

# KIRKLEES COUNCIL

## STATEMENT OF ACCOUNTS 2014/2015

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## **Introduction**

I am pleased to introduce the Council's Statement of Accounts for 2014/15. These accounts demonstrate the Council's financial performance for the year ended 31 March 2015. The accounts of such a large and diverse organisation are by their nature complex and technical, and the purpose of this explanatory foreword is to offer interested parties a more understandable guide to the most significant matters reported.

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 2015**
- **Cash Flow Statement**

Each 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](http://www.kirklees.gov.uk/accounts).

## **Financial Performance of the Council**

### Revenue Budget

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 Revenue Budget for 2014/15 was approved at Council on 19 February 2014. The focus was on achieving a balanced budget for 2014/15 and that savings required for 2015/16 and 2016/17 would be considered in due course, as part of 2015-18 budget preparation informed by the Council's comprehensive spending review exercise. To achieve a balanced budget for 2014/15, Directorates set out plans totalling £14.0 million net revenue savings, with balances being used to meet the remaining funding gap.

A Budget of £324.6 million was set which included parish precepts of £0.4 million. This was to be funded by Revenue Support Grant (£88.3 million) and Business Rates Top-Up Grant (£20.8 million), Unringfenced Grants (£22.6 million), Local Share of Business Rates (£50.9 million), Council Tax (£136.2 million, net of a repayment for Collection Fund deficit balances) and a planned contribution from General Fund Balances of £5.8 million.

### Actual Net Revenue Expenditure

The Council's revenue expenditure is summarised in two of the core statements. The first is the Comprehensive Income and Expenditure Statement, which summarises revenue expenditure

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according to accounting conventions used in the private and other sectors. However, the law relating to local government finance and council tax requires different treatment for a range of factors.

The Movement in Reserves Statement shows the movement between reserves and takes account of the appropriate statutory adjustments (relating to capital financing, payments to the government pool for capital receipts, and accounting for retirement benefits). After doing this, the General Fund Balance shows a reduction for the Council of £6.2 million (2013/14 £4.5 million increase), following net transfers to Earmarked Reserves of £7.6 million.

An underspend of £5.8 million was reported to Council on 29 July 2015. This included total underspends of £4.3 million on Directorate budgets as follows:

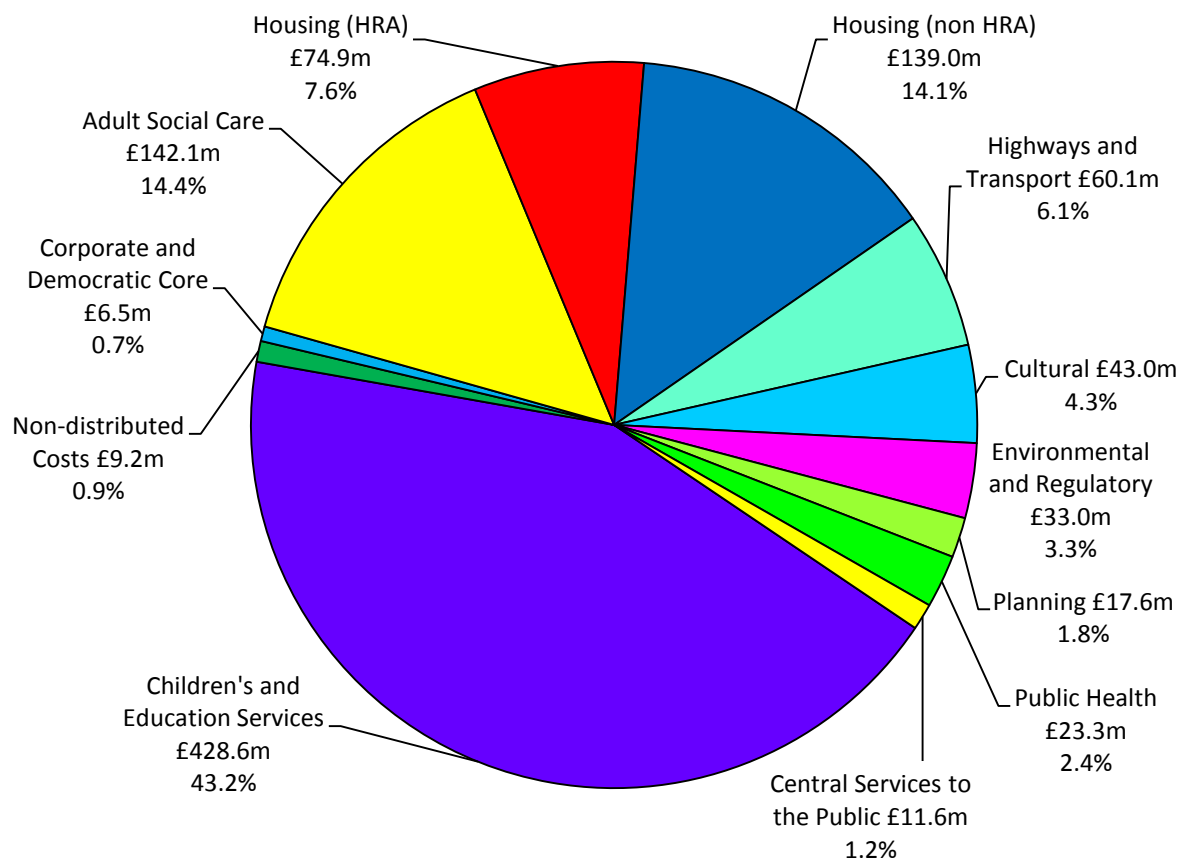
- Children and Young People - £0.7 million (1.0% on a net controllable budget of £79.0 million);
- Commissioning, Public Health and Adults – nil (0% on a net controllable budget of £91.4 million);
- Place - £0.1 million (0.2% on a net budget of £39.3 million);
- Communities, Transformation and Change - £1.2 million (8.8% on a net budget of £13.7 million);
- Resources - £2.3 million (6.2% on a net budget of £36.9 million).

In addition, there was an underspend on Central Budgets (contingencies, treasury management, non-distributed costs) of £0.2 million and Ringed Fenced Budgets (corporate priorities, Area Districts, energy) of £1.3 million.

Many of the Directorate underspends reflect savings made early in preparation for planned savings requirement in the Council approved 2015/16 budget plans.

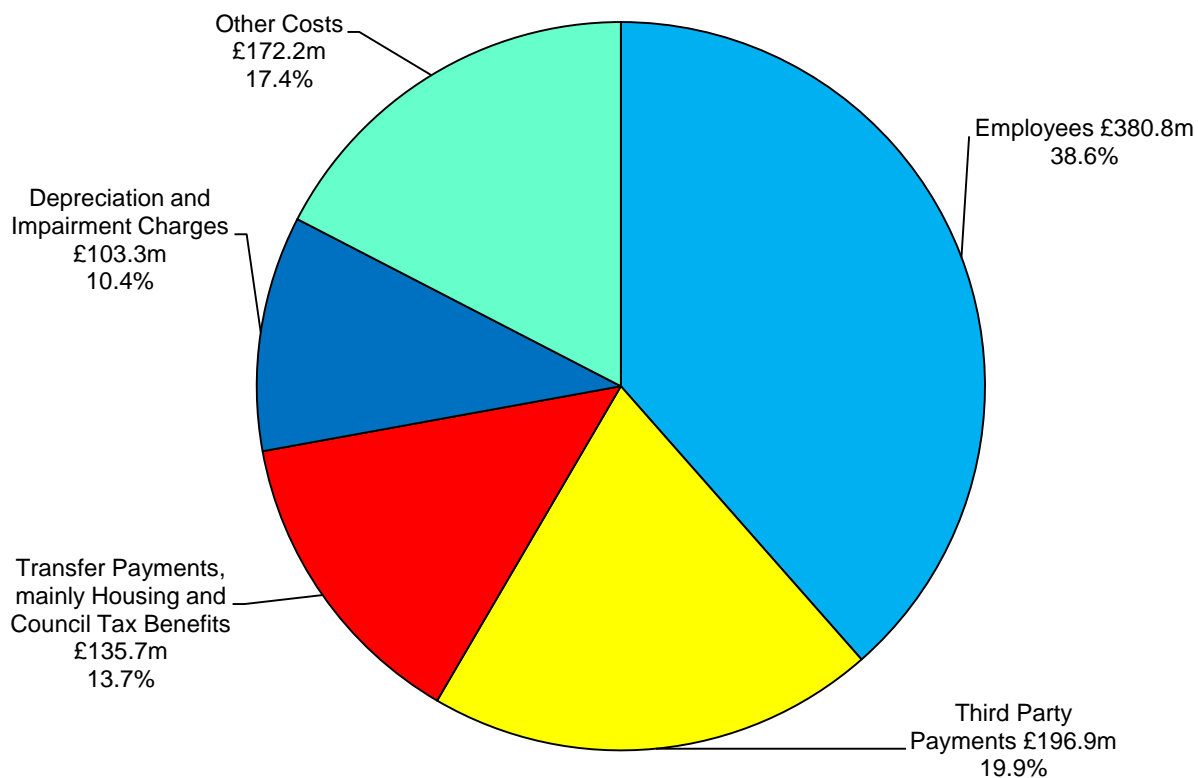
The following charts illustrate how the Council spent its money (by service and by type of expenditure) and where the money came from to fund this expenditure:

#### Gross revenue expenditure analysed by service (£988.9 million)

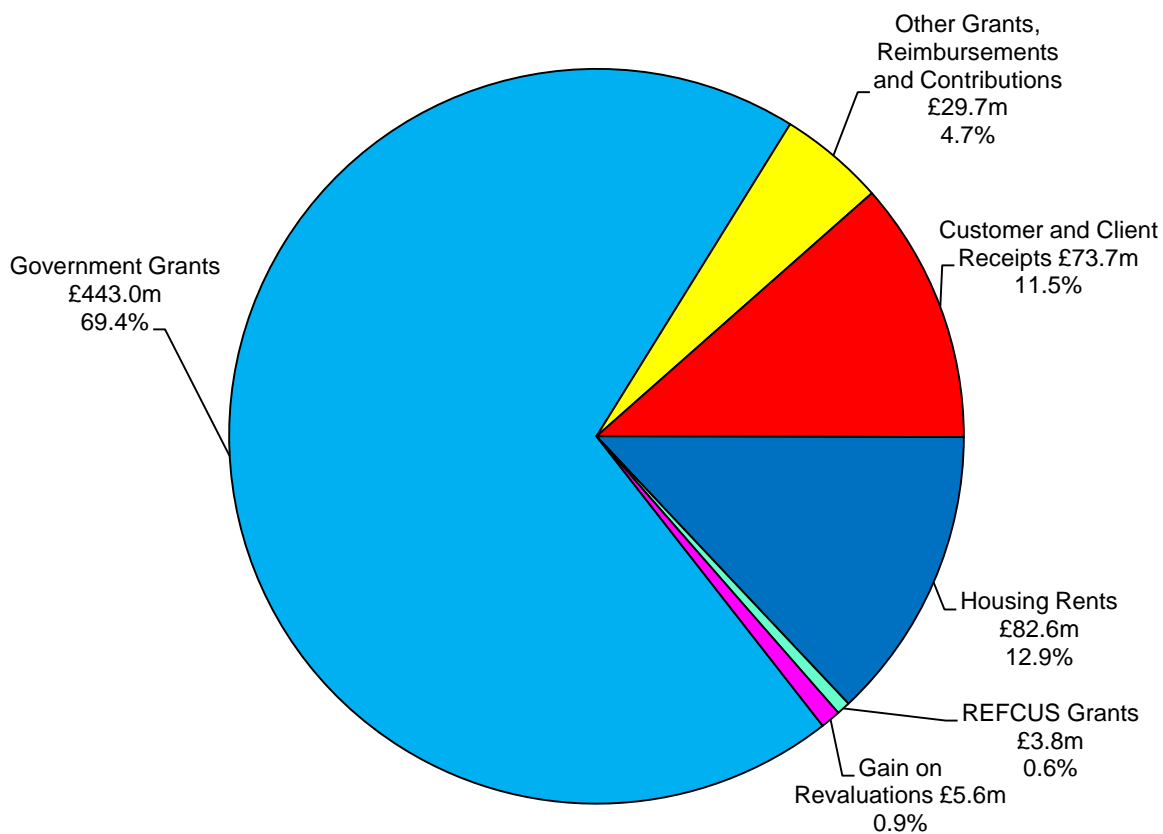


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Gross revenue expenditure analysed by type (£988.9 million)



Income by type (£638.4 million)



#### Earmarked Reserves and Balances

The General Fund Balance at 31 March 2015 was £38.0 million, of which £5.0 million is required as the minimum level.

The Council's earmarked reserves increased by £7.6 million to £97.5 million. This includes a revenue grants/contributions reserve of £27.6 million. This was established in 2010/11 with the advent of International Financial Reporting Standards (IFRS). This is because all grants which do not have conditions (live) outstanding must now be recognised in the Comprehensive Income and Expenditure Statement (CIES) in the year, irrespective of whether the corresponding expenditure has been incurred. As such an appropriation is made to reserves to negate the effect on the General Fund Balance. It includes a balance of £8.4 million relating 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 £15.6 million (2013/14 £16.4 million) relating to schools' balances. Further details are contained in note 9 on page 37.

#### Housing Revenue Account (HRA)

The HRA Income and Expenditure Account shows an operating surplus for the year of £11.1 million (2013/14 operating deficit of £38.9 million). After taking account of various statutory adjustments in the Movement on the HRA Statement, the HRA Balance shows an increase of £2.8 million (2013/14 increase of £1.0 million).

The HRA Balance stands at £35.8 million as at 31 March 2015 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 2015 (31 March 2014 nil), being used to support capital expenditure and repay debt.

#### Collection Fund

For 2014/15, the Collection Fund showed an overall surplus of £2.4 million (2013/14 £4.4 million deficit), with a cumulative negative balance of £5.4 million as at 31 March 2015. Council Tax made a £3.0 million surplus during the year, which moved the balance from a surplus of £2.3 million at the beginning of the year to a surplus balance of £5.3 million as at 31 March 2015. This balance will be shared between the Council and precepting authorities in future years (note C3 on page 95).

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 £0.6 million deficit during the year, which moved the balance from a deficit of £10.1 million at the beginning of the year to a deficit balance of £10.7 million as at 31 March 2015. This balance will be recovered in subsequent years from the Council, Central Government and West Yorkshire Fire and Rescue Authority (note C3 on page 95). 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 94).

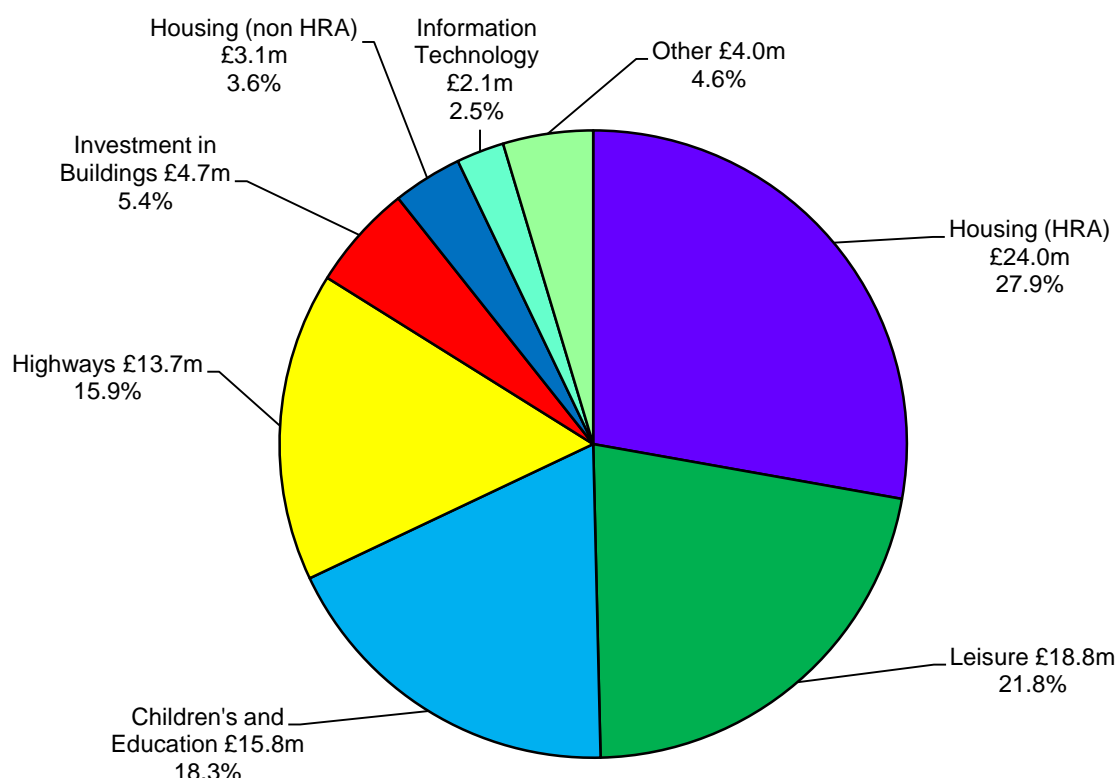
The percentage of Council Tax collected in year was 95.2% (2013/14 94.8%). The increase was due to the increased automation for dealing with changes to customer accounts and having a robust recovery process in place to deal with non-payment. The Council's share of the arrears outstanding as at 31 March 2015 was £13.4 million (31 March 2014 £14.2 million). The percentage of Business Rates collected in the year was 96.7% (2013/14 96.5%). The Council's share of the arrears outstanding as at 31 March 2015 was £2.7 million (31 March 2014 £2.9 million).

#### Assets

The value of property, plant and equipment has decreased during the year by £81.0 million to £1,371.3 million. The fall is due to a combination of losses on disposals, depreciation and properties being revalued, net of additions. In addition, the Council had heritage assets and investment properties valued at £35.6 million and £85.4 million respectively as at 31 March 2015 (2013/14 £35.7 million and £87.5 million).

The Capital Plan was approved on 19 February 2014 and was revised on 16 July 2014 to include unspent funds from 2013/14. The outturn budget, excluding PFI commitments, totalled £136.5 million. Actual capital expenditure in 2014/15 was £86.2 million (2013/14 £116.7 million), which

included £1.6 million on PFI schemes. The majority of the underspend was either already contractually committed or will be rolled forward and spent in 2015/16. The expenditure is analysed by Service Area as follows:



The expenditure above was funded by borrowing £5.1 million, grants and contributions £28.2 million, capital receipts £6.2 million, Major Repairs Reserve £8.8 million, and revenue £37.9 million.

Current assets increased by £5.8 million to £102.5 million. The Council's policy towards cash flow management is risk averse and all deposits/investments in 2014/15 have been placed short-term with a view towards security and liquidity. As at 31 March 2015, the Council held investments of £38.7 million within "cash equivalents", that is highly liquid deposits with an insignificant risk of change in value (31 March 2014 £33.1 million).

#### Liabilities

Current liabilities, excluding short-term borrowing, decreased by £7.5 million to £83.7 million. As at 31 March 2015, the Council had total provisions (long-term and short-term) of £14.7 million (31 March 2014 £15.3 million).

Total external borrowing during the year decreased from £467.5 million to £448.8 million. There was no new long-term borrowing taken in the year. The average interest rate for external borrowing for 2014/15 was 5.0% (2013/14 5.1%).

The Balance Sheet also contains a net pensions liability (under Other Long Term Liabilities) of £546.5 million (31 March 2014 £448.4 million). This represents an actuarial assessment of the Council's share of the pension fund assets and the underlying commitment of the Council to pay future retirement benefits. The increase in net liabilities of £98.1 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.

#### Group performance

The Council's Group Accounts are made up of the accounts of the Council, two wholly owned subsidiaries, two joint venture companies and five associates. The group deficit for 2014/15 was £63.7 million (2013/14 group deficit £107.1 million restated). One of the subsidiaries, Kirklees Metropolitan Development Company Ltd (Devco), ceased trading on 31 December 2014 and will be dissolved during the summer of 2015. Its main assets, two industrial units valued at £1.9 million, were effectively transferred to the Council on 1 January 2015.

#### **Accounting and service developments affecting this year's accounts**

In terms of accounting developments, there has been one major change following a review of accounting for schools by CIPFA. The change requires property used by schools only to be recognised on balance sheet if the school as an entity has secured legal or substantive rights over the resource represented by that property. After carrying out control tests on schools assets, the Council has concluded that all community school assets should be included on the Council's balance sheet, whilst foundation (trust) and schools owned by religious bodies should be off balance sheet. As the Council has previously recognised the assets of voluntary controlled schools on its balance sheet, previous year's comparatives have had to be restated – see note 2 on prior period adjustments. The accounting treatment for revenue transactions and non-current assets/liabilities remains unchanged, that is reflected within the Council's single entity accounts.

During 2014/15 there have been 3 more schools that have converted to Academy status and 3 to Trust status. Employees have been transferred to the new bodies together with assets valued at £30.3 million (2 of the academies were church schools which were not on the Council's balance sheet). The transfer of these academies has also resulted in a reduction in revenue spending of £6.7 million and a corresponding amount of Dedicated Schools Grant.

#### **Future developments**

##### Financial planning and service developments

National government's approach to shrinking the national debt burden between 2010-15 has included significant public expenditure reductions. There have been overall reductions in national government funding allocations to Councils in excess of 40% over this period. Successive Council budget rounds indicate an overall planned saving requirement for Kirklees of £152.0 million over the 2011-18 period. The Council has planned for and will have achieved savings of £83.0 million between the 2011-15 period, and further assumes a continuation of national funding reductions into the next Parliament, with a forecast £69.0 million further planned revenue saving requirement over the next three years to 2018.

In view of the scale of this challenge, the Council's MTFP 2015-18 has been informed in particular by the outcome of the Council's comprehensive review of everything that the Council spends and a focus on developing options to deliver a "New Council", guided by the Council's two strategies: the Economic Strategy and Joint Health & Wellbeing Strategy.

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 arrangements come into force in 2015/16 and will be operated as a pooled budget. The Council will administer the pooled budget, expected to be in the region of £29.0 million.

Public health responsibilities for children aged 0-5 will transfer to local authorities from 1 October 2015. The Council has budgeted for £6.0 million of expenditure for this in total, £3.0 million in 2015/16 and a further £3.0 million in 2016/17, with a corresponding increase in Public Health grant.



The Council has three schools included in the Government's Priority Schools Building Programme. The existing schools will be demolished and rebuilt via a PFI deal between the Education Funding Agency and the contractors. The estimated value of the work is around £40 million and it will commence in 2016.

A West Yorkshire Transport Fund has been created, administered by the West Yorkshire Combined Authority. The Fund intends to spend over £1 billion over a twenty year period on developing infrastructure across the region, aiming to generate 20,000 extra jobs and increasing economic activity by £1 billion per year. Expenditure is to be funded by Central Government grant and contributions from the five principal West Yorkshire Councils, including Kirklees, plus York Council.

#### Accounting

The most significant change to accounting standards for 2015/16 is the introduction of the requirements of IFRS 13 "Fair Value Measurement". Under the 2015/16 Code, this will mean that surplus assets will no longer be measured at existing use valuation based on their use as an operational asset but at fair value in accordance with IFRS 13.

It has been confirmed that 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. Initial estimates of the effect of this are that it will increase asset values on the Council's Balance Sheet by approximately £4 billion and increase the depreciation charges to the CIES by £800 million.

The Accounts and Audit (England) Regulations 2015 will apply 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); 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 a narrative statement to accompany the statement of accounts.

#### **Further Information**

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.

#### **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.

David Smith  
Director of Resources

# STATEMENT OF RESPONSIBILITIES AND CERTIFICATE

KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2014/15

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## **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 Council 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 2015.

David Smith  
Director of Resources

25 September 2015

I certify that this Statement of Accounts was approved by the Corporate Governance and Audit Committee on 25 September 2015.

Hilary S Richards  
Chair, Corporate Governance and Audit Committee

25 September 2015

**MAIN FINANCIAL STATEMENTS**  
KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2014/15

**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 Restated	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 Restated	Unusable Reserves £000 Restated	Total Council Reserves £000 Restated	Note
Balance at 31 March 2013	39,701	82,982	32,022	7,712	8,400	15,782	186,599	204,299	390,898	2
<b>Movement in reserves during 2013/14</b>										
Deficit on the provision of services	-65,338	0	-38,850	0	0	0	-104,188	0	-104,188	
Other Comprehensive Income and Expenditure (see CIES)	0	0	0	0	0	0	0	271,977	271,977	
<b>Total Comprehensive Income and Expenditure</b>	-65,338	0	-38,850	0	0	0	-104,188	271,977	167,789	
Adjustments between accounting & funding basis under regulations (note 8)	76,734	0	39,844	373	-8,400	4,252	112,803	-112,803	0	
<b>Net Increase/Decrease(-) before Transfers to/from Earmarked Reserves</b>	11,396	0	994	373	-8,400	4,252	8,615	159,174	167,789	
Txs to/from Earmarked Reserves (note 9)	-6,867	6,867	0	0	0	0	0	0	0	
<b>Increase/Decrease(-) in 2013/14</b>	4,529	6,867	994	373	-8,400	4,252	8,615	159,174	167,789	
<b>Balance at 31 March 2014 carried forward</b>	44,230	89,849	33,016	8,085	0	20,034	195,214	363,473	558,687	
<b>Movement in reserves during 2014/15</b>										
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	
<b>Total Comprehensive Income and Expenditure</b>	-72,149	0	11,121	0	0	0	-61,028	-82,762	-143,790	
Adjustments between accounting & funding basis under regulations (note 8)	73,575	0	-8,367	-323	0	-3,621	61,264	-61,264	0	
<b>Net Increase/Decrease(-) before Transfers to/from Earmarked Reserves</b>	1,426	0	2,754	-323	0	-3,621	236	-144,026	-143,790	
Txs to/from Earmarked Reserves (note 9)	-7,607	7,607	0	0	0	0	0	0	0	
<b>Increase/Decrease(-) in 2014/15</b>	-6,181	7,607	2,754	-323	0	-3,621	236	-144,026	-143,790	
<b>Balance at 31 March 2015 carried forward</b>	38,049	97,456	35,770	7,762	0	16,413	195,450	219,447	414,897	

**MAIN FINANCIAL STATEMENTS**  
KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2014/15

**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.

	2013/14			2014/15			
	Gross Exp £000 Restated	Gross Income £000 Restated	Net Exp £000 Restated	Gross Exp £000	Gross Income £000	Net Exp £000	Note
Children's and Education Services	436,503	-312,735	123,768	<b>428,534</b>	<b>-310,421</b>	<b>118,113</b>	
Adult Social Care	135,005	-43,360	91,645	<b>142,120</b>	<b>-46,053</b>	<b>96,067</b>	
Housing (HRA)	117,784	-90,933	26,851	<b>74,927</b>	<b>-96,852</b>	<b>-21,925</b>	
Housing (Non HRA)	143,381	-123,741	19,640	<b>139,031</b>	<b>-124,843</b>	<b>14,188</b>	
Highways and Transport	56,096	-12,034	44,062	<b>60,076</b>	<b>-13,554</b>	<b>46,522</b>	
Cultural	40,101	-3,224	36,877	<b>42,992</b>	<b>-4,286</b>	<b>38,706</b>	
Environmental and Regulatory	35,869	-6,709	29,160	<b>33,019</b>	<b>-7,154</b>	<b>25,865</b>	
Planning	24,378	-12,116	12,262	<b>17,618</b>	<b>-7,342</b>	<b>10,276</b>	
Public Health	22,873	-23,156	-283	<b>23,265</b>	<b>-24,307</b>	<b>-1,042</b>	
Central services to the public	11,488	-3,096	8,392	<b>11,597</b>	<b>-3,519</b>	<b>8,078</b>	
Corporate and democratic core	8,282	-14	8,268	<b>6,520</b>	<b>-14</b>	<b>6,506</b>	
Non distributed costs	1,288	-43	1,245	<b>9,188</b>	<b>-45</b>	<b>9,143</b>	
<b>Cost of Services</b>	<b>1,033,048</b>	<b>-631,161</b>	<b>401,887</b>	<b>988,887</b>	<b>-638,390</b>	<b>350,497</b>	
Other operating expenditure			29,028			<b>19,090</b>	10
Financing and investment income and expenditure			45,214			<b>48,407</b>	11
Taxation and non-specific grant income			-371,941			<b>-356,966</b>	12
<b>Deficit on Provision of Services</b>			<b>104,188</b>			<b>61,028</b>	
Deficit on revaluation of Property, Plant and Equipment (PPE) and Heritage assets			25,218			<b>8,194</b>	
Impairment losses on non-current assets to the Revaluation Reserve			66			<b>3,450</b>	
Surplus on revaluation of available for sale financial assets			-261			<b>-532</b>	
Remeasurements of the net defined benefit liability			-297,000			<b>71,650</b>	
<b>Other Comprehensive Income and Expenditure</b>			<b>-271,977</b>			<b>82,762</b>	
<b>Total Comprehensive Income and Expenditure</b>			<b>-167,789</b>			<b>143,790</b>	

**MAIN FINANCIAL STATEMENTS**  
KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2014/15

**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”.

	1 April 2013 £000 Restated	31 March 2014 £000 Restated	<b>31 March 2015 £000</b>	Note
Property, Plant & Equipment (PPE)	1,555,575	1,452,263	<b>1,371,285</b>	13
Heritage Assets	36,333	35,700	<b>35,648</b>	14
Investment Property	76,054	87,452	<b>85,400</b>	15
Intangible Assets	3,819	5,382	<b>4,434</b>	16
Long Term Investments	3,986	1,242	<b>1,772</b>	
Long Term Debtors	28,871	28,802	<b>28,446</b>	18
<b>Long Term Assets</b>	<b>1,704,638</b>	<b>1,610,841</b>	<b>1,526,985</b>	
Short Term Investments	537	0	<b>0</b>	
Inventories	2,605	2,914	<b>2,371</b>	
Short Term Debtors	56,822	65,517	<b>70,205</b>	19
Assets Held for Sale	1,089	2,167	<b>1,088</b>	
Cash and Cash Equivalents	29,177	26,122	<b>28,831</b>	20
<b>Current Assets</b>	<b>90,230</b>	<b>96,720</b>	<b>102,495</b>	
Short Term Borrowing	-33,498	-35,010	<b>-26,115</b>	17
Short Term Creditors	-73,395	-81,541	<b>-74,004</b>	21
Other Short Term Liabilities	-1,983	-5,072	<b>-5,090</b>	
Provisions	-5,400	-4,579	<b>-4,637</b>	22
<b>Current Liabilities</b>	<b>-114,276</b>	<b>-126,202</b>	<b>-109,846</b>	
Long Term Borrowing	-452,145	-432,451	<b>-422,646</b>	17
Other Long Term Liabilities	-837,549	-590,221	<b>-682,091</b>	23
<b>Long Term Liabilities</b>	<b>-1,289,694</b>	<b>-1,022,672</b>	<b>-1,104,737</b>	
<b>Net Assets</b>	<b>390,898</b>	<b>558,687</b>	<b>414,897</b>	
Usable Reserves	186,599	195,214	<b>195,450</b>	24
Unusable Reserves	204,299	363,473	<b>219,447</b>	25
<b>Total Reserves</b>	<b>390,898</b>	<b>558,687</b>	<b>414,897</b>	

**MAIN FINANCIAL STATEMENTS**  
KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2014/15

**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.

	2013/14	2014/15	
	£000	£000	Note
	Restated	Restated	
Net deficit on the provision of services	104,188	<b>61,028</b>	
Adjustments to net deficit on the provision of services for non-cash movements	-203,958	<b>-160,870</b>	27
Adjustment for items included in the net deficit on the provision of services that are investing and financing activities	36,523	<b>37,534</b>	28
<b>Net cash flows from Operating Activities</b>	<u>-63,247</u>	<u><b>-62,308</b></u>	26
<b>Net cash flows from Investing Activities</b>			
Purchase of PPE, investment property and intangible assets	88,100	<b>72,559</b>	
Purchase of short-term and long-term investments	4,282	<b>2,075</b>	
Proceeds from the sale of PPE, investment property and intangible assets	-10,712	<b>-12,987</b>	
Proceeds from short-term and long-term investments	-4,998	<b>-2,258</b>	
Other receipts from investing activities	<u>-30,433</u>	<u><b>-23,902</b></u>	<b>35,487</b>
<b>Net cash flows from Financing Activities</b>			
Cash receipts of short and long-term borrowing	-72,090	<b>-74,845</b>	
Other receipts from financing activities	-788	<b>-459</b>	
Cash payments for the reduction for the outstanding liabilities relating to finance leases and PFI contracts	1,983	<b>5,132</b>	
Repayments of short and long-term borrowing	90,283	<b>93,558</b>	
Other payments for financing activities	<u>675</u>	<u><b>726</b></u>	<b>24,112</b>
<b>Net increase (-)/ decrease in cash and cash equivalents</b>	<u>3,055</u>	<u><b>-2,709</b></u>	
Cash and cash equivalents at the beginning of the reporting period	29,177	<b>26,122</b>	
Cash and cash equivalents at the end of the reporting period	26,122	<b>28,831</b>	20

# NOTES TO THE CORE FINANCIAL STATEMENTS

KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2014/15

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# NOTES TO THE CORE FINANCIAL STATEMENTS

KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2014/15

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## 1 Accounting Policies

### General Principles

The Statement of Accounts summarises the Council's transactions for the 2014/15 financial year and its position at the year-end of 31 March 2015. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2011, in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 (the Code) and the Service Reporting Code of Practice 2014/15, 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 2014/15

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### 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).
- The central 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 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 Teachers' Pensions 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 2014/15

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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 also is 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 3.2% (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 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 2014/15

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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.

### Financial Instruments

#### Financial Liabilities

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

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

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Financing and Investment Income and Expenditure line in the CIES in the year of repurchase/settlement. However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write down to the CIES is spread over the life of the loan by an adjustment to the effective interest rate.

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

#### Financial Assets

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.

## NOTES TO THE CORE FINANCIAL STATEMENTS

KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2014/15

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- 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.

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

## NOTES TO THE CORE FINANCIAL STATEMENTS

KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2014/15

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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 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

## NOTES TO THE CORE FINANCIAL STATEMENTS

KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2014/15

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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.

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

## NOTES TO THE CORE FINANCIAL STATEMENTS

KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2014/15

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asset and is restricted to that incurred during the development phase (research expenditure cannot be capitalised).

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

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

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

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

### **Interests in Companies and Other Entities**

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

### **Inventories**

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

### **Investment Property**

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

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

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

### **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.

## NOTES TO THE CORE FINANCIAL STATEMENTS

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

### The Council as Lessee

#### Finance Leases:

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

Lease payments are apportioned between:

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

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

The Council is not required to raise Council Tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

#### Operating Leases:

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

### The Council as Lessor

#### Finance Leases:

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

Lease rentals receivable are apportioned between:

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

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



## NOTES TO THE CORE FINANCIAL STATEMENTS

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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 2014/15 (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.

### 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.

## NOTES TO THE CORE FINANCIAL STATEMENTS

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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 as at 31 March 2015.

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

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

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

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

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

### **Property, Plant and Equipment (PPE)**

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

#### Recognition

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

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

#### Measurement

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

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

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

Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year-end, but as a

## NOTES TO THE CORE FINANCIAL STATEMENTS

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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).
- 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.

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 mainly 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.

## NOTES TO THE CORE FINANCIAL STATEMENTS

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

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

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

### Disposals and Non-current Assets Held for Sale

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

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

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

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

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

### **Provisions, Contingent Liabilities and Contingent Assets**

#### Provisions

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

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

## NOTES TO THE CORE FINANCIAL STATEMENTS

KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2014/15

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

### Contingent Liabilities

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

### Contingent Assets

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

### **Reserves**

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

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

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

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

### **VAT**

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

## NOTES TO THE CORE FINANCIAL STATEMENTS

KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2014/15

### 2 Prior Period Adjustments

#### (i) Accounting for schools

CIPFA have been carrying out a review of accounting for schools over the last couple of years and the position has been clarified in the 2014/15 Code. In principle, all local authority maintained schools are considered to be entities controlled by the authority and as a result all income, expenditure, assets and liabilities relating to each school is consolidated into the authority accounts. Effectively, this is no change from the previous position but as a result of more specific guidance on the recognition of assets, the Council has reviewed the land and buildings of each maintained school to identify what arrangements are in place in respect of ownership and thus the required accounting treatment.

The Council now 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. Because the Council previously had voluntary controlled schools on its balance sheet (31 as at 31 March 2014), a prior period adjustment has had to be carried out to –

- take the property, plant and equipment values off the balance sheet: £104.7 million as at 1 April 2013 and £84.3 million as at 31 March 2014, with corresponding adjustments to the Capital Adjustment Account and the Revaluation Reserve;
- restate 2013/14 revenue transactions relating to depreciation (-£3.2 million), revaluation gains and losses (-£22.9 million), REFCUS (£1.5 million), REFCUS grant (net nil) and donated and transferred assets (£4.2 million).

All the main financial statements have been restated – details below. In addition, disclosures on property, plant and equipment, capital expenditure and capital financing, grant income, PFIs, unusable reserves and segmental reporting have also been restated.

#### Comprehensive Income and Expenditure figures for 2013/14 restated

	Previously stated figures 2013/14			Restated 2013/14		
	Gross Exp £000	Gross Income £000	Net Exp £000	Gross Exp £000	Gross Income £000	Net Exp £000
Children's and Education Services	461,643	311,479	150,164	436,503	312,735	123,768
Other services	596,545	318,426	278,119	596,545	318,426	278,119
<b>Cost of Services</b>	<b>1,058,188</b>	<b>629,905</b>	<b>428,283</b>	<b>1,033,048</b>	<b>631,161</b>	<b>401,887</b>
Other operating expenditure			26,346			29,028
Financing and investment income and expenditure			45,214			45,214
Taxation and non-specific grant income			-374,949			-371,941
<b>Deficit on Provision of Services</b>			<b>124,894</b>			<b>104,188</b>
Deficit on revaluation of PPE and Heritage assets			24,956			25,218
Other items in Other Comprehensive Income and Expenditure			-297,195			-297,195
<b>Other Comprehensive Income and Expenditure</b>			<b>-272,239</b>			<b>-271,977</b>
<b>Total Comprehensive Income and Expenditure</b>			<b>-147,345</b>			<b>-167,789</b>

**NOTES TO THE CORE FINANCIAL STATEMENTS**  
**KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2014/15**

Movement in Reserves figures for 2013/14 restated

	General Fund Balances £000	Other Usable Reserves £000	Total Usable Reserves £000	Unusable Reserves £000	Total Council Reserves £000
Previously stated figures					
Balance at 31 March 2013	39,701	146,898	186,599	309,012	495,611
<b>Movement in Reserves 2013/14</b>					
Deficit on provision of services	-86,044	-38,850	-124,894	0	-124,894
Other Comprehensive Income and Expenditure	0	0	0	272,239	272,239
<b>Total Comprehensive Income and Expenditure</b>	-86,044	-38,850	-124,894	272,239	147,345
Adjustments between accounting and funding basis under regulations	97,440	36,069	133,509	-133,509	0
<b>Net Increase/Decrease(-) before Transfers to/from Earmarked Reserves</b>	11,396	-2,781	8,615	138,730	147,345
Transfers to/from Earmarked Reserves	-6,867	6,867	0	0	0
<b>Increase/Decrease(-) in 2013/14</b>	<b>4,529</b>	<b>4,086</b>	<b>8,615</b>	<b>138,730</b>	<b>147,345</b>
<b>Balance at 31 March 2014 carried forward</b>	<b>44,230</b>	<b>150,984</b>	<b>195,214</b>	<b>447,742</b>	<b>642,956</b>
Restated 2013/14					
Balance at 31 March 2013	39,701	146,898	186,599	204,299	390,898
<b>Movement in Reserves 2013/14</b>					
Deficit on provision of services	-65,338	-38,850	-104,188	0	-104,188
Other Comprehensive Income and Expenditure	0	0	0	271,977	271,977
<b>Total Comprehensive Income and Expenditure</b>	-65,338	-38,850	-104,188	271,977	167,789
Adjustments between accounting and funding basis under regulations	76,734	36,069	112,803	-112,803	0
<b>Net Increase/Decrease(-) before Transfers to/from Earmarked Reserves</b>	11,396	-2,781	8,615	159,174	167,789
Transfers to/from Earmarked Reserves	-6,867	6,867	0	0	0
<b>Increase/Decrease(-) in 2013/14</b>	<b>4,529</b>	<b>4,086</b>	<b>8,615</b>	<b>159,174</b>	<b>167,789</b>
<b>Balance at 31 March 2014 carried forward</b>	<b>44,230</b>	<b>150,984</b>	<b>195,214</b>	<b>363,473</b>	<b>558,687</b>

# NOTES TO THE CORE FINANCIAL STATEMENTS

KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2014/15

Balance Sheet figures restated as at 1 April 2013 and 31 March 2014

	Opening Balances 1 April 2013 £000	Restated Opening Balances 1 April 2013 £000	Closing Balances 31 March 2014 £000	Restated Closing Balances 31 March 2014 £000
<i>Property, Plant and Equipment</i>	1,660,288	1,555,575	1,536,532	1,452,263
Long Term Assets	1,809,351	1,704,638	1,695,110	1,610,841
Net Assets	495,611	390,898	642,956	558,687
<i>Unusable Reserves -</i>				
<i>Revaluation Reserve</i>	239,027	237,392	202,033	199,154
<i>Capital Adjustment Account</i>	746,049	692,971	710,737	629,347
Unusable Reserves Total	309,012	204,299	447,742	363,473
Total Reserves	495,611	390,898	642,956	558,687

The Cash Flow Statement has been restated – the net deficit on the provision of services for 2013/14 has been restated to £104,188k from £124,894k; adjustments for non-cash movements to -£203,958k from -£226,157k (including £3,244k less depreciation and £23,152k less revaluation gains/losses); and purchase of PPE, investment property and intangible assets to £88,100k from £89,593k. Figures in the notes to the Cash Flow Statement have correspondingly been restated.

All the above restatements have also been reflected in the Group Accounts.

## (ii) Group Cash Flow Statement

On preparing this year's Group Cash Flow Statement, it was found that some late changes to the single entity cash flow during the 2013/14 accounts closure had not been carried through into the Group statement. The figures have been restated and the details are in note G1.

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

The 2015/16 Code introduces the requirements of IFRS 13 "Fair Value Measurement". The measurement requirements for operational property, plant and equipment will not change but surplus assets will no longer be measured at existing use valuation based on their use as an operational asset. From 2015/16 onwards, these will be measured at fair value in accordance with IFRS 13, that is exit value. This change is to be adopted prospectively and will not therefore require a prior period adjustment. Adoption of this standard is not expected to have a material impact on asset values in the balance sheet.

## 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



# NOTES TO THE CORE FINANCIAL STATEMENTS

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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 35 shows the details.
- Provisions – In calculating provisions, judgements have been made as to the certainty of a particular event happening giving rise to a liability and whether a reliable estimate can be made of that liability. Where this is not the case, the Council may disclose the issue as a contingent liability.
- Group Accounts – The Council has considered its relationships with a number of organisations and made a judgement as to its level of control and interest in these bodies. As a result, it has prepared Group Accounts, incorporating two subsidiaries, five associates and two joint ventures.
- 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 2015 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 £5.4 million for every year that the useful lives had reduced.</p>

## NOTES TO THE CORE FINANCIAL STATEMENTS

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### Provisions (including bad debts)

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.

An increase in provisions (including bad debt provisions) of 10% would result in an additional revenue expense of £3.4 million.

The total value of provisions (including bad debts) as at 31 March 2015 was £33.7 million.

### 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 2015 was £546.5 million.

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

The main variances in items between years are due to larger revaluation gain/losses posted to income and expenditure in 2013/14 compared to 2014/15 -

Revaluation losses and impairment losses £46.1 million (£89.7 million 2013/14) have been concentrated within:

- HRA £13.6 million (£56.1 million 2013/14)
- Education £9.0 million (£17.3 million 2013/14)
- Investment Properties £5.4 million (£7.3 million 2013/14)
- Office Accommodation £5.9 million (£0.2 million 2013/14)
- Trading £0.3 million (£4.4 million 2013/14)
- Surplus Assets (Non-distributed costs) £7.2 million (£1.1 million 2013/14)

Revaluation gains £7.1 million (£23.9 million 2013/14)

- Education £0.0 million (£3.5 million 2013/14)
- HRA £3.2 million (£0.6 million 2013/14)
- Investment Properties £1.2 million (£20.4 million 2013/14)

Other Operating Expenditure contains a gross receipt of £18.8 million from an Exit Agreement which arose from a contracted land sale not taking place.

## 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 9. The following non-adjusting events occurring between the Balance Sheet date and when the accounts were authorised for issue:

- Since the Balance Sheet date, a further four schools have transferred to Academy status, including one which was previously a Trust school. Land and building asset values totalling £12.1 million will be transferred off the Council's balance sheet in 2015/16. The Council will no longer receive Dedicated Schools Grant of around £4.1 million in total for the four schools.
- The Chancellor's budget on 8 July 2015 included an announcement to reduce social housing rents by 1% a year for the next four years. This replaces a formula set by the Chancellor in 2013, whereby rents could be increased by 1% more than inflation. The business plan of the Council's HRA had been built up using the previous formula and the Council's projections are that new regulation will mean that by 2019/20 annual rental income will be £10.7 million lower than under the previous regulation, with a cumulative loss of rental income for the four years of £24.4 million.

## NOTES TO THE CORE FINANCIAL STATEMENTS

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### 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	
2013/14	£000 Restated	£000	£000	£000	£000	£000 Restated
<b><u>Adjustments involving the Capital Adjustment Account (CAA):</u></b>						
Charges for depreciation and impairment of non-current assets	55,311	0	0	15,274	0	-70,585
Amortisation of Intangible Assets	1,225	0	0	0	0	-1,225
Revaluation losses on PPE	25,186	56,104	0	0	0	-81,290
Revaluation gains on PPE	-3,129	-164	0	0	0	3,293
Movements in the market value of Investment Properties	-12,685	-420	0	0	0	13,105
Revenue expenditure funded from capital under statute (REFCUS)	8,832	0	0	0	0	-8,832
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	28,198	3,321	0	0	0	-31,519
Capital grants and contributions applied	-9,566	-651	0	0	0	10,217
Capital grants and contributions applied (REFCUS)	-4,280	0	0	0	0	4,280
Deferred Income written down - Waste PFI	-537	0	0	0	0	537
Provision for the financing of capital investment	-25,056	634	0	0	0	24,422
Capital expenditure charged against balances	-7,748	-14,392	0	0	0	22,140
Other	3,102	0	0	0	0	-3,102
<b><u>Adjustments involving the Capital Grants Unapplied Account:</u></b>						
Capital grants and contributions unapplied and credited to the CIES	-18,232	0	0	0	18,232	0
Application of grants to capital financing transferred to the CAA	0	0	0	0	-13,980	13,980
<b><u>Adjustments involving the Capital Receipts Reserve:</u></b>						
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the CIES	-1,730	-4,660	6,390	0	0	0
Financing new capital expenditure	0	0	-4,373	0	0	4,373
Contribution towards administrative costs of asset disposals	68	17	-85	0	0	0
Contribution to finance the payments to the Government capital receipts pool	1,631	0	-1,631	0	0	0
Cash receipts from the repayment of capital loans given	0	0	4,303	0	0	-4,303
Used to repay debt (transfer to CAA)	0	0	-4,257	0	0	4,257
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	0	0	26	0	0	-26
<b><u>Adjustment involving the Deferred Capital Receipts Reserve:</u></b>						
Finance Leases- Amount by which sale proceeds received in CIES differs from those received in accordance with statutory requirements	1	0	0	0	0	-1

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	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
<b>2013/14 cont.</b>	Restated					Restated
<b><u>Adjustment involving the Major Repairs Reserve:</u></b>						
Financing of new capital expenditure (transfer to CAA)	0	0	0	-17,415	0	17,415
Used to repay debt (transfer to CAA)	0	0	0	-6,259	0	6,259
<b><u>Adjustment involving the Financial Instruments Adjustment Account:</u></b>						
Amount by which finance costs charged to the CIES are different from those required by statutory regulations	-522	55	0	0	0	467
<b><u>Adjustments involving the Pensions Reserve:</u></b>						
Reversal of items relating to retirement benefits debited or credited to the CIES	79,671	0	0	0	0	-79,671
Employer's pensions contributions and direct payments	-42,250	0	0	0	0	42,250
<b><u>Adjustments involving the Collection Fund Adjustment Account:</u></b>						
Amount by which council tax income credited to the CIES is different from that required by statutory regulations	31	0	0	0	0	-31
<b><u>Adjustment involving the Accumulated Absences Account:</u></b>						
Amount by which officer remuneration charged to the CIES on an accruals basis is different from that required by statutory regulations	-787	0	0	0	0	787
<b>Total Adjustments 2013/14</b>	<b>76,734</b>	<b>39,844</b>	<b>373</b>	<b>-8,400</b>	<b>4,252</b>	<b>-112,803</b>
<b>2014/15</b>						
<b><u>Adjustments involving the Capital Adjustment Account (CAA):</u></b>						
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

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	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
<b>2014/15 cont.</b>						
<b><u>Adjustments involving the Capital Grants Unapplied Account:</u></b>						
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
<b><u>Adjustments involving the Capital Receipts Reserve:</u></b>						
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
<b><u>Adjustment involving the Deferred Capital Receipts Reserve:</u></b>						
Finance Leases- Amount by which sale proceeds received in CIES differs from those received in accordance with statutory requirements	1	0	0	0	0	-1
<b><u>Adjustment involving the Major Repairs Reserve:</u></b>						
Financing of new capital expenditure (transfer to Capital Adjustment Account)	0	0	0	-8,816	0	8,816
Used to repay debt (transfer to CAA)	0	0	0	-6,750	0	6,750
<b><u>Adjustment involving the Financial Instruments Adjustment Account:</u></b>						
Amount by which finance costs charged to the CIES are different from those required by statutory regulations	-519	39	0	0	0	480
<b><u>Adjustments involving the Pensions Reserve:</u></b>						
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
<b><u>Adjustments involving the Collection Fund Adjustment Account:</u></b>						
Amount by which council tax and non-domestic rating income credited to the CIES is different from that required by statutory regulations	-2,245	0	0	0	0	2,245
<b><u>Adjustment involving the Accumulated Absences Account:</u></b>						
Amount by which officer remuneration charged to the CIES on an accruals basis is different from that required by statutory regulations	1,180	0	0	0	0	-1,180
<b>Total Adjustments 2014/15</b>	<b>73,575</b>	<b>-8,367</b>	<b>-323</b>	<b>0</b>	<b>-3,621</b>	<b>-61,264</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

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### 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 2013	Transfers Out 2013/14	Transfers In 2013/14	Balance at 31 March 2014	Transfers Out 2014/15	Transfers In 2014/15	Balance at 31 March 2015
Local Management of Schools	16,790	-396	0	16,394	-2,159	1,382	<b>15,617</b>
Organisational Risk	7,528	0	0	7,528	0	0	<b>7,528</b>
Workforce Restructure	14,670	0	513	15,183	-631	0	<b>14,552</b>
Health and Social Care	6,754	0	3,259	10,013	-268	63	<b>9,808</b>
Rollover	5,142	-2,238	1,456	4,360	-3,772	6,270	<b>6,858</b>
PFI	3,144	0	300	3,444	-398	140	<b>3,186</b>
Revenue Grants/Contributions	20,639	-7,460	10,236	23,415	-1,621	5,776	<b>27,570</b>
Business Rates	0	0	2,671	2,671	0	1,237	<b>3,908</b>
Journey to New Council	0	0	0	0	0	3,000	<b>3,000</b>
Other	8,315	-3,204	1,730	6,841	-2,184	772	<b>5,429</b>
<b>Total</b>	<b>82,982</b>	<b>-13,298</b>	<b>20,165</b>	<b>89,849</b>	<b>-11,033</b>	<b>18,640</b>	<b>97,456</b>

- 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 2015 represents 148 schools with cumulative balances of £16.5 million (153 schools and £16.8 million at 31 March 2014) and 12 schools with cumulative deficits amounting to £0.9 million (14 schools and £0.4 million at 31 March 2014).
- 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 £8.4 million (5.0 million at 31 March 2014) 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.

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### 10 Other Operating Expenditure

	2013/14 £000 Restated	2014/15 £000
Parish council precepts	412	444
Levies	161	160
Payment to Government Housing Capital Receipts Pool	1,631	1,790
Losses on the disposal of non-current assets	26,056	31,532
Gains(-)/Losses on impairment of asset held for sale	-100	2,835
Exit Agreement receipt	0	-18,790
Derecognition of Academies' Balances	868	1,119
<b>Total</b>	<b>29,028</b>	<b>19,090</b>

Losses on the disposal of non-current assets includes three schools converting to trust status with a further one converting to academy status in 2014/15. The assets relating to the schools were transferred from the Council's balance sheet, resulting in a £30.3 million loss on disposal (2013/14 £23.1 million). Exit Agreement - gross receipt arising as a result of a contracted land sale not taking place.

### 11 Financing and Investment Income and Expenditure

	2013/14 £000	2014/15 £000
Interest payable and similar charges	33,067	32,804
Net interest on the net defined benefit obligation	30,090	18,453
Interest receivable and similar income	-1,870	-1,996
Income and expenditure in relation to investment properties and changes in fair value	-15,578	1,821
Transfer of properties from Devco	0	-1,885
Trading	259	-32
Dividend Income	-754	-758
<b>Total</b>	<b>45,214</b>	<b>48,407</b>

### 12 Taxation and Non-Specific Grant Income

	2013/14 £000 Restated	2014/15 £000
Council tax income	-137,652	-140,351
Non domestic rates	-46,237	-49,067
Non-ring fenced government grants	-162,333	-146,226
Capital grants and contributions	-25,719	-21,322
<b>Total</b>	<b>-371,941</b>	<b>-356,966</b>

More detail on grant income is shown in note 35 and on council tax and non domestic rate income in the section on Collection Fund.

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**13 Property, Plant and Equipment (PPE)**

<b>Movement in 2013/14</b>	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
		Restated						Restated	Restated
<b>Cost or Valuation</b>									
At 1 April 2013	497,032	849,290	42,609	326,085	9,465	13,171	31,258	1,768,910	186,062
Additions	43,382	19,250	2,337	17,130	892	-268	17,537	100,260	28,544
Revaluation increases/ decreases(-) recognised in the Revaluation Reserve	-275	-47,562	0	0	0	146	0	-47,691	-28,962
Revaluation decreases recognised in the Deficit on the Provision of Services	-71,058	-27,947	0	0	0	-1,227	0	-100,232	-44,585
De-recognition – disposals	-2,746	-29,004	-3,946	-108	0	-1,584	0	-37,388	-12,611
De-recognition – other	0	-1,380	0	0	0	-34	0	-1,414	0
Assets reclassified to Held for Sale	-982	-969	0	0	0	0	0	-1,951	0
Other movements in cost or valuation	26,657	-2,497	0	0	0	2,586	-24,618	2,128	3,705
<b>At 31 March 2014</b>	<b>492,010</b>	<b>759,181</b>	<b>41,000</b>	<b>343,107</b>	<b>10,357</b>	<b>12,790</b>	<b>24,177</b>	<b>1,682,622</b>	<b>132,153</b>
<b>Accumulated Depreciation and Impairment</b>									
At 1 April 2013	0	-58,587	-21,960	-129,138	-2,744	-906	0	-213,335	-16,670
Depreciation charge	-15,112	-31,509	-5,511	-15,839	-1,262	-378	0	-69,611	-5,368
Depreciation written out to the Revaluation Reserve	0	22,852	0	0	0	86	0	22,938	13,229
Depreciation written out to the Deficit on the Provision of Services	15,112	7,122	0	0	0	21	0	22,255	3,029
Impairment losses recognised in the Revaluation Reserve	0	-55	0	0	0	-11	0	-66	0
Impairment losses recognised in the Deficit on the Provision of Services	0	-903	0	0	0	-21	0	-924	0
De-recognition – disposals	0	3,185	3,342	108	0	278	0	6,913	2,009
De-recognition – other	0	1,380	0	0	0	34	0	1,414	0
Other movements in depreciation and impairment	0	180	0	0	0	-123	0	57	0
<b>At 31 March 2014</b>	<b>0</b>	<b>-56,335</b>	<b>-24,129</b>	<b>-144,869</b>	<b>-4,006</b>	<b>-1,020</b>	<b>0</b>	<b>-230,359</b>	<b>-3,771</b>
<b>Net Book Value</b>									
at 31 March 2013	497,032	790,703	20,649	196,947	6,721	12,265	31,258	1,555,575	169,392
at 31 March 2014	492,010	702,846	16,871	198,238	6,351	11,770	24,177	1,452,263	128,382



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<b>Movement in 2014/15</b>	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
		Restated						Restated	Restated
<b>Cost or Valuation</b>									
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 increases/ 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
<b>At 31 March 2015</b>	<b>495,491</b>	<b>664,909</b>	<b>39,873</b>	<b>357,634</b>	<b>10,898</b>	<b>15,104</b>	<b>34,436</b>	<b>1,618,345</b>	<b>106,039</b>
<b>Accumulated Depreciation and Impairment</b>									
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
<b>At 31 March 2015</b>	<b>0</b>	<b>-53,865</b>	<b>-25,967</b>	<b>-161,565</b>	<b>-5,408</b>	<b>-255</b>	<b>0</b>	<b>-247,060</b>	<b>-6,645</b>
<b>Net Book Value</b>									
at 31 March 2014	492,010	702,846	16,871	198,238	6,351	11,770	24,177	1,452,263	128,382
<b>at 31 March 2015</b>	<b>495,491</b>	<b>611,044</b>	<b>13,906</b>	<b>196,069</b>	<b>5,490</b>	<b>14,849</b>	<b>34,436</b>	<b>1,371,285</b>	<b>99,394</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2014/15

### 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 - General Fund properties by Wilks Head & Eve and HRA properties by the District Valuer. The valuers hold the appropriate qualification required and belong to the Royal Institute of Chartered Surveyors. The valuations of land and buildings were carried out on 1 April 2014 and in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institute of Chartered Surveyors.

There was a net reduction in the PPE values of £33.6m as the result of revaluations. The effect of the losses has been split between the revaluation reserve and the deficit on provision of services. More detail of the latter is shown in note 6 on material items of income and expenditure.

A large part of the losses is the result of a change in valuer for General Fund properties (from internal to external). The change has resulted in the use of different estimation techniques and has resulted in major losses on DRC school valuations in particular. 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	5,494	13,906	196,069	5,490	0	34,436	255,395
Carried at fair value as at:								
2014/15	495,491	91,371	0	0	0	7,701	0	594,563
2013/14	0	136,231	0	0	0	1,819	0	138,050
2012/13	0	130,958	0	0	0	226	0	131,184
2011/12	0	120,794	0	0	0	2,384	0	123,178
2010/11	0	126,196	0	0	0	2,719	0	128,915
<b>Total</b>	<b>495,491</b>	<b>611,044</b>	<b>13,906</b>	<b>196,069</b>	<b>5,490</b>	<b>14,849</b>	<b>34,436</b>	<b>1,371,285</b>

### Capital Commitments

In February 2015, the Council approved a capital programme of £77.9 million for 2015/16. A further £293.3 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 construction of a new sports centre was completed and opened in May 2015 (£35.5 million contract starting May 2013). The Council has no further significant contractual commitments in 2015/16.

**NOTES TO THE CORE FINANCIAL STATEMENTS**  
KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2014/15

**14 Heritage Assets**

	Fine Art Collection	Museums and Galleries Exhibits	Other	Total Assets
	£000	£000	£000	£000
<b><u>Movement in 2013/14</u></b>				
<b>Cost or Valuation</b>				
At 1 April 2013	29,552	3,431	3,482	36,465
Additions	0	0	28	28
Revaluation increases recognised in the Revaluation Reserve	-410	-235	36	-609
At 31 March 2014	<b>29,142</b>	<b>3,196</b>	<b>3,546</b>	<b>35,884</b>
<b>Accumulated Depreciation</b>				
At 1 April 2013	0	0	-132	-132
Depreciation charge	0	0	-52	-52
At 31 March 2014	<b>0</b>	<b>0</b>	<b>-184</b>	<b>-184</b>
<b><u>Movement in 2014/15</u></b>				
<b>Cost or Valuation</b>				
At 1 April 2014	29,142	3,196	3,546	35,884
Additions	0	0	0	0
Revaluation increases recognised in the Revaluation Reserve	0	0	0	0
At 31 March 2015	<b>29,142</b>	<b>3,196</b>	<b>3,546</b>	<b>35,884</b>
<b>Accumulated Depreciation</b>				
At 1 April 2014	0	0	-184	-184
Depreciation charge	0	0	-52	-52
At 31 March 2015	<b>0</b>	<b>0</b>	<b>-236</b>	<b>-236</b>
<b>Net Book Value</b>				
at 31 March 2013	29,552	3,431	3,350	36,333
at 31 March 2014	29,142	3,196	3,362	35,700
<b>at 31 March 2015</b>	<b>29,142</b>	<b>3,196</b>	<b>3,310</b>	<b>35,648</b>

**Fine Art and Museum Exhibits Collections**

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

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

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

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

## NOTES TO THE CORE FINANCIAL STATEMENTS

KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2014/15

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### 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 £19.0 million (£19.0 million 31 March 2014). Being a donated asset, the painting has conditions placed upon it. The total value of donated artwork items as at 31 March 2015 is £23.1 million (£23.1 million 31 March 2014).

### 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 2015 is £1.7 million (£1.7 million 31 March 2014). 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 2014).

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 2015 is £1.2 million (£1.2 million 31 March 2014).

### 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 2014/15

### 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:

	2013/14	2014/15
	£000	£000
Rental income from investment property	-3,286	-2,964
Direct operating expenses arising from investment property	1,816	1,976
Net gain	-1,470	-988
Net gains(-)/losses from fair value adjustments	-13,105	4,181
Net gains on disposals of assets	-1,003	-1,372
Net income (-) and expenditure in relation to investment properties and changes in fair value	-15,578	1,821

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:

	2013/14	2014/15
	£000	£000
<b>Balance at 1 April</b>	76,054	87,452
Additions	522	170
Disposals	-101	-976
Net gains/losses(-) from fair value adjustments	13,105	-4,181
Transfers to(-)/from Property, Plant and Equipment	-2,128	1,050
Transfer of properties from Devco	0	1,885
<b>Balance at 31 March</b>	87,452	85,400

## NOTES TO THE CORE FINANCIAL STATEMENTS

KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2014/15

### 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 £1.8 million was charged to CIES in 2014/15 (£1.2 million in 2013/14). Amortisation in relation to the Council's group wide technology is charged to the Information Technology service and then recharged as an overhead to user services. Other intangibles are charged directly to the front line services.

	2013/14 £000	2014/15 £000
Balance at 1 April		
Gross carrying amounts	6,152	8,773
Accumulated amortisation	-2,333	-3,391
Net carrying amount at 1 April	3,819	5,382
Additions - Purchases	2,788	842
Amortisation for the period	-1,225	-1,790
Net carrying amount at 31 March	5,382	4,434
Comprising:		
Gross carrying amounts	8,773	8,826
Accumulated amortisation	-3,391	-4,392
	5,382	4,434

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

	Carrying amount 31 March 2014	Carrying amount 31 March 2015	Remaining Amortisation Period
Core integrated IT system	4,447	4,177	3

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 2014/15

**17 Financial Instruments**

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

	31 March 2014		31 March 2015	
	Long-term £000	Current £000	Long-term £000	Current £000
<b>Investments and cash</b>				
Loans and receivables				
Principal at amortised cost	126	19,278	126	18,722
Accrued interest	0	19	0	14
Available-for-sale financial assets				
Principal at amortised cost	758	13,790	727	20,010
Accrued interest	0	5	0	7
Fair value adjustments	358	0	919	0
Other net cash items	0	-6,970	0	-9,922
<b>Total Investments</b>	<b>1,242</b>	<b>26,122</b>	<b>1,772</b>	<b>28,831</b>
<b>Debtors*</b>				
Loans and receivables	28,802	2,900	28,446	1,800
Financial assets carried at contract amounts	0	41,945	0	46,489
<b>Total Debtors</b>	<b>28,802</b>	<b>44,845</b>	<b>28,446</b>	<b>48,289</b>
<b>Borrowings</b>				
Loans at amortised cost				
Principal sum borrowed	432,057	29,646	422,237	21,085
Accrued interest	0	5,378	0	5,045
Adjustments for Effective Interest Rate (EIR)	394	-14	409	-15
<b>Total Borrowings</b>	<b>432,451</b>	<b>35,010</b>	<b>422,646</b>	<b>26,115</b>
<b>Other Long Term Liabilities</b>				
Financial liabilities at amortised cost	126,344	5,072	121,196	5,090
<b>Total other long term liabilities</b>	<b>126,344</b>	<b>5,072</b>	<b>121,196</b>	<b>5,090</b>
<b>Creditors</b>				
Financial liabilities carried at contract amounts	0	81,541	0	74,004
<b>Total Creditors</b>	<b>0</b>	<b>81,541</b>	<b>0</b>	<b>74,004</b>

\* 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 is 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 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 are 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 2014/15

Movements on soft loans are detailed as follows:

	College £000	Renewable Energy £000	Private Housing Redevelopment £000	Total £000
Balance at 1 April 2013	18,620	1,526	188	20,334
Loans repaid	-557	-16	0	-573
Unwinding of discount	169	98	10	277
<b>Balance at 31 March 2014</b>	<b>18,232</b>	<b>1,608</b>	<b>198</b>	<b>20,038</b>
Loans repaid	-586	-35	0	-621
Unwinding of discount	172	108	11	291
<b>Balance at 31 March 2015</b>	<b>17,818</b>	<b>1,681</b>	<b>209</b>	<b>19,708</b>
Nominal value at 31 March 2014	21,278	2,408	261	23,947
<b>Nominal value at 31 March 2015</b>	<b>20,692</b>	<b>2,372</b>	<b>261</b>	<b>23,325</b>

### 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
<b>2013/14</b>				
Interest expense	33,054	0	0	33,054
Losses on derecognition	13	0	0	13
Impairment losses	0	2,234	0	2,234
<b>Total expense in Deficit on the Provision of Services</b>	<b>33,067</b>	<b>2,234</b>	<b>0</b>	<b>35,301</b>
Interest income	0	-1,870	0	-1,870
Gains on derecognition	0	0	0	0
<b>Total income in Deficit on the Provision of Services</b>	<b>0</b>	<b>-1,870</b>	<b>0</b>	<b>-1,870</b>
Gains on revaluation	0	0	-261	-261
Losses on revaluation	0	0	0	0
<b>Net gain(-)/loss for the year</b>	<b>33,067</b>	<b>364</b>	<b>-261</b>	<b>33,170</b>
<b>2014/15</b>				
Interest expense	32,790	0	0	32,790
Losses on derecognition	14	0	0	14
Impairment losses	0	2,548	0	2,548
<b>Total expense in Deficit on the Provision of Services</b>	<b>32,804</b>	<b>2,548</b>	<b>0</b>	<b>35,352</b>
Interest income	0	-1,996	0	-1,996
Gains on derecognition	0	0	0	0
<b>Total income in Deficit on the Provision of Services</b>	<b>0</b>	<b>-1,996</b>	<b>0</b>	<b>-1,996</b>
Gains on revaluation	0	0	-533	-533
Losses on revaluation	0	0	0	0
<b>Net gain(-)/loss for the year</b>	<b>32,804</b>	<b>552</b>	<b>-533</b>	<b>32,823</b>



## NOTES TO THE CORE FINANCIAL STATEMENTS

KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2014/15

### **Fair Value of assets and liabilities carried at amortised cost**

Financial liabilities and assets represented by loans and receivables and long-term debtors and creditors are carried in the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments.

The fair values for financial liabilities and assets are as follows:

	31 March 2014		31 March 2015	
	Carrying amount £000	Fair value £000	Carrying amount £000	Fair value £000
<b>Borrowings</b>				
PWLB	338,211	406,415	<b>322,402</b>	<b>466,981</b>
LOBOs	107,838	130,967	<b>107,837</b>	<b>157,468</b>
Loan Stock	7,252	14,226	<b>7,252</b>	<b>16,118</b>
Other borrowing	14,160	14,160	<b>11,270</b>	<b>11,270</b>
	<b>467,461</b>	<b>565,768</b>	<b>448,761</b>	<b>651,837</b>
<b>PFI, Transferred Debt &amp; Finance Lease Liabilities</b>				
	131,416	133,883	<b>126,285</b>	<b>138,989</b>
<b>Creditors</b>	81,541	81,541	<b>74,004</b>	<b>74,004</b>
	<b>680,418</b>	<b>781,192</b>	<b>649,050</b>	<b>864,830</b>
<b>Investments and cash</b>				
Loans and Receivables	19,423	19,423	<b>18,862</b>	<b>18,862</b>
Available for Sale	14,911	14,911	<b>21,663</b>	<b>21,663</b>
Other net cash items	-6,970	-6,970	<b>-9,922</b>	<b>-9,922</b>
	<b>27,364</b>	<b>27,364</b>	<b>30,603</b>	<b>30,603</b>
<b>Long-term debtors</b>	28,802	34,144	<b>28,446</b>	<b>34,736</b>
<b>Short-term debtors</b>	44,845	44,880	<b>48,289</b>	<b>48,317</b>
	<b>101,011</b>	<b>106,388</b>	<b>107,338</b>	<b>113,656</b>

The calculation for borrowing and other long-term liabilities is based on interest rates quoted for long term loans at 31 March by the Public Works Loan Board (PWLB) for the early repayment of loans, except for some market loans where current comparable market rates have been indicated by the Council's treasury management consultants, Arlingclose Ltd.

For short-term debtors and creditors, it is assumed that the carrying value will be a reasonable approximation of fair value.

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 2015) arising from a commitment to pay interest to lenders above current market rates.

The Council has several equity instruments, which have no quoted market price. The companies are either joint ventures or ones undertaking PFI contracts at the Council. The value of shares in the Balance Sheet as at 31 March 2015 was £1.6 million (£1.1 million 31 March 2014). 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.

## NOTES TO THE CORE FINANCIAL STATEMENTS

KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2014/15

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### **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 4 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.

At the year end, the Council held investments of £38.8 million for cashflow purposes, made up of cash equivalents of £38.8 million and no short-term investments (£33.1 million and nil respectively 31 March 2014). 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 2014/15.

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 2015, the Council had a balance owing from its customers (mainly services and rent) of £37.8 million (£44.8 million 31 March 2014). The exposure to default has been assessed and is reflected in an impairment provision of £3.1 million (£3.5 million 31 March 2014). Of the trade debtors outstanding as at 31 March 2015 (£20.1 million), 60% relate to outstanding debt within 90 days of the Balance Sheet date, 3% within 90-180 days and 37% 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 2014/15

	31 March 2014 £000	31 March 2015 £000
Less than one year	35,010	26,115
Between 1 and 2 years	9,805	14,444
Between 2 and 5 years	30,499	26,360
Between 5 and 10 years	40,547	31,155
Between 10 and 15 years	5,004	5,235
More than 15 years	346,596	345,452
	<b>467,461</b>	<b>448,761</b>

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

The Council has a general target of paying all trade and other payables within 30 days.

### **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 2015, 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 £107.8 million of debt in the form of LOBOs, which equates to 24% 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. Of the £107.8 million LOBO debt at 31 March 2015, £87.8 million 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 £0.88 million.

The fair value of fixed rate borrowings would decrease by around £92.9 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 £1.6 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

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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. Provision has been made for long term debts which the Council anticipates may not be recovered.

	31 March 2014 £000	<b>31 March 2015 £000</b>
Kirklees College (i)	17,646	<b>17,201</b>
PFI Prepayments (ii)	3,444	<b>3,186</b>
Finance Leases (iii)	3,418	<b>3,417</b>
Charges on Property for Residential Care	1,997	<b>2,049</b>
Renewable Energy (i)	1,608	<b>1,681</b>
Other	732	<b>952</b>
	<b>28,845</b>	<b>28,486</b>
Bad Debt Provision	-43	<b>-40</b>
<b>Net Long Term Debtors</b>	<b>28,802</b>	<b>28,446</b>

(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 2014 £000	<b>31 March 2015 £000</b>
Central government bodies	7,589	<b>10,650</b>
Other local authorities	1,093	<b>979</b>
NHS bodies	3,152	<b>3,618</b>
Public corporations and trading funds	157	<b>9</b>
Other entities and individuals	68,835	<b>73,868</b>
	<b>80,826</b>	<b>89,124</b>
Bad Debt Provision – Other entities and individuals	-15,309	<b>-18,919</b>
<b>Net Short Term Debtors</b>	<b>65,517</b>	<b>70,205</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2014/15

### 20 Cash and Cash Equivalents

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

	31 March 2014 £000	<b>31 March 2015 £000</b>
Cash held by the Council	78	81
Bank current accounts	6,464	5,326
Instant access deposit accounts/investments that mature within 90 days or less	33,091	38,753
	<b>39,633</b>	<b>44,160</b>
Cash in transit	689	504
BACs payments and cheques not yet cleared	-14,200	-15,833
<b>Total Cash and Cash Equivalents</b>	<b>26,122</b>	<b>28,831</b>

### 21 Short Term Creditors

	31 March 2014 £000	<b>31 March 2015 £000</b>
Central government bodies	-9,275	-8,916
Other local authorities	-668	-2,350
NHS bodies	-2,163	-540
Public corporations and trading funds	-1	0
Other entities and individuals	-69,434	-62,198
<b>Total</b>	<b>-81,541</b>	<b>-74,004</b>

### 22 Provisions

	Organisational Risk £000	Business Rate Appeals £000	Other £000	Total £000
Balance at 1 April 2014	-10,967	-3,589	-698	-15,254
Additional provision made in 2014/15	-3,825	-135	-533	-4,493
Amounts used in 2014/15	3,076	0	146	3,222
Amounts reversed in 2014/15	1,778	0	0	1,778
<b>Balance at 31 March 2015</b>	<b>-9,938</b>	<b>-3,724</b>	<b>-1,085</b>	<b>-14,747</b>

The Organisational Risk provision largely covers obligations arising from insurance 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**  
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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 2014	-4,579	-10,675	-15,254
<b>Balance at 31 March 2015</b>	<b>-4,637</b>	<b>-10,110</b>	<b>-14,747</b>

**23 Other Long Term Liabilities**

	31 March 2014 £000	<b>31 March 2015 £000</b>
Deferred Liabilities (mainly outstanding PFI finance lease obligations)	-126,344	<b>-121,195</b>
Net Liability Related to Defined Benefit Pension Scheme	-448,368	<b>-546,489</b>
Long Term Provisions	-10,675	<b>-10,110</b>
PFI Deferred Income	-4,834	<b>-4,297</b>
<b>Total</b>	<b>-590,221</b>	<b>-682,091</b>

**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 2014 £000	<b>31 March 2015 £000</b>
	Restated	
Capital Adjustment Account	629,347	<b>604,591</b>
Revaluation Reserve	199,154	<b>175,935</b>
Pensions Reserve	-448,368	<b>-546,489</b>
Available for Sale Financial Instruments Reserve	386	<b>919</b>
Financial Instruments Adjustment Account	-5,876	<b>-5,397</b>
Deferred Capital Receipts Reserve	3,443	<b>3,436</b>
Collection Fund Adjustment Account	-2,907	<b>-662</b>
Accumulated Absences Account	-11,706	<b>-12,886</b>
<b>Total Unusable Reserves</b>	<b>363,473</b>	<b>219,447</b>

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 2014/15

### 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.

	2013/14	2014/15
	£000	£000
Balance at 1 April	692,971	<b>629,347</b>
<u>Capital financing applied in the year:</u>		
Use of Capital Receipts Reserve to finance new capital expenditure	4,373	<b>6,219</b>
Use of Capital Receipts Reserve to repay debt	4,257	<b>7,338</b>
Use of the Major Repairs Reserve to finance new capital expenditure	17,415	<b>8,816</b>
Capital grants and contributions credited to the CIES that have been applied to capital financing	14,497	<b>12,305</b>
Application of grants to capital financing from the Capital Grants Unapplied Account	13,980	<b>15,896</b>
Statutory provision for the financing of capital investment charged against the General Fund, HRA Balances and Major Repairs Reserve	30,681	<b>34,598</b>
Capital expenditure charged against the General Fund and HRA Balances	22,140	<b>37,949</b>
	800,314	<b>752,468</b>
Charges for depreciation and impairment of non-current assets	-70,585	<b>-73,199</b>
Amortisation of intangible assets	-1,225	<b>-1,790</b>
Revaluation losses on PPE	-81,290	<b>-33,850</b>
Revaluation gains on PPE	3,293	<b>5,926</b>
Movements in the market value of Investment Properties	13,105	<b>-2,296</b>
Revenue expenditure funded from capital under statute (REFCUS)	-8,832	<b>-9,505</b>
Amounts of non-current assets written off on disposal or sale	-31,519	<b>-42,859</b>
Adjusting amounts written out of the Revaluation Reserve	12,953	<b>11,574</b>
Deferred Income written down - Waste PFI	537	<b>537</b>
Long-term debtors written down	-4,303	<b>-2,415</b>
Other	-3,101	<b>0</b>
Balance at 31 March	629,347	<b>604,591</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2014/15

### 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.

	2013/14	2014/15
	£000	£000
	Restated	
Balance at 1 April	237,392	<b>199,154</b>
Upward revaluation of assets	9,445	<b>8,058</b>
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	-34,730	<b>-19,703</b>
	212,107	<b>187,509</b>
Difference between fair value depreciation and historical cost depreciation	-9,193	<b>-7,324</b>
Accumulated gains on assets sold or scrapped	-3,760	<b>-4,250</b>
Balance at 31 March	199,154	<b>175,935</b>

### Pensions Reserve

This Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The Council accounts for post-employment benefits in the CIES as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, charging assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Council makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. 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.

	2013/14			2014/15		
	LGPS £000	Teachers £000	Total £000	LGPS £000	Teachers £000	Total £000
Balance at 1 April	-649,514	-58,433	-707,947	<b>-389,897</b>	<b>-58,471</b>	<b>-448,368</b>
Pension cost payable to Pension Fund	38,614	3,636	42,250	<b>31,110</b>	<b>3,647</b>	<b>34,757</b>
Actuarial gain/loss (-)	298,229	-1,229	297,000	<b>-68,491</b>	<b>-3,159</b>	<b>-71,650</b>
Reversal of IAS19 entries	-77,226	-2,445	-79,671	<b>-58,801</b>	<b>-2,427</b>	<b>-61,228</b>
Balance at 31 March	-389,897	-58,471	-448,368	<b>-486,079</b>	<b>-60,410</b>	<b>-546,489</b>



## NOTES TO THE CORE FINANCIAL STATEMENTS

KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2014/15

### 26 Cash Flow - Operating Activities

The cash flows for operating activities include the following items:

	2013/14	2014/15
	£000	£000
Interest received	-2,021	-1,705
Interest paid	33,056	33,111
Dividend received	-696	-757

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

	2013/14	2014/15
	£000	£000
	Restated	
Pension adjustments	-37,421	-26,471
Depreciation, impairment and amortisation	-71,811	-75,289
Revaluation gains/losses	-64,891	-30,220
Carrying amount of non-current assets sold	-31,519	-42,859
Movements on -		
Provisions	1,188	507
Inventories	309	-543
Revenue debtors (including bad debt provision)	8,808	3,643
Revenue creditors	-6,545	9,581
Other	-2,076	781
<b>Total non-cash movements</b>	<b>-203,958</b>	<b>-160,870</b>

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

	2013/14	2014/15
	£000	£000
Capital grants	30,132	24,580
Proceeds from the sale of PPE, investment property and intangible assets.	6,391	12,954
<b>Total</b>	<b>36,523</b>	<b>37,534</b>

# NOTES TO THE CORE FINANCIAL STATEMENTS

KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2014/15

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## 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 2014/15, 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. The report shows both the balance on the General Fund (excluding HRA) and the balance on the HRA. 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, Revenue Expenditure Funded from Capital under Statute (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 monitoring reporting style for General Fund changed in 2014/15 to one which excluded items deemed to be "non-controllable" by Directorates such as capital charges and IAS19 current service costs. Comparative figures for 2013/14 have therefore been re-presented to match the new format and also restated for the prior period adjustments noted in note 2.

## NOTES TO THE CORE FINANCIAL STATEMENTS

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<b>General Fund – (Non HRA) Subjective Analysis</b>	Children and Young People £000	Commissioning, Public Health and Adults £000	Place £000	Communities Transformation and Change £000	Resources £000	Ringfenced Budgets £000	Central Budgets £000	Total £000
<b>2013/14 (Restated)</b>								
Fees, charges & other service income	-27,565	-26,489	-149,287	-16,095	-1,332	-873	-400	-222,041
Interest	-3	0	0	0	0	0	-2,160	-2,163
Government grants, reimbursements and contributions	-299,350	-44,305	-8,256	-122,056	-402	-20	-4,984	-479,373
<b>Total Income</b>	<b>-326,918</b>	<b>-70,794</b>	<b>-157,543</b>	<b>-138,151</b>	<b>-1,734</b>	<b>-893</b>	<b>-7,544</b>	<b>-703,577</b>
Employee Expenses	264,371	39,463	89,825	39,234	13,610	555	-26,632	420,426
Other Service Expenses	149,910	120,878	113,030	138,391	6,474	1,587	10,411	540,681
Support Service Recharges	4,266	4,943	4,279	1,352	265	6	0	15,111
Interest Payable	0	0	0	0	0	0	14,020	14,020
<b>Total Operational Expenses</b>	<b>418,547</b>	<b>165,284</b>	<b>207,134</b>	<b>178,977</b>	<b>20,349</b>	<b>2,148</b>	<b>-2,201</b>	<b>990,238</b>
Minimum Revenue Provision	0	0	0	0	0	0	22,593	22,593
Transfer to Earmarked Reserves	-32	377	-11	0	0	0	7,377	7,711
Revenue Contribution to Capital	0	0	0	0	0	0	6,549	6,549
<b>Net Cost of Service</b>	<b>91,597</b>	<b>94,867</b>	<b>49,580</b>	<b>40,826</b>	<b>18,615</b>	<b>1,255</b>	<b>26,774</b>	<b>323,514</b>
<b>2014/15</b>								
Fees, charges & other service income	-28,690	-29,997	-141,723	-3,609	-14,357	-103	-402	-218,881
Interest	-9	0	0	0	0	0	-2,263	-2,272
Government grants, reimbursements and contributions	-299,279	-46,283	-5,494	-1,080	-124,091	-207	-3,013	-479,447
<b>Total Income</b>	<b>-327,978</b>	<b>-76,280</b>	<b>-147,217</b>	<b>-4,689</b>	<b>-138,448</b>	<b>-310</b>	<b>-5,678</b>	<b>-700,600</b>
Employee Expenses	243,366	37,272	79,865	11,003	33,856	104	3,417	408,883
Other Service Expenses	158,487	122,518	100,969	6,023	138,535	1,624	20,729	548,885
Support Service Recharges	4,116	7,986	5,696	155	678	36	0	18,667
Interest Payable	0	0	0	0	0	0	13,646	13,646
<b>Total Operational Expenses</b>	<b>405,969</b>	<b>167,776</b>	<b>186,530</b>	<b>17,181</b>	<b>173,069</b>	<b>1,764</b>	<b>37,792</b>	<b>990,081</b>
Minimum Revenue Provision	0	0	0	0	0	0	22,924	22,924
Transfer to Earmarked Reserves	-795	-128	0	0	0	0	2,521	1,598
Revenue Contribution to Capital	0	0	0	0	0	0	4,366	4,366
<b>Net Cost of Service</b>	<b>77,196</b>	<b>91,368</b>	<b>39,313</b>	<b>12,492</b>	<b>34,621</b>	<b>1,454</b>	<b>61,925</b>	<b>318,369</b>

**NOTES TO THE CORE FINANCIAL STATEMENTS**  
**KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2014/15**

<b>General Fund – (Non HRA) Reconciliation to Subjective Analysis</b>	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
<b>2013/14</b>		(Restated)			(Restated)			
Fees, charges & other service income	-222,041	-85,866	-49,363	96,578	108,511	-152,181	0	-152,181
Capital Credits	0	-164	-3,203	187	0	-3,180	-20,542	-23,722
Interest and investment income	-2,163	0	-188	2,351	0	0	-5,910	-5,910
Gain on Disposal of Fixed Assets	0	0	0	0	0	0	-2,557	-2,557
Government grants, reimbursement and contributions	-479,373	-7,912	-4,951	16,436	0	-475,800	-188,052	-663,852
National Non Domestic Rates Income	0	0	0	0	0	0	-46,237	-46,237
Income from Council Tax	0	0	0	0	0	0	-137,653	-137,653
Trading Income	0	0	0	0	0	0	-12,642	-12,642
<b>Total Income</b>	<b>-703,577</b>	<b>-93,942</b>	<b>-57,705</b>	<b>115,552</b>	<b>108,511</b>	<b>-631,161</b>	<b>-413,593</b>	<b>-1,044,754</b>
Employee Expenses	420,426	120	6,244	-38,408	0	388,382	0	388,382
Other Service Expenses	540,681	46,752	10,655	-55,148	-46,143	496,797	2,684	499,481
Support Service Recharges	15,111	2,942	49,363	-5,048	-62,368	0	0	0
Capital Charges	0	71,377	83,390	-6,898	0	147,869	7,338	155,207
Interest Payable and Similar Charges	14,020	0	0	-14,020	0	0	33,067	33,067
Losses on disposal of fixed assets	0	0	0	0	0	0	27,610	27,610
Precepts and Levies	0	0	0	0	0	0	573	573
Payments to Housing Capital Receipts Pool	0	0	0	0	0	0	1,631	1,631
Pension Interest Cost	0	0	0	0	0	0	30,090	30,090
Trading Expenditure	0	0	0	0	0	0	12,901	12,901
<b>Total Operational Expenses</b>	<b>990,238</b>	<b>121,191</b>	<b>149,652</b>	<b>-119,522</b>	<b>-108,511</b>	<b>1,033,048</b>	<b>115,894</b>	<b>1,148,942</b>
Minimum Revenue Provision	22,593	0	0	-22,593	0	0	0	0
Transfer to Earmarked Reserves	7,711	0	0	-7,711	0	0	0	0
Revenue Contribution to Capital	6,549	0	0	-6,549	0	0	0	0
<b>Deficit on Provision of Services</b>	<b>323,514</b>	<b>27,249</b>	<b>91,947</b>	<b>-40,823</b>	<b>0</b>	<b>401,887</b>	<b>-297,699</b>	<b>104,188</b>

**NOTES TO THE CORE FINANCIAL STATEMENTS**  
**KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2014/15**

<b>General Fund – (Non HRA) Reconciliation to Subjective Analysis</b>	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
<b>2014/15</b>								
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
<b>Total Income</b>	<b>-700,600</b>	<b>-100,278</b>	<b>-57,744</b>	<b>105,342</b>	<b>114,890</b>	<b>-638,390</b>	<b>-401,919</b>	<b>-1,040,309</b>
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
<b>Total Operational Expenses</b>	<b>990,081</b>	<b>78,759</b>	<b>147,008</b>	<b>-112,071</b>	<b>-114,890</b>	<b>988,887</b>	<b>112,450</b>	<b>1,101,337</b>
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
<b>Deficit on Provision of Services</b>	<b>318,369</b>	<b>-21,519</b>	<b>89,264</b>	<b>-35,617</b>	<b>0</b>	<b>350,497</b>	<b>-289,469</b>	<b>61,028</b>

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

	2013/14	<b>2014/15</b>
	£000	<b>£000</b>
	Restated	
Net Expenditure in the Outturn Report	323,514	<b>318,369</b>
Net Expenditure of services and support services not included in the analysis	27,249	<b>-21,519</b>
Amounts in Cost of Service in the CIES not included in the analysis	91,947	<b>89,264</b>
	442,710	<b>386,114</b>
Amounts included in analysis not included in CIES	-40,823	<b>-35,617</b>
Cost of Services in the CIES	401,887	<b>350,497</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

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

<b>HRA Segment and Reconciliation</b>	HRA as per Outturn Report £000	Items not reported to management £000	Not included in HRA NCS £000	HRA Net Cost of Service £000	Corporate Amounts £000	HRA reported in the Accounts £000
<b>2013/14</b>						
Fees, charges & other service income	-83,013	0	0	-83,013	0	-83,013
Reversal of impairment	0	-164	0	-164	-420	-584
Interest and investment income	-563	0	563	0	-563	-563
Government grants and contributions	-7,913	0	0	-7,913	-650	-8,563
Gains on disposal of fixed assets	0	0	0	0	-1,323	-1,323
<b>Total Income</b>	<b>-91,489</b>	<b>-164</b>	<b>563</b>	<b>-91,090</b>	<b>-2,956</b>	<b>-94,046</b>
Employee expenses	30	0	0	30	0	30
Other Service expenses	44,012	0	-22	43,990	22	44,012
Support Service recharges	2,573	0	0	2,573	0	2,573
Depreciation, amortisation and impairment	15,274	56,104	0	71,378	0	71,378
Interest payable	13,845	0	-13,845	0	14,534	14,534
HRA share of Corporate and Democratic Core	369	0	0	369	0	369
<b>Total Operational Expenses</b>	<b>76,103</b>	<b>56,104</b>	<b>-13,867</b>	<b>118,340</b>	<b>14,556</b>	<b>132,896</b>
Movement between reserves - Capital expenditure charged to HRA Balances	14,392	0	-14,392	0	0	0
<b>Net Cost of Service/Deficit for year</b>	<b>-994</b>	<b>55,940</b>	<b>-27,696</b>	<b>27,250</b>	<b>11,600</b>	<b>38,850</b>
<b>2014/15</b>						
Fees, charges & other service income	-86,191	0	401	-85,790	0	-85,790
Reversal of impairment	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 asset	0	0	0	0	-2,992	-2,992
<b>Total Income</b>	<b>-94,222</b>	<b>-3,194</b>	<b>520</b>	<b>-96,896</b>	<b>-4,414</b>	<b>-101,310</b>
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, amortisation and impairment	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
<b>Total Operational Expenses</b>	<b>78,351</b>	<b>13,629</b>	<b>-16,603</b>	<b>75,377</b>	<b>14,813</b>	<b>90,190</b>
Movement between reserves - Capital expenditure charged to HRA Balances	13,117	0	-13,117	0	0	0
<b>Net Cost of Service/Surplus for year</b>	<b>-2,754</b>	<b>10,435</b>	<b>-29,200</b>	<b>-21,519</b>	<b>10,399</b>	<b>-11,120</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2014/15

### 30 Trading Operations

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

	2013/14			2014/15		
	Turnover	Expenditure	Surplus(-)/ Deficit	Turnover	Expenditure	Surplus(-)/ Deficit
	£000	£000	£000	£000	£000	£000
Cleaning of Buildings (2)	-6,658	5,956	-702	-6,132	6,520	388
Building Services (2)	-43,394	42,443	-951	-41,782	40,865	-917
Transport Services (2)	-11,789	14,759	2,970	-10,949	9,337	-1,612
Commercial Estates (3)	-2,640	1,531	-1,109	-2,876	1,991	-885
Highways Direct (2)	-18,901	18,634	-267	-16,576	16,090	-486
Catering (1) & (2)	-15,728	15,362	-366	-17,590	17,393	-197
Looking Local (2)	-1,949	1,685	-264	-2,207	1,896	-311
Support Services trading with External Organisations (4)	-4,402	4,402	0	-4,634	4,634	0
Building Control (1)	-617	608	-9	-642	636	-6
Markets (1)	-2,512	4,465	1,953	-1,968	1,796	-172
Trade Refuse (1)	-3,302	3,174	-128	-3,370	3,133	-237
Car Parking (1)	-5,073	2,904	-2,169	-4,242	3,156	-1,086
	<b>-116,965</b>	<b>115,923</b>	<b>-1,042</b>	<b>-112,968</b>	<b>107,447</b>	<b>-5,521</b>

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:

	2013/14 £000	2014/15 £000
Net surplus on trading operations	-1,042	-5,521
Services to public included in CIES Expenditure (1)	827	2,010
Internal Trading recharged to CIES Expenditure (2)	-635	2,594
Rentals Received and Expenses Incurred on Investment Property (3)	1,109	885
Net gains(-)/losses in Financing and Investment Income and Expenditure	259	-32

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 2014/15

	2013/14	2014/15
	£000	£000
Cleaning of Buildings – refund/charge(-) to various services	644	-397
Building Services – mainly refunded to HRA	1,095	911
Highways Direct Services – refund to Highways	302	484
Transport Services – refund/charge(-) to various services	-2,676	1,596
	<u>-635</u>	<u>2,594</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%-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 5% of turnover. The service's loss in 2013/14 was the result of a £4.4 million loss on property revaluation.

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 6.4 million meals annually to approximately 33,600 customers.

### **31 External Audit Costs**

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

		2013/14	2014/15
		£000	£000
For external audit services	- KPMG	212	215
For the certification of grant claims and returns	- KPMG	47	50
Other assurance work	- KPMG	4	7
Rebate	- Audit Commission	-29	-22
		<u>234</u>	<u>250</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.

During 2002/03 the Council, in association with the local Primary Care Trusts, established a pooled budget agreement for people with learning disabilities. The purpose of the fund was to increase the opportunities for adults with learning disabilities to access community facilities, to support people in the development of person centred planning, and to provide advocacy support in the development of services. In 2003/04, the same partners 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 2014/15

	2013/14 £000	2014/15 £000
<u>Funding provided to the pooled budget</u>		
Kirklees Council	2,031	2,460
Greater Huddersfield Clinical Commissioning Group	652	810
North Kirklees Clinical Commissioning Group	506	629
<b>Total Funding</b>	<b>3,189</b>	<b>3,899</b>
<u>Expenditure met from the pooled budget</u>		
Kirklees Council	1,132	1,689
Greater Huddersfield Clinical Commissioning Group	543	810
North Kirklees Clinical Commissioning Group	421	629
<b>Total Expenditure</b>	<b>2,096</b>	<b>3,128</b>
<b>Net surplus arising on pooled budget during the year</b>	<b>1,093</b>	<b>771</b>
<b>Council share of the net surplus arising on the pooled budget</b>	<b>899*</b>	<b>771</b>

\*The figure has been restated from £1,093k due to an error in 2013/14 Statement of Accounts.

### 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 (£)	2013/14		2014/15	
	Teachers	Other	Teachers	Other
50,000 - 54,999	70	28	55	27
55,000 - 59,999	33	28	39	26
60,000 - 64,999	39	7	32	9
65,000 - 69,999	12	3	18	3
70,000 - 74,999	6	5	6	2
75,000 - 79,999	1	3	2	1
80,000 - 84,999	1	6	1	8
85,000 - 89,999	1	1	1	2
90,000 - 94,999	1	1	0	1
95,000 - 99,999	0	0	1	0
100,000 - 104,999	1	0	1	0
105,000 - 109,999	0	1	0	0
110,000 - 114,999	1	1	1	2
115,000 - 119,999	0	0	0	0
120,000 - 124,999	0	1	0	1
125,000 - 129,999	0	0	0	0
130,000 - 134,999	0	1	0	0
135,000 - 139,999	0	1	0	1
140,000 - 144,999	0	1	0	0
145,000 - 149,999	0	1	0	0
150,000 - 154,999	0	0	0	1
<b>Total</b>	<b>166</b>	<b>89</b>	<b>157</b>	<b>84</b>

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

It should be noted that 7 employees received redundancy payments in 2014/15 (2013/14 7 employees) and exceeded the £50,000 remuneration band, who would not normally have done so.

## NOTES TO THE CORE FINANCIAL STATEMENTS

KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2014/15

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.

### 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
	£	£	£	£	£
<b>2013/14</b>					
Chief Executive	147,401	0	147,401	22,184	169,585
Director of Resources	120,103	0	120,103	18,075	138,178
Director for Children and Adults	135,819	0	135,819	20,441	156,260
Director for Place	110,779	0	110,779	16,826	127,605
Director of Communities, Transformation and Change	109,183	0	109,183	16,432	125,615
Director of Public Health	132,321	0	132,321	17,795	150,116
Interim Monitoring Officer (1)	49,960	0	49,960	5,196	55,156
Monitoring Officer (2)	44,909	0	44,909	6,762	51,671
<b>2014/15</b>					
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 Adults	136,836	0	136,836	18,951	155,787
Director for Place	112,243	0	112,243	15,545	127,788
Director of Communities, Transformation and Change	112,571	0	112,571	15,589	128,160
Director of Public Health (3)	85,188	0	85,188	635	85,823
Interim Director of Public Health (4)	24,771	0	24,771	3,444	28,215
Director of Commissioning, Public Health and Adult Social Care (5)	17,029	0	17,029	2,350	19,379
Monitoring Officer	83,377	0	83,377	11,546	94,923

- (1) The interim Monitoring Officer ceased their role on 22 September 2013
- (2) There was a permanent appointment of a Monitoring Officer on 23 September 2013
- (3) The Director of Public Health left the authority on 16 November 2014
- (4) The interim Director of Public Health was appointed on 16 November 2014: their annualised salary was £82,375
- (5) The new Director of Commissioning, Public Health and Adult Social Care was appointed on 26 January 2015: their annualised salary was £124,313
- (6) No added years pensions were provided for Senior Officers.

It should be noted that the 2013/14 figures for senior officers emoluments only relates to individuals who continued to be employed in 2014/15 and will exclude those who left the Council in 2013/14. 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 2014/15

### 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
<b>2013/14</b>						
£0 - £20,000	0	34	34	229	218	11
£20,001 - £40,000	0	7	7	194	164	30
£40,001 - £60,000	0	2	2	97	26	71
£60,001 - £80,000	0	1	1	73	17	56
£80,001 - £100,000	0	1	1	83	83	0
£100,001 - £120,000	0	1	1	109	26	83
£120,001 - £140,000	0	1	1	131	30	101
<b>Total</b>	<b>0</b>	<b>47</b>	<b>47</b>	<b>916</b>	<b>564</b>	<b>352</b>
<b>2014/15</b>						
£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
<b>Total</b>	<b>0</b>	<b>93</b>	<b>93</b>	<b>2,153</b>	<b>1,130</b>	<b>1,023</b>

The figures for 2014/15 include 18 employees (2013/14 4 employees), who had not left the Council as at 31 March 2015, but had agreed package offers. The estimated cost of these packages are £0.5 million (2013/14 £0.1 million) and have been accrued into the CIES and included in a provision.

## NOTES TO THE CORE FINANCIAL STATEMENTS

KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2014/15

### 34 Deployment of Dedicated Schools Grant

The Council's expenditure on schools is funded primarily by grant monies provided by the Department for Education, the Dedicated Schools Grant (DSG). An element of DSG is recouped by the Department to fund academy schools in the Council's area. DSG is ring fenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the School Finance (England) Regulations 2011. 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 2014/15 before Academy recoupment			324,367
Academy figure recouped for 2014/15			-64,141
Total DSG after Academy recoupment for 2014/15			260,226
Brought forward from 2013/14			5,037
Carry forward to 2014/15 agreed in advance			0
Agreed budgeted distribution for 2014/15	37,478	227,785	265,263
In year adjustments	-338	510	172
Final budgeted distribution for 2014/15	37,140	228,295	265,435
Less actual central expenditure	-28,709		-28,709
Less actual ISB deployed		-228,295	-228,295
Carry forward to 2015/16	8,431	0	8,431
Add back carry forward to 2015/16 agreed in advance			0
Total carry forward to 2015/16			8,431

## NOTES TO THE CORE FINANCIAL STATEMENTS

KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2014/15

### 35 Grant Income

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

	2013/14 £000 Restated	2014/15 £000
<b><u>Credited to Taxation and Non Specific Grant Income</u></b>		
Revenue Support Grant (RSG)	108,567	<b>88,296</b>
NNDR Top up Grant	20,455	<b>20,854</b>
PFI Grants	11,359	<b>11,359</b>
Education Services Grant	6,972	<b>6,754</b>
New Homes Grant	4,009	<b>6,069</b>
Small Businesses Rate Relief	2,358	<b>4,681</b>
Housing Benefit Subsidy Admin Grant	3,084	<b>2,740</b>
Other Non-Specific Grants (under £2 million)	5,529	<b>5,472</b>
 <u>Grants and Contributions related to capital financing which cannot be identified to particular services or assets</u>		
Standards Fund	11,156	<b>9,147</b>
Local Transport Plan (LTP)	9,430	<b>7,548</b>
Other Capital Grants and Contributions (under £2 million)	5,133	<b>4,627</b>
<b>Total</b>	<b>188,052</b>	<b>167,547</b>
 <b><u>Credited to Services</u></b>		
<u>Revenue</u>		
Dedicated Schools Grant	266,930	<b>260,633</b>
DWP – Rent Allowance	66,970	<b>68,081</b>
DWP – Rent Rebate	54,072	<b>54,744</b>
Department of Health Grant (Public Health)	22,603	<b>23,527</b>
NHS England	6,657	<b>8,524</b>
Clinical Commissioning Groups (CCGs)	4,109	<b>3,523</b>
Pupil Premium Grant	12,711	<b>16,847</b>
PFI Grant (ring fenced to HRA)	7,912	<b>7,912</b>
Young People's Learning Agency Sixth Form Grant	2,283	<b>0</b>
Universal Infant Free School Meals Grant	0	<b>2,873</b>
European Regional Development Fund	2,502	<b>906</b>
Other Revenue Grants and Contributions (under £2 million)	13,827	<b>14,556</b>
<u>Capital (REFCUS)</u>		
Standards Fund	2,082	<b>2,847</b>
Various Capital Grants and Contributions (under £2 million)	2,869	<b>1,248</b>
<b>Total</b>	<b>465,527</b>	<b>466,221</b>
 <b>Total Grants in CIES</b>	 <b>653,579</b>	 <b>633,768</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2014/15

### 36 Related Party Transactions

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

#### i) Elected Members and Chief Officers

There were five material disclosures to declare for 2014/15, 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 the code of conduct adopted by the Council in accordance with section 51 of the Local Government Act 2000 and the Local Authorities (Model Code of Conduct) (England) Regulations 2001, made under section 50 of that Act. 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.

One Councillor was a director of a local community based business providing sustainable employment for people in areas of deprivation, working in close partnership with the Council, other voluntary and community sector organisations and the private sector. In 2014/15, the supplier was paid £376k by the Council and the Council received £24k from the supplier.

One Councillor worked as a technical services manager for a local housing association. In 2014/15, the Council made payments of £1,227k to the association and received £24k from the association.

Another member of the Council was a Non-Executive Director of Yorkshire Water Services Ltd. During 2014/15, the Council made payments of £1,528k to the company and received £15k from the company.

A member's partner was the manager of an independently run local community centre. The Council made payments of £78k to the centre in 2014/15.

The partner of a chief officer was paid per session by the Council as Clinical Lead for Self Care. The partner was paid £10k in 2014/15.

#### ii) Companies

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

	Receipts from the companies		Payments to the companies	
	2013/14 £000	2014/15 £000	2013/14 £000	2014/15 £000
Media Centre Network Ltd	2	15	187	121
Yorkshire Energy Services	89	42	905	7
Locala Community Partnerships	635	4,710	9,338	6,203
Northern College For Residential Adult Education Ltd	0	0	35	55
Deighton & Brackenhall Initiative Ltd	1	647	0	17
YHGfL Foundation	48	51	141	50
CO2 Sense	0	0	18	0

The Council has given a loan to Media Centre Network Ltd. As at 31 March 2015, £203k was outstanding (£203k as at 31 March 2014).

## NOTES TO THE CORE FINANCIAL STATEMENTS

KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2014/15

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 35).
- NHS Bodies (see note 32 and 35).
- 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 Passenger Transport. Payments in 2014/15 amounted to £20.2 million (2013/14 £20.1 million). Certain Parish Councils have also invested funds with the Council. As at 31 March 2015, £264k (£200k at 31 March 2014) was invested.
- Pension Fund (see note 40).
- Subsidiary, joint venture companies and associates (see Group Accounts).
- PFI Transactions (see note 39 and note H10 in the HRA).

### 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.

	2013/14	2014/15
	£000	£000
	Restated	
<i>Opening Capital Financing Requirement</i>	768,163	<b>777,533</b>
<u>Capital investment</u>		
Property, Plant and Equipment	100,260	<b>73,363</b>
Heritage Assets	28	<b>0</b>
Investment Properties	522	<b>170</b>
Intangible Assets	2,788	<b>842</b>
Assets Held for Sale	0	<b>229</b>
Revenue Expenditure Funded from Capital under Statute	8,832	<b>9,505</b>
Loans and investments	4,283	<b>2,073</b>
<u>Sources of Finance</u>		
Capital receipts	-4,373	<b>-6,219</b>
Government grants and other contributions	-28,478	<b>-28,201</b>
Major Repairs Reserve	-17,415	<b>-8,816</b>
Direct revenue contributions	-22,139	<b>-37,949</b>
To repay debt:		
Minimum Revenue Provision	-24,422	<b>-27,848</b>
Major Repairs Reserve	-6,259	<b>-6,750</b>
Capital receipts	-4,257	<b>-7,338</b>
<i>Closing Capital Financing Requirement</i>	<b>777,533</b>	<b>740,594</b>
<u>Explanation of movements in year</u>		
Increase in underlying need to borrow:		
PFI Finance Lease Liability	18,227	<b>-59</b>
Other	26,081	<b>5,056</b>
Provision for repayment of debt	-34,938	<b>-41,936</b>
<i>Increase/decrease (-) in Capital Financing Requirement</i>	<b>9,370</b>	<b>-36,939</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2014/15

### 38 Leases

#### Council as Lessee

##### *Finance Leases*

The Council has a finance lease on Civic Centre 1 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 2014	<b>31 March 2015</b>
	£000	<b>£000</b>
<b>Cost or valuation</b>		
At 1 April	11,183	<b>12,847</b>
Additions & Transfers	1,664	<b>1,188</b>
At 31 March	12,847	<b>14,035</b>
<b>Depreciation and impairments</b>		
At 1 April	409	<b>691</b>
Depreciation charge	282	<b>342</b>
At 31 March	691	<b>1,033</b>
<b>Net Book Value as at 31 March</b>	12,156	<b>13,002</b>

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

	31 March 2014	<b>31 March 2015</b>
	£000	<b>£000</b>
Finance lease liabilities (net present value of minimum lease payments):		
Non-current	1,050	<b>1,050</b>
Finance costs payable in future years	6,780	<b>6,690</b>
Minimum lease payments	7,830	<b>7,740</b>

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

	Minimum Lease Payments		Finance Lease Liabilities	
	31 March 2014	<b>31 March 2015</b>	31 March 2014	<b>31 March 2015</b>
	£000	<b>£000</b>	£000	<b>£000</b>
Not later than one year	90	<b>90</b>	0	<b>0</b>
Later than one year and not later than five years	360	<b>360</b>	0	<b>0</b>
Later than five years	7,380	<b>7,290</b>	1,050	<b>1,050</b>
	7,830	<b>7,740</b>	1,050	<b>1,050</b>

In year the amount of contingent rents paid was £229,000 (2013/14 £229,000).



## NOTES TO THE CORE FINANCIAL STATEMENTS

KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2014/15

### 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, there are 15 Academies 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 2014	<b>31 March 2015</b>
	£000	<b>£000</b>
Finance lease debtor (net present of value of minimum lease payments):		
Non-current	3,420	<b>3,418</b>
Unearned finance income	16,474	<b>16,201</b>
Gross investment in the lease	19,894	<b>19,619</b>

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 2014	<b>31 March 2015</b>	31 March 2014	<b>31 March 2015</b>
	£000	<b>£000</b>	£000	<b>£000</b>
Not later than one year	275	<b>275</b>	275	<b>275</b>
Later than one year and not later than five years	1,100	<b>1,100</b>	1,100	<b>1,100</b>
Later than five years	18,519	<b>18,244</b>	18,519	<b>18,244</b>
	19,894	<b>19,619</b>	19,894	<b>19,619</b>

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

#### *Operating Leases:*

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

- For service provision, for example the Markets' service hires out 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.

## NOTES TO THE CORE FINANCIAL STATEMENTS

KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2014/15

The value of the assets leased out is as follows:

	31 March 2014 £000	<b>31 March 2015 £000</b>
<b>Cost or valuation</b>		
At 1 April	146,815	<b>149,472</b>
Additions & Transfers	1,835	<b>3,140</b>
Revaluations decreases recognised in the Revaluation Reserve	-3,913	<b>-267</b>
Revaluations increases/decreases (-) recognised in provision of services	4,262	<b>-4,679</b>
De-recognition - disposals	-101	<b>-366</b>
Other movements in cost or valuation (re-classifications)	574	<b>1,225</b>
At 31 March	149,472	<b>148,525</b>
<b>Depreciation and impairments</b>		
At 1 April	8,364	<b>14,518</b>
Depreciation charge for year	8,893	<b>8,492</b>
Depreciation written out to the Revaluation Reserve	-1,548	<b>-1,100</b>
Depreciation written out to the Surplus/Deficit to Services	-1,273	<b>-941</b>
Other movements in cost or valuation (re-classifications)	82	<b>0</b>
At 31 March	14,518	<b>20,969</b>
<b>Net Book Value at 31 March</b>	134,954	<b>127,556</b>

The Council received £4.8 million in rent on operating leases in 2014/15 (£4.8 million 2013/14). Total contingent rents recognised in the period was £0.2 million (£0.1 million in 2013/14).

The following is commitments relating to non-cancellable contracts:

	31 March 2014 £000	<b>31 March 2015 £000</b>
Not later than one year	1,854	<b>1,736</b>
Later than one year and not later than five years	3,409	<b>3,222</b>
Later than five years	2,962	<b>2,478</b>
	8,225	<b>7,436</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2014/15

### 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 2015/16	21,216	9,075	4,948	1,488	36,727
Between 2016/17 to 2019/20	89,061	32,655	21,631	6,507	149,854
Between 2020/21 to 2024/25	103,533	31,327	28,829	8,832	172,521
Between 2025/26 to 2029/30	84,673	21,002	34,644	8,625	148,944
Between 2030/31 to 2034/35	61,008	5,852	38,134	4,941	109,935
	<b>359,491</b>	<b>99,911</b>	<b>128,186</b>	<b>30,393</b>	<b>617,981</b>

The value of assets held under all schemes:

	2013/14 £000	2014/15 £000
	Restated	
Net Book Value at 1 April	169,392	<b>128,382</b>
Additions	28,543	<b>3,502</b>
Revaluations	-57,288	<b>-10,080</b>
Disposals	-10,602	<b>-18,833</b>
Transfer of land from Investment Properties	3,705	<b>0</b>
Depreciation and impairment	-5,368	<b>-3,577</b>
<b>Net Book Value at 31 March</b>	<b>128,382</b>	<b>99,394</b>

The value of liabilities for all schemes:

	2013/14 £000	2014/15 £000
At 1 April	110,337	<b>126,736</b>
Movement in the year	16,399	<b>-4,983</b>
<b>At 31 March</b>	<b>126,736</b>	<b>121,753</b>

#### a) Waste Disposal Services

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

The Council incurred costs of £12.5 million under the contract in 2014/15 (2013/14 £11.7 million) and received £3.2 million in PFI Grant (2013/14 £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 2014/15**

	Service Charges £000	Interest Charges £000	Repayments Of Liability £000	Total £000
In 2015/16	8,894	876	1,430	11,200
Between 2016/17 to 2019/20	36,641	2,453	5,706	44,800
Between 2020/21 to 2022/23	28,158	723	4,719	33,600
	<b>73,693</b>	<b>4,052</b>	<b>11,855</b>	<b>89,600</b>

The estimated payments for service charges are based on expected tonnages and 2014/15 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 2015 was £4.3 million (31 March 2014 £4.8 million).

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

	2013/14 £000	2014/15 £000
Net Book Value at 1 April	29,250	<b>27,994</b>
Additions	3	<b>17</b>
Depreciation and impairment	-1,259	<b>-1,258</b>
<b>Net Book Value at 31 March</b>	<b>27,994</b>	<b>26,753</b>

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

	2013/14 £000	2014/15 £000
At 1 April	14,523	<b>13,154</b>
Movement in the year	-1,369	<b>-1,387</b>
<b>At 31 March</b>	<b>13,154</b>	<b>11,767</b>

**b) Schools 1**

In March 2001, the Council entered into a thirty two and a half year contract with Kirklees Schools Services Ltd for the delivery 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 2014/15

The Council incurred costs of £14.4 million under the contract in 2014/15 (2013/14 £13.8 million) and received £5.9 million in PFI Grant (2013/14 £5.9 million). Details of estimated payments due to be made are as follows:

	Service Charges	Interest Charges £000	Repayments Of Liability £000	Other £000	Total £000
In 2015/16	9,225	2,858	827	1,234	14,144
Between 2016/17 to 2019/20	38,349	10,800	4,809	5,001	58,959
Between 2020/21 to 2024/25	53,946	11,237	7,357	6,984	79,524
Between 2025/26 to 2029/30	58,737	7,892	12,780	7,379	86,788
Between 2030/31 to 2033/34	43,174	1,901	13,550	4,812	63,437
	203,431	34,688	39,323	25,410	302,852

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:

	2013/14 £000	2014/15 £000
Net Book Value at 1 April	99,605	71,041
Additions	4,273	1,883
Revaluations	-18,430	0
Disposals	-10,602	-18,833
Depreciation and impairment	-3,805	-1,818
<b>Net Book Value at 31 March</b>	71,041	52,273

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

	2013/14 £000	2014/15 £000
At 1 April	41,130	40,533
Movement in the year	-597	-1,208
<b>At 31 March</b>	40,533	39,325

#### 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 2014/15 (£2.8 million in 2013/14) and received £2.2 million in PFI Grant (2013/14 £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 2014/15**

	Service Charges	Interest Charges	Repayments Of Liability	Other	Total
	£000	£000	£000	£000	£000
In 2015/16	1,151	816	532	254	2,753
Between 2016/17 to 2019/20	4,803	2,821	1,796	1,506	10,926
Between 2020/21 to 2024/25	6,636	2,632	2,478	1,848	13,594
Between 2025/26 to 2029/30	7,509	1,430	3,539	1,246	13,724
Between 2030/31 to 2031/32	2,316	103	1,397	129	3,945
	<u>22,415</u>	<u>7,802</u>	<u>9,742</u>	<u>4,983</u>	<u>44,942</u>

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:

	2013/14	2014/15
	£000	£000
Net Book Value at 1 April	11,744	<b>10,998</b>
Additions	95	<b>122</b>
Revaluations	-624	<b>0</b>
Depreciation	-217	<b>-282</b>
Net Book Value at 31 March	<u>10,998</u>	<u><b>10,838</b></u>

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

	2013/14	2014/15
	£000	£000
At 1 April	10,719	<b>10,225</b>
Movement in the year	-494	<b>-482</b>
<b>At 31 March</b>	<u>10,225</u>	<u><b>9,743</b></u>

## NOTES TO THE CORE FINANCIAL STATEMENTS

KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2014/15

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### 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 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 the Teachers' Pensions Agency. 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 2014/15, the Council paid £14.5 million (2013/14 £15.3 million) to the Pensions Agency in respect of teachers' retirement benefits, representing 14.1% (2013/14 14.1%) of pensionable pay. A payment of £1.2 million was owing to the Agency as at 31 March 2015 (31 March 2014 £1.3 million). As a proportion of the total contributions to the Scheme during the year ending 31 March 2015, the Council's contribution equated to approximately 0.25% (2013/14 0.28%).
- 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 2014/15, the Council paid £0.3 million (2013/14 £0.2 million) to the NHSBSA, representing 14.0% (2013/14 14.0%) of pensionable pay. As a proportion of the total contributions to the Scheme during the year ending 31 March 2015, the Council's contribution equated to approximately 0.002% (2013/14 0.002%).

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

#### Transactions Relating to Retirement Benefits

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

# NOTES TO THE CORE FINANCIAL STATEMENTS

KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2014/15

	LGPS		Teachers	Total
	Funded	Unfunded	£000	£000
	£000	£000		
<b>2013/14</b>				
<b>Comprehensive Income and Expenditure Statement</b>				
<u>Cost of Services:</u>				
Current service cost	49,952	0	0	49,952
Past service cost	906	0	121	1,027
Settlements and Curtailments	-1,398	0	0	-1,398
<u>Financing and Investment income and Expenditure:</u>				
Net interest expense	26,455	1,311	2,324	30,090
<b>Total Post-employment Benefits charged to the Deficit on the Provision of Services</b>	<b>75,915</b>	<b>1,311</b>	<b>2,445</b>	<b>79,671</b>
<u>Remeasurement of the net defined benefit liability comprising:</u>				
Return on plan assets (excluding the amount included in the net interest expense)	8,747	0	0	8,747
Actuarial gains and losses arising on changes in demographic assumptions	-38,081	1,076	1,884	-35,121
Actuarial gains and losses arising on changes in financial assumptions	-148,188	-1,521	-3,210	-152,919
Actuarial gains and losses due to liability experience	-120,222	-40	2,555	-117,707
<b>Total Post Employment Benefit charged to the CIES</b>	<b>-221,829</b>	<b>826</b>	<b>3,674</b>	<b>-217,329</b>
<b>Movement in Reserves Statement</b>				
Reversal of net charges made to the Deficit on the Provision of Services for retirement benefits	-75,915	-1,311	-2,445	-79,671
<b>Actual amount charged against General Fund Balance for pensions in the year:</b>				
Employers' contributions payable to scheme	36,363	2,251		38,614
Retirement benefits payable to pensioners			3,636	3,636



## NOTES TO THE CORE FINANCIAL STATEMENTS

KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2014/15

2014/15	LGPS		Teachers	Total
	Funded £000	Unfunded £000	£000	£000
<b>Comprehensive Income and Expenditure Statement</b>				
<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
<b>Total Post-employment Benefits charged to the Deficit on the Provision of Services</b>	<b>57,519</b>	<b>1,282</b>	<b>2,427</b>	<b>61,228</b>
<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
<b>Total Post Employment Benefit charged to the CIES</b>	<b>124,317</b>	<b>2,975</b>	<b>5,586</b>	<b>132,878</b>
<b>Movement in Reserves Statement</b>				
Reversal of net charges made to the Deficit on the Provision of Services for retirement benefits	-57,519	-1,282	-2,427	-61,228
<b>Actual amount charged against General Fund Balance for pensions in the year:</b>				
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 2014/15**

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

	LGPS		Teachers	Total
	Funded	Unfunded		
	£000	£000	£000	£000
Opening balance 1 April 2013	-1,888,995	-33,089	-58,433	-1,980,517
Current Service Cost	-49,952	0	0	-49,952
Interest cost	-82,273	-1,311	-2,324	-85,908
Contributions by scheme participants	-12,345	0	0	-12,345
Remeasurement gain/loss(-):				
Arising on changes in demographic assumptions	38,081	-1,076	-1,884	35,121
Arising on changes in financial assumptions	148,188	1,521	3,210	152,919
Due to liability experience	120,222	40	-2,555	117,707
Benefits/transfers paid	51,645	2,251	3,636	57,532
Past service costs	-906	0	-121	-1,027
Settlements	4,333	0	0	4,333
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 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
<b>Closing balance 31 March 2015</b>	<b>-1,909,580</b>	<b>-32,346</b>	<b>-60,410</b>	<b>-2,002,336</b>

The average duration of liabilities calculated at 31 March 2015 is 18.9 years for funded liabilities (18.9 at 31 March 2014) and 12.0 years for unfunded liabilities (12.0 at 31 March 2014).

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

	31 March 2014 £000	31 March 2015 £000
Opening balance 1 April	1,272,570	1,313,769
Interest income on assets	55,818	56,304
Remeasurement gains and losses	-8,747	97,529
Employer contributions	36,363	28,817
Contributions by scheme participants	12,345	12,650
Benefits paid	-51,645	-50,884
Settlements	-2,935	-2,338
Closing balance 31 March	1,313,769	1,455,847

## NOTES TO THE CORE FINANCIAL STATEMENTS

### KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2014/15

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

The actual return on scheme assets in the year showed a return of £153.8 million (2013/14 return of £47.1 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 £11.3 billion for the Fund as a whole at 31 March 2015 (£10.2 billion at 31 March 2014). 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:

	2013/14	2014/15		Total
	Total	Quoted	Unquoted	
	%	%	%	%
Equity investments	75.3	<b>69.9</b>	<b>6.3</b>	<b>76.2</b>
Government Bonds	10.5	<b>10.6</b>	<b>0.0</b>	<b>10.6</b>
Other Bonds	5.4	<b>4.7</b>	<b>0.0</b>	<b>4.7</b>
Property	3.2	<b>4.3</b>	<b>0.0</b>	<b>4.3</b>
Cash/ liquidity	3.1	<b>1.9</b>	<b>0.0</b>	<b>1.9</b>
Other	2.5	<b>0.0</b>	<b>2.3</b>	<b>2.3</b>
	100.0	<b>91.4</b>	<b>8.6</b>	<b>100.0</b>

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

[http://www.bradford.gov.uk/bmdc/government\\_politics\\_and\\_public\\_administration/council\\_budgets\\_and\\_spending/statement\\_of\\_accounts](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 Teacher's 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 2014/15

The principal assumptions used by the actuary have been:

	2013/14			2014/15		
	LGPS		Teachers	LGPS		Teachers
	Funded	Unfunded		Funded	Unfunded	
Rate of inflation – RPI	3.40%	3.20%	3.20%	<b>2.90%</b>	<b>2.90%</b>	<b>2.90%</b>
Rate of inflation – CPI	2.40%	2.20%	2.20%	<b>1.80%</b>	<b>1.80%</b>	<b>1.80%</b>
Rate of increase in salaries	3.90%	n/a	n/a	<b>3.30%</b>	<b>n/a</b>	<b>n/a</b>
Rate of increase in pensions	2.40%	2.20%	2.20%	<b>1.80%</b>	<b>1.80%</b>	<b>1.80%</b>
Rate for discounting liabilities	4.30%	4.20%	4.20%	<b>3.20%</b>	<b>3.10%</b>	<b>3.10%</b>
Take up of option to convert annual pension into retirement grant	75%	n/a	n/a	<b>75%</b>	<b>n/a</b>	<b>n/a</b>
<u>Mortality assumptions (years):</u>						
Longevity at 65 for current pensioners:						
Men	22.5	22.5	22.5	<b>22.6</b>	<b>22.6</b>	<b>22.6</b>
Women	25.4	25.4	25.4	<b>25.5</b>	<b>25.5</b>	<b>25.5</b>
Longevity at 65 for future pensioners:						
Men	24.7	24.7	24.7	<b>24.8</b>	<b>24.8</b>	<b>24.8</b>
Women	27.7	27.7	27.7	<b>27.8</b>	<b>27.8</b>	<b>27.8</b>

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 the assumption 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.

	2013/14		2014/15	
<b>Discount rate assumption</b>				
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	1,641,307	1,703,283	1,873,802	1,946,041
% change in present value of total obligation	-1.8%	+1.9%	-1.9%	+1.9%
Projected service cost £k	41,355	43,988	49,042	52,354
Approximate % change in projected service cost	-3.0%	+3.1%	-3.2%	+3.3%
<b>Rate of general increase in salaries</b>				
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	1,679,782	1,664,307	1,919,485	1,899,795
% change in present value of total obligation	+0.5%	-0.5%	+0.5%	-0.5%
Projected service cost £k	42,656	42,656	50,677	50,677
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 2014/15

<b>Rate of increase to pensions in payment and deferred pensions assumptions, and rate of revaluation of pension accounts assumption</b>				
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	1,695,160	1,649,366	1,936,830	1,882,746
% change in present value of total obligation	+1.4%	-1.4%	+1.4%	-1.4%
Projected service cost £k	44,033	41,310	52,354	49,042
Approximate % change in projected service cost	+3.2%	-3.2%	+3.3%	-3.2%
<b>Post retirement mortality assumption*</b>				
Adjustment to pension increase rate	-1 Year	+1 Year	-1 Year	+1 Year
Present value of total obligation £k	1,710,715	1,633,165	1,960,227	1,858,934
% change in present value of total obligation	+2.3%	-2.3%	+2.7%	-2.7%
Projected service cost £k	43,997	41,310	52,378	48,976
Approximate % change in projected service cost	+3.1%	-3.2%	+3.4%	-3.4%
<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**

	2010/11 £000	2011/12 £000	2012/13 £000	2013/14 £000	2014/15 £000
Present value of liabilities:					
LGPS Funded	-1,469,426	-1,668,243	-1,888,995	-1,672,002	<b>-1,909,580</b>
LGPS Unfunded	-30,226	-31,967	-33,089	-31,664	<b>-32,346</b>
Teachers	-48,761	-53,618	-58,433	-58,471	<b>-60,410</b>
Fair value of assets in the LGPS	1,119,192	1,125,742	1,272,570	1,313,769	<b>1,455,847</b>
Deficit in the scheme:					
LGPS Funded	-350,234	-542,501	-616,425	-358,233	<b>-453,733</b>
LGPS Unfunded	-30,226	-31,967	-33,089	-31,664	<b>-32,346</b>
Teachers	-48,761	-53,618	-58,433	-58,471	<b>-60,410</b>
Total	<b>-429,221</b>	<b>-628,086</b>	<b>-707,947</b>	<b>-448,368</b>	<b>-546,489</b>

The net liabilities show the underlying commitments that the Council has in the long run to pay retirement benefits. The total liability of £546.5 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.

## NOTES TO THE CORE FINANCIAL STATEMENTS

KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2014/15

The scheme needs to take account of the national changes to the scheme under the Public Pensions Services Act 2013 as well as the Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014. The Act provides for scheme regulations to be made within a common framework, to establish new career average revalued earnings schemes to pay pensions and other benefits.

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

WYPF aim to reach 100% funding over a period of time and therefore the assets built up will be able to meet all present and future liabilities. The way in which WYPF seeks to achieve this is set out in their Funding Strategy Statement (FSS), which in turn also refers to the Statement of Investment Principles (SIP) governing the asset mix which WYPF would seek to hold at any time. Both the Funding Strategy Statement and Statement of Investment Principles can be found 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 2016 is £28.8 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, Fresh Horizons, North Kirklees CAB, Kirklees Active Leisure, and Deighton and Sheepridge Partnership.
- 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 2015, the balance on the loan was £3.1 million (£3.6 million at 31 March 2014). The Council has also agreed to guarantee English Partnership's investment of £1.7 million in the North Stand development of the project and a loan of £0.9 million to the Company in respect of the construction of an indoor sports facility at Leeds Road Playing Fields. As at 31 March 2015, there were no amounts outstanding (£0.01 million at 31 March 2014).
- 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 disponent 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.

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

## NOTES TO THE CORE FINANCIAL STATEMENTS

KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2014/15

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### 42 Contingent Asset

The Council has a claim lodged for a VAT refund which, if successful, could total £10.8 million, excluding interest. This is in relation to VAT on off street car parking, where the VAT and Duties Tribunal ruled in January 2006 that local authorities should not be required to charge VAT on off street car parking because they operate under a special legal regime. Appeals to both the First Tier and Upper Tier Tax Tribunal have been dismissed. The case will now be heard at the Court of Appeal in December 2015. Should local authorities be successful, the Council has the option to submit further claims from the period commencing October 2012 onwards, the date at which the First Tier decision was made.

The Council has also submitted claims to the High Court in respect of overpaid landfill tax.

### 43 Impairment

During 2014/15 the Council began demolition of the Deighton Centre, a building which had become surplus to requirements. An impairment loss was incurred - £11.4 million gross less accumulated depreciation of £1.7 million, resulting in a net loss of £9.7 million. From this £6.4 million was charged to the Deficit on the Provision of Services and £3.3 million to the Revaluation Reserve. Impairment losses in 2013/14 totalled £1.1 million charged to the Deficit on Provision of Services.

**ADDITIONAL FINANCIAL STATEMENTS**  
KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2014/15

**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.

	2013/14 £000	2014/15 £000	Notes
<b><u>Expenditure</u></b>			
Repairs and maintenance	21,635	20,007	
Supervision and management	20,169	22,081	
Special services	1,843	1,437	
Rent, rates, taxes and other charges	587	294	
Depreciation and impairment of non-current assets	15,274	15,566	H1
Debt management costs	13	14	
Movement in the allowance for bad debts	2,316	1,942	
Revaluation losses on property, plant and equipment	56,104	13,629	H1
<b>Total Expenditure</b>	<b>117,941</b>	<b>74,970</b>	
<b><u>Income</u></b>			
Dwelling rents	80,069	82,647	
Non-dwelling rents	233	217	
Charges for services and facilities	2,555	2,883	
Contributions towards expenditure	156	42	
PFI Grants	7,912	7,912	H10
Revaluation gains on property, plant and equipment	165	3,194	H1
<b>Total Income</b>	<b>91,090</b>	<b>96,895</b>	
<b>Net Expenditure/Income(-) of HRA Services as included in the CIES</b>	<b>26,851</b>	<b>-21,925</b>	
HRA share of Corporate & Democratic Core	369	376	
HRA share of Non-distributed costs	30	30	
<b>Net Expenditure/Income(-) of HRA Services</b>	<b>27,250</b>	<b>-21,519</b>	
<b>HRA share of operating income and expenditure included in the CIES:</b>			
Gain on sale of HRA non-current assets	-1,322	-2,992	H4
Interest payable and similar charges	14,534	14,791	
Interest and investment income	-140	-119	
Income and expenditure in relation to investment properties and changes in fair value	-821	-379	
Capital grants and contributions receivable	-651	-902	
<b>Surplus(-)/Deficit for the year on HRA services</b>	<b>38,850</b>	<b>-11,120</b>	



**ADDITIONAL FINANCIAL STATEMENTS**  
KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2014/15

**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.

	2013/14		2014/15		Note
	£000	£000	£000	£000	
Balance on the HRA at the end of the previous year		-32,022		-33,016	
Surplus(-)/Deficit for the year on the HRA Income and Expenditure Statement		38,850		-11,120	
<u>Adjustments involving the Capital Adjustment Account:</u>					
Net revaluation losses on council dwellings	-55,946		-10,435		H1
Net revaluation gains on non-dwellings	426		0		
Capital grants and contributions applied	651		902		
Amounts of non-current assets written off on disposal or sale	-3,321		-3,290		H4
Capital expenditure charged against balances	14,392		13,117		
Provision for the financing of capital investment	-634	-44,432	1,830	2,124	
<u>Adjustments involving the Capital Receipts Reserve:</u>					
Transfer of cash sale proceeds credited as part of the gain/ loss on disposal	4,660		6,318		H4
Contribution towards administrative costs of asset disposals	-17	4,643	-36	6,282	
<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		-55		-40	
<b>Increase in the year on the HRA</b>		-994		-2,754	
<b>Balance at the end of the current year</b>		-33,016		-35,770	

**ADDITIONAL FINANCIAL STATEMENTS**  
KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2014/15

**NOTES TO THE HRA**

**H1 Depreciation, impairment and revaluation gains/losses**

The depreciation charge for council dwellings in 2014/15 is £15.4 million (2013/14 £15.1 million).

Following the implementation of a more self-sustaining financial regime for HRAs from 1 April 2012, transitional arrangements permit impairment and revaluation gains/losses on housing stock to be reversed out in the Movement on the HRA Statement. Revaluation losses of £13.6 million (2013/14 £56.1 million) are mainly the result of new PFI housing stock being completed during the year and revalued as social housing. This has resulted in a loss of £10.0 million (2013/14 £38.1 million). The transitional arrangements have been adopted and these amounts have been reversed out to leave the HRA balance unaffected.

Non-dwelling depreciation totalled £0.2 million in 2014/15 (2013/14 £0.2 million).

**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
<b>Cost or Valuation</b>							
At 1 April 2014	492,010	1,168	3,693	419	9,896	8,054	515,240
Additions	22,451	0	0	0	1,506	0	23,957
Revaluation decreases recognised in the Revaluation Reserve	-411	0	0	0	0	0	-411
Revaluation decreases recognised in Deficit on the Provision of Services	-25,755	0	0	0	0	0	-25,755
De-recognition - disposals	-2,324	-966	0	0	0	-340	-3,630
Assets reclassified to(-)/ from Held for Sale	-642	642	0	0	0	0	0
Other movement in cost or valuation	10,162	0	-79	-408	-9,675	0	0
<b>At 31 March 2015</b>	<b>495,491</b>	<b>844</b>	<b>3,614</b>	<b>11</b>	<b>1,727</b>	<b>7,714</b>	<b>509,401</b>
<b>Accumulated Depreciation and Impairment</b>							
At 1 April 2014	0	0	0	0	0	0	0
Depreciation charge	-15,400	0	-166	0	0	0	-15,566
Depreciation written out to the Revaluation Reserve	81	0	0	0	0	0	81
Depreciation written out to Deficit on the Provision of Services	15,320	0	0	0	0	0	15,320
Other movements in depreciation and impairment	-1	0	1	0	0	0	0
<b>At 31 March 2015</b>	<b>0</b>	<b>0</b>	<b>-165</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-165</b>
<b>Net Book Value</b>							
at 1 April 2014	492,010	1,168	3,693	419	9,896	8,054	515,240
<b>at 31 March 2015</b>	<b>495,491</b>	<b>844</b>	<b>3,449</b>	<b>11</b>	<b>1,727</b>	<b>7,714</b>	<b>509,236</b>

**ADDITIONAL FINANCIAL STATEMENTS**  
KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2014/15

**H3 Fixed Asset Valuation**

A revaluation of HRA dwellings was carried out as at 1 April 2014 by the District Valuer (North), who is RICS qualified. As at that date, the vacant possession value of dwellings was £1,509 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 2014/15 and asset values reflected in the accounts are as at 1 April 2014.

**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 2014/15 was £3.0 million (2013/14 gain £1.3 million).

**H5 Major Repairs Reserve**

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

	2013/14	2014/15
	£000	£000
Balance at 1 April	8,400	0
Amount equivalent to depreciation	15,274	<b>15,566</b>
	<b>23,674</b>	<b>15,566</b>
Financing of new capital expenditure	-17,415	<b>-8,816</b>
Used to repay debt	-6,259	<b>-6,750</b>
Balance at 31 March	0	<b>0</b>

**H6 Capital Expenditure and Sources of Finance**

	2013/14	2014/15
	£000	£000
Capital Expenditure:		
Fixed Assets (including PFI)	50,884	<b>23,957</b>
Total Capital Expenditure	<b>50,884</b>	<b>23,957</b>
Financed by:		
Finance Lease (PFI)	18,225	<b>-76</b>
Major Repairs Reserve	17,415	<b>8,816</b>
Capital Receipts	201	<b>1,198</b>
Capital Grant and Contributions	651	<b>902</b>
Revenue	14,392	<b>13,117</b>
Total Sources of Finance	<b>50,884</b>	<b>23,957</b>

**ADDITIONAL FINANCIAL STATEMENTS**  
KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2014/15

**H7 Capital Receipts**

	2013/14 £000	2014/15 £000
Capital receipts from sales of:		
Dwellings	4,253	6,120
Land	403	273
Clawback of legal title on Right to Buy sales	4	14
Capital receipts from mortgage repayments	20	6
	4,680	6,413
Contribution to Housing Pooled Capital Receipts	-1,631	-1,790
Disposal costs	-17	-36
Usable capital receipts	3,032	4,587

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 2015 is analysed below by size and age:

	1	2	3	4+	
<u>By Size</u>	Bedroom	Bedrooms	Bedrooms	Bedrooms	Total
Houses/ Bungalows	2,791	5,711	4,644	342	13,488
Flats/ Bedsits and Maisonettes	7,025	2,429	113	0	9,567
	9,816	8,140	4,757	342	23,055
<u>By Age</u>	Pre 1945	1945-64	1965-74	Post 1974	Total
Houses/ Bungalows	5,822	5,455	1,554	657	13,488
Flats/ Bedsits and Maisonettes	176	2,369	3,894	3,128	9,567
	5,998	7,824	5,448	3,785	23,055

**H9 Rent Arrears**

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

	2013/14 £000	2014/15 £000
Rent Arrears	3,991	2,601
Less Bad Debt Provision	-1,330	-927
Net Rent Arrears	2,661	1,674

**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 will be collected by Kirklees Neighbourhood Housing (KNH) on behalf of the Council.

The Council incurred costs of £8.6 million under the contract in 2014/15 (2013/14 £4.9 million) and received £7.9 million in PFI Grant (2013/14 £7.9 million). Details of estimated payments due to be made are as follows:

**ADDITIONAL FINANCIAL STATEMENTS**  
KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2014/15

	Service Charges £000	Interest Charges £000	Repayments of Liability £000	Total £000
In 2015/16	1,946	4,525	2,159	8,630
Between 2016/17 and 2019/20	9,268	16,581	9,320	35,169
Between 2020/21 and 2024/25	14,793	16,735	14,275	45,803
Between 2025/26 and 2029/30	18,427	11,680	18,325	48,432
Between 2030/31 and 2034/35	15,518	3,848	23,187	42,553
<b>Total</b>	<b>59,952</b>	<b>53,369</b>	<b>67,266</b>	<b>180,587</b>

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:

	2013/14 £000	2014/15 £000
Net Book Value at 1 April	28,793	<b>18,349</b>
Additions	24,172	<b>1,480</b>
Revaluations	-38,234	<b>-10,080</b>
Transfers	3,705	<b>0</b>
Depreciation	-87	<b>-219</b>
Net Book Value at 31 March	18,349	<b>9,530</b>

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

	2013/14 £000	2014/15 £000
At 1 April	43,965	<b>62,824</b>
Movement in the year	18,859	<b>-1,906</b>
At 31 March	62,824	<b>60,918</b>

### 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.

	2013/14 £000	2014/15 £000
Interest costs (calculated in line with item 8 Determination)	14,528	<b>14,791</b>
Less Impairments/Revaluation gains and losses/REFCUS charges	-55,939	<b>-10,435</b>
The Capital Asset Charges Accounting Adjustment	-41,411	<b>4,356</b>

**ADDITIONAL FINANCIAL STATEMENTS**  
**KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2014/15**

**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.

	2013/14			2014/15			Note
	Business Rates £000	Council Tax £000	Total £000	Business Rates £000	Council Tax £000	Total £000	
<b>Income</b>							
Income from Council Tax		162,616	162,616		164,999	164,999	1
Income Collectable from Business Ratepayers	104,645		104,645	103,959		103,959	2
Contributions towards previous years' Collection Fund deficit		3,506	3,506	3,304	0	3,304	
<b>Total Income</b>	104,645	166,122	270,767	107,263	164,999	272,262	
<b>Expenditure</b>							
Precepts and demands -							
Central Government	52,222		52,222	52,019		52,019	
Kirklees Council	51,178	135,792	186,970	50,979	137,046	188,025	
West Yorkshire Fire and Rescue	1,044	6,252	7,296	1,040	6,309	7,349	
West Yorkshire Police		14,759	14,759		15,189	15,189	
Allowance for impairment of debt	1,769	3,664	5,433	1,803	2,619	4,422	
Provision for Appeals	7,324	0	7,324	277	0	277	
Cost of collection	614		614	613		613	
Transitional Protection Payment	578		578	1,072		1,072	
Interest paid on refunds	0		0	58		58	
Distribution of previous year's Collection Fund surplus		0	0		886	886	
Adjustment for Community Charges		0	0		1	1	
<b>Total Expenditure</b>	114,729	160,467	275,196	107,861	162,050	269,911	
<b>Surplus/Deficit(-)</b>	-10,084	5,655	-4,429	-598	2,949	2,351	
Balance at 1 April	0	-3,319	-3,319	-10,084	2,336	-7,748	
<b>Balance at 31 March</b>	-10,084	2,336	-7,748	-10,682	5,285	-5,397	3

**ADDITIONAL FINANCIAL STATEMENTS**  
KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2014/15

**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.

<b>Estimated at the start of the year</b>						
<b>2013/14</b>				<b>2014/15</b>		
Number of Chargeable Dwellings	Band D Equivalent Dwellings	Average Council Tax	Band	Number of Chargeable Dwellings	Band D Equivalent Dwellings	Average Council Tax
		£				£
90	50	800.00	A (5/9)	74	41	801.11
49,852	33,235	960.00	A (6/9)	50,446	33,630	961.33
26,233	20,403	1,120.00	B (7/9)	26,328	20,477	1,121.56
26,199	23,288	1,280.00	C (8/9)	26,112	23,211	1,281.78
13,347	13,347	1,440.00	D (9/9)	14,346	14,346	1,442.00
10,026	12,253	1,760.00	E (11/9)	10,038	12,269	1,762.44
4,510	6,515	2,080.00	F (13/9)	4,569	6,599	2,082.89
1,859	3,098	2,400.00	G (15/9)	1,869	3,115	2,403.33
94	188	2,880.00	H (18/9)	98	197	2,884.00
	112,377		Total		113,885	
	-3,455		Estimated losses on collection		-3,980	
	108,922		Council Tax Base		109,905	

**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 48.2p (2013/14 47.1p) and the small business non-domestic rating multiplier of 47.1p (2013/14 46.2p) 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.

	2013/14 £000	2014/15 £000
Non-domestic rate income 2014/15 (average rateable value £282,039,443.92)		136,920
Non-domestic rate income 2013/14 (average rateable value £283,592,136.02)	133,884	
Allowance and other adjustments (net)	-29,239	-32,961
	104,645	103,959

The actual non-domestic rateable value at 31 March 2015 was £282,514,049 (£284,355,898 at 31 March 2014).

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 2014/15**

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 2015-16.

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 £2.9 million in 2014-15 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 2014 £000	Share of 2014/15 Surplus/ Deficit(-) £000	31 March 2015 £000
<b>Council Tax and Community Charge</b>			
Kirklees Council : Community Charge	10	0	10
Council Tax	2,024	2,538	4,562
Collection Fund Adjustment Account – Council Tax	2,034	2,538	4,572
West Yorkshire Police Authority – Council Tax	215	288	503
West Yorkshire Fire and Rescue Authority – Council Tax	87	123	210
	2,336	2,949	5,285
<b>Business Rates</b>			
Kirklees Council – Business Rates	-4,941	-293	-5,234
Collection Fund Adjustment Account - Business Rates	-4,941	-293	-5,234
Central Government - Business Rates	-5,042	-299	-5,341
West Yorkshire Fire and Rescue Authority – Business Rates	-101	-6	-107
	-10,084	-598	-10,682

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

### EXPLANATORY FOREWORD

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:

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

The Council's Group Accounts are made up of the accounts of the Council - two wholly owned subsidiaries (Kirklees Neighbourhood Housing Limited and Kirklees Metropolitan Development Company) where the Council has control over financial and operational decisions; five associates (Calderdale & Kirklees Careers, Kirklees Active Leisure, Kirklees Community Association, Kirklees Music School and Kirklees Theatre Trust); and two joint ventures (Kirklees Henry Boot Partnership Limited and Kirklees Stadium Development Limited). The interest in and level of control over the joint ventures is so significant that omission from the Group Accounts would not give the whole picture of the Council's interests and services.

All of the Council's subsidiaries, associates and joint venture companies are going concerns, with the exception of Kirklees Metropolitan Development Company which ceased trading on 31 December 2014 and will be dissolved in the summer of 2015. It is also likely that Kirklees Henry Boot Partnership Limited will cease trading in the near future and become a dormant company, retaining their shares in a shopping centre in Huddersfield.

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

### **The Subsidiaries, Joint Ventures and Associates of Kirklees Council**

#### **SUBSIDIARIES**

##### **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, 2<sup>nd</sup> 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 2014/15, the Company made an operating deficit of £544k (operating deficit £947k 2013/14). The figures including the effects of IAS19 are an operating deficit of £4,622k (operating surplus £5,917k 2013/14).

As at 31 March 2015, the Company had net assets of £2,364k (£1,862k at 31 March 2014). The figures including the effects of IAS19 are net liabilities of £6,768k (£3,192k million at 31 March 2014).

**Kirklees Metropolitan Development Company Limited (Devco)**

Devco is 100% controlled by the Council and is limited by guarantee. The company ceased trading on 31 December 2014 and will be dissolved in the summer of 2015. The main activity of the Company was managing the lettings of two industrial units and these units were effectively transferred to the Council on 1 January 2015. In addition, Devco's shares in Kirklees Henry Boot Partnership Limited were transferred to the Council at nil consideration on 26 May 2014.

Devco produces its own set of accounts with a year-end date of 31 March. Copies of the accounts can be obtained from the Council's Assistant Director of Financial Management, Risk, IT & Performance. Due to the timing of the requirement to produce the Group Accounts, unaudited Devco accounts have been used for this consolidation.

In 2014/15, the Company made an operating loss of £669k (£6k operating loss in 2013/14).

As at 31 March 2015, the Company had net assets of £27k (£1,930k at 31 March 2014).

The above results are after adjusting for the figures to be in line with the Council's accounting policies on tangible fixed assets. Pre-adjusted figures would represent an operating loss of £1,902k.

**JOINT VENTURES****Kirklees Henry Boot Partnership Limited (KHBP)**

KHBP was formed to complete development projects throughout the Kirklees area. Its main scheme was the completion of the Kingsgate Shopping Centre. Although construction of the centre is complete, the company still has an interest in terms of equity participation.

The Company has been controlled, since commencement of trade in 1989, by the Council and Henry Boot Plc, on a 50/50 basis. The Council now owns 50% of shares in the company directly, after Devco's 25% share was transferred to it earlier in the year.

The Company's accounting year ends 31 December. Copies are available from the Council's Assistant Director of Financial Management, Risk, IT & Performance. At the time of consolidation of the Group Accounts, the KHBP accounts for 2014 were still being audited.

**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 2015.

**Financial performance of joint ventures**

These figures are based on the Council's interest in each company and not the full results (adjusted in line with the Group's accounting policies).

			2013/14		
	KHBP	KSDL	<i>KSDL</i>	KHBP	KSDL
	£000	£000	<i>£000</i>	£000	£000
Income	-4	-572	<i>-1,430</i>	-6	-823
Expenses	15	1,004	<i>1,313</i>	13	995
Fixed Assets	1,072	7,903	<i>7,813</i>	1,072	7,614
Current Assets	179	754	<i>686</i>	172	637
Liabilities < 1 year	-553	-547	<i>-577</i>	-554	-586
Liabilities > 1 year	-2,116	-1,511	<i>-1,445</i>	-2,116	-1,296
Provision for liabilities	0	-130	<i>-108</i>	0	-110
Accruals & Deferred Income	0	-377	<i>-1,242</i>	0	-367

The figures in italics for KSDL represent the final audited figures for 2013/14 adjusted in line with the Group's accounting policies. The figures in the Group Accounts were based on draft accounts and as none of the final amendments to the Company accounts were material, the Group Accounts have not been restated.

**ASSOCIATES**

**Calderdale and Kirklees Careers Service Partnership (CKC)**

The principal activity of CKC is to provide careers information, advice and guidance services within Calderdale and Kirklees. The main age group of services are aged between 13-19 and the main area of work is within schools. The body is a company limited by guarantee. The Council has a significant influence within the Company of 25%. The influence of 25% has been used as part of the consolidation process. Significant influence is defined within IAS28 "Investments in Associates".

Due to the timing of the requirement to produce Group Accounts, draft CKC accounts have been used for this consolidation.

**Kirklees Active Leisure (KAL)**

The principal activity of KAL is to operate community recreation facilities on behalf of the Council. The body is a charitable company limited by Guarantee. The Council has a significant influence within the company of 17%. The influence of 17% has been used as part of the consolidation process. Significant influence is defined within IAS28 "Investments in Associates".

Although the influence of 17% is below the prescribed level within IAS28, it is still considered that the Council has significant influence over KAL for the following reasons:

- Although the Council influence is only 17%, this cannot be removed.
- The activities (both managerial and operational) of both the Council and KAL are closely aligned, both through exchange of staff, back office service and other transactions.
- The prime activity of KAL is subject to a funding agreement from the Council, and the activities of KAL are subsidised by the Council.

Due to the timing of the requirement to produce Group Accounts, draft KAL accounts have been used for this consolidation.

**Kirklees Community Association Group (KCA)**

The principal activity of KCA is to promote a range of community facilities including housing, educational, recreational, cultural and general community benefits in the Kirklees area. The body is a charitable company limited by guarantee. The Council has a significant influence within the company of 46% (decreased from 50% in 2013/14). The influence of 46% has been used as part of the consolidation process. Significant influence is defined within IAS28 "Investments in Associates".

Due to the timing of the requirement to produce Group Accounts, draft KCA accounts have been used for this consolidation.

**Kirklees Music School (KMS)**

The principal activity of KMS is to promote and support the highest quality music education for all. The company exists for the advancement of public education in all aspects of the arts and sciences of music within the Kirklees area. In practice, KMS provides the delivery of the local authority's music service. The body is a charitable company limited by guarantee. The Council has a significant influence within the company of 50%. The influence of 50% has been used as part of the consolidation process. Significant influence is defined within IAS28 "Investments in Associates".

Due to the timing of the requirement to produce group accounts and the fact that KMS have a year-end more than 3 months from the Council's year end, management accounts have been used for this consolidation.

**Kirklees Theatre Trust (KTT)**

The principal activity of KTT is to promote, maintain, improve and advance education by encouraging and promoting the arts. The body is a charitable company limited by Guarantee. The Council has a significant influence within the company of 23%. The influence of 23% has been used as part of the consolidation process. Significant influence is defined within IAS28 "Investments in Associates".

Due to the timing of the requirement to produce Group Accounts, draft KTT accounts have been used for this consolidation.

**Financial Performance of associates**

These figures are based on the Council's interest in each company and not the full results.

	CKC	<i>CKC</i>	KAL	KCA	<i>KCA</i>	KMS	KTT	<i>KTT</i>
2013/14	£000	£000	£000	£000	£000	£000	£000	£000
Assets	554	369	1,072	6,126	5,914	410	1,004	1,300
Liabilities	-2,284	-1,521	-1,302	-2,112	-2,112	-48	-132	-172
Revenues	-1,370	-904	-2,238	-421	-426	-941	-222	-290
Profit or Loss (-)	-68	-37	-20	172	171	53	-39	-56
2014/15								
Assets	615		745	5,709		488	986	
Liabilities	-2,820		-1,374	-1,941		-24	-158	
Revenues	-1,445		-2,358	-397		-969	-221	
Profit or Loss (-)	32		-37	179		77	40	

The figures in italics for CKC, KCA and KTT represent the final audited figures for 2013/14. The figures in the Group Accounts were based on draft accounts and as none of the final amendments to the Company accounts were material, the Group Accounts have not been restated.

# GROUP ACCOUNTS

## KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2014/15

### 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 Restated	Earmarked General Fund Reserves £000	Housing Revenue Account £000	Useable Capital Reserves £000	Total Council Usable Reserves £000 Restated	Total Council Unusable Reserves £000 Restated	Total Council Reserves £000 Restated	Group Entities Usable Reserve £000	Group Entities Unusable Reserves £000	Total Group Reserves £000 Restated	Note G1
Balance at 31 March 2013	39,701	82,982	32,022	31,894	186,599	204,299	390,898	-5,466	4,874	390,306	
<b>Movement in reserves during 2013/14</b>											
Deficit on the provision of services	-67,813	0	-24,129	0	-91,942	0	-91,942	-15,171	0	-107,113	
Other Comprehensive Income and Expenditure (see CIES)	0	0	0	0	0	271,977	271,977	9,415	192	281,584	
<b>Total Comprehensive Income and Expenditure</b>	-67,813	0	-24,129	0	-91,942	271,977	180,035	-5,756	192	174,471	
Adjustments between group and authority accounts (Note G2)	2,475	0	-14,721	0	-12,246	0	-12,246	12,246	0	0	
Adjustments between accounting & funding basis under regulations	76,734	0	39,844	-3,775	112,803	-112,803	0	0	0	0	
<b>Net Increase/Decrease (-) before Txns to/from Earmarked Reserves</b>	11,396	0	994	-3,775	8,615	159,174	167,789	6,490	192	174,471	
Transfers to/from Earmarked Reserves	-6,867	6,867	0	0	0	0	0	0	0	0	
<b>Increase/Decrease (-) in 2013/14</b>	4,529	6,867	994	-3,775	8,615	159,174	167,789	6,490	192	174,471	
<b>Balance at 31 March 2014 carried forward</b>	44,230	89,849	33,016	28,119	195,214	363,473	558,687	1,024	5,066	564,777	
<b>Movement in reserves during 2014/15</b>											
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	
<b>Total Comprehensive Income and Expenditure</b>	-73,536	0	25,951	0	-47,585	-82,762	-130,347	-20,087	-106	-150,540	
Adjustments between group and authority accounts (Note G2)	1,387	0	-14,830	0	-13,443	0	-13,443	14,676	-1,233	0	
Adjustments between accounting & funding basis under regulations	73,575	0	-8,367	-3,944	61,264	-61,264	0	0	0	0	
<b>Net Increase/Decrease (-) before Txns to/from Earmarked Reserves</b>	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	
<b>Increase/Decrease (-) in 2014/15</b>	-6,181	7,607	2,754	-3,944	236	-144,026	-143,790	-5,411	-1,339	-150,540	
<b>Balance at 31 March 2015 carried forward</b>	38,049	97,456	35,770	24,175	195,450	219,447	414,897	-4,387	3,727	414,237	

## GROUP ACCOUNTS

### KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2014/15

#### GROUP COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT (CIES)

This statement sets out the income and expenditure relating to the Council and its subsidiaries, joint ventures and associates as a whole, together with any appropriations to reserves.

	2013/14			2014/15		Note
	Gross Exp £000	Gross Income £000	Net Exp £000	Gross Exp £000	Gross Income £000	
	Restated	Restated	Restated			G1
Children's and Education Services	436,503	-312,723	123,780	428,534	-310,421	118,113
Adult Social Care	134,979	-43,360	91,619	142,100	-46,053	96,047
Housing (HRA)	116,718	-89,606	27,112	74,324	-96,696	-22,372
Housing (Non HRA)	143,381	-123,741	19,640	139,031	-124,843	14,188
Highways and Transport Services	56,096	-11,858	44,238	60,076	-13,376	46,700
Cultural	40,101	-3,221	36,880	42,992	-4,264	38,728
Environmental and Regulatory	35,869	-6,681	29,188	33,019	-7,239	25,780
Planning	24,461	-12,232	12,229	17,696	-7,342	10,354
Public Health	22,873	-23,156	-283	23,265	-24,307	-1,042
Central services to the public	11,488	-3,096	8,392	11,597	-3,519	8,078
Corporate and democratic core	8,282	-14	8,268	6,520	-14	6,506
Non distributed costs	1,343	-43	1,300	9,213	-45	9,168
<b>Cost of Services</b>	1,032,094	-629,731	402,363	988,367	-638,119	350,248
Other operating expenditure			29,028			19,090
Financing and investment income and expenditure			46,262			51,370
Taxation and non-specific grant income			-371,941			-356,966
<b>Deficit on Provision of Services</b>			105,712			63,742
Associates and joint ventures accounted for on an equity basis			1,390			-32
Tax expenses of subsidiaries			10			1
Tax expenses of associates and joint ventures			1			1
<b>Group Deficit</b>			107,113			63,712
Surplus on revaluation of PPE and Heritage assets			25,144			8,194
Impairment losses on non-current assets to the Revaluation Reserve			66			3,450
Surplus on revaluation of available for sale financial assets			-261			-532
Remeasurements of the net defined benefit liability			-305,514			74,414
Share of other comprehensive income and expenditure of associates and joint ventures			-1,019			1,302
<b>Other Comprehensive Income and Expenditure</b>			-281,584			86,828
<b>Total Comprehensive Income and Expenditure</b>			-174,471			150,540

**GROUP BALANCE SHEET**

This Group Balance Sheet summarises the financial position of the Council and its subsidiaries, joint ventures and associates as a whole. It shows the value of the group assets and liabilities at the end of the financial year.

	1 April 2013 £000	31 March 2014 £000	31 March 2015 £000	Note
	Restated	Restated		G1
Property, Plant & Equipment	1,557,386	1,454,148	<b>1,371,285</b>	
Heritage Assets	36,333	35,700	<b>35,648</b>	
Investment Property	76,054	87,452	<b>85,400</b>	
Intangible Assets	3,819	5,382	<b>4,434</b>	
Long Term Investments	3,500	630	<b>1,160</b>	
Investments in Associates and Joint Ventures	10,280	11,340	<b>10,953</b>	
Long Term Debtors	28,871	28,802	<b>28,446</b>	
<b>Long Term Assets</b>	<b>1,716,243</b>	<b>1,623,454</b>	<b>1,537,326</b>	
Short Term Investments	537	0	<b>0</b>	
Inventories	2,605	2,914	<b>2,371</b>	
Short Term Debtors	56,575	63,987	<b>67,457</b>	
Assets Held for Sale	1,089	2,167	<b>1,088</b>	
Cash and Cash Equivalents	30,737	29,418	<b>32,486</b>	G3
<b>Current Assets</b>	<b>91,543</b>	<b>98,486</b>	<b>103,402</b>	
Short Term Borrowing	-33,498	-35,010	<b>-26,115</b>	
Short Term Creditors	-72,916	-81,399	<b>-72,520</b>	
Other Short Term Liabilities	-1,983	-5,072	<b>-5,090</b>	
Provisions	-5,400	-4,579	<b>-4,637</b>	
<b>Current Liabilities</b>	<b>-113,797</b>	<b>-126,060</b>	<b>-108,362</b>	
Liabilities in Associates and Joint Ventures	-2,071	-3,377	<b>-4,260</b>	
Long Term borrowing	-452,145	-432,451	<b>-422,646</b>	
Other Long Term Liabilities	-849,467	-595,275	<b>-691,223</b>	
<b>Long Term Liabilities</b>	<b>-1,303,683</b>	<b>-1,031,103</b>	<b>-1,118,129</b>	
<b>Net Assets</b>	<b>390,306</b>	<b>564,777</b>	<b>414,237</b>	
Usable Reserves	181,133	196,238	<b>191,063</b>	
Unusable Reserves	209,173	368,539	<b>223,174</b>	G4
<b>Total Reserves</b>	<b>390,306</b>	<b>564,777</b>	<b>414,237</b>	

## GROUP CASH FLOW STATEMENT

This Group Cash Flow Statement summarises the cash flows of the Council and its subsidiaries, joint ventures and associates during the year.

	£000	2013/14 £000	£000	2014/15 £000	Note
	Restated	Restated			G1
Net deficit on the provision of services		105,712		63,742	
Adjustments to net deficit on the provision of services for non-cash movements		-207,218		-162,060	
Adjustment for items included in the net deficit on the provision of services that are investing and financing activities		36,523		35,651	
<b>Net cash flows from Operating Activities</b>		<u>-64,983</u>		<u>-62,667</u>	
<b>Net cash flows from Investing Activities</b>					
Purchase of PPE, investment property and intangible assets	88,100		72,559		
Purchase of short-term and long-term investments	4,282		2,075		
Proceeds from the sale of PPE, investment property and intangible assets	-10,712		-12,987		
Proceeds from short-term and long-term investments	-4,998		-2,258		
Other receipts from investing activities	-30,433	46,239	-23,902	35,487	
<b>Net cash flows from Financing Activities</b>					
Cash receipts of short and long-term borrowing	-72,090		-74,845		
Other receipts from financing activities	-788		-459		
Cash payments for the reduction for the outstanding liabilities relating to finance leases and PFI contracts	1,983		5,132		
Repayments of short and long-term borrowing	90,283		93,558		
Other payments for financing activities	675	20,063	726	24,112	
<b>Net increase (-) or decrease in cash and cash equivalents</b>		<u>1,319</u>		<u>-3,068</u>	
Cash and cash equivalents at the beginning of the reporting period		30,737		29,418	G3
Cash and cash equivalents at the end of the reporting period		29,418		32,486	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”, IAS28 “Investments in Associates” 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, its subsidiaries, joint ventures and associates 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.

KCA holds dwellings for affordable rent as investment properties and social housing. The investment properties are valued on an annual basis at open market value. The social housing properties are valued at existing use value – Social Housing.

**Prior Period Adjustments**

All prior period adjustments from the single entity accounts are also presented in the Group Accounts – see note 2 of the single entity accounts. In addition, on preparing this year’s Group Cash Flow Statement, it was found that some late changes to the single entity cash flow during the 2013/14 accounts closure had not been carried through into the Group Cash Flow Statement. The figures have been restated as follows – the adjustments to net deficit on the provision of services for non-cash movements decreased by £9,295k; proceeds from the sale of PPE, investment property and intangible assets increased by £4,327k; other receipts from financing activities increased by £500k; and other payments for financing activities reduced by £4,468k.

## GROUP ACCOUNTS

KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2014/15

### 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
2013/14										
Purchase of goods and services from subsidiaries	2,475	0	-14,721	0	-12,246	0	-12,246	12,246	0	0
<b>Total adjustments between Group</b>	<b>2,475</b>	<b>0</b>	<b>-14,721</b>	<b>0</b>	<b>-12,246</b>	<b>0</b>	<b>-12,246</b>	<b>12,246</b>	<b>0</b>	<b>0</b>
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
<b>Total adjustments between Group</b>	<b>1,387</b>	<b>0</b>	<b>-14,830</b>	<b>0</b>	<b>-13,443</b>	<b>0</b>	<b>-13,443</b>	<b>14,676</b>	<b>-1,233</b>	<b>0</b>

### 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	3	78	81
Bank current accounts	135	458	6,464	7,057
Instant access interest accounts	0	2,700	33,091	35,791
	135	3,161	39,633	42,929
Cash in transit	0	0	689	689
BACs payments and cheques not yet cleared	0	0	-14,200	-14,200
<b>Total Cash and Cash Equivalents as at 31 March 2014</b>	<b>135</b>	<b>3,161</b>	<b>26,122</b>	<b>29,418</b>
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
<b>Total Cash and Cash Equivalents as at 31 March 2015</b>	<b>113</b>	<b>3,542</b>	<b>28,831</b>	<b>32,486</b>

**G4 Unusable Reserves**

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

	Devco £000	KHBP £000	KSDL £000	KCA £000	Council £000	Total £000
					Restated	Restated
Revaluation Reserve	633	0	0	22	199,154	199,809
Available for Sale Financial Instruments Reserve	0	-57	0	0	386	329
Capital Adjustment Account	600	-305	4,173	0	629,347	633,815
Pensions Reserve	0	0	0	0	-448,368	-448,368
Other	0	0	0	0	-17,046	-17,046
<b>Balance at 31 March 2014</b>	<b>1,233</b>	<b>-362</b>	<b>4,173</b>	<b>22</b>	<b>363,473</b>	<b>368,539</b>
Revaluation Reserve	0	0	0	-84	175,935	175,851
Available for Sale Financial Instruments Reserve	0	-57	0	0	919	862
Capital Adjustment Account	0	-305	4,173	0	604,591	608,459
Pensions Reserve	0	0	0	0	-546,489	-546,489
Other	0	0	0	0	-15,509	-15,509
<b>Balance at 31 March 2015</b>	<b>0</b>	<b>-362</b>	<b>4,173</b>	<b>-84</b>	<b>219,447</b>	<b>223,174</b>

**G5 Related Party Transactions**

The notes below disclose the related party transactions between the Council and its subsidiaries, joint ventures and associates, as well as the transactions between the companies and their other related parties.

**Kirklees Neighbourhood Housing Limited**

During 2014/15, KNH incurred costs of £2,551k (2013/14 £2,371k) for Council services including insurance and office accommodation.

The Council incurred costs of £14,247k (2013/14 £13,997k) in relation to KNH's management fee. At 31 March 2015, £974k was outstanding (nil at 31 March 2014).

**Kirklees Metropolitan Development Company Limited**

Devco paid the Council £99k for service provision in 2014/15 (2013/14 £144k). At 31 March 2015, a balance of £2k was owing to the Council (£55k at 31 March 2014).

During the same period, the Council incurred rent and service charges of £30k (2013/14 £40k) in relation to Devco properties.

The company ceased trading on 31 December 2014 and will be dissolved in the summer of 2015. During 2014/15, Devco's shares in Kirklees Henry Boot Partnership Limited (at nil consideration) and properties (£1,885k) were transferred to the Council.

**Kirklees Henry Boot Partnership Limited**

At the Balance Sheet date of KHBP, the Council's investment was reflected in equity of £250k and a secured loan of £4,231k. The Council charged the Company £18k (2013/14 £21k) in respect of various services.

At the Council's Balance Sheet date, £557k (2013/14 £557k) was due to the Council in respect of interest accrued and £536k (2013/14 £536k) in respect of a transfer of land.

**Kirklees Stadium Development Limited**

The Council made grant payments totalling £133k to KSDL (2013/14 £180k). The Council guarantees loans for the Company. These are detailed in the Contingent Liabilities note in the Council accounts.

**Calderdale and Kirklees Careers Service Partnership**

During 2014/15, CKC incurred costs of £157k (2013/14 £161k) for Council services. At 31 March 2015, £49k was outstanding (£54k at 31 March 2014).

The Council incurred costs of £2,756k in 2014/15 (2013/14 £2,716k) in relation to the contract agreement and other services in place. At 31 March 2015, £282k was outstanding (£276k at 31 March 2014).

**Kirklees Active Leisure**

During 2014/15, KAL incurred costs of £362k (2013/14 £350k) for Council services.

The Council incurred costs of £2,632k in 2014/15 (2013/14 £2,934k million) in relation to services carried out on behalf of the Council.

**Kirklees Community Association**

During 2014/15, KCA incurred costs of £94k (2013/14 £78k) for Council services. At 31 March 2015, £32k was outstanding (£22k at 31 March 2014).

**Kirklees Music School**

During 2014/15, KMS incurred costs of £17k (2013/14 £9k) for Council services.

The Council provided funding of £299k in 2014/15 (2013/14 £299k).

**Kirklees Theatre Trust**

During 2014/15, KTT received funding of £267k (2013/14 £265k) from the Council.

**G6 Notes to the Cash Flow Statement**

The cash flows of KNH and Devco are consolidated into the statement -

**KNH** - The Company has a Net Cash inflow of Operating Activities of £381k (2013/14 £1,787k Net Cash inflow).

**Devco** - The Company has a Net Cash outflow of Operating Activities of £22k (2013/14 £51k Net Cash outflow).

**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.

**National Non-Domestic Rates (NNDR)**

The standard rate in the pound set by the Government on the assessed rateable value of properties used for business purposes.

**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 2015 on pages 10 to 107. 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 2014/15.

This report is made solely to the members of the Council, as a body, in accordance with Part II of the Audit Commission Act 1998. 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 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 2014/15, and for being satisfied that they 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 Explanatory Foreword 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 2015 and of the Council's and the Group's expenditure and income for the year then ended;
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.

**Matters on which we are required to report by exception**

The Code of Audit Practice 2010 for Local Government Bodies requires us to report to you if:

- the annual governance statement which accompanies the financial statements 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 explanatory foreword 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 8 of the Audit Commission Act 1998 in the course of, or at the conclusion of, the audit; or
- any recommendations have been made under section 11 of the Audit Commission Act 1998; or
- any other special powers of the auditor have been exercised under the Audit Commission Act 1998.

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 5 of the Audit Commission Act 1998 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 Audit Commission requires us to report to you our conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

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 audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2013, as to whether the Council has proper arrangements for:

- securing financial resilience; and
- challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2015.

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, the 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 on the specified criteria published by the Audit Commission in October 2014, 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 ending 31 March 2015.

**Certificate**

We certify that we have completed the audit of the financial statements of Kirklees Council in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice 2010 for Local Government Bodies issued by the Audit Commission.

**Trevor Rees****For and on behalf of KPMG LLP, Appointed Auditor***Chartered Accountants*

1 The Embankment  
Neville Street  
Leeds  
LS1 4DW

25 September 2015

# Kirklees Council

## Annual Governance Statement 2014/15

### 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 (England) Regulations 2011, regulation 4(3), 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 2014/15 and are being developed going forward in 2015/16.

### 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 2015 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 – the Policy Committee provides a forum for 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. New arrangements are proposed to include sub-committees which will consider and review policies and strategies in the Policy Framework as well as others identified by Cabinet;
- 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 next 3 years and which acknowledges that £83m savings have already been made but a further £69m remains to be realised, – the 2015/16 Plan explains that over the next 3 years we are on a journey to become a very different Council, a New Council, one that
  - connects ideas, people & resources
  - focuses on creating trust and connections between organisations and people across Kirklees
  - keeps vulnerable people safe and helps them stay in control of their own lives
  - is responsible for basic services but works with other organisations so that we make the biggest difference we can.

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. The Council's mission is to be a modern, flexible and emotionally intelligent organisation able to work with our diverse communities to sustain the services they need, the outcomes we choose, the opportunities they want. The Medium Term Financial Plan reflects a focus on developing options to deliver to a New Council which includes specific priorities on Early Intervention & Prevention, and Economic Resilience.

The oversight for delivery of the New Council is a Programme Board sponsored by the Executive Team (ET) and chaired by the Director Lead for New Council, the Director of Place, incorporating two sub groups, Finance Reference Group and Transformation Board. Programme Board includes leads for the two key strategies of Economic Resilience & Early Intervention & Prevention and various corporate enablers e.g. finance, e-governance, HR & transformation. The Board's Terms of Reference place 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 delegates responsibility for leading the Programme to the Chair of the Board.

- 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;
- a nominated senior manager 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 companies, whose accounts are subject to external audit, albeit that the joint venture companies have 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 2003 (Amended 2006 and 2011) 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 2014/15 review approved by the CGAC 24 April 2015 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 new Public Sector Internal Audit Standards (effective from 1 April 2013) 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 2014/15, including assurance over the core financial systems activity.

Head of Audit and Risk Annual Assurance Opinion 2014/15

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 and adequate counter fraud and anti-corruption arrangements are developed and maintained. 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.

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 2013/14 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 to agree and update regularly the Council's Code of Corporate Governance, monitoring its operation and compliance with it.

During 2014/15 the CGAC has reviewed a number of aspects of the Council's governance arrangements and made recommendations to Council as appropriate, including:

- Annual Revision to parts of the Constitution, including Contract and Financial Procedure Rules, that were approved and subsequently passed at Annual Council;
- Devolution & Local Area Working – District Committees replacing Area ones;
- the Whistleblowing Policy to comply with a new Code of Practice, particularly on ensuring employee awareness;
- the Risk Management Strategy;
- Representation on Outside Bodies;
- Establishment of a Strategic Planning Committee and Development Management improvements to ensure the decision making process remains fit for purpose, being both lawful and timely, meeting revised Government expectations and building on the Investment (Open for Growth) peer challenge last year;



- a Child Sexual Exploitation (CSE) Member Panel being created which reports to the Health & Wellbeing Board and a Safeguarding Protocol adopted to the Constitution to summarise Member responsibilities and Council commitment to ensure councillors are informed of their duties & roles;
- Mayoral Points system;
- External Audit Annual Governance Report, Annual Audit Letter & 2014/15 Plan;
- Licensing – delegation of some matters of the Regulatory Panel, a sub-committee of Licensing & Safety Committee to the Director of Place;
- Members' Allowances Scheme 2015/16;
- the Officer / Councillor Protocol for Working Effectively;
- a new approach to Internal Audit and the Head of Audit & Risk's Annual Report;
- the Treasury Management Strategy – confirmed ongoing compliance with the CIPFA Code of Practice and various statutory requirements.

#### Overview & Scrutiny Committee

During 2014/15 the Committee has reviewed a number of aspects of the Council's governance arrangements including:

- Peer Challenge Action Plan  
Last year the Council commissioned the LGA to undertake a Peer Challenge to determine how it operates currently and what it will need to focus on in the future. An Action Plan of improvements was agreed to address the key issues raised.

Progress on implementing the Action Plan was reported to the Committee at the start of 2015. Key areas have been addressed through the Kirklees Economic and Health and Wellbeing Strategies which now define specific whole District priorities and connections and the Corporate Plan which now enshrines community commitments which are high level priorities and the new Officer / Councillor Protocol and New Council Programme Board to manage the transformation required over the next three years.

Further work is required in building a coherent, all-encompassing political narrative. Wider activity around Councillor engagement in taking difficult decisions and asserting priorities in a positive as well as a negative context is being rolled out.

- Budget Setting Process
- Performance Monitoring
- CSE, in light of the ramifications for the scrutiny process arising from the Casey Report on issues in Rotherham in terms of providing an effective challenge and to consider the work undertaken by the newly established CSE and Safeguarding Member Panel.

#### 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 2014/15.

#### The Office for Standards in Education, Children's Services and Skills (Ofsted)

Ofsted inspects and regulates services which care for children and young people, and those providing education and skills for learners. The latest Ofsted report (to 31 December 2014) shows that 77% of schools inspected were *Good* or *Outstanding* for overall effectiveness. All school inspection reports are published on the Ofsted website. Additionally, performance in the school league tables exceeded the national average in terms of the % of pupils achieving 5 A\* - C grades including maths and english at GCSE.

#### Information Commissioner

The Information Commissioner's Office undertook a consensual audit in Autumn 2014, focussing on 3 key areas of training and awareness, data security and data sharing. The audit concluded with an Adequate Assurance opinion, the second highest classification and the benchmark for most local authorities. The Information Governance Board chaired by the Director of Resources as Senior Information Risk Owner has responsibility for oversight of completion of the Agreed Action Plan to address the areas for improvement resulting from the audit. The Board monitors progress against the Action Plan timetable. To date progress has been as planned and agreed with the Commissioner.

#### Annual Reports

##### Corporate Safety & Resilience:

An increase in the number of reportable accidents to members of the public and employees, particularly in the last 6 months is attributed to better reporting as a result of Corporate Safety taking on the reporting function. No formal enforcement action has been taken by the Health & Safety Executive against the Council. A health and safety risk matrix has been developed and corporate leads have been identified for corporate risks. The matrix is included with the Six Monthly Corporate Safety and Resilience Report. The Council's Health and Safety Policy has been revised to reflect changes within the Council. The Chief Executive, Directors, Assistant Directors and their senior managers within the Council and partner organisations have either attended or have booked on Safety for Senior Executives Training Workshop Accredited by Chartered Institution of Occupational Safety & Health (IOSH). The Council continues to provide resilience arrangements in line with the Civil Contingency Act 2004, which includes a 24/7 response service. The Kirklees Major Incident Plan and associated plans have been updated in line with statutory guidance and national best practice. Business continuity planning is well embedded within the Council. Co-operation and collaboration with local partners is well established. Key personnel continue to be trained in their roles and plans tested to make sure they are fit for purpose.

##### Corporate Customer Standards:

The Ombudsman undertook a full review of its procedures and so overall complaints numbers were unable to be compared against previous year's results but they were compared against West Yorkshire councils and the proportion received were both broadly in line with last year's figures and to the population size of the council. For the first time the % of cases upheld by the Ombudsman was reported on, and Kirklees were found to be a good performer with the % upheld being 10% better than average, the lowest in West Yorkshire and one of the best amongst the bigger councils (the 6<sup>th</sup> lowest from 58 councils). The outcomes suggest the officers continue to respond in a considered and detailed way.

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 new actions planned are outlined below.

## **Progress on significant governance issues identified from last year's (2013/14) Annual Governance Statement**

This section summarises progress against each of the outstanding governance issues reported in the 2013/14 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.

*A balanced budget for 2015/16 was agreed by Council approving a number of detailed savings proposals in year 1, plus use of reserves. Years 2 & 3 reflect a broader range of proposals as the shape of the Council moves towards a New Council, and these will continue to be firmed up in preparation for 2016/17 budget round, which will also need to address a remaining budget gap of £15m.*

*Financial Procedure Rules have been revised to acknowledge the fact that the budgetary control environment needs to be both robust but flexible enough to managed cross-directorate agendas which is now an integral aspect of multi-year budget planning as we move to New Council.*

- 2 Risk Management arrangements included in the Council's Strategy still need to be embedded fully across the Council at all levels of the organisation. Further consideration is being given to how we manage and report on existing risk and recognise new risks, especially in the context of the debate with Members on "It's Time to Talk".

*Consideration of the risk of pursuing different options has featured in the officer assessment of potential changes to the organisation. The absolute risk and potential mitigation will need to be considered, systematically and in more detail, as choices are made.*

- 3 The Council's Code of Corporate Governance needs to be refreshed to enable those involved to reflect if it continues to represent the best fit for the future shape and culture of the Council.

*The Assistant Director, Legal, Governance & Monitoring plans to address this issue shortly with the assistance of the Corporate Governance & Audit Committee.*

- 4 Embedding fully the new 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 have continued 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 and that will be necessary to achieve the degree of savings and management culture required in the Medium Term Financial Plan. The degree of change is likely to increase apace.*

## **Significant governance issues identified during 2014/15**

The review of governance arrangements and risks during the last 12 months has identified the following new areas where the Council will need to focus its efforts during 2015/16.

### **1 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 is taking stock of the lessons learned from recent procurement and has moved to establish a compliance function within the corporate team.

### **2 The Government's IT connectivity requirements, such as the adoption of the Department of Health's Information Governance Toolkit Level 2 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.**

Building on from a successful consensual audit by the Information Commissioner and renewed Public Sector Network compliance, the Council is developing its approach to these requirements with oversight from the Information Governance Board.

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

