KIRKLEES COUNCIL

STATEMENT OF ACCOUNTS 2007/2008

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Introduction
I am pleased to introduce the Council's Statement of Accounts for 2007/08. These accounts demonstrate the Council's financial performance for the year ended 31 March 2008. 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 five core accounting statements:
- **Income and Expenditure Account**
- **Statement of Movement on the General Fund Balance**
- **Statement of Total Recognised Gains and Losses (STRGL)**
- **Balance Sheet**
- **Cash Flow**

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

This main section is followed by three supplementary statements:
- **Housing Revenue Account (HRA)**
- **Collection Fund**
- **Group Accounts**

These too are preceded by notes explaining their purpose and each is 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 Finance for the accounts.
- **A Corporate Governance Statement** - sets out a framework within which overall governance and internal control are managed and reviewed.
- **The Statement of Accounting Policies** - explains the basis for the figures in the financial statements, and the concepts and policies underpinning the accounts.

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 much simplified version of the Council's financial position. These are available at www.kirklees.gov.uk/news/SummaryOfAccounts.pdf. In addition, extracts are published in the Council's autumn edition of the civic newspaper which is circulated to each household in the district.

Accounting Changes
Over the last few years, the Chartered Institute of Public Finance and Accountancy (CIPFA) has been updating local authority accounting practice to comply with generally accepted accounting practices in the private and other sectors. This process has continued in 2007/08 with the following changes:
- Accounting for financial instruments in line with Financial Reporting Standards (FRS) 25, 26 and 29. 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 the most complex ones such as derivatives. These FRS's deal with the recognition/derecognition, measurement and disclosure requirements of financial instruments.
- The replacement of the Fixed Asset Restatement Account and the Capital Financing Account by a Revaluation Reserve and a Capital Adjustment Account. The Revaluation Reserve records the net gain from revaluations made after 1 April 2007, whilst the new Capital Adjustment Account reflects the difference between the cost of fixed assets consumed and the capital financing set aside to pay for them.

There are new presentational requirements relating to the Income and Expenditure Account whereby the service expenditure analysis for Social Services has been renamed "Adult Social Care" with the transfer of children's social care to the new heading "Children's and Education Services".

Due to the new requirements, some figures for previous years have been restated, details of which can be found in note 1 of the Core Financial Statements.

In addition, there are new disclosures required regarding Local Area Agreements, and a Corporate Governance Statement has replaced the Statement of Internal Control.

Financial Performance of the Council

Revenue Budget

The Revenue Budget for 2007/08 was approved on 28 February 2007, following an extensive planning process which began in the summer of 2006. The Budget was set at £271.3 million (including parish precepts), after the planned use of General Fund balances of £4.5 million, delivering a Council Tax increase of 3.0%. The Budget was set as part of the Medium Term Financial Plan, which was prepared in the context of eight Corporate Improvement Priorities. These priorities are derived from the ambitions of the Council and the need to constantly refresh the capacity of the organisation so that it can continuously improve and respond to new challenges.

During the year, the Budget was increased by £8.4 million to take account of additional budgets agreed as part of the 2006/07 “Rollover” process. Subject to certain conditions, this is a process where unspent budgets in one year can be carried forward into following years. Net revenue expenditure was therefore increased to £284.3 million (including parish precepts), before the use of balances of £12.9 million. In addition, as part of the 2008/09 Budget strategy, the Council agreed to the contribution of £3.75 million to earmarked reserves, utilising part of forecast underspendings in 2007/08.

Actual Revenue Expenditure

The Council’s revenue expenditure is summarised in two of the core statements. The first is the Income and Expenditure Account, which summarises revenue expenditure 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 second statement, the Statement of Movement on the General Fund Balance, adjusts the surplus/deficit on the Income and Expenditure Account for statutory overrides and shows how the financial performance for the year has impacted on the Council’s general reserves.

For 2007/08, the Council’s Income and Expenditure Account shows an operating loss of £38.1 million (2006/07 £22.3 million). After taking account of the appropriate statutory adjustments (relating to capital financing, payments to the government pool for capital receipts, and accounting for retirement benefits), the Statement of Movement on the General Fund Balance shows a final reported deficit for the Council of £1.9 million (2006/07 £6.7 million surplus). This effectively amounts to an underspending for the year of £11.0 million, after contributions to earmarked reserves:

	Original Estimate	Revised Estimate	Actual Expenditure	Variance from Revised Estimate
	£000s	£000s	£000s	£000s
Kirklees Net Revenue Expenditure	275,463	283,849	274,939	-8,910
Parish Precepts	409	409	409	0
	275,872	284,258	275,348	-8,910
Amounts met from General Government Grant, NNDR and local taxpayers	271,335	271,335	273,432	-2,097
Decrease in General Fund Balances	4,537	12,923	1,916	11,007

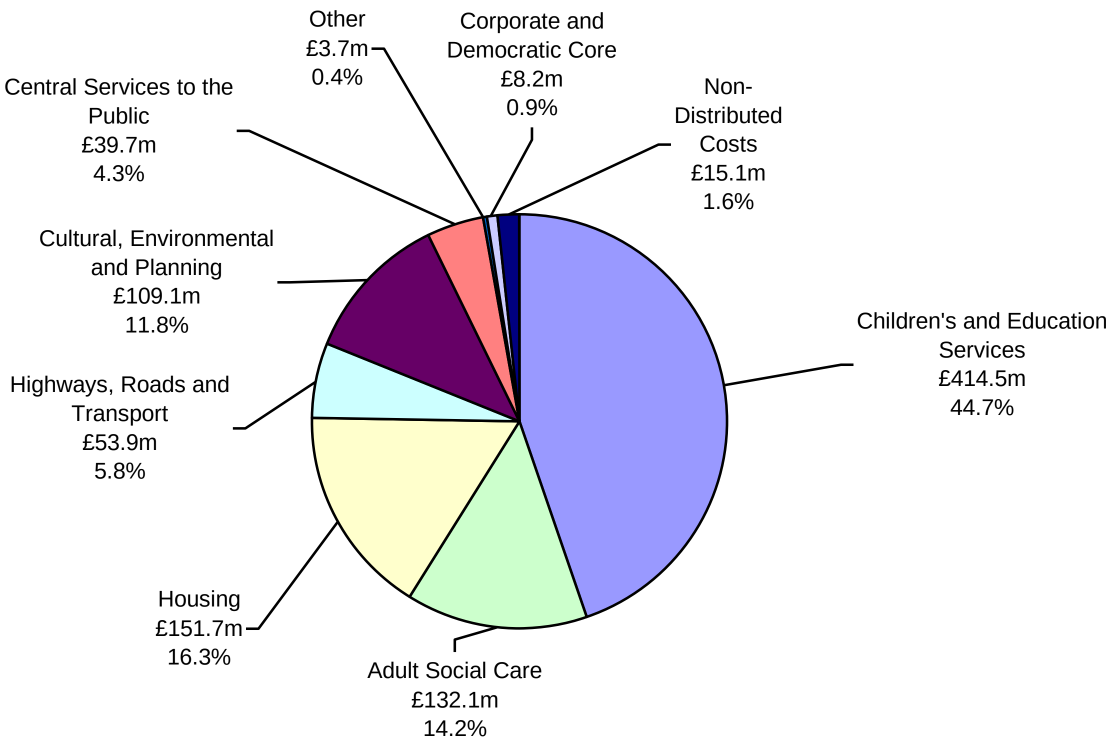
A detailed report on the financial outturn was presented to the full Council meeting on 25 June 2008. This showed that financial management continues to be strong and the Council was able to achieve the savings that it had anticipated and planned as part of the budget setting for 2008/09 and beyond. In summary, the major variations were:

- Additional Government Grants, in particular from the Local Authority Business Growth Incentive Scheme (LABGI) totalling £2.1 million. Revisions were made to previous year's allocations and late announcements made in relation to 2007/08.
- Reduced requirements to fund adult social care (£5.2 million) due to higher Primary Care Trust contributions under the new Continuing Care rules and also revisions to client number forecasts.
- Savings on treasury management and debt costs (£3.7 million) due to a combination of a lower borrowing requirement from slippage on the capital programme plus interest benefits from improved cash flow and higher levels of balances.

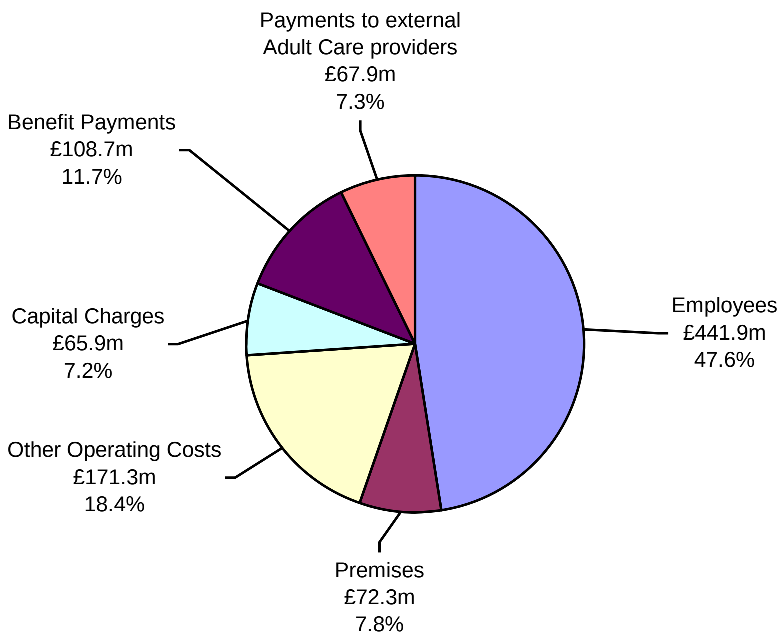
In addition, there were a range of relatively small under and overspendings which were dealt with through the Council's "Rollover" mechanism.

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

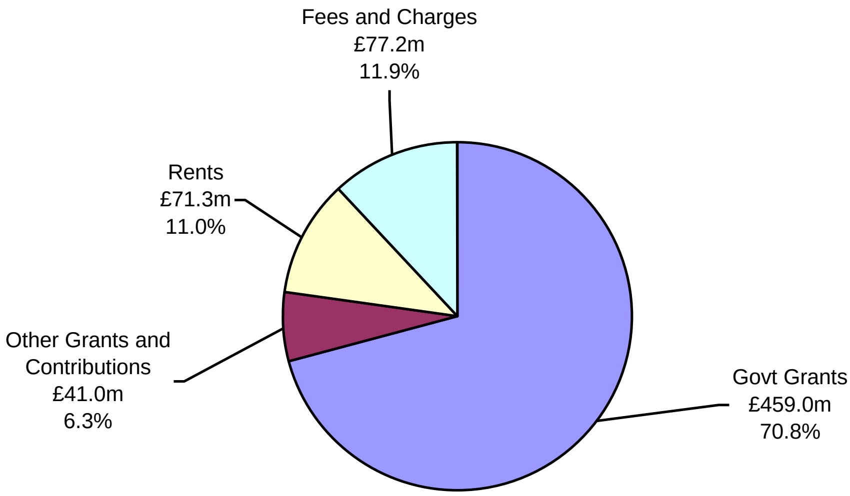
Gross revenue expenditure analysed by service –



Gross revenue expenditure analysed by type -



Income by type -



The Council had a target of £25 million for efficiency savings, set by Central Government over a three year period ending 2007/08. Efficiency savings of £40 million have been identified and reported through this period. These savings have been reinvested in service improvements and other corporate priorities.

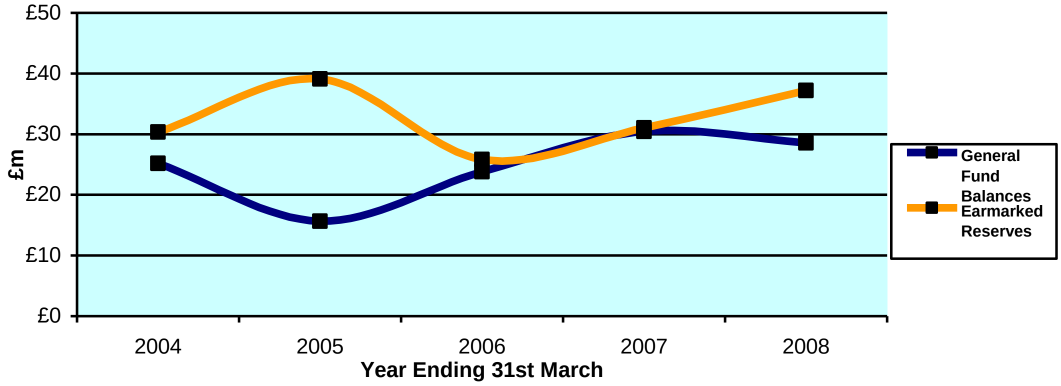
Earmarked Reserves and Balances

The General Fund Balance at 31 March 2008 was £28.6 million, of which £5.0 million is required as the prudent minimum level. Use of balances above this minimum level is determined within the Council's Medium Term Financial Plan, which was updated by Council in February 2008. The current level of balances is provisionally allocated as follows:

- Rollover changes to 2008/09 Budget £7.0 million
- Phased use in Medium Term Financial Plan £16.6 million
- Retained for unforeseen risks etc. £5.0 million

In addition, the Council has increased its earmarked reserves by £6.2 million during the year to £37.2 million. These cover specific areas of activity and risk, and include an amount of £13.9 million (2006/07 £10.5 million) relating to schools' reserves.

Levels of General Fund Balances and Earmarked Reserves Over 5 Year Period



Housing Revenue Account (HRA)

The HRA Income and Expenditure Account shows an operating surplus for the year of £0.7 million (2006/07 £5.8 million). After taking account of the appropriate statutory adjustments (largely relating to capital financing), the Statement of Movement on the HRA Balance shows a final reported deficit of £4.5 million (2006/07 £0.03 million), which is funded by balances. This can be compared with the budgeted deficit of £7.8 million.

The HRA Balance stands at £27.8 million as at 31 March 2008, and will be used primarily to support capital expenditure over future years to help meet decent homes targets.

Collection Fund

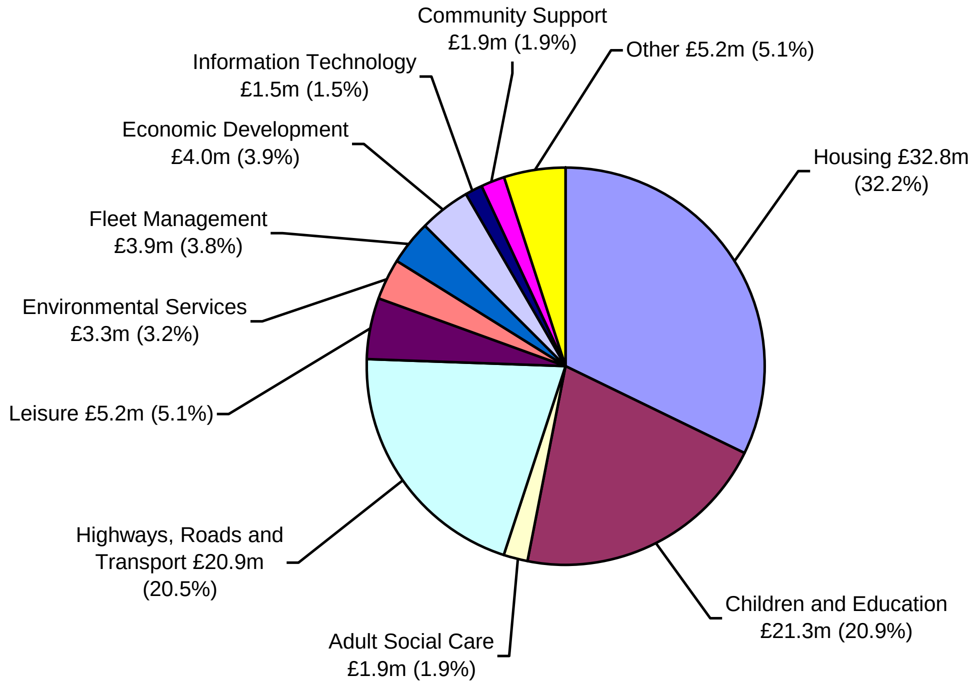
For 2007/08, the Collection Fund showed a deficit of £0.4 million (2006/07 £1.6 million deficit), moving the Collection Fund Balance to a small negative balance of £0.2 million. The Balance arises because of differences between estimated and actual amounts of total council tax bills. This Balance will be recovered from the Council and precepting authorities in future years. National Non-Domestic Rates do not impact on the Balance as they are paid over to the Government's national pool and redistributed to authorities based on population.

The percentage of local taxation bills collected in year remain high at 96.3% for Council Tax and 97.5% for Non-Domestic Rates, but represented decreases of 0.3% and 0.1% respectively from last year. The arrears outstanding as at 31 March 2008 stood at £13.6 million for Council Tax (31 March 2007 £13.1 million) and £4.2 million for Non-Domestic Rates (31 March 2007 £3.6 million).

Assets

The value of tangible fixed assets increased during the year by £157.2 million to £1,709.5 million. This was mainly due to asset revaluations and the effect of additional capital spending. The capital programme in total for 2007/08 totalled £101.9 million (2006/07 £115.7 million).

Capital Expenditure in 2007/08 by Service Area (£101.9m)



The capital programme was funded by borrowing (£34.7 million), grants and contributions (£29.3 million), capital receipts (£15.8 million), Major Repairs Reserve (£8.2 million), and revenue (£13.9 million).

Total investments increased from £88.9 million to £135.9 million, as more balances and reserves were made available for external investment purposes. In May 2007, the Council disposed of its investment in Leeds Bradford International Airport Limited.

Liabilities

Total borrowing during the year increased from £487.6 million to £555.3 million. Most of the increase (£60 million) related to new borrowing taken to fund the capital programme as mentioned above, but also included the replacement of internal borrowing of balances which are now being invested externally. In addition, £62.1 million of long term borrowing was repaid and re-borrowed at longer maturity periods in order to achieve savings on interest payments. The average interest rate for external borrowing for 2007/08 was 5.73% (2006/07 5.94%).

As at 31 March 2008, the Council had £20.1 million of provisions (£22.2 million 31 March 2007). These largely reflect cover for liabilities relating to insurance claims (£14.3 million) and equal pay claims (£5.0 million).

The Balance Sheet also contains a net pensions liability of £405.5 million (31 March 2007 £209.4 million). This represents the Council's share of the pension fund assets and the underlying commitment of the Council to pay future retirement benefits. The assets of the pension fund are subject to fluctuations in value depending on the state of the stock and other financial markets. The large movement in the year is due to lower than expected returns on pension fund assets, the use of "lighter" mortality rates in the calculation of future liabilities and changes to pension scheme benefits from 1 April 2008. The deficit is being managed over the long term with full actuarial fund valuations every three years. A funding strategy is in place including phased increases in employer contributions.

Group performance
It should be noted that the funding of Kirklees Schools Services Limited was restructured during the year, which resulted in the Council having a proportionately smaller equity stake in the company. Consequently, the Council no longer has what it considers to be a material interest in the company and therefore its performance and net assets have been removed from the Group Accounts for the second half of the year.

Future developments
The Council is committed to a range of major developments including a five year capital programme in excess of £700 million, together with a number of PFI and other partnership initiatives. The latter includes a recently agreed Housing PFI scheme together with Building Schools for the Future programmes, with the first phase in North Kirklees.

Further Information
The preparation of the Statement of Accounts is a statutory requirement and local authorities are required to have them approved by Members by 30 June and published with an Audit Certificate by 30 September following the end of the financial year. This Statement of Accounts was approved by the Corporate Governance and Audit Committee at its meeting on 30 June 2008.

The Council also publishes a number of other useful documents on its website, including the Council's Performance Plan, Comprehensive Performance Assessment, and the Kirklees Local Area Agreement. 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 the Strategic Finance Service and finance staff in other service areas for their hard work and commitment in completing this Statement of Accounts and all the supporting information.

R Hewitson, CPFA
Director of Finance

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

The Director of Finance's Responsibilities

The Director of Finance is responsible for the preparation of the Council's Statement of Accounts in accordance with proper practices as set out in the CIPFA Code of Practice on Local Authority Accounting.

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

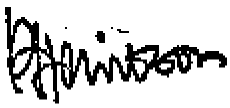
- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with the Code of Practice.

The Director of Finance 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 fairly the financial position of Kirklees Council at 31 March 2008, and its income and expenditure for the year then ended.



R Hewitson, CPFA — 18 September 2008
Director of Finance

I certify that this Statement of Accounts was approved by the Corporate Governance and Audit Committee on 29 September 2008.

Councillor A Murphy — 29 September 2008
Chair, Corporate Governance and Audit Committee

1 The Kirklees Context

1.1 Although this is the first annual corporate governance statement prepared by the Council, Kirklees has given a high priority to governance issues for a number of years. From the late 1990s a Democratic Renewal Board chaired by the Chief Executive led the process to implement the requirements of the Local Government Act 2000 and establish the new governance structures.

1.2 In 2004, the Council felt that although the new elements of the structure (eg cabinet, scrutiny, area committees) were established and each were functioning well it would be good to test out how well the system worked as a whole and whether the necessary changes to the culture and ways of working were happening.

1.3 The Audit Commission was commissioned to carry out a review and concluded that excellent progress had been made in establishing the necessary structures and that more needed to be done to integrate the system to provide effective community leadership and continue to develop working practices and culture in tune with the new expectations rather than the old.

1.4 The recommendations made by the Audit Commission have been taken forward and are reflected in the relevant parts of this Statement.

1.5 The Council's commitment to good governance has continued. Public services are essential to the well being of communities and good leadership can shape and transform the places of Kirklees. Resources though are finite. So, representative and accountable leadership that uses all available information to make informed decisions that are transparent and accountable is essential.

1.6 The Council is responsible for ensuring that its business is conducted in accordance with the law and proper standard, 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.

1.7 In discharging this overall responsibility, the 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.

1.8 A further dimension is the increasing importance of partnership working, whether through joint companies to deliver projects and services, or through strategic partnerships such as the Kirklees Partnership (the Local Strategic Partnership in Kirklees). Developments in national policy, such as Local Area Agreements, Area Based Grant, Joint Commissioning and Comprehensive Area Assessment are driving further requirements in strategic partnership working which are testing governance arrangements and pushing up against the boundaries of legal decision-making processes. Kirklees was aware of and anticipated these issues and has been developing its LSP accordingly over the last 3 years.

1.9 This commitment to corporate governance, combined with an understanding of the complexities and subtleties and allied to a drive to continuously improve was reflected in our Corporate Assessment in 2007. Kirklees was assessed overall as a 4* authority and within that was assessed as being a 4* authority for 'Capacity'.

2 Purpose of the Corporate Governance Statement

2.1 The Annual Governance Statement (AGS) is a formal statement that recognises, records and publishes the formal procedures for governance within Kirklees Council and reports on their effectiveness and any significant issues arising. Prior to 2007/08, the Council was required to publish along with the Statement of Accounts, a statement setting out the arrangements for internal control within the organisation. This has now been extended to cover all areas of governance and provides the Authority with the opportunity to consider the robustness of its governance arrangements.

2.2 In providing services to the public, the Authority is responsible for ensuring that all of its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, economically, efficiently and effectively. The Authority has a duty to achieve best value in the way it functions and ensure that arrangements are in place to secure continuous improvements in all areas of service provision. In discharging this overall responsibility, the Authority is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions and make arrangements for the management of risk.

2.3 In summary, the purpose of the annual statement is to:

- report progress on implementing the work programme identified by the previous year's statement and other activity to improve corporate governance;
- benchmark ourselves against our Code of Corporate Governance (based on CIPFA/SOLACE guidance) and identify areas for improvement;
- set out a work programme for the following year.

2.4 There have been a number of significant factors that have influenced our recent approach to corporate governance:

- as part of the 2007 Comprehensive Performance Assessment of Kirklees a detailed self assessment was undertaken. In order to avoid duplication of work the self assessment and the Audit Commission report in November 2007 provide most of the baseline information for this statement;
- legislation (eg the Local Government and Public Involvement in Health Act 2007) and national policy are driving and requiring major changes to governance structures and arrangements, eg devolving responsibilities to local Standards Committees, new executive arrangements, extended roles for scrutiny and for ward councillors;
- considering and agreeing the appropriate structures for Corporate Governance to drive forward the work programme.

3 <u>Code of Corporate Governance</u>

3.1 Corporate Governance is the system by which local government directs and controls their functions and relate to their communities. The general public has a right to expect the highest standards of conduct from its community leaders and institutions in the delivery of public services.

3.2 At its Annual Council Meeting on 21 May 2008, the Council established a Corporate Governance and Audit Committee, which is supported by an officer working group led by the three Heads of Service responsible for Legal Services, Policy and Governance, and Internal Audit.

3.3 The Committee has agreed both a Code of Corporate Governance (which is consistent with the principles of the CIPFA/SOLACE Framework and will be published on the Council website or can be obtained from the Policy and Governance Service, Civic Centre III, Huddersfield, phone 01484 221752) and this first annual Statement. This Statement will provide a high level assessment and summary of the main issues in relation to the key principles identified in the Code and the areas for improvement and other action to be included in the work programme.

3.4 The fundamental principles of good corporate governance which are set out in the CIPFA/SOLACE Code are as follows (the references relate to the sections in which each is addressed later in this Statement):

- Focussing on the purpose of the Authority and on outcomes for the community and creating and implementing a vision for the local area (section 5);
- Members and officers working together to achieve a common purpose with clearly defined functions and roles (section 6);
- Promoting values for the Authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour (section 7);
- Taking informed and transparent decisions which are subject to effective scrutiny and managing risk (section 8);
- Developing the capacity and capabilities of Members and officers to be effective (section 9);
- Engaging with local people and other stakeholders to ensure robust public accountability (section 10);

3.5 The Code also sets out 5 key aspects through which the principles will be delivered:

- Community Focus
- Service Delivery Arrangements
- Structures and Processes
- Risk management and Internal Control
- Standards of Conduct

3.6 In preparing this Statement we have also considered the recently published requirements for the organisational assessment (including Use of Resources) component of Comprehensive Area Assessment that will formally begin in 2009. One of the themes will be 'Governing the Business' which will contain 4 key lines of enquiry:

- Does the organisation commission and procure quality services and supplies, tailored to local needs, to deliver sustainable outcomes and value for money?
- Does the organisation produce relevant and reliable data and information to support decision making and manage performance?
- Does the organisation promote and demonstrate the principles and values of good governance?
- Does the organisation manage its risks and maintain a sound system of internal control?

3.7 This Statement also explains how the Council has complied with the principles of the code during 2007/08 and also met the requirements of regulation 4(2) of the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit (Amendment) (England) Regulations 2006 in relation to the undertaking an annual review of and providing assurance about the system of internal control previously included in the statement of internal control and in particular addressed the significant issues identified in the 2006/07 SIC.

4 <u>The Purpose of the Governance Framework</u>

4.1 The governance framework comprises the systems and processes, cultures and values, by which the Executive is directed and controlled and its activities through which it accounts to and engages with and leads the community. It enables the Authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost effective services.

4.2 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 only therefore provide reasonable and absolute assurances of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Authority's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them effectively and economically.

5 <u>Focussing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area</u>

5.1 Kirklees is an area of great diversity, both geographically and within its communities, which presents a challenge when developing a succinct vision for the whole area. Through dialogue with partners the Council and the LSP agreed a vision for the local area which is set out in the Community Strategy 2008/09.

5.2 The Corporate Assessment (CA) commented that "a clear and compelling vision for Kirklees is based on an excellent understanding of local needs…….a vision for Kirklees that is highly appropriate to the challenges the area faces….this vision targets the areas that research and consultation confirms are the most important."

5.3 The vision translates into realistic and achievable ambitions set out in the Community Strategy, the Local Area Agreement (LAA) and other strategic plans. The ambitions were defined by the CA as "addressing what is important for the district as a whole and take into account the distinct and diverse communities that make up Kirklees…..and which focus on the most vulnerable."

5.4 During 2007/08, the Council and its partners in the Kirklees Partnership have worked extensively to develop a new LAA to meet the requirements of the 2007 Act. In doing this we have taken the opportunity to review our priorities and sharpen our focus on the issues that matter. The LAA 2008-2011 was agreed by the Cabinet and Kirklees Partnership on 7 May 2008 and at Annual Council on 21 May for submission to the Secretary of State.

5.5 A priority in 2008 is now to review the Community Strategy 2006-2009 in order to develop the Sustainable Community Strategy for Kirklees.

5.6 Each year the Council agrees a set of corporate priorities to focus on. Four of them are the themes of the LAA and are managed through the partnership structures. The other corporate priorities have been reducing health inequalities, green Kirklees, customer excellence, locality working, innovation and efficiency.

5.7 These priorities reflect the ambitions that were set out by the Council's Administration in 2006 for Kirklees to be green, young, diverse and economically strong. Within these ambitions the Leaderships priorities for 2008 are going to be – Building Schools for the Future, One Council, Working Locally, the Youth Service, Older people, Climate Change.

5.8 The CA commented that "the Council has a rigorous process for setting its priorities…..an effective delivery framework translates priorities into policy objectives, service plans and performance targets. A programme and project based approach delivers cross cutting priorities."

5.9 Effective delivery is based on processes that ensure the thread runs from the Community Strategy and the LAA into service plans, team plans and individual work programmes supported by robust performance management.

5.10 In Kirklees we define performance management as a set of interlinked processes and Council approaches that allow us to make sure we deliver to our customers and partners, monitor our delivery and continue to improve our services both on a day to day and long term basis. Our performance management framework is called PEAK (Performance Excellence Across Kirklees). We recently reviewed and updated PEAK resulting in a new detailed guide to help embed the process. The framework covers performance planning at Council, service, team and individual levels. It shows how the golden thread runs from the community strategy through the ambitions of the Council's administration and to the corporate priorities which are reviewed and identified each year.

5.11 This year one of the nine corporate priorities is 'customer excellence'. We will aim to provide more responsive services, with staff exercising judgement and suggesting improvements. We will ensure services are designed around the customer experience, are more flexible, responsive and sensitive to the diverse needs of communities. Importantly we will use customer feedback as the key measure of customer satisfaction. We will continue a robust programme of research and survey activity to measure our progress.

5.12 Last year we updated our community engagement framework which is now called a Research and Consultation Strategy. The Research and Consultation Strategy outlines Kirklees Council's approach to consulting with all members of the community including residents, employees, businesses, interest and community groups. The coordination, monitoring and evaluation of research and consultation activity within Kirklees is made possible through the council's Accessing Consultation and Engagement (ACE) database, which can be found on both the intranet and the Kirklees website.

5.13 The LAA has already shown the importance of effective performance management within the Kirklees Partnership to deliver challenging outcomes. Although the CA commented that "performance management of the LSP is excellent….the emphasis on exception reporting focuses attention swiftly on areas of underperformance", work has started to further improve and integrate performance management across partners and the partnership. This is driven by the requirements of the new LAA and also awareness that the new set of 198 National Indicators for local government overlaps significantly with the Vital Signs performance framework for PCTs and the APACs framework for the Police.

5.14 In 2009, CPA will be replaced by the Comprehensive Area Assessment which will assess the scope of all organisations collectively to improve the quality of life in Kirklees. In 2008 the Council and its partners will prepare for CAA and will contribute to its development nationally as an action learning site.

5.15 <u>Work Programme and Actions</u>
The main areas of work for the Council under the Focus principle of good governance are:

- review the Community Strategy and agree the Sustainable Community Strategy 2009-2012
- develop action plans and arrangements to deliver the new LAA
- implement arrangements to better integrate performance management across partners
- review and restate its corporate priorities
- prepare for CAA and contribute to its development nationally as an action learning site.

6 **<u>Members and officers working together to achieve a common purpose with clearly defined functions and roles</u>**

6.1 The Council's constitution (available on the Council's website) defines the roles and responsibilities of the Council, the executive, scrutiny and officer functions and describes the delegation arrangements.

6.2 The Corporate Assessment described a very high baseline:

- "relations between officers and councillors are constructive and characterised by mutual respect and a common purpose. Cabinet Members are proactive and work closely with directors to achieve priorities and support and lead staff. There is appropriate challenge within clear boundaries. Formal and informal all-party meetings support cross party consensus and diffuse potential conflicts."
- "Governance arrangements are sound. The Standards Committee is effective…decision making is transparent, timely and supported by an effective forward plan."
- Scrutiny arrangements are well established and have significant impact. Panels are rigorous and challenging and rise above political party considerations. Their work drives improvements and informs policy…..the effectiveness and integrity of scrutiny gives it considerable influence within the Council."
- "capacity is strengthened through partnerships….the LSP is strong and well supported…partners are clear about their roles and it is easy to track what they are achieving and here there is more to do."

6.3 <u>Work Programme and Actions</u>
6.3.1 Although the standards are high, there is already an emerging work programme to improve effectiveness and take action to implement the requirements of the LGPIH Act 2007, which include:

- <u>Developing Officer / Councillor Knowledge (DOCK) Project</u> – work has been taking place over the last 18 months to improve further the relationships between our officers and councillors. This work complements a number of the recommendations set out in the report of the Councillors Commission. Fundamental to this work has been looking at ways in which we can develop a shared understanding of the roles and responsibilities of officers and councillors and develop products and opportunities to increase awareness across the organisation. In July 2008 the first phase of the DOCK project will be launched. This includes a bespoke intranet page hosting a range of products aimed at:
    - Improving "political literacy"
    - Raising the profile of our Councillors
    - Promoting ways in which officers can work closer with Councillors in a range of settings
    - Developing consistent approaches for communicating with Councillors

6.3.2 Further work is now underway to embed the learning as part of our day to day business. This includes the development of competencies relating to political literacy to be included as part of our performance development framework (PEAK).

6.3.3 Review of Executive arrangements to choose one of the models proscribed by the 2007 Act - work will be carried out and consultation done to ensure that an informed decision is made on the appropriate executive arrangements for the Council in line with the 2007 Act.

6.3.4 Review of ward arrangements and frequency of elections – the Council will need to consider its current arrangements for 3 member wards and elections by thirds and assess whether there would be any benefit in considering single member wards and elections every 4 years.

6.3.5 Council Meeting – Annual Council Meeting decided on an approach to further modernise Council meetings and make them more effective. This included: having more frequent but shorter Council meetings; improving agenda planning so that council meetings are more effective in holding the executive to account, considering scrutiny business, debating significant issues and providing community leadership, engaging with the community, and providing a forum for political debate; modernising the council procedure rules.

6.3.6 Youth Council – Annual Council Meeting incorporated the role of a Youth Council into the constitution. Services are working together to organise elections and convene meetings in 2008/09.

6.3.7 Councillor Call for Action – Kirklees is one of the few areas that has piloted CCfA (in two of the localities covering 7 wards). CCfA will now be implemented across the whole district.

6.3.8 Developing the role of scrutiny – the Council and its partners have always taken a constructive and proactive approach to scrutiny. When the current structure of the Kirklees partnership was established in 2006, the role of the Council's scrutiny panels was built into the terms of reference of the thematic partnership boards. Further steps, in line with the opportunities in the 2007 Act will be taken to strengthen this role.

6.3.9 Concluding the review of the KP and implementing recommendations – recent discussions with partners have identified a strong belief in the effectiveness and benefits of the partnership structures together with ideas for further improvements to enable the thematic boards to focus on what matters and use their time to make a difference. Recommendations are to be presented to the KP and then implemented.

6.3.10 Review of the Delegation Scheme – There are a number of delegation schemes, for example large and specific schemes relating to planning and highways. These have recently been reviewed and are clear and relevant. More generic delegations are currently set out in the Constitution in a way that makes it more difficult for individual officers to identify what the scope of their responsibilities are. A review of those is currently underway with a view to simplifying both the principles, ie where possible to delegate on an exception basis and also how they are set out in the Constitution to make them clearer for officers and members to identify. A corporate induction programme is currently being developed for senior managers which will include raising awareness of delegations.

6.3.11 Simplifying and re-writing the Council's constitution – A start has been made to simplify aspects of the Council's constitution. A complete re-write will be completed by May 2009 to ensure that the constitution is written in plain language and is accessible.

6.3.12 Community Governance Review – the 2007 Act gives Councils the power to both carry out a review of the arrangements for Parish and Town Councils and to decide on the outcomes. In Kirklees, no review has been carried out since 1974, so a decision has been taken to conduct a review in 2008. The Corporate Governance and Audit Committee will be responsible for agreeing the terms of reference for the review and carrying it out (likely to be Autumn 2008).

6.3.13 Standards Committee - The role of the Standards Committee has recently changed with the move to local determination of complaints under the Local Government & Public Involvement in Health Act 2007. The Standards Committee has increased in size, its terms of reference have altered and it has established sub-committees to comply with Regulations for assessing and determining complaints about breaches of the Member Code of Conduct. The Standards Committee has met its duty to agree criteria for things such as assessment and dealing with anonymous complaints and published those, and a programme of training for Committee members is being undertaken. Support will be given to the Committee by Legal officers at each stage of the process. Overall the Committee is well prepared to deal with the new complaints regime.

6.3.14 Corporate Governance and Audit Committee – The development of the Corporate Governance & Audit Committee demonstrates the Council's commitment to give a high profile to corporate governance matters and ensure that they are dealt with in a co-ordinated way. The terms of reference for the Committee are wide-ranging and extensive and are designed to ensure that the Committee has an overview and a lead role in developing all aspects of governance including: The development of the Council's Constitution; agreeing and updating the Council's Code of Corporate Governance; reviewing the adequacy of the Council's corporate governance arrangements in general which will include reviewing and approving the Annual Statement of Corporate Governance.

6.3.15 In giving one Committee responsibility for all aspects of corporate governance, the Council is creating an environment in which to ensure that all aspects of corporate governance matters are linked.

6.3.16 Locality Working and the roles of Area Committees and Parish Councils – the Corporate Assessment identified an area of improvement as "the Council must underpin locality working with robust and reliable arrangements….it needs to define and implement local governance arrangements that clearly identify accountabilities and take into account the future roles of Area Committees and Parish Councils."

7 Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour

7.1 The Council accepted the model Code of Conduct for Members in June 2007, following which an extensive training programme was undertaken with members both in groups and individually. The Head of Legal Services as Monitoring Officer works with Members and complainants to ensure that where possible informal resolution of those complaints is undertaken. This has proved very successful with Members very receptive to that approach. That success is demonstrated by the relatively small number of formal complaints that were taken to the Standards Board for England in the period April 2007 to March 2008.

7.2 These figures speak for themselves and show the commitment of Members to sustain high standards of conduct and behaviour.

7.3 With the move to local determination, it is anticipated on a national level that the number of complaints will increase in the short term if only because this process makes it easier for complainants than the previous one. The process for dealing with those complaints has been established and there is a continuing commitment to ensure that any complaints are dealt with robustly.

7.4 The Council's whistleblowing policy is clearly publicised and available for use. Changes to the approach to "Whistle blowing", involving the Corporate Customer Standards Officer, who is now the first point of contact and assessment jointly between the Director of HR and Development, and the Head of Internal Audit have been effective in identifying actions necessary. In the year April 2007 to March 2008, there were 11 'whistle-blowing' cases of which only one needed to be dealt with by the Monitoring Officer and was resolved on an informal basis.

7.5 The Council works closely with key partner organisations, Kirklees Neighbourhood Housing and Kirklees Active Leisure in particular, to ensure similar standards.

7.6 Work programme and actions
The main areas of work for the Council under the Structures and Processes principle of good governance are:

- publicise the new process for local determination of complaints about breaches of the Member Code of Conduct.
- continue programme of training and awareness raising for both Standards Committee Members and other Members about the new local determination process.
- review the applicability of the Council's Dignity at Work Policy to Member conduct and behaviour and clarify and promote the outcome of that.

8 Taking informed and transparent decisions which are subject to effective scrutiny and managing risk

8.1 Over a number of years Kirklees Council has established effective teams and pioneered methods to provide good quality information about the nature of the district and the needs of communities. The Corporate Assessment commented that:

- "the Council and its partners can be confident that they are targeting the right things because they have an extensive and impressive knowledge of their communities. Rigorous, up to date research combined with regular, in depth consultation feeds an excellent understanding of local needs and aspirations."
- At the annual Picture of Kirklees event the Council and its partners review progress against the overarching vision and ambitions, assess the effectiveness of their interventions and consider emerging demographic data and local trends'.

8.2 Work has already been commissioned to further improve and co-ordinate information gathering and research across the Council and partners driven by a cross-agency board. Two priorities in 2008/09 are to develop an integrated data-hub and to improve the information and data about the localities of Kirklees.

8.3 The structures and processes of the Council ensure that decisions are transparent. From the outset, Kirklees was clear that Scrutiny should have a pro-active and constructive role – the emphasis was on ensuring the best decision is taken first time rather than criticising afterwards. This is built into the Council's constitution and working practices. The Forward Plan provides a key tool for early engagement in forthcoming decisions and this is re-inforced by regular meetings between Cabinet Members and the Chairs of the respective scrutiny panels.

8.4 Council Meeting, Cabinet, Scrutiny, and Area Committees all provide opportunities for public engagement and transparency.

8.5 During 2007/08 we maintained our relatively simple approach to risk management, that identifies risk at service level (which are addressed by Heads of service), and those of a significant, corporate nature, that are reported to Cabinet, assigned to Directors for the purposes of actions, monitoring and reporting, and used at Council level to establish budgetary provisions to provide for risk. The Corporate Assessment commented positively about our appreciation and approach to the management of risk. An internal audit of risk management found our approach to be satisfactory. As part of the approach to ensure that middle and senior managers understand the nature of risk, we continued our training programme. There was an interim reporting stage to assess how risk changed during the year.

8.6 Each year the Council carefully considers any risk factors that may affect financial performance, including budgetary provision at service level where it is thought likely that costs will be incurred at any stage within the Medium Term Financial Plan (3 years). The residual – unlikely but possible – financial consequences of risk are provided in a contingency budget. This budget has never been called upon, suggesting either (a) our approach is extremely successful or, (b) overcautious. Of course this budget rolls forward as a source for addressing risks in future years.

8.7 For 2008/09 we are looking to assess if (a) or (b) above is true and if we should change our approach, and also to assess if there can be more effective ways of addressing active reporting, assessment, and training and to redraft the strategy to reflect this.

8.8 We are conscious that a further risk factor will be the deteriorating economic situation which could potentially impact on debt collection and customer demand for services, and rising inflation.

8.9 Work Programme and Actions
The main areas of work for the Council under the risk management and internal control principle of good governance are:

- develop integrated data hub, better co-ordinate research and provide better information about the localities.

- assess approaches to management of financial risks and budget setting and also ways of addressing active reporting and assessment.

9 <u>Developing the capacity and capability of Members and officers to be effective</u>

9.1 We have a long tradition of excellent working relationships between Councillors, officers and partners based on trust, respect and common goals. The Audit Commission has described relations between officers and Councillors as "constructive and characterised by mutual respect and a common purpose."

9.2 We are strongly committed to community leadership and accountability. We support our Councillors in their many roles, including a quality development programme. We have clear role profiles for Councillors reflecting their responsibilities as a basis for the Members Allowances Scheme and our nationally accredited quality councillor development programme.

9.3 Our approach to Councillor development is genuinely Councillor-led and flexibly focused on the needs of the individual. Councillors have personal development and review sessions and tailored development packages. We use opportunities within Groups, across Groups, around special interests and across partnerships to discuss issues and develop understanding and skills. The programme uses Huddersfield University and other specialist inputs. We have used the Leadership Centre to work on LPSB capacity. We use the intranet and a Member-focussed newsletter to share key information. We provide all Councillors with laptops and home access to the network. Our Councillor development outcomes are charter marked and have recently been commended by the Municipal Journal (Possible update pending the results on 26 June).

9.4 Our CPA report described Councillor development as "excellent" citing our approach to PDRs and the development of individual training plans as exemplars. As a result "Councillors are skilled and well suited to their roles".

9.5 We acknowledge that, alongside our Councillors, our staff are an important resource. The development of the two goes hand in hand. We plan succession and encourage our talent to develop as the next generation of managers and leaders. We have an HR reform programme within the CIP to give managers greater flexibility, opportunities to exercise judgement and take responsibility for shaping their Service. We want managers to lead, inspire and motivate their staff as this is the key to achieving our ambition.

9.6 Our framework approach to HR policies encourages managers to focus on the individual with consistency being around judgment rather than rules. To help employees meet the complex demands of work and home we have introduced flexible working, working at home with mobile and touch down working. Flexibility is popular with staff and increases productivity.

9.7 Our learning and development strategy embraces leadership and development, supported by induction and key skills training for all staff. We manage our workforce through a range of competencies, used in recruitment, growing employees' skills and in managing individuals' performance. We have raised the bar in terms of our expectations of managers and have brought in new people to refresh our SMG as part of our succession strategy. We support managers through our Leadership Academy with 48 senior managers currently participating, including some from partner organisations. Personal and Management Development Programmes and internal and external coaching complement this. We work with our internal staff networks (BME, Disabled, LGBT) to ensure that the overall approach to workforce development drives a diverse and balanced representation and where appropriate specific individuals are identified for personal development programmes. We use the intranet for a wide range of interactive learning material and short course programmes targeted at front line staff and the development of core skills. We have achieved IIP recognition, at service and corporate level, last renewed in 2006.

9.8 The Audit Commission has acknowledged the range of training and development programmes in place to build management capacity and staff competence. They have described as "excellent" our support for young employees, providing good range of career paths.

9.9 Work Programme and Actions

The main areas of work for the Council under this principle of good governance are to:

- enable the DOCK products coming on stream (see earlier).
- ensure the first cohort of Councillors have graduated and the second cohort have finished their studies.
- run a short course programme of master classes developed with the University – available to Councillors and Officers.
- hold Councillor Forums.
- hold 360 Appraisal for Cabinet Members and Individual Development Plans.
- conduct exit Interviews for Councillors.
- implement DOCK Phase 2 – political literacy as part of performance management (PEAK).
- develop better relations / shared understanding with the employers of Councillors.
- undertake a root and branch review of the Councillor role profiles and Members Allowances Scheme.
- Pilot authority for implementing the recommendations of the Councillors Commission.
- Provide better support to ward Councillors and explore potential offered by the 2007 Act to enhance their role.

10 Engaging with local people and other stakeholders to ensure robust accountability

10.1 Central Government has set out clear expectations about engagement with residents and users of services and is developing strong proposals which will be brought together in the Community Empowerment White Paper due to be published in summer 2008. This agenda has a high priority, which is encapsulated in the new 'Duty to Involve' (LG+PiH Act 2007) and is strongly linked in the Government's thinking as a pre-condition to Councils being given more powers. It is also threaded through expectations in the new Comprehensive Area Assessment.

10.2 Our self assessment in 2007 and the CPA report indicate that Kirklees has a strong base from which to move forward to meet these expectations…."a range of reliable mechanisms capture the views and concerns of local people. These include the annual Tracker Survey, Talkback and consultation events……this gives an excellent picture of the diversity in quality of life across Kirklees and provides a focus for ambitions…..Area Committees engage residents in the specification and delivery of projects via local community action plans……..the Council listens to its communities and responds effectively. Good communication makes clear to local people how and why balances have been struck. This helps to gain their support and confidence…..Local people shape priorities and delivery plans. There are numerous examples of priorities and action plans changing because of their input…..The Council feeds back what changed so that local people know their views make a difference.

10.3 The CPA report, though, also identified some areas for improvement – 'however, the Council and its partners do not always gain the trust of more insular communities and some voluntary and community groups feel marginalised.'

10.4 The Action Plan for this theme begins to address this specific area of improvement and contains other to improve practice and to meet the increasing expectations outlined above.

10.5 Work Programme and Actions

The main areas of work for the Council under the engaging principle of good governance are:

- carry out an Equality Impact Assessment of research and consultation activity;
- develop and implement a Locality approach to Community Engagement;
- use the results of the first 'Place-Survey' to commission more focused research to better understand the views of particular groups of residents;
- carry out an analysis of the Duty to involve/Community Empowerment Action Plan/Community Empowerment White Paper and benchmark ourselves against the expectations to identify areas for improvement;
- improve engagement in formal Council working and decision making processes;
- provide strategic support and liaison with parish councils.

11 Financial Controls and other Assurances

11.1 The Accounts and Audit Regulations (Amendments) (England) 2006 requires the Council to "conduct a review at least once a year of the effectiveness of its systems of internal control", as evidence for this Annual Governance Statement. The Council's previous Audit Committee determined on the basis of information and advice from the Council's Head of Internal Audit that the Council has an adequate and effective control environment (Report to and minutes of Audit Committee 20 May 2008).

11.2 The Council has a well established process that generates a strategic annual Internal Audit plan to review systems and processes - financial and non-financial – and operational activities, which delivers the plan with prioritised variations, agrees recommendations with service management, and carries out investigations. The outcomes of audit activity are summarised in detailed quarterly reports to the Audit Committee (in 2008/09 the Corporate Governance and Audit Committee).

11.3 A number of significant financial and internal control issues were raised in the SIC which was reported in the 2006/07. Good progress has been made – most are completed, and where there is ongoing work it is referred to already in this Statement:

- substantial progress has been made in linking performance with budget monitoring information;
- work has started to consolidate and simplify the delegation scheme as described previously;
- there have been changes to procedures and improvements in reporting on CPRs;
- good progress has been made on Single Status although this has not been fully completed. Most staff have received notification of their position after the evaluation exercise and appeals are being considered. The risk score in the corporate risk assessment has recently fallen;
- As referred to previously, a review of the structures and governance of the Kirklees Partnership has been carried out and will be implemented in 2008/09 together with performance management arrangements that better integrate across the partners and partnership. Considerable work has been done over the last 3 years to ensure good governance of strategic partnerships and this continues, particularly in relation to the new LAA and the Area Based Grant. Work continues to strengthen governance arrangements for major partnership projects and key partners, eg the Divisional Police, Kirklees PCT, Kirklees Neighbourhood Housing, Kirklees Active Leisure, Hoecteif (previously Jarvis), and Sita Kirklees;
- Substantial progress has been made by YPO to address weaknesses identified in 2007. Viability appears to have returned, but there remain some challenges to retain a sustained, successful operation, particularly in the context of some parts of the existing operation, that can provide returns to the owning local authorities, whilst meeting their commodity needs;
- There are still 5 secondary schools that have not achieved the required FMSiS standard, but progress is now being made in 3 of these. Limited progress in primary and special schools, who find the regime relatively onerous in the context of the size of their operation and administrative and governance resources.

11.4 In addition the Council will need to ensure that its processes for assessing value for money are sufficiently rigorous and effective to deliver innovation and meaningful efficiency in the time horizon of the Medium Term Financial Plan.

11.5 External Review – The principal body for external review of the organisation is the Audit Commission, which in addition to carrying out the audit of accounts also carried out the Use of Resources Assessment and Direction of Travel. The Authority received a positive Annual Audit Letter as well as an unqualified opinion and value for money conclusion on its 2006/07 statement of accounts. It anticipates a similar outcome in the current financial year. In terms of the CPA the Authority received good results and achieved a level 3 in all Use of Resources themes. The Audit Commission also assessed the Authority as 'Improving Well' in its assessment of its direction of travel.

11.6 Other external assessments included a Joint Area Assessment of arrangements for Children and Young People by Ofsted etc.

11.7 **<u>Work Programme and Actions</u>**
Priorities for 2008/9 in financial controls and other assurances include;

- working with those Primary Schools who are required to achieve the Financial Management Standard for Schools during 2008/09 and those large number that remain from 2007/08.
- working with those Secondary Schools that did not achieve the Financial Management Standard for Schools by the target date.
- ensuring that the financial system maps continue to be kept up to date by system owners, and using these to assess standards of control of the Council's financial processes.
- work contributing to the organisational objective of improving value for money.
- assessing our risk associated with partnership working, including Local Public Service Agreements and Local Area Agreements.
- working with and reporting to the new Corporate Governance and Audit Committee.
- working with key partners eg NHS to address risk in areas of mutual concern.
- driving our achievement of the target performance.
- reviewing arrangements for Locality governance.

12 <u>Statement of the Leader of the Council and the Chief Executive</u>

12.1 We have been advised on the implications of the result of the review of the effectiveness of the governance framework by the Corporate Governance and Audit Committee, noting that the Committee has considered the Statement and has no adverse comments to make, and a plan to address weaknesses and ensure continuous improvement of the system is in place.

12.2 This statement identifies the programme of work for 2008/09 to improve the governance arrangements of the Council and to implement the requirements of the Local Government and Public involvement in Health Act 2007. We will ensure that the necessary action is taken to implement the work programme to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified and we will monitor their implementation and operation as part of our next annual review.

Signed:

Cllr Robert Light, Leader of Kirklees Council

Signed:

Rob Vincent, Chief Executive, Kirklees Council

The accounts have been prepared in accordance with the requirements of the Code of Practice on Local Authority Accounting in the United Kingdom 2007 (the Code). The Code has been approved as a Statement of Recommended Practice (SORP). The accounting convention adopted is historical cost, modified by the revaluation of fixed assets and some stock carried at current cost. The following accounting concepts have been applied and policies adopted in preparing the financial accounts:

FUNDAMENTAL ACCOUNTING CONCEPTS

Qualitative characteristics of financial information:

(i) **Relevance** - the accounts have been prepared with the objective of providing information about the Council's financial performance and position that is useful for assessing the stewardship of public funds and for making economic decisions.

(ii) **Reliability** - the financial information is reliable as it has been prepared so as to reflect the reality or substance of the transaction and activities underlying them, rather than their legal character; is free from deliberate or systemic bias; is free from material error; and has been prudently prepared.

(iii) **Comparability** - in addition to complying with the Code, the accounts also comply with the Best Value Accounting Code of Practice, which establishes proper practice with regard to consistent financial reporting and aids comparability with other local authorities.

(iv) **Understandability** - these accounts are based on accounting concepts, treatments and terminology which require reasonable knowledge of accounting and local government. However, all reasonable efforts have been made to use plain language and technical terms have been explained in a glossary.

(v) **Materiality** - the concept of materiality has been used in preparing the accounts, so that items under an acceptable tolerance level may be omitted, provided that in aggregate their exclusion would not affect any reader's interpretation of the accounts.

Pervasive accounting concepts:
These concepts play a pervasive role in the financial statements, and hence in the selection and application of accounting polices and estimation techniques and the exercise of professional judgement.

(i) **Accruals** - the financial statements, other than the cash flow information, are prepared on an accruals basis. This means that expenditure and income are recognised in the accounts in the period in which they are incurred or earned, not as money is paid or received.

(ii) **Going Concern** - the accounts have been prepared on the assumption that the Authority will continue in operational existence for the foreseeable future.

(iii) **Primacy of legislative requirements** - it is a fundamental principle of local authority accounting that, when specific legislative requirements and accounting principles conflict, legislative requirements shall apply. However, such conflicts are usually dealt with by the SORP by showing the position required by following accounting concepts in the Income and Expenditure Account and showing the effect of the legislative requirements in the Statement of Movement on the General Fund Balance.

ACCOUNTING POLICIES AND ESTIMATION TECHNIQUES

Accounting policies are the principles, bases, conventions, rules and practices that specify how the effects of transactions and other events are reflected in the financial statements of the Council. Consistent accounting policies have been applied both within the year and between years. Where accounting polices have been changed, the reason and effect will have been separately disclosed.

Estimation techniques are the methods adopted by the Council to arrive at estimated monetary amounts, corresponding to the measurement bases selected for assets, liabilities, gains, losses and changes in reserves. Accounting polices detail any estimation techniques used.

Accruals
Sales, fees, charges and rents are accrued and accounted for in the period to which they relate. Such transactions are only recognised when a right to consideration exists due to the performance of a contractual obligation. Payments received in advance of such performance have been recognised

as a liability on the balance sheet. Employee costs are charged to the accounts of the period within which the employees worked. Interest payable on external borrowings and interest income is accrued and accounted for in the accounts of the period to which it relates on a basis which reflects the overall economic effect of the borrowings. Supplies and services are accrued and accounted for in the period during which they were consumed or received. Accruals have been made for all material sums unpaid at the year end for goods and services received or work completed.

Contingent Assets and Liabilities
Any contingent assets and liabilities are not included in the accounting statements, but are disclosed by way of notes.

Deferred Charges
Deferred charges represent expenditure which may properly be capitalised, but which does not represent fixed assets. Deferred charges are written off to revenue in the year the expenditure is incurred. Examples of deferred charges include payments of improvement grants, internally developed computer software, and expenditure on schools not owned by the Council, principally Aided Schools.

Events after the Balance Sheet Date
Any material events after the balance sheet date which provide additional evidence relating to conditions existing at the balance sheet date, or indicate that application of the going concern concept is not appropriate, have been included in the accounts. Any material events after the balance sheet date which relate to conditions which did not exist at the balance sheet date have been disclosed on a separate note to the accounts.

Events after the balance sheet date are reflected up to the date when the Statement of Accounts were authorised for issue.

Exceptional Items, Extraordinary Items and Prior Year Adjustments
Any exceptional items are included in the cost of service to which they relate or on the face of the Income and Expenditure Account if such a degree of prominence is necessary to give a fair presentation of the accounts. Details of such items are given in the notes to the accounts.

Any extraordinary items are disclosed on the face of the Income and Expenditure Account, after dealing with all the items within the ordinary activities of the Authority, and are explained fully in the notes.

Material prior year adjustments arising from changes in accounting policies or from the correction of fundamental errors have been accounted for by restating the comparative figures in the financial statements and notes. The cumulative effect of any adjustments is noted at the foot of the STRGL, if appropriate.

Financial Instruments
Financial Liabilities
Financial Liabilities are initially measured at fair value and carried at their amortised cost. Annual charges to the Income and Expenditure Account for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. For many of the borrowings of the Council, the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest) and interest charged to the Income and Expenditure Account is the amount payable for the year in the loan agreement.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to Net Operating Expenditure in the Income and Expenditure Account 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 Income and Expenditure Account 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 Income and Expenditure Account, regulations allow the impact on the General Fund Balance to be spread over future years. The Council has a policy of spreading losses over the life of the replacement loan and gains over a similar period up to a maximum of ten years. The reconciliation of amounts charged to the Income and Expenditure Account 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 Statement of Movement on the General Fund Balance.

Financial Assets
Financial assets are classified into two types:

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

Loans and receivables are initially measured at fair value and carried at their amortised cost. Annual credits to the Income and Expenditure Account for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most loans given and investments, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Income and Expenditure Account is the amount receivable for the year specified in the contract.

When soft loans are made (loans charged at a rate of interest less than market rate), a loss should be recorded in the Income and Expenditure Account 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. Statutory provisions neutralise the impact of soft loans on the General Fund Balance. The Council has a small number of soft loans which are carried at their principal amount as there is no material difference between using this and a value using the present value method.

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 Income and Expenditure Account.

Any gains/losses that arise on the derecognition of the asset are credited/debited to the Income and Expenditure Account.

Available-for-Sale Assets
These assets are initially measured and carried at fair value. Where the asset has fixed or determinable payments, annual credits to the Income and Expenditure Account for interest receivable are based on the amortised cost of the asset multiplied by the effective interest rate for the instrument. Where there are no fixed or determinable payments, income (for example, dividends) is credited to the Income and Expenditure Account 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 Statement of Total Recognised Gains and Losses. The exception is where impairment losses have been incurred – these are debited to the Income and Expenditure Account, along with any net gain/loss for the asset accumulated in the 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, the asset is written down and a charge made to the Income and Expenditure Account.

Any gains/losses that arise on the derecognition of the asset are credited/debited to the Income and Expenditure Account, along with any accumulated gains/losses previously recognised in the STRGL.

Instruments entered into before 1 April
The Council entered into a number of financial guarantees that are not required to be accounted for as financial instruments. These guarantees are covered in the Contingent Liabilities Note.

Grants and Contributions
Revenue grants and contributions are credited to income in the same period in which the related expenditure was charged. Where the acquisition of an asset is financed either wholly or in part by a grant or contribution, the amount is credited initially to the Grants Deferred Account and written off in the service revenue accounts over the useful life of the asset to match the depreciation of the asset to which it relates.

Group Accounts
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 and transactions with companies and other entities are recorded as investments and under related party transactions respectively.

Intangible Assets
Expenditure on the acquisition of intangible assets (software licences) are capitalised, brought onto the balance sheet at cost and are being amortised over the period benefit is received (between 3 and 10 years). Straight-line amortisation has been adopted and it is assumed that residual value is insignificant or nil. Intangible assets are reviewed annually for impairment.

All services are charged with a provision for amortisation and, where required, any related impairment loss, for all intangible assets used in the provision of the service.

Landfill Allowance Trading Scheme (LATS)
The Council has adopted the accounting treatment in the proposed "Urgent Issues Task Force" Abstract on Emission Rights. Allowances, whether allocated by the Department for Environment, Food and Rural Affairs (DEFRA) or purchased from another Waste Disposal Authority, are recognised as current assets, valued in the balance sheet at lower of cost and net realisable value.

Allowances issued by DEFRA are initially recognised as deferred income in the balance sheet and subsequently recognised as income on a systematic basis over the compliance year for which the allowances were allocated.

As landfill is used, a liability is recognised. This liability is discharged by using allowances, paying a cash penalty to DEFRA or a combination of both. The liability is measured at the market value at the balance sheet date of the number of allowances estimated to be needed to cover actual biodegradable municipal waste disposed to landfill in the year.

Leases
The Council accounts for leases as finance leases when substantially all the risks and rewards relating to the leased items transfer to the Authority. Rental payments are apportioned between the finance charge and the reduction of the outstanding lease obligation (deferred liability). Fixed assets recognised under finance leases are accounted for using policies applied to Tangible Fixed Assets.

Leases that do not meet the definition of finance leases are accounted for as operating leases. Rental payments under operating leases are charged to revenue on a straight line basis over the term of the lease.

Any rental income by from the Council acting as a lessor is recognised on a straight line basis over the period of the lease.

Local Area Agreement Grant
Kirklees has a local area agreement (LAA). This is a three year agreement between the Government Office for the area and a local strategic partnership representing the local authority, other public, private, voluntary and community interests for the area. The LAA sets out the priorities for the area, in defined areas of activity. The Council acts as the accountable body for the LAA and as such

receives all the LAA Grant and distributes it as appropriate. It is responsible for the financial management of the LAA and for ensuring that robust performance management arrangements are in place.

It has been determined that although the Council acts as accountable body, it does not have control of the award of grant and therefore only recognises in the Income and Expenditure Account grant income allocated to itself to use on its own services. As accountable body, the authority undertakes to repay the Government Office any amount of grant that has been misspent. If such amounts are not recoverable from the ultimate recipient of the LAA Grant that has been misspent, the Council may be required to fund repayment from its own resources.

Overheads
In accordance with current CIPFA guidelines, the costs of support services are recovered from users either by charges under service level agreements or by cost apportionments (based on time spent or usage). The costs of the Corporate and Democratic Core and of Non Distributed Costs are allocated to discrete headings and are not apportioned to services.

Pensions
Accounting for pensions is carried out in accordance with FRS17. FRS17 requires an authority to look beyond its commitment to pay contributions to pension funds and to determine the full longer-term effect that the award of retirement benefits in any year has had on the authority's financial position. Inclusion of the attributable share of the fund assets and liabilities does not mean that legal title or obligation has passed to the employer. Instead it represents the employer's commitment to increase contributions to make up any shortfall in attributable net assets, or its ability to benefit via reduced contributions from a surplus in the scheme.

FRS17 only applies to defined benefit pension schemes, that is those where 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. Defined contribution pension schemes, that is where an employer pays fixed amounts into the scheme and has no obligation to pay further amounts if the scheme does not have sufficient assets to pay employee benefits, are accounted for by charging employer contributions to revenue as they become payable.

The Council participates in two different pension schemes which meet the needs of employees in particular services. Both schemes provide members with defined benefits related to pay and service. The schemes are as follows:

Teachers – This scheme is administered by the Teachers' Pensions Agency (TPA). Although the scheme is unfunded, meaning it has no investment assets, the TPA uses a notional fund as the basis for calculating the employers' contribution rate paid by local education authorities. However, it is not possible for the authority to identify a share of the underlying liabilities in the scheme attributable to its own employees. For this reason the SORP allows this scheme to be accounted for on the basis of a defined contribution scheme. Therefore the pensions cost reported within Net Cost of Services is equal to the contributions payable to the scheme for the accounting period. An asset or liability is recognised only to the extent that there may be prepaid or outstanding contributions at the balance sheet date.

The Council is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the Teachers' scheme. These benefits have been accrued in the pensions liability.

Other Employees - Other employees, subject to certain qualifying criteria, are eligible to join the West Yorkshire Pension Fund, which is part of the national 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.

FRS17 requires the following:

- the recognition of the net asset/ liability and a pensions reserve in the Consolidated Balance Sheet;
- current service (pensions) cost, past service costs, gains and losses on settlements and curtailments to be charged in the Net Cost of Services section of the Income and Expenditure Account;
- interest cost (pensions) and expected return on assets to be charged in the Net Operating Expenditure section of the Income and Expenditure Account;
- reconciling entries in the Statement of Movement on the General Fund Balance which ensures that FRS17 remains neutral in terms of its impact on Council Tax levels;
- actuarial gains and losses between years being recognised in the Statement of Total Recognised Gains and Losses.

The attributable assets of the LGPS have been measured at fair value. These valuations are either objective (requiring reference to published market information) or based on the opinion of an expert valuer. Assets include current assets, such as debtors and cash, as well as the investment portfolio.

Liabilities largely comprise benefits promised under the formal terms of the pension schemes, but also include any discretionary benefits offered. The attributable liabilities of each scheme have been measured on an actuarial basis using the projected unit method. Scheme liabilities have been discounted at a rate that reflects the time value of money and the characteristics of the liability. For the 2007/08 accounts, a rate of 6.1% has been used, based on the current rate of return on a high quality corporate bond of equivalent currency and term to scheme liabilities.

Private Finance Initiatives (PFIs)

With the exception of the contract for Special Schools, the Authority accounts for PFI contracts in accordance with Application Note F of FRS5. This specifies that properties used to provide services under PFI contracts, should be recognised as an asset by whichever party has access to the risks and benefits of the property. Having assessed existing contracts, the Authority has concluded that assets in the contracts do not have to be recognised on its balance sheet.

As far as the Special Schools contract is concerned, classification as off-balance sheet was made under Treasury Taskforce Technical Note No1 (TTF TN1), without reference to FRS5 and this represents a departure from the SORP. FRS18 allows departures from relevant accounting standards if the adopted accounting is more appropriate to the reporting organisation’s particular circumstance. It is asserted that analysis under TTF TN1 is consistent with practice in the local government sector.

Because assets have been classified as off-balance sheet, all payments made under the contract are charged to the revenue account. Those assets which have been contributed to PFI contracts by the Council are accounted for as deferred consideration, which is charged to the revenue account over the life of the contract.

Those assets which will transfer back to the Authority’s ownership at the end of the contracts are accounted for by identifying the element of the contract payments which notionally relates to their acquisition and treating it as a prepayment, creating a long term debtor which is built up over the life of the contract. Application Note F of FRS5 requires that the long term debtor balance should be built up to a value which, at the time that the contract is entered into, the Council expects will be the fair value of the assets at time of transfer. In order to arrive at an estimate of this value, the completed assets are valued in line with the Council’s revaluation policy and are depreciated on a straight-line basis over the life of the contract. In order to reflect expected price increases during the life of the contract, the depreciated value is then adjusted for inflation using the Treasury’s long term inflation target figure. The resulting expected value for assets is built up as a long term debtor in annual equal amounts over the life of the contract, in accordance with the SORP.

If, during the life of the contract the expected transfer value of the assets falls, this would be treated as an impairment and a provision for the fall in value would be created.

Provisions
Provisions have been made in the accounts for liabilities or losses which are likely to be incurred or certain to be incurred, but uncertain as to the amounts or dates on which they will arise. Provisions are charged to the relevant service account and reviewed annually to determine their appropriateness. The main provision is for insurance claims. The insurance provision represents most likely liabilities, determined in light of advice from actuaries.

Provisions for Bad and Doubtful Debts
The carrying amount of debtors is adjusted for provisions for doubtful debts, and known uncollectable debts have been written off in full. The main provisions are for debts relating to Council Tax, Non-Domestic Rates and Housing Rents. 33% of all outstanding debts on Council Tax and 37% of all outstanding debts on Non-Domestic Rates that are less than a year old are provided for, and these factors are increased for every year of outstanding debt until all debts over seven years are fully provided for. The Housing Rents' bad debt provision has been calculated on the basis of 20% of all current tenants' arrears and 90% of all former tenants' arrears being provided for.

Reserves
These are amounts set aside for purposes falling outside the definition of provisions. Transfers to and from reserves are shown in the STRGL and not within the Income and Expenditure Account. For each reserve established, the purpose, usage and basis of transactions are clearly identified.

The Council has both Capital and Revenue Reserves, some of which can be used to support expenditure and others which have been established for other purposes. The Usable Capital Receipts Reserve is a reserve established for specific statutory purposes. The Major Repairs Reserve is required by statutory provision, established in relation to the HRA. The Revaluation Reserve and FRS17 Pensions Reserve are kept to manage the accounting processes for tangible fixed assets and retirement benefits, and do not represent usable resources for the Council.

Stocks and Work in Progress
Stocks are generally shown in the Balance Sheet at historic cost. The main exception to this is Building Services' stocks which are valued at current replacement cost. Work in progress is shown at current cost, including overheads.

Tangible Fixed Assets
Recognition and Measurement -
All expenditure on the acquisition, creation or enhancement of tangible fixed assets is capitalised provided that the asset yields benefits to the Council for a period of more than one year. This excludes expenditure on routine repairs and maintenance of fixed assets which is charged directly to service revenue accounts.

Assets are initially measured at cost, comprising all expenditure that is directly attributable to bringing the asset into working condition for its intended use. Assets are classified into the groupings required by the Code and are carried in the Balance Sheet on the following measurement bases:

- Operational assets - the lower of net current replacement cost and net realisable value in existing use.
- Investment properties and assets that are surplus to requirements - the lower of net current replacement cost and net realisable value.
- Fixed assets under construction - historic cost.
- Infrastructure assets - historic cost, net of depreciation.
- Community assets - nominal value.

Property assets, excluding those of the HRA, are revalued by means of a five year rolling programme which was last completed, with the exception of a few properties, in 2004/05. HRA properties are valued annually. Valuations are carried out on the basis recommended by CIPFA and in accordance with the Statements of Asset Valuation Principles and Guidance Notes issued by the Royal Institution of Chartered Surveyors (RICS).

Assets acquired on terms meeting the definition of a finance lease have been capitalised and included together with a liability to pay future rentals. On the inception of the lease, the amount recorded as both an asset and liability is the present value of the minimum lease payments derived by discounting them at the interest rate implicit in the lease.

Where a fixed asset is included in the Balance Sheet at current value, the increase over the previous carrying amount is credited to the Statement of Total Recognised Gains and Losses (STRGL) and taken to the Revaluation Reserve, except to the extent it reverses revaluation losses. Where on revaluation there has been a decrease over the previous carrying amount, an impairment loss has occurred. If the loss in value is considered to be due to clear consumption of benefits, then it should be recognised in the Income and Expenditure Account. If the loss is not associated with a clear consumption of benefits but primarily a fall in prices, then it should be recognised in the STRGL up to the balance held for the asset on the Revaluation Reserve, and thereafter in the Income and Expenditure Account.

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

Depreciation and Impairment -
Depreciation is provided for on all fixed assets except for freehold land, non-operational investment properties and assets under construction. Assets are depreciated on a straight-line basis over their estimated useful lives. Residual values are taken into account in the calculation of depreciation, where appropriate. Estimated lives for new assets vary but are mainly as follows:

- Buildings 50 years
- Infrastructure assets 20 years
- Vehicles and operational equipment 5 - 10 years
- Computer equipment 3 - 5 years

Revaluation gains are also depreciated, with an amount equal to the difference between the 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.

Assets have been reviewed for any material impairment loss. Those arising as a result of a consumption of economic benefits have been recognised in service revenue accounts. Accounting for impairments of revalued assets is covered above.

Disposals -
Upon disposal or decommissioning, the value of the asset in the Balance Sheet is written off to the Income and Expenditure Account as part of the gain or loss on disposal. Receipts from disposals are credited to the Income and Expenditure Account as part of the gain or loss on disposal. Any revaluation gains in the Revaluation Reserve are transferred to the Capital Adjustment Account. Amounts in excess of £10,000 (the de minimis set by regulation) are classed as capital receipts. A proportion of capital receipts from housing sales is required to be paid over to Central Government. The amount due is charged to the Net Operating Cost section of the Income and Expenditure Account and the same amount appropriated from the Usable Capital Receipts Reserve and the Statement of Movement on the General Fund Balance.

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 Statement of Movement on the General Fund Balance.

Charges to the Income and Expenditure Account and STRGL -
All services are charged with depreciation and where required, any related impairment loss, for all fixed assets used in the provision of the service. This includes surplus assets held for disposal, which is charged to Non Distributed Costs. All expenditure on repairs and maintenance relating to fixed assets are charged to the appropriate service revenue account.

Finance costs, including interest payable, are charged to the Net Operating Costs section of the Income and Expenditure Account. The Council is not required to raise Council Tax to cover depreciation or impairment charges. However, it is required to make annual provision from revenue to contribute towards the reduction in its overall borrowing requirement. The basis for charging finance costs to the HRA is the Item 8 Determination contained within Part 6 of the Local Government and Housing Act 1989.

The Income and Expenditure Account is:

- Credited with any revaluation gains that reverse revaluation losses (after allowing for depreciation) on the same asset that were charged to services.
- Debited with revaluation losses associated with an impairment related to a clear consumption of economic benefit.
- Debited with revaluation losses not associated with a clear consumption of economic benefit in excess of the balance on the Revaluation Reserve in respect of that asset.

The STRGL (and the Revaluation Reserve) is:

- Credited with revaluation gains, except to the extent that they reverse previous revaluation losses (after allowing for depreciation) on the same asset that were charged to the Income and Expenditure Account.
- Debited with revaluation losses not associated with an impairment related to a clear consumption of economic benefit up to the balance on the Revaluation reserve in respect of that asset.

Value Added Tax
Value Added Tax is included in the accounts only to the extent that it is irrecoverable and therefore charged to service expenditure as appropriate.

INCOME AND EXPENDITURE ACCOUNT

This account summarises the resources that have been generated and consumed in providing services and managing the Council for the last year. It includes all day-to-day expenses and related income on an accruals basis, as well as transactions measuring the value of fixed assets actually consumed and the real projected value of retirement benefits earned by employees in the year.

2006/07			2007/08			
Net Expenditure			Gross Expenditure	Income	Net Expenditure	Note
£000s	£000s		£000s	£000s	£000s	
	Restated					1
0	64,439	Children's and Education Services	414,533	351,615	62,918	2/18
33,486	0	Education	0	0	0	
00	84,227	Adult Social Care	132,079	46,537	85,542	
115,180	0	Social Services	0	0	0	
-11,532	-11,532	Housing	151,735	162,293	-10,558	
34,773	34,773	Highways, Roads and Transport	53,848	16,876	36,972	
67,737	67,737	Cultural, Environmental and Planning	109,142	35,895	73,247	2
7,170	7,170	Central Services to the Public	39,683	32,544	7,139	
328	328	Courts	394	0	394	
163	163	Other Services	3,260	2,748	512	
8,016	8,016	Corporate and Democratic Core	8,153	1	8,152	
4,294	4,294	Non-distributed costs	15,135	0	15,135	2
259,615	259,615	**Net cost of services**	927,962	648,509	279,453	
2,761	2,761	Gains(-)/ Losses on disposal of fixed assets and investments			-163	3
455	455	Precepts and levies			451	4
-768	-768	Net surplus(-)/deficit on trading operations			362	5
-5,595	-5,595	Interest and investment income			-9,112	
28,312	28,312	Interest payable & similar charges			35,093	
9,949	9,949	Amount payable to the Housing Capital Receipts Pool			7,871	
480	480	Pensions interest cost and expected return on pensions assets			-2,440	
295,209	295,209	**Net operating expenditure**			311,515	
-29,634	-29,634	General grants and contributions			-20,993	17
-135,782	-135,782	Income from the Collection Fund			-139,842	
-107,503	-107,503	Contribution from Non-Domestic Rate Pool			-112,597	
22,290	22,290	**Deficit for year**			38,083	

STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE

The Income and Expenditure Account shows the Council's actual financial performance for the year, measured in terms of the resources consumed and generated over the last twelve months. The Account is prepared in line with proper accounting practices, but is out of line with the statutory provisions that specify how local authorities are required to raise Council Tax. The main differences are:

- capital investment is accounted for as it is financed, rather than when the fixed assets are consumed.
- the payment of a share of housing capital receipts to the Government scores as a loss in the Income and Expenditure Account, but is met from the usable capital receipts balance rather than Council Tax.
- retirement benefits are charged as amounts become payable to pension funds and pensioners, rather than as future benefits are earned.

The General Fund Balance compares the Council's spending against the Council Tax that it raised for the year, taking into account the use of the reserves built up in the past and contributions to reserves earmarked for future expenditure.

The Statement below reconciles the differences between the outturn on the Income and Expenditure Account and the General Fund Balance.

2006/07 £000s		2007/08 £000s
-22,290	Deficit from Income and Expenditure Account	-38,083
28,961	Net additional amount required by statute and non-statutory provisions to be debited or credited to the General Fund Balance for the year	36,167
6,671	**Increase/decrease(-) in the year in the General Fund Balance**	-1,916
23,803	General Fund Balance brought forward	30,474
30,474	**General Fund Balance carried forward**	28,558

A detailed breakdown of the additional amounts required by statute and non-statutory provisions to be debited or credited to the General Fund Balance are shown in note 19.

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES (STRGL)

This statement brings together all gains and losses experienced by the Authority during the year, including those not reflected in the Income and Expenditure Account.

2006/07			2007/08
£000s	£000s		£000s
	Restated (note 1)		
-22,290	-22,290	Deficit on the Income and Expenditure Account for the year	-38,083
188,894	194,174	Surplus arising from the revaluation of fixed assets	175,551
0	0	Net movement on available-for-sale financial assets	398
67,063	67,063	Actuarial gains and losses on pension fund assets and liabilities	-180,104
		Other gains and losses -	
-1,581	-1,581	Movement on Collection Fund Balance	-417
0	0	Exceptional gain arising from the introduction of accounting for financial instruments*	272
5,280	0	Transfer of assets to PFI contractor	0
-468	-468	Other	121
236,898	236,898	Total recognised gains and losses(-) for the year	-42,262

*This relates to amounts that have been written down to the Statement of Movement on the General Fund Balance that, if the SORP had not specified the treatment, would otherwise have been debits and credits in the Income and Expenditure Account.

BALANCE SHEET

The Balance Sheet summarises the financial position of the whole Council and shows the value of the Council's assets and liabilities at the year-end.

31 March 2007 £000s		31 March 2008 £000s	31 March 2008 £000s	Note
967	Intangible Assets		1,117	26
	Tangible Assets			
	Operational -			27
788,386	Council Dwellings	809,265		
620,169	Other Land and Buildings	740,698		
13,638	Vehicles, Plant and Equipment	15,282		
129,082	Infrastructure Assets	143,265		
998	Community Assets	998	1,709,508	
	Non-Operational -			28
81,228	Investment Properties	99,961		
1,348	Assets Under Construction	11,691		
12,688	Surplus Assets	12,495	124,147	
67,691	Deferred Consideration		67,286	10(iv)
10,812	Long Term Investments		22,053	30
12,716	Long Term Debtors		13,882	31
5,177	Net Deferred Premiums		0	1
1,744,900	**Total Long Term Assets**		1,937,993	
	Current Assets -			
1,978	Stocks and Work in Progress	2,169		32
70,506	Debtors and Payments in Advance	62,275		33
-20,177	Less Bad Debt Provision	-13,805		33
3,599	Landfill Allowances	376		34
78,100	Investments	113,852		35
11,840	Cash and Bank	20,387	185,254	
1,890,746			2,123,247	
	Current Liabilities -			
-975	Short Term Borrowing	-1,840		
-1,212	Landfill Usage	-84		34
-92,498	Creditors and Receipts in Advance	-90,800		36
-729	Bank Overdraft	-1,970	-94,694	
1,795,332	**Total Assets Less Current Liabilities**		2,028,553	
-486,600	Long Term Borrowing		-553,429	
-4,869	Deferred Liabilities		-5,540	37
-22,204	Provisions		-20,077	38
-93,470	Grants-Deferred Account		-107,517	39
-209,438	Net liability related to defined benefit pension scheme		-405,501	45
978,751	**Total Assets Less Liabilities**		936,489	

BALANCE SHEET (continued)

31 March 2007	Restated		31 March 2008	1
£000s	£000s		£000s	
1,005,454	0	Fixed Asset Restatement Account	0	
81,551	0	Capital Financing Account	0	
0	1,087,005	Capital Adjustment Account	1,066,678	40
0	0	Financial Instruments Adjustment Account	-3,099	40
0	0	Revaluation Reserve	171,377	40
0	0	Available-For-Sale Financial Instruments Reserve	398	40
7,013	7,013	Capital Receipts Reserve	7,380	40
126	126	Deferred Credits	195	
-209,438	-209,438	FRS17 Pensions Reserve	-405,501	40
25	25	Major Repairs Reserve	5,710	
31,050	31,050	Earmarked Reserves	37,220	40
30,474	30,474	General Fund Balance	28,558	
32,307	32,307	Housing Revenue Account Balance	27,801	
189	189	Collection Fund Balance	-228	
978,751	978,751	**Net Worth**	936,489	

CASH FLOW STATEMENT

This statement summarises the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes. Note 47 to the Core Financial Statements specifically supports this statement.

2006/07			2007/08	
£000s	£000s		£000s	£000s
	Restated (note 1)			
		Revenue Activities		
		Cash Outflows -		
452,191	452,191	Cash paid to and on behalf of employees	463,635	
260,423	260,423	Other operating cash payments	293,195	
32,723	32,723	Housing benefit paid out (non-council tenants)	34,729	
10,066	10,066	Payments to Capital Receipts Pool	9,005	
19,688	19,688	Precepts and Collection Fund surplus paid to non-billing authorities	20,660	
86,022	86,022	NNDR payments to national pool	89,316	
861,113	861,113	**Total Payments**		910,540
		Cash Inflows -		
32,435	32,435	Rents (after rebates)	33,235	
129,336	129,336	Council Tax receipts	131,778	
88,004	80,261	Non-domestic rate receipts	81,888	
103,988	111,731	NNDR receipts from national pool	114,438	
20,896	20,896	Revenue Support Grant	18,896	
219,243	219,243	Dedicated Schools Grant	231,570	
29,465	29,465	DWP grants for Housing benefits (non-council tenants)	34,035	
66,623	66,623	DWP grants for other benefits	67,958	
142,088	142,088	Government and other grants	152,642	
70,195	70,195	Cash received for goods and services	75,140	
26,141	26,141	Other operating cash receipts	21,082	
928,414	928,414	**Total Receipts**		962,662
67,301	67,301	**Net cash inflow from Revenue Activities**		52,122
		Returns on Investments and Servicing of Finance		
		Cash Outflows -		
26,703	26,703	Interest paid	29,274	
56	56	Interest element of finance lease rentals	29	
758	758	Premiums from early repayment of loans	813	30,116
		Cash Inflows -		
5,017	5,017	Interest and dividends received		7,729
871	871	Discounts from early repayment of loans		33
21,629	21,629	**Net cash outflow from Investments and Servicing of Finance**		22,354

CASH FLOW STATEMENT (continued)

2006/07		2007/08	
£000s		£000s	£000s
	Capital Activities		
	Cash Outflows -		
114,927	Capital expenditure	99,920	
7,000	Long term investments	11,000	
627	Advances on employee car loans	499	111,419
	Cash Inflows -		
21,278	Sale of fixed assets	15,213	
0	Sale of Airport shares	8,525	
30,933	Capital grants received	36,826	
612	Other capital cash receipts	1,282	61,846
69,731	**Net cash outflow from Capital Activities**		49,573
24,059	**Net cash outflow before Financing**		19,805
	Management of Liquid Resources		
33,325	**Net cash outflow from short term investments**		34,250
	Financing		
	Cash Outflows -		
102,688	Repayments of amounts borrowed (long term)	61,100	
140,232	Repayments of amounts borrowed (short term)	10,469	
221	Finance Lease Principal	249	
232	Repayment of transferred debt	224	72,042
	Cash Inflows -		
163,440	New loans raised (long term)	122,100	
136,787	New loans raised (short term)	11,303	133,403
56,854	**Net cash inflow from Financing**		61,361
-530	**Increase/ Decrease (-) in Cash**		7,306

1 Prior Period Adjustments

The Income and Expenditure Account figures for 2006/07 have been restated to reflect the new service expenditure analysis requirements of the 2007 Best Value Accounting Code of Practice (BVACOP). Social Services has been renamed "Adult Social Care" with the transfer of children's social care under the new heading "Children's and Education Services".

The STRGL figures for 2006/07 have been restated to move an amount of £5.3 million incorrectly analysed in the former Capital Financing Account to an amount arising from the revaluation of a fixed asset.

The Balance Sheet figures for 31 March 2007 have been restated to accommodate the implementation of the Revaluation Reserve (see accounting policies on page 29). The Revaluation Reserve replaces the Fixed Asset Restatement Account. The credit balance of £1,005 million on the Fixed Asset Restatement Account at 31 March 2007 has been written off to the Capital Financing Account (£82 million credit balance) to form the new Capital Adjustment Account with a credit balance of £1,087 million. The Revaluation Reserve has then been included in the Balance Sheet with a nil opening balance. The closing position on the Reserve at 31 March 2008 therefore only shows revaluation gains accumulated since 1 April 2007.

The figures in the Cash Flow Statement for 2006/07 have been restated after an error had been found in the previously published figures relating to NNDR income.

Although the date of transition to the new reporting standards on financial instruments was 1 April 2007, the SORP specifically states that comparative figures should not be restated. The following opening balance sheet figures were affected:

- Certain long term investments were revalued to "fair" value, adding £8.3 million to their Balance Sheet value, with a corresponding credit to Available-for-Sale Financial Instruments Reserve.
- Long Term debtors were reviewed for impairment and written down by £0.3 million.
- Net Deferred Premiums were effectively transferred to the Financial Instruments Adjustment Account (£2.5 million) or added to the carrying amount of long term loans (£2.7 million).
- Long term loans were revalued at amortised cost using the effective interest rate method, reducing their carrying value by £3.1 million and increasing balances by the same amount.

2 Reasons for unusual decreases and increases in net expenditure between years are explained as follows:

- Children's Education Services – decrease largely due to a £2 million reduction in pension charges in 2007/08, in line with the reduction in the current service cost rate from 19.6% to 17%.
- Cultural, Environmental and Planning – movement between years from the loss arising from the revaluation of LATS allowances £3 million (see note 34), and one-off impairment charges arising from downward revaluation of fixed assets (£2.1 million).
- Non-distributed costs – increase in past service costs and curtailment losses related to pensions, mainly due to changes in pension provisions relating to death benefits (see note 45).

3 Gains and Losses on disposal of fixed assets and investments

The SORP requires authorities to show gains and losses on asset disposals on the face of the Income and Expenditure Account. The Council had gains of £7.9 million as a result of the sale of its interest in Leeds Bradford International Airport Limited and of £0.1 million on clawback of legal title on Right to Buy sales. However, there were offsetting losses arising from council houses demolished and land sold at less than market value as part of housing regeneration projects (£6.5 million), and the demolition of a former Adult Services home to make way for the building of a new facility for learning disabilities (£1.3 million).

4 Precepts and Levies

This represents the following precepts and levies:

2006/07 £000s		2007/08 £000s
415	Parish Precepts	409
40	Environment Agency	42
455		451

5 Trading Operations

The Council carries out the following trading operations. These operations are deemed to function in a competitive environment, that is one in which the user has discretion over whether to procure the service from the in-house provider either as part of a periodic tendering procedure or on a continuous basis.

2006/07		2007/08			
Surplus (-)/ Deficit £000s		Expenditure £000s	Income £000s		Surplus (-)/ Deficit £000s
209	Cleaning of Buildings	6,278	6,114		164
-131	Building Services	46,301	46,093		208
-94	Highways Direct Services	18,511	18,516		-5
62	Legal Services	5,152	5,176		-24
154	Estates Management	8,718	8,905		-187
138	Transport Services	10,767	10,842	(*)	-75
-1,325	Commercial Estates	3,179	2,747		432
-185	Catering	11,975	11,984	(*)	-9
404	Other Services	5,990	6,132		-142
-768		116,871	116,509		362
In addition the following trading activities are included within the Net Cost of Services -					
-44	Building Control	947	990		-43
-188	Markets	2,353	2,431		-78
-232		3,300	3,421		-121

The Best Value Accounting 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. Figures marked (*) are after the following refunds and additional charges:

Transport Services - £0.499 million refund to the various services

Catering - £0.891 million additional charge to Children's and Education Services, mainly as the result of equal pay liabilities

6 Building Control Charges Regulations

The Building (Local Authority Charges) Regulations 1998 require the disclosure of information regarding the setting of charges for the administration of the building control function. However, certain activities performed by Building Control cannot be charged for, such as providing general advice and liaising with other statutory authorities. The statement below shows the total cost of operating the Building Control function divided between the chargeable and non-chargeable activities.

2006/07 £000s		2007/08 £000s
	Chargeable	
-1,059	Income	-990
1,015	Expenditure	947
-44		-43
	Non Chargeable	
737	Net Expenditure	676
693	Total Deficit	633

7 Section 137 Local Government Act 1972

Section 137, as amended, empowers Local Authorities to make contributions to certain charitable funds, not for profit bodies providing a public service in the United Kingdom and mayoral appeals. There is no specified limit on such expenditure.

The Council's expenditure under this power was £31,000 mainly on grants to the community (£16,000 in 2006/07).

8 Section 5 Local Government Act 1986

Section 5 requires expenditure on publicity to be reported. Actual expenditure on publicity was as follows:

2006/07 £000s		2007/08 £000s
659	Recruitment Advertising	776
435	Other Advertising	358
691	Other Publicity	706
1,785		1,840

9 Local Authority (Goods and Services Act) 1970

The Council is empowered by this Act to provide goods and services to other public bodies. Expenditure and income relating to this work were as follows:

2006/07 Expenditure £000s	2006/07 Income £000s		2007/08 Expenditure £000s	2007/08 Income £000s
284	301	Supply of goods and materials	278	288
2,284	2,058	Administrative, professional or technical services	1,900	1,959
11	12	Vehicle and driver hire	8	9
3,081	3,273	Maintenance of buildings or grounds	2,117	2,314
5,660	5,644		4,303	4,570

10 Private Finance Initiative (PFI) Transactions

i) 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 incurred costs of £10.9 million under the contract in 2007/08 (2006/07 £10.8 million), of which £0.04 million was outstanding at 31 March 2008 (£1.4 million at 31 March 2007). Total commitments over the remainder of the life of the contract are estimated to be £178.2 million, scheduled as follows:

	£000s
April 2008 – March 2013	59,182
April 2013 – March 2018	59,510
April 2018 – March 2023	59,510

ii) Education

(a) In March 2001, the Council entered into a thirty two and a half year contract with Kirklees Schools Services Ltd for the delivery to twenty 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.

In October 2007, one school was removed from the contract.

The Council incurred costs of £10.7 million under the contract in 2007/08 (2006/07 £9.8 million). At 31 March 2008 an amount of £0.9 million was outstanding to the operator (£0.8 million at 31 March 2007). The Council provided services as a sub-contractor to the operator to the value of £0.4 million (2006/07 £0.3 million). Total payments over the remaining life of the contract are estimated to be £332.7 million, scheduled as follows:

	£000s
April 2008 – March 2013	55,573
April 2013 – March 2018	59,686
April 2018 – March 2023	64,341
April 2023 – March 2028	69,607
April 2028 – March 2033	75,566
April 2033 – September 2033	7,947

(b) 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 schools at two sites, and major extensions to and full refurbishment of existing buildings at the 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 Council incurred costs of £2.8 million under the contract in 2007/08 (£1.7 million in 2006/07). At 31 March 2008 an amount of £0.2 million was outstanding to the operator (nil at 31 March 2007). Total payments over the remaining life of the contract are estimated to be £64.4 million, scheduled as follows:

	£000s
April 2008 – March 2013	14,113
April 2013 – March 2018	13,720
April 2018 – March 2023	13,544
April 2023 – March 2028	13,582
April 2028 – August 2031	9,412

iii) Housing

The Council has received endorsement from Central Government to proceed to the procurement stage on a scheme to build 550 units of HRA housing, of which approximately 150 will be "extra care" units and 40 will be suitable for tenants with physical disabilities. The scheme is currently in procurement, with commercial close planned for 2009.

iv) Treatment of assets under the PFI Transactions

In i) and ii) above, the Council has leased assets to the operator, with consideration being given through an abatement of contract payments. This abatement is effectively a prepayment (Deferred Consideration) by the Council and is being written down over the period of the contract.

In the case of ii), it is anticipated that at the end of the contract there will be a residual value for the assets and this is being built up as a Long Term Debtor over the life of the contract (see note 31). In the case of the Waste Disposal PFI, it is not known at this stage whether there will be a material residual value at the end of the contract.

11 Pooled Funds

Section 31 of the Health Act 1999 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 development fund 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. Contributions and expenditure for both funds are detailed below:

2006/07 £000s		2007/08 £000s
	Gross Funding	
1,272	Kirklees Council	1,325
431	Kirklees Primary Care Trust	451
6	Other income	0
1,709	Total Funding	1,776
	Expenditure	
1,524	Community Equipment	1,565
185	Learning Disabilities Development Fund	211
1,709	Total Expenditure	1,776

12 Local Area Agreement (LAA)

The Council is a participant in an LAA – a partnership with other public bodies involving the pooling of government grants to finance work towards jointly agreed objectives for local public services. In 2007/08, the LAA has completed the second year of its three year agreement. Changes to the LAA were introduced with the new Local Government & Public Involvement in Health Act and this second year is now the final year of the old LAA.

The original purpose of the LAA was:

- To form an agreement between the Local Strategic Partnership (including the Council), Government (represented by Government Office of Yorkshire and the Humber) and other external agencies, to improve services and the quality of life in Kirklees, ensuring that by working together local goals and those set out in the Government Office's Corporate Plan can be achieved.
- To agree specific outcomes and targets that will be achieved each year for the three years of the agreement.
- To improve the effectiveness and efficiency of public services in Kirklees by pooling and aligning funding streams.

The LAA partners are many and include:

- Local Government Bodies – Kirklees Council and other West Yorkshire Councils.
- Community Protection Authorities – West Yorkshire Police, West Yorkshire Fire and Rescue Authority, West Yorkshire Probation Service.
- Health Bodies – Kirklees Primary Care Trust, Calderdale & Kirklees NHS Trust.
- Learning Bodies – Learning and Skills Council, University of Huddersfield, Dewsbury College.
- Voluntary and community organisations – Voluntary Action Kirklees, Voluntary Action Network.

The Council acts as the accountable body for the LAA. This means that it is responsible for managing the distribution of grant paid by the Government Office to the partners involved, but the Council does not determine which bodies are due payments – this is determined either by the Government Office or the partnership. In this context, the Council acts as an agent to the partnership and has therefore not recognised the full amount of the LAA Grant in its financial statements, but only that part to be spent by the Council in providing services.

The total amount of LAA Grant received by the Local Strategic Partnership and Council in 2007/08 was £24.9 million.

As accountable body, the Council is potentially responsible for repaying to the Government any element of grant that is found to have been misused by its partners. Systems are in place for distributing grants that are designed to limit the possibility that this will happen. It has not been necessary to recognise any contingent liabilities for possible repayments and no provisions have been made for any such eventuality.

13 Members Allowances

2006/07 £000s		2007/08 £000s
1,205	Total amount of allowances paid, including employers' national insurance and pension contributions	1,311

14 Transactions with Related Parties

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 no material disclosures to declare for 2007/08 for either Elected Members or Chief Officers. 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.

ii) Companies

The Council has a number of minority interests in companies. The main transactions were as follows:

	Monies received by the Council for services		Payments to the companies – Services		Grant	
	2006/07	2007/08	2006/07	2007/08	2006/07	2007/08
	£000s	£000s	£000s	£000s	£000s	£000s
Kirklees Community Association	109	138	0	0	0	0
Kirklees Theatre Trust	0	3	3	0	403	389
Kirklees Music School	0	16	723	721	0	0
Calderdale and Kirklees Careers Service Partnership	114	111	250	331	0	0
Kirklees Media Centre Ltd	0	455	19	14	0	0
Intruplas Ltd	0	0	0	0	0	0
Kirklees Energy Services	10	39	0	0	365	904
Kirklees Active Leisure	419	450	2,542	2,662	0	0

As at 31 March 2008, Kirklees Active Leisure owed the Council £1.02 million for services and also for reimbursement of staff salaries paid by the Council on behalf of the company (£1.16 million at March 2007).

The Council has also given loans to certain of the above companies. As at 31 March 2008, Kirklees Media Centre Ltd had an outstanding loan of £217,500 (£217,500 as at 31 March 2007) and Intruplas Ltd £83,600 (£78,900 as at 31 March 2007).

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

- Precepting authorities (see the Income and Expenditure Account and the Collection Fund Income and Expenditure Account). The Council also pays several Joint Committees for providing services such as Trading Standards and Passenger Transport Authority. Payments in 2007/08 amounted to £17.44 million (2006/07 £16.99 million). Certain Parish Councils have also invested funds with the Council. As at 31 March 2008, £172,000 (£196,000 at 31 March 2007) was invested.
- Local Authority (Goods and Services) Act 1970 (see note 9)
- Pension Fund (see note 45)
- Government Grants (see note 47)
- Subsidiary and joint venture companies (see Group Accounts)
- PFI Transactions (see note 10)

15 Remuneration of Employees

The number of employees whose remuneration was £50,000 or more was as follows:

2006/07 Number of employees	Remuneration Band (£)	2007/08 Number of employees
156	50,000 - 59,999	192
38	60,000 - 69,999	36
12	70,000 - 79,999	16
8	80,000 - 89,999	12
3	90,000 - 99,999	3
1	100,000 - 109,999	3
6	110,000 - 119,999	7
2	120,000 - 129,999	1
1	130,000 - 139,999	1
0	140,000 - 149,999	1
1	210,000 - 219,999	0

The remuneration figures include employee pension contributions. The number of employees for 2006/07 has been restated to include a further six employees in the lowest band, which were previously omitted in error. The remuneration in the highest band in 2006/07 relates to a compensation payment made for loss of office.

16 Disclosure of Audit Costs

The fees incurred relating to external audit and inspections were as follows:

2006/07 £000s		2007/08 £000s
278	Fees payable to the Audit Commission with regard to external audit services carried out by the appointed auditor	441
168	Fees payable to the Audit Commission for the certification of grant claims and returns	152
446		593

17 General Grants and Contributions

These grants are grants and contributions that do not relate to the performance of a specific service.

2006/07 £000s		2007/08 £000s
20,729	Revenue Support (RSG)	18,896
167	Revenue Support – Amending Report adjustment	0
1,620	Local Public Service Agreement (LPSA) Performance Reward	0
2,607	Local Authority Business Growth Incentives (LABGI)	2,097
4,511	Grants and contributions related to capital financing which cannot be identified to particular services or assets.	0
29,634		20,993

18 Deployment of Dedicated Schools Grant

The Council's expenditure on schools is funded by grant monies provided by the Department for Children, Schools and Families, the Dedicated Schools Grant (DSG). DSG is ring fenced and can only be applied to meet expenditure properly included in the Schools Budget. The Schools Budget includes elements for Central Expenditure, which covers educational provision for pupils, including that made out of school, and for early years pupils, and for the Individual Schools Budget (ISB), which is divided into a budget share for each school. Over and underspendings on the two elements are required to be accounted for separately.

Details of the deployment of DSG receivable for 2007/08 are as follows:

	Central Expenditure £000s	ISB £000s	Total £000s
Underspending brought forward from 2006/07	910	0	910
Original grant allocation to Schools Budget for the current year in the Authority's budget	19,927	211,715	231,642
Adjustment to finalised grant allocation	838	0	838
DSG available for the year	21,675	211,715	233,390
Allocation of school specific contingencies	-2,686	2,686	0
Actual expenditure for the year (*)	-17,248	-211,046	-228,294
Underspending for the year	1,741	3,355	5,096
Contribution to schools balances	0	-3,355	-3,355
Underspending carried forward to 2008/09	1,741	0	1,741

(*) Excluding FRS 17

19 Note to the Statement of Movement on the General Fund Balance

This note shows a detailed breakdown of the additional amounts required by statute and non-statutory provisions to be debited or credited to the General Fund Balance.

2006/07 £000s		2007/08 £000s
	Items required by statute to be excluded when determining the Movement on the General Fund Balance for the year -	
30,383	Depreciation	32,091
0	Impairment	6,197
-20,218	Grants deferred amortisation	-15,235
14,933	Deferred charges and consideration	15,397
2,919	Net gain(-)/ loss on disposal of fixed assets	-38
-406	Financial instruments	597
42,641	Net charges made for retirement benefits in accordance with FRS17	46,445
0	Other	463
0	Exceptional item – Adjusting transaction required by the implementation of the new accounting policies for financial instruments	2,773
70,252		88,690
	Items required by statute to be included when determining the Movement on the General Fund Balance for the year -	
-10,853	Statutory provision for repayment of debt	-12,085
-6,421	Capital expenditure charged to the General Fund Balance	-13,914
9,949	Housing Capital Receipts Pool	7,871
-27,110	Employer's contributions payable to pension funds and retirement benefits payable direct to pensioners	-30,486
-34,435		-48,614
	Transfers to or from General Fund Balance -	
34	Housing Revenue Account	4,506
-1,857	Voluntary provision for the repayment of debt	-2,440
-5,033	Earmarked Reserves and other statutory funds	-5,975
28,961	Net additional amount required to be credited to the General Fund balance for the year	36,167

20 Summary of Capital Expenditure and Sources of Finance

2006/07 £000s		2007/08 £000s
	Capital Expenditure	
96,273	Tangible Fixed Assets	84,158
458	Intangible Assets	642
14,063	Deferred Charges	14,315
4,903	Deferred Consideration	2,805
115,697		101,920
	Sources of Finance	
51,702	Borrowing	34,721
11,158	Capital Receipts	15,829
32,776	Capital Grant and Contributions	29,282
13,581	Major Repairs Reserve	8,174
6,421	Revenue	13,914
59	Finance Leases	0
115,697		101,920

21 Deferred Charges

In line with the current SORP, all deferred charges are written off in the year in which they are incurred.

2006/07 £000s		2007/08 £000s
0	Balance at 1 April	0
	Expenditure:	
5,399	Improvement Grants - Housing	7,687
8,664	Other Grants, Aided/ PFI Schools and Software	6,628
-14,063	Amounts written off to Capital Adjustment Account	-14,315
0	Balance at 31 March	0

22 Capital Commitments

In February 2008, the Council approved a capital programme of £143.7 million for 2008/09 and a further £506.2 million of capital investment in the following four years. Listed below are the significant schemes the Council is committed to or will be committing to shortly:

	Approximate value of investment £000s	Period over which the investment will take place
Contractual		
Moorlands Primary School - new build	1,478	2008-2010
Whitcliffe Road School - replacement school	2,800	2008-2010
St George’s Square Revival	3,982	2008-2010
Cherry Tree Court - residential build	657	2008-2009
Sykes Fold Grange - conversion and refurbishment	655	2008-2010
Planned		
Housing - regeneration, Richmond House	853	2008-2010
Fieldhead Estate - environmental improvements	2,485	2008-2011
Primrose Hill - upgrading environment	1,453	2008-2010
Beaumont Court - internal refurbishment	1,326	2008-2010
Oxford Grange - conversion and refurbishment	1,313	2008-2011
Major road reconstruction and strengthening	4,765	2008-2011
Major bridges programme	5,213	2008-2011
Heckmondwike TC - streetscape improvements	2,310	2008-2012
Stile Common Primary School - new build	6,532	2008-2011
St Peter’s Gardens - improvements	1,152	2008-2010
Huddersfield Market - refurbishment	604	2008-2010
Greenhead Park - heritage improvements	4,419	2008-2012
Highfield Day Services - development	3,000	2008-2010
Vine Street Depot - new build	4,550	2008-2010
Cemetery development, Fenay Bridge	1,500	2008-2013

23 Information on Assets

The Council uses the following assets in the provision of its services:

31 March 2007		31 March 2008
	Buildings	
3	Nursery Schools and Annexe	3
95	Primary Schools	95
6	Middle Schools	6
19	High Schools	19
6	Special Schools	6
63	Aided/ Foundation Schools	63
13	Children and Families	13
6	Youth Clubs	6
15	Leisure Centres and Swimming Pools	15
12	Public Halls/ Town Halls	12
25	Community Centres	28
15	Cemeteries and Crematoria	15
23	Libraries	23
8	Museums and Galleries	8
13	Adult Services – Service for Older People	12
14	Adult Services – Other Adult Services	14
5	Adult Services – Leased to Other Agencies	5
2	Adult Services – Other	3
10	Market Halls/ Open Markets	10
92	Car Parks	92
20	Public Conveniences	19
23,746	Council Dwellings	23,382
	Land	
810	Acres of Woodland	810
1,881	Allotment Sites	1,881
1,136	Acres of Parkland	1,136
	Infrastructure	
209	Km of Principal Roads	209
1,784	Km of Other Roads	1,796
342	Km of Green Lanes	342

24 Finance and Operating Leases

Finance Leases:

The Council continues to administer a “Home Computer Initiative Scheme” promoted by Central Government up to April 2007. This scheme was considered to be under the terms of a finance lease. The rental payable in 2007/08 was £0.279 million (£0.302 million in 2006/07), with £0.030 million charged to the Income and Expenditure Account as finance costs (£0.081 million in 2006/07) and £0.249 million charged to the write-down of obligations to the lessor (£0.221 million in 2006/07).

These computers are being sub-leased to employees. The Scheme is self-financing with any rentals being paid by the Council offset by contributions from employees or from savings on employer's national insurance contributions. Because the assets are being sub-leased, the Council is not holding the asset value in its Balance Sheet.

From 2007/08, the Council has reclassified its leasing arrangement for Civic Centre 1 as a finance lease. The lease was entered into in 1976 and runs for 125 years. The rental payable in 2007/08 was £0.319 million (£0.313 million in 2006/07), all of which was charged to the Income and Expenditure Account as finance costs. The asset was brought onto the Balance Sheet as part of Tangible Fixed Assets at its original capital value of £1.050 million. It was revalued to £6.3 million and then depreciated during the year to bring the closing net book value to £6.266 million.

Outstanding obligations to make payments under finance leases (excluding finance costs) at 31 March 2008 are as follows:

	HCI Scheme £000s	Civic Centre 1 £000s	Total £000s
Obligations payable in 2008/09	168	0	168
Obligations payable between 2009/10 to 2012/13	2	0	2
Obligations payable 2013/14 onwards	0	1,050	1,050
Total liability at 31 March 2008	170	1,050	1,220

Operating Leases:
The Council uses vehicles, wheeled bins, computer and printing equipment financed under terms of an operating lease. The amount paid under these arrangements in 2007/08 was £1.309 million (£2.438 million in 2006/07).

The Council also leases office accommodation, mainly in Huddersfield Town Centre. The rentals payable in 2007/08 were £0.774 million (£0.744 million in 2006/07).

The Council is committed at 31 March 2008 to making payments of £1.350 million under operating leases in 2008/09, comprising the following elements:

Lease Expiry	Land & Buildings £000s	Vehicles & Equipment £000s	Total £000s
2008/09	29	302	331
2009/10 – 2012/13	487	316	803
2013/14 onwards	214	2	216
Total	730	620	1,350

The Council also acts as a lessor of commercial property, land, market stalls and industrial units. Lease income received in 2007/08 amounted to £6.285 million (2006/07 £6.020 million). The gross value of assets leased out was £76.9 million at 31 March 2008 (£59.5 million at 31 March 2007), with accumulated depreciation of £1.8 million (£1.1 million at 31 March 2007).

The Council also leases assets under PFI Transactions – see note 10.

25 Fixed Asset Valuation

With the exception of HRA properties, all properties are being revalued on a five year rolling programme. The valuations for non-housing properties for 2007/08 were completed by S D Bell MRICS, Principal Property Management Surveyor, Kirklees Council. The revaluations of council dwellings and other housing assets for 2007/08 were completed by the District Valuer. The valuations were in accordance with RICS guidance and are prepared on the following assumptions:

- that no high alumina cement, concrete or calcium chloride additive or other potentially deleterious material was used in the construction of the properties and that none has subsequently been incorporated.
- that the properties are not subject to any unusual or especially onerous restrictions, encumbrances or outgoings and that good title can be shown.
- that the properties and their value are unaffected by any matters which would be revealed by a local search or inspection of any register and the use and occupation are both lawful.
- that inspection of those parts which have not been inspected would not cause the Appointed Valuer to alter the opinion of value.
- that the land and properties are not contaminated.

Plant and machinery forming part of the building services' installations are included in the valuation of the buildings. A de minimis level of £10,000 has been established for the recording of new assets in the Balance Sheet.

The following statements show the progress of the Council's rolling programme for the revaluation of fixed operational and non-operational assets. The basis for valuation is set out in the statement of accounting policies on page 28.

	Operational Fixed Assets					
	Council Dwellings	Other Land and Buildings	Vehicles, Plant and Equipment	Infra-structure Assets	Community Assets	Total Assets
	£000s	£000s	£000s	£000s	£000s	£000s
Valued at historical/ nominal cost	0	0	10,406	120,144	998	131,548
Valued at current value in -						
2007/08	809,265	218,891	4,876	23,121	0	1,056,153
2006/07	0	258,201	0	0	0	258,201
2005/06	0	108,782	0	0	0	108,782
2004/05	0	103,566	0	0	0	103,566
Pre 2004/05	0	51,258	0	0	0	51,258
Total	809,265	740,698	15,282	143,265	998	1,709,508

	Non-Operational Fixed Assets			
	Investment Properties	Assets Under Construction	Surplus Assets	Total Assets
	£000s	£000s	£000s	£000s
Valued at historical cost	0	11,691	0	11,691
Valued at current value in -				
2007/08	44,245	0	1,479	45,724
2006/07	2,441	0	320	2,761
2005/06	22,658	0	4,464	27,122
2004/05	7,999	0	3,344	11,343
Pre 2004/05	22,618	0	2,888	25,506
Total	99,961	11,691	12,495	124,147

26 Movement in Intangible Assets 2007/08

	Purchased software licences £000s
Cost or Valuation	
Original Cost	1,990
Amortisations to 1 April 2007	-1,023
Balance at 1 April 2007	967
Expenditure in Year	642
Written off to revenue in year	-492
Balance at 31 March 2008	1,117

27 Movement in Tangible Fixed Assets 2007/08: Operational

	Council Dwellings £000s	Other Land and Buildings £000s	Vehicles, Plant and Equipment £000s	Infra-structure Assets £000s	Community Assets £000s	Total Assets £000s
Certified valuation at 1 April 2007	801,992	659,903	19,693	186,933	998	1,669,519
Accumulated Depreciation and impairment	-13,606	-39,734	-6,055	-57,851	0	-117,246
Net Book Value of assets at 1 April 2007	788,386	620,169	13,638	129,082	998	1,552,273
Movement in 2007/08						
Additions	24,735	19,766	5,241	23,721	0	73,463
Adjustment	0	1,406	0	0	0	1,406
Disposals	-17,077	-1,704	-37	0	0	-18,818
Revaluations	27,079	120,288	0	0	0	147,367
Depreciation	-13,858	-18,316	-3,560	-9,538	0	-45,272
Impairments	0	-911	0	0	0	-911
Net Book Value of Assets at 31 March 2008	809,265	740,698	15,282	143,265	998	1,709,508

The adjustment on “Other Land and Buildings” relates to £1.1 million required to reclassify the lease of Civic Centre 1 as a finance lease (see note 24) and £0.5 million to bring back a school from a PFI contract, net of £0.2 million in transfers to Non-Operational Assets.

Community Assets include parks and numerous museum exhibits, each of which has been given a nominal value of £1.

28 Movement in Tangible Fixed Assets 2007/08: Non-Operational

	Investment Properties	Assets Under Construction	Surplus Assets	Total Assets
	£000s	£000s	£000s	£000s
Certified valuation at 1 April 2007	81,228	1,348	13,059	95,635
Accumulated depreciation and impairment	0	0	-371	-371
Net Book Value of assets at 1 April 2007	81,228	1,348	12,688	95,264
Movement in 2007/08				
Additions	203	10,492	0	10,695
Adjustment	0	-149	323	174
Disposals	-3,536	0	-967	-4,503
Revaluations	27,311	0	872	28,183
Depreciation	0	0	-380	-380
Impairments	-5,245	0	-41	-5,286
Net Book Value at 31 March 2008	99,961	11,691	12,495	124,147

29 Analysis of Net Assets Employed

The net assets of the Council are split between the following categories:

31 March 2007		31 March 2008
£000s		£000s
427,296	General Fund	357,812
557,536	Housing Revenue Account	618,768
-6,081	Trading Undertakings	-40,091
978,751		936,489

30 Long Term Investments and Companies

The Council holds the following long term investments:

31 March 2007		31 March 2008
£000s		£000s
1,087	Leeds Bradford International Airport	0
163	Kirklees School Services	331
555	Kirklees Henry Boot Partnership	705
0	QED (KMC) Holdings	112
9,000	Money Market Investment	20,899
7	Other	6
10,812		22,053

The Council sold its interest in Leeds Bradford International Airport Limited in May 2007. Many of the details of the Council's investments in companies are included in the section on Group Accounts on pages 86 - 97. However, the Council has three further material interests, details of which are included below. Details of any transactions between the Council and these companies are given in disclosure notes 10 or 14.

i) Kirklees Active Leisure

The principal activity of the company is to manage a range of core sports centre and swimming pool facilities. The Company is limited by guarantee with charity status. The board comprises 8 trustees of which the Council has one representative. The latest published information on the Company's financial position is as follows:

year ending 31/03/06 £000s		year ending 31/03/07 £000s
751	Company net liabilities	477
-751	Net movement in Funds (income over expenditure)	274

The Council is not committed to meeting the accumulated loss of the company, other than any defaults on pension contributions (see first point in note 41). Copies of the accounts can be obtained from the Company Secretary, Stadium Business and Leisure Complex, Stadium Way, Huddersfield, West Yorkshire, HD1 6PG.

ii) QED (KMC) Holdings Ltd

The principal activity of the company is the provision of services under the Private Finance Initiative (PFI) in respect of three Special Education Needs Schools in Kirklees. The Council holds 32,200 'C' ordinary shares out of a total of 230,000 ordinary shares of £1 each. The latest information (unaudited for year ending 31/12/07) on the Company's financial position is as follows:

year ending 31/12/06 £000s		year ending 31/12/07 £000s
230	Company net assets	384
0	Profit for year before tax	235
0	Profit for year after tax	154
0	Dividend paid	0

Copies of the accounts can be obtained from the Company Secretary, 1st Floor, Tricon House, Old Coffee House Yard, London Road, Sevenoaks, Kent, TN13 1AH.

iii) Kirklees Schools Services Ltd (KSSL)

The principal activity of the company is the development, funding and construction of schools together with the operation of school services. Up to October 2007, this company was included in the Council's group accounts. The latest information (unaudited for year ending 31/12/07) on the Company's financial position is as follows:

year ending 31/12/06 £000s		year ending 31/12/07 £000s
581	Company net assets	3,838
0	Profit for year before tax	3,008
22	Profit for year after tax	2,144
0	Dividend paid	0

Copies of the accounts can be obtained from the Company Secretary, Trillium Secretariat Services Limited, c/o 140 London Wall, London EC2Y 5DN.

31 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 2007 £000s		31 March 2008 £000s
138	Mortgages	128
10,066	Deferred prepayments - PFI contracts (i)	11,663
529	Waste Management SSA Issue (ii)	453
896	Employee Loans for Cars, Bicycles and Home Computers	578
481	Charges on Property for Residential Care	717
1,173	Other	353
13,283		13,892
-567	Bad Debt Provision	-10
12,716	Net Long Term Debtors	13,882

(i) Under the terms of the PFI contracts, the assets provided will revert to the Council's ownership at nil additional cost at the conclusion of the contract. In accordance with the SORP, the element of the annual contract payment which is deemed to relate to the acquisition of these assets has been accounted for as a prepayment, which will accumulate over the life of each contract.

(ii) Amounts owed by Wakefield MDC arising from the Council's contributions to capital costs of the former West Yorkshire Waste Management Joint Committee, for which Wakefield MDC received the Standard Spending Assessment.

32 Stocks and Work in Progress

31 March 2007 £000s		31 March 2008 £000s
	Stocks -	
736	Building Services	849
489	Highways Direct Services	566
126	Catering & Cleaning Services	147
94	Fleet Management	78
256	Other	197
1,701	Total Stocks	1,837
277	Building Services Work in Progress	332
1,978	Total Stocks and Work in Progress	2,169

33 Short Term Debtors, Payment in Advance and Bad Debt Provision

The analysis below shows income due but not received as cash as at 31 March, as well as payments that the Council has made in advance. The Council also makes provision for short term debts which it anticipates may not be recovered.

31 March 2007 £000s		31 March 2008 £000s
	Taxpayer Debtors	
13,070	Council Tax	10,597
3,561	NNDR	4,077
16,631		14,674
	Government Debtors	
7,459	HM Revenue and Customs	6,567
13,292	Other	10,068
20,751		16,635
3,497	Housing Rents Debtors	4,439
24,639	Other Miscellaneous Debtors	22,352
4,988	Payments in Advance	4,175
70,506	Total Short Term Debtors and Payments in Advance	62,275
	Short Term Bad Debt Provision	
-11,985	Taxpayers	-9,223
-1,664	Housing Rents	-2,141
-6,528	Other	-2,441
-20,177	Total Bad Debt Provision	-13,805

From 2007/08 onwards, any debts covered by 100% provision are now effectively written down in the accounts rather than offset by a larger provision. This has had the effect of reducing both the debtor and bad debt provision figure by £5.4 million as at 31 March 2008.

34 Landfill Allowances Trading Scheme

The Waste and Emissions Trading Act 2003 places a duty on waste disposal authorities to reduce the amount of biodegradable municipal waste (BMW) disposed to landfill. Consequently, the Landfill Allowances Trading Scheme which was launched on 1 April 2005 requires authorities to hold sufficient allowances to cover the amount of BMW disposed. Where an authority wishes, it can buy and sell allowances, but where insufficient allowances are held an authority is subject to a financial penalty. The value of £1.50 per tonne attached to allowances for 2007/08 reflects bid prices listed on the official trading website (2006/07 £17.95 per tonne).

2006/07 Tonnes	2006/07 £000s		2007/08 Tonnes	2007/08 £000s
74,595	1,507	Unused allowances 1 April	132,994	2,387
	-168	Revaluation of brought forward allowances		-2,187
320	6	Adjustment for actual usage in previous year	97	0
125,582	2,254	Allowances in year	117,309	176
200,497	3,599		250,400	376
-67,503	-1,212	Estimated usage in year	-55,897	-84
132,994	2,387	Unused allowances 31 March	194,503	292

35 Short Term Investments

These represent balances invested by the Council as at 31 March. The investments are not repayable on demand but are repayable within the next twelve months.

36 Creditors and Receipts in Advance

Creditors represent monies owed by the Council at the balance sheet date for services and goods already received. Receipts in advance represent monies which the Council has received for services not yet provided by the Council, or to fund schemes which have not yet taken place.

31 March 2007 £000s		31 March 2008 £000s
	Creditors	
12,500	HM Revenue and Customs	8,538
66,314	Other Creditors	58,022
78,814	Total	66,560
	Receipts in Advance	
4,477	Capital Grants and Contributions	12,183
9,207	Other Receipts in Advance	12,057
13,684	Total	24,240
92,498	Total Creditors and Receipts in Advance	90,800

37 Deferred Liabilities

These represent liabilities, payable beyond the next year, on finance leases and former Joint Committees' debt where the responsibility for the loan management has been taken on by other local authorities in West Yorkshire.

31 March 2007 £000s		31 March 2008 £000s
181	Finance Lease obligations	1,063
4,688	Former Joint Committees' debt	4,477
4,869		5,540

38 Provisions

Provisions have been made for the following issues:

31 March 2007 £000s		Additions £000s	Utilised £000s	31 March 2008 £000s
12,798	Insurance Claims not underwritten	4,728	-3,213	14,313
8,717	Equal Pay Compensation	2,649	-6,366	5,000
654	Section 117 of the Mental Health Act 1983	0	0	654
35	Other	110	-35	110
22,204		7,487	-9,614	20,077

The Insurance provision covers Employers Liability, Public Liability, Motor, Fire and Miscellaneous risks. The main risks that have not been insured and where no provision exists are possible claims for Third Party Asbestos and Environmental Impairment (Pollution).

Provision has been made to meet compensation payments arising from equal pay claims from certain groups of employees.

The House of Lords ruled in 2001 that local authorities did not have the power to charge for aftercare for persons discharged from compulsory detention under Section 117 of the Mental Health Act 1983. The provision relates to likely refunds for care charges dating back to the original legal ruling.

39 Grants-Deferred Account

Grants and contributions relating to assets are credited to a Grants-Deferred Account. Grants and contributions relating to fixed assets are released to service revenue accounts over the useful life of the asset; those relating to expenditure on Deferred Charges are written off to service revenue accounts in the year of expenditure; and those related to capital financing which cannot be identified to particular assets or services are credited in the year of receipt to the Income and Expenditure Account below Net Operating Expenditure.

2006/07 £000s		2007/08 £000s
80,912	Balance at 1 April	93,470
32,776	Grants and contributions received in year	29,282
	Grants and contributions written off in year -	
-5,496	Amounts relating to Fixed assets	-5,977
-10,211	Amounts relating to Deferred Charges	-9,258
-4,511	Amounts relating to capital expenditure which cannot be identified to particular assets or services	0
93,470	Balance at 31 March	107,517

40 Notes on Reserves

The Council keeps a number of reserves in the Balance Sheet. Some are required to be held for statutory reasons, some are needed to comply with proper accounting practice, and others have been set up voluntarily to earmark resources for future spending plans. Detailed notes on each reserve follow the summary below unless explicitly stated otherwise.

- Summary of Movements on Reserves

1 April 2007 £000s		Net Movement In Year £000s	31 March 2008 £000s	Main Purpose of Reserve
1,087,005	Capital Adjustment Account	-20,327	1,066,678	Store of capital resources set aside to meet past expenditure.
0	Financial Instruments Adjustment Account	-3,099	-3,099	Balancing account to allow for differences in statutory requirements and proper accounting practices for borrowing and investments.
0	Revaluation Reserve	171,377	171,377	Store of gains on revaluation of fixed assets not yet realised through sales.
0	Available-for-Sale Financial Instruments Reserve	398	398	Store of gains on revaluation of investments not yet realised through sales.
7,013	Capital Receipts Reserve	367	7,380	Proceeds of fixed asset sales available to meet future capital investment.
-209,438	FRS17 Pensions Reserve	-196,063	-405,501	Balancing account to allow inclusion of Pensions Liability in Balance Sheet.
25	Major Repairs Reserve	5,685	5,710	Resources available to meet capital investment in council housing – note 5 to HRA.
31,050	Earmarked Reserves	6,170	37,220	Various uses.
30,474	General Fund Balance	-1,916	28,558	Resources available to meet future running costs for General Fund services – see Statement of Movement on the General Fund Balance.
32,307	Housing Revenue Account Balance	-4,506	27,801	Resources primarily available to meet Decent Homes Programme – see Statement of Movement on HRA Balance.
978,436		-41,914	936,522	

- Revaluation Reserve

This Reserve represents the store of gains on revaluation of fixed assets not yet realised through disposal. The Revaluation Reserve replaces the Fixed Asset Restatement Account (FARA). The balance on FARA at 31 March 2007 has been written off to the Capital Financing Account to form the new Capital Adjustment Account. The Revaluation Reserve has then been included in the Balance Sheet with a zero opening balance. The closing position on the Reserve at 31 March 2008 therefore only shows revaluation gains accumulated since 1 April 2007.

	2007/08 £000s
Balance at 1 April	0
Gains on the revaluation of fixed assets	175,551
Writing down of revaluation gains due to depreciation	-1,397
Writing down of revaluation gains on disposal	-2,777
Balance at 31 March	171,377

- Capital Adjustment Account

The Capital Adjustment Account (CAA) is a new account. Its opening balance represents the closing balances on the Fixed Asset Restatement Account and Capital Financing Account as at 31 March 2007. The CAA contains the amounts which are required by statute to be set aside from capital receipts for the repayment of external loans, and the amount of capital expenditure financed from revenue, capital receipts and capital grants. It also contains the difference between the amount provided for depreciation and that required to be charged to revenue to repay the principal element of external loans. The CAA is not available to meet revenue or capital expenditure.

	2007/08 £000s
Balance at 1 April	1,087,005
Depreciation and impairment	-36,890
Provision for repayment of debt	14,526
Grants deferred amortisation	15,235
Deferred charges and consideration	-15,397
Capital Receipts applied	15,829
Direct revenue financing	13,914
Investments discharged	-1,087
Disposal of assets	-23,321
Write down of revaluation gains due to asset disposal	2,776
Housing Resource Accounting	-5,880
Other	-32
Balance at 31 March	1,066,678

- Available-for-Sale Financial Instruments Reserve

This Reserve records unrealised revaluation gains arising from holding available-for-sale investments, plus any unrealised losses that have not arisen from impairment of the assets. This reserve is matched by investments within the Balance Sheet and as such the resources are not available to the Authority.

	2007/08 £000s
Balance at 1 April	0
Gains from investment revaluations arising from the introduction of the new accounting requirements for financial instruments	8,290
Writing down due to the realisation of interests in Leeds Bradford International Airport Limited	-7,892
Balance at 31 March	398

- 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) are recognised under the SORP and are required by statute to be met from the General Fund. This Account is matched by borrowing within the Balance Sheet and as such the resources are not available to the Authority.

	2007/08 £000s
Balance at 1 April	0
Premiums and discounts transferred to this account following the introduction of the new accounting requirements for financial instruments	-2,502
Premiums incurred during the year	-780
Premiums and discounts written down in the year	183
Balance at 31 March	-3,099

- Capital Receipts Reserve

The Capital Receipts Reserve represents the capital receipts available to finance capital expenditure in future years, after transferring payments to the Government Housing Receipts Pool.

2006/07 £000s		2007/08 £000s
7,000	Balance at 1 April	7,013
21,120	Capital receipts received	24,067
-9,949	Payments to Government Pool transferred to Income and Expenditure Account	-7,871
18,171		23,209
-11,158	Capital receipts applied in year	-15,829
7,013	Balance at 31 March	7,380

- FRS17 Pensions Reserve

2006/07 LGPS £000s	2006/07 Teachers £000s	2006/07 Total £000s		2007/08 LGPS £000s	2007/08 Teachers £000s	2007/08 Total £000s
-222,356	-38,614	-260,970	Balance at 1 April	-170,117	-39,321	-209,438
24,100	3,010	27,110	Pension cost payable to Pension Fund	27,470	3,016	30,486
66,000	1,063	67,063	Actuarial gain/ loss (-)	-173,331	-6,773	-180,104
-37,861	-4,780	-42,641	Reversal of FRS17 entries	-42,872	-3,573	-46,445
-170,117	-39,321	-209,438	Balance at 31 March	-358,850	-46,651	-405,501

- Earmarked Reserves

The Council has the following earmarked reserves to cover specific areas of expenditure and risk:

31 March 2007 £000s		Net Movement in Year £000s	31 March 2008 £000s
10,512	Local Management of Schools	3,355	13,867
6,937	Standards Fund	-61	6,876
465	Education Public Private Partnership (PPP)	614	1,079
667	Asylum Seekers	274	941
2,336	Insurance Fund	302	2,638
2,759	Pensions Reserve	327	3,086
1,923	Single Status and Equal Pay Reserve	1,000	2,923
2,387	Landfill Allowance Trading Reserve	-2,095	292
0	Primary Care Trust Joint Working Reserve	1,136	1,136
0	Strategic Office Accommodation Review	1,000	1,000
0	Waste Disposal Reserve	750	750
3,064	Other	-432	2,632
31,050		6,170	37,220

- 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 2008 represents 184 schools with cumulative balances of £14.245 million (174 schools and £11.442 million at 31 March 2007) and 8 schools with cumulative deficits amounting to £0.378 million (21 schools and £0.930 million at 31 March 2007).
- The Standards Fund Reserve represents underspendings against Standards Fund allocations for 2007/08 and will be used to supplement future spending on Education.
- The Education PPP Reserve has been set up to pay for future increases in utility and facilities management charges at PFI schools.
- The Asylum Seekers Reserve has been set up with the aid of government funding to fund future expenditure on Asylum Seekers.
- The Insurance Fund covers risks that have not been insured and provides a reserve for worse case scenarios, over and above the Insurance Provision which is based on likely outcomes.
- The Pensions Reserve has been set up to meet the capitalised costs of unfunded pensions.
- The Single Status and Equal Pay Reserve comprises resources set aside for the initial costs associated with the planned phased implementation of single status commencing October 2007. In addition resources are reserved for potential further costs arising from the settlement of equal pay claims, including legal and associated staffing costs.

- The Landfill Allowance Trading Reserve represents the value of unused allowances allocated by DEFRA under the Landfill Allowance Trading Scheme and will be used to fund future expenditure on waste disposal or alternatively sold to other authorities if not required.
- The Primary Care Trust Joint Working Reserve has been set up to allow longer term use of additional resources generated from and for joint working with the PCT.
- The Strategic Office Accommodation Reserve has been established to fund one off costs arising from the Strategic Office Accommodation Review over the next three years.
- The Waste Disposal Reserve has been set up to fund the additional costs of the closure of the Huddersfield Incinerator during 2008.

41 Contingent Liabilities

- The Council has given guarantees in respect of a number of bodies that outstanding contributions will be paid to Pension Funds, in the event of default by those bodies.

- The Kirklees Theatre Trust is a charitable company, limited by guarantee, established for the promotion of education through the arts, and in particular, theatre. The Council has guaranteed a loan of £3.0 million to the Trust which the Trust is repaying over a period of 10 years commencing in August 1998. As at 31 March 2008, the balance on the loan was £0.15 million (£0.45 million at 31 March 2007).

- The Council is participating with Huddersfield Sporting Pride 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 2008, the balance on the loan was £5.8 million (£6.1 million at 31 March 2007). 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 2008, the balance on the loan was £0.66 million (£0.74 million at 31 March 2007).

- The Council has given an indemnity for direct loss and economic loss up to £2.0 million plus inflation to date to the lessee of a reclaimed site in respect of pollution arising from contaminants on the site at the date of the lease.

- The House of Lords has ruled that claims can be brought to Employment Tribunals for pension rights for part time employees who worked for less than fifteen hours per week, provided that this is done within six months of leaving employment. It is not possible to quantify the financial implications for the Council.

- The Council has guaranteed a loan of up to £0.6 million to Kirklees Media Centre Ltd to be repaid over fifteen years, commencing in February 2001.

- Municipal Mutual Insurance is running down its business, whilst paying agreed claims in full. It has, however, entered into a Scheme of Arrangement, in case of insolvency, which would involve a levy against claims paid and future payments. The Directors of the Company remain of the opinion that a solvent run-off can be achieved, but in the unlikely event that the Scheme comes into effect, the Council may be liable to clawback of up to £6.7 million, plus an additional £0.5 million for claims still outstanding.

- Independent Insurance, which provided liability cover, ceased trading in 2001. Provision has been made, but it is not yet possible to confirm that this will meet the full financial implications for the Council.

- The House of Lords ruled in 2001 that local authorities do not have the power to charge for aftercare for persons discharged from compulsory detention under Section 117 of the Mental Health Act 1983. The Council has made provision (note 38) for refunds of care charges dating back to the original ruling, but there is conflicting legal opinion as to whether refunds should also be given for residential charges. If it is ruled that residential charges also have to be refunded, the Council may have to make further payments of up to £0.5 million.

- The main local government pay settlement in 2004 requires local authorities to implement single status pay and conditions arrangements. As part of this process, the Council has been holding negotiations on equal pay claims and has reached agreement during 2007/08 in relation to a number of claims. Some claims remain outstanding and a provision has been made for this risk. It is not known at this time whether this will be sufficient to meet all payments and therefore a contingent liability exists. Reserves set aside for single status and equal pay will offset this risk.
- A legal judgement ruled in 2007 that private fostering arrangements are placements under Section 20 of the Children's Act 1989 and therefore local authorities have responsibilities to provide financial support for such arrangements. The Council has placed children with non-family members without providing financial support and any claims could be back dated to 1991. It is not possible to arrive at a reliable estimate for likely claims but the Council has prudently set aside £0.3 million in an earmarked reserve to help meet any liability.
- Recent case law has created the opportunity for claimants of deliberate abuse and sexual assault whilst in local authority care, to claim compensation going back further than previously permitted. Claims against the Council may increase, but it is not known at this time how this might affect the Authority in financial terms.

42 Contingent Asset

The Council has various actual claims outstanding and further potential claims for VAT refunds which, if successful, could total £7.6 million, excluding interest. The main one concerns 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. However, HM Revenue & Customs have since lodged an appeal and in February 2007 the case was referred to the European Court of Justice for guidance. Refunds for this could potentially be in excess of £5.0 million, but the Council would be required to demonstrate that it had not unjustly benefited in financial terms.

43 Events after the Balance Sheet Date

These accounts were authorised for issue on the date the Director of Finance signed the final version – see Statement of Responsibilities and Certificate on page 9. There were no material events occurring between the Balance Sheet date and the date when the accounts were authorised for issue.

44 Trust Funds

The Council administers over fifty funds, with by far the biggest being the Deighton Brackenhall Initiative. This Initiative invests a community dividend, received from a housing regeneration project, to improve the lives of and provide long-term benefits to the residents in the area. Other funds held in trust are for such purposes as grants, scholarships and book prizes, or for the benefit and care of particular client groups. The Council is actively considering options for a number of trust funds (including two that are in deficit) to ensure their future viability. This includes continued financial support by the Council and the exploration of the involvement of external parties.

Trust funds do not represent assets of the Council and are not included in its Income and Expenditure Account and Balance Sheet.

Income and Expenditure Account:

2006/07 Balance £000s		2007/08 Income £000s	2007/08 Expenditure £000s	2007/08 Balance £000s
	Trust Funds for which Council is sole trustee -			
792	Dewsbury Endowed Schools	2,285	45	3,032
84	Kayes School	6	4	86
39	Festival of Britain	2	-	41
14	Wartons Charity	1	-	15
14	Huddersfield Enclosure Act	1	-	15
16	Other (9 separate funds each with a balance less than £10,000)	1	-	17
959		2,296	49	3,206
	Trust Funds for which Council is not sole trustee -			
3,417	Deighton Brackenhall Initiative	3,137	195	6,359
235	William Henry Coulter	9	9	235
112	Lockwood Mechanics	6	-	118
-167	William Greenwood Homes	-	3	-170
-21	Fletcher Homes	11	6	-16
26	Golcar Township	-	-	26
34	Roebuck Memorial	17	17	34
77	Huddersfield Orphan Homes	13	5	85
18	Batley Enclosure Act	1	-	19
10	Cleckheaton Cemetery	1	1	10
10	Scissett Baths	1	1	10
97	Other (28 separate funds each with a balance less than £10,000)	8	3	102
3,848		3,204	240	6,812
4,807		5,500	289	10,018

Balance Sheet:

31 March 2007 £000s		31 March 2008 £000s	£000s
221	Fixed Assets		2,494
2,787	Investments		7,308
	Net Current Assets -		
3	Debtors	3	
1,799	Cash	219	
-3	Less Creditors	-6	216
4,807			10,018
	Represented by -		
4,484	Capital Balances		9,962
323	Revenue Surpluses		56
4,807			10,018

45 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 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.

Teachers employed by the Council are members of the Teachers' Pension Scheme, administered by the Teachers' Pensions Agency. It provides teachers with defined benefits upon their retirement, and the Authority contributes towards the costs by making contributions based on a percentage of members' pensionable salaries. In 2007/08, the Council paid £16.4 million (2006/07 £15.3 million) to the Pensions Agency in respect of teachers' retirement benefits, representing 14.1% (2006/07 13.7%) of pensionable pay.

Under FRS17, the Council is required to make certain disclosures regarding the following defined benefit pension schemes it is involved in:-

- The Local Government Pension Scheme (LGPS) – a funded scheme administered by the West Yorkshire Pension Fund whereby the Council and employees pay contributions into a fund, calculated at a level intended to balance the pensions' liabilities with investment assets in the long term.
- Teachers' Discretionary Benefits (Teachers) – unfunded payments made by the Council in respect of added years awarded to teachers who have already retired.

- 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 Statement of Movement in the General Fund Balance. The following transactions have been made in the Income and Expenditure Account and Statement of Movement in the General Fund Balance during the year:

2006/07 LGPS £000s	2006/07 Teachers £000s	2006/07 Total £000s	**Income and Expenditure Account**	2007/08 LGPS £000s	2007/08 Teachers £000s	2007/08 Total £000s
			Net Cost of Services:			
38,036	0	38,036	Current service cost	34,359	0	34,359
0	2,962	2,962	Past service cost	10,942	0	10,942
1,163	0	1,163	Curtailment loss	2,053	1,531	3,584
			Net Operating Expenditure:			
51,895	1,818	53,713	Interest cost	57,651	2,042	59,693
-53,233	0	-53,233	Expected return on assets in the scheme	-62,133	0	-62,133
37,861	4,780	42,641	Net charge to I&E Account	42,872	3,573	46,445
			Statement of Movement in the General Fund Balance			
-13,761	-1,770	-15,531	Reversal of net charges	-15,402	-557	-15,959
24,100	3,010	27,110	Actual amount charged against General Fund Balance for pensions in the year	27,470	3,016	30,486

- <u>Assets and Liabilities in Relation to Retirement Benefits</u>

The underlying assets and liabilities for retirement benefits attributable to the Council are as follows:

31 March 2007 LGPS £000s	31 March 2007 Teachers £000s	31 March 2007 Total £000s		31 March 2008 LGPS £000s	31 March 2008 Teachers £000s	31 March 2008 Total £000s
-1,063,763	-39,321	-1,103,084	Estimated liabilities in scheme	-1,276,542	-46,651	-1,323,193
893,646	0	893,646	Estimated assets in scheme	917,692	0	917,692
-170,117	-39,321	-209,438	Net pensions liability	-358,850	-46,651	-405,501

The liabilities show the underlying commitments that the Council has in the long run to pay retirement benefits. The total liability of £405.5 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 Teacher’s Discretionary Benefits when the pensions are actually paid.

- Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit 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 W Mercer, an independent firm of actuaries, estimates for the LGPS being based on the latest full valuation of the West Yorkshire Pension Fund carried out in 2007/08.

The value of the unfunded liabilities relating to the LGPS is £33.6 million (2006/07 £30.0 million).

The main assumptions used in the calculations are:

2006/07			2007/08	
LGPS	Teachers		LGPS	Teachers
%	%		%	%
3.10	3.10	Rate of inflation	3.60	3.60
4.85	n/a	Rate of increase in salaries	5.35	n/a
3.10	3.10	Rate of increase in pensions	3.60	3.60
5.40	5.40	Rate for discounting scheme liabilities	6.10	6.10
50.00	n/a	Take up of option to convert annual pension into retirement grant	50.00	n/a

There are no assets to cover the liabilities of Teachers' Discretionary Benefits. Assets in the LGPS are valued at fair value, principally market value for investments, totalling £7,737 million for the Fund as a whole at 31 December 2007 (£7,080 million at 31 December 2006). The Fund's assets consist of the following categories, by proportion of the total assets held by the Fund:

2006/07			2007/08	
Split between categories	Expected rate of return		Split between categories	Expected rate of return
%	%		%	%
73.6	7.5	Equity investments	71.7	7.5
7.3	4.7	Government Bonds	9.3	4.6
4.1	5.4	Other Bonds	4.1	6.1
5.3	6.5	Property	5.1	6.5
5.2	5.3	Cash/ liquidity	3.6	5.25
4.5	7.5	Other	6.2	7.5
100.0			100.0	

- Actuarial Gains and Losses

The actuarial gains / losses identified as movements on the Pensions Reserve in 2007/08 can be analysed into the following categories, measured as absolute amounts and as a percentage of assets or liabilities at 31 March.

	31 March 2004		31 March 2005		31 March 2006		31 March 2007		31 March 2008	
	£000s	%	£000s	%	£000s	%	£000s	%	£000s	%
LGPS										
Difference between the expected and actual return on assets	78,745	13.2	36,187	5.5	120,259	14.5	9,764	1.1	-65,621	-7.2
Difference between actuarial assumptions about liabilities and actual experience	0	0	-25,533	-2.9	-23,600	-2.2	0	0	-56,885	-4.5
Changes in the demographic and financial assumptions used to estimate liabilities	0	0	-155,371	-17.4	-86,264	-8.2	56,236	5.3	-50,825	-4.0
	78,745	13.2	-144,717	-16.2	10,395	1.0	66,000	6.2	-173,331	-13.6

	31 March 2004		31 March 2005		31 March 2006		31 March 2007		31 March 2008	
	£000s	%	£000s	%	£000s	%	£000s	%	£000s	%
Teachers										
Difference between actuarial assumptions about liabilities and actual experience	-831	-2.8	-436	-1.3	0	0	0	0	-1,926	-4.1
Changes in the demographic and financial assumptions used to estimate liabilities	0	0	-3,712	-10.7	-1,661	-4.3	1,063	2.7	-4,847	-10.4
	-831	-2.8	-4,148	-12.0	-1,661	-4.3	1,063	2.7	-6,773	-14.5

It should be noted that actuarial calculations involve estimates based on assumptions about events and circumstances in the future, which may mean that the result of actuarial calculations will be affected by uncertainties within a range of possible values.

46 Disclosures on Financial Instruments

Please note that there is no comparative information available for these disclosures because the accounting requirements for financial instruments only applied from 2007/08 onwards.

Financial Instrument Balances

The borrowings and investments disclosed in the Balance Sheet are made up of the following categories of financial instruments:

	Long-Term 31 March 2008 £000s	Current 31 March 2008 £000s
Financial liabilities at amortised cost	557,907	2,051
Total borrowings (including transferred debt)	557,907	2,051
Loans and receivables	21,329	113,852
Available-for-sale financial assets	724	0
Total investments	22,053	113,852

The Council has not pledged any collateral for liabilities or received any pledge of collateral on its investments.

Financial Instrument gains and losses

The gains and losses recognised in the Income and Expenditure Account and STRGL in relation to financial instruments are made up as follows:

	Financial Liabilities	Financial Assets		Total
	Liabilities measured at amortised cost £000s	Loans and receivables £000s	Available-for-sale assets £000s	£000s
Interest expense	-30,407	0	0	-30,407
Losses on derecognition				
Adjustments re introduction of accounting for financial instruments (STRGL)	0	-300	0	-300
Other	-4,365	0	0	-4,365
Impairment losses	0	-2,449	0	-2,449
Interest payable and similar charges	-34,772	-2,749	0	-37,521
Interest income	0	9,112	0	9,112
Gains on derecognition				
Adjustments re introduction of accounting for financial instruments (STRGL)	572	0	0	572
Interest and investment income	572	9,112	0	9,684
Surplus arising on revaluation of financial assets	0	0	398	398
Net gain /loss(-) for the year	-34,200	6,363	398	-27,439

Fair Value of assets and liabilities carried at amortised cost

Financial liabilities and assets represented by loans and receivables 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 are as follows:

	31 March 2008	
	Carrying amount	Fair value
	£000s	£000s
Financial liabilities	559,958	619,992

This calculation is based on interest rates quoted for long term loans at 31 March by the Public Works Loan Board 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. Liabilities, such as short-term trade payables, have been excluded from the table as 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 Authority'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 commitment to pay interest above current market rates increases the amount the Authority would have to pay if the lender requested or agreed to early repayment of the loans.

The carrying amount of loans and receivables is deemed to be approximate to fair value because of the relatively short period to maturity.

The Council has several equity instruments, which have no quoted market price. The value in the Balance Sheet has been arrived at as follows:

- Kirklees Henry Boot Partnership Ltd – 62,500 shares, including premium, currently valued in the Balance Sheet at £0.3 million. Valuation based on an in-house assessment of net assets, but included a professional valuation of shares owned by the company. The company is in the process of winding up its operations and therefore the Council's interest in the company is likely to be liquidated in the near future.
- Kirklees School Services Ltd – 163,140 ordinary shares, currently valued in the Balance Sheet at £0.3 million. Valuation based on discounted cash flow techniques. This company is responsible for running one of the Council's PFI contracts (see note 10ii), and whilst this continues, it is very unlikely the Council would dispose of its interest.
- QED Ltd – 32,200 ordinary shares, currently valued in the Balance Sheet at £0.1 million. Valuation based on discounted cash flow techniques. This company is responsible for running one of the Council's PFI contracts (see note 10ii), and whilst this continues, it is very unlikely the Council would dispose of its interest.
- Sita Kirklees Ltd – small number of shares, carried at negligible value. Valuation is based on an assessment of share of future cash flows. This company is responsible for running one of the Council's PFI contracts (see note 10i), and whilst this continues, it is very unlikely the Council would dispose of its interest.
- Kirklees Stadium Development Ltd – 40 shares, carried at negligible value. Valuation is based on an assessment of share of future cash flows. The Council has no intention of disposing of its interests in the company.
- Sebel House Great Northern Ltd – 190 shares, carried at negligible value as company is dormant.
- Kirklees Neighbourhood Housing Ltd – subsidiary, carried at nil value. Valuation is based on an assessment of share of future cash flows. The Council has no intention of disposing of its interests in the company.
- Kirklees Metropolitan Development Company Ltd - subsidiary, carried at nil value. Valuation is based on an assessment of share of future cash flows. The Council has no intention of disposing of its interests in the company.

Disclosure of 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 Authority.
- Liquidity risk – the possibility that the Authority might not have funds available to meet its commitments to make payments.
- Market risk – the possibility that financial loss might arise for the Authority 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. Risk management on treasury management is carried out by the Director of Finance who, together with specialist staff, manages the function on behalf of the Authority 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 authority's customers. Deposits are not made with banks and other financial institutions unless they are rated by one of the main credit rating companies with a minimum rating of F1+/F1 (Fitch) and P-1 (Moody's), or are a building society with assets of more than £1 billion. The Council has a policy of not lending more than £10 million of its surplus balances to any counterparty and not more than £3 million to any counterparty for investments longer than one year. The Council does not make investment commitments longer than three years.

The Council's potential exposure to credit risk on investments has been assessed and is deemed negligible. No credit limits were exceeded during the reporting period and the Council does not expect any losses from non performance by any of its counterparties.

The Council does not generally allow credit for customers and trade debts are actively pursued after 21 days. As at 31 March 2008, the Council had a balance owing from its customers (mainly services and rent) of £26.8 million, of which £1.5 million has been outstanding for more than a year. The majority of the latter amount has been provided for in the bad debt provision.

Liquidity risk

As well as keeping some investments in instant access deposits 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 Authority 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.

	31 March 2008 £000s
Less than one year	1,603
Between 1 and 2 years	3,584
Between 2 and 5 years	43,167
Between 5 and 10 years	57,343
Between 10 and 15 years	29,346
More than 15 years	420,226
	555,269

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 Authority. For instance, a rise in interest rates would have the following effects:

- Borrowings at variable rates – the interest expense charged to the Income and Expenditure account will rise.
- Borrowings at fixed rates – the fair value of the liabilities will fall.
- Investments at variable rates – the interest income credited to the Income and Expenditure Account 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. Policy is to keep 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 2008, the Council held little variable rate debt or variable rate investments and therefore there would be no material impact on Income and Expenditure if interest rates had been 1% higher/lower with all other variables held constant. However, the fair value of fixed rate borrowings would decrease by around £81 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 £0.7 million in a number of joint ventures. The Authority is consequently exposed to losses arising from movements in the prices of the shares. As the shareholdings have arisen in the acquisition of specific interests, the Council is not in a position to limit its exposure to price movements by diversifying its portfolio.

The shares are all classified as “available-for-sale”, meaning that all movements in value will impact on gains and losses recognised in the STRGL. 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 financial assets or liabilities denominated in foreign currencies, other than a small amount in a Euro Bank account relating to grants from the EEC for environmental projects. In this way, the Council has little exposure to loss arising from movements in exchange rates.

47 Notes to the Cash Flow Statement

- Reconciliation of Net Movement on the Income and Expenditure Account to Revenue Activities Net Cash Flow

This reconciliation identifies items included within the Income and Expenditure Account that do not result in cash flows under the revenue activities in the statement.

2006/07 £000s		2007/08 £000s
-22,290	Income and Expenditure Account Deficit for the year	-39,383
-1,580	Movement on the Collection Fund Balance	-417
22,063	Interest	20,619
	Non-cash transactions -	
15,531	Movement on Pensions Reserve	15,959
-880	Movement on Landfill Allowance Trading Reserve	2,096
41,647	Various capital accounting entries	54,061
-912	Provisions including those for bad debts	-9,060
195	Accounting for Financial Instruments	996
458	Premiums	4,365
	Items on an accruals basis -	
2	Increase(-)/decrease in stock	-191
8,684	Decrease in revenue debtors	7,678
4,383	Increase/decrease(-) in revenue creditors	-4,601
67,301	Net Cash Inflow from Revenue Activities	52,122

- Analysis of Net Cashflow to Movement in Net Debt

2006/07 Change £000s		2007/08 Change £000s
-530	Increase/decrease(-) in cash in period	7,306
33,325	Cash used to increase liquid resources	34,250
243,152	Cash used to repay debt	71,793
-300,227	New loans	-133,403
221	Cash used to repay leasing obligations	249
-24,059	Change in net debt	-19,805
-475	Adjustments re accounting for Financial Instruments and other non cash adjustments	-5,408
-24,534		-25,213
-379,172	Net debt at beginning of period	-403,706
-403,706	Net debt at end of period	-428,919

2006/07 Change £000s		1 April 2007 £000s	31 March 2008 £000s	2007/08 Change £000s
	Analysis of changes in net debt			
199	Cash in Hand/ Bank	11,840	20,387	8,547
-729	Bank Overdraft	-729	-1,970	-1,241
-60,947	Long Term Borrowing	-486,600	-553,429	-66,829
3,445	Short Term Borrowing	-975	-1,840	-865
173	Deferred Liabilities, including those due in the next 12 months	-5,342	-5,919	-577
33,325	Investments	78,100	113,852	35,752
-24,534		-403,706	-428,919	-25,213

- Analysis of Changes in Management of Liquid Resources

2006/07 Change £000s		1 April 2007 £000s	31 March 2008 £000s	2007/08 Change £000s
-33,325	Short Term Investments	78,100	113,852	-35,752
0	Adjustments re accounting for Financial Instruments (non cash)			1,502
-33,325				-34,250

The Council's liquid resources consist of Short Term Investments repayable not on demand but within a period of twelve months. These instruments are used to assist in the management of the Council's cash flow.

- Analysis of Changes in Financing

2006/07 Change £000s		1 April 2007 £000s	31 March 2008 £000s	2007/08 Change £000s
60,947	Long Term Borrowing	-486,600	-553,429	66,829
-3,445	Short Term Borrowing	-975	-1,840	865
-173	Deferred Liabilities, including those due in the next 12 months	-5,342	-5,919	577
57,329		-492,917	-561,188	68,271
-475	Adjustments re accounting for Financial Instruments and other non cash adjustments			-6,910
56,854				61,361

- Changes in Cash

2006/07 Change £000s		1 April 2007 £000s	31 March 2008 £000s	2007/08 Change £000s
-4,115	Cash in Hand	2,669	4,229	1,560
-729	Bank Overdraft	-729	-1,970	-1,241
4,314	Deposits repayable on demand	9,171	16,158	6,987
-530		11,111	18,417	7,306

- <u>Government and Other Grants Received</u>
  The actual cash received in respect of Government and other grants is detailed below:

2006/07 £000s		2007/08 £000s
15,661	Local Area Agreement	22,937
9,536	Housing Revenue Account Subsidy	8,308
27,025	Education Standards Fund (*)	26,767
10,470	Supporting People	10,788
8,379	Learning and Skills Council Sixth Form Grant	8,816
10,324	School Standards Grant	12,938
1,979	Preserved Rights Grant	1,845
9,135	Private Finance Initiative	11,801
1,366	Promoting Independence	1,541
978	Mental Health	1,020
4,898	Neighbourhood Renewal Fund (*)	0
3,852	Building Care Capacity Grant	3,839
750	National Training Strategy	767
1,603	Asylum Seekers	2,418
1,620	Performance Reward Grant	0
2,607	Local Authority Business Growth Incentives	784
431	Young Peoples Substance Misuse Partnership	381
1,080	General Surestart Grant (*)	536
942	Job Centre Plus	197
3,580	Housing Benefit and Council Tax Administration	3,567
704	Delayed Discharges	706
416	Early Years Development Partnership	896
24,752	Other Grants	31,790
142,088		152,642

(*) These grants have been transferred in full or in part to Local Area Agreement grant.

HOUSING REVENUE ACCOUNT (HRA) INCOME AND EXPENDITURE ACCOUNT

This statement fulfils the statutory obligation to account separately for local authority housing provision as defined in particular in Schedule 4 of the Local Government and Housing Act 1989.

2006/07 £000s		2007/08 £000s	Note
	Income		
61,383	Dwelling rents (gross)	64,314	
608	Non-dwelling rents (gross)	642	
56	Charges for services and facilities	372	
1,871	Contributions towards expenditure	1,398	
9,345	HRA subsidy receivable (including the Major Repairs Allowance)	8,224	2
73,263	**Total Income**	74,950	
	Expenditure		
18,839	Repairs and maintenance	18,918	
17,389	Supervision and management	15,491	
2,811	Special services	3,205	
169	Rent, rates, taxes and other charges	202	
1,027	Increased provision for bad debts	651	
13,752	Depreciation and impairment (net of grant)	16,288	3
90	Debt management costs	86	
54,077	**Total Expenditure**	54,841	
-19,186	**Net Cost of Services as included in whole authority Income and Expenditure Account**	-20,109	
373	HRA share of Corporate & Democratic Core	373	
36	HRA share of Non-distributed costs	33	
-18,777	**Net Cost of HRA Services**	-19,703	
711	Loss on disposal of assets	6,379	4
13,766	Interest payable and similar charges	14,198	
144	Amortisation of premiums and discounts	183	
-1,623	Interest and investment income	-1,789	
5,779	**Surplus for the year on HRA services**	732	

STATEMENT OF MOVEMENT ON THE HRA BALANCE

The Income and Expenditure Account shows the HRA's actual financial performance for the year, measured in terms of the resources consumed and generated over the last twelve months. However, the surplus and deficit for the year on the HRA Balance has to be calculated in accordance with the requirements of the Local Government and Housing Act 1989. The statement below reconciles the outturn on the Income and Expenditure Account and to the movement on the HRA Balance.

2006/07 £000s		2007/08 £000s
5,779	Surplus for the year on the HRA Income and Expenditure Account	732
-5,813	Net additional amount required by statute to be debited to the HRA Balance for the year (see note below)	-5,238
-34	**Decrease in the HRA Balance**	-4,506
32,341	HRA surplus brought forward	32,307
32,307	**HRA surplus carried forward**	27,801

NOTE TO THE STATEMENT OF MOVEMENT ON THE HRA BALANCE

2006/07 £000s		2007/08 £000s
	<u>Items included in the HRA Income and Expenditure Account but excluded from the movement on the HRA Balance for the year:</u>	
	Difference between amounts charged to Income and Expenditure and the charge for the year determined in accordance with statute:	
-406	Amortisation of premiums and discounts	-313
0	Impairment	2,289
869	Loss on disposal of fixed assets	6,379
-36	Grants deferred amortisation	-55
427		8,300
	<u>Items not included in the HRA Income and Expenditure Account but included in the movement on the HRA Balance for the year:</u>	
181	Transfer to Major Repairs Reserve	195
-6,421	Capital expenditure funded by the HRA	-13,733
-5,813	**Net additional amount required by statute to be debited to the HRA Balance for the year**	-5,238

NOTES TO THE HRA

1 The Council acknowledges that it is proper accounting practice to fully recognise the effects of FRS17 in the HRA, but has not included them on the grounds of materiality.

2 Breakdown of HRA Subsidy Received

HRA subsidy is paid by Central Government to meet any shortfall between expenditure and income on a notional HRA. The calculation is based on annual assumptions covering guideline rents, a number of allowances and other specific items of income and expenditure.

2006/07 £000s		2007/08 £000s
11,983	Allowance for Management	12,564
21,820	Allowance for Maintenance	22,491
13,606	Allowance for Major Repairs	13,858
20,021	Charges for Capital	20,051
-58,057	Guideline Rent Income	-60,711
-28	Interest on Receipts	-29
9,345	Total HRA Subsidy	8,224

3 Depreciation and impairment

The Council has adopted the Major Repairs Allowance (MRA) as a measure of depreciation for its dwellings. The MRA equates to the annual cost of maintaining the properties over a thirty year period. There was an impairment charge of £2.289 million in 2007/08 (nil in 2006/07) relating to downward valuations of land and property which could not be offset against the Revaluation Reserve.

4 Gains and Losses on Asset Disposals

The SORP requires authorities to show gains and losses on asset disposals on the face of the Income and Expenditure Account. The figure for 2007/08 reflects the value of council houses demolished and land sold at less than market value as part of housing regeneration projects (£6.521 million), net of gains on clawback of legal title on Right to Buy sales (£0.142 million).

5 Major Repairs Reserve

This reserve records the unspent balance of HRA subsidy paid in the form of major repairs allowance. The main credit to the reserve is an amount equivalent to the charge for depreciation on council dwellings. The reserve can be used to finance capital expenditure on HRA assets or repay HRA debt.

2006/07 £000s		2007/08 £000s
0	Balance at 1 April	25
-13,581	Capital Expenditure	-8,174
-181	Depreciation – non-dwellings	-195
13,787	Transfer to the reserve	14,054
25	Balance at 31 March	5,710

6 Movement in HRA Fixed Assets

	Council Dwellings	Other Land and Buildings	Non-operational Assets	Total Assets
	£000s	£000s	£000s	£000s
Certified valuation at 1 April 2007	801,992	4,309	20,575	826,876
Accumulated depreciation and impairment	-13,606	-228	0	-13,834
Net Book Value at 1 April 2007	788,386	4,081	20,575	813,042
<u>Movement in 2007/08</u>				
Additions	24,735	25	0	24,760
Disposals	-17,077	0	-264	-17,341
Revaluations	27,079	173	626	27,878
Depreciation	-13,858	-195	0	-14,053
Impairment	0	0	-2,289	-2,289
Net Book Value at 31 March 2008	809,265	4,084	18,648	831,997

7 Fixed Asset Valuation

A complete revaluation of HRA assets was carried out as at 1 April 2007 by the District Valuer (North), Andrew Larkins. As at that date, the vacant possession value of dwellings was £1,744 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.

8 Capital Expenditure and Sources of Finance

2006/07		2007/08
£000s		£000s
	Capital Expenditure:	
39,047	Fixed Assets	24,735
39,047	Total Capital Expenditure	24,735
	Financed by:	
9,449	Borrowing	0
13,581	Major Repairs Reserve	8,174
9,514	Capital Receipts	1,961
82	Capital Grant and Contributions	867
6,421	Revenue	13,733
39,047	Total Sources of Finance	24,735

9 Capital Receipts

2006/07 £000s		2007/08 £000s
	Capital receipts from sales of:	
13,719	Dwellings (net of sale administration fees)	11,637
832	Land	690
586	Other	212
15,137		12,539
-9,949	Contribution to Housing Pooled Capital Receipts	-7,871
5,188	Usable capital receipts	4,668

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

10 Housing Stock

The Council's housing stock at 31 March 2008 is analysed below by size and age:

By Size	1 Bedroom	2 Bedrooms	3 Bedrooms	4+ Bedrooms	Total
Houses/ Bungalows	2,808	5,925	4,829	353	13,915
Flats/ Bedsits and Maisonettes	7,107	2,245	115	0	9,467
	9,915	8,170	4,944	353	23,382

By Age	Pre 1945	1945-64	1965-74	Post 1974	Total
Houses/ Bungalows	6,070	5,638	1,574	633	13,915
Flats/ Bedsits and Maisonettes	167	2,508	4,106	2,686	9,467
	6,237	8,146	5,680	3,319	23,382

11 Rent Arrears

Rent arrears have increased over the year, as follows:

31 March 2007 £000s		31 March 2008 £000s
3,497	Rent Arrears	4,439
-1,664	Bad Debt Provision	-2,141
1,833		2,298

12 Private Finance Initiative

The Council has received endorsement from Central Government to proceed to the procurement stage on a scheme to build 550 units of HRA housing, of which approximately 150 will be "extra care" units and 40 will be suitable for tenants with physical disabilities. The scheme is currently in procurement, with commercial close planned for 2009.

COLLECTION FUND INCOME AND EXPENDITURE ACCOUNT

The Collection Fund shows the income received from Council Tax and Non-Domestic Rates and the way in which this has been distributed to precepting authorities and the Council's General Fund.

2006/07		2007/08		Note
£000s		£000s	£000s	
	Income			
130,141	Income from Council Tax		136,352	1
	Transfers from General Fund -			
24,378	Council Tax Benefits		25,001	
85,975	Income Collectable from Business Ratepayers		88,941	2
	Contributions -			
1	Adjustment of previous years' Community Charges		1	
240,495	**Total Income**		250,295	
	Expenditure			
	Precepts and demands -			
13,751	West Yorkshire Police Authority	14,670		
5,608	West Yorkshire Fire Authority	5,969		
133,511	Kirklees Council	139,698	160,337	
	Business Rate -			
85,354	Payment to national pool	88,323		
621	Cost of collection	618	88,941	
630	Contribution to bad debts provision		1,269	
2,600	Distribution of previous year's estimated Collection Fund surplus		165	
242,075	**Total Expenditure**		250,712	
-1,580	**Movement on Fund Balance**		-417	
1,769	Balance at 1 April		189	
189	**Balance at 31 March**		-228	3

NOTES TO THE COLLECTION FUND INCOME AND EXPENDITURE ACCOUNT

1 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.

2006/07 Number of Chargeable Dwellings	2006/07 Band D Equivalent Dwellings	2006/07 Average Council Tax £	Band	2007/08 Number of Chargeable Dwellings	2007/08 Band D Equivalent Dwellings	2007/08 Average Council Tax £
74	41	694.20	A (5/9)*	76	42	716.58
65,850	43,900	833.04	A (6/9)	66,203	44,135	859.90
27,643	21,500	971.88	B (7/9)	27,834	21,648	1,003.22
26,478	23,536	1,110.72	C (8/9)	26,778	23,803	1,146.53
13,251	13,251	1,249.56	D (9/9)	13,538	13,538	1,289.85
9,834	12,019	1,527.24	E (11/9)	9,955	12,167	1,576.48
4,299	6,209	1,804.92	F (13/9)	4,349	6,281	1,863.12
1,782	2,970	2,082.60	G (15/9)	1,821	3,035	2,149.75
75	149	2,499.12	H (18/9)	78	157	2,579.70
	123,575		Total		124,806	
	-1,235		Adjustments **		-499	
	122,340		Council Tax Base		124,307	

* Band A disabled ** Estimated losses on collection

2 National Non-Domestic Rates (NNDR)

NNDR is organised on a national basis. The Government specifies a multiplier (44.1p in 2007/08) and, subject to the effects of transitional arrangements and other reliefs, local businesses pay rates calculated by applying the multiplier to their rateable value. The Council is responsible for collecting rates due from the ratepayers in its area but pays the proceeds into an NNDR pool administered by the Government. The Government redistributes the sums paid into the pool back to local authorities' General Funds on the basis of a fixed amount per head of population. The amounts included in the Collection Fund can be analysed as follows:

2006/07 £000s		2007/08 £000s
n/a	Non-domestic rate income 2007/08 (average rateable value £238,791,629.30)	106,659
103,711	Non-domestic rate income 2006/07 (average rateable value £239,663,579)	n/a
-17,736	Allowance and other adjustments (net)	-17,718
85,975	Net contribution to NNDR pool	88,941

The actual non-domestic rateable value at 31 March 2008 was £238,153,609 (£240,083,973 at 31 March 2007).

3 Balances

The balance on the Collection Fund relates to both Council Tax and Community Charge. 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, the West Yorkshire Police Authority, and the West Yorkshire Fire Authority in proportion to their precepts and demand on the Fund, again in subsequent financial years. The balance is split as follows:

2006/07 £000s		2007/08 £000s
183	Council Tax	-234
6	Community Charge	6
189		-228

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 authority. 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** - provides a guide to the most significant items reported.
- **The Statement of Accounting Policies** - explains the basis of the figures in the financial statements.
- **Income and Expenditure Account** - shows the income and expenditure relating to the Council and its associated companies and demonstrates how this has been financed.
- **Reconciliation of the Single Entity Surplus or Deficit to the Group Surplus or Deficit -** reconciles the surpluses or deficits on the Income and Expenditure Accounts of the single entity and the Group.
- **Statement of Total Recognised Gains and Losses (Group STRGL)** - brings together all gains and losses experienced by the Group during the year, including those not reflected in the Income and Expenditure Account.
- **Balance Sheet** - summarises the financial position of the Council and its associated companies, and shows their assets and liabilities at the year end.
- **Cash Flow Statement -** summarises the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes.
- **Notes to the Accounts -** adds to and helps the interpretation of the individual statements.

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, 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. A third joint venture company, Kirklees Schools Services Limited was part of the Group at the beginning of the year but underwent restructuring of its finances during the year. As a result, the Council’s equity interest was significantly reduced and the company is no longer considered to warrant inclusion in the Group Account. Therefore only a part year’s income and expenditure has been included and no assets/liabilities have been included in the Balance Sheet as at 31 March 2008.

All of the Council’s subsidiaries and joint venture companies are going concerns. The Council has no commitment to meet any accumulated losses of the companies within the Group, except for defaults on pension contributions related to Kirklees Neighbourhood Housing Limited (see Contingent Liabilities note in the Council’s accounts).

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 introduced above have been incorporated as joint ventures using the “gross equity method”. The consolidation has been prepared in accordance with the SORP and CIPFA’s Group Accounts in Local Authorities Practitioners’ Workbook. Any divergences from these recommended practices are explained in the Group Accounts’ Accounting Policies below.

The Subsidiaries and Joint Ventures 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, 2nd Floor, Perseverance House, St Andrews Road, Aspley, Huddersfield, HD1 6RY.

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

Kirklees Metropolitan Development Company Limited (Devco)
The main activity of the company is the letting of properties in the Kirklees area. In the financial year 2007/08, company activities comprised managing the lettings of two industrial estates, Silver Court at Moldgreen and Riverside Way at Ravensthorpe.

The company is 100% controlled by the Council and is Limited by Guarantee.

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 Director of Finance.

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

JOINT VENTURES

Kirklees Henry Boot Partnership Limited (KHBP)
KHBP was formed to complete development projects throughout the Kirklees area. Its main schemes include the completion of the Kingsgate Shopping Centre and the disposal of the Yards' buildings. Although construction of the former 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 owns 25% of shares in the company directly and holds 25% indirectly through the subsidiary Kirklees Metropolitan Development Company.

The Company's accounting year ends 31 December. Copies are available from the Council's Director of Finance.

At the time of consolidation of the Group Accounts, the KHBP accounts 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 the other 60%.

The SORP specifies that entities in the Group should share the same year end date as the reporting authority. Where this is not practicable it is recommended that accounts prepared in the three months prior to the Authority's are used. 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. This year, in order to achieve a consolidation consistent with the Council's balance sheet date, the KSDL management have provided management accounts as at 31 March 2008.

Kirklees Schools Services Limited (KSSL)
The principal activity of the Company is the development, funding and construction of schools together with the operation of school services.

In October 2007 the company restructured its financing, changed the facilities management sub-contractor and reduced the overall risk profile of the company. There was also a change to the share capital of the company resulting in the issue of an additional 1,113,070 £1 ordinary shares.

This had the effect of reducing the Council's holding from 30% to 9.8%. It has therefore been deemed appropriate to remove the company from the Group Accounts Balance Sheet as at 31 March 2008. 50% of the company's income and expenditure has been included to take account of the period up to October 2007.

Draft accounts as at 31 December 2007 have been produced and are used in this consolidation.

STATEMENT OF ACCOUNTING POLICIES

In the 2006 SORP, the introduction of an Income and Expenditure Account and a Statement of Total Recognised Gains and Losses for the single entity accounts means that Group Accounts are no longer required to be prepared according to accounting policies that are a hybrid between those adopted by the Council and those used by the group entities. The single entity Income and Expenditure therefore provides the basis for the Group Income and Expenditure Account without the need for any adjustments, apart from adjustments for intra-group transactions.

However, 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 unless otherwise stated.

ADJUSTMENTS TO THE AUTHORITY'S ACCOUNTS TO COMPLY WITH GAAP

Pensions
The Council is required to account for its subsidiaries with defined benefit pension schemes using FRS17. The specific accounting treatments of FRS17 are detailed in the single entity's Accounting Policies.

KNH has a defined benefit scheme and must adhere to FRS17. The SORP requires that the FRS17 entries are consolidated in the Group Accounts. This has an impact on the revenue of the Company as unlike local authorities, companies are not allowed to reverse the effect of FRS17 debits and credits out of their profit and loss accounts. This means that rather than by an appropriation to/from a pensions reserve they must be accounted for in the Group Income and Expenditure Account, adjusting the results of the Company. Balance Sheet entries follow the same principles as those of the Council.

Tangible Fixed Assets
The SORP requires that the reporting authority and its subsidiaries share the same Accounting Policies in relation to measurement, recognition, valuation and depreciation of fixed assets. These policies are detailed in the single entity Accounting Policies.

The only fixed assets held by the Council's subsidiaries are investment properties owned by Devco. Devco shares the Council's policy of carrying investment properties at the lower of net current replacement cost and net realisable value, so no adjustments to these asset values were required.

The SORP does not specifically require the revaluation of the fixed assets of joint ventures in the Group Account reconciliation. As such the stadium owned by KSDL has not been revalued and is included in the "Share of Gross Assets of Joint Venture" line on the balance sheet using the Company's depreciated historical cost valuation. Given the size and unique nature of the stadium any revaluation would be likely to have adverse cost-benefit implications compared with the information it would provide to the users of the accounts.

Prior Year Adjustments
All prior year adjustments from the single entity accounts are also presented in the Group Accounts.

The 2006/07 Group Accounts were partly based on unaudited and management accounts. As such last year's audited company accounts have been studied for any material changes from the figures reported. As only minor changes have occurred, the original figures for 2006/07 have been used and adjustments made in the Group Statement of Recognised Gains and Losses.

GROUP INCOME AND EXPENDITURE ACCOUNT

2006/07			2007/08		
Net Expenditure			Gross Expenditure	Income	Net Expenditure
£000s	£000s Restated		£000s	£000s	£000s
0	65,795	Children's and Education Services	414,530	350,602	63,928
34,842	0	Education	0	0	0
0	84,433	Adult Social Care	132,066	46,404	85,663
115,386	0	Social Services	0	0	0
-14,529	-14,529	Housing	151,501	162,826	-11,325
35,015	35,015	Highways, Roads and Transport	53,848	16,492	37,356
67,936	67,936	Cultural, Environmental and Planning	109,315	35,915	73,400
7,305	7,305	Central Services to the Public	39,683	32,450	7,232
328	328	Courts	394	0	394
177	177	Other Services	3,260	2,740	520
8,016	8,016	Corporate and Democratic Core	8,153	1	8,152
4,294	4,294	Non-distributed Costs	15,135	0	15,135
		Share of operating results of joint ventures:			
-2,581	-2,581	Turnover	0	3,028	3,028
2,372	2,372	Cost of Sales and Operating Expenditure	2,155	0	2,155
258,561	258,561	**Net cost of services**	930,040	650,458	279,582
2,761	2,761	Gains(-)/ Losses on disposal of fixed assets			-163
455	455	Precepts and levies			451
-1,658	-1,658	Net surplus(-)/deficit on trading operations			380
28,302	28,302	Interest payable			35,083
1,447	1,447	Share of interest payable by joint ventures			1,055
-5,608	-5,608	Interest and investment income			-9,165
-1,322	-1,322	Share of investment income of joint ventures			-558
9,949	9,949	Amount payable to the Housing Capital Receipts Pool			7,871
302	302	Pensions interest cost and expected return on pensions assets			-2,904
7	7	Taxation of Group Entities			10
7	7	Share of Taxation of Joint Ventures			130
293,203	293,203	**Net operating expenditure**			311,772
-29,634	-29,634	General grants and contributions			-20,993
-135,782	-135,782	Income from the Collection Fund			-139,842
-107,503	-107,503	Contribution from Non-Domestic Rate Pool			-112,597
20,284	20,284	**Deficit for the year**			38,340

RECONCILIATION OF THE SINGLE ENTITY SURPLUS OR DEFICIT TO THE GROUP SURPLUS OR DEFICIT

2006/07		2007/08
£000s		£000s
-22,290	Deficit on the Authority's single entity Income and Expenditure Account for the year	-38,083
	Surplus/ Deficit(-) arising from other entities included in the Group Accounts:	
1,004	Subsidiaries	-504
1,002	Joint Ventures	247
-20,284	**Group Account Deficit for the year**	-38,340

GROUP STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

2006/07			2007/08
£000s	£000s		£000s
-20,284	-20,284	Deficit for the year	-38,340
188,994	194,274	Surplus arising from the revaluation of fixed assets	175,732
66,941	66,941	Actuarial gains and losses(-) on pension fund assets and liabilities	-182,483
427	427	KNH - Past service gains and losses(-) on pension fund assets and liabilities	-740
-915	-915	KHBP - Reduction in outstanding loans	0
0	0	KSSL - Dilution of equity	-325
0	0	Net Movement in Available for Sale Financial Instruments	248
3,231	-2,049	Kirklees Council - Other gains and losses(-)	-24
-564	-564	Changes to previous year's Group Account figures	29
237,830	237,830	**Total recognised gains and losses(-) for the year**	-45,903

GROUP BALANCE SHEET

31 March 2007 £000s		31 March 2008 £000s	£000s
967	Intangible Assets		1,117
	Tangible Assets		
	Operational -		
788,386	Council Dwellings	809,265	
620,169	Other Land and Buildings	740,698	
13,638	Vehicles, Plant and Equipment	15,282	
129,082	Infrastructure Assets	143,265	
998	Community Assets	998	1,709,508
	Non-Operational -		
81,228	Investment Properties	102,386	
1,348	Assets Under Construction	11,691	
12,688	Surplus Assets	12,495	126,572
67,691	Deferred Consideration		67,286
12,339	Long Term Investments		21,348
30,403	Share in the Assets of Joint Ventures		11,870
-25,042	Share in the Liabilities of Joint Ventures		-6,722
12,716	Long Term Debtors		13,882
5,177	Net Deferred Premiums		0
1,751,788	**Total Long Term Assets**		1,944,861
	Current Assets -		
1,978	Stocks and Work in Progress	2,169	
50,868	Debtors	48,066	
3,599	Landfill Allowances	376	
78,100	Investments	113,852	
11,066	Cash and Bank	22,609	187,072
1,897,399			2,131,933
	Current Liabilities -		
-975	Short Term Borrowing	-1,840	
-1,212	Landfill Usage	-84	
-90,446	Creditors	-91,321	
-729	Bank Overdraft	-1,970	-95,215
1,804,037	**Total Assets Less Current Liabilities**		2,036,718
-486,600	Long Term Borrowing		-553,429
-4,869	Deferred Liabilities		-5,540
-22,340	Provisions		-20,190
-93,470	Grants-Deferred Account		-107,517
-212,102	Net liability relating to defined benefit pension scheme		-411,289
984,656	**Total Assets Less Liabilities**		938,753

GROUP BALANCE SHEET (Continued)

31 March 2007			31 March 2008	
£000s			£000s	Notes
	Restated			
1,006,447	0	Fixed Asset Restatement Account	0	
86,324	0	Capital Financing Account	0	
0	1,092,771	Capital Adjustment Account	1,071,451	1
0	0	Financial Instruments Adjustment Account	-3,099	
0	0	Revaluation Reserve	172,550	
0	0	Available-For-Sale Financial Instruments Reserve	248	
7,013	7,013	Usable Capital Receipts Reserve	7,380	
126	126	Deferred Credits	195	
-209,438	-209,438	FRS17 Pensions Reserve	-405,501	
25	25	Major Repairs Reserve	5,710	
31,050	31,050	Earmarked Reserves	37,220	
30,613	30,613	General Fund Balance	25,026	
32,307	32,307	Housing Revenue Account Balance	27,801	
189	189	Collection Fund Balance	-228	
984,656	984,656	**Total Net Worth**	938,753	

GROUP CASH FLOW STATEMENT

2006/07		2007/08		Notes
£000s		£000s	£000s	
	Revenue Activities			
67,111	**Net cash inflow from Revenue Activities**		50,673	2
	Returns on Investments and Servicing of Finance			
	Cash Outflows -			
26,703	Interest paid	29,274		
56	Interest element of finance lease rentals	29		
758	Premiums on early repayment of loans	813	30,116	
	Cash Inflows -			
5,047	Interest and dividends received		7,784	
871	Discounts from early repayment of loans		33	
21,599	**Net cash outflow from Investments and Servicing of Finance**		22,299	2
	Capital Activities			
	Cash Outflows -			
114,927	Capital Expenditure	99,920		
7,000	Long term investments	11,000		
627	Advances on employee car loans	499	111,419	
	Cash Inflows -			
21,278	Sale of fixed assets	15,213		
0	Sale of Airport shares	8,525		
30,933	Capital grants received	36,826		
625	Other capital cash receipts	1,259	61,823	
69,718	**Net cash outflow from Capital Activities**		49,596	2
24,206	**Net cash outflow before Financing**		21,222	

GROUP CASH FLOW STATEMENT (Continued)

2006/07 £000s		2007/08 £000s	2007/08 £000s
	Management of Liquid Resources		
33,325	**Net cash outflow from short term investments**		34,250
	Financing		
	Cash Outflows: -		
102,688	Repayments of amounts borrowed (long term)	61,100	
140,232	Repayments of amounts borrowed (short term)	10,469	
221	Finance Lease Principal	249	
232	Repayment of transferred debt	224	72,042
	Cash Inflows -		
163,440	New loans raised (long term)	122,100	
136,787	New loans raised (short term)	11,303	133,403
56,854	**Net cash inflow from Financing**		61,361
-677	**Increase/Decrease (-) in Cash**		5,889

NOTES TO THE GROUP ACCOUNTS

1 Capital Adjustment Account

The Group Capital Adjustment Account consolidates the following along with the Council balance:
- £0.600 million in relation to Devco's Capital Funding Account.
- £4.173 million as the Council's share of £10.432 million set aside by KSDL as Capital Funding.

2 Cash Flow Statement

The Group Cash Flow Statement is not substantially different to the single entity's statement, apart from some simplification of presentation (the SORP does not require a break down of Revenue Activity cash flows). The cash flows of KNH and Devco are consolidated into the statement -

KNH - The Company has a Net Revenue Activities outflow of £1.489 million and a returns on investment inflow of £0.043 million, resulting in an reduction in the cash figure of £1.446 million.

Devco - The Company has a Net Revenue Activities inflow of £0.040 million, an inflow on returns on investment of £0.012 million and an outflow on capital of £0.023 million. The cash figure is therefore increased by £0.029 million.

No notes to the Group Cash Flow Statement have been prepared due to the lack of materiality of these flows on the single entity Cash Flow Statement.

3 Related Party Transactions

The notes below disclose the related party transactions between the Council and its Subsidiaries and Joint Ventures, as well as the transactions between the companies and their other related parties.

Kirklees Neighbourhood Housing Limited

During 2007/08, KNH incurred costs of £2.218 million (2006/07 £2.843 million) for Council services including insurance and office accommodation. At 31 March 2008, £0.297 million was outstanding (£0.446 million at 31 March 2007).

The Council incurred costs of £13.917 million (2006/07 £16.283 million) in relation to KNH's management fee. At 31 March 2008, £0.502 million was outstanding (£2.572 million at 31 March 2007).

Kirklees Metropolitan Development Company Limited

Devco paid the Council £0.083 million for service provision in 2007/08 (2006/07 £0.084 million). At 31 March 2008 a balance of £0.056 million was owing to the Council (£0.047 million at 31 March 2007).

During the same period the Council incurred rent and service charges of £0.046 million (2006/07 £0.041 million) in relation to Devco properties.

Kirklees Henry Boot Partnership Limited

At the balance sheet date of KHBP, the Council's investment (including that of Devco) was reflected in equity of £0.250 million and secured loans of £4.231 million. Interest of £0.299 million (2006/07 £0.260 million) was incurred in the year on the outstanding loans. The Council charged the Company £0.051 million (2006/07 £0.024 million) in respect of freeholds transferred and various services.

At the balance sheet date of KHBP, Henry Boot Plc's investment through certain of its wholly owned subsidiaries was reflected in equity of £0.250 million (2006/07 £0.250 million). At the balance sheet date £0.170 million (2006/07 nil) was due from Henry Boot Group to KHBP in respect of an overpayment in relation to a land transfer.

At the Council's balance sheet date, £0.295 million (2006/07 nil) was due to the Council in respect of interest accrued and £0.536 million (2006/07 £0.536 million) in respect of the transfer of land at Healds Road, Dewsbury.

Kirklees Stadium Development Limited
The company occupies land owned by the Council under leases for which a premium of £0.900 million is payable.

The Council pays the company a rental for the use of office space at the stadium. In the year ended 31 March 2008 the Council paid rent of £0.070 million (2006/07 £0.070 million). The Council provided funding of £0.275 million (2006/07 £0.304 million). The Council paid the company a further £0.273 million in various rents and maintenance in year ending 31 March 2008 (2006/07 £0.298 million). In 2007/08 the company paid the Council £0.020 million for Legal Services (2006/07 nil).

The Council also guarantees loans for the Company. These are detailed in the Contingent Liabilities note in the Council accounts.

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

Available-for-Sale Financial Instruments Reserve
Store of gains on revaluation of fixed assets not yet realised through sales.

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 Adjustment Account
This account reflects the difference between the cost of fixed assets consumed and the capital financing set aside to pay for them.

Capital Receipts
These are the proceeds from the sale of capital assets and are treated in accordance with statutory provisions of the Local Government and Housing Act 1989.

The Collection Fund
The Collection Fund is a separate statutory fund under the provisions of the Local Government Finance Act 1988. It shows the income received from non-domestic rates and Council Tax, and the way in which these have been distributed to precepting authorities and the General Fund.

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
The Corporate and Democratic Core is concerned with the costs of corporate policy making and all council member-based activities, together with costs that relate to the general running of the Council including those 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.

Deferred Charges
Deferred charges represent expenditure funded from capital resources, which does not represent tangible or intangible fixed assets. An example is grants given for capital works on properties not owned by the Council. Deferred charges are written off to revenue in the year that expenditure is incurred.

Deferred Credits
These are amounts derived from sales of assets which will be received in instalments over agreed periods of time.

Deferred Liabilities
These consist of liabilities which by arrangement are payable beyond next year. Examples include outstanding finance lease obligations and debt taken over from former bodies where the loan management rests with another authority.

Defined Benefit Pension Scheme
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.

Deferred Premiums and Discounts
Premiums and discounts are incurred on certain loans that have been repaid prematurely. The premium or discount is equal to the present value of the difference between the remaining payments, which would have been made on the repaid loan, and the amount that could be received if the sum prematurely repaid was re-advanced at the current rate on a new loan for a period equal to the unexpired term of the original loan.

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

Expected Rate of Return on Assets (Pensions)
The expected return is a measure of the return on the investment assets held by the scheme for the year. It is not intended to reflect the actual realised return by the scheme, but a longer-term measure, based on the value of assets at the start of the year (taking into account movement in assets during the year) and an expected return factor.

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. Usually the best evidence of fair value of a financial instrument on initial recognition is the transaction price, that is the consideration given or received.

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.

Financial Instruments Adjustment Account
Balancing account to allow for differences in statutory requirements and proper accounting practices for borrowing and investments.

General Fund
This is the account for the major functions for which the Council is responsible excluding the HRA. Credited to the General Fund are charges, Government and other grants, and the Council's demand on the Collection Fund.

Government Grants Deferred Account
This represents the balance of grants applied to the financing of fixed assets, awaiting amortisation to service revenue accounts to match depreciation on the relevant assets.

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.

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.

Net Current Replacement Cost
The cost of replacing or recreating an asset in its existing condition and in its existing use, i.e. the cost of its replacement or of the nearest equivalent asset, adjusted to reflect the current condition of the existing asset.

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

Non-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.

Non-Operational Assets
Fixed assets held by a Council but not directly occupied, used or consumed in the delivery of services. Examples of non-operational assets are investment properties and assets that are surplus to requirements, pending sale or redevelopment.

Operational Assets
Fixed assets held and occupied, used or consumed by the Council in the direct delivery of services for which it has either a statutory or discretionary responsibility.

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

Precept
This is a charge levied by a local authority which is collected on its behalf by another authority. 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
Two or more parties are related parties when at any time during a financial period:

- one party has direct or indirect control of the other party; or
- the parties are subject to common control from the same source; or
- one party has influence over the financial and operational policies of the other party to an extent that the other party might be inhibited from pursuing at all times its own separate interests; or
- the parties, in entering a transaction, are subject to influence from the same source to such an extent that one of the parties to the transaction has subordinated its own separate interests

Examples of related parties of an authority include its subsidiary and associated companies, its joint ventures and partners, other bodies precepting or levying demands on the Council Tax, its members and chief officers.

Revaluation Reserve
This account records the net gain from fixed asset revaluations made after 1 April 2007.

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.

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.

Independent auditor's report to Kirklees Council

Opinion on the financial statements

I have audited the financial statements of Kirklees Council for the year ended 31 March 2008 under the Audit Commission Act 1998. The financial statements comprise the Explanatory Foreword, Income and Expenditure Account, Balance Sheet, Statement of Total Recognised Gains and Losses, Statement of Movement on the General Fund Balance, Cash Flow Statement and the related notes. The financial statements have been prepared under the accounting policies set out within them.

This report is made solely to Kirklees Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 36 of the Statement of Responsibilities of Auditors and of Audited Bodies prepared by the Audit Commission.

Respective responsibilities of the Chief Finance Officer and auditors

The Director of Finance's responsibilities for preparing the financial statements, in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007 are set out in the Statement of Responsibilities.

My responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the financial statements present fairly, in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007 the financial position of the Council and its income and expenditure for the year.

I review whether the Annual Governance Statement reflects compliance with CIPFA/SOLACE's framework 'Delivering Good Governance in Local Government'. I report if it does not comply with proper practices specified by CIPFA or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider, nor have I considered, whether the Annual Governance Statement covers all risks and controls. I am also not required to form an opinion on the effectiveness of the Council's corporate governance procedures or its risk and control procedures.

Basis of audit opinion

I conducted my audit in accordance with the Audit Commission Act 1998, the Code of Audit Practice issued by the Audit Commission and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the Council in the preparation of the financial statements, and of whether the accounting policies are appropriate to it's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements.

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Opinion

In my opinion:

- the financial statements present fairly, in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007, the financial position of the Council as at 31 March 2008 and its income and expenditure for the year then ended.

Paul Lundy
District Auditor
Audit Commission
Kernel House
Killingbeck Drive
Killingbeck
Leeds LS14 6UF

30 September 2008

Conclusion on 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 regularly review the adequacy and effectiveness of these arrangements.

Under the Local Government Act 1999, the Council is required to prepare and publish a best value performance plan summarising it's assessment of its performance and position in relation to its statutory duty to make arrangements to ensure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

Auditor's Responsibilities

I am required by the Audit Commission Act 1998 to be satisfied that proper arrangements have been made by the Council for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires me to report to you my conclusion in relation to proper arrangements, having regard to relevant criteria specified by the Audit Commission for principal local authorities. I report if significant matters have come to my attention which prevent me from concluding that the Council has made such proper arrangements. I am not required to consider, nor have I considered, whether all aspects of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

I am required by section 7 of the Local Government Act 1999 to carry out an audit of the Council's best value performance plan and issue a report:

- certifying that I have done so;
- stating whether I believe that the plan has been prepared and published in accordance with statutory requirements set out in section 6 of the Local Government Act 1999 and statutory guidance; and
- where relevant, making any recommendations under section 7 of the Local Government Act 1999.

Conclusion

I have undertaken my audit in accordance with the Code of Audit Practice and having regard to the criteria for principal local authorities specified by the Audit Commission and published in December 2006, I am satisfied that, in all significant respects, Kirklees Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2008.

Best Value Performance Plan

I issued my statutory report on the audit of the authority's best value performance plan for the financial year 2007/08 in October 2007. I did not identify any matters to be reported to the authority and did not make any recommendations on procedures in relation to the plan.

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Certificate

I am unable to certify at this time that I have completed the audit of the accounts in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission. This is due to an objection to the 2007/08 accounts that was received in August 2008 and is currently being processed.

Paul Lundy
District Auditor
Audit Commission
Kernel House
Killingbeck Drive
Killingbeck
Leeds LS14 6UF

30 September 2008

AUDITOR'S CERTIFICATE ON THE AUDIT OF KIRKLEES COUNCIL

Issue of audit opinion on the accounting statements

In my audit report for the year ended 31 March 2008 issued on 30 September 2008 I reported that, in my opinion, the accounting statements:

- gave a true and fair view of the state of Kirklees Council's affairs as at 31 March 2008 and of its income and expenditure for the year then ended;
- gave a true and fair view of the state of the group's affairs as at 31 March 2008 and of its income and expenditure for the year then ended; and
- had been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom.

Issue of value for money conclusion

In my audit report for the year ended 31 March 2008 issued on 30 September 2008 I reported that, in my opinion, in all significant respects, Kirklees Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2008.

Certificate

In my report dated 30 September 2008, I explained that the audit could not be formally concluded on that date until consideration of matters brought to my attention by local authority electors had been completed. These matters have now been dealt with.

No other matters have come to my attention since that date that would have a material impact on the financial statements on which I gave an unqualified opinion and value for money conclusion.

I certify that I have completed the audit of the accounts of Kirklees Council in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Paul Lundy
District Auditor

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9th May 2012