

KIRKLEES COUNCIL

STATEMENT OF ACCOUNTS 2015/2016

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	Page
<u>Narrative Report</u>	2
<u>Statement of Responsibilities and Certificate</u>	17
 <u>Main Financial Statements</u>	
Statement of Movement in Reserves	18
Comprehensive Income and Expenditure Statement	19
Balance Sheet	20
Cash Flow Statement	21
 <u>Notes to the Core Financial Statements</u>	
Index of Notes	22
Disclosures	23
 <u>Additional Financial Statements</u>	
Housing Revenue Account Income and Expenditure Account and Statement of Movement on the Housing Revenue Account Balance	93
Collection Fund	99
 <u>Group Accounts</u>	
Introduction	102
Group Statement of Movement in Reserves	104
Group Comprehensive Income and Expenditure Statement	105
Group Balance Sheet	106
Group Cash Flow Statement	107
Notes to the Group Accounts	108
 <u>Glossary of Terms</u>	 111
 <u>Audit Opinion</u>	 115
 <u>Annual Governance Statement</u>	 118

Foreword

I am pleased to introduce the Council's Statement of Accounts for the year ended 31 March 2016.

The preparation of the Statement of Accounts is a statutory requirement and local authorities are required to have them signed by the section 151 Officer by 30 June and published with an Audit Certificate by 30 September following the end of the financial year.

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

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

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

This Council is operating in a challenging economic and financial climate, and this is forecast to continue at least to 2020. There have been significant reductions in government grant funding to us since 2010 and we have already reduced spending by £106 million.

We have achieved this in ways which have largely avoided big reductions in frontline services.

However, by 2020 we estimate that we will need to make a further £67 million savings, and the scale of future savings required means a more fundamental review of everything the Council does and how it does it.

Our ambition is to be a 'New Council'. We are going to have to do things differently, and help people do more for themselves and each other. This means making some changes that will unavoidably be noticed by the people and communities of Kirklees.

We have to live within our means not just for today, but for the foreseeable future. Our approved budget plans reflect our New Council ambition, but there is more to do.

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.

The Accounts and Audit (England) Regulations 2015 applies to accounts for 2015/16 onwards. The most substantial changes for the Council will be an earlier timetable for the preparation and publication of the statement of accounts (to be implemented by 2017/18 at the latest).

There is also a reform of the rules on the exercise of the public's rights to inspect the accounting records and to put objections and questions to the auditor; and a requirement for the new narrative statement in the statement of accounts (replacing the explanatory foreword) to not only comment on the Council's financial performance but also on the economy, efficiency and effectiveness of its use of resources over the financial year.

David Smith
Director of Resources

Introduction to Kirklees



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:

- **431,000 residents**, and is projected to increase by 6% overall to 459,000 by 2024; includes 18% projected increase in over 65's to 86,700.
- **Kirklees ranks eleventh out of 348 districts** in terms of population in England and Wales;
- **Population by ethnic group**; 79%* White, 16% Asian or British Asian, 5% Other (*England & Wales average 86%).
- **3rd largest metropolitan district in area** covering 157 square miles.
- **173,000 households**, of which about 67% are owner occupied, and 12% Council rented. Households are projected to increase 20% by 2024, to 210,000.
- **Manufacturing accounts for 19%* of all employment in the District** (*Great Britain average is 8%). The next largest employment sectors in the district are health at 14%, retail at 12% and education at 11%.
- **Average median gross weekly earnings for Kirklees residents is £362**; lower than the Great Britain average of £405.
- **69 Local Councillors serve 23 wards**; there remains no overall control in the Council following the 2016 May local elections.
- **83% residents surveyed are satisfied with the local area as a place to live.**
- **Index of deprivation for Kirklees; 9%* of the district's population live within areas which rank within the worst 10% in England**; (*the average for England is 10%).
- **The late Harold Wilson, Prime Minister and Baron Wilson of Rievaulx, was born in the District on 11 March 1916** and is commemorated with a statue in St George's Square, Huddersfield (pictured above).

The Council

Kirklees' Services

The council's budget

Where does the money go?

Your council currently delivers a wide range of services, from road repairs to social care, child protection to community events.

Some examples of what we currently spend:

- £238 million on schools
- £142 million on caring for adults
- £61 million on supporting children and families
- £28 million on improving health and wellbeing
- £21 million on emptying bins and cleaning streets
- £12 million on highways maintenance and improvements
- £10 million on supporting local communities and leisure
- £9 million on libraries and customer services
- £7 million on parks and open spaces



The Workforce

Below is a snapshot of total staff employed across non-schools and schools, as at 31 August 2015 (source Kirklees factsheets 2015):

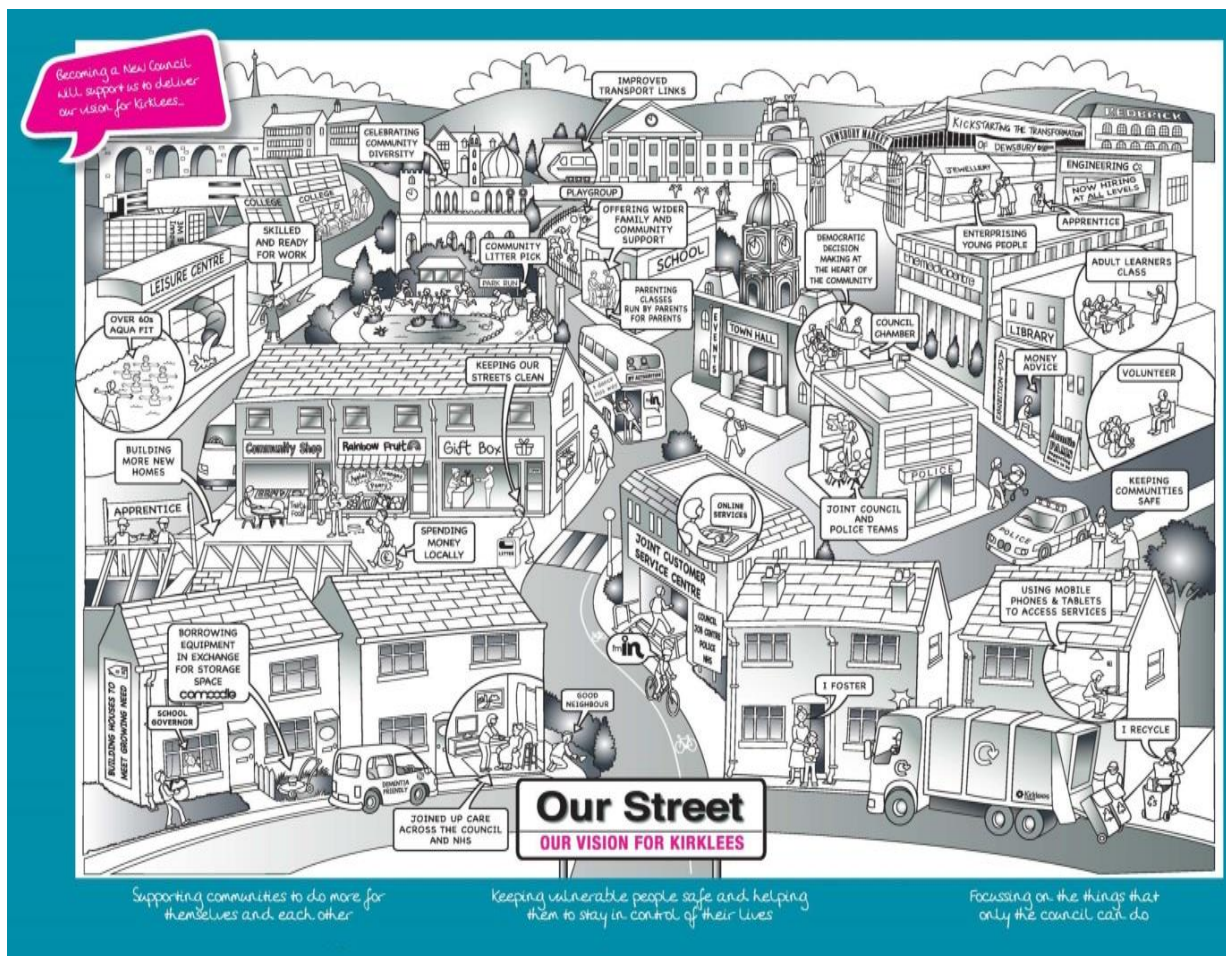
	Full-time	Part-time	Total	Full time equivalent (fte)
Non-schools	4,162	4,121	8,283	6,374
Schools	2,701	5,697	8,398	5,763
Total	6,863	9,818	16,681	12,137

To put the above into perspective, the full time equivalent figure in 2010 was 14,003; an overall reduction of 2,000, or 14%, over the period.

Current approved budget plans anticipate a further reduction in full time equivalent numbers (non-schools) by just under 750 over the 2016-19 period, acknowledging that these reflect in part, illustrative reductions pending completion of service re-design work to support the Council's New Council ambition.

A New Council

Our Street – Our vision for Kirklees



The Council’s published Corporate Plan sets out a vision for a ‘New Council’ for the residents and communities of Kirklees:

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

To deliver this vision for the communities of Kirklees, we are clear about the type of Council we need to be. Being a New Council means:

- Enabling individuals and communities to do more for themselves and each other
- Keeping vulnerable people safe and in control of their own lives
- Focussing resources on things that only the Council can do

This Council is already a low cost, low spend Council and has always focused on providing value for money for the residents of Kirklees. However, we know that resources are scarce, and will get scarcer.

Council performance

The Council has a performance management framework in place which ensures that both our planning and our delivery are consistent with our vision and can demonstrate significant contributions to the Joint Health & Wellbeing Strategy and the Kirklees Economic Strategy.

This ensures our services are planned, focused and delivered to meet community needs. Directorates are held to account throughout the year as to the progress they are making towards their delivery plans.

Progress made across all services is summarised in an Annual Performance Report.

Of the areas regularly considered, 74% of the targets are achieved or “nearly” achieved.

Consequently, progress across Council services over the year is generally positive. The Council also considers any mitigating and remedial action where services are off target or at risk.

The most significant example of this in the year has been a recent review of the Family Support and Child Protection Service, which has identified a number of issues in current social work practice and management in Kirklees, actions already taken and key priorities for the Service going forward.

In addition to the above measures, significant parts of our services are inspected by other agencies, and we respond to any external inspection positively by learning from what they tell us.

The Council is also monitoring progress to a new Council, and below highlights some of the things we are already doing, and also looking ahead to 2016/17.

A New Council – The Vision		
<ul style="list-style-type: none"> ▪ Enabling individuals and communities to do more for themselves and each other 	<ul style="list-style-type: none"> ▪ Keeping vulnerable people safe and in control of their own lives 	<ul style="list-style-type: none"> ▪ Focussing resources on things that only the Council can do
How are we performing		
<ul style="list-style-type: none"> ➤ One of the first Councils to develop a Cities of Service Programme in 2014; looking at ways of involving & supporting volunteers ➤ Piloting the Comoodle project; encouraging all Council services and community organisations to lend to & borrow from each other; ➤ Saved £1.8m in the library service by working differently, with Friends groups & nearly 500 volunteers; able to retain 24 out of 26 libraries across the district ➤ Helping communities run, and sometimes own, community buildings; ➤ Opened an award winning, state of the art leisure centre in Huddersfield in July 2015; attracted 600,000 people in just 6 months 	<ul style="list-style-type: none"> ➤ Development of cross-cutting early intervention & prevention approach ➤ Participation in the national Stronger Families Programme has turned around the lives of more than 1,000 families ➤ Worked with more than 200 groups who support people with health & social care needs; including more targeted investment ➤ Collaboration with our partners to join up health services with our social care 	<ul style="list-style-type: none"> ➤ 100% applications for school admissions, about 50% of all calls to the Council are now automated ➤ Better off Kirklees website launch in collaboration with Citizens Advice Bureau; helping local people move off benefits and also ensure people claim the full range of benefits they are entitled to ➤ Adopted new technology in service delivery to support more efficient waste collection ➤ Started to develop a new relationship with schools ➤ Launched the Kirklees business Hub; on-line business support package for all Kirklees businesses

NARRATIVE REPORT

KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2015/16

Looking ahead		
<ul style="list-style-type: none"> ➤ Work with communities to change behaviours that keep people healthier longer, and avoid costs ➤ Continue to develop the Comoodle project ➤ Continue to work with Friends groups & volunteers ➤ Collaborate with community groups to increase availability of funds to the district, especially for areas where public funding is now very limited 	<ul style="list-style-type: none"> ➤ Expand our Stronger Families Programme to a further 4,000 families by 2020 ➤ Continue to work with our health partners to set out our plans for closer integration of health & social care by 2020 ➤ Introduce additional support for care leavers ➤ Launch an all age disability service, and working towards the delivery of more integrated services at a local level ➤ Re-design our social care systems to make it easier for people to navigate 	<ul style="list-style-type: none"> ➤ Reducing our estate costs across the district, including combining multiple services on fewer sites ➤ Consolidate Council office accommodation in the centre of Huddersfield and Dewsbury ➤ Expand our digital offer to Kirklees residents and businesses; further expansion of the Council website's digital capability ➤ Self-management across the organisation; make more efficient use of our new computer systems

Financial Performance

Service developments in year

A £9.8 billion Better Care Fund (BCF) was announced by the Government in June 2013 to provide financial support for councils and NHS organisations to jointly plan and deliver local services. The arrangement came into force in 2015/16 and is operated as a pooled budget. The Council administers the pooled budget. Funding provided in 2015/16 totalled £29.0 million.

During 2015/16 there have been 6 schools that have converted to Academy status, 2 of which were Trust schools. Employees have been transferred to the new bodies together with assets valued at £15.7 million. These transfers have also resulted in a reduction in revenue spending of £5.2 million and a corresponding amount of Dedicated Schools Grant.

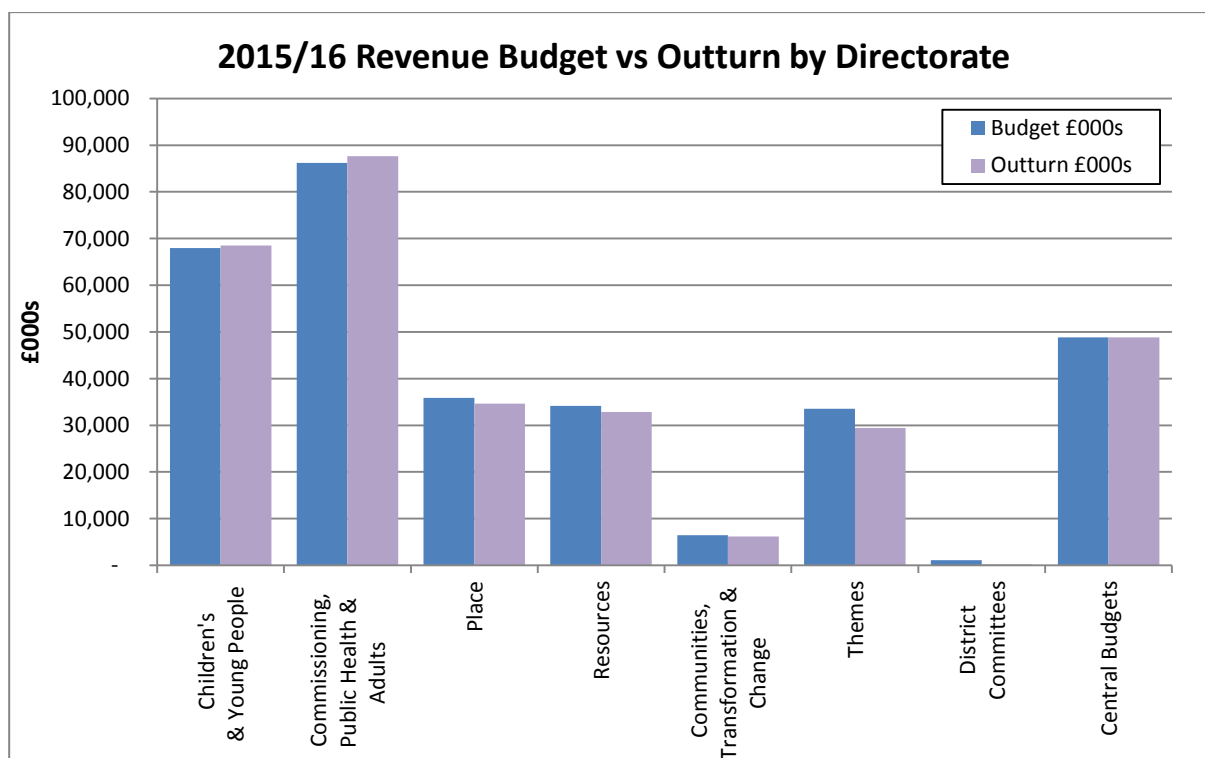
Revenue – General Fund

The overriding context for the Council's Medium Term Financial Plan (MTFP) is continuing national funding reductions as part of Government's approach to reducing the national debt burden. The MTFP reflects a focus on developing options to deliver a New Council which includes specific priorities on Early Intervention and Prevention, and Economic Resilience.

The Net Revenue Budget for 2015/16 was £314.2 million, approved at Council on 18 February 2015.

To achieve a balanced budget for 2015/16, Directorates set out plans totalling £14.0 million net revenue savings, with £12.2 million balances being used to meet the remaining funding gap in year.

An underspend of £5.8 million was reported at year end. This is summarised by spending department, below:



Overall, the revenue outturn underspend of £5.8 million is equivalent to 1.8% variance against net revenue budget, and suggests reasonably sound overall financial management of budgets in-year.

Within the overall reported underspend position, there are a number of underlying budget pressures, in particular with regard to demand led (volume) pressures relating to vulnerable adults and looked after children, and there were approved drawdowns in-year, of £4.9 million from corporate earmarked reserves, to offset these.

The £5.8 million underspend reverts to General Fund Balances which at year end totalled £26.0 million.

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 about 23,000 tenancies. Landlord services are managed on the Council’s behalf by Kirklees Neighbourhood Housing Limited, an arm’s length management organisation, wholly owned by the Council.

In 2015/16, the HRA reported an operating surplus of £7.0 million, and this reverts to HRA Balances, totalling £42.8 million at the year end.

Income & expenditure reported in the Council’s accounts

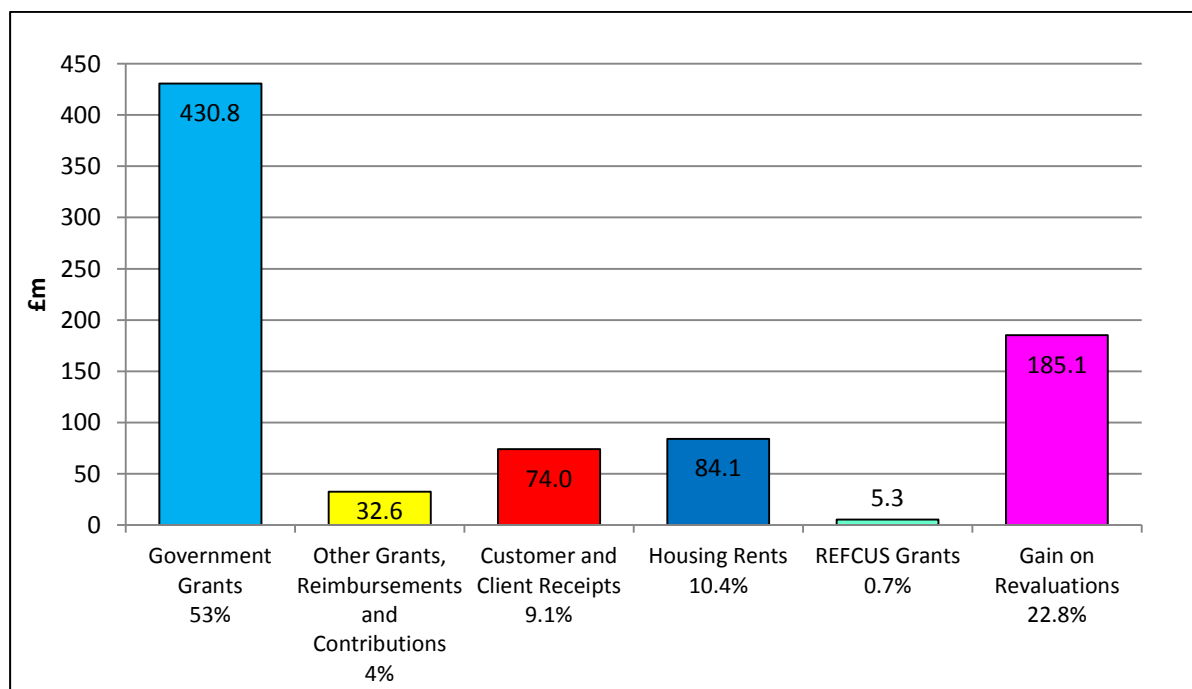
Income and expenditure for the year, for both General Fund and HRA, is summarised in the Council’s Comprehensive Income and Expenditure Statement (CIES) on page 19. It summarises revenue expenditure and income for the year in accordance with generally accepted accounting conventions.

However, the law relating to local government finance and council tax also requires different treatment for a range of factors. These technical accounting requirements mean that the 2015/16 net cost of services used to inform the revenue outturn position in the outturn and rollover report to full Council on 29 June 2016, is different from the net cost of services reported in the CIES.

Note 29 on Amounts Reported for Resource Allocation Decisions, helpfully provides a full reconciliation between the two.

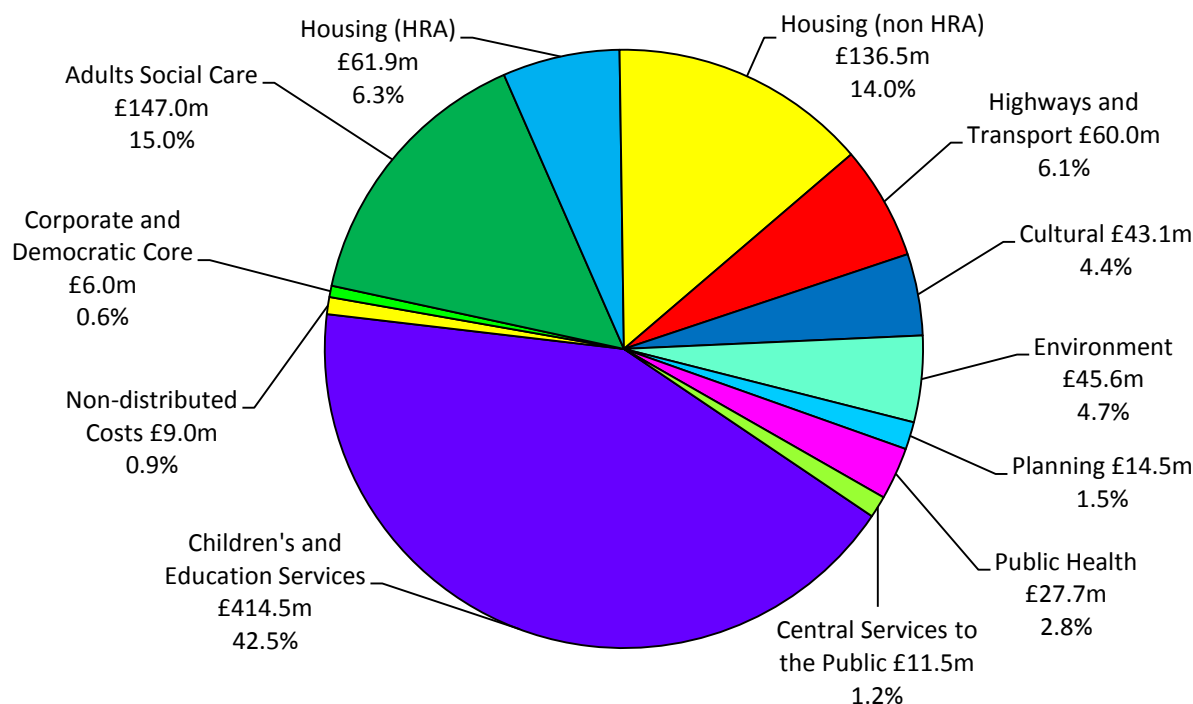
Below is a summary of gross revenue income and expenditure for the Council in 2015/16 as reported in the net cost of services in the CIES:

Gross Income by type £811.9 million



The Council is relatively dependent on government grant, which includes £250.4 million Dedicated Schools Grant which is paid over to Local authority controlled schools who are responsible for managing their day to day budgets.

Gross expenditure by service £977.3 million

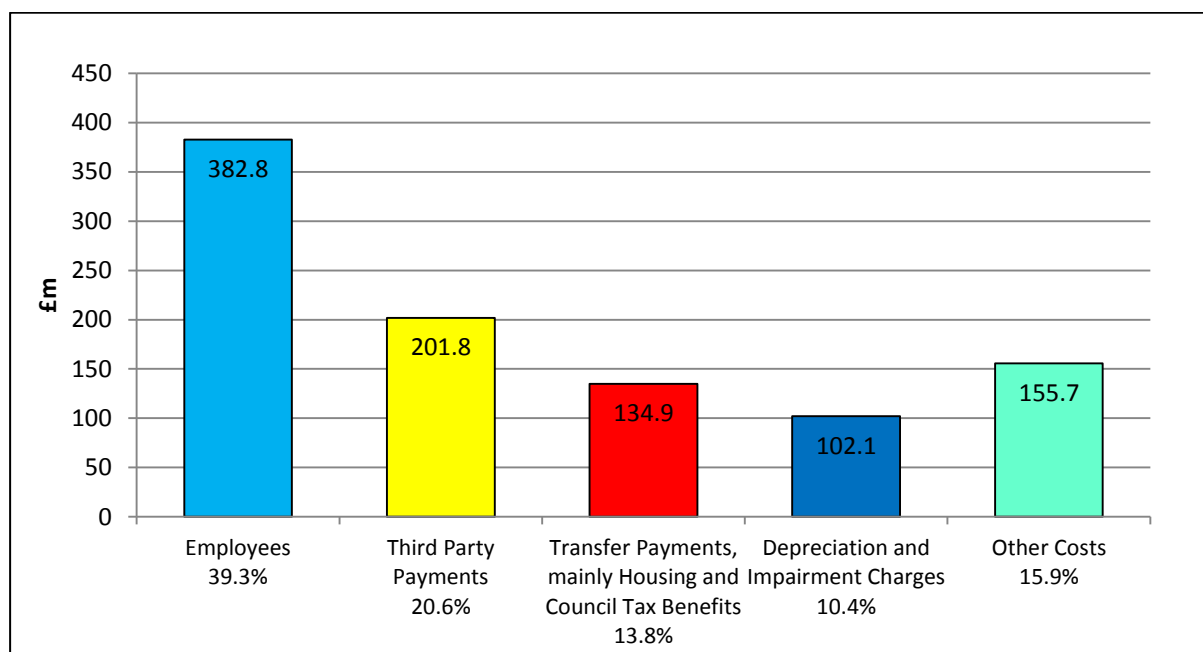


Service expenditure as set out above is categorised in a standardised format set by CIPFA, which is the national accounting body that oversees local government. This is different to the way Directorate and service activity is actually budgeted and reported in the Council.

There will be changes in the format of next year's accounts in response to a consultation exercise on improving the understandability and readability of the financial statements (Telling the Story review).

A new Expenditure and Funding Analysis is introduced, providing a direct reconciliation between the way authorities budget (and are funded) and the CIES in a way that is more accessible to users of the accounts. This largely replaces current segmental reporting requirements.

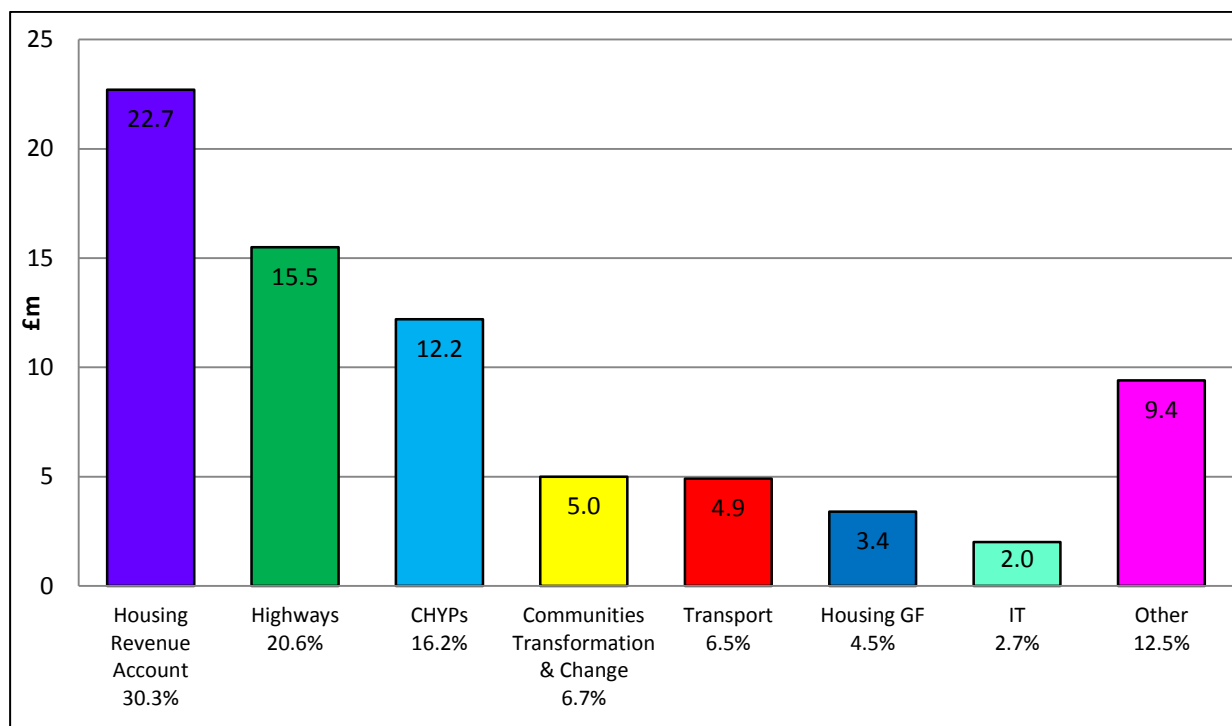
Gross Expenditure by type £977.3 million



Capital expenditure in 2015/16

The capital budget, excluding PFI commitments, totalled £116.1 million in 2015/16.

Actual capital expenditure in 2015-16 was £75.1 million (2014/15 £86.2 million), which included £1.7 million on PFI schemes. The majority of the underspend was either already contractually committed or will be rolled forward and spent in 2016/17. The expenditure is analysed by service area as follows:



The expenditure above was funded by borrowing at £11.4 million, grants and contributions at £25.3 million, capital receipts at £6.6 million, Major Repairs Reserve (HRA) at £11.4 million, and revenue funding at £20.4 million.

Balance Sheet

The 2015/16 Code introduces the requirements of IFRS 13 “Fair Value Measurement”. The measurement requirements for operational property, plant and equipment have not changed but non-operational assets, such as surplus assets, now have to be measured at fair value in accordance with IFRS 13 (that is exit values).

This change has been applied prospectively from 1 April 2015 and therefore prior year transactions have not been restated. The application of the new standard has meant enhanced disclosure requirements for both assets and liabilities.

The table below summarises the balance sheet movements during 2015/16 and reveals that the Council maintains a strong balance sheet in terms of net assets and usable reserves.

	At March 2015	At March 2016	Movements in-year
	£m	£m	£m
Long Term Assets	1,527	1,671	144
Net current assets	-7	-15	-8
Long term liabilities	-1,105	-1,062	43
Net assets	415	594	179
<i>Represented by :</i>			
Usable reserves	-195	-180	15
Unusable reserves	-220	-414	-194

Assets

The value of property, plant and equipment has increased during the year by £140.5 million to £1,511.8 million. The increase is largely due to gains on the revaluation of council dwellings, net of losses on the revaluation of other properties. In addition, the Council had heritage assets and investment properties valued at £37.2 million and £89.5 million respectively as at 31 March 2016 (2014/15 £35.6 million and £85.4 million).

Current assets decreased by £13.9 million to £88.5 million. The decrease was largely due to the 2014/15 accounts containing a debtor relating to an exit agreement which arose from a contracted land sale not taking place.

The Council's policy towards cash flow management is risk averse and all deposits/investments in 2015/16 have been placed short-term with a view towards security and liquidity. As at 31 March 2016, the Council held investments of £38.4 million within "cash equivalents", that is highly liquid deposits with an insignificant risk of change in value (31 March 2015 £38.7 million).

Liabilities

Current liabilities, excluding short-term borrowing, decreased by £1.1 million to £82.6 million. As at 31 March 2016, the Council had total provisions (long-term and short-term) of £15.5 million (31 March 2015 £14.7 million).

Total external borrowing during the year decreased from £448.8 million to £429.3 million. There was no new long-term borrowing taken in the year. The average interest rate for external borrowing for 2015/16 was 4.95% (2014/15 5.03%).

The Balance Sheet also contains a net pensions liability (under Other Long Term Liabilities) of £522.9 million (31 March 2015 £546.5 million). This represents an actuarial assessment of the Council's share of the pension fund assets and the underlying commitment of the Council to pay future retirement benefits. The decrease in net liabilities of £23.6 million has arisen mainly because of changes in financial assumptions and liability experience.

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

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

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

Reserves and Balances

The General Fund Balance at 31 March 2016 was £26.0 million, of which £5.0 million is required as the minimum level.

The Council's earmarked reserves decreased by £10.3 million to £87.2 million. This includes a revenue grants/contributions reserve of £21.8 million, part of which (£6.4 million) relates to Dedicated Schools Grant (DSG) which is statutorily ring-fenced for schools related expenditure. The remaining reserves cover specific areas of activity and risk and include an amount of £13.5 million (2014/15 £15.6 million) relating to schools' balances. Further details are contained in note 9 on page 43.

The HRA Balance stands at £42.8 million as at 31 March 2016 and this will be used to help sustain a balanced HRA revenue position over the medium to longer term informed by the HRA business plan. The balance on the Major Repairs Reserve was fully utilised as at 31 March 2016 (31 March 2015 nil), being used to support capital expenditure and repay debt.

There are a further two capital reserves – grants and receipts – which total £24.4 million as at 31 March 2016 (31 March 2015 £24.2 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.

Collection Fund

For 2015/16, the Collection Fund showed an overall surplus of £0.5 million (2014/15 £2.4 million surplus), with a cumulative negative balance of £4.9 million as at 31 March 2016. Council Tax made a £0.1 million surplus during the year, which moved the balance from a surplus of £5.3 million at the beginning of the year to a surplus balance of £5.4 million as at 31 March 2016. This balance will be shared between the Council and precepting authorities in future years (note C3 on page 101).

National formula grant for business rates ceased from April 2013. This was replaced by a system where councils were allowed to retain 50% of business rates locally, together with a system of top-ups and tariffs to redistribute monies between high- and low-yield authorities. Business Rates made a £0.4 million surplus during the year, which moved the balance from a deficit of £10.7 million at the beginning of the year to a deficit balance of £10.3 million as at 31 March 2016. This balance will be recovered in subsequent years from the Council, Central Government and West Yorkshire Fire and Rescue Authority (note C3 on page 101). The Council is a top-up authority and is part of a regional pooling arrangement – Leeds City Region Business Rates Pool (note C2 on page 100).

The percentage of Council Tax collected in year was 95.6% (2014/15 95.2%). The increase was due to targeted recovery action on in year debts. The Council's share of the arrears outstanding as at 31 March 2016 was £11.6 million (31 March 2015 £13.4 million). The percentage of Business Rates collected in the year was 96.9% (2014/15 96.7%). The Council's share of the arrears outstanding as at 31 March 2016 was £2.3 million (31 March 2015 £2.7 million).

Group performance

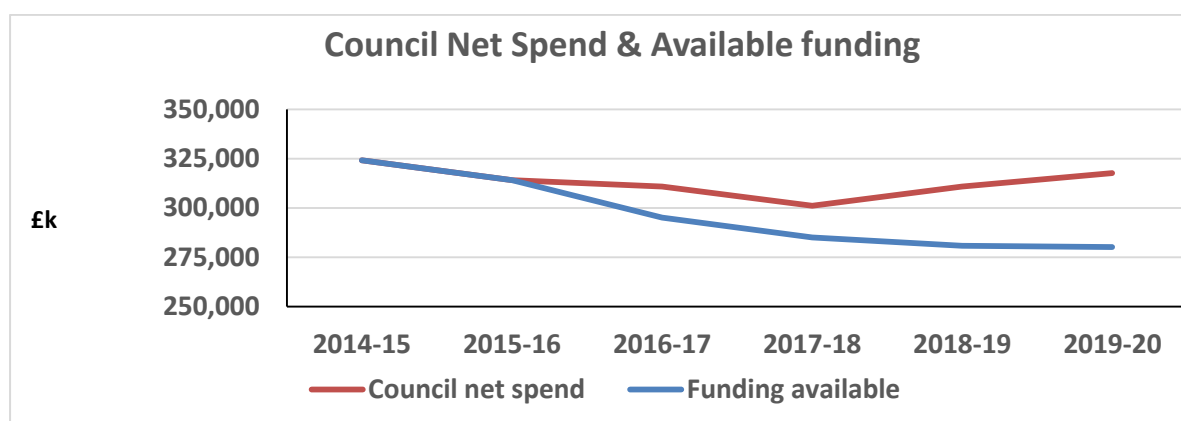
The Council's Group Accounts are made up of the accounts of the Council, a wholly owned subsidiary and a joint venture. This represents a change from 2014/15 where a further subsidiary and joint venture were also included, plus five associates. Although the Council still maintains a significant interest in and level of control in these companies, following a thorough review of company transactions and their impact on the Group Accounts, it has been concluded that the transactions of these companies are not material and therefore will not be included in the Group Accounts from 2015/16 onwards, unless the level of activity or control of a particular company significantly changes. The group surplus for 2015/16 was £115.3 million (2014/15 group deficit £63.7 million).

Council finances – future prospects

Budget plans for 2016-19 were approved at budget Council on 19 February 2016. The budget allocations set out reflect continuing financial constraints on the Council at least to 2020, impacted in particular by further reductions in government funding.

The approved budget plans include planned savings of £31 million over the next 3 years, as well as a continuing re-shaping of existing service activity which reflects a continued focus on developing options to deliver a New Council, which includes specific priorities on Early Intervention and Prevention, and Economic Resilience.

However, this still leaves a remaining budget gap of £15.7 million in 2016/17, which is forecast to increase to £38 million by 2019-20, and this is illustrated below:



Planned use of £15 million Council balances and earmarked reserves will deliver a balanced budget in 2016/17, but this is one-off funding, and more sustainable options to bring spend in line with funding will need to be considered to inform future budget rounds.

Government has stated that Councils can incorporate an Efficiency Statement in their updated budget plans this Autumn, setting out how they intend to achieve balanced budgets to 2020. These are subject to Secretary of State approval, and are intended to give such Councils some reasonable certainty over the indicative annual funding allocations for later years, included in the 2016/17 financial settlement.

However, there is a government review of the national business rates retention scheme just commenced, which is outside the scope of the above. This will effectively allow Councils to retain 100% rather than 50% of business rates collected locally, but any changes are not likely to be implemented before 2018/19 at the earliest. It also has significant funding re-distributive impacts across all Councils, including potential for additional funding responsibilities (and associated risks), transferred from other government departments.

Government has increased the National Living Wage for employees aged 25 and over, to £7.20 per hour from April 2016, and have further committed to increasing this to £9.00 per hour by 2020. This Council has previously implemented a local living wage at £7.88 per hour, from April 2015, and this will increase to £8.04 from April 2016.

The national living wage uplift has created significant funding pressures in particular with regard to the adult social care provider sector, and in response to this, government has allowed Councils with adult social care responsibilities to increase their council tax through a specific adult social care precept, by up to 2% each year, to 2020. Any additional council tax raised must be spent on adult social care. This Council has applied the 2% uplift in 2016/17, as part of an overall 3.95% uplift (compared to 1.95% in 2015/16).

There remain significant demand led (volume) pressures going forward. Government has announced its intention to increase nationally, the overall funding allocated through the Better Care Fund. However, this proposal is subject to further consultation, and at this stage the Council has made no specific assumptions regarding the availability of additional funding allocation, as part of its current approved budget plans.

Future service and accounting developments

The Council is proposing to transfer its building services operation, which has an annual turnover of about £40 million, to the Council's existing arm's length housing management organisation – Kirklees Neighbourhood Housing Ltd (annual turnover of about £15 million). The transfer will also be reflected in a corresponding transfer of net pension liability relating to any staff transferred. The scale of any net pension liability will be subject to an actuarial calculation. It should be remembered that KNH is a wholly owned Council company, and the Council ultimately underwrites 100% of the net pension liabilities of KNH. The proposal is to effect the transfer no later than 1 April 2017.

The Council has three schools (two secondary and one primary school) being rebuilt as part of the Government's Priority Schools Building Programme. The Education Funding Agency (EFA) signed a

PFI contract with Laing O'Rourke in April 2016 to replace the existing buildings at Whitcliffe Mount School and All Saints Catholic College with new build schools, work on which started in May 2016. The EFA is also replacing Mount Pleasant Primary School with a new build using capital funding. Financial closure is due between the EFA and Kier Construction in July 2016, with work programmed to start during summer 2016. All three schools will be completed during academic year 2017/18. The value of the works is estimated to be around £40 million.

There are also significant service changes in relation to the early childcare offer; consultation will take place in 2016.

In 2016/17, the measurement requirements relating to transport infrastructure assets will change from being on an historic cost basis to a depreciated replacement cost basis. The requirements to restate opening balances at 1 April 2015 and preceding year information in the 2016/17 financial statements (for the new Highways Network Asset) have been removed under an exceptional adaptation to IAS 1 Presentation of Financial Statements.

Current estimates of the effect of the change in valuation method are that it will increase asset values on the Council's Balance Sheet by approximately £3.7 billion and increase the depreciation charges to the CIES by £22.5 million.

Key Risks

The Council Corporate Risk Matrix for 2015/16 was agreed in February 2015. A new Matrix was approved as a part of the Budget Strategy in February 2016.

The new Matrix follows a slightly changed format, and does not prioritise specific risks, although those contained are very similar to those in the previous matrix.

The areas identified, along with mitigations and management actions are:

- The risks associated with "New Council", and the need to deliver budget savings required by the Medium Term Financial Plan
- Demand growth of services (vulnerable adults and children)
- The funding impacts of the new national "living wage" from direct employees, and contractors, and impacts from other legislative changes
- Funding impacts in partner agencies, such as the NHS
- Workforce issues (including recruitment difficulties, and those associated with reorganisation)
- Impacts from environmental events (such as flooding)
- Compliance with data protection and information management, health and safety and other legislation
- Risks associated with property ownership and management
- Safeguarding risks, and those linked with the impacts of Serious Case Reviews
- The impact of welfare reforms
- Concerns related to community tensions and violent extremism
- The risks associated with the anticipated substitution of council services by those provided by communities

Explanation of accounting statements

The Statement of Accounts contains four core accounting statements:

- **Movement in Reserves Statement (MiRS)**
- **Comprehensive Income and Expenditure Statement (CIES)**
- **Balance Sheet at 31 March 2016**
- **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.

This main section is followed by three supplementary statements:

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

The Council is required to keep separate accounts for HRA and Collection Fund by statute. Each of the above is preceded by notes explaining their purpose and followed by explanatory notes.

The accounts also include:

- **The Statement of Responsibilities for the Statement of Accounts** - sets out the respective responsibilities of the Council and the Director of Resources 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** (only included in the audited version of the published accounts) - sets out a framework within which overall governance and internal control are managed and reviewed.

Wherever possible, technical accounting terms have been explained either in the main text or in the glossary at the back of this publication. The Council also produces a Summary Statement of Accounts which, whilst having no formal legal standing, aims to remove many of the technicalities of this publication and provide a simplified version of the Council's financial position. These are available at www.kirklees.gov.uk/accounts.

STATEMENT OF RESPONSIBILITIES AND CERTIFICATE

KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2015/16

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 Director of Resources;
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- approve the Statement of Accounts.

The Director of Resources' Responsibilities

The Director of Resources 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 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 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.

Certificate

I certify that this Statement of Accounts presents a true and fair view of the financial position of Kirklees Council at the reporting date, and its income and expenditure for the year ended 31 March 2016.

David Smith
Director of Resources

23 September 2016

I certify that this Statement of Accounts was approved by the Corporate Governance and Audit Committee on 23 September 2016.

Hilary S Richards
Chair, Corporate Governance and Audit Committee

23 September 2016

MAIN FINANCIAL STATEMENTS
KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2015/16

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 reserves. The surplus or deficit on the provision of services' line shows the true economic cost of providing the Council's services, more details of which are shown in the Comprehensive Income and Expenditure Statement (CIES). These are different from the statutory amounts required to be charged to the General Fund Balance and Housing Revenue Account for Council Tax setting and dwellings rent setting purposes. The 'Net Increase/Decrease before Transfers to Earmarked Reserves' line shows the statutory General Fund Balance and the Housing Revenue Account Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council. Explanations and detailed movements of each reserve can be found in the Glossary and in Notes 8, 9 and 25.

	General Fund Balances £000	Earmarked General Fund Reserves £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Council Reserves £000	Note
Balance at 31 March 2014	-44,230	-89,849	-33,016	-8,085	0	-20,034	-195,214	-363,473	-558,687	
Movement in reserves during 2014/15										
Surplus(-)/Deficit on the provision of services	72,149	0	-11,121	0	0	0	61,028	0	61,028	
Other Comprehensive Income and Expenditure (see CIES)	0	0	0	0	0	0	0	82,762	82,762	
Total Comprehensive Income and Expenditure	72,149	0	-11,121	0	0	0	61,028	82,762	143,790	
Adjustments between accounting & funding basis under regulations	-73,575	0	8,367	323	0	3,621	-61,264	61,264	0	8
Net Increase(-)/Decrease before Transfers to/from Earmarked Reserves	-1,426	0	-2,754	323	0	3,621	-236	144,026	143,790	
Txs to(-)/from Earmarked Reserves	7,607	-7,607	0	0	0	0	0	0	0	9
Increase(-)/Decrease in 2014/15	6,181	-7,607	-2,754	323	0	3,621	-236	144,026	143,790	
Balance at 31 March 2015 carried forward	-38,049	-97,456	-35,770	-7,762	0	-16,413	-195,450	-219,447	-414,897	
Movement in reserves during 2015/16										
Surplus(-)/Deficit on the provision of services	85,667	0	-202,633	0	0	0	-116,966	0	-116,966	
Other Comprehensive Income and Expenditure (see CIES)	0	0	0	0	0	0	0	-62,216	-62,216	
Total Comprehensive Income and Expenditure	85,667	0	-202,633	0	0	0	-116,966	-62,216	-179,182	
Adjustments between accounting & funding basis under regulations	-63,318	0	195,599	-2,707	0	2,468	132,042	-132,042	0	8
Net Increase(-)/Decrease before Transfers to/from Earmarked Reserves	22,349	0	-7,034	-2,707	0	2,468	15,076	-194,258	-179,182	
Txs to(-)/from Earmarked Reserves	-10,272	10,272	0	0	0	0	0	0	0	9
Increase(-)/Decrease in 2015/16	12,077	10,272	-7,034	-2,707	0	2,468	15,076	-194,258	-179,182	
Balance at 31 March 2016 carried forward	-25,972	-87,184	-42,804	-10,469	0	-13,945	-180,374	-413,705	-594,079	

MAIN FINANCIAL STATEMENTS
KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2015/16

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. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost.

	2014/15			2015/16			Note
	Gross Exp £000	Gross Income £000	Net Exp £000	Gross Exp £000	Gross Income £000	Net Exp £000	
Children's and Education Services	428,534	-310,421	118,113	414,505	-300,252	114,253	6
Adult Social Care	142,120	-46,053	96,067	147,040	-49,656	97,384	
Housing (HRA)	74,927	-96,852	-21,925	61,897	-274,804	-212,907	6
Housing (Non HRA)	139,031	-124,843	14,188	136,456	-121,903	14,553	
Highways and Transport	60,076	-13,554	46,522	59,958	-13,919	46,039	
Cultural	42,992	-4,286	38,706	43,103	-4,880	38,223	
Environmental and Regulatory	33,019	-7,154	25,865	45,646	-7,899	37,747	6
Planning	17,618	-7,342	10,276	14,544	-6,964	7,580	
Public Health	23,265	-24,307	-1,042	27,657	-25,661	1,996	6
Central services to the public	11,597	-3,519	8,078	11,524	-3,298	8,226	
Corporate and democratic core	6,520	-14	6,506	6,033	-15	6,018	
Non distributed costs	9,188	-45	9,143	8,950	-2,671	6,279	
Cost of Services	988,887	-638,390	350,497	977,313	-811,922	165,391	
Other operating expenditure			19,090			18,195	10
Financing and investment income and expenditure			48,407			32,706	11
Taxation and non-specific grant income			-356,966			-333,258	12
Surplus(-)/Deficit on Provision of Services			61,028			-116,966	
Surplus(-)/Deficit on revaluation of Property, Plant and Equipment(PPE) and Heritage assets			8,194			-6,560	
Impairment losses on non-current assets to the Revaluation Reserve			3,450			314	
Surplus on revaluation of available for sale financial assets			-532			-113	
Remeasurements of the net defined benefit liability			71,650			-55,857	40
Other Comprehensive Income and Expenditure			82,762			-62,216	
Total Comprehensive Income and Expenditure			143,790			-179,182	

MAIN FINANCIAL STATEMENTS
KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2015/16

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 holding timing differences shown in the Movement in Reserves Statement line “Adjustments between accounting basis and funding basis under regulations”.

	31 March 2015 £000	31 March 2016 £000	Note
Property, Plant & Equipment (PPE)	1,371,285	1,511,803	13
Heritage Assets	35,648	37,172	14
Investment Property	85,400	89,463	15
Intangible Assets	4,434	3,039	16
Long Term Investments	1,772	1,881	
Long Term Debtors	28,446	27,683	18
Long Term Assets	1,526,985	1,671,041	
Inventories	2,371	2,719	
Short Term Debtors	70,205	52,748	19
Assets Held for Sale	1,088	1,924	
Cash and Cash Equivalents	28,831	31,156	20
Current Assets	102,495	88,547	
Short Term Borrowing	-26,115	-20,920	17
Short Term Creditors	-74,004	-72,635	21
Other Short Term Liabilities	-5,090	-4,993	
Provisions	-4,637	-4,959	22
Current Liabilities	-109,846	-103,507	
Long Term Borrowing	-422,646	-408,402	17
Other Long Term Liabilities	-682,091	-653,600	23
Long Term Liabilities	-1,104,737	-1,062,002	
Net Assets	414,897	594,079	
Usable Reserves	-195,450	-180,374	24
Unusable Reserves	-219,447	-413,705	25
Total Reserves	-414,897	-594,079	

MAIN FINANCIAL STATEMENTS
KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2015/16

CASH FLOW STATEMENT

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

	2014/15	2015/16	
	£000	£000	Note
Net surplus(-)/deficit on the provision of services	61,028	-116,966	
Adjustments to net surplus/deficit on the provision of services for non-cash movements	-160,870	27,911	27
Adjustment for items included in the net surplus/deficit on the provision of services that are investing and financing activities	37,534	29,288	28
Net cash flows from Operating Activities	<u>-62,308</u>	<u>-59,767</u>	26
Net cash flows from Investing Activities			
Purchase of PPE, investment property and intangible assets	72,559	64,030	
Purchase of short-term and long-term investments	2,075	1,120	
Proceeds from the sale of PPE, investment property and intangible assets	-12,987	-11,808	
Proceeds from short-term and long-term investments	-2,258	-942	
Other receipts from investing activities	-23,902	35,487	
	<u>-23,902</u>	<u>-18,264</u>	34,136
Net cash flows from Financing Activities			
Cash receipts of short and long-term borrowing	-74,845	-5,860	
Other receipts from financing activities	-459	-1,074	
Cash payments for the reduction for the outstanding liabilities relating to finance leases and PFI contracts	5,132	4,926	
Repayments of short and long-term borrowing	93,558	25,314	
Other payments for financing activities	726	24,112	
	<u>726</u>	<u>0</u>	23,306
Net increase in cash and cash equivalents	<u>-2,709</u>	<u>-2,325</u>	
Cash and cash equivalents at the beginning of the reporting period	26,122	28,831	
Cash and cash equivalents at the end of the reporting period	28,831	31,156	20

NOTES TO THE CORE FINANCIAL STATEMENTS

KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2015/16

Index to Notes	Page
1. Accounting Policies	23
2. Prior Period Adjustments	37
3. Accounting Standards that have been issued but have not yet been adopted	37
4. Critical Judgements	37
5. Assumptions and Major Sources of Estimation Uncertainty	38
6. Exceptional items and Material items of Income and Expense	39
7. Events after Balance Sheet date	39
8. Adjustments between accounting basis and funding basis under regulations	40
9. Transfers to/from Earmarked Reserves	43
<u>Notes Referring to Specific Items in the CIES</u>	
10. Other Operating Expenditure	44
11. Financing and Investment Income and Expenditure	44
12. Taxation and Non-Specific Grant Income	44
<u>Notes Referring to Specific Items in the Balance Sheet</u>	
13. Property, Plant and Equipment	45
14. Heritage Assets	48
15. Investment Properties	50
16. Intangible Assets	51
17. Financial Instruments	52
18. Long Term Debtors	57
19. Short Term Debtors	57
20. Cash and Cash Equivalents	58
21. Short Term Creditors	58
22. Provisions	58
23. Other Long Term Liabilities	59
24. Usable Reserves	59
25. Unusable Reserves	59
<u>Notes Referring to Specific Items in the Cash Flow Statement</u>	
26. Operating Activities	62
27. Adjustments to net surplus or deficit on the provision of services for non-cash movements	62
28. Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	62
<u>Other disclosures</u>	
29. Amounts Reported for Resource Allocation Decisions	63
30. Trading Operations	68
31. External Audit Costs	69
32. Pooled Funds	69
33. Officers' Remuneration	71
34. Deployment of Dedicated Schools Grant (DSG)	74
35. Related Party Transactions	74
36. Grant Income	76
37. Capital Expenditure and Capital Financing	77
38. Leases	78
39. Private Finance Initiative (PFI) Transactions	81
40. Pensions Disclosures	85
41. Contingent Liabilities	92
42. Impairment	92

NOTES TO THE CORE FINANCIAL STATEMENTS

KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2015/16

1 Accounting Policies

General Principles

The Statement of Accounts summarises the Council's transactions for the 2015/16 financial year and its position at the year-end of 31 March 2016. 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 2015/16 (the Code) and the Service Reporting Code of Practice 2015/16, supported by International Financial Reporting Standards (IFRS).

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

Accruals of Income and Expenditure

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

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

Cash and Cash Equivalents

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

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

Charges to Revenue for Non-Current Assets

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

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

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

NOTES TO THE CORE FINANCIAL STATEMENTS

KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2015/16

Collection Fund

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

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

Employee Benefits

Benefits Payable During Employment

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

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

Termination Benefits

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

NOTES TO THE CORE FINANCIAL STATEMENTS

KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2015/16

payments of benefits is recognised in the Balance Sheet. The Children's and Education Services 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 Public Health line in the CIES is charged with the employer's contributions payable to NHS Pensions in the year.

The Local Government Pension Scheme (LGPS) -

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

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

- The liabilities of the West Yorkshire Pension Fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – that is an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of projected earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate of 3.30%-3.50% depending of the duration of the liabilities (based on UK AA rated bond prices compiled into a model by the Council's actuary Aon Hewitt Limited).
- The assets attributable to the Council are included in the Balance Sheet at their fair value.

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

- Service cost comprising:
 - Current service cost – the increase in liabilities as a result of years of service earned this year. Allocated in the CIES to the services for which the employees worked.
 - Past service cost – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years. Debited to the Surplus or Deficit on the Provision of Services in the CIES as part of Non Distributed Costs.
 - 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

NOTES TO THE CORE FINANCIAL STATEMENTS

KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2015/16

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

Discretionary Benefits -

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

Events After the Balance Sheet Date

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

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

Fair Value Measurement

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

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

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

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

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

Financial Instruments

Financial Liabilities

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

NOTES TO THE CORE FINANCIAL STATEMENTS

KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2015/16

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

Financial assets are classified into two types:

- Loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market.
- Available-for-sale assets – assets that have a quoted market price and/or do not have fixed or determinable payments.

Loans and receivables are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument. They are initially measured at fair value and subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the CIES for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For many of the loans that the Council has made, 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.

However, the Council has made a number of loans to outside organisations at less than market rates (soft loans). When soft loans are made, 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.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the relevant service (for receivables specific to that service) or the Financing and Investment Income and Expenditure line in the CIES. The impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate.

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.

NOTES TO THE CORE FINANCIAL STATEMENTS

KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2015/16

Available-for-sale assets 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. Where the asset has fixed or determinable payments, annual credits to the Financing and Investment Income and Expenditure line in the CIES for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income (for example, dividends) is credited to the CIES when it becomes receivable by the Council.

Assets are maintained in the Balance Sheet at fair value. None of the Council's equity interests have quoted market prices and these are measured using discounted cash flow analysis or other valuation techniques. Where fair value cannot be measured reliably, the instrument is carried at cost (less any impairment losses).

Changes in fair value are balanced by an entry in the Available-for-Sale Reserve and the gain/loss is recognised in the Surplus or Deficit on Revaluation of Available-for-Sale Financial Assets. The exception is where impairment losses have been incurred – these are debited to the Financing and Investment Income and Expenditure line in the CIES, along with any net gain or loss for the asset accumulated in the Available-for-Sale Reserve.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made (fixed or determinable payments) or fair value falls below cost, the asset is written down and a charge made to the Financing and Investment Income and Expenditure line in the CIES. If the asset has fixed or determinable payments, the impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate. Otherwise, the impairment loss is measured as any shortfall of fair value against the acquisition cost of the instrument (net of any principal repayment and amortisation).

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, along with any accumulated gains or losses previously recognised in the Available-for-Sale Reserve.

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. Where judged to be material, these guarantees are covered in the Contingent Liabilities note.

Government Grants and Contributions

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

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

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

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

Where capital grants are credited to the CIES, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital

NOTES TO THE CORE FINANCIAL STATEMENTS

KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2015/16

expenditure, it is posted to the Capital Grants Unapplied reserve. When capital grants have been applied, they are posted to the Capital Adjustment Account.

Heritage Assets

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

Recognition and Measurement

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

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

- Fine Art Collection
These items are reported on the Balance Sheet using insurance valuations, which are based on market 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 updated 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 an annual programme of valuations and the items in the collection are valued by an external valuer (Gerard Laurence Collins) who specialises in precious metal craft and design. The Council has a number of structural heritage assets which are not recognised elsewhere on the Balance Sheet. These comprise of two clock towers, a Victorian tower and two park band stands. These items have been valued by internal valuers and are reported in the Balance Sheet at replacement cost. They will be revalued at least every five years.

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

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

The Council has had a number of heritage assets kindly donated over the years. The Council has insufficient information as to when such assets were donated and/or what the value of these items would have been when they were donated. The Council therefore has not recognised any heritage assets in the Donated Assets Account on the Balance Sheet prior to 1 April 2010.

NOTES TO THE CORE FINANCIAL STATEMENTS

KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2015/16

The Council has no material intangible heritage assets.

Depreciation and impairment

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

Disposal

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

Intangible Assets

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

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

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

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

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

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

Interests in Companies and Other Entities

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

Inventories

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

NOTES TO THE CORE FINANCIAL STATEMENTS

KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2015/16

Investment Property

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

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

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

Joint Operations

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

Leases

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

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

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

The Council as Lessee

Finance Leases:

Property, Plant and Equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Council are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments are apportioned between:

- A charge for the acquisition of the interest in the Property, Plant or Equipment – applied to write down the lease liability, and
- A finance charge (debited to the Financing and Investment Income and Expenditure line in the CIES).

Property, Plant and Equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the Council at the end of the lease period).

The Council is not required to raise Council Tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds

NOTES TO THE CORE FINANCIAL STATEMENTS

KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2015/16

towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

Operating Leases:

Rentals paid under operating leases are charged to the CIES as an expense of the services benefiting from use of the leased Property, Plant or Equipment. Charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments.

The Council as Lessor

Finance Leases:

Where the Council grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the CIES as part of the gain or loss on disposal. A gain, representing the Council's net investment in the lease, is credited to the same line in the CIES also as part of the gain or loss on disposal (that is netted off against the carrying value of the asset at the time of disposal), matched by a lease (Long Term Debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

- A charge for the acquisition of the interest in the property – applied to write down the lease debtor (together with any premiums received), and
- Finance income (credited to the Financing and Investment Income and Expenditure line in the CIES).

The gain credited to the CIES on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement.

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

Operating Leases:

Where the Council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the CIES. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments.

Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the Service Reporting Code of Practice 2015/16 (SERCOP). The total absorption costing principle is used - the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core – costs relating to the Council's status as a multifunctional, democratic organisation.
- Non Distributed Costs - the cost of discretionary benefits awarded to employees retiring early and depreciation/impairment losses chargeable on Surplus Assets.

These two cost categories are defined in SERCOP and accounted for as separate headings in the CIES, as part of Net Expenditure on Services.

NOTES TO THE CORE FINANCIAL STATEMENTS

KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2015/16

Prior Period Adjustments, Changes in Accounting Policies, Errors and Changes in Accounting Estimates

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Council's financial position or financial performance. Where a change is made, it is applied retrospectively by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

Changes in accounting estimates are accounted for prospectively, that is in the current and future years affected by the change and do not give rise to a prior period adjustment.

Private Finance Initiative (PFI) and Similar Contracts

PFI contracts are agreements to receive services, where the responsibility for making available the fixed assets needed to provide the service passes to the PFI contractor. As the Council is deemed to control the services that are provided under its PFI schemes and as ownership of the assets will pass to the Council at the end of the contracts for no additional charge, the Council carries the assets used under the contracts on the Balance Sheet as part of Property, Plant and Equipment.

The Council has four PFI schemes –

- A twenty five year contract from April 1998 for waste disposal services.
- A thirty two and a half year contract, starting March 2001, for major repairs/ refurbishment and continuing maintenance of nineteen schools, together with caretaking and cleaning services.
- A twenty six and a half year contract, starting March 2005 for the new build of two special schools and full refurbishment of existing buildings at a third special school, together with the maintenance of buildings and premise management functions at all three schools.
- A twenty two and a half year contract starting December 2011, for the design, build, financing and operation of 466 housing units. This is accounted for within the HRA.

The original recognition of the fixed assets was balanced by the recognition of a liability for amounts due to the scheme operator to pay for the assets. The liabilities on the schools' contracts were written down by initial capital contributions by the Council of £2.5 million on the first contract and £5.0 million on the second. The liability on the housing PFI has been written down by capital contributions of £10.0 million.

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

NOTES TO THE CORE FINANCIAL STATEMENTS

KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2015/16

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

Property, Plant and Equipment (PPE)

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

Recognition

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

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

Measurement

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

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

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

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

- Infrastructure, community assets and assets under construction – depreciated historical cost.
- Dwellings – fair 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 – fair value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

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

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

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

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

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

NOTES TO THE CORE FINANCIAL STATEMENTS

KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2015/16

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

Depreciation

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

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

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

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

Impairment

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

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

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

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

Disposals and Non-current Assets Held for Sale

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

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

NOTES TO THE CORE FINANCIAL STATEMENTS

KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2015/16

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

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

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

Provisions, Contingent Liabilities and Contingent Assets

Provisions

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

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

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

Contingent Liabilities

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

Contingent Assets

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

Reserves

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

NOTES TO THE CORE FINANCIAL STATEMENTS

KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2015/16

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

Revenue Expenditure Funded from Capital under Statute (REFCUS)

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

Schools

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

VAT

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

2 Prior Period Adjustments

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

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

There are several changes in accounting policy that will be introduced in the 2016/17 Code. However, none are expected to have a material impact in the reported Cost of Services or Surplus/Deficit on the Provision of Services. However, in the 2016/17 accounts, the 2015/16 comparators for CIES and MiRS will reflect the new formats and reporting requirements as a result of the Telling the Story review, mentioned earlier in the Narrative Report under future accounting developments.

4 Critical judgements

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

- Schools – The Council recognises the land and buildings used by schools in line with the provisions of the Code of Practice. It states that property used by local authority maintained schools should be recognised in accordance with the asset recognition tests relevant to the arrangements that prevail for the property. The Council recognises a school's land and buildings on its balance sheet where it owns the assets, the school or the school governing body own the assets or there is evidence that substantive ownership rights of assets have been transferred from another entity. As a result, the Council does not recognise foundation trust, voluntary aided or voluntary controlled schools on its balance sheet. Up to the point of schools being transferred to trust or academy status, their valuation on the balance sheet is based on continuing service potential.
- Grants – Where grant funding has been received, judgement has been made as to whether any conditions associated with the receipt of grant have been met or not. Where it is judged that conditions have been met, the grant is recognised in the CIES. Note 36 shows the details.
- Provisions – In calculating provisions, judgements have been made as to the certainty of a particular event happening giving rise to a liability and whether a reliable estimate can be made of

NOTES TO THE CORE FINANCIAL STATEMENTS

KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2015/16

that liability. Where this is not the case, the Council may disclose the issue as a contingent liability.

- Group Accounts – The Council has considered its relationships with a number of organisations and made a judgement as to its level of control and interest in these bodies. As a result, it has prepared Group Accounts, incorporating a subsidiary and a joint venture.
- Private Finance Initiatives (PFIs) – The Council has evaluated its four PFI schemes under the requirements of the Code and determined, irrespective of legal title, that the assets should be recognised on its balance sheet, together with a liability to pay for the assets. Note 39 in the Notes to the Core Financial Statements and note H10 to the HRA give further details for each scheme.
- Leases – All leases have been assessed to determine whether they should be classified as finance or operating leases. A number of tests have been applied and it has been determined that the Council has a number of finance leases where it is both lessor and lessee. Note 38 gives further details on lease treatment.
- Heritage Assets – The Code allows discretion over how to value heritage assets. The Council has made a judgement to value many of its heritage assets using insurance values. However, some assets, such as war memorials and certain museum exhibits, are not recognised on balance sheet because cost information is not available and it has been judged that the cost of obtaining valuations outweighs the benefits to users of the accounts. Note 14 gives more valuation details for heritage assets.
- Funding – There is a high degree of uncertainty about future levels of local authority funding. However, the Council has determined that this uncertainty is not yet sufficient to provide an indication that its assets might be impaired as a result of a need to close facilities and reduce levels of service provision.

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 2016 for which there is a significant risk of material adjustment within the next financial year are as follows:

Item and Uncertainties	Effect if Actual Results Differ from Assumptions
<p>Property, Plant and Equipment (note 13)</p> <p>Assets are depreciated over their useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Council will be able to sustain its current spending on repairs and maintenance in the longer term bringing into doubt the useful lives assigned to assets.</p>	<p>If the useful life of an asset reduces (non HRA), the depreciation increases and the carrying amount of the asset falls. It is estimated that the annual depreciation charge would increase by £6.8 million for every year that the useful lives had reduced.</p>
<p>Provisions (including bad debts)</p> <p>Provisions are made in accordance with the Code and IAS37, with the best estimate of the expenditure required to settle the obligation at the Balance Sheet date. The major provision is the organisational risk provision which mainly comprises of insurance claims.</p> <p>The total value of provisions (including bad debts) as at 31 March 2016 was £33.5 million.</p>	<p>An increase in provisions (including bad debt provisions) of 10% would result in an additional revenue expense of £3.3 million.</p>

NOTES TO THE CORE FINANCIAL STATEMENTS

KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2015/16

Pensions Liability (note 40)

Estimation of the net liability to pay pensions depends on a number of complex judgements such as the discount rate used, the rate at which salaries are projected to increase, changes to mortality rates. A firm of qualified Actuaries is employed to provide the Council with expert professional advice about this specialised area.

The Actuaries provide information in relation to the sensitivity of the results to key assumptions and these are set out in the pensions note.

The net liability as at 31 March 2016 was £522.9 million.

Fair value measurements

When the fair values of financial assets and liabilities cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques. Where possible, the inputs to these valuation techniques are based on observable data, but where this is not possible judgement is required in establishing fair values. These judgements typically include considerations such as uncertainty and risk. However, changes in the assumptions used could affect the fair value of the Council's assets and liabilities.

The methods used to arrive at the fair value of surplus and investment properties are described in notes 13 and 15. They are based on observable data.

The methods used to measure the fair value of equity instruments is described in note 16 and are based on unobservable inputs. However, the values are not significant and therefore any significant changes in any of the unobservable inputs would not be expected to have any material effect on the value of financial assets.

6 Exceptional Items and Material Items of Income and Expense

Many of the variances between years in the service lines in the CIES are due to differences in revaluation gain/losses charged. Of particular note is a net gain on HRA of £180.2 million in 2015/16 (2014/15 £10.4 million net loss); the main reason for this is detailed in note H1 on page 95. In addition, there is a revaluation loss on Environmental and Regulatory of £10.2 million in 2015/16, relating to the assets of the waste collection service.

The variance on Children's and Education Services mainly arises from reductions in expenditure and grant due to the transfer of schools to academy status.

The variances on Public Health arise from the transfer of extra responsibilities relating 0-5 year olds from health authorities, offset by a reduction of £1.5 million core grant funding.

7 Events after Balance Sheet date

These accounts were authorised for issue on the date the Director of Resources signed the accounts – see Statement of Responsibilities and Certificate on page 17. The following non-adjusting events occurring between the Balance Sheet date and when the accounts were authorised for issue:

Since the Balance Sheet date, four schools have converted to Academy status. Land and building asset values totalling £25.0 million will be transferred off the Council's balance sheet in 2016/17 and the Council will no longer receive Dedicated School Grant of around £9.4 million annually.

In June 2016, the Council received deed polls from a lender stating that it would not exercise its options to increase interest rates on £30 million of LOBO loans held by the Council. This effectively makes the loans fixed rate maturity loans. It is estimated that this would reduce the overall fair value of loans presented in note 17 by £13.5 million.

NOTES TO THE CORE FINANCIAL STATEMENTS

KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2015/16

8 Adjustments between accounting basis and funding basis under regulations

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

	Usable Reserves					Movement in Unusable Reserves
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	
	£000	£000	£000	£000	£000	£000
2014/15						
<u>Adjustments involving the Capital Adjustment Account (CAA):</u>						
Charges for depreciation and impairment of non-current assets	-57,633	0	0	-15,566	0	73,199
Amortisation of Intangible Assets	-1,790	0	0	0	0	1,790
Revaluation losses on PPE	-20,221	-13,629	0	0	0	33,850
Revaluation gains on PPE	2,732	3,194	0	0	0	-5,926
Movements in the market value of Investment Properties	-2,296	0	0	0	0	2,296
Revenue expenditure funded from capital under statute (REFCUS)	-9,505	0	0	0	0	9,505
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	-39,569	-3,290	0	0	0	42,859
Capital grants and contributions applied	7,374	902	0	0	0	-8,276
Capital grants and contributions applied (REFCUS)	4,029	0	0	0	0	-4,029
Deferred Income written down - Waste PFI	537	0	0	0	0	-537
Provision for the financing of capital investment	26,018	1,830	0	0	0	-27,848
Capital expenditure charged against balances	24,832	13,117	0	0	0	-37,949
<u>Adjustments involving the Capital Grants Unapplied Account:</u>						
Capital grants and contributions unapplied and credited to the CIES	12,275	0	0	0	-12,275	0
Application of grants to capital financing transferred to the CAA	0	0	0	0	15,896	-15,896
<u>Adjustments involving the Capital Receipts Reserve:</u>						
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the CIES	6,540	6,318	-12,858	0	0	0
Financing new capital expenditure	0	0	6,219	0	0	-6,219
Contribution towards administrative costs of asset disposals	-220	-36	256	0	0	0
Contribution to finance the payments to the Government capital receipts pool	-1,790	0	1,790	0	0	0
Cash receipts from the repayment of capital loans given	0	0	-2,416	0	0	2,416
Used to repay debt (transfer to CAA)	0	0	7,338	0	0	-7,338
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	0	0	-6	0	0	6
<u>Adjustment involving the Deferred Capital Receipts Reserve:</u>						
Finance Leases- Amount by which sale proceeds received in CIES differs from those received in accordance with statutory requirements	-1	0	0	0	0	1

NOTES TO THE CORE FINANCIAL STATEMENTS
KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2015/16

	Usable Reserves					Movement in Unusable Reserves
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	
	£000	£000	£000	£000	£000	£000
2014/15 cont.						
<u>Adjustment involving the Major Repairs Reserve:</u>						
Financing of new capital expenditure (transfer to CAA)	0	0	0	8,816	0	-8,816
Used to repay debt (transfer to CAA)	0	0	0	6,750	0	-6,750
<u>Adjustment involving the Financial Instruments Adjustment Account:</u>						
Amount by which finance costs charged to the CIES are different from those required by statutory regulations	519	-39	0	0	0	-480
<u>Adjustments involving the Pensions Reserve:</u>						
Reversal of items relating to retirement benefits debited or credited to the CIES	-61,228	0	0	0	0	61,228
Employer's pensions contributions and direct payments	34,757	0	0	0	0	-34,757
<u>Adjustments involving the Collection Fund Adjustment Account:</u>						
Amount by which council tax income credited to the CIES is different from that required by statutory regulations	2,245	0	0	0	0	-2,245
<u>Adjustment involving the Accumulated Absences Account:</u>						
Amount by which officer remuneration charged to the CIES on an accruals basis is different from that required by statutory regulations	-1,180	0	0	0	0	1,180
Total Adjustments 2014/15	-73,575	8,367	323	0	3,621	61,264
2015/16						
<u>Adjustments involving the Capital Adjustment Account (CAA):</u>						
Charges for depreciation and impairment of non-current assets	-40,764	0	0	-15,630	0	56,394
Amortisation of Intangible Assets	-1,507	0	0	0	0	1,507
Revaluation losses on PPE	-36,681	-5	0	0	0	36,686
Revaluation gains on PPE	6,506	179,473	0	0	0	-185,979
Movements in the market value of Investment Properties	6,306	732	0	0	0	-7,038
Revenue expenditure funded from capital under statute (REFCUS)	-9,833	0	0	0	0	9,833
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	-19,608	-3,710	0	0	0	23,318
Capital grants and contributions applied	8,950	351	0	0	0	-9,301
Capital grants and contributions applied (REFCUS)	5,135	0	0	0	0	-5,135
Deferred Income written down - Waste PFI	537	0	0	0	0	-537
Provision for the financing of capital investment	24,241	2,159	0	0	0	-26,400
Capital expenditure charged against balances	9,927	10,430	0	0	0	-20,357

NOTES TO THE CORE FINANCIAL STATEMENTS
KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2015/16

	Usable Reserves					Movement in Unusable Reserves
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	
2015/16 cont.	£000	£000	£000	£000	£000	£000
<u>Adjustments involving the Capital Grants Unapplied Account:</u>						
Capital grants and contributions unapplied and credited to the CIES	8,403	0	0	0	-8,403	0
Application of grants to capital financing transferred to the CAA	0	0	0	0	10,871	-10,871
<u>Adjustments involving the Capital Receipts Reserve:</u>						
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the CIES	5,796	5,617	-11,413	0	0	0
Financing new capital expenditure	0	0	6,592	0	0	-6,592
Contribution towards administrative costs of asset disposals	-117	-27	144	0	0	0
Contribution to finance the payments to the Government capital receipts pool	-2,087	0	2,087	0	0	0
Cash receipts from the repayment of capital loans given	0	0	-822	0	0	822
Used to repay debt (transfer to CAA)	0	0	709	0	0	-709
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	0	0	-4	0	0	4
<u>Adjustment involving the Deferred Capital Receipts Reserve:</u>						
Finance Leases- Amount by which sale proceeds received in CIES differs from those received in accordance with statutory requirements	-2	0	0	0	0	2
<u>Adjustment involving the Major Repairs Reserve:</u>						
Financing of new capital expenditure (transfer to Capital Adjustment Account)	0	0	0	11,457	0	-11,457
Used to repay debt (transfer to CAA)	0	0	0	4,173	0	-4,173
<u>Adjustment involving the Financial Instruments Adjustment Account:</u>						
Amount by which finance costs charged to the CIES are different from those required by statutory regulations	349	579	0	0	0	-928
<u>Adjustments involving the Pensions Reserve:</u>						
Reversal of items relating to retirement benefits debited or credited to the CIES	-67,559	0	0	0	0	67,559
Employer's pensions contributions and direct payments	35,274	0	0	0	0	-35,274
<u>Adjustments involving the Collection Fund Adjustment Account:</u>						
Amount by which council tax and non-domestic rating income credited to the CIES is different from that required by statutory regulations	286	0	0	0	0	-286
<u>Adjustment involving the Accumulated Absences Account:</u>						
Amount by which officer remuneration charged to the CIES on an accruals basis is different from that required by statutory regulations	3,130	0	0	0	0	-3,130
Total Adjustments 2015/16	-63,318	195,599	-2,707	0	2,468	-132,042

NOTES TO THE CORE FINANCIAL STATEMENTS

KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2015/16

9 Transfers to/from Earmarked Reserves

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

	Balance at 31 March 2014	Transfers Out 2014/15	Transfers In 2014/15	Balance at 31 March 2015	Transfers Out 2015/16	Transfers In 2015/16	Balance at 31 March 2016
Local Management of Schools	-16,394	2,159	-1,382	-15,617	2,283	-158	-13,492
Organisational Risk	-7,528	0	0	-7,528	0	0	-7,528
Workforce Restructure	-15,183	631	0	-14,552	3,648	-6	-10,910
Health and Social Care	-10,013	268	-63	-9,808	2,859	-1,015	-7,964
Rollover	-4,360	3,772	-6,270	-6,858	2,866	-5,760	-9,752
PFI	-3,444	398	-140	-3,186	76	-38	-3,148
Revenue Grants/Contributions	-23,415	1,621	-5,776	-27,570	9,026	-3,230	-21,774
Business Rates	-2,671	0	-1,237	-3,908	194	0	-3,714
Journey to New Council	0	0	-3,000	-3,000	0	-1,000	-4,000
Other	-6,841	2,184	-772	-5,429	712	-185	-4,902
Total	-89,849	11,033	-18,640	-97,456	21,664	-11,392	-87,184

- The Local Management of Schools Reserve relates to individual school balances/deficits carried forward to following years under the terms of the Education Reform Act 1988. The balance at 31 March 2016 represents 142 schools with cumulative balances of £14.8 million (148 schools and £16.5 million at 31 March 2015) and 12 schools with cumulative deficits amounting to £1.3 million (12 schools and £0.9 million at 31 March 2015).
- The Organisational Risk Reserve covers a range of potential costs highlighted in the Council's corporate risk assessment, including those covering certain contingent liabilities. This is linked into the reserves and balances strategy agreed as part of the Medium Term Financial Plan.
- The Workforce Restructure Reserve has been set up to cover one-off costs from the Council's redundancy programme.
- The Health and Social Care Reserve to support future expenditure on health and social care issues.
- The Rollover Reserve has been set up to deal with deferred spend commitments against approved Rollover.
- The PFI Reserve has been set up to fund the prepayments to the contractors, established from the PFI contract models.
- The Revenue Grants/Contributions Reserve represents grants and contributions recognised in the CIES before expenditure has been incurred. It includes a balance of £6.4 million (£8.4 million at 31 March 2015) relating to Dedicated Schools Grant (DSG) which is statutorily ring-fenced for schools related expenditure. As expenditure is incurred monies will be released from the reserve.
- The Business Rates Reserve has been set up to mitigate one-off costs impacting on the Collection Fund relating to potential back-dated business rates appeals.
- The Journey to New Council Reserve has been set up to support New Council development.

NOTES TO THE CORE FINANCIAL STATEMENTS

KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2015/16

10 Other Operating Expenditure

	2014/15	2015/16
	£000	£000
Parish council precepts	444	488
Levies	160	167
Payment to Government Housing Capital Receipts Pool	1,790	2,087
Losses on the disposal of non-current assets	31,532	15,078
Losses on impairment of asset held for sale	2,835	0
Exit Agreement receipt from a contracted land sale not taking place	-18,790	0
Derecognition of Academies' Balances	1,119	375
Total	19,090	18,195

Losses on the disposal of non-current assets includes four schools converting to academy status in 2015/16. The assets relating to the schools were transferred from the Council's balance sheet, resulting in a £15.7 million loss on disposal (2014/15 £30.3 million).

11 Financing and Investment Income and Expenditure

	2014/15	2015/16
	£000	£000
Interest payable and similar charges	32,804	30,794
Net interest on the net defined benefit obligation	18,453	16,837
Interest receivable and similar income	-1,996	-2,541
Income and expenditure in relation to investment properties and changes in fair value (note 15)	1,821	-11,931
Transfer of properties from Devco	-1,885	0
Trading (note 30)	-32	283
Dividend Income	-758	-736
Total	48,407	32,706

12 Taxation and Non-Specific Grant Income

	2014/15	2015/16
	£000	£000
Council tax income	-140,351	-144,372
Non domestic rates	-49,067	-48,624
Non-ring fenced government grants	-146,226	-122,152
Capital grants and contributions	-21,322	-18,110
Total	-356,966	-333,258

More detail on grant income is shown in note 36 and on council tax and non domestic rate income in the section on Collection Fund.

NOTES TO THE CORE FINANCIAL STATEMENTS
KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2015/16

13 Property, Plant and Equipment (PPE)

	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant Furniture and Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total Property, Plant and Equipment £000	PFI Assets Included in PPE £000
Movement in 2014/15									
Cost or Valuation									
At 1 April 2014	492,010	759,181	41,000	343,107	10,357	12,790	24,177	1,682,622	132,153
Additions	22,451	14,203	2,178	14,527	541	650	18,813	73,363	3,502
Revaluation decreases recognised in the Revaluation Reserve	-411	-26,572	0	0	0	-1,436	0	-28,419	-310
Revaluation decreases recognised in the Deficit on the Provision of Services	-25,755	-21,406	0	0	0	-365	0	-47,526	-9,988
De-recognition – disposals	-2,324	-35,750	-3,305	0	0	-1,323	0	-42,702	-19,318
De-recognition – other	0	-46	0	0	0	-12,009	0	-12,055	0
Assets reclassified to Held for Sale	-642	-656	0	0	0	-4,590	0	-5,888	0
Other movements in cost or valuation	10,162	-24,045	0	0	0	21,387	-8,554	-1,050	0
At 31 March 2015	495,491	664,909	39,873	357,634	10,898	15,104	34,436	1,618,345	106,039
Accumulated Depreciation and Impairment									
At 1 April 2014	0	-56,335	-24,129	-144,869	-4,006	-1,020	0	-230,359	-3,771
Depreciation charge	-15,400	-27,397	-5,001	-16,696	-1,402	-397	0	-66,293	-3,577
Depreciation written out to the Revaluation Reserve	81	19,256	0	0	0	536	0	19,873	0
Depreciation written out to the Deficit on the Provision of Services	15,320	7,100	0	0	0	36	0	22,456	218
Impairment losses recognised in the Revaluation Reserve	0	-23	0	0	0	-3,427	0	-3,450	0
Impairment losses recognised in the Deficit on the Provision of Services	0	-20	0	0	0	-6,833	0	-6,853	0
De-recognition – disposals	0	1,752	3,163	0	0	140	0	5,055	485
De-recognition – other	0	46	0	0	0	12,009	0	12,055	0
Other movements in depreciation and impairment	-1	1,756	0	0	0	-1,299	0	456	0
At 31 March 2015	0	-53,865	-25,967	-161,565	-5,408	-255	0	-247,060	-6,645
Net Book Value									
at 31 March 2014	492,010	702,846	16,871	198,238	6,351	11,770	24,177	1,452,263	128,382
at 31 March 2015	495,491	611,044	13,906	196,069	5,490	14,849	34,436	1,371,285	99,394

NOTES TO THE CORE FINANCIAL STATEMENTS
KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2015/16

	Council Dwellings	Other Land and Buildings	Vehicles, Plant Furniture and Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant and Equipment	PFI Assets Included in PPE
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Movement in 2015/16									
Cost or Valuation									
At 1 April 2015	495,491	664,909	39,873	357,634	10,898	15,104	34,436	1,618,345	106,039
Additions	22,807	10,083	7,260	14,937	322	826	7,690	63,925	1,419
Revaluation increases/decreases(-) recognised in the Revaluation Reserve	675	-13,839	0	0	0	7,291	0	-5,873	1,409
Revaluation increases/decreases(-) recognised in the Surplus on the Provision of Services	163,940	-36,302	0	0	0	-4,604	0	123,034	-11,353
De-recognition – disposals	-3,005	-17,861	-6,591	-7,208	0	0	0	-34,665	-5,475
De-recognition – other	0	0	0	0	0	-848	0	-848	0
Assets reclassified to Held for Sale	-1,780	0	0	0	0	-1,264	0	-3,044	0
Other movements in cost or valuation	1,991	36,315	0	0	0	3,029	-37,764	3,571	0
At 31 March 2016	680,119	643,305	40,542	365,363	11,220	19,534	4,362	1,764,445	92,039
Accumulated Depreciation and Impairment									
At 1 April 2015	0	-53,865	-25,967	-161,565	-5,408	-255	0	-247,060	-6,645
Depreciation charge	-15,468	-16,888	-4,635	-17,062	-1,557	-279	0	-55,889	-3,160
Depreciation written out to the Revaluation Reserve	0	10,688	0	0	0	173	0	10,861	1,861
Depreciation written out to the Surplus on the Provision of Services	15,526	8,534	0	0	0	361	0	24,421	4,422
Impairment losses recognised in the Revaluation Reserve	0	0	0	0	0	-314	0	-314	0
Impairment losses recognised in the Surplus on the Provision of Services	0	0	0	0	0	-453	0	-453	0
De-recognition – disposals	0	1,351	6,385	7,208	0	0	0	14,944	280
De-recognition – other	0	0	0	0	0	848	0	848	0
Other movements in depreciation and impairment	-58	139	0	0	0	-81	0	0	0
At 31 March 2016	0	-50,041	-24,217	-171,419	-6,965	0	0	-252,642	-3,242
Net Book Value									
at 31 March 2015	495,491	611,044	13,906	196,069	5,490	14,849	34,436	1,371,285	99,394
at 31 March 2016	680,119	593,264	16,325	193,944	4,255	19,534	4,362	1,511,803	88,797

NOTES TO THE CORE FINANCIAL STATEMENTS

KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2015/16

Fair value measurement of surplus assets

The authority 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 Authority carries out a rolling valuation programme which ensures that all PPE required to be measured at fair value is revalued at least every five years. All valuations this year were carried out by external valuers - HRA properties by the District Valuer and General Fund properties by Wilks Head & Eve, with the exception of the specialist assets of the waste collection service, the valuation of which was done by Sanderson Weatherall. The valuers hold the appropriate qualification required and belong to the Royal Institution of Chartered Surveyors. The valuations of land and buildings were carried out on 1 April 2015 and in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors.

There was a net gain in the PPE values of £152.4 million as the result of revaluations. The effect of any gains and losses have been split between the revaluation reserve and the deficit on provision of services. The majority of the gain relates to the valuation of housing stock (£179.5 million) which is shown in the Housing Revenue Account and relates to an increase in the regional adjustment factor applied to social housing. Further detail is provided in note H1 on page 95. There was also a loss of £10.2 million on valuation of assets of the waste collection service, arising from a revised assessment of asset lives of the plant and machinery at the waste incinerator plant. Other losses relate to a change in valuer for General Fund Properties (from internal to external). The change has resulted in the use of different estimation techniques. Previous valuations were based on lower rates for age and obsolescence for different parts of the building and also made allowances for where refurbishment had taken place. However, the new method of valuation assumes build rates depreciate 1% every year after the first 10 years up to a cap of 50% to ensure valuation consistency and places less emphasis on making allowances for recent refurbishment work. Land was previously valued as residential, but in this year's valuations has been valued as development land which has restricted use.

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	4,606	16,325	193,944	4,255	0	4,362	223,493
Carried at fair value as at:								
2015/16	680,119	122,026	0	0	0	19,297	0	821,441
2014/15	0	88,646	0	0	0	176	0	88,822
2013/14	0	129,035	0	0		0	0	129,035
2012/13	0	124,336	0	0	0	20	0	124,356
2011/12	0	124,615	0	0	0	41	0	124,656
Total	680,119	593,264	16,325	193,944	4,255	19,534	4,362	1,511,803

NOTES TO THE CORE FINANCIAL STATEMENTS

KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2015/16

Capital Commitments

In February 2016, the Council approved a capital programme of £80.9 million for 2016/17. A further £339.9 million of capital investment, subject to review, was also approved for the following four years. This covers expenditure on PPE, investment properties, intangible assets and revenue expenditure funded from capital under statute. The Council has significant contractual commitments concerning the building of new schools at Moorend, Royds Hall and Southgate. It is planned to spend a total of £14.0 million on these schemes in 2016/17.

14 Heritage Assets

	Fine Art Collection	Museums and Galleries Exhibits	Other	Total Assets
	£000	£000	£000	£000
<u>Movement in 2014/15</u>				
Cost or Valuation				
At 1 April 2014	29,142	3,196	3,546	35,884
Additions	0	0	0	0
Revaluations recognised in the Revaluation Reserve	0	0	0	0
At 31 March 2015	29,142	3,196	3,546	35,884
Accumulated Depreciation				
At 1 April 2014	0	0	-184	-184
Depreciation charge	0	0	-52	-52
At 31 March 2015	0	0	-236	-236
<u>Movement in 2015/16</u>				
Cost or Valuation				
At 1 April 2015	29,142	3,196	3,546	35,884
Additions	0	0	17	17
Revaluation increases/decreases(-) recognised in the Revaluation Reserve	1,578	15	-34	1,559
At 31 March 2016	30,720	3,211	3,529	37,460
Accumulated Depreciation				
At 1 April 2015	0	0	-236	-236
Depreciation charge	0	0	-52	-52
At 31 March 2016	0	0	-288	-288
Net Book Value				
at 31 March 2015	29,142	3,196	3,310	35,648
at 31 March 2016	30,720	3,211	3,241	37,172

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,

NOTES TO THE CORE FINANCIAL STATEMENTS

KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2015/16

rationalisation, acquisition, disposal, care, conservation and documentation. The Policy is approved by Council and is reviewed at least once every five years.

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

Fine Art Collection

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

The most significant exhibit in the collection is the "Figure Study II" by Francis Bacon. It was acquired as a gift from the Contemporary Art Society. The painting has been internally valued at £20.0 million (£19.0 million 31 March 2015). Being a donated asset, the painting has conditions placed upon it. The total value of donated artwork items as at 31 March 2016 is £24.4 million (£23.1 million 31 March 2015).

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 388 items, mainly comprising of chains and pendants of office, maces and silverware. Its value as at 31 March 2016 is £1.6 million (£1.7 million 31 March 2015). 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 2015).

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 2016 is £1.1 million (£1.2 million 31 March 2015).

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. Notable assets not recognised are 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.

NOTES TO THE CORE FINANCIAL STATEMENTS

KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2015/16

15 Investment Properties

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

	2014/15	2015/16
	£000	£000
Rental income from investment property	-2,964	-3,046
Direct operating expenses arising from investment property	1,976	1,577
Net gain	-988	-1,469
Net gains(-)/losses from fair value adjustments	4,181	-7,038
Net gains on disposals of assets	-1,372	-3,424
Net income (-) and expenditure in relation to investment properties and changes in fair value	1,821	-11,931

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 properties over the year is as follows:

	2014/15	2015/16
	£000	£000
Balance at 1 April	87,452	85,400
Additions	170	134
Disposals	-976	-1,389
Net gains/losses(-) from fair value adjustments	-4,181	7,038
Transfers to(-)/from Property, Plant and Equipment	1,050	-1,720
Transfer of properties from Devco	1,885	0
Balance at 31 March	85,400	89,463

Fair Value Measurement

The authority has accounted for investment property in accordance with IFRS13 which has been achieved through a fair value hierarchy. The fair value of investment property has been measured using a market approach, which takes into account quoted prices for similar assets in active markets, existing lease terms and rental, research into market evidence including market rentals and yields, the covenant strength for existing tenants, and data and market knowledge gained in managing the Council's investment asset portfolio. Market conditions are such that similar properties are actively purchased and sold and the level of observable are significant, leading to the properties being categorised as level 2 on the fair value hierarchy.

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

Investment properties have been valued at highest and best use. This is not always the current use of the asset – in a few cases, agricultural holdings which are being used for grazing land are in residential areas and could be used for development.

There have been some changes in valuation technique from income based approach to market value approach. This has resulted in a gain of £3.4 million.

Revaluations

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

NOTES TO THE CORE FINANCIAL STATEMENTS

KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2015/16

16 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 £1.5 million was charged to CIES in 2015/16 (£1.8 million in 2014/15).

	2014/15 £000	2015/16 £000
Balance at 1 April		
Gross carrying amounts	8,773	8,826
Accumulated amortisation	-3,391	-4,392
Net carrying amount at 1 April	5,382	4,434
Additions - Purchases	842	112
Amortisation for the period	-1,790	-1,507
Net carrying amount at 31 March	4,434	3,039
Comprising:		
Gross carrying amounts	8,826	6,345
Accumulated amortisation	-4,392	-3,306
	4,434	3,039

There is one item of capitalised software that is individually material to the financial statements:

	Carrying amount 31 March 2015	Carrying amount 31 March 2016	Remaining Amortisation Period
Core integrated IT system	4,177	2,896	2

In 2012/13 the Council entered into a contract for the replacement of the human resources, financial, payroll and procurement systems into a single core IT system. The system became operational in November 2013. There are no significant contractual commitments relating to intangible assets for 2015/16.

NOTES TO THE CORE FINANCIAL STATEMENTS

KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2015/16

17 Financial Instruments

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

	31 March 2015		31 March 2016	
	Long-term £000	Current £000	Long-term £000	Current £000
Investments and cash				
Loans and receivables				
Principal at amortised cost	126	18,722	126	10,814
Accrued interest	0	14	0	23
Available-for-sale financial assets				
Principal at amortised cost	727	20,010	727	27,528
Accrued interest	0	7	0	8
Fair value adjustments	919	0	1,028	0
Other net cash items	0	-9,922	0	-7,217
Total Investments	1,772	28,831	1,881	31,156
Debtors*				
Loans and receivables	28,446	1,800	27,683	4,100
Financial assets carried at contract amounts	0	46,489	0	38,775
Total Debtors	28,446	48,289	27,683	42,875
Borrowings				
Loans at amortised cost				
Principal sum borrowed	-422,237	-21,085	-407,976	-16,017
Accrued interest	0	-5,045	0	-4,920
Adjustments for Effective Interest Rate (EIR)	-409	15	-426	17
Total Borrowings	-422,646	-26,115	-408,402	-20,920
Other Long Term Liabilities				
Financial liabilities at amortised cost	-121,196	-5,090	-116,366	-4,993
Total other long term liabilities	121,196	-5,090	-116,366	-4,993
Creditors				
Financial liabilities carried at contract amounts	0	-74,004	0	-72,635
Total Creditors	0	-74,004	0	-72,635

* Debtors - amounts relating to such things as council tax, non-domestic rates etc are outside the scope of the accounting provisions for financial instruments as they are statutory debts and do not arise from contracts.

Material Soft Loans made by the Council

The Council provided support in 2009/10 to Kirklees College's Waterfront Development with a loan. The loan is secured against the assets of the College and the loan is charged at the cost of the borrowing to the Council plus a small margin to cover administration. The fair value of the loan at initial recognition was arrived at by adding a margin of 1.75% to reflect risk. The loan is being repaid on an annuity basis and the College will repay the full amount advanced by 2034/35. The Council has also provided interest free loans to Kirklees' householders in respect of renewable energy works. The loans are secured as a fixed charge on the householder's properties (that is the loans are recoverable when the householder sells the property). In addition, the Council has provided interest free loans for redevelopment of private housing in Ravensthorpe. The loans are secured as a percentage charge on the householder's property so are subject to house price variations. The fair value of the renewable energy and redevelopment 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 CORE FINANCIAL STATEMENTS

KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2015/16

Movements on soft loans are detailed as follows:

	College £000	Renewable Energy £000	Private Housing Redevelopment £000	Total £000
Balance at 1 April 2014	18,232	1,608	198	20,038
Loans repaid	-586	-35	0	-621
Unwinding of discount	172	108	11	291
Balance at 31 March 2015	17,818	1,681	209	19,708
Loans repaid	-617	-80	0	-697
Unwinding of discount	174	122	13	309
Balance at 31 March 2016	17,375	1,723	222	19,320
Nominal value at 31 March 2015	20,692	2,372	261	23,325
Nominal value at 31 March 2016	20,075	2,292	261	22,628

Offsetting Financial Assets and Liabilities

The Council has legal right of offset on its current account banking arrangements and as at 31 March 2016 had a £2.1 million debit balance at the bank offset by a similar credit balance. As at 31 March 2015, there was no offset.

Income, Expense, Gains and Losses

	Financial Liabilities measured at amortised cost £000	Financial Assets: Loans and Receivables £000	Financial Assets: Available for Sale £000	Total £000
2014/15				
Interest expense	32,790	0	0	32,790
Losses on derecognition	14	0	0	14
Impairment losses	0	2,548	0	2,548
Total expense in Surplus/Deficit on the Provision of Services	32,804	2,548	0	35,352
Interest income	0	-1,996	0	-1,996
Total income in Surplus/Deficit on the Provision of Services	0	-1,996	0	-1,996
Gains on revaluation	0	0	-533	-533
Net gain(-)/loss for the year	32,804	552	-533	32,823
2015/16				
Interest expense	30,794	0	0	30,794
Losses on derecognition	0	0	0	0
Impairment losses	0	2,375	0	2,375
Total expense in Surplus/Deficit on the Provision of Services	30,794	2,375	0	33,169
Interest income	0	-1,962	0	-1,962
Gains on derecognition	-579	0	0	-579
Total income in Surplus/Deficit on the Provision of Services	-579	-1,962	0	-2,541
Gains on revaluation	0	0	-112	-112
Net gain(-)/loss for the year	30,215	413	-112	30,516

NOTES TO THE CORE FINANCIAL STATEMENTS

KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2015/16

Fair Value

Some of the Council's financial assets are measured at fair value in the Balance Sheet on a recurring basis. The Council has several equity instruments, which have no quoted market price. The companies are a joint venture and two undertaking PFI contracts at the Council. The value of shares in the Balance Sheet as at 31 March 2016 was £1.8 million (£1.6 million 31 March 2015). The values are derived from using discounted cash flow techniques or in one case based on an in-house assessment of net assets, including a professional valuation of shares owned by the company. These fair values are judged to be Level 3 in the fair value hierarchy.

In addition, the fair value of short-term instruments, including investments, borrowing, cash, trade payables and receivables, is assumed to approximate to the carrying amount.

However, there are a number of financial assets and liabilities which are carried in the Balance Sheet at amortised cost. Their fair values are shown in the table below:

	Fair value level	31 March 2015		31 March 2016	
		Carrying amount £000	Fair value £000	Carrying amount £000	Fair value £000
Borrowings					
PWLB	2	-322,402	-466,981	-312,477	-397,731
LOBOs	2	-107,837	-157,468	-107,835	-157,109
Loan Stock	2	-7,252	-16,118	-7,253	-15,126
PFI, Transferred Debt & Finance Lease Liabilities	2	-126,285	-138,989	-121,360	-172,840
Long-term debtors	2	28,446	34,736	27,683	35,380

The fair values have been estimated by calculating the net present value of the remaining contractual cash flows at 31 March 2016, 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. This is a change in valuation technique from 2014/15 where the value was calculated to be equivalent to the cost of repayment of outstanding PWLB debt. If the same method of valuation had been used in 2015/16 the fair value would have been calculated as £456.9 million.
- The value of "Lender's Option Borrower's Option" (LOBO) loans have been increased by the value of the embedded options. Lenders' options to propose an increase to the interest rate on the loan have been valued according to a proprietary model for Bermudan cancellable swaps. Borrower's contingent options to accept the increased rate or repay the loan have been valued at zero, on the assumption that lenders will only exercise their options when market rates have risen above the contractual loan rate.
- The values of other long-term loans and investments have been discounted at the market rates for similar instruments with similar remaining terms to maturity on 31 March.
- The fair values of finance lease assets and liabilities and of PFI scheme liabilities have been calculated by discounting the contractual cash flows at the appropriate AA-rated corporate bond yield.
- No early repayment or impairment is recognised for any financial instrument.

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

The fair value of liabilities is more than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the rates available for similar loans at the Balance Sheet date. This shows a notional future loss (based on economic conditions at 31 March 2016) arising from a commitment to pay interest to lenders above current market rates.

NOTES TO THE CORE FINANCIAL STATEMENTS

KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2015/16

Nature and Extent of Risks Arising from Financial Instruments

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

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

The Council's overall risk management programme focuses on minimising any potential adverse effects on the resources available to fund services. Procedures for risk management on treasury management are set out in the Local Government Act 2003 and associated regulations. These require the Council to comply with the CIPFA Prudential Code, the CIPFA Treasury Management in the Public Services Code and investment guidance issued under the Act. The Director of Resources 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.

Credit risk

Credit risk arises from deposits with banks and other financial institutions, as well as credit exposures to the council's customers. The treasury management strategy allowed officers to invest as follows:

- an unlimited amount with the UK Government for up to six months;
- up to £10 million and up to two months with UK banks and building societies with a "high to upper medium grade" credit rating and with individual local authorities;
- up to £10 million on instant access with foreign banks with a "high to upper medium grade" credit rating;
- up to £10 million in individual Money Market Funds (instant access or up to 2 day notice);
- up to £10 million and up to two months with each part nationalised UK bank or building society that has no lower than mid "medium grade" credit ratings;
- up to £3 million and up to two months with individual UK banks and building societies with a mid "medium grade" credit rating.
- up to £1 million and up to two months with certain unrated building societies as approved by the Council's treasury advisors.

At the year end, the Council held investments of £38.4 million for cashflow purposes, made up entirely of cash equivalents with no short-term investments (£38.8 million and nil respectively 31 March 2015). Cash equivalents by definition are highly liquid deposits with an insignificant risk of change in value. The Council did not make any investments of a treasury management nature longer than two months in 2015/16.

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 after 21 days. As at 31 March 2016, the Council had a balance owing from its customers (mainly services and rent) of £27.3 million (£37.8 million 31 March 2015). The exposure to default has been assessed and is reflected in an impairment provision of £3.6 million (£3.1 million 31 March 2015). Of the trade debtors outstanding as at 31 March 2016 (£14.1 million), 70% relate to outstanding debt due within 90 days of the Balance Sheet date, 9% within 90-180 days and 21% over 180 days.

Liquidity risk

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

NOTES TO THE CORE FINANCIAL STATEMENTS

KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2015/16

	31 March 2015 £000	31 March 2016 £000
Less than one year	-26,115	-20,920
Between 1 and 2 years	-14,444	-8,013
Between 2 and 5 years	-26,360	-30,165
Between 5 and 10 years	-31,155	-20,491
Between 10 and 15 years	-5,235	-5,477
More than 15 years	-345,452	-344,256
	-448,761	-429,322

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.

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 2016, most investments held by the Council for cashflow purposes were at variable rates but with the benefit of instant access. In terms of borrowing, the Council holds £106.6 million of debt in the form of LOBOs, which equates to 26% 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 at 31 March 2016 was 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 £1.1 million.

The fair value of fixed rate borrowings would decrease by around £84.6 million if interest rates increased by 1%, and increase by the same figure if rates decreased by 1%.

Price Risk

The Council does not generally invest in equity shares but does have shareholdings to the value of £1.8 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.

NOTES TO THE CORE FINANCIAL STATEMENTS

KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2015/16

The shares are all classified as “available-for-sale”, meaning that all movements in value will impact on gains and losses recognised in the CIES. However, because of the relatively small overall value, any general shift (positive and negative) in values would not result in a material gain or loss being recognised in the value of shareholdings.

Foreign Exchange Risk

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

18 Long Term Debtors

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

	31 March 2015 £000	31 March 2016 £000
Kirklees College (i)	17,201	16,726
PFI Prepayments (ii)	3,186	3,148
Finance Leases (iii)	3,417	3,415
Charges on Property for Residential Care	2,049	1,967
Renewable Energy (i)	1,681	1,723
Other	952	744
	28,486	27,723
Bad Debt Provision	-40	-40
Net Long Term Debtors	28,446	27,683

(i) See note 17 on financial instruments.

(ii) 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.

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

19 Short Term Debtors

	31 March 2015 £000	31 March 2016 £000
Central government bodies	10,650	7,708
Other local authorities	979	1,683
NHS bodies	3,618	5,931
Public corporations and trading funds	9	41
Other entities and individuals	73,868	55,290
	89,124	70,653
Bad Debt Provision – Other entities and individuals	-18,919	-17,905
Net Short Term Debtors	70,205	52,748

The decrease in other entities and individuals debtors was largely due to the 2014/15 accounts containing a debtor relating to an exit agreement which arose from a contracted land sale not taking place.

NOTES TO THE CORE FINANCIAL STATEMENTS

KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2015/16

20 Cash and Cash Equivalents

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

	31 March 2015 £000	31 March 2016 £000
Cash held by the Council	81	34
Bank current accounts	5,326	5,193
Instant access deposit accounts/investments that mature within 90 days or less	38,753	38,374
	44,160	43,601
Cash in transit	504	1,630
BACs payments and cheques not yet cleared	-15,833	-14,075
Total Cash and Cash Equivalents	28,831	31,156

21 Short Term Creditors

	31 March 2015 £000	31 March 2016 £000
Central government bodies	-8,916	-8,538
Other local authorities	-2,350	-3,115
NHS bodies	-540	-1,911
Public corporations and trading funds	0	-10
Other entities and individuals	-62,198	-59,061
Total	-74,004	-72,635

22 Provisions

	Insurance £000	Business Rate Appeals £000	Other £000	Total £000
Balance at 1 April 2015	-9,804	-3,724	-1,219	-14,747
Additional provision made in 2015/16	-3,821	-522	-1,280	-5,623
Amounts used in 2015/16	3,115	0	887	4,002
Amounts reversed in 2015/16	718	0	134	852
Balance at 31 March 2016	-9,792	-4,246	-1,478	-15,516

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 (2014/15). The short term element of this provision is estimated based on the percentages of claims paid out in the previous year.

A separate reserve exists 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.

NOTES TO THE CORE FINANCIAL STATEMENTS

KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2015/16

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

	Short Term Provisions £000	Long Term Provisions £000	Total Provisions £000
Balance at 1 April 2015	-4,637	-10,110	-14,747
Balance at 31 March 2016	-4,959	-10,557	-15,516

23 Other Long Term Liabilities

	31 March 2015 £000	31 March 2016 £000
Deferred Liabilities (mainly outstanding PFI finance lease obligations)	-121,195	-116,366
Net Liability Related to Defined Benefit Pension Scheme	-546,489	-522,917
Long Term Provisions	-10,110	-10,557
PFI Deferred Income	-4,297	-3,760
Total	-682,091	-653,600

24 Usable Reserves

Movement in the Council's usable reserves are detailed in the Statement of Movement in Reserves, Note 8 Adjustments between accounting basis and funding basis under regulations and Note 9 Transfers to and from Earmarked Reserves.

25 Unusable Reserves

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

	31 March 2015 £000	31 March 2016 £000
Capital Adjustment Account	-604,591	-775,358
Revaluation Reserve	-175,935	-171,404
Pensions Reserve	546,489	522,917
Available for Sale Financial Instruments Reserve	-919	-1,031
Financial Instruments Adjustment Account	5,397	4,469
Deferred Capital Receipts Reserve	-3,436	-3,430
Collection Fund Adjustment Account	662	376
Accumulated Absences Account	12,886	9,756
Total Unusable Reserves	-219,447	-413,705

Details of the movements on the Revaluation Reserve, Capital Adjustment Account and Pensions Reserve are detailed below. The purpose of the other reserves is explained in the Glossary and the movements of the larger ones are detailed in Note 8.

NOTES TO THE CORE FINANCIAL STATEMENTS

KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2015/16

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 Properties. 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.

	2014/15	2015/16
	£000	£000
Balance at 1 April	-629,347	-604,591
<u>Capital financing applied in the year:</u>		
Use of Capital Receipts Reserve to finance new capital expenditure	-6,219	-6,592
Use of Capital Receipts Reserve to repay debt	-7,338	-709
Use of the Major Repairs Reserve to finance new capital expenditure	-8,816	-11,457
Capital grants and contributions credited to the CIES that have been applied to capital financing	-12,305	-14,436
Application of grants to capital financing from the Capital Grants Unapplied Account	-15,896	-10,871
Statutory provision for the financing of capital investment charged against the General Fund, HRA Balances and Major Repairs Reserve	-34,598	-30,573
Capital expenditure charged against the General Fund and HRA Balances	-37,949	-20,357
	-752,468	-699,586
Charges for depreciation and impairment of non-current assets	73,199	56,394
Amortisation of intangible assets	1,790	1,507
Revaluation losses on PPE	33,850	36,686
Revaluation gains on PPE	-5,926	-185,979
Movements in the market value of Investment Properties	2,296	-7,038
Revenue expenditure funded from capital under statute (REFCUS)	9,505	9,833
Amounts of non-current assets written off on disposal or sale	42,859	23,318
Adjusting amounts written out of the Revaluation Reserve	-11,574	-10,777
Deferred Income written down - Waste PFI	-537	-537
Long-term debtors written down	2,415	821
Balance at 31 March	-604,591	-775,358

NOTES TO THE CORE FINANCIAL STATEMENTS

KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2015/16

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.

	2014/15	2015/16
	£000	£000
Balance at 1 April	-199,154	-175,935
Upward revaluation of assets	-8,058	-25,958
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	19,703	19,712
	-187,509	-182,181
Difference between fair value depreciation and historical cost depreciation	7,324	2,879
Accumulated gains on assets sold or scrapped	4,250	7,898
Balance at 31 March	-175,935	-171,404

Pensions Reserve

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

	2014/15			2015/16		
	LGPS £000	Teachers £000	Total £000	LGPS £000	Teachers £000	Total £000
Balance at 1 April	389,897	58,471	448,368	486,079	60,410	546,489
Pension cost payable to Pension Fund	-31,110	-3,647	-34,757	-31,693	-3,581	-35,274
Actuarial gain/loss (-)	68,491	3,159	71,650	-53,229	-2,628	-55,857
Reversal of IAS19 entries	58,801	2,427	61,228	65,741	1,818	67,559
Balance at 31 March	486,079	60,410	546,489	466,898	56,019	522,917

NOTES TO THE CORE FINANCIAL STATEMENTS

KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2015/16

26 Cash Flow - Operating Activities

The cash flows for operating activities include the following items:

	2014/15	2015/16
	£000	£000
Interest received	-1,705	-2,223
Interest paid	33,111	30,905
Dividend received	-757	-716

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

	2014/15	2015/16
	£000	£000
Pension adjustments	-26,471	-32,285
Depreciation, impairment and amortisation	-75,289	-57,901
Revaluation gains/losses	-30,220	156,331
Carrying amount of non-current assets sold	-42,859	-23,318
Movements on -		
Provisions	507	-769
Inventories	-543	347
Revenue debtors (including bad debt provision)	3,643	-16,812
Revenue creditors	9,581	2,064
Other	781	254
Total non-cash movements	-160,870	27,911

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

	2014/15	2015/16
	£000	£000
Capital grants	24,580	17,572
Proceeds from the sale of PPE, investment property and intangible assets.	12,954	11,716
Total	37,534	29,288

NOTES TO THE CORE FINANCIAL STATEMENTS

KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2015/16

29 Amounts Reported for Resource Allocation Decisions

Chief Decision Maker

The Council's Cabinet is responsible for controlling and setting a balanced budget as well as resource allocation decisions. Monitoring is provided on a directorate basis at least four times a year to Cabinet in order to enable it to control and manage expenditure. Cabinet works closely with the Director Group on resource decisions and monitoring is regularly discussed on a less formal basis.

Rollover/Outturn Report

The following table is a breakdown of the final outturn position for 2015/16, reported to Cabinet as part of the rollover process. The rollover process is a mechanism for transferring budget provisions from one year to the next or vice versa. It should be noted that the Cabinet report is not done on a subjective basis. However, a subjective analysis has been done to conform to the requirements of the Code.

Some key things to note about the Revenue Financial Outturn and Rollover Report:

- Segments are shown by Directorate as this is the basis on which information is reported to Cabinet.
- Current service pension cost is shown at the cash rate within Directorates
- Capital charges, as well as credits relating to capital charges are not shown within Directorates.
- Revenue Expenditure Funded from Capital under Statute (REFCUS) as well as any associated grants are not shown in Directorates
- Movements that have taken place between the General Fund and earmarked reserves are shown in order that the net cost of service for each directorate ties back to the General Fund Balance.

Main differences

The following tables are a reconciliation of what is reported to Cabinet, to what is shown in the accounts broken down by subjective.

- The main items in Services not reported to management are:
 - The HRA. This is because the balance on the HRA is reported separately, but forms part of the Net Cost of Service to the Council. A separate reconciliation is supplied showing how the HRA segment reported ties back to the Surplus for the year on HRA Services reported in these accounts.
 - Insurance fully recharges its costs to services so is not included on the Revenue Financial Outturn and Rollover report.
- Items not reported to management comprise mainly items that have been excluded on the General Fund Balance but are required to be shown in the net cost of services such as: capital charges, REFCUS and IAS19 current service costs.
- Items not in net cost of services are likely to be either statutory charges to the General Fund such as the minimum revenue provision or corporate amounts such as investment property, interest and trading.

It should be noted that the Directorates reported in the General Fund monitoring changed in 2015/16 to include Themes and District Committees. Comparative figures for 2014/15 have therefore been re-presented to match the new format.

NOTES TO THE CORE FINANCIAL STATEMENTS
KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2015/16

General Fund – (Non HRA) Subjective Analysis	Children and Young People	Commissioning, Public Health and Adults	Place	Communities, Transformation and Change	Resources	Themes	District Committees	Central Budgets	Total
2014/15 (Restated)	£000	£000	£000	£000	£000	£000	£000	£000	£000
Fees, charges & other service income	-28,206	-27,631	-140,817	-2,055	-13,999	-5,771	0	-402	-218,881
Interest	-9	0	0	0	0	0	0	-2,263	-2,272
Government grants, reimbursements and contributions	-299,126	-46,177	-5,013	-887	-124,066	-1,165	0	-3,013	-479,447
Total Income	-327,341	-73,808	-145,830	-2,942	-138,065	-6,936	0	-5,678	-700,600
Employee Expenses	233,622	35,058	76,630	7,168	29,633	23,355	0	3,416	408,882
Other Service Expenses	153,687	113,412	99,719	2,834	137,893	20,324	287	20,731	548,887
Support Service Recharges	4,004	7,345	5,036	101	677	1,503	0	0	18,666
Interest Payable	0	0	0	0	0	0	0	13,646	13,646
Total Operational Expenses	391,313	155,815	181,385	10,103	168,203	45,182	287	37,793	990,081
Minimum Revenue Provision	0	0	0	0	0	0	0	2,521	2,521
Transfer to/from Earmarked Reserves	-795	-128	0	0	0	0	0	22,924	22,001
Revenue Contribution to Capital	0	0	0	0	0	0	0	4,366	4,366
Net Cost of Service	63,177	81,879	35,555	7,161	30,138	38,246	287	61,926	318,369
2015/16									
Fees, charges & other service income	-30,820	-28,017	-143,152	-2,127	-12,927	-12,256	0	-384	-229,683
Interest	-2	0	0	0	0	0	0	-2,197	-2,199
Government grants, reimbursements and contributions	-288,426	-50,847	-4,936	-830	-120,364	-1,608	0	-1,782	-468,793
Total Income	-319,248	-78,864	-148,088	-2,957	-133,291	-13,864	0	-4,363	-700,675
Employee Expenses	232,487	35,813	77,458	6,671	30,441	22,347	0	3,589	408,806
Other Service Expenses	152,847	120,374	100,770	2,357	132,973	19,658	214	20,102	549,295
Support Service Recharges	4,947	10,270	4,453	113	2,752	1,307	0	0	23,842
Interest Payable	0	0	0	0	0	0	0	12,563	12,563
Total Operational Expenses	390,281	166,457	182,681	9,141	166,166	43,312	214	36,254	994,506
Minimum Revenue Provision	0	0	0	0	0	0	0	21,453	21,453
Transfer to/from Earmarked Reserves	-2,554	18	37	0	0	0	0	-12,930	-15,429
Revenue Contribution to Capital	0	0	0	0	0	0	0	8,402	8,402
Net Cost of Service	68,479	87,611	34,630	6,184	32,875	29,448	214	48,816	308,257

NOTES TO THE CORE FINANCIAL STATEMENTS

KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2015/16

General Fund – (Non HRA) Reconciliation to Subjective Analysis	Directorate Analysis	Services not reported to management	Items not reported to management	Items not in net cost of service	Allocation of recharges	Cost of Service	Corporate Amounts	Total
	£000	£000	£000	£000	£000	£000	£000	£000
2014/15								
Fees, charges & other service income	-218,881	-89,172	-51,568	88,337	114,890	-156,394	-18,790	-175,184
Capital Credits	0	-3,194	-2,695	285	0	-5,604	-1,232	-6,836
Interest and investment income	-2,272	0	314	1,958	0	0	-7,602	-7,602
Gain on Disposal of Fixed Assets	0	0	0	0	0	0	-4,980	-4,980
Government grants, reimbursement and contributions	-479,447	-7,912	-3,795	14,762	0	-476,392	-167,547	-643,939
National Non Domestic Rates Income	0	0	0	0	0	0	-49,067	-49,067
Income from Council Tax	0	0	0	0	0	0	-140,352	-140,352
Trading Income	0	0	0	0	0	0	-12,349	-12,349
Total Income	-700,600	-100,278	-57,744	105,342	114,890	-638,390	-401,919	-1,040,309
Employee Expenses	408,883	1,436	9,306	-38,714	0	380,911	0	380,911
Other Service Expenses	548,885	45,132	9,360	-53,422	-45,268	504,687	3,094	507,781
Support Service Recharges	18,667	2,996	51,569	-3,610	-69,622	0	0	0
Capital Charges	0	29,195	76,773	-2,679	0	103,289	8,248	111,537
Interest Payable and Similar Charges	13,646	0	0	-13,646	0	0	32,804	32,804
Losses on disposal of fixed assets	0	0	0	0	0	0	35,140	35,140
Precepts and Levies	0	0	0	0	0	0	604	604
Payments to Housing Capital Receipts Pool	0	0	0	0	0	0	1,790	1,790
Pension Interest Cost	0	0	0	0	0	0	18,453	18,453
Trading Expenditure	0	0	0	0	0	0	12,317	12,317
Total Operational Expenses	990,081	78,759	147,008	-112,071	-114,890	988,887	112,450	1,101,337
Minimum Revenue Provision	22,924	0	0	-22,924	0	0	0	0
Transfer to Earmarked Reserves	1,598	0	0	-1,598	0	0	0	0
Revenue Contribution to Capital	4,366	0	0	-4,366	0	0	0	0
Deficit on Provision of Services	318,369	-21,519	89,264	-35,617	0	350,497	-289,469	61,028

NOTES TO THE CORE FINANCIAL STATEMENTS

KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2015/16

General Fund – (Non HRA) Reconciliation to Subjective Analysis	Directorate Analysis	Services not reported to management	Items not reported to management	Items not in net cost of service	Allocation of recharges	Cost of Service	Corporate Amounts	Total
2015/16	£000	£000	£000	£000	£000	£000	£000	£000
Fees, charges & other service income	-229,683	-91,765	-39,540	88,363	114,517	-158,108	0	-158,108
Capital Credits	0	-179,473	-6,506	837	0	-185,142	-14,107	-199,249
Interest and investment income	-2,199	0	350	1,850	0	1	-7,099	-7,098
Gain on Disposal of Fixed Assets	0	0	0	0	0	0	-5,673	-5,673
Government grants, reimbursement and contributions	-468,793	-7,917	0	8,036	0	-468,674	-140,261	-608,935
National Non Domestic Rates Income	0	0	0	0	0	0	-48,624	-48,624
Income from Council Tax	0	0	0	0	0	0	-144,374	-144,374
Trading Income	0	0	0	0	0	0	-12,602	-12,602
Total Income	-700,675	-279,155	-45,696	99,086	114,517	-811,923	-372,740	-1,184,663
Employee Expenses	408,806	938	12,635	-39,475	0	382,904	0	382,904
Other Service Expenses	549,295	45,931	-157	-52,209	-50,499	492,361	1,995	494,356
Support Service Recharges	23,842	4,156	39,539	-3,520	-64,018	-1	0	-1
Capital Charges	0	15,635	78,951	7,464	0	102,050	7,802	109,852
Interest Payable and Similar Charges	12,563	0	0	-12,563	0	0	30,794	30,794
Losses on disposal of fixed assets	0	0	0	0	0	0	17,326	17,326
Precepts and Levies	0	0	0	0	0	0	655	655
Payments to Housing Capital Receipts Pool	0	0	0	0	0	0	2,088	2,088
Pension Interest Cost	0	0	0	0	0	0	16,837	16,837
Trading Expenditure	0	0	0	0	0	0	12,885	12,885
Total Operational Expenses	994,506	66,660	130,968	-100,303	-114,517	977,314	90,382	1,067,696
Minimum Revenue Provision	21,453	0	0	-21,453	0	0	0	0
Transfer to Earmarked Reserves	-15,429	0	0	15,429	0	0	0	0
Revenue Contribution to Capital	8,402	0	0	-8,402	0	0	0	0
Surplus on Provision of Services	308,257	-212,495	85,272	-15,643	0	165,391	-282,358	-116,967

The following is a reconciliation between the Net Expenditure in the Outturn Report to the Cost of Services in the CIES:

	2014/15	2015/16
	£000	£000
Net Expenditure in the Outturn Report	318,369	308,257
Net expenditure of services not included in the analysis	-21,519	-212,495
Amounts in Cost of Service in the CIES not included in the analysis	89,264	85,272
	386,114	181,034
Amounts included in analysis not included in CIES	-35,617	-15,643
Cost of Services in the CIES	350,497	165,391

NOTES TO THE CORE FINANCIAL STATEMENTS

KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2015/16

The HRA is reported to Cabinet separately. The following shows how the reported balance reconciles to the HRA Balance in the Statement of Accounts:

HRA Segment and Reconciliation	HRA as per Outturn Report	Items not reported to management	Not included in HRA NCS	HRA Net Cost of Service	Corporate Amounts	HRA reported in the Accounts
	£000	£000	£000	£000	£000	£000
2014/15						
Fees, charges & other service income	-86,191	0	401	-85,790	0	-85,790
Revaluation gains	0	-3,194	0	-3,194	0	-3,194
Interest and investment income	-119	0	119	0	-520	-520
Government grants and contributions	-7,912	0	0	-7,912	-902	-8,814
Gains on disposal of fixed assets	0	0	0	0	-2,992	-2,992
Total Income	-94,222	-3,194	520	-96,896	-4,414	-101,310
Employee expenses	30	0	0	30	0	30
Other Service expenses	43,179	0	-22	43,157	22	43,179
Support Service recharges	2,619	0	0	2,619	0	2,619
Depreciation and revaluation losses	15,566	13,629	0	29,195	0	29,195
Interest payable	16,581	0	-16,581	0	14,791	14,791
HRA share of Corporate and Democratic Core	376	0	0	376	0	376
Total Operational Expenses	78,351	13,629	-16,603	75,377	14,813	90,190
Movement between reserves - Capital expenditure charged to HRA Balances	13,117	0	-13,117	0	0	0
Net Cost of Service/Surplus for year	-2,754	10,435	-29,200	-21,519	10,399	-11,120
2015/16						
Fees, charges & other service income	-87,832	0	416	-87,416	0	-87,416
Revaluation gains	0	-180,205	732	-179,473	-732	-180,205
Interest and investment income	-726	0	726	0	-1,141	-1,141
Government grants and contributions	-7,917	0	0	-7,917	-351	-8,268
Gains on disposal of fixed asset	0	0	0	0	-1,880	-1,880
Total Income	-96,475	-180,205	1,874	-274,806	-4,104	-278,910
Employee expenses	40	0	0	40	0	40
Other service expenses	42,499	0	-19	42,480	19	42,499
Support service recharges	3,772	0	0	3,772	0	3,772
Depreciation and revaluation losses	15,630	5	0	15,635	0	15,635
Interest payable	16,686	0	-16,686	0	13,947	13,947
HRA share of Corporate and Democratic Core	384	0	0	384	0	384
Total Operational Expenses	79,011	5	-16,705	62,311	13,966	76,277
Movement between reserves - Capital expenditure charged to HRA Balances	10,430	0	-10,430	0	0	0
Net Cost of Service/Surplus for year	-7,034	-180,200	-25,261	-212,495	9,862	-202,633

NOTES TO THE CORE FINANCIAL STATEMENTS

KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2015/16

30 Trading Operations

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

	2014/15			2015/16		
	Turnover £000	Expenditure £000	Surplus(-)/ Deficit £000	Turnover £000	Expenditure £000	Surplus(-)/ Deficit £000
Cleaning of Buildings (2)	-6,132	6,520	388	-6,454	7,039	585
Building Services (2)	-41,782	40,865	-917	-43,318	41,228	-2,090
Transport Services (2)	-10,949	9,337	-1,612	-8,516	8,259	-257
Commercial Estates (3)	-2,876	1,991	-885	-2,973	1,623	-1,350
Highways Direct (2)	-16,576	16,090	-486	-16,880	16,592	-288
Catering (1) & (2)	-17,590	17,393	-197	-17,814	17,845	31
Looking Local (2)	-2,207	1,896	-311	-1,611	1,361	-250
Support Services trading with External Organisations (4)	-4,634	4,634	0	-5,065	5,065	0
Building Control (1)	-642	636	-6	-726	654	-72
Markets (1)	-1,968	1,796	-172	-1,867	1,719	-148
Trade Refuse (1)	-3,370	3,133	-237	-3,503	3,268	-235
Car Parking (1)	-4,242	3,156	-1,086	-4,827	2,523	-2,304
	-112,968	107,447	-5,521	-113,554	107,176	-6,378

Trading operations are incorporated in the CIES. Some are an integral part of services to the public (1). Others (2) support the Council's services to the public - the expenditure of these operations is allocated or recharged to headings in the Net Operating Expenditure. Commercial Estates (3) relates to investment properties and is included on the line for Investment Property within Financing and Investment Income and Expenditure. Where Support Services carry out work with external organisations, these amounts are charged to Finance and Investment Income and Expenditure under external trading (4).

Only external trading with third parties as well as non-material balances are charged to the surplus or deficit on trading undertakings within Financing and Investment Income and Expenditure. The following table reconciles these trading accounts to what is disclosed under Trading:

	2014/15 £000	2015/16 £000
Net surplus on trading operations	-5,521	-6,378
Services to public included in CIES Expenditure (1)	2,010	3,268
Internal Trading recharged to CIES Expenditure (2)	2,594	2,043
Rentals Received and Expenses Incurred on Investment Property (3)	885	1,350
Net gains(-)/losses in Financing and Investment Income and Expenditure	-32	283

The Service Reporting Code of Practice requires that material surpluses and deficits on internal trading services must be reapportioned so that costs in the service accounts are not significantly distorted. The following table lists out the adjustments made:

NOTES TO THE CORE FINANCIAL STATEMENTS

KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2015/16

	2014/15	2015/16
	£000	£000
Cleaning of Buildings – charge to various services	-397	-732
Building Services – mainly refunded to HRA	911	1,996
Highways Direct Services – refund to Highways	484	270
Transport Services – refund to various services	1,596	509
	<u>2,594</u>	<u>2,043</u>

Additional Information Relating to Trading Operations

Building Services carries out repairs and maintenance on Council buildings, including housing stock. Work is won in open competition. External income is only 1% to 2% of turnover.

Transport Services is responsible for the procurement, maintenance and disposal of vehicles and plant, which are used to deliver key front line services. The service's charges are competitive with external providers. External income is around 1.5% of turnover.

Highways Direct is commissioned by Highway Services to carry out routine maintenance of the highway network, as well as reactive and emergency works. It also carries out winter maintenance for the Council, including precautionary gritting and snow clearing.

Catering's main customers are schools, providing over 6.6 million meals annually to approximately 35,900 customers.

31 External Audit Costs

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

		2014/15	2015/16
		£000	£000
For external audit services	- KPMG	215	159
For the certification of grant claims and returns	- KPMG	50	28
Other assurance work	- KPMG	7	16
Rebate	- Audit Commission	-22	0
		<u>250</u>	<u>203</u>

32 Pooled Funds

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

Integrated Community Equipment Service

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

NOTES TO THE CORE FINANCIAL STATEMENTS

KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2015/16

Integrated Community Equipment Service	2014/15	2015/16
	£000	£000
<u>Funding provided to the pooled budget</u>		
Kirklees Council	-2,460	-2,616
Greater Huddersfield Clinical Commissioning Group	-810	-885
North Kirklees Clinical Commissioning Group	-629	-687
Total Funding	-3,899	-4,188
<u>Expenditure met from the pooled budget</u>		
Kirklees Council	1,689	1,826
Greater Huddersfield Clinical Commissioning Group	810	876
North Kirklees Clinical Commissioning Group	629	680
Total Expenditure	3,128	3,382
Net surplus arising on pooled budget during the year	-771	-806
Council share of the net surplus arising on the pooled budget	-771	-790

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 and improve outcomes for patients and service users. The Council in association with the local Clinical Commissioning Groups established a pooled budget to deliver the aims of the Better Care Fund in Kirklees. The pooled budget is hosted by the Council on behalf of the partners to the arrangement.

Better Care Fund	2014/15	2015/16
	£000	£000
<u>Funding provided to the pooled budget</u>		
Kirklees Council	0	-2,398
Greater Huddersfield Clinical Commissioning Group	0	-11,858
North Kirklees Clinical Commissioning Group	0	-14,697
Total Funding	0	-28,953
<u>Expenditure met from the pooled budget</u>		
Kirklees Council	0	1,362
Greater Huddersfield Clinical Commissioning Group	0	11,858
North Kirklees Clinical Commissioning Group	0	14,697
Total Expenditure	0	27,917
Net surplus arising on pooled budget during the year	0	-1,036
Council share of the net surplus arising on the pooled budget	0	-1,036

NOTES TO THE CORE FINANCIAL STATEMENTS

KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2015/16

33 Officers' Remuneration

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

Remuneration Band (£)	2014/15		2015/16	
	Teachers	Other	Teachers	Other
50,000 - 54,999	55	27	54	34
55,000 - 59,999	39	26	38	30
60,000 - 64,999	32	9	32	10
65,000 - 69,999	18	3	19	3
70,000 - 74,999	6	2	10	1
75,000 - 79,999	2	1	3	2
80,000 - 84,999	1	8	1	2
85,000 - 89,999	1	2	1	6
90,000 - 94,999	0	1	1	3
95,000 - 99,999	1	0	0	0
100,000 - 104,999	1	0	1	0
105,000 - 109,999	0	0	1	0
110,000 - 114,999	1	2	0	0
115,000 - 119,999	0	0	0	1
120,000 - 124,999	0	1	0	3
125,000 - 129,999	0	0	0	0
130,000 - 134,999	0	0	0	0
135,000 - 139,999	0	1	0	1
140,000 - 144,999	0	0	0	0
145,000 - 149,999	0	0	0	0
150,000 - 154,999	0	1	0	0
155,000 – 159,999	0	0	0	1
Total	157	84	161	97

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

It should be noted that 9 employees received redundancy payments in 2015/16 (2014/15 7 employees) and exceeded the £50,000 remuneration band, who would not normally have done so.

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

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

NOTES TO THE CORE FINANCIAL STATEMENTS

KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2015/16

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 (6)	Total Remuneration including pension contributions
	£	£	£	£	£
2014/15					
Chief Executive – Adrian Lythgo	150,059	0	150,059	20,782	170,841
Director of Resources	121,003	0	121,003	16,758	137,761
Director for Children and Young People	136,836	0	136,836	18,951	155,787
Director for Economy, Skills and Environment	112,243	0	112,243	15,545	127,788
Director of Communities, Transformation and Change	112,571	0	112,571	15,589	128,160
Interim Director of Public Health (1)	24,771	0	24,771	3,444	28,215
Director of Commissioning, Public Health and Adult Social Care (2)	17,029	0	17,029	2,350	19,379
Monitoring Officer	83,377	0	83,377	11,546	94,923
2015/16					
Chief Executive – Adrian Lythgo	156,907	0	156,907	21,653	178,560
Director of Resources	123,972	0	123,972	17,108	141,080
Director for Children and Young People	137,113	0	137,113	18,922	156,035
Director for Economy, Skills and Environment	121,357	0	121,357	16,747	138,104
Director of Communities, Transformation and Change	118,440	0	118,440	16,345	134,785
Director of Public Health (1)	68,805	0	68,805	11,530	80,335
Director of Commissioning, Public Health and Adult Social Care	123,972	0	123,972	17,108	141,080
Monitoring Officer	91,765	0	91,765	12,664	104,429

- (1) The interim Director of Public Health was appointed on 16 November 2014: their annualised salary was £82,375. The interim Director of Public Health was appointed Director of Public Health on 01 April 2015 and commenced maternity leave on 22 August 2015.
- (2) The Director of Commissioning, Public Health and Adult Social Care was appointed on 26 January 2015: their annualised salary was £124,313.
- (3) No added years pensions were provided for Senior Officers.

Please note that in 2015/16 the job titles for the Director for Children and Adults was changed to the Director for Children and Young People and the Director for Place to the Director for Economy, Skills and Environment.

It should be noted that the 2014/15 figures for senior officers emoluments only relates to individuals who continued to be employed in 2015/16 and will exclude those who left the Council in 2014/15. This is because the requirements of this note are specific to employees qualifying for the current year, not for persons who left the authority in the prior year.

NOTES TO THE CORE FINANCIAL STATEMENTS

KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2015/16

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 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 £000	Split of exit packages (Termination Benefit) £000	Split of exit packages (Pension Strain) £000
2014/15						
£0 - £20,000	0	53	53	503	438	65
£20,001 - £40,000	0	26	26	703	421	282
£40,001 - £60,000	0	5	5	247	69	178
£60,001 - £80,000	0	6	6	421	114	307
£80,001 - £100,000	0	2	2	176	53	123
£100,001 - £120,000	0	1	1	103	35	68
Total	0	93	93	2,153	1,130	1,023
2015/16						
£0 - £20,000	0	130	130	1,229	1,097	132
£20,001 - £40,000	0	39	39	1,026	579	447
£40,001 - £60,000	0	6	6	309	142	167
£60,001 - £80,000	0	7	7	470	173	297
£80,001 - £100,000	0	4	4	367	80	287
£100,001 - £120,000	0	0	0	0	0	0
£120,001 - £140,000	0	1	1	128	39	89
Total	0	187	187	3,529	2,110	1,419

The figures for 2015/16 include 78 employees (2014/15 18 employees), who had not left the Council as at 31 March 2016, but had agreed package offers. The estimated cost of these packages are £1.3 million (31 March 2015 £0.5 million) and have been accrued into the CIES and included in a provision.

NOTES TO THE CORE FINANCIAL STATEMENTS

KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2015/16

34 Deployment of Dedicated Schools Grant

The Council's expenditure on schools is funded primarily by grant monies provided by the Education Funding Agency, the Dedicated Schools Grant (DSG). DSG is ring fenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the School Finance and Early Years (England) Regulations 2014. 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 £000	ISB £000	Total £000
Final DSG for 2015/16 before Academy recoupment			-330,126
Academy figure recouped for 2015/16			79,733
Total DSG after Academy recoupment for 2015/16			-250,393
Plus brought forward from 2014/15			-8,431
Less carry forward to 2016/17 agreed in advance			0
Agreed budgeted distribution for 2015/16	-41,443	-217,381	-258,824
In year adjustments	549	-278	271
Final budgeted distribution for 2015/16	-40,894	-217,659	-258,553
Less actual central expenditure	34,487		34,487
Less actual ISB deployed to schools		219,325	219,325
Plus Council contribution for 2015/16	0	-1,666	-1,666
Total carry forward to 2016/17	-6,407	0	-6,407

35 Related Party Transactions

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

i) Elected Members and Chief Officers

There were five material disclosures to declare for 2015/16, four relating to Elected Members and one to chief officers. The material disclosures are mentioned below. It should be noted that all members' financial and other interests which could conflict with those of the Council are open to public inspection as required by regulation. Members are also required to disclose personal and prejudicial interests in matters being considered at meetings at which they are present. Officers also have a duty to declare any interests which could conflict with those of the Council.

A Councillor worked as a technical services manager for a local housing association. In 2015/16, the Council made payments of £1.387 million to the association and received £0.014 million from the association.

A Councillor worked as a solicitor for a local housing association. In 2015/16, the Council made payments of £0.628 million to the association and received £0.043 million from the association.

A Councillor was a Non-Executive Director of Yorkshire Water Services Ltd. During 2015/16, the Council made payments of £1.324 million to the company and received £0.067 million from the company.

A Councillor's partner was the manager of an independently run local community centre. The Council made payments of £0.082 million to the centre in 2015/16.

NOTES TO THE CORE FINANCIAL STATEMENTS

KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2015/16

An assistant director is a contractor to the Council. The Council paid £0.038 million to this company in 2015/16.

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	
	2014/15 £000	2015/16 £000	2014/15 £000	2015/16 £000	31 March 2015 £000	31 March 2016 £000
Kirklees Development Company Limited	-99	-17	30	0	2	0
Kirklees Henry Boot Partnership Limited	-18	-19	0	0	1,093	1,093
Calderdale and Kirklees Careers Service	-157	-118	2,756	2,832	-233	41
Kirklees Active Leisure	-1,878	-1,562	3,438	3,201	420	175
Kirklees Community Association	-94	-131	0	0	32	21
Kirklees Theatre Trust	0	-4	267	273	0	-5
Kirklees Music School	-17	-11	299	306	0	1
Media Centre Network Ltd	-15	0	121	5	-1	0
Yorkshire Energy Services	-42	-29	7	0	4	5
Locala Community Partnerships	-4,710	-476	6,203	8,387	398	282
Northern College For Residential Adult	0	0	55	11	0	0
Deighton & Brackenhall Initiative Ltd	-647	-237	17	0	0	0
YHGfL Foundation	-51	-50	50	17	-3	0

The Council has given a loan to Media Centre Network Ltd. As at 31 March 2016, £0.203 million was outstanding (£0.203 million as at 31 March 2015).

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

- The UK Central Government exerts significant influence through legislation and grant funding (see note 36).
- NHS Bodies (see note 32 and 36).
- Precepting authorities (see the CIES and the Collection Fund Income and Expenditure Statement). The Council also pays Joint Committees for providing services such as Trading Standards and West Yorkshire Combined Authority. Payments in 2015/16 amounted to £20.0 million (2014/15 £20.2 million). Certain Parish Councils have also invested funds with the Council. As at 31 March 2016, £0.326 million (£0.264 million at 31 March 2015) was invested.
- Pension Fund (see note 40).
- Subsidiary (Kirklees Neighbourhood Housing Limited) and joint venture company (Kirklees Stadium Development Limited) included in Group Accounts.
- PFI Transactions (see note 39 and note H10 in the HRA).

NOTES TO THE CORE FINANCIAL STATEMENTS

KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2015/16

36 Grant Income

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

	2014/15 £000	2015/16 £000
<u>Credited to Taxation and Non Specific Grant Income</u>		
Revenue Support Grant (RSG)	-88,296	-64,556
NNDR Top up Grant	-20,854	-21,252
PFI Grants	-11,359	-11,359
Education Services Grant	-6,754	-5,184
New Homes Grant	-6,069	-7,660
Small Businesses Rate Relief	-4,681	-4,824
Housing Benefit Subsidy Admin Grant	-2,740	-1,962
Other Non-Specific Grants (under £2 million)	-5,472	-5,355
<u>Grants and Contributions related to capital financing which cannot be identified to particular services or assets</u>		
Standards Fund	-9,147	-6,926
Local Transport Plan (LTP)	-7,548	-8,537
Other Capital Grants and Contributions (under £2 million)	-4,627	-2,647
Total	-167,547	-140,262
<u>Credited to Services</u>		
<u>Revenue</u>		
Dedicated Schools Grant	-260,633	-250,121
DWP – Rent Allowance	-68,081	-65,194
DWP – Rent Rebate	-54,744	-53,773
Department of Health Grant (Public Health)	-23,527	-24,991
NHS England	-8,524	0
Clinical Commissioning Groups (CCGs)	-3,523	-14,860
Pupil Premium Grant	-16,847	-15,632
PFI Grant (ring fenced to HRA)	-7,912	-7,912
Universal Infant Free School Meals Grant	-2,873	-4,987
Other Revenue Grants and Contributions (under £2 million)	-15,462	-15,647
<u>Capital (REFCUS)</u>		
Standards Fund	-2,847	-3,429
Various Capital Grants and Contributions (under £2 million)	-1,248	-1,838
Total	-466,221	-458,384
Total Grants in CIES	-633,768	-598,646

NOTES TO THE CORE FINANCIAL STATEMENTS

KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2015/16

37 Capital Expenditure and Capital Financing

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

	2014/15	2015/16
	£000	£000
<i>Opening Capital Financing Requirement</i>	777,533	740,594
<u>Capital investment</u>		
Property, Plant and Equipment	73,363	63,925
Heritage Assets	0	17
Investment Properties	170	134
Intangible Assets	842	112
Assets Held for Sale	229	0
Revenue Expenditure Funded from Capital under Statute	9,505	9,833
Loans and investments	2,073	1,120
<u>Sources of Finance</u>		
Capital receipts	-6,219	-6,592
Government grants and other contributions	-28,201	-25,307
Major Repairs Reserve	-8,816	-11,457
Direct revenue contributions	-37,949	-20,357
To repay debt:		
Minimum Revenue Provision	-27,848	-26,400
Major Repairs Reserve	-6,750	-4,173
Capital receipts	-7,338	-709
<i>Closing Capital Financing Requirement</i>	740,594	720,740
<u>Explanation of movements in year</u>		
Increase in underlying need to borrow:		
PFI Finance Lease Liability	-59	164
Other	5,056	11,264
Provision for repayment of debt	-41,936	-31,282
<i>Decrease in Capital Financing Requirement</i>	-36,939	-19,854

NOTES TO THE CORE FINANCIAL STATEMENTS

KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2015/16

38 Leases

Council as Lessee

Finance Leases

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

	31 March 2015	31 March 2016
	£000	£000
Cost or valuation		
At 1 April	12,847	14,035
Additions & Transfers	1,188	2,309
Revaluation decreases recognised in the Revaluation Reserve	0	-1,750
At 31 March	<u>14,035</u>	<u>14,594</u>
Depreciation and impairments		
At 1 April	-691	-1,033
Depreciation charge	-342	-364
Depreciation written out to the Revaluation Reserve	0	955
At 31 March	<u>-1,033</u>	<u>-442</u>
Net Book Value as at 31 March	13,002	14,152

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

	31 March 2015	31 March 2016
	£000	£000
Finance lease liabilities (net present value of minimum lease payments):		
Non-current	1,050	1,049
Finance costs payable in future years	6,690	6,601
Minimum lease payments	<u>7,740</u>	<u>7,650</u>

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

	Minimum Lease Payments		Finance Lease Liabilities	
	31 March 2015	31 March 2016	31 March 2015	31 March 2016
	£000	£000	£000	£000
Not later than one year	90	90	0	0
Later than one year and not later than five years	360	360	0	0
Later than five years	7,290	7,200	1,050	1,049
	<u>7,740</u>	<u>7,650</u>	1,050	<u>1,049</u>

In year the amount of contingent rents paid was £229,000 (2014/15 £229,000).

NOTES TO THE CORE FINANCIAL STATEMENTS

KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2015/16

Council as Lessor

Finance Leases:

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

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

	31 March 2015	31 March 2016
	£000	£000
Finance lease debtor (net present of value of minimum lease payments):		
Non-current	3,418	3,416
Unearned finance income	16,201	15,928
Gross investment in the lease	19,619	19,344

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 2015	31 March 2016	31 March 2015	31 March 2016
	£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	18,244	17,969	18,244	17,969
	19,619	19,344	19,619	19,344

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 various 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 CORE FINANCIAL STATEMENTS

KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2015/16

The value of the assets leased out is as follows:

	31 March 2015	31 March 2016
	£000	£000
Cost or valuation		
At 1 April	149,472	148,525
Additions & Transfers	3,140	1,966
Revaluations decreases recognised in the Revaluation Reserve	-267	-7,748
Revaluations decreases recognised in provision of services	-4,679	-8,063
De-recognition - disposals	-366	-602
Other movements in cost or valuation (re-classifications)	1,225	33,887
At 31 March	148,525	167,965
Depreciation and impairments		
At 1 April	-14,518	-20,969
Depreciation charge for year	-8,492	-2,063
Depreciation written out to the Revaluation Reserve	1,100	4,133
Depreciation written out to the Surplus/Deficit to Services	941	1,191
De-recognition - disposals	0	1
At 31 March	-20,969	-17,707
Net Book Value at 31 March	127,556	150,258

The other movements line in the table above includes the new Huddersfield Sports Centre being transferred from assets under construction in 2015/16.

The Council received £5.4 million in rent on operating leases in 2015/16 (£4.8 million 2014/15). Total contingent rents recognised in the period was £0.1 million (£0.2 million in 2014/15).

The following is commitments relating to non-cancellable contracts:

	31 March 2015	31 March 2016
	£000	£000
Not later than one year	1,736	1,590
Later than one year and not later than five years	3,222	3,029
Later than five years	2,478	3,271
	7,436	7,890

NOTES TO THE CORE FINANCIAL STATEMENTS

KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2015/16

39 Private Finance Initiative (PFI) Transactions

The Council has four PFI schemes – waste disposal, two school and housing schemes. 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 the 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 2016/17	21,682	8,613	4,857	1,545	36,697
Between 2017/18 to 2020/21	89,748	30,625	22,811	6,607	149,791
Between 2021/22 to 2025/26	95,425	28,713	28,414	8,993	161,545
Between 2026/27 to 2030/31	83,933	17,877	38,810	8,344	148,964
Between 2031/32 to 2034/35	43,087	2,987	28,351	3,415	77,840
	333,875	88,815	123,243	28,904	574,837

The value of assets held under all schemes:

	2014/15 £000	2015/16 £000
Net Book Value at 1 April	128,382	99,394
Additions	3,502	1,419
Revaluations	-10,080	-3,660
Disposals	-18,833	-5,196
Depreciation and impairment	-3,577	-3,160
Net Book Value at 31 March	99,394	88,797

The value of liabilities for all schemes:

	2014/15 £000	2015/16 £000
At 1 April	-126,736	-121,753
Movement in the year	4,983	4,783
At 31 March	-121,753	-116,970

a) Waste Disposal Services

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

The Council incurred costs of £13.0 million under the contract in 2015/16 (2014/15 £12.5 million) and received £3.2 million in PFI Grant (2014/15 £3.2 million). Details of estimated payments due to be made are as follows:

NOTES TO THE CORE FINANCIAL STATEMENTS

KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2015/16

	Service Charges £000	Interest Charges £000	Repayments Of Liability £000	Total £000
In 2016/17	8,978	771	1,451	11,200
Between 2017/18 to 2020/21	37,068	2,034	5,698	44,800
Between 2021/22 to 2022/23	18,752	371	3,277	22,400
	64,798	3,176	10,426	78,400

The estimated payments for service charges are based on expected tonnages and 2015/16 price base.

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 2016 was £3.8 million (31 March 2015 £4.3 million).

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

	2014/15 £000	2015/16 £000
Net Book Value at 1 April	27,994	26,753
Additions	17	13
Revaluations	0	-7,608
Depreciation and impairment	-1,258	-1,260
Net Book Value at 31 March	26,753	17,898

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

	2014/15 £000	2015/16 £000
At 1 April	-13,154	-11,767
Movement in the year	1,387	1,416
At 31 March	-11,767	-10,351

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 to nineteen of the Council's schools of:

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

At the start of the contract, existing school buildings were leased to the operator. At the end of the contract, the operator is obliged to hand over the schools to the Council in a specified condition for no incremental consideration.

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.

NOTES TO THE CORE FINANCIAL STATEMENTS

KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2015/16

The Council incurred costs of £14.4 million under the contract in 2015/16 (2014/15 £14.4 million) and received £5.9 million in PFI Grant (2014/15 £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 2016/17	9,473	2,813	565	1,329	14,180
Between 2017/18 to 2020/21	38,086	10,420	5,623	4,984	59,113
Between 2021/22 to 2025/26	54,056	10,689	7,835	7,158	79,738
Between 2026/27 to 2030/31	57,985	6,901	14,840	7,304	87,030
Between 2031/32 to 2033/34	30,209	1,007	9,635	3,401	44,252
	189,809	31,830	38,498	24,176	284,313

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:

	2014/15 £000	2015/16 £000
Net Book Value at 1 April	71,041	52,273
Additions	1,883	1,031
Disposals	-18,833	-5,196
Depreciation and impairment	-1,818	-1,372
Net Book Value at 31 March	52,273	46,736

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

	2014/15 £000	2015/16 £000
At 1 April	-40,533	-39,325
Movement in the year	1,208	827
At 31 March	-39,325	-38,498

c) Schools 2

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

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

The operator is obliged to hand over the schools to the Council in a specified condition at the end of the contract for no incremental consideration.

The Council incurred costs of £2.8 million under the contract in 2015/16 (£2.8 million in 2014/15) and received £2.2 million in PFI Grant (2014/15 £2.2 million). Details of estimated payments due to be made are as follows:

NOTES TO THE CORE FINANCIAL STATEMENTS

KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2015/16

	Service Charges	Interest Charges	Repayments Of Liability	Other	Total
	£000	£000	£000	£000	£000
In 2016/17	1,177	767	582	216	2,742
Between 2017/18 to 2020/21	4,897	2,673	1,708	1,623	10,901
Between 2021/22 to 2025/26	6,791	2,419	2,558	1,835	13,603
Between 2026/27 to 2030/31	7,710	1,115	3,910	1,040	13,775
In 2031/32	688	13	453	14	1,168
	21,263	6,987	9,211	4,728	42,189

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:

	2014/15	2015/16
	£000	£000
Net Book Value at 1 April	10,998	10,838
Additions	122	224
Depreciation	-282	-285
Net Book Value at 31 March	10,838	10,777

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

	2014/15	2015/16
	£000	£000
At 1 April	-10,225	-9,743
Movement in the year	482	532
At 31 March	-9,743	-9,211

NOTES TO THE CORE FINANCIAL STATEMENTS

KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2015/16

40 Pensions Disclosures

Participation in Pension Schemes

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

The Council participates in three pension schemes:

- The Local Government Pension Scheme (LGPS) – a funded defined benefit final salary scheme administered by the West Yorkshire Pension Fund (WYPF) whereby the Council and employees pay contributions into a fund, calculated at a level intended to balance the pension's liabilities with investment assets in the long term. Employee benefits earned up to 31 March 2014 are linked to final salary, after 31 March 2014 benefits are based on a Career Average Revalued Earnings Scheme.
- Teachers employed by the Council are members of the Teachers' Pension Scheme, administered by Capita Business Services Limited on behalf of the Department for Education. Under the Code, this scheme is classed as a multi-employer defined benefit scheme for which liabilities of individual employers cannot be separated. The scheme is therefore treated as a defined contribution scheme under the Code. In 2015/16, the Council paid £14.9 million (2014/15 £14.5 million) in respect of teachers' retirement benefits, representing 15.3% (2014/15 14.1%) of pensionable pay. A payment of £1.3 million was owing to the scheme as at 31 March 2016 (31 March 2015 £1.2 million). As a proportion of the total contributions to the scheme during the year ending 31 March 2016, the Council's contribution equated to approximately 0.28% (2014/15 0.25%).
- 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 2015/16, the Council paid £0.2 million (2014/15 £0.3 million) to the NHSBSA, representing 14.3% (2014/15 14.0%) of pensionable pay. As a proportion of the total contributions to the Scheme during the year ending 31 March 2016, the Council's contribution equated to approximately 0.002% (2014/15 0.002%).

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

Transactions Relating to Retirement Benefits

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

NOTES TO THE CORE FINANCIAL STATEMENTS

KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2015/16

	LGPS		Teachers	Total
	Funded	Unfunded	£000	£000
	£000	£000		
2014/15				
Comprehensive Income and Expenditure Statement				
<u>Cost of Services:</u>				
Current service cost	42,377	0	0	42,377
Past service cost	960	0	47	1,007
Settlements and Curtailments	-609	0	0	-609
<u>Financing and Investment income and Expenditure:</u>				
Net interest expense	14,791	1,282	2,380	18,453
Total Post-employment Benefits charged to the Deficit on the Provision of Services	57,519	1,282	2,427	61,228
<u>Remeasurement of the net defined benefit liability comprising:</u>				
Return on plan assets (excluding the amount included in the net interest expense)	-97,529	0	0	-97,529
Actuarial gains and losses arising on changes in demographic assumptions	0	0	0	0
Actuarial gains and losses arising on changes in financial assumptions	174,542	1,993	3,719	180,254
Actuarial gains and losses due to liability experience	-10,215	-300	-560	-11,075
Total Post Employment Benefit charged to the CIES	124,317	2,975	5,586	132,878
Movement in Reserves Statement				
Reversal of net charges made to the Deficit on the Provision of Services for retirement benefits	-57,519	-1,282	-2,427	-61,228
Actual amount charged against General Fund Balance for pensions in the year:				
Employers' contributions payable to scheme	28,817	2,293		31,110
Retirement benefits payable to pensioners			3,647	3,647

NOTES TO THE CORE FINANCIAL STATEMENTS

KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2015/16

2015/16	LGPS		Teachers	Total
	Funded £000	Unfunded £000	£000	£000
Comprehensive Income and Expenditure Statement				
<u>Cost of Services:</u>				
Current service cost	49,487	0	0	49,487
Past service cost	1,235	0	0	1,235
Settlements and Curtailments	0	0	0	0
<u>Financing and Investment income and Expenditure:</u>				
Net interest expense	14,052	967	1,818	16,837
Total Post-employment Benefits charged to the Surplus on the Provision of Services	64,774	967	1,818	67,559
<u>Remeasurement of the net defined benefit liability comprising:</u>				
Return on plan assets (excluding the amount included in the net interest expense)	38,462	0	0	38,462
Actuarial gains and losses arising on changes in demographic assumptions	0	0	0	0
Actuarial gains and losses arising on changes in financial assumptions	-73,098	-842	-1,591	-75,531
Actuarial gains and losses due to liability experience	-17,203	-548	-1,037	-18,788
Total Post Employment Benefit charged to the CIES	12,935	-423	-810	11,702
Movement in Reserves Statement				
Reversal of net charges made to the Surplus on the Provision of Services for retirement benefits	-64,774	-967	-1,818	-67,559
Actual amount charged against General Fund Balance for pensions in the year:				
Employers' contributions payable to scheme	29,400	2,293		31,693
Retirement benefits payable to pensioners			3,581	3,581

NOTES TO THE CORE FINANCIAL STATEMENTS

KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2015/16

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

	LGPS		Teachers £000	Total £000
	Funded £000	Unfunded £000		
Opening balance 1 April 2014	-1,672,002	-31,664	-58,471	-1,762,137
Current Service Cost	-42,377	0	0	-42,377
Interest cost	-71,095	-1,282	-2,380	-74,757
Contributions by scheme participants	-12,650	0	0	-12,650
Remeasurement gain/loss(-):				
Arising on changes in demographic assumptions	0	0	0	0
Arising on changes in financial assumptions	-174,542	-1,993	-3,719	-180,254
Due to liability experience	10,215	300	560	11,075
Benefits/transfers paid	50,884	2,293	3,647	56,824
Past service costs	-960	0	-47	-1,007
Settlements	2,947	0	0	2,947
Opening balance 1 April 2015	-1,909,580	-32,346	-60,410	-2,002,336
Current Service Cost	-49,487	0	0	-49,487
Interest cost	-60,427	-967	-1,818	-63,212
Contributions by scheme participants	-12,885	0	0	-12,885
Remeasurement gain/loss(-):				
Arising on changes in demographic assumptions	0	0	0	0
Arising on changes in financial assumptions	73,098	842	1,591	75,531
Due to liability experience	17,203	548	1,037	18,788
Benefits/transfers paid	56,287	2,293	3,581	62,161
Past service costs	-1,235	0	0	-1,235
Settlements	0	0	0	0
Closing balance 31 March 2016	-1,887,026	-29,630	-56,019	-1,972,675

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

	31 March 2015 £000	31 March 2016 £000
Opening balance 1 April	1,313,769	1,455,847
Interest income on assets	56,304	46,375
Remeasurement gains and losses	97,529	-38,462
Employer contributions	28,817	29,400
Contributions by scheme participants	12,650	12,885
Benefits paid	-50,884	-56,287
Settlements	-2,338	0
Closing balance 31 March	1,455,847	1,449,758

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.

NOTES TO THE CORE FINANCIAL STATEMENTS

KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2015/16

The actual return on scheme assets in the year showed a return of £7.9 million (2014/15 return of £153.8 million). WYPF does not hold any of the Council's transferable financial instruments as plan assets.

Assets in the LGPS are valued at fair value, principally market value for investments, totalling £11.15 billion for the Fund as a whole at 31 March 2016 (£11.30 billion at 31 March 2015). The approximate split of assets for the Fund as a whole is shown in the table below. The assets allocated to each employer in the Fund are notional and the assets are assumed to be invested in line with the investments of the total Fund. The Fund is large and largely liquid and as a consequence there will be no significant restriction on realising assets if a large payment is required to be paid (e.g. bulk transfer payment).

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

The percentage breakdown of Fund assets is as follows:

	2014/15	2015/16		Total
	Total	Quoted	Unquoted	
	%	%	%	%
Equity investments	76.2	68.8	6.4	75.2
Government Bonds	10.6	10.7	0.0	10.7
Other Bonds	4.7	4.6	0.0	4.6
Property	4.3	4.9	0.0	4.9
Cash/ liquidity	1.9	1.3	0.0	1.3
Other	2.3	1.2	2.1	3.3
	100.0	91.5	8.5	100.0

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

http://www.bradford.gov.uk/bmdc/government_politics_and_public_administration/council_budgets_and_spending/statement_of_accounts

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc. Both the LGPS and Teachers' Unfunded Discretionary Benefits liabilities have been assessed by Aon Hewitt Limited, an independent firm of actuaries, estimates for the LGPS being based on the latest full valuation of the West Yorkshire Pension Fund carried out as at 31 March 2013.

NOTES TO THE CORE FINANCIAL STATEMENTS

KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2015/16

The principal assumptions used by the actuary have been:

	2014/15			2015/16		
	LGPS		Teachers	LGPS		Teachers
	Funded	Unfunded		Funded	Unfunded	
Rate of inflation – RPI	2.90%	2.90%	2.90%	2.90%	2.90%	2.90%
Rate of inflation – CPI	1.80%	1.80%	1.80%	1.80%	1.80%	1.80%
Rate of increase in salaries	3.30%	n/a	n/a	3.30%	n/a	n/a
Rate of increase in pensions	1.80%	1.80%	1.80%	1.80%	1.80%	1.80%
Rate for discounting liabilities	3.20%	3.10%	3.10%	3.40%	3.40%	3.40%
Take up of option to convert annual pension into retirement grant	75%	n/a	n/a	75%	n/a	n/a
<u>Mortality assumptions</u>						
<u>(years):</u>						
Longevity at 65 for current pensioners:						
Men	22.6	22.6	22.6	22.7	22.7	22.7
Women	25.5	25.5	25.5	25.6	25.6	25.6
Longevity at 65 for future pensioners:						
Men	24.8	n/a	n/a	24.9	n/a	n/a
Women	27.8	n/a	n/a	28.0	n/a	n/a

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

	2014/15		2015/16	
Discount rate assumption				
Adjustment to discount rate	+0.1% p.a.	-0.1% p.a.	+0.1% p.a.	-0.1% p.a.
Present value of total obligation £k	1,873,802	1,946,041	1,851,714	1,923,012
% change in present value of total obligation	-1.9%	+1.9%	-1.9%	+1.9%
Projected service cost £k	49,042	52,354	46,551	49,717
Approximate % change in projected service cost	-3.2%	+3.3%	-3.2%	+3.3%
Rate of general increase in salaries				
Adjustment to salary increase rate	+0.1% p.a.	-0.1% p.a.	+0.1% p.a.	-0.1% p.a.
Present value of total obligation £k	1,919,485	1,899,795	1,895,724	1,878,422
% change in present value of total obligation	+0.5%	-0.5%	+0.5%	-0.5%
Projected service cost £k	50,677	50,677	48,114	48,114
Approximate % change in projected service cost	0.0%	0.0%	0.0%	0.0%

NOTES TO THE CORE FINANCIAL STATEMENTS

KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2015/16

Rate of increase to pensions in payment and deferred pensions assumptions, and rate of revaluation of pension accounts assumption				
Adjustment to pension increase rate	+0.1% p.a.	-0.1% p.a.	+0.1% p.a.	-0.1% p.a.
Present value of total obligation £k	1,936,830	1,882,746	1,914,234	1,860,239
% change in present value of total obligation	+1.4%	-1.4%	+1.4%	-1.4%
Projected service cost £k	52,354	49,042	49,717	46,551
Approximate % change in projected service cost	+3.3%	-3.2%	+3.3%	-3.2%
Post retirement mortality assumption*				
Adjustment to longevity	-1 Year	+1 Year	-1 Year	+1 Year
Present value of total obligation £k	1,936,830	1,858,934	1,935,529	1,858,391
% change in present value of total obligation	+2.7%	-2.7%	+2.6%	-2.6%
Projected service cost £k	52,378	48,976	49,703	46,520
Approximate % change in projected service cost	+3.4%	-3.4%	+3.3%	-3.3%
<i>*A rating of +1 year means that members are assumed to follow the mortality pattern of the base table for an individual that is 1 year older than them.</i>				

Asset and Liability Matching Strategy

	2011/12	2012/13	2013/14	2014/15	2015/16
	£000	£000	£000	£000	£000
Present value of liabilities:					
LGPS Funded	-1,668,243	-1,888,995	-1,672,002	-1,909,580	-1,887,026
LGPS Unfunded	-31,967	-33,089	-31,664	-32,346	-29,630
Teachers	-53,618	-58,433	-58,471	-60,410	-56,019
Fair value of assets in the LGPS	1,125,742	1,272,570	1,313,769	1,455,847	1,449,758
Deficit in the scheme:					
LGPS Funded	-542,501	-616,425	-358,233	-453,733	-437,268
LGPS Unfunded	-31,967	-33,089	-31,664	-32,346	-29,630
Teachers	-53,618	-58,433	-58,471	-60,410	-56,019
Total	-628,086	-707,947	-448,368	-546,489	-522,917

The net liabilities show the underlying commitments that the Council has in the long run to pay retirement benefits. The total liability of £522.9 million has a substantial impact on the net worth of the Council as recorded in the Balance Sheet. However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy:

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

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

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

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

An asset-liability matching strategy aims to match the amount and timing of cash inflows from plan assets with those of cash outflows from the defined benefit obligation. WYPF does not currently have any formal asset liability matching strategies in place such as annuities or longevity swaps to

NOTES TO THE CORE FINANCIAL STATEMENTS

KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2015/16

manage risk, although it does review the mix of assets held after each triennial valuation, to ensure there is an appropriate balance between the expected return from those assets and the risk that outcomes will not meet expectations.

WYPF aim to reach 100% funding over a period of time and therefore that the assets built up will be able to meet all present and future liabilities. The way in which WYPF seeks to achieve this is set out in their Funding Strategy Statement (FSS), which in turn also refers to the Statement of Investment Principles (SIP) governing the asset mix which WYPF would seek to hold at any time. Both the Funding Strategy Statement and Statement of Investment Principles can be found at WYPF's website: <http://www.wypf.org.uk/Index.aspx>

The total contributions expected to be made to the LGPS by the Council in the year to 31 March 2017 is £29.1 million. Additional contributions may also become due in respect of any employer discretions to enhance members' benefits in the Fund over the next accounting period.

41 Contingent Liabilities

The Council has the following significant contingent liabilities:

- The Council has given guarantees for outstanding contributions to Pension Funds, in the event of default by the following bodies: Calderdale and Kirklees Careers Company Ltd, North Kirklees CAB, Kirklees Active Leisure, and Deighton and Sheepridge Partnership. In addition, the Council gives assurance to the Board of Kirklees Neighbourhood Housing, in the form of an annual letter, that it will underwrite the company's pension liabilities.
- The Council is participating with Huddersfield Sporting Pride Ltd and Huddersfield Town Association Football Club Ltd, in the development, construction and running of a sports stadium at Bradley Mills Road, Huddersfield, through Kirklees Stadium Development Ltd (KSDL). The Council originally guaranteed the financing of the construction of the stadium, pending the receipt of funds. The loan has been restructured and the Council has guaranteed the new loan of £7.4 million, to be repaid over twenty years commencing in February 2001. As at 31 March 2016, the balance on the loan was £2.6 million (£3.1 million at 31 March 2015). The Council has also agreed to guarantee English Partnership's investment of £1.7 million in the North Stand development of the project.
- The Council has given an unlimited guarantee in perpetuity to the Homes & Communities Agency (HCA) in the event of default by Kirklees Community Association (KCA) of the conditions of their grant agreement with HCA for the redevelopment of the Fieldhead Estate. The guarantee contains two elements: that KCA will complete the development required by HCA; and that KCA will discharge the clawback obligations due to the HCA whenever there is a disposal of the land – either under the right to acquire legislation or to a donee that is not a registered social landlord. In practice, the guarantee will not be discharged until the last dwelling on the estate built with HCA grant monies has been acquired under the right to acquire legislation.
- The Council has several closed landfill sites which it continues to monitor and incur costs for gas control, leachate disposal and, in a few cases, restoration work. This is an extremely complex exposure to compute with very uncertain, potentially indefinite, timescales and therefore as a reliable estimate cannot be made, no provision has been made in the accounts for this obligation. Based on a worst case scenario, it is considered that total restoration and aftercare costs could be up to £4 million over the next 30 years.
- Many NHS trusts across the country have made a backdated claim for mandatory charitable business rates relief. The Council has yet to receive a claim for NHS trusts in the area, but estimates that such a claim, should it be successful, would amount to £5.3 million. This would be charged to the Collection Fund, with 51% being charged on to the other beneficiaries of NNDR income.

The Council has prudently set aside £3.7 million in the Organisational Risk Reserve for contingent liabilities.

42 Impairment

During 2015/16, there were impairment losses of £0.8 million. For 2014/15, impairment losses were £9.7 million due to the demolition of Deighton Centre.

ADDITIONAL FINANCIAL STATEMENTS
KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2015/16

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.

	2014/15 £000	2015/16 £000	Notes
<u>Expenditure</u>			
Repairs and maintenance	20,007	20,052	
Supervision and management	22,081	23,504	
Special services	1,437	1,390	
Rent, rates, taxes and other charges	294	418	
Depreciation of non-current assets	15,566	15,630	H1
Debt management costs	14	11	
Movement in the allowance for bad debts	1,942	890	
Revaluation losses on property, plant and equipment	13,629	5	H1
Total Expenditure	74,970	61,900	
<u>Income</u>			
Dwelling rents	-82,647	-84,136	
Non-dwelling rents	-217	-250	
Charges for services and facilities	-2,883	-3,029	
Contributions towards expenditure	-42	-2	
Government grants	-7,912	-7,917	H10
Revaluation gains on property, plant and equipment	-3,194	-179,473	H1
Total Income	-96,895	-274,807	
Net Income of HRA Services as included in the CIES	-21,925	-212,907	
HRA share of Corporate & Democratic Core	376	384	
HRA share of Non-distributed costs	30	28	
Net Income of HRA Services	-21,519	-212,495	
HRA share of operating income and expenditure included in the CIES:			
Gain on sale of HRA non-current assets	-2,992	-1,880	H4
Interest payable and similar charges	14,791	13,947	
Interest and investment income	-119	-726	H1
Income and expenditure in relation to investment properties and changes in fair value	-379	-1,128	
Capital grants and contributions receivable	-902	-351	
Surplus for the year on HRA services	-11,120	-202,633	

ADDITIONAL FINANCIAL STATEMENTS
KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2015/16

MOVEMENT ON THE HRA STATEMENT

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

	2014/15		2015/16		Note
	£000	£000	£000	£000	
Balance on the HRA at the end of the previous year		-33,016		-35,770	
Surplus for the year on the HRA Income and Expenditure Statement		-11,120		-202,633	
<u>Adjustments involving the Capital Adjustment Account:</u>					
Net revaluation gains/losses(-) on PPE	-10,435		179,468		H1
Movements in the market value of Investment Properties	0		732		
Capital grants and contributions applied	902		351		
Amounts of non-current assets written off on disposal or sale	-3,290		-3,710		H4
Capital expenditure charged against balances	13,117		10,430		
Provision for the financing of capital investment	1,830	2,124	2,159	189,430	
<u>Adjustments involving the Capital Receipts Reserve:</u>					
Transfer of cash sale proceeds credited as part of the gain/ loss on disposal	6,318		5,617		H4
Contribution towards administrative costs of asset disposals	-36	6,282	-27	5,590	
<u>Adjustments involving the Financial Instruments Adjustment Account:</u>					
Amount by which finance costs charged to the HRA Income and Expenditure Account are different from those required by statutory regulations		-40		579	
Increase in the year on the HRA		<u>-2,754</u>		<u>-7,034</u>	
Balance at the end of the current year		<u>-35,770</u>		<u>-42,804</u>	

ADDITIONAL FINANCIAL STATEMENTS
KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2015/16

NOTES TO THE HRA

H1 Depreciation and revaluation gains/losses

The depreciation charge for council dwellings in 2015/16 is £15.4 million (2014/15 £15.4 million). Revaluations of council dwellings during the year resulted in £179.5 million gain (2014/15 £10.4 million net loss). This gain is a result of an increase in the adjustment factor used to arrive at the value of housing stock. 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 adjustment factor has been provided by the external valuer and for this region has increased from 31% to 41%. Increases in asset values are taken to the Income and Expenditure account not to the Revaluation Reserve if they reverse previous losses that have occurred on those assets. There are transitional arrangements in place permitting impairment and revaluation gains/losses to be reversed out in the Movement on the HRA statement to the leave the HRA balance unaffected.

There was a revaluation gain on investment properties of £0.7 million in 2015/16 (2014/15 nil).

H2 Movement in HRA Fixed Assets

	PPE Council Dwellings £000	Council Dwellings Held For Sale £000	Other Land and Buildings £000	PPE Surplus £000	Assets Under Construction £000	Investment Properties £000	Total Assets £000
Cost or Valuation							
At 1 April 2015	495,491	844	3,614	11	1,727	7,714	509,401
Additions	22,807	0	0	0	0	0	22,807
Revaluation increases recognised in the Revaluation Reserve	675	0	54	0	0	0	729
Revaluation increases recognised in Surplus on the Provision of Services	163,940	0	-5	0	0	732	164,667
De-recognition - disposals	-3,005	-700	0	0	0	-5	-3,710
Assets reclassified to(-)/ from Held for Sale	-1,780	1,780	0	0	0	0	0
Other movement in cost or valuation	1,991	0	34	-11	-1,727	0	287
At 31 March 2016	680,119	1,924	3,697	0	0	8,441	694,181
Accumulated Depreciation and Impairment							
At 1 April 2015	0	0	-165	0	0	0	-165
Depreciation charge	-15,468	0	-162	0	0	0	-15,630
Depreciation written out to the Revaluation Reserve	0	0	18	0	0	0	18
Depreciation written out to Surplus on the Provision of Services	15,526	0	7	0	0	0	15,533
Other movements in depreciation and impairment	-58	0	-3	0	0	0	-61
At 31 March 2016	0	0	-305	0	0	0	-305
Net Book Value							
at 1 April 2015	495,491	844	3,449	11	1,727	7,714	509,236
at 31 March 2016	680,119	1,924	3,392	0	0	8,441	693,876

ADDITIONAL FINANCIAL STATEMENTS
KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2015/16

H3 Fixed Asset Valuation

A revaluation of HRA dwellings was carried out as at 1 April 2015 by the District Valuer (North), who is RICS qualified. As at that date, the vacant possession value of dwellings was £1,583 million. The difference between this and the Balance Sheet value reflects the economic cost to the Government of providing council housing at less than open market rents.

Notwithstanding the requirement for a formal programme of revaluations, the Council is required to monitor values for material in year movements. After liaising with the Valuer, it was considered that there were no unusual or material movements during 2015/16 and asset values reflected in the accounts are as at 1 April 2015.

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 2015/16 was £1.9 million (2014/15 gain £3.0 million).

H5 Major Repairs Reserve

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

	2014/15	2015/16
	£000	£000
Balance at 1 April	0	0
Amount equivalent to depreciation	-15,566	-15,630
	-15,566	-15,630
Financing of new capital expenditure	8,816	11,457
Used to repay debt	6,750	4,173
Balance at 31 March	0	0

H6 Capital Expenditure and Sources of Finance

	2014/15	2015/16
	£000	£000
Capital Expenditure:		
Fixed Assets (including PFI)	23,957	22,806
Total Capital Expenditure	23,957	22,806
Financed by:		
Finance Lease (PFI)	76	-151
Major Repairs Reserve	-8,816	-11,457
Capital Receipts	-1,198	-417
Capital Grant and Contributions	-902	-351
Revenue	-13,117	-10,430
Total Sources of Finance	-23,957	-22,806

ADDITIONAL FINANCIAL STATEMENTS
KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2015/16

H7 Capital Receipts

	2014/15 £000	2015/16 £000
Capital receipts from sales of:		
Dwellings	-6,120	-5,245
Land	-273	-389
Clawback of legal title on Right to Buy sales	-14	0
Capital receipts from mortgage repayments	-6	-4
	-6,413	-5,638
Contribution to Housing Pooled Capital Receipts	1,790	2,087
Disposal costs	36	27
Usable capital receipts	-4,587	-3,524

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

H8 Housing Stock

The Council's housing stock at 31 March 2016 is analysed below by size and age:

	1	2	3	4+	
<u>By Size</u>	Bedroom	Bedrooms	Bedrooms	Bedrooms	Total
Houses/ Bungalows	2,793	5,671	4,591	339	13,394
Flats/ Bedsits and Maisonettes	7,039	2,421	116	0	9,576
	9,832	8,092	4,707	339	22,970
<u>By Age</u>	Pre 1945	1945-64	1965-74	Post 1974	
Houses/ Bungalows	5,785	5,403	1,549	657	13,394
Flats/ Bedsits and Maisonettes	191	2,367	3,896	3,122	9,576
	5,976	7,770	5,445	3,779	22,970

H9 Rent Arrears

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

	2014/15 £000	2015/16 £000
Rent Arrears	2,601	2,468
Less Bad Debt Provision	-927	-778
Net Rent Arrears	1,674	1,690

H10 Housing PFI

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

The Council incurred costs of £8.8 million under the contract in 2015/16 (2014/15 £8.6 million) and received £7.9 million in PFI Grant (2014/15 £7.9 million). Details of estimated payments due to be made are as follows:

ADDITIONAL FINANCIAL STATEMENTS
KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2015/16

	Service Charges £000	Interest Charges £000	Repayments of Liability £000	Total £000
In 2016/17	2,054	4,262	2,259	8,575
Between 2017/18 and 2020/21	9,697	15,498	9,782	34,977
Between 2021/22 and 2025/26	15,826	15,234	14,744	45,804
Between 2026/27 and 2030/31	18,238	9,861	20,060	48,159
Between 2031/32 and 2034/35	12,190	1,967	18,263	32,420
Total	58,005	46,822	65,108	169,935

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

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

	2014/15 £000	2015/16 £000
Net Book Value at 1 April	18,349	9,530
Additions	1,480	151
Revaluations	-10,080	3,948
Depreciation	-219	-243
Net Book Value at 31 March	9,530	13,386

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

	2014/15 £000	2015/16 £000
At 1 April	-62,824	-60,918
Movement in the year	1,906	2,008
At 31 March	-60,918	-58,910

H11 The Capital Asset Charges Accounting Adjustment

Impairment (including revaluation gains and losses) and REFCUS charges are included in the net cost of services in the HRA. However, they do not impact on the amount of income to be generated to achieve a balanced budget. The net effect of the Capital Asset Charges Accounting Adjustment is that any impairment and REFCUS charges are reversed out of the HRA, below net cost of services, whilst the HRA's share of interest costs (calculated in line with statutory "Item 8" determinations) is borne by the HRA.

	2014/15 £000	2015/16 £000
Interest costs (calculated in line with item 8 Determination)	14,791	13,947
Impairments/Revaluation gains and losses/REFCUS charges	-10,435	179,468
The Capital Asset Charges Accounting Adjustment	4,356	193,415

ADDITIONAL FINANCIAL STATEMENTS
KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2015/16

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.

	2014/15			2015/16			Note
	Business Rates £000	Council Tax £000	Total £000	Business Rates £000	Council Tax £000	Total £000	
Income							
Income from Council Tax		-164,999	-164,999		-168,786	-168,786	C1
Income Collectable from Business Ratepayers	-103,959		-103,959	-102,346		-102,346	C2
Contributions towards previous years' Collection Fund deficit	-3,304	0	-3,304	-6,166	0	-6,166	
Total Income	-107,263	-164,999	-272,262	-108,512	-168,786	-277,298	
Expenditure							
Precepts and demands -							
Central Government	52,019		52,019	52,493		52,493	
Kirklees Council	50,979	137,046	188,025	51,443	141,463	192,906	
West Yorkshire Fire and Rescue	1,040	6,309	7,349	1,050	6,513	7,563	
West Yorkshire Police		15,189	15,189		15,681	15,681	
Allowance for impairment of debt	1,803	2,619	4,422	1,149	1,761	2,910	
Provision for Appeals	277	0	277	1,063	0	1,063	
Cost of collection	613		613	611		611	
Transitional Protection Payment	1,072		1,072	209		209	
Interest paid on refunds	58		58	81		81	
Distribution of previous year's Collection Fund surplus		886	886		3,268	3,268	
Adjustment for Community Charges		1	1		0	0	
Total Expenditure	107,861	162,050	269,911	108,099	168,686	276,785	
Surplus(-)/Deficit	598	-2,949	-2,351	-413	-100	-513	
Balance at 1 April	10,084	-2,336	7,748	10,682	-5,285	5,397	
Balance at 31 March	10,682	-5,285	5,397	10,269	-5,385	4,884	C3

ADDITIONAL FINANCIAL STATEMENTS
KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2015/16

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						
2014/15				2015/16		
Number of Chargeable Dwellings	Band D Equivalent Dwellings	Average Council Tax	Band	Number of Chargeable Dwellings	Band D Equivalent Dwellings	Average Council Tax
		£				£
74	41	801.11	A (5/9)	75	42	817.24
50,446	33,630	961.33	A (6/9)	50,299	33,533	980.69
26,328	20,477	1,121.56	B (7/9)	26,580	20,673	1,144.13
26,112	23,211	1,281.78	C (8/9)	26,307	23,384	1,307.58
14,346	14,346	1,442.00	D (9/9)	14,455	14,455	1,471.03
10,038	12,269	1,762.44	E (11/9)	10,170	12,430	1,797.93
4,569	6,599	2,082.89	F (13/9)	4,621	6,675	2,124.82
1,869	3,115	2,403.33	G (15/9)	1,884	3,140	2,451.72
98	197	2,884.00	H (18/9)	93	187	2,942.06
	<u>113,885</u>		Total		<u>114,519</u>	
	-3,980		Estimated losses on collection		<u>-3,266</u>	
	<u>109,905</u>		Council Tax Base		<u>111,253</u>	

C2 Non-Domestic (Business) Rates

The Government specifies a multiplier and, subject to the effects of transitional arrangements and other reliefs, local businesses pay rates calculated by applying the multiplier to their rateable value. There are two multipliers – the national non-domestic rating multiplier of 49.3p (2014/15 48.2p) and the small business non-domestic rating multiplier of 48.0p (2014/15 47.1p) which is applicable to those that qualify for the 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.

	2014/15 £000	2015/16 £000
Non-domestic rate income 2015/16 (average rateable value £281,261,920.10)		-138,176
Non-domestic rate income 2014/15 (average rateable value £282,039,443.92)	-136,920	
Allowance and other adjustments (net)	32,961	35,830
	<u>-103,959</u>	<u>-102,346</u>

The actual non-domestic rateable value at 31 March 2016 was £281,094,949 (£282,514,049 at 31 March 2015).

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).

ADDITIONAL FINANCIAL STATEMENTS
KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2015/16

Leeds are the lead authority for the administration of the LCR Pool. The Pool is established for one year at a time, and the member authorities, including Kirklees, have confirmed their continued participation in the Pool in 2016/17.

The pooling proposals offer suitable groups of authorities (where there is a mixture of top-ups and tariffs) the opportunity to avoid or significantly reduce government levies for which their tariff authorities would otherwise be liable if they grow their business rates income by more than inflation. As a result of the latter, the LCR Pool was able to generate £3.4 million in 2015/16 for the benefit of all Pool members. It is anticipated that, after allowing for agreed expenses, it will be allocated to the Investment Fund established by the Leeds City Region.

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 2015 £000	Share of 2015/16 Surplus(-)/ Deficit £000	31 March 2016 £000
Council Tax and Community Charge			
Kirklees Council : Community Charge	-10	0	-10
Council Tax	-4,562	-84	-4,646
Collection Fund Adjustment Account – Council Tax	-4,572	-84	-4,656
West Yorkshire Police Authority – Council Tax	-503	-12	-515
West Yorkshire Fire and Rescue Authority – Council Tax	-210	-4	-214
	-5,285	-100	-5,385
Business Rates			
Kirklees Council – Business Rates	5,234	-202	5,032
Collection Fund Adjustment Account - Business Rates	5,234	-202	5,032
Central Government - Business Rates	5,341	-207	5,134
West Yorkshire Fire and Rescue Authority – Business Rates	107	-4	103
	10,682	-413	10,269

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.

GROUP ACCOUNTS

INTRODUCTION

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

The Group Accounts include:

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

The Council's Group Accounts for 2015/16 are made up of the accounts of the Council, a wholly owned subsidiary (Kirklees Neighbourhood Housing Limited) and a joint venture (Kirklees Stadium Development Company). This represents a change from 2014/15 where a further subsidiary (Kirklees Metropolitan Development Company) and joint venture (Kirklees Henry Boot Partnership Limited) were also included, plus five associates (Calderdale & Kirklees Careers, Kirklees Active Leisure, Kirklees Community Association, Kirklees Music School and Kirklees Theatre Trust). Although the Council still maintains a significant interest in and level of control in these companies, following a thorough review of company transactions and their impact on the Group Accounts, it has been concluded that the transactions of the associates and joint ventures are not material and therefore will not be included in the Group Accounts from 2015/16 onwards, unless the level of activity or control of a particular company significantly changes. The related party transactions of the companies now excluded from the Group Accounts are reported in the single entity accounts, where material.

The Group Accounts have been prepared on the basis of a full consolidation of the financial transactions and balances of the subsidiary aforementioned. The subsidiary is consolidated using "the acquisition method". The consolidation has been prepared in accordance with the IFRS Code and CIPFA's Group Accounts in Local Authorities Practitioners' Workbook. Any divergences from these recommended practices are explained in the notes to the Group Accounts.

Kirklees Neighbourhood Housing Limited (KNH)

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

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

In 2015/16, the Company made an operating deficit of £1.221 million (operating deficit £0.544 million 2014/15). The figures including the effects of IAS19 are an operating surplus of £0.489 million (operating deficit of £4.622 million 2014/15).

As at 31 March 2016, the Company had net assets of £2.315 million (£2.364 million at 31 March 2015). The figures including the effects of IAS19 are net liabilities of £5.107 million (£6.768 million at 31 March 2015).

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 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 2016.

In 2015/16, based on the Council's interest and adjusted in line with the Group's accounting policies, the Company made an operating deficit of £0.098 million (operating deficit £0.172 million 2014/15). Similarly, as at 31 March 2016, the Company had net assets of £5.743 million (£5.892 million at 31 March 2015).

GROUP ACCOUNTS

KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2015/16

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	Earmarked General Fund Reserves £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	Note
Balance at 31 March 2014	-44,230	-89,849	-33,016	-28,119	-195,214	-363,473	-558,687	-1,024	-5,066	-564,777	
Movement in reserves during 2014/15											
Surplus(-)/Deficit on the provision of services	73,536	0	-25,951	0	47,585	0	47,585	16,127	0	63,712	
Other Comprehensive Income and Expenditure (see CIES)	0	0	0	0	0	82,762	82,762	3,960	106	86,828	
Total Comprehensive Income and Expenditure	73,536	0	-25,951	0	47,585	82,762	130,347	20,087	106	150,540	
Adjustments between group and authority accounts	-1,387	0	14,830	0	13,443	0	13,443	-14,676	1,233	0	G2
Adjustments between accounting & funding basis under regulations	-73,575	0	8,367	3,944	-61,264	61,264	0	0	0	0	
Net Increase(-)/Decrease before Tx's to/from Earmarked Reserves	-1,426	0	-2,754	3,944	-236	144,026	143,790	5,411	1,339	150,540	
Transfers to(-)/from Earmarked Reserves	7,607	-7,607	0	0	0	0	0	0	0	0	
Increase(-)/Decrease in 2014/15	6,181	-7,607	-2,754	3,944	-236	144,026	143,790	5,411	1,339	150,540	
Balance at 31 March 2015 carried forward	-38,049	-97,456	-35,770	-24,175	-195,450	-219,447	-414,897	4,387	-3,727	-414,237	
Balance at 31 March 2015 c/f (adjusted)	-38,049	-97,456	-35,770	-24,175	-195,450	-219,447	-414,897	5,048	-4,173	-414,022	G4
Movement in reserves during 2015/16											
Surplus(-)/Deficit on the provision of services	88,122	0	-217,610	0	-129,488	0	-129,488	14,317	0	-115,171	
Other Comprehensive Income and Expenditure (see CIES)	0	0	0	0	0	-62,216	-62,216	-3,306	0	-65,522	
Total Comprehensive Income and Expenditure	88,122	0	-217,610	0	-129,488	-62,216	-191,704	11,011	0	-180,693	
Adjustments between group and authority accounts	-2,455	0	14,977	0	12,522	0	12,522	-12,522	0	0	G2
Adjustments between accounting & funding basis under regulations	-63,318	0	195,599	-239	132,042	-132,042	0	0	0	0	
Net Increase(-)/Decrease before Tx's to/from Earmarked Reserves	22,349	0	-7,034	-239	15,076	-194,258	-179,182	-1,511	0	-180,693	
Transfers to(-)/from Earmarked Reserves	-10,272	10,272	0	0	0	0	0	0	0	0	
Increase(-)/Decrease in 2015/16	12,077	10,272	-7,034	-239	15,076	-194,258	-179,182	-1,511	0	-180,693	
Balance at 31 March 2016 carried forward	-25,972	-87,184	-42,804	-24,414	-180,374	-413,705	-594,079	3,537	-4,173	-594,715	G4

GROUP COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT (CIES)

This statement sets out the income and expenditure relating to the Group, together with any appropriations to reserves.

	2014/15			2015/16		
	Gross Exp £000	Gross Income £000	Net Exp £000	Gross Exp £000	Gross Income £000	Net Exp £000
Children's and Education Services	428,534	-310,421	118,113	414,505	-300,252	114,253
Adult Social Care	142,100	-46,053	96,047	147,040	-49,656	97,384
Housing (HRA)	74,324	-96,696	-22,372	62,243	-275,005	-212,762
Housing (Non HRA)	139,031	-124,843	14,188	136,456	-121,903	14,553
Highways and Transport Services	60,076	-13,376	46,700	59,958	-13,919	46,039
Cultural	42,992	-4,264	38,728	43,103	-4,700	38,403
Environmental and Regulatory	33,019	-7,239	25,780	45,646	-7,586	38,060
Planning	17,696	-7,342	10,354	14,544	-6,964	7,580
Public Health	23,265	-24,307	-1,042	27,657	-25,661	1,996
Central services to the public	11,597	-3,519	8,078	11,524	-3,298	8,226
Corporate and democratic core	6,520	-14	6,506	6,033	-15	6,018
Non distributed costs	9,213	-45	9,168	8,950	-2,671	6,279
Cost of Services	988,367	-638,119	350,248	977,659	-811,630	166,029
Other operating expenditure			19,090			18,195
Financing and investment income and expenditure			51,370			33,761
Taxation and non-specific grant income			-356,966			-333,258
Surplus(-)/Deficit on Provision of Services			63,742			-115,273
Associates and joint ventures accounted for on an equity basis			-32			98
Tax expenses of subsidiaries			1			4
Tax expenses of associates and joint ventures			1			0
Group Surplus(-)/Deficit			63,712			-115,171
Surplus(-)/Deficit on revaluation of PPE and Heritage assets			8,194			-6,560
Impairment losses on non-current assets to the Revaluation Reserve			3,450			314
Surplus on revaluation of available for sale financial assets			-532			-113
Remeasurements of the net defined benefit liability			74,414			-59,215
Share of other comprehensive income and expenditure of associates and joint ventures			1,302			52
Other Comprehensive Income and Expenditure			86,828			-65,522
Total Comprehensive Income and Expenditure			150,540			-180,693

GROUP BALANCE SHEET

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

	31 March 2015 £000	31 March 2016 £000	Note
Property, Plant & Equipment	1,371,285	1,511,803	
Heritage Assets	35,648	37,172	
Investment Property	85,400	89,463	
Intangible Assets	4,434	3,039	
Long Term Investments	1,160	1,881	
Investments in Associates and Joint Ventures	10,953	5,743	
Long Term Debtors	28,446	27,683	
Long Term Assets	1,537,326	1,676,784	
Inventories	2,371	2,719	
Short Term Debtors	67,457	52,934	
Assets Held for Sale	1,088	1,924	
Cash and Cash Equivalents	32,486	33,687	G3
Current Assets	103,402	91,264	
Short Term Borrowing	-26,115	-20,920	
Short Term Creditors	-72,520	-73,037	
Other Short Term Liabilities	-5,090	-4,993	
Provisions	-4,637	-4,959	
Current Liabilities	-108,362	-103,909	
Liabilities in Associates and Joint Ventures	-4,260	0	
Long Term Borrowing	-422,646	-408,402	
Other Long Term Liabilities	-691,223	-661,022	
Long Term Liabilities	-1,118,129	-1,069,424	
Net Assets	414,237	594,715	
Usable Reserves	-191,063	-176,837	
Unusable Reserves	-223,174	-417,878	G4
Total Reserves	-414,237	-594,715	

GROUP CASH FLOW STATEMENT

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

	2014/15		2015/16		Note
	£000	£000	£000	£000	
Net surplus(-)/deficit on the provision of services		63,742		-115,273	
Adjustments to net surplus(-)/deficit on the provision of services for non-cash movements		-162,060		27,342	
Adjustment for items included in the net surplus(-)/deficit on the provision of services that are investing and financing activities		35,651		29,288	
Net cash flows from Operating Activities		<u>-62,667</u>		<u>-58,643</u>	
Net cash flows from Investing Activities					
Purchase of PPE, investment property and intangible assets	72,559		64,030		
Purchase of short-term and long-term investments	2,075		1,120		
Proceeds from the sale of PPE, investment property and intangible assets	-12,987		-11,808		
Proceeds from short-term and long-term investments	-2,258		-942		
Other receipts from investing activities	-23,902	35,487	-18,264	34,136	
Net cash flows from Financing Activities					
Cash receipts of short and long-term borrowing	-74,845		-5,860		
Other receipts from financing activities	-459		-1,074		
Cash payments for the reduction for the outstanding liabilities relating to finance leases and PFI contracts	5,132		4,926		
Repayments of short and long-term borrowing	93,558		25,314		
Other payments for financing activities	726	24,112	0	23,306	
Net increase in cash and cash equivalents		<u>-3,068</u>		<u>-1,201</u>	
Cash and cash equivalents at the beginning of the reporting period		29,418		32,486	G3
Cash and cash equivalents at the end of the reporting period		32,486		33,687	G3

G1 Accounting Policies

The main accounting policies to which the Council now complies with under IFRS for Group Accounts are IAS27 “Consolidated and Separate Financial Statements” and IAS31 “Interests in Joint Ventures”.

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

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

Pensions

The Council is required to account for its group companies with defined benefit pension schemes using IAS19. The specific accounting treatments of IAS19 are detailed in the single entity’s accounting policies.

KNH has a defined benefit pension scheme and accounts for this under Financial Reporting Standard 17. For group consolidation, figures have had to be converted to an IAS19 basis. Companies are not allowed to reverse out the effect of pension accounting entries, unlike local authorities. This means that they must be accounted for in the Group CIES, rather than by an appropriation to/from a pension reserve.

Tangible Fixed Assets

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

Due to its size and unique nature, the stadium owned by KSDL has not been revalued and is held on the Balance Sheet at historical cost.

G2 Adjustment between Group Accounts and Authority Accounts in the Group Movement in Reserves Statement

This note details the adjustments between group accounts and authority accounts which is needed because the movements in the authority’s reserves may be affected by the consolidation adjustments. The entry to balance the adjustment to the authority’s balances has been made against the usable reserves of the Group.

	General Fund Balances	Earmarked General Fund Reserves	Housing Revenue Account	Useable Capital Reserves	Total Council Usable Reserves	Total Council Unusable Reserves	Total Council Reserves	Group Entities Usable Reserve	Group Entities Unusable Reserves	Total Group Reserves
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
2014/15										
Purchase of goods and services from subsidiaries	-2,620	0	14,830	0	12,210	0	12,210	-12,210	0	0
Devco – transfer of assets	1,233	0	0	0	1,233	0	1,233	-2,466	1,233	0
Total adjustments between Group	-1,387	0	14,830	0	13,443	0	13,443	-14,676	1,233	0
2015/16										
Purchase of goods and services from subsidiaries	-2,455	0	14,977	0	12,522	0	12,522	-12,522	0	0
Total adjustments between Group	-2,455	0	14,977	0	12,522	0	12,522	-12,522	0	0

GROUP ACCOUNTS

KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2015/16

G3 Cash and Cash Equivalents

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

	Devco £000	KNH £000	Council £000	Total £000
Cash held	0	1	81	82
Bank current accounts	113	1,175	5,326	6,614
Instant access interest accounts	0	2,366	38,753	41,119
	113	3,542	44,160	47,815
Cash in transit	0	0	504	504
BACs payments and cheques not yet cleared	0	0	-15,833	-15,833
Total Cash and Cash Equivalents as at 31 March 2015	113	3,542	28,831	32,486
Cash held		1	34	35
Bank current accounts		42	5,193	5,235
Instant access interest accounts		2,488	38,374	40,862
		2,531	43,601	46,132
Cash in transit		0	1,630	1,630
BACs payments and cheques not yet cleared		0	-14,075	-14,075
Total Cash and Cash Equivalents as at 31 March 2016		2,531	31,156	33,687

G4 Unusable Reserves

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

	Kirklees Henry Boot Partnership £000	Kirklees Community Association £000	KSDL £000	Council £000	Total £000
Capital Adjustment Account	305	0	-4,173	-604,591	-608,459
Revaluation Reserve	0	84	0	-175,935	-175,851
Pensions Reserve	0	0	0	546,489	546,489
Other	57	0	0	14,590	14,647
Balance at 31 March 2015	362	84	-4,173	-219,447	-223,174
Balance at 31 March 2015 (adjusted)	0	0	-4,173	-219,447	-223,620
Capital Adjustment Account			-4,173	-775,358	-779,531
Revaluation Reserve			0	-171,404	-171,404
Pensions Reserve			0	522,917	522,917
Other			0	10,140	10,140
Balance at 31 March 2016			-4,173	-413,705	-417,878

The unusable reserves figures have been adjusted as at 31 March 2015 to eliminate the balances pertaining to the companies no longer included in the 2015/16 Group Accounts. Similarly, adjustments have also been made to the usable reserves figure (£0.661 million).

G5 Related Party Transactions

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

Kirklees Neighbourhood Housing Limited

During 2015/16, KNH incurred costs of £2.455 million (2014/15 £2.551 million) for Council services including insurance and office accommodation.

The Council incurred costs of £14.373 million (2014/15 £14.247 million) in relation to KNH's management fee. At 31 March 2016, £0.006 million was outstanding (31 March 2015 £0.974 million).

Kirklees Stadium Development Limited

The Council made grant payments totalling £0.142 million to KSDL (2014/15 £0.133 million). The Council guarantees a loan for the Company. This is detailed in the Contingent Liabilities note in the Council accounts.

G6 Notes to the Cash Flow Statement

The cash flows of KNH are consolidated into the statement -

KNH - The Company has a Net Cash outflow of Operating Activities of £1.011 million (2014/15 £0.381 million Net Cash inflow).

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 changes 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, consumption, or other reduction in the useful economic life of a fixed asset, whether arising from use, passage of time or obsolescence through technological or other changes.

Existing Use Value (EUV)

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

Existing Use Value – Social Housing (EUV – SH)

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

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

Fair Value

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

Financial Instruments

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

General Fund

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

Heritage Assets

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

Housing Revenue Account (HRA)

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

Impairment

A reduction in the value of a fixed asset below its carrying amount on the balance sheet.

Infrastructure Assets

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

Intangible Assets

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

Interest Cost (Pensions)

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

Leasing

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

Live Condition – Grant

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

Net Realisable Value

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

Non-Domestic Rates (also known as Business Rates)

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

Non-distributed Costs

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

Past Service (Pensions) Costs

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

Precept

This is a charge levied by a local council 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.



Independent auditor's report to the members of Kirklees Council

We have audited the financial statements of Kirklees Council for the year ended 31 March 2016 on pages 18 to 110. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

This report is made solely to the members of the Council, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014. Our audit work has been undertaken so that we might state to the members of the Council, as a body, those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the members of the Council, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Director of Resources and auditor

As explained more fully in the Statement of the Director of Resources Responsibilities, the Director of Resources is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16, and for being satisfied that the financial statements give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Council's and the Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Director of Resources; and the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Narrative Statement to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of the Council and the Group as at 31 March 2016 and of the Council's and the Group's expenditure and income for the year then ended;
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

Matters on which we are required to report by exception

The Code of Audit Practice requires us to report to you if:

- the Annual Governance Statement set out on pages 118 to 125 does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007; or
- the information given in the Narrative Statement for the financial year for which the financial statements are prepared is not consistent with the financial statements; or
- any matters have been reported in the public interest under Section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of, the audit; or
- any recommendations have been made under Section 24 of the Local Audit and Accountability Act 2014; or
- any other special powers of the auditor have been exercised under the Local Audit and Accountability Act 2014.

We have nothing to report in respect of these matters.

Conclusion on Kirklees Council's arrangements for securing economy, efficiency and effectiveness in the use of resources

Council's responsibilities

The Council is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

Auditor's responsibilities

We are required under Section 20(1) (c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Comptroller and Auditor General (C&AG) requires us to report to you our conclusion relating to proper arrangements.

We report if significant matters have come to our attention which prevent us from concluding that the Council has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the C&AG in November 2015, as to whether Kirklees Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The C&AG determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether Kirklees Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2016.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, Kirklees Council had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Conclusion

On the basis of our work, having regard to the guidance issued by the C&AG in November 2015, we are satisfied that, in all significant respects, Kirklees Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2016.

Certificate

We certify that we have completed the audit of the financial statements of Kirklees Council in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

John Graham Prentice, FCCA MBA

For and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

1 Sovereign Square
Sovereign Street
Leeds
LS1 4DA

23 September 2016

Kirklees Council

Annual Governance Statement 2015/16

Scope of responsibility

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 and 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, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, Kirklees Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and which includes arrangements for the management of risk. Kirklees Council has a Code of Corporate Governance, which is consistent with the principles of the CIPFA/SOLACE framework *Delivering Good Governance in Local Government as updated in 2012*. A copy of the Code is available from the Monitoring Officer.

This Statement explains how the Council has complied with the Code and also meets the requirements of Accounts and Audit Regulations 2015, regulation 6, which requires all relevant bodies to publish an annual governance statement to accompany their Statement of Accounts.

This Statement aims to provide assurance about the Council's governance framework to enable users of the accounts to be satisfied that proper arrangements are in place to govern spending and safeguard assets. Where improvements are needed, brief information is provided about the key issues and the main areas of work that have been progressed during 2015/16 and are being developed going forward in 2016/17.

The purpose of the governance framework

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

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Kirklees Council's policies, aims and objectives, to evaluate the likelihood and potential impact of those risks being realised, and to manage them efficiently, effectively and economically.

Kirklees Council has been working to its Code of Corporate Governance for the year ended 31 March 2016 and up to the date of approval of the Statement of Accounts.

The governance framework

Key elements of the systems and processes that comprise Kirklees Council's governance include arrangements for:

- a Leader and Cabinet model of governance;
- identifying and communicating the Council's vision of its purpose, its shared priorities with its partners and intended outcomes for residents and service users;

- reviewing the shared and Council priorities and their implications for the governance arrangements – Leadership Management Team provides an informal forum for Cabinet members and officers to air and consider new ideas and proposed changes and enables officers to prepare policies and formal reports for the Cabinet and Council meetings to consider and approve;
- a Corporate Plan that outlines how officers will seek to run the Council to meet our community commitments at the same time as achieving our objectives within the continuing and significant financial constraints on the Council over the medium term. The 2015/16 Plan acknowledged the £83 million savings already made and the further £69 million still to be realised by 2018. It also explained that the direction of travel is to become a very different Council; a modern, flexible and emotionally intelligent organisation, a New Council, one which:
 - connects ideas, people and resources across boundaries of all kinds, supporting communities to harness and build on their strengths;
 - focuses on creating trust and synergy between the institutions, businesses and citizens in Kirklees;
 - will continue to provide a consistent level of basic services but will target limited resources as appropriate to meet community needs and strive to maximise the impact of all our services by collaborating with others;
 - safeguards vulnerable citizens but wherever possible, seeks to not just provide a safety net but also a route to help people control their own lives and to stay safe and well.

There are 2 key strategies linked to New Council:

- Kirklees Economic Strategy – to build resilience with more, better jobs: this involves working together regionally for local economic benefit with neighbouring councils via West Yorkshire Combined Authority and the Leeds City Region, with future opportunity for more local control over powers and funding to deliver economic growth akin to Greater Manchester. We aim for Kirklees to be recognised as best place to do business in the north of England and one where people prosper and flourish in all communities.

- Joint Health & Wellbeing Strategy - to implement a vision that means that

- people in Kirklees are as well as possible, for as long as possible, both physically and psychologically;
- local people can control and manage life challenges;
- people have a safe, warm, affordable home in a decent environment within a support community;
- people take up opportunities that have a positive impact on their health and wellbeing.

Both strategies seek to improve the health, wellbeing and life chances of local people during times of change, reduced public spending and difficult economic circumstances. Strong connections have been built in to developing the two strategies and both share the same aim. The aim is that Kirklees is a district combining great quality of life and a strong and sustainable economy – leading to thriving communities, growing businesses, high prosperity and low inequality and where people enjoy better health throughout their lives.

Change of this magnitude will require the best efforts of the whole council, so councillors have supported this approach by agreeing 12 cross party principles that underpin the council's approach to delivering New Council.

- Governance arrangements for oversight and delivery of New Council for much of 2015/16 were vested in a Programme Board sponsored by the Executive Team (ET) and chaired by the Director Lead for New Council, the Director of Place, and incorporated two sub groups, Finance Reference Group and a Transformation Board. Programme Board included leads for the two key priorities of Economic Resilience & Early Intervention & Prevention. The Board's Terms of Reference placed overall responsibility with ET for resource allocation decisions, defining the direction of the Council and ensuring ongoing overall alignment

within the Council's strategic direction but delegated responsibility for leading the Programme to the Chair of the Board. Recent changes to these arrangements are explained overleaf on page 120.

- measuring the quality of services for users, for ensuring they are delivered in accordance with the Council's objectives and for ensuring that they represent the best use of resources.
- a Monitoring Officer with responsibility for defining and documenting the roles and responsibilities of the executive, non-executive, scrutiny and officer functions in the Constitution, with clear delegation arrangements and protocols for effective communication, and ensuring the legality of the Authority's actions.
- a local Code of Conduct for Members and Standards process to deal with complaints about the behaviour of Members in their role as councillors.
- developing, communicating and embedding codes of conduct defining the standards of behaviour for members and staff; reviewing and updating rules of procedure, (latterly through the work of the Members Commission, a cross party working group which refreshed the member / officer working protocol); contract & financial procedure rules; and a scheme of officer delegation and supporting procedure notes / manuals, which clearly define how decisions are taken and the internal control environment required to identify and manage risks in accordance with the Risk Management Strategy.
- the Director of Resources as statutory S151 Officer is a professionally qualified accountant and reports directly to the Chief Executive as a member of the ET, as part of ensuring that the financial management arrangements conform with all of the governance requirements of the five principles that define the core activities and behaviours that belong to the role in the CIPFA Statement on *The Role of the Chief Financial Officer in Local Government (2010)*.
- a performance management system that identifies, validates and reports the organisational achievement against planned actions, performance indicators and targets for consideration by Scrutiny Committees, Cabinet and Directors. Linked to this the Council adopted six new corporate behaviours – honest, respectful, positive, communicative, flexible & supportive – that underpin the way the Council will work towards New Council and become embedded via a revised staff appraisal system.
- Independent review of the key financial systems, principal business risks and controls and value for money arrangements by internal audit and the external auditor.
- a mechanism to enable both employees and the public to anonymously share concerns through the whistle blowing arrangements.
- a system for receiving, investigating and reporting the outcome of complaints from residents and service users as well as requesting information about the Council's activities and about themselves under the Freedom of Information and Data Protection legislation.
- nominated senior manager(s) to act as the *Caldicott Guardian* responsible for protecting the confidentiality of patient and service-user information and enabling appropriate information-sharing in conjunction with the Council's information governance and security policies and arrangements.
- Performance Overview & Scrutiny arrangements.
- the Corporate Governance & Audit Committee (CGAC), which operates in accordance with best practice, including ensuring compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful, primarily by receiving an annual opinion on the internal control environment from the Head of Audit & Risk.
- incorporating good governance arrangements in respect of partnerships and other group working and reflecting these in the Council's overall governance arrangements.
- an Information Governance Board which is responsible for overview of the Council's approach and ensuring it is compliant with relevant standards and legislation.
- The Director of Resources monitors and reports on the financial effectiveness of the subsidiary and joint venture company, whose accounts are subject to external audit, albeit that the joint venture company has a different financial year. In addition, the Council provides an internal audit service to Kirklees Neighbourhood Housing (KNH) Limited and the Company's governance arrangements include an Audit Committee.

Review of effectiveness

Kirklees Council has a legal responsibility for conducting, at least annually, a review of the effectiveness of its governance framework and that of the other parts of its Group activities such as KNH, including the system of internal control. The review of effectiveness is informed by the work of the executive managers within the Council who have responsibility for the development and maintenance of the governance environment, the Head of Audit & Risk's annual report, and also by comments made by the external auditors and other review agencies and inspectorates. The Council has four bodies / committees jointly responsible for monitoring and reviewing governance. These are:

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

Review of effectiveness of the system of internal audit

In accordance with the requirements of the Accounts and Audit Regulations and Public Sector Internal Audit Standards (PSIAS), the Council conducts an annual review of the effectiveness of its system of internal audit to be considered as part of its governance assurance processes, including the production of the AGS.

Responsibility for the review rests with the CGAC. The 2015/16 review approved by the CGAC 22 April 2016 demonstrated that we have an effective system of internal audit including a policy framework, internal audit function, Audit Committee and effective management engagement. The Head of Audit & Risk has reported on the current degree of compliance with the PSIAS and this will be monitored by the CGAC. KPMG, our external auditors, confirmed that, where required, they take assurance from the quality and extent of internal audit work done in 2015/16, including assurance over the core financial systems activity.

Head of Audit and Risk Annual Assurance Opinion 2015/16

The Head of Audit and Risk is responsible for providing an independent opinion on the adequacy and effectiveness of the Council's systems of internal control. This is delivered through an annual risk based programme of audit work designed to raise standards of governance, risk management and internal control across the Council. Internal Audit Quarterly Summary Reports are presented to the CGAC to provide assurance that the annual programme is being delivered as planned. This culminates in the Annual Opinion Report.

Based on the programme of planned Internal Audit work and other than in respect of a small number of significant control issues that have arisen during the year, the Head of Audit and Risk has provided assurance that the Council's systems of governance, risk management and internal control are generally sound and operate reasonably consistently across Services. There is no specific governance, risk management or internal control issue which causes any qualification of the above opinion.

The main issue and priority, as recognised by management, continues to be that the Council sustains and completes the programme of transformational change and embeds improvement across the Council whilst maintaining service delivery and the effective operation of key controls. In a Council of Kirklees' size and complexity, with its significant change agenda and the impact of the Comprehensive Spending Review settlement, there is a heightened risk of reduced compliance with control mechanisms, particularly where roles and systems are changing.

Areas of potential risk and areas for improvement have been identified, recommendations have been made to address the risk, and management action plans have been agreed.

A review of conformance with the CIPFA Code of Practice on Managing the Risk of Fraud & Corruption was undertaken during the year. Having considered all the principles, we are satisfied that, subject to the actions identified below, the Council has adopted a response that is appropriate for its fraud and corruption risks and commits to maintain its vigilance to tackle fraud.

Policy documents have been amended, including the fraud risk assessment. Further action to be taken by the Director of Resources to manage the risk of fraud during 2016/17 involves increasing the extent of training about fraud awareness.

External Auditor's Review of the Effectiveness of our Governance Arrangements

During the year the External Auditor's Annual Report to those charged with Governance confirmed

- an unqualified opinion on the Council's 2014/15 financial statements; and
- an unqualified VFM conclusion, stating that we have made proper arrangements to secure economy, efficiency and effectiveness in our use of resources.

Corporate Governance & Audit Committee

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

During 2015/16 the CGAC has reviewed a number of aspects of the Council's governance arrangements and noted or approved revisions or made recommendations to Council as appropriate, including:

- Revision to parts of the Constitution which were approved and subsequently passed at Annual Council. Council, Contract and Financial Procedure Rules for 2015/16 having been revised by Council in March 2015
- Establishing a Corporate Parenting Board - reflecting the collective responsibility, including that of elected councillors, to provide the best care and safeguarding for children who are looked after by the Council
- Amending the Overview and Scrutiny Articles within the Constitution to bring the membership requirements in line with the appointments made at Annual Council on 20 May 2015
- Proposed changes to Statutory Process for Dismissal Procedures for Senior Officers
- Whistleblowing - Changes to the Whistleblowing Strategy Document
- External Audit reports
- Corporate Customer Standards Annual Report 2014/15
- Information Governance Annual Report 2014/15
- Annual Performance Report 2014/15
- Scrutiny Call-in Protocol
- Code of Corporate Governance
- Officers' Scheme of Delegation regarding Licensing
- Report of the Members' Allowances Independent Review Panel
- Review of Planning Committees progress
- the Head of Audit & Risk's Quarterly and Annual Reports
- the Treasury Management Strategy – confirmed ongoing compliance with the CIPFA Code of Practice and various statutory requirements.

Overview & Scrutiny Committee

During 2015/16 the Committee has reviewed a number of aspects of the Council's governance arrangements including:

- Overviews of Early Intervention & Prevention and Economic Resilience
- Call-ins of Parks & Open Spaces Maintenance Standards, Libraries and Mirfield Community Centre Asset Transfer
- Joint Health & Wellbeing Strategy
- Community Safety Partnership Plan
- Children's Safeguarding Board Annual update
- A protocol of effective working with Health Scrutiny, Health & Wellbeing Board and Healthwatch in the Kirklees District

Annual Review of the role of the Chief Financial Officer

The Council has undertaken a review of the role of its Chief Financial Officer (CFO), the Director of Resources, against the governance arrangements set out in the CIPFA Statement which are required to ensure the CFO is able to operate effectively and perform their core duties as part of

the review of the Constitution. The Council’s financial management arrangements fully conform to those set out in the Statement.

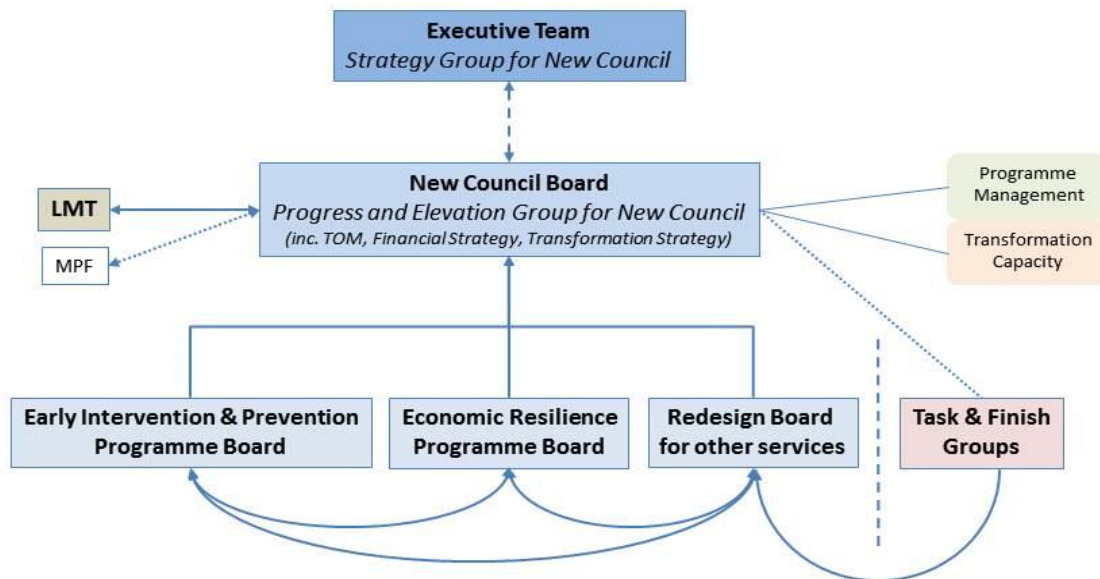
Significant Partnerships

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. No partnership was considered high risk and no significant governance issues were identified by audit work during 2015/16.

New Council Officer Governance

ET has reflected on the arrangements in light of the pace of change now required to deliver New Council Programme within the context of the MTFP and concluded that structural changes are needed to lead, manage and resource delivery of the Programme with renewed rigour and help unblock any barriers to progress and savings. These include the recent establishment of a Progress and Escalation Board chaired by the new role of Deputy Chief Executive, alongside the Director of Resources and Director of Communities, Transformation and Change, together with three Programme Boards managing the early intervention and prevention and economic resilience key priorities, and the third responsible for re-designing ways of working and identifying and delivering savings. ET is now more strategically placed to oversee the work of these boards & respond to escalated issues. These changes are illustrated below.

New Council Governance



Integral to these arrangements are the creation of task and finish boards to resolve specific issues. An immediate example of this is a Children's Services Development Board, chaired by the Chief Executive, set up to drive implementation of a development plan which addresses issues of inconsistent social work practice identified by quality oversight.

These new officer governance arrangements are subject to both cabinet and scrutiny oversight.

We have been advised on the implications of the results of the above review of effectiveness of the governance framework by the Corporate Governance and Audit Committee, and that the arrangements continue to be regarded as fit for purpose in accordance with the governance framework. The areas already addressed and those to be specifically addressed with ongoing and revised actions planned are outlined below.

Progress on significant governance issues in last year's Statement

1. Achieving objectives with significantly less resources in the context of decreasing resources from central government and increasing demand pressures locally continues to be the single biggest challenge facing the Council, even more so as the pace of change in which the move to New Council is required is accelerating.

Council approved budget plans including the planned drawdown of Council general fund reserves to achieve a balanced budget in 2016/17. However, there is acknowledged to be a remaining £16 million budget gap the following year, which is forecast to increase to £38 million by 2019/20. This is covered by the efficiency statement to be submitted to Government in October 2016.

Recent structural changes have been made to the governance arrangements that support the delivery of the Council's New Council Programme as described above.

2. Risk Management arrangements were slightly simplified during 2015/16, although these simplifications will not necessarily address the continuing doubts that arrangements are embedded fully across the Council at all levels of the organisation, although there is careful consideration of the risk of pursuing different options as a part of officer assessment of potential changes to the organisation. For example, following the Cabinet approving 'in principle' the transfer of building services to KNH by 2017, a programme board has been set up to ensure robust governance arrangements are in place to oversee the transfer, including key risk considerations and potential mitigations, to ensure a successful transfer is implemented to timescale.
3. The Council's Code of Corporate Governance has been reviewed and approved now by the Corporate Governance & Audit Committee.
4. Embedding fully the integrated financial system (SAP) to take advantage of the opportunity for the technology to empower operational staff and managers and to ensure projected back office savings are realised.

Officers continue to explore and review changes and innovations that will help to change the back office processes and way of doing business envisaged in the original business case. Savings are being realised from centralised functions to reflect the upfront investment. As this initiative moves to business as usual, additional system and organisational development work will be required to leverage further efficiencies.

5. Contract Procedure Rule & EU Procurement Regulation Compliance.

Changes to EU Regulations and an increasingly litigious commercial culture as awareness of bidders' rights has developed have raised the financial and reputational risks for the Council of failing to comply with due process in its major procurement, as a result of challenges from unsuccessful bidders.

The Council continues to take steps to improve its control processes to seek to minimise the risk incumbent in such processes.

ANNUAL GOVERNANCE STATEMENT
KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2015/16

6. The Government's IT connectivity requirements to enable Public Health & Adults Services in particular to continue to conduct business as normal with the NHS potentially represent a considerable challenge for the Council.

The Information Governance Board has overseen accreditation of the Department of Health's Toolkit Level 2 this year and will continue to monitor compliance of this and other government requirements.

The annual review of governance effectiveness described above has not identified any additional significant governance issues in the current year.

We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Signed:

D Sheard
Leader of the Council

A Lythgo
Chief Executive