Reserves	<b>-981,409</b>	-193,296	<b>G2</b>
<b>Total Reserves</b>	<b>-1,205,392</b>	<b>-472,899</b>	

## 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 IFRS11 Joint Arrangements and IAS28 Investments in Associates and Joint Ventures.

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

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

### 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	-702,869	-702,869
Revaluation Reserve	-15,143	-283,699	-298,842
Pensions Reserve	0	-15,341	-15,341
Other	-4,233	39,876	35,643
<b>Balance at 31 March 2023</b>	<b>-19,376</b>	<b>-962,033</b>	<b>-981,409</b>
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
<b>Balance at 31 March 2022</b>	<b>-17,446</b>	<b>-175,850</b>	<b>-193,296</b>

**G3 Related Party Transactions**

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

**Kirklees Stadium Development Limited**

During 2022/23 the Council incurred costs of £0.04 million in relation to services provided by KSDL.

The Council did not make any additional loans to KSDL in 2022/23 (2021/22 £3.8 million). At 31 March 2023 the total amount owed to the Council is £4.3 million.



**ADDITIONAL FINANCIAL STATEMENTS  
HOUSING REVENUE ACCOUNT**

**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.

	2022/23	2021/22	Notes
	£000	£000	
<b>Expenditure</b>			
Repairs and maintenance	30,874	29,266	
Supervision and management	33,144	29,796	
Special services	2,944	1,731	
Rent, rates, taxes and other charges	372	974	
Depreciation of non-current assets	18,886	18,289	H1
Debt management costs	32	22	
Movement in the allowance for bad debts	742	384	
<b>Total Expenditure</b>	<b>86,994</b>	<b>80,462</b>	
<b>Income</b>			
Dwelling rents	-82,447	-80,110	
Non-dwelling rents	-187	-186	
Charges for services and facilities	-2,742	-2,584	
Grants and contributions	-8,003	-7,912	H10
Revaluation gains on Property, Plant and Equipment	-11,366	-16,311	H1
<b>Total Income</b>	<b>-104,745</b>	<b>-107,103</b>	
<b>Net Income of HRA Services as included in the CIES</b>	<b>-17,751</b>	<b>-26,641</b>	
HRA share of Corporate & Democratic Core	159	156	
HRA share of Non-distributed costs	25	26	
<b>Net Income of HRA Services</b>	<b>-17,567</b>	<b>-26,459</b>	
<b>HRA share of operating income and expenditure included in the CIES:</b>			
Gain on sale of HRA non-current assets	-2,029	-2,334	H4
Interest payable and similar charges	10,698	11,124	
Interest and investment income	-778	-58	H1
Income and expenditure in relation to Investment Properties and changes in fair value	-1,377	1,226	
Capital grants and contributions receivable	-1,159	-369	
<b>Surplus for the year on HRA services</b>	<b>-12,212</b>	<b>-16,870</b>	

**ADDITIONAL FINANCIAL STATEMENTS  
HOUSING REVENUE ACCOUNT**

**MOVEMENT ON THE HOUSING REVENUE ACCOUNT (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.

	2022/23		2021/22		Notes
	£000	£000	£000	£000	
Balance on the HRA at the end of the previous year		-54,694	-58,418		
Surplus for the year on the HRA Income and Expenditure Statement		-12,211	-16,870		
<b>Adjustments involving the Capital Adjustment Account:</b>					
Net revaluation gains on PPE	12,400		14,669		H1
Capital grants and contributions applied	1,159		369		
Amounts of non-current assets written off on disposal or sale	-6,908		-7,073		H4
Capital expenditure charged against balances	4,020		4,590		
Provision for the financing of capital investment	2,916	13,587	3,027	15,582	
<b>Adjustments involving the Capital Receipts Reserve:</b>					
Transfer of cash sale proceeds credited as part of the gain/loss on disposal	9,174		9,478		H4
Contribution towards administrative costs of asset disposals	-237	8,937	-71	9,407	
<b>Adjustments involving the Financial Instruments Adjustment Account:</b>					
Amount by which finance costs charged to the HRA Income and Expenditure Account are different from those required by statutory regulations		-35		-35	
<b>Adjustments involving the KNH Surplus Reserve</b>					
Transfer from General Fund to HRA		0		-4,360	
Increase(-)/decrease in the year on the HRA		10,278		3,724	
<b>Balance at the end of the current year</b>		<b>-44,416</b>		<b>-54,694</b>	

**NOTES TO THE HRA**

**H1 Depreciation and revaluation gains**

The depreciation charge for Council dwellings in 2022/23 is £18.6 million (2021/22 £17.9 million) and non-dwellings £0.3 million (2021/22 £0.3 million).

The revaluation of the HRA was carried out on the 31 December 2022 by the DVS Valuation Office Agency.

Revaluations of Council dwellings during the year resulted in a £29.3 million gain (2021/22 £70.3 million gain) of which £11.2 million was credited to the HRA Income and Expenditure statement and £18.2 million to the Revaluation Reserve. The £29.3 million gain included a £43.5 million increase at the formal valuation date of 31 December 2022 and an estimated decrease of £14.2 million from January – March 2023 based on an decrease of 1.75% 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% (2021/22 41% as adjusted by the valuer).

Revaluations on non-dwellings during the year resulted in a £0.8 million gain (2021/22 £0.4 million) of which £0.2 million was credited to the HRA Income and Expenditure statement and £0.6 million to the Revaluation Reserve.

There was a revaluation gain on Investment Properties of £1.036 million in 2022/23 (2021/22 £1.642 million loss).

**ADDITIONAL FINANCIAL STATEMENTS**  
**HOUSING REVENUE ACCOUNT**

**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
<b>Cost or Valuation</b>						
At 1 April 2022	784,236	5,245	4,513	4,197	6,205	804,396
Additions	21,558	0	0	5,187	0	26,745
Revaluation increases/decreases(-) recognised in the Revaluation Reserve	-50	0	323	0	0	273
Revaluation increases/decreases(-) Revaluation recognised in Surplus on the Provision of Services	10,823	0	238	0	1,036	12,097
De-recognition - disposals	-1,626	-5,245	-37	0	0	-6,908
Assets reclassified to(-)/ from Held for Sale	-4,757	4,757	0	0	0	0
Other movements in cost or valuation	1,862	0	-213	-1,495	-40	114
<b>At 31 March 2023</b>	<b>812,046</b>	<b>4,757</b>	<b>4,824</b>	<b>7,889</b>	<b>7,201</b>	<b>836,717</b>
<b>Accumulated Depreciation and Impairment</b>						
At 1 April 2022	0	0	0	0	0	0
Depreciation charge	-18,556	0	-330	0	0	-18,886
Depreciation written out to the Revaluation Reserve	18,256	0	327	0	0	18,583
Depreciation written out to Surplus on the Provision of Services	303	0	0	0	0	303
Other movements in depreciation and impairment	-3	0	3	0	0	0
<b>At 31 March 2023</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Net Book Value						
<b>at 31 March 2023</b>	<b>812,046</b>	<b>4,757</b>	<b>4,824</b>	<b>7,889</b>	<b>7,201</b>	<b>836,717</b>
at 1 April 2022	784,236	5,245	4,513	4,197	6,205	804,396

**H3 Fixed Asset Valuation**

A revaluation of HRA dwellings was carried out as at 31 December 2022 by DVS Property Specialists, who are RICS qualified. As at that date, the vacant possession value of dwellings was £2,011 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 2022/23 was £2.0 million (2021/22 gain £2.3 million), resulting from capital receipts of £8.9 million less net book value of £6.9 million.

**ADDITIONAL FINANCIAL STATEMENTS**  
**HOUSING REVENUE ACCOUNT**

**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.

	2022/23	2021/22
	£000	£000
Balance at 1 April	0	0
Amount equivalent to depreciation	-18,886	-18,289
	<b>-18,886</b>	<b>-18,289</b>
Financing of new capital expenditure	18,886	15,368
Used to repay debt	0	2,921
<b>Balance at 31 March</b>	<b>0</b>	<b>0</b>

**H6 Capital Expenditure and Sources of Finance**

	2022/23	2021/22
	£000	£000
Capital Expenditure:		
Fixed Assets (including PFI)	27,438	22,417
<b>Total Capital Expenditure</b>	<b>27,438</b>	<b>22,417</b>
Financed by:		
Finance Lease (PFI)	-336	-200
Major Repairs Reserve	-18,886	-15,368
Capital Receipts	-3,037	-1,889
Capital Grant and Contributions	-1,159	-370
HRA RCCO/Reserves	-4,020	-4,590
<b>Total Sources of Finance</b>	<b>-27,438</b>	<b>-22,417</b>

**H7 Capital Receipts**

	2022/23	2021/22
	£000	£000
Capital receipts from sales of:		
Dwellings	-9,119	-9,453
Land	-55	-20
Clawback of legal title on Right to Buy sales	0	-5
	<b>-9,174</b>	<b>-9,478</b>
Contribution to Housing Pooled Capital Receipts	0	2,013
Disposal costs	237	72
<b>Usable capital receipts</b>	<b>-8,937</b>	<b>-7,393</b>

The HRA is required to pay over a certain proportion of capital receipts into a national pooling arrangement. In 2022/23 the Department for Levelling Up, Housing and Communities allowed Local Authorities to retain the contribution to the housing pool so no payment was made.

**ADDITIONAL FINANCIAL STATEMENTS**  
**HOUSING REVENUE ACCOUNT**

**H8 Housing Stock**

The Council's housing stock at 31 March 2023 is analysed below by size and age:

	1	2	3	4+	
<u>By Size</u>	Bedroom	Bedrooms	Bedrooms	Bedrooms	Total
Houses/ Bungalows	2,771	5,196	4,114	316	12,397
Flats/ Bedsits and Maisonettes	6,960	2,347	102	0	9,409
	<b>9,731</b>	<b>7,543</b>	<b>4,216</b>	<b>316</b>	<b>21,806</b>
<u>By Age</u>	Pre 1945	1945-64	1965-74	Post 1974	Total
Houses/ Bungalows	5,259	4,996	1,497	645	12,397
Flats/ Bedsits and Maisonettes	189	2,310	3,814	3,096	9,409
	<b>5,448</b>	<b>7,306</b>	<b>5,311</b>	<b>3,741</b>	<b>21,806</b>

**H9 Rent Arrears**

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

	2022/23	2021/22
	£000	£000
Rent Arrears	<b>4,975</b>	4,672
Less Bad Debt Provision	<b>-1,485</b>	-1,559
<b>Net Rent Arrears</b>	<b>3,490</b>	<b>3,113</b>

**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 £9.4 million under the contract in 2022/23 (2021/22 £9.5 million) and received £7.9 million in PFI Grant (2021/22 £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 2023/24	3,607	3,041	2,619	9,267
Between 2024/25 and 2027/28	14,311	10,246	13,189	37,746
Between 2028/29 and 2032/33	17,940	6,861	23,975	48,776
Between 2034/35 and 2035/36	5,114	268	7,341	12,723
<b>Total</b>	<b>40,972</b>	<b>20,416</b>	<b>47,124</b>	<b>108,512</b>

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

**ADDITIONAL FINANCIAL STATEMENTS**  
**HOUSING REVENUE ACCOUNT**

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

	<b>2022/23</b>	2021/22
	<b>£000</b>	£000
Net Book Value at 1 April	<b>15,472</b>	14,498
Additions	<b>336</b>	201
Revaluations net of depreciation written back	<b>359</b>	773
Depreciation	<b>-303</b>	0
<b>Net Book Value at 31 March</b>	<b>15,864</b>	<b>15,472</b>

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

	<b>2022/23</b>	2021/22
	<b>£000</b>	£000
At 1 April	<b>-45,251</b>	-48,077
Movement in the year	<b>2,580</b>	2,826
<b>At 31 March</b>	<b>-42,671</b>	<b>-45,251</b>

**ADDITIONAL FINANCIAL STATEMENTS**  
**COLLECTION FUND**

**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.

	2022/23			2021/22			Note
	Business Rates	Council Tax	Total	Business Rates	Council Tax	Total	
	£000	£000	£000	£000	£000	£000	
<b>Income</b>							
Income from Council Tax		-242,775	-242,775		-232,631	-232,631	C1
Income Collectable from Business Ratepayers	-90,841		-90,841	-80,809		-80,809	C2
Contributions towards previous years' Collection Fund deficit	-30,887	-1,197	-32,084	-50,443	-2,469	-52,912	
General fund Contribution for discretionary discounts	0	-2,445	-2,445	0	-2,800	-2,800	
<b>Total Income</b>	<b>-121,728</b>	<b>-246,417</b>	<b>-368,145</b>	<b>-131,252</b>	<b>-237,900</b>	<b>-369,152</b>	
<b>Expenditure</b>							
Precepts and demands -							
Central Government	43,717		43,717	49,328		49,328	
Kirklees Council	42,843	207,710	250,553	48,341	197,123	245,464	
West Yorkshire Fire and Rescue	874	8,799	9,673	987	8,006	8,993	
West Yorkshire Police		26,975	26,975		25,180	25,180	
Allowance for impairment of debt	1,960	3,769	5,729	-3,728	3,139	-589	
Provision for Appeals	170	0	170	-2,021	0	-2,021	
Cost of collection	586		586	587		587	
Transitional Protection Payment	1,271		1,271	1,508		1,508	
Designated Areas	419		419	252		252	
Distribution of previous year's Collection Fund surplus	0	0	0	0	0	0	
<b>Total Expenditure</b>	<b>91,840</b>	<b>247,253</b>	<b>339,093</b>	<b>95,254</b>	<b>233,448</b>	<b>328,702</b>	
<b>Surplus(-)/Deficit</b>	<b>-29,888</b>	<b>836</b>	<b>-29,052</b>	<b>-35,998</b>	<b>-4,452</b>	<b>-40,450</b>	
Balance at 1 April	27,343	851	28,194	63,341	5,303	68,644	
<b>Balance at 31 March</b>	<b>-2,545</b>	<b>1,687</b>	<b>-858</b>	<b>27,343</b>	<b>851</b>	<b>28,194</b>	<b>C3</b>



**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						
2022/23				2021/22		
Number of Chargeable Dwellings	Band D Equivalent Dwellings	Average Council Tax	Band	Number of Chargeable Dwellings	Band D Equivalent Dwellings	Average Council Tax
		£				£
79	44	1,109.62	A (5/9)	72	40	1,073.61
53,833	35,888	1,331.54	A (6/9)	54,082	36,055	1,288.33
28,004	21,781	1,553.46	B (7/9)	28,057	21,822	1,503.05
27,856	24,761	1,775.39	C (8/9)	27,782	24,695	1,717.77
15,501	15,501	1,997.31	D (9/9)	15,336	15,336	1,932.49
11,342	13,863	2,441.16	E (11/9)	11,146	13,623	2,361.93
5,182	7,485	2,885.00	F (13/9)	5,084	7,344	2,791.37
2,087	3,478	3,328.85	G (15/9)	2,055	3,426	3,220.82
114	228	3,994.62	H (18/9)	109	218	3,864.98
<b>123,029</b>			Total	<b>122,559</b>		
<b>-1,123</b>			Estimated losses on collection	<b>-3,381</b>		
<b>121,906</b>			Council Tax Base	<b>119,178</b>		

**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 (2021/22 51.2p) and the small business non-domestic rating multiplier of 49.9p (2021/22 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.

	2022/23	2021/22
	£000	£000
Non-domestic rate income 2022/23 (average rateable value £284,288,518)	<b>-141,860</b>	
Non-domestic rate income 2021/22 (average rateable value £283,701,999)		-141,567
Allowance and other adjustments (net)	<b>51,019</b>	60,758
	<b>-90,841</b>	<b>-80,809</b>

The actual non-domestic rateable value at 31 March 2023 was £284,264,761 (£283,872,779 at 31 March 2022).

**ADDITIONAL FINANCIAL STATEMENTS**  
**COLLECTION FUND**

Kirklees has been part of a Leeds City Region (LCR) business rates pool since April 2013. It pools the business rates income of member authorities, which includes Kirklees, Bradford, Wakefield & Calderdale (top up authorities), and Leeds, Harrogate and York (tariff authorities). Leeds are the lead authority for the administration of the LCR Pool.

The pool is established for one year at a time and thus the existing pool will cease at the end of 2022/23. As part of the 2023/24 Local Government Finance Settlement, Government confirmed a further 50% pool application for 2023/24 was successful. For 2023/24, the pool membership includes all West Yorkshire councils plus York.

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 2022/23 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 2022	Share of 2022/23 Surplus (-)/ Deficit	31 March 2023
	£000	£000	£000
<b>Council Tax and Community Charge</b>			
Kirklees Council: Community Charge	-10	0	-10
Council Tax	744	704	1,448
Collection Fund Adjustment Account - Council Tax	<b>734</b>	704	<b>1,438</b>
West Yorkshire Police Authority - Council Tax	87	100	<b>187</b>
West Yorkshire Fire and Rescue Authority - Council Tax	30	32	<b>62</b>
	<b>851</b>	<b>836</b>	<b>1,687</b>
<b>Business Rates</b>			
Kirklees Council - Business Rates	<b>13,398</b>	-14,645	<b>-1,247</b>
Collection Fund Adjustment Account - Business Rates	13,398	-14,645	<b>-1,247</b>
Central Government - Business Rates	13,672	-14,944	<b>-1,272</b>
West Yorkshire Fire and Rescue Authority - Business Rates	273	-299	<b>-26</b>
	<b>27,343</b>	<b>-29,888</b>	<b>-2,545</b>

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 financial year 2022/23 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 (EUUV)**

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

**Existing Use Value – Social Housing (EUUV – SH)**

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

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

**Fair Value**

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

**Financial Instruments**

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

**General Fund**

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

**Heritage Assets**

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

**Housing Revenue Account (HRA)**

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

**Impairment**

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

**Infrastructure Assets**

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

**Intangible Assets**

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

**Interest Cost (Pensions)**

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

**Leasing**

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

**Live Condition – Grant**

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

**Net Realisable Value**

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

**Non-Domestic Rates (also known as Business Rates)**

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

**Non-distributed Costs**

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

**Past Service (Pensions) Costs**

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

**Precept**

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

**Provisions**

These are liabilities of uncertain timing or amount.

**Related Parties**

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

**Revenue Expenditure**

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

**Revenue Expenditure Funded from Capital under Statute (REFCUS)**

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

**Settlements and Curtailments (Pensions)**

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

**Soft Loans**

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

**Usable Reserves**

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

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

**Unusable Reserves**

- Capital Adjustment Account - This account reflects the difference between the cost of fixed assets consumed and the capital financing set aside to pay for them.
- Revaluation Reserve - This account records the net gain from fixed asset revaluations made after 1 April 2007.
- Accumulated Absences Account – This account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year, e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.
- The Collection Fund Adjustment Account – This account manages the differences arising from the recognition of Council Tax income in the CIES as it falls due from Council Tax payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.
- The Deferred Capital Receipts Reserve – This reserve holds the gains recognised on the disposal of non-current assets but for which cash settlement has yet to take place. Under statutory arrangements, the Council does not treat these gains as usable for financing new Capital expenditure until they are backed by cash receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the Capital Receipts Reserve.
- Financial Instruments Adjustment Account – This account provides a balancing mechanism between different rates at which gains and losses (such as premiums on the early repayment of debt and soft loans) are recognised under the Code and are required by statute to be met from the General Fund.
- Available for Sale Financial Instruments Reserve - This Reserve records gains made by the Council arising from increases in the value of its investments that have quoted market prices or otherwise do not have fixed or determinable payments. The balance is reduced when investments with accumulated gains are revalued downwards or impaired and the gains are lost or disposed of and the gains are realised.
- 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 2022/23

November 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 2023/24 and beyond in conjunction with the Corporate Governance & Audit Committee.



Signed:

Cllr. Catherine Scott, Leader of the Council



Steve Mawson, Chief Executive

## Significant Governance Issues during 2022/23

The annual corporate review process has identified and evaluated both progress with addressing ongoing issues from the 2021/22 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 under the Council's direct control. These often take longer than one year to address and some of these have featured in a similar form for a number of years, though some aspects can be resolved during the year. Good governance is about taking actions and making continuous improvement.

It should be noted that due to an unexpected and prolonged delay in the external auditing of the Statement of Accounts for 2021/22, reflecting national issues and performance, the applicability of last Year's Statement overlaps almost the entirety of this one, (April 2022 to September 2023). Where possible each Statement endeavours to delineate between the two financial years, both as regards the governance arrangements that applied and the Issues arising and management response.

Progress has been made since the 2021/22 Statement in addressing several of the issues highlighted last year, and consequently these have been omitted from the current Statement. There has also been a change of focus or circumstance this has resulted in several being combined and revised in this year's Statement.

No.	Governance Issue / Theme	Reason for Inclusion	Direction of Travel / Progress in 2022/23	Further Action Taken and Planned in 2023/24
1	<p>The Corporate Planning process needs further strengthening with improved linkages to both revenue and capital resource allocation and performance measures to ensure delivery of key Council objectives.</p> <p>(A, B, F)</p>	<p>Delivery of key Council objectives could be undermined.</p>	<p>Although work was conducted to ascertain the Administration's priorities, and this was reflected in the budget for 2023/24 approved by Council in March 2023, the challenging financial position meant that it was not possible to create a more robust arrangement that established a Corporate (Council) Plan first, and then developed a budget that expressed the priorities contained therein.</p>	<p>Recognising the challenging financial circumstances, the Council Plan approved by Council in July 2023, focused on the most significant priorities for the Council up to January 2024. A full, robust process to create a new Council Plan, for approval in January 2024 has already commenced. This will work to the principles of a strategic priority-led approach to planning and budgeting, based upon the key priorities outlined by the new Leader and incorporated in the medium-term financial plan that expresses those priorities in cost terms, utilising intelligence to establish an operational plan as approved by Council.</p>
2	<p>Strengthen and develop Partnership Governance and new relationships.</p> <p>(A, E, F)</p>	<p>Key outcomes require significant input from partners and others.</p>	<p>Although some areas of partnership working have continued to be strengthened, and areas such as the relationships with the West Yorkshire Mayoral Combined Authority, and Integrated Care Boards have been progressing well, there remain some concerns with associated parties at a more local level.</p>	<p>Work closely with the local partnership bodies to ensure that effective service delivery meets prioritised community needs, does not involve cost shifting or shunting, and does not, wherever possible, distort the Council's own policy priorities.</p>

No.	Governance Issue / Theme	Reason for Inclusion	Direction of Travel / Progress in 2022/23	Further Action Taken and Planned in 2023/24
3.	<p>Continue to develop and strengthen the governance arrangements for decision-making and place-based working, including greater clarity to the roles and responsibilities of Members and officers.</p> <p>(B, C, F)</p>	Having the right structures and mechanisms in place is key to achieving delivery of the Council's priorities.	<p>Consideration of proposals to review options around committee structures was completed and approved by Council. The Cabinet and Leader governance model was approved, and a number of recommendations were agreed and are to be implemented throughout 2023/24.</p> <p>Alongside this we have held a number of sessions reviewing how well our existing member-officer protocol is, whether we might need to update it and how we might raise awareness of it.</p> <p>In relation to members working together, there have been changes in the scrutiny process, and at an administrative level, steps taken to ensure that officer delegated decisions are appropriately recorded.</p>	<p>Continue to implement our current governance model with a focus on pre-decision scrutiny and improved communication and training. Implementation of Council recommendations from the Democracy Commission.</p> <p>Complete the work highlighted from the member and officer protocol sessions.</p>
4.	Address the health and safety issues raised in connection with housing properties and the complete buildings portfolio, ensuring that management and operational arrangements provide	Work is ongoing to embed innovation and change but it has not yet reached a <i>business-as-usual</i> state.	In respect of the governance of housing services generally a Board has been established, independently chaired, and reporting directly to the cabinet committee, that is meant to address all areas of activity subject to oversight by the government regulator. Steps have also been taken to improve the governance oversight, and operational management of property related matters within the housing function.	Areas of high risk, such as fire safety in high and higher rise residences, and being sure that damp is addressed remain concerns, though this may be an issue of challenge operationally rather than governance. The uncertainty about the extent of the Government's regulatory regime means that continued flexibility with regard to governance oversight,

No.	Governance Issue / Theme	Reason for Inclusion	Direction of Travel / Progress in 2022/23	Further Action Taken and Planned in 2023/24
	for the health and safety of all Council tenants, employees and residents.  (A, C, E)			reflecting the regulator's expectations, may be required.

The previous entries re transformational activity have been subsumed into the existing need to improve corporate planning, and the newly expressed need to strengthen changes in activity and operations to achieve financial savings. Additional effort has made substantial changes to risk management processes; the organisation now needs to learn how to use this to make choices. Governance of employment related areas and the cost-of-living crisis have become a matter for ongoing business, reported through the council's risk management process and general business activity, and new revised policy arrangements look to address counter fraud, bribery and corruption, including new operational arrangements, and improved governance and reporting.

### **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 2023/24
<p>1A The Medium-Term Financial Plan shows a significant (minimum) funding deficit of £30m in 2024/25 after assuming £11m savings proposals are delivered in full. Given the significant overspend on the General Fund Budget in 2022/23, with the consequent use of £27m from unallocated reserves, combined with the significant use of unallocated reserves (c£25m) to balance the Council’s budget in 2023/24 in addition to a savings requirement of c£19m, the Council has no choice but to identify measures to reduce its net expenditure significantly to maintain a balance budget (and to avoid external intervention). The delivery of c£60m+ of savings in a 2-year period after 13 years of austerity will present a significant challenge for the Council inevitably impacting on its ability to deliver on its strategic objectives. (A, B, C, D, E, F)</p>	<p>Could prevent achievement of any objectives.</p>	<p>Given the structure of the Council’s General Fund Revenue Budget in 2023/24, including the use of unallocated reserves totalling £25m (which has reduced reserves to the lower end of what is considered to be an acceptable Minimum Working Balance) and requirement to save c£19m, there are two key objectives - it is vital that all cost/income pressures are contained (which may require additional savings to be identified) so there is no overspend and all savings must be delivered in full. This will require detailed and timely financial and activity monitoring so that, if necessary, early remedial action can be taken if it is considered that either objective will not be achieved. Where such remedial action does not prove effective, consideration may need to be given to implementing some form of spending controls.</p> <p>At the same time, and looking ahead to 2024/25, there will need to be:</p> <ul style="list-style-type: none"> <li>• A review of all reserves, earmarked or otherwise, to determine how much of any of those reserves can be moved to unallocated reserves to bolster the Minimum Working Balance (a review of the methodology for the Minimum Working Balance will be undertaken so that is founded on a risk-based analysis (as per CIPFA guidance) of what is needed and not a simple %age of Net Revenue Expenditure) and Unallocated Reserves in the event of an overspend in 2023/24;</li> <li>• A review of the strength of the Council’s Balance Sheet to determine the extent of any assets/liabilities that may have a</li> </ul>

		<p>bearing on the Council’s overall financial position bearing in mind the acute financial position of the Council</p> <ul style="list-style-type: none"> <li>• A review of the Council’s Capital Programme with a view to reducing the amount of the Council’s Prudential Borrowing given its impact on the General Fund Revenue Budget. In turn, this will necessitate a review of the Treasury Management Strategy not least because the Council, at a time of rising interest rates, is significantly (c£160m) under borrowed with any new borrowing likely to test the viability of projects previously agreed.</li> <li>• A review of the Medium-Term Financial Plan (MTFP) to ensure that it fully reflects both the anticipated income and expenditure of the Council in the period 2024/25 to 2028/29 and is based on a range of sound assumptions.</li> <li>• The early identification of a package of savings proposals to bridge the ‘In-Year Funding Gap’ reported in the MTFP of £47.8m, that can be delivered in full in 2024/25 (and indeed, identifying any that can be delivered in 2023/24). This will include assessing the robustness of any such savings proposals to make sure they are deliverable, agreed through the appropriate governance mechanism and implemented as early as possible.</li> </ul>
<p>1B The effective implementation of the “Safety Valve” programme – to address overspending and historic deficit on special</p>	<p>Affects the ability to achieve a balanced budget.</p>	<p>The Government has awarded additional grant (both capital and revenue) as part of a ‘Safety Valve’ agreement (over a 5-year period) to seek to address a historical deficit and in year overspending on support for children with additional needs. This activity is focused on increasing sufficiency of provision for children with Additional and</p>



<p>education needs (SEND) budgets as part of the Dedicated Schools Grant</p> <p>(A, C, D, F)</p>		<p>Special Educational Needs and Disabilities and therefore involves both significant capital investment in creating a range of additional educational provision to enable children to be educated locally, as well as system-wide transformational changes in how SEND provision is delivered. Given the complexities of the programme and the complexity of need for our children, progress against the expectations that were set in the Safety Value Agreement with the DfE has been slower than anticipated. This has resulted in additional enhanced monitoring taking place with a revised plan to be submitted back to the Department for Education (DfE).</p> <p>Given the continuing dialogue with DfE, there is a clearer understanding of the Council's plans and a robust plan both in the Childrens and Families Directorate, and, corporately of the need to work with the local area to deliver the plans necessary to reduce the deficit on the High Needs budget and more importantly to provide a service that is financially sustainable within the Dedicated Schools Grant funding provided by the DfE. The programme of work is being overseen by the SEND Programme Board and ultimately by the Executive Team.</p> <p>If the DfE do not allow the Council to continue participating in the Safety Valve Programme there is a risk that the agreed funding may be withdrawn and which would need to be funded from reserves. There is a further risk that once the statutory override that allows Councils to carry DSG deficits expires (currently planned to be March 2026), the Council would be required to fund any remaining deficit from its own resources at that time. A requirement to charge this to the Council's general fund would need to be funded from reserves.</p>
--	--	--

<p>2A During 2023/24 a number of senior managers have retired or taken up new employment elsewhere, including the Chief Executive, two strategic directors and the Service Director of Finance.</p> <p>(A, C, F)</p>	<p>This may present a significant risk to the Council's ability to respond rapidly to the issues.</p>	<p>The changes referenced here have, in the main, been planned (and therefore known about) for some time. The new Chief Executive started at the beginning of October. An interim role will replace one of the Strategic Directors, whilst the other strategic director post is expected to be unfilled. Following the unplanned resignation of her short-term predecessor, an Interim Service Director of Finance (Section 151 Officer) is now in place, which will be advertised in November 2023, the replacement is expected to start in May 2024. The serious financial position does create a particular tension, which needs to be addressed by a positive handover to the new post holders wherever possible.</p>
<p>2B The Council's usage of data and intelligence is not always effective, meaning that it does not always support decisions about efficiency, economy and value for money, as well as creating unintended risks.</p> <p>(A, F)</p>	<p>Strategic decision making should be supported by valid intelligence</p>	<p>Ensuring that there is a structured approach to collecting, handling, processing and disposing of data to ensure that this is not duplicated, delayed or misinterpreted. This relates to all kinds of information; not just the areas that are subject to governance and oversight by the Information Commissioner.</p> <p>In response to this, the Council has in place an agreed Data and Insight Strategy which seeks to address how the Council's collects, stores, uses and deletes data so that there is an organisation-wide consistency in this area. The implementation of the Strategy is at its early stages and is being overseen by the Modern Organisation Board.</p> <p>This Strategy works alongside and in tandem with the Council's Technology and Information Governance Strategies.</p>

A more detailed Action Plan sits behind this summary and the Executive Team and Corporate Governance & Audit Committee will monitor progress during 2023/24 and beyond.

## 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 2022/23 and up to the date that the Statement of Accounts is approved (September 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 2022/23 and those which are planned or ongoing in 2023/24.

## 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 objectives.
- 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 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.
- A Counter Fraud, Bribery and 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.

## 2022/23 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 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

The audit of the Council's 2022/23 financial statements was completed for approval from the November 2023 meeting of the Corporate Governance & Audit Committee.

As noted in the delayed 2021/22 Annual Governance Statement, the External Auditor's Interim Annual Report in July 2023 reported a significant weakness in the Council's arrangements to secure financial sustainability as part of the delayed 2021/22 audit and recommended the Council take prompt and appropriate action so as to return to a sustainable position in the medium term.

The previous Chief Executive introduced a set of measures including suspending non-essential expenditure and a recruitment freeze to help address the budget situation whilst longer term changes are designed and implemented, and these measures have been maintained since.

Finally, in September 2023, the 2021/22 financial statements were approved unqualified too.

4. Corporate Governance & Audit Committee (CGAC)

During 2022/23 the CGAC reviewed a number of aspects of the Council's constitution and governance arrangements and noted or approved revisions or made recommendations to Council as appropriate.

CGAC also received assurance from various 2022/23 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 concerns 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.

The Democracy Commission undertook a piece of work on behalf of the Committee in relation to the committee system proposal motion submitted to Annual Council May 2021. The Commission's recommendations were approved by the Committee

(December 2022) and subsequently Council in January 2023. The recommendations are to be implemented throughout 2023 with a review of the recommendations set for March 2024. The recommendations continue to retain the Cabinet and Leader model, with some improvements to recognise the key role of the scrutiny function within key strategy formation and in engaging non-cabinet members in the decision-making process.

5 Overview & Scrutiny Management Committee

During 2022/23 the Committee and its four Panels were themselves reviewed following a review of the Council's governance arrangements and key issues faced and strategies and responses to manage these. Revised panels were agreed at Council in May 2023, retaining the same number but changing some of the areas of focus and making one of the ad hoc panels permanent.

6. Standards Committee

During the year the Committee reviewed various aspects of Member conduct and supported the work reviewing the Member Officer protocol.

7 Role of the Chief Financial Officer

The role of the Service Director of Finance (SDF) continues to reflect the governance arrangements set out in the CIPFA Statement, which are required to ensure she is able to operate effectively and perform her 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 SDF and an Internal Audit assessment have confirmed that the Council is compliant with the CIPFA Financial Management Code, although there are some aspects of operations that 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 with strategic oversight from the Executive Team and escalation of appropriate issues, with particular emphasis on revenue budget and capital plan management. 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. A review of the effectiveness of the Member Officer Protocol in the Council's Constitution has been undertaken.