

KIRKLEES COUNCIL

STATEMENT OF ACCOUNTS 2010/2011

(Incorporating the Annual Governance Statement)

David Smith,
Director of Resources
Civic Centre 3
Market Street
Huddersfield
HD1 1WG

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Introduction

I am pleased to introduce the Council's Statement of Accounts for 2010/11. These accounts demonstrate the Council's financial performance for the year ended 31 March 2011. 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 financial statements are prepared, for the first year, under International Financial Reporting Standards (IFRS), although they include a number of specific adjustments to avoid council tax payers contributing to future expenditure.

The Statement of Accounts contains four core accounting statements:

- **Movement in Reserves Statement (MIRS)**
- **Comprehensive Income and Expenditure Statement (CIES)**
- **Balance Sheet at 31 March 2011 with comparators**
- **Cash Flow Statement**

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

This main section is followed by three supplementary statements:

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

These are accounts the Council is required to keep by statute and each one is preceded by notes explaining their purpose and followed by explanatory notes.

The accounts also include:

- **The Statement of Responsibilities for the Statement of Accounts** - sets out the respective responsibilities of the Council and the Director of Resources for the accounts.
- **The Annual 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 of 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 simplified version of the Council's financial position. These are available at www.kirklees.gov.uk/you-kmc/kmcbudget/budget.shtml.

Financial Performance of the Council

Revenue Budget

The Revenue Budget for 2010/11 was approved on 24 February 2010, following an extensive planning process which began in the summer of 2009. The Budget was set at £345.3 million (including parish precepts), after the planned use of General Fund balances of £4.5 million, delivering a Council Tax increase of 2%. The Budget was set as part of the Medium Term Financial Plan (MTFP), which was prepared in the context of the Council's ambitions.

During the year, the Budget was increased by £5.0 million to take account of additional budgets agreed as part of the 2009/10 "Rollover" process. Subject to certain conditions, this is a process where unspent budgets and slippage on specific schemes in one year can be carried forward into following years. The net revenue budget was therefore increased to £350.3 million (including parish precepts).

During the year the Council was notified that following a national Emergency Budget there would be an 'in year reduction in Area Based Grant of £2.9 million as part of the Government's total grant reductions of £1.165 billion. This was reported to Full Council on 23 July 2010 and a strategy was formulated to allow the Council to reduce its revenue spending accordingly.

Actual Net Revenue Expenditure

The Council's revenue expenditure is summarised in two of the core statements. The first is the Comprehensive Income and Expenditure Statement, which summarises revenue expenditure according to accounting conventions used in the private and other sectors. However, the law relating to local government finance and council tax requires different treatment for a range of factors.

The Movement in Reserves Statement shows the movement between reserves and takes account of the appropriate statutory adjustments (relating to capital financing, payments to the government pool for capital receipts, and accounting for retirement benefits). After doing this, the General Fund Balance shows a final reported deficit for the Council of £0.5 million (2009/10 £15.6 million deficit).

A report on the Council's financial outturn was presented to the full Council meeting on 22 June 2011. The Council was able to manage its financial resources effectively recognising both in year service and longer term resource pressures. The net underspend was £9.1 million or 2.6% against an overall net budget of £350.3 million.

Approximately £2.1 million of this underspend relates to budgets of a more technical nature which are managed centrally, rather than being held within Directorates. Contributory factors include a one-off VAT refund of just over £1 million, and variations in pay and price inflation.

Net of the £2.1 million adjustment above, there is an underlying £6.9 million underspend across the Council's four Directorates; in percentage terms, this equates to just 1.9% of the overall Council net budget.

Within the total Directorate underspend, there are three specific activities which are effectively 'ring-fenced' revenue budgets within the totality of Directorate managed budgets; Corporate Priority Budgets (CPB), Energy Council Wide Initiatives and Town and Valley Committee delegated budgets. Collectively these account for £3.3 million of the Directorate underspend, and is mainly due to timing issues, resulting in slippage against these activities.

The balance of Directorate underspend is £3.6 million or just over 1% against the Council net budget. Within the £3.6 million net underspend here; there are a number of variations.

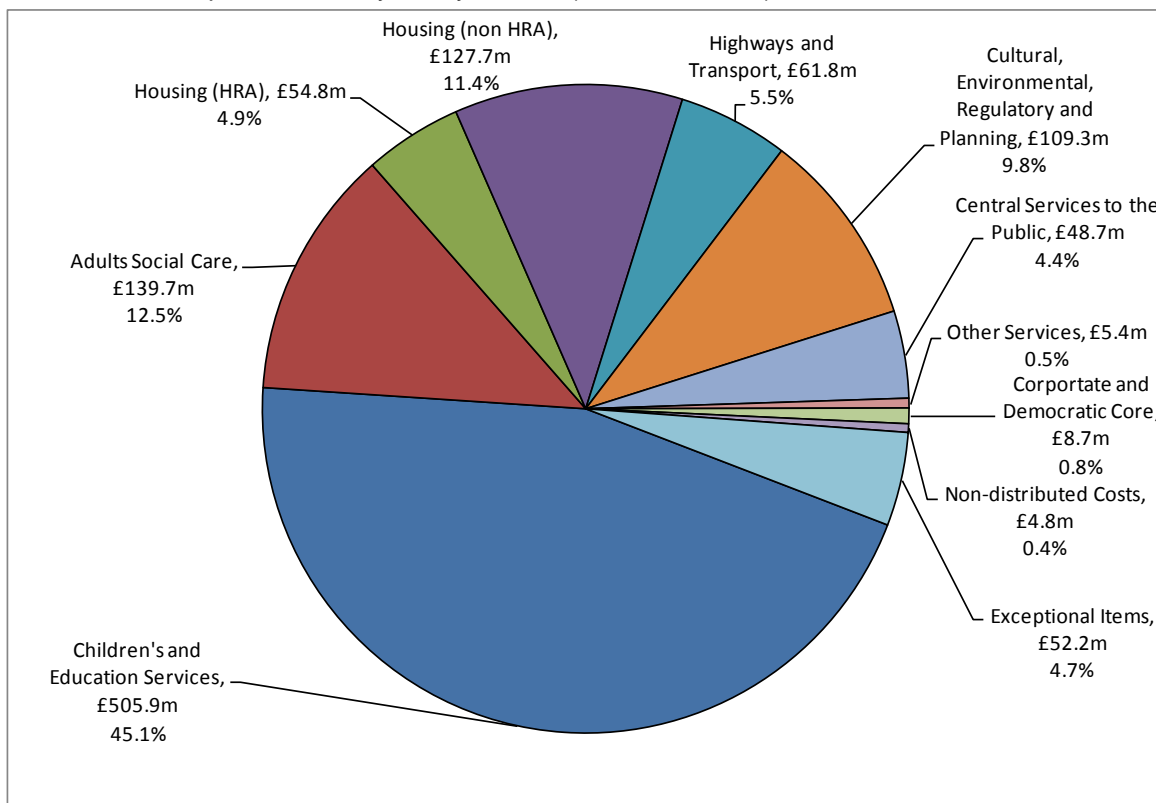
These include additional costs within the Children and Young People Service at £0.7 million related to safeguarding services and a higher number of children requiring care. Building Services which is the single largest trading operation in the Council overspent by £0.6 million, which equates to 1.4% of its turnover. Continuing demand led pressures within Adult Social Care, in particular the Older Peoples Service led to an overspend of £1.1 million.

These overspends were offset by a number of underspends, including savings from vacancy management across a range of Council services, many of which have been held, in anticipation of Council wide savings requirements from 2011/12 onwards. Many of these vacancies result from the voluntary early retirement/ redundancy programme commenced by the Council in 2009/10. Elsewhere, other savings included £1.0 million on waste disposal, due to reduced landfill tonnage, and a one-off settlement on a number of prior year government grant claims.

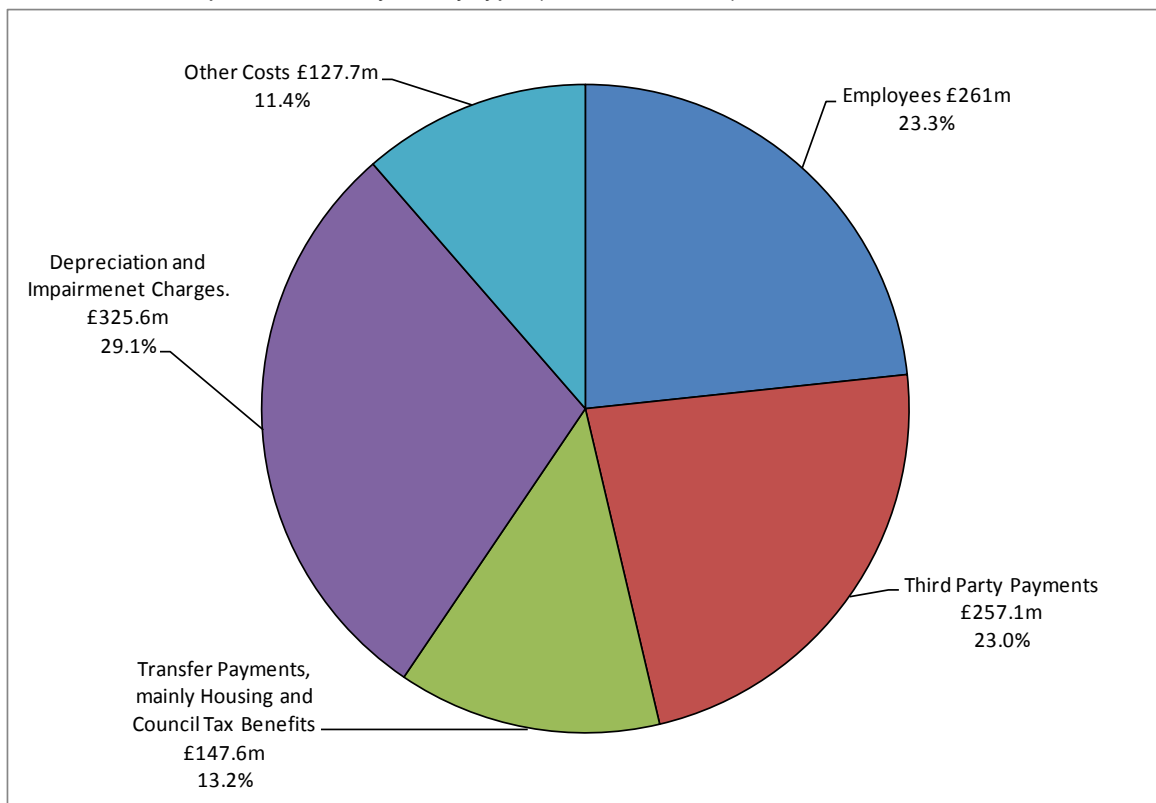
The following charts illustrate how the Council spent its money (by service and by type of expenditure) and where the money came from to fund this expenditure.

EXPLANATORY FOREWORD
KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2010/11

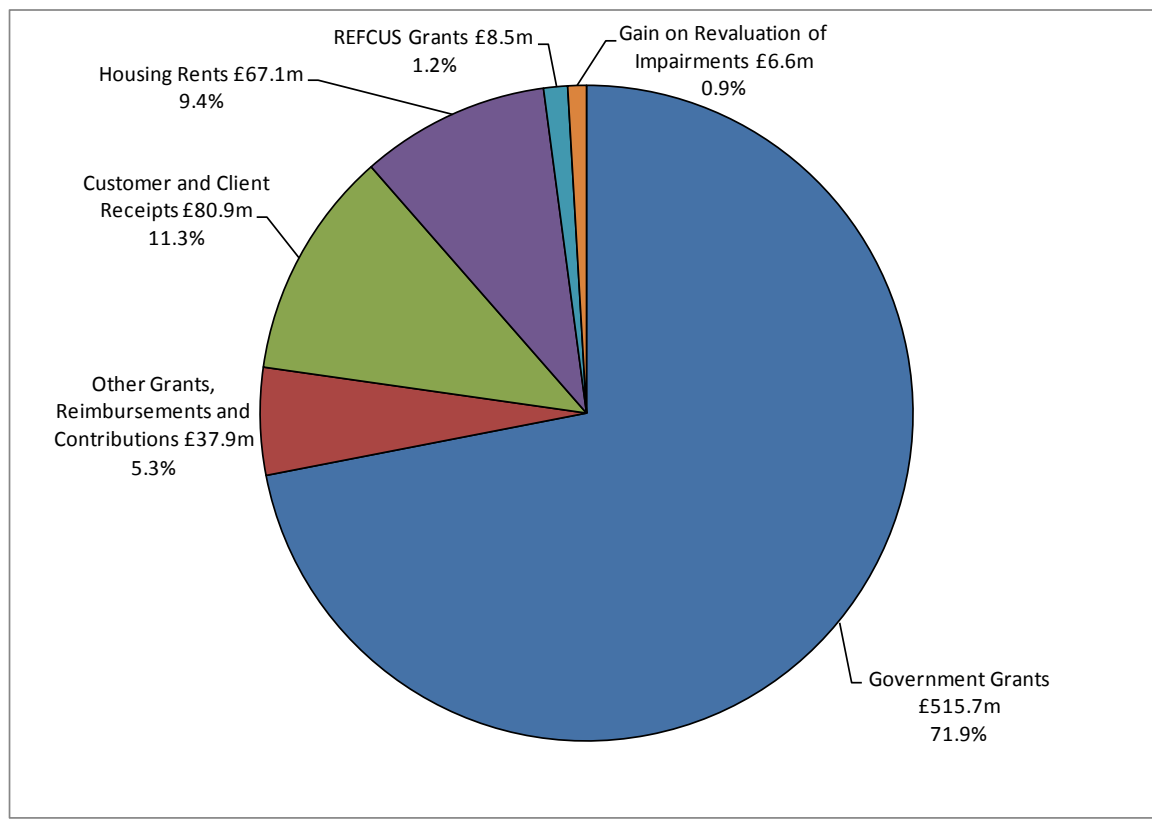
Gross revenue expenditure analysed by service (£1,119.0 million)



Gross revenue expenditure analysed by type (£1,119.0 million) -



Income by type (£716.7 million)



*Revenue Expenditure Funded from Capital under Statute

Earmarked Reserves and Balances

The General Fund Balance at 31 March 2011 was £18.7 million, of which £5.0 million is required as the 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 2011. The current level of balances is provisionally allocated as follows:

- Planned/ phased use in Medium Term Financial Plan £1.5 million
- Rollover – to be used in 2011/12 revised budget £7.6 million
- Unreserved balances £4.6 million
- Balances retained for unforeseen risks £5.0 million

The Council's earmarked reserves increased by £20.8 million during the year. With the accounting changes resulting from the introduction of IFRS the reserves now include some reserves resulting from technical accounting changes including the revenue grants reserves totalling £17.8 million. This is because all grants which do not have conditions (live) outstanding must now be recognised in the Comprehensive Income and Expenditure Statement (CIES) in the year, irrespective of whether the corresponding expenditure has been incurred. As such an appropriation is made to reserves to negate the effect on the General Fund Balance.

A workforce restructuring reserve has also been established in the year. With the increasing pressure on local government to reduce budgets and the planned reductions in the medium term financial plan, this reserve has been set up to fund specific costs arising from the Council's redundancy programme. There are a number of current and pending service reviews incorporated into the Council's medium term financial plan, the implementation of which will include 'one-off' severance costs, which will be met from this reserve.

The reserves also include a technical reserve relating to the accounting treatment of PFI schemes, of £3.0 million. The remaining reserves cover specific areas of activity and risk and include an amount of £9.6 million (2009/10 £10.2 million) relating to schools' balances. A contributory factor to the fall in balances is a plan to reduce the number of schools with balances above set target levels.

Housing Revenue Account (HRA)

The HRA Income and Expenditure Account shows an operating deficit for the year of £230.9 million (2009/10 restated surplus of £42.2 million). The deficit has arisen from losses on the revaluation of the housing stock. The HRA Balance shows a final reported surplus of £4.3 million (2009/10 surplus of £1.0 million), which has been transferred to balances.

The HRA Balance stands at £31.3 million as at 31 March 2011 and this will be used to help sustain a balanced HRA revenue position over the medium to longer term. The balance on the Major Repairs Reserve stands at £13.2 million at 31 March 2011 and will be used primarily to support capital expenditure over future years to help meet decent homes targets.

Collection Fund

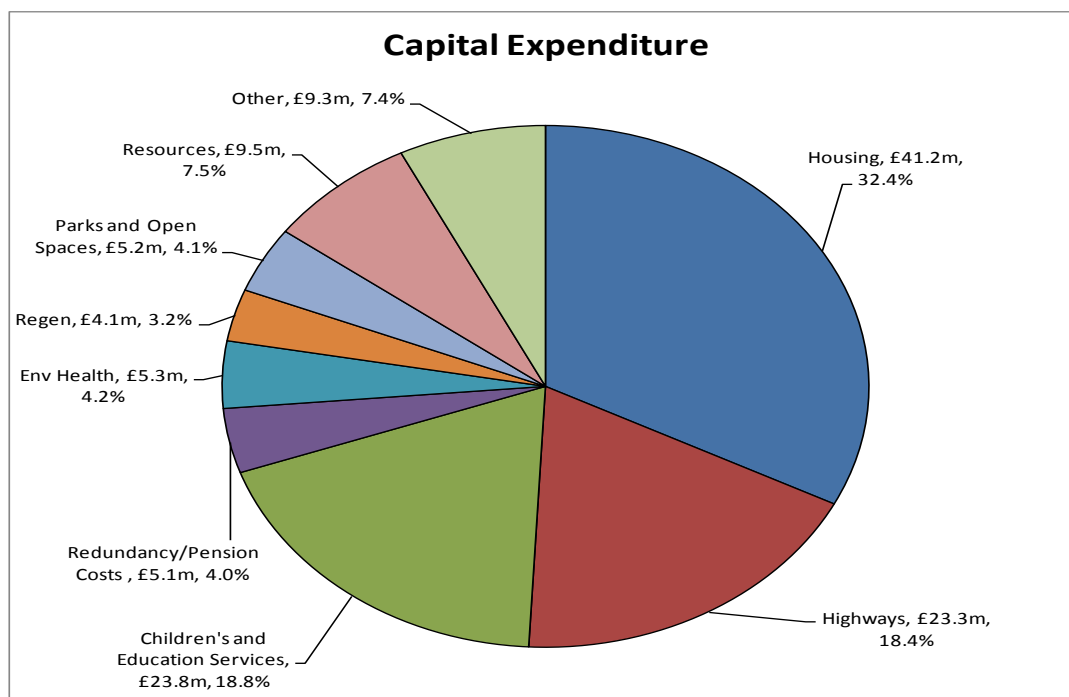
For 2010/11, the Collection Fund showed a surplus of £0.6 million (2009/10 £1.4 million deficit), reducing the negative Collection Fund Balance to £1.7 million. This Balance will be recovered from the Council and precepting authorities in future years. National Non-Domestic Rates do not impact on the Balance as they are paid over to the Government's national pool and redistributed to authorities based on population. The deficit balance is mainly the result of lower than anticipated levels of Council Tax Income arising from recessionary effects, with lower levels of new properties and increasing arrears.

The percentage of local taxation bills collected in year was 96.0% for Council Tax (95.6% in 2009/10) with arrears outstanding as at 31 March 2011 of £12.6 million (31 March 2010 figure of £12.3 million).

Assets

The value of property, plant and equipment has decreased during the year by £197.0 million to £1,851.5 million. The fall is largely due to a decrease in the value of housing stock which is explained in note 9 on page 48. Capital investment in 2010/11 totalled £126.8 million (2009/10 £161.8 million).

Capital Expenditure in 2010/11 (£126.8 million) can be analysed by Service Area as follows:



The expenditure above was funded by borrowing (£47.4 million), grants and contributions (£43.4 million), capital receipts (£8.1 million), Major Repairs Reserve (£20.8 million), and revenue (£7.1 million).

The Council's policy towards cash flow management is risk adverse and all investments in 2010/11 have been placed short-term with a view towards security and liquidity. As at 31 March 2011, £13.0 million was held in short-term deposits with financial institutions and £29.7 million in readily accessible deposit accounts (£12.8 and £24.8 million, 31 March 2010). Included in the balance of short-term deposits is an investment in a failed Icelandic Bank. Current indications suggest that the Council will recover between 85% to 90% of the monies due. By March 2010, the Council had written off 17% of the investment.

A report on the Council's treasury management activities was presented to the full Council meeting on 22 June 2011.

Liabilities

Current liabilities reduced by £6.9 million in the year.

Total external borrowing during the year increased from £543.7 million to £560.4 million. New long-term borrowing totalling £16.0 million was undertaken in the year and £14.5 million was repaid while temporary borrowing rose from £4.1 million to £19.3 million. The average interest rate for external borrowing for 2010/11 was 5.28% (2009/10 5.63%).

As at 31 March 2011, the Council had £23.0 million of provisions (£24.0 million 31 March 2010). These largely cover estimated liabilities relating to insurance claims and equal pay claims.

The Balance Sheet also contains a net pensions liability of £429.2 million (31 March 2010 £804.9 million). This represents an actuarial assessment of the Council's share of the pension fund assets and the underlying commitment of the Council to pay future retirement benefits. The decrease in liabilities of £375.7 million is mainly due to the change, effective from 1 April 2011, that increases to local government pensions will be linked to annual increases in the Consumer Prices Index (CPI) rather than the Retail Price Index (RPI). This has resulted in an exceptional item in the year (note 9) as there has been a £192.1 million credit in past service costs, as a result of the reduction in future liabilities to the Pension Fund.

Whilst the pensions liability figure has reduced year on year, it is still substantial. It should be remembered that:

- It is not an immediate deficit that needs to be met now. The sum is the current assessment taking a long-term view of the future liabilities for existing pensioners and current employees who are accruing pension entitlement.
- It is not a situation unique to Kirklees Council or local authorities generally. There is a national problem for pension funds in both public and private sectors.
- The West Yorkshire Pension Fund is regularly reviewed and provision has been made for additional contribution to address the deficit over a period of years. Nevertheless the West Yorkshire Pension Fund has indicated that the next review will include consideration of personal contribution rates and benefits.
- Under proposed changes to regulations, employee contribution rates may change.

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

Group performance

The Council's Group Accounts are made up of the accounts of the Council, two wholly owned subsidiaries, two joint venture companies and five associates. The group deficit for 2010/11 was £74.4 million (2009/10 group deficit £6.2 million).

Accounting Changes

This year is the first in which the Statement of Accounts have been prepared under International Financial Reporting Standards (IFRS). This has meant significant changes in the format and notes to the accounts including:

- The introduction of component accounting in relation to the accounting on fixed assets. This means that individual parts within assets can be treated separately for the purposes of depreciation, where doing so would lead to a material difference in the depreciation of the asset.
- Government Grants and Contributions – All grants are recognised immediately in the Comprehensive Income and Expenditure Account to the extent that they do not have a live condition; that is, they are not expected to be returned to the giver. Where a live condition exists, these can still be recognised immediately where there is reasonable assurance that the condition will be met, either from past experience, or future plans.
- For the first time, untaken leave and flexi-time has been recognised in the Comprehensive Income and Expenditure Account, to the extent that it is an accrued expense of the Council. This is then reversed out through the Movement in Reserves Statement, so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

Future developments

Housing PFI Scheme

The Council is currently in negotiations with Central Government to secure funding for a design, build, finance and operate PFI contract to provide around 450 units of HRA housing of which 140 will be extra care units and 40 suitable for tenants with physical disabilities. The procurement for the scheme is currently at Preferred Bidder stage and if the funding is secured, the contract will be signed in 2011. If the contract does proceed the total estimated nominal payments over the life of the contract will be in the region of £240 million.

HRA Self-financing Reform

It is anticipated that HRA self-financing reform will be enacted through the forthcoming Localism Bill, and formally implemented from April 2012 for all Councils with social housing stock. This will effectively end the current Housing Subsidy system, and replace it with a more self-sustaining financial regime going forward, whereby Council Housing Revenue Accounts will retain all future rental income generated locally, to be spent on the provision of landlord services to tenants.

DCLG have issued a formal timetable to implementation, noting that there are a number of issues to be resolved in the run up to the implementation; in particular Councils will receive further guidance from CIPFA later in the year on the revised treasury management arrangements arising from a formal split of debt portfolios between Council HRAs and General Funds.

Academies

In June 2010, the Coalition Government changed the emphasis of schools converting to Academies. Previously, Academy status was a mechanism to assist failing schools to improve, it is now an option for successful schools.

When a school becomes an Academy, the local authority is no longer the funding body (except for the funding of special needs pupils) and the land and buildings and employees transfer to the Academy which gives them the ability to set their own pay and conditions for staff. The overall financial implication of Academy status is that Academies receive the same level of per-pupil funding as they would receive from the local authority, as a maintained school, but they receive their funding directly from the Young People's Learning Agency (YPLA – an agency of the Department for Education). There are also further deductions from the Dedicated Schools Grant (DSG) received by the local authority, for the services that the local authority would normally provide e.g. Behavioural Support, Admissions etc.

Prior to the balance sheet date, there was one Academy within Kirklees – Heckmondwike Grammar. There are a number of other schools actively pursuing Academy status.

Trust Schools

Trust Schools, unlike academies, continue to be maintained by the local authority, but as with an Academy, the land, buildings and employees transfer to the Trust Body. Trust Schools often receive extra support (usually non-monetary) from a charitable trust made up of partners working together for the benefit of the school. As at the balance sheet date, there was one Trust School within Kirklees, the Dewsbury Learning Trust (formerly Westborough High School).

The Medium Term Financial Plan (MTFP)

The Council produces a three year Medium Term Financial Plan (MTFP) detailed three year budgets, and a 5 year capital plan. Whilst the Council formally approves only one year's council tax at a time, there is a requirement that the outline plans for the second and third years are 'rolled forward' in the next budget round. The most recent budget round marks a further transition in the Council's financial planning; in particular the need to have regard to a clearly signalled 4 year Central Government deficit reduction programme.

The financial settlement following the recent Comprehensive Spending Review (CSR) will require a transformation in the way the Council, and indeed partner organisations, interact with, deliver services to, and commission services on behalf of the citizens it serves in Kirklees, over the next 3 years and beyond.

This is absolutely necessary in view of the future resources that will be available to the Council over this period, which will see a phased reduction in formula grant by year 4, equivalent to 28% less resources over a 4 year period, in real terms. When combined with inflation, other increases in costs, most notably continuing demand led pressures on children's safeguarding and adult social care client numbers, and as well as the continued impact of the local economic climate, the estimated impact is a resources reduction requirement rising to £80 million per annum, over the CSR period.

The scale of the financial planning challenge outlined above is intended in part to be met by ambitious plans to achieve significant savings of up to £30 million over the medium term, through Innovation & Efficiency Programme initiatives, which are already well advanced. However, plans for new approaches to service delivery beyond that, are also required.

This has been an especially challenging budget round, and in view of the scale of the financial challenges ahead, there has been a considered refresh in the Council's approach to the budget process; in particular a much more strategic and transformational focus for articulating what the Council "offer" will be in 3 to 4 years time, and the effective use of robust multi-year budget strategies to facilitate the scale of transformational change required over this period.

The Council's updated 5 year capital plan has also been informed by the financial challenges impacting on forward revenue budget plans; in particular, in considering how much the Council can afford to continue to support the funding of the capital plan from prudential borrowing, which is funded through revenue.

The Council's approach to the medium term financial plan as above is also a key determinant in its strategy for use of balances and reserves. The Council is facing significant financial challenges following Central Government's 2 year financial settlement, and while year 3 and 4 forecast reductions are considered robust, the figures remain provisional for these years. The Council's strategy for the use of balances is that use of uncommitted balances therefore be considered only as part of a 3 to 4 year strategy, and not on a short-term basis.

As well, the Council's approach to reserves is also informed by the medium term financial plan; including the requirement for a specific workforce restructure reserve, as a result of ongoing and planned service reviews incorporated into the Council's forward budget plans.

Accounting

2011/12 will be the second year of producing IFRS compliant accounts in local authorities. As such, there will be little change with the exception of the formal adoption of FRS30 Heritage Assets. Information is included in respect of the changes to heritage assets at note 3 to the accounts.

The majority of the other changes are clarification changes only and do not introduce new accounting treatment.

Further Information

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

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

Acknowledgements

I wish to thank colleagues in Finance and Performance for their hard work, commitment and skill in completing this Statement of Accounts and all the supporting information.

David Smith
Director of Resources

STATEMENT OF RESPONSIBILITIES AND CERTIFICATE

KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2010/11

The Council's Responsibilities

The Council is required to:

- make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this council, that officer is the Director of Resources;
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- approve the Statement of Accounts.

The Director of Resources' Responsibilities

The Director of Resources is responsible for the preparation of the Council's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC "Code of Practice on Local Council Accounting in the United Kingdom" (the Code).

In preparing this Statement of Accounts, the Director has:

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

The Director has also:

- kept proper accounting records which were up to date;
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

Certificate

I certify that this Statement of Accounts presents a true and fair view of the financial position of Kirklees Council at the reporting date, and its income and expenditure for the year ended 31 March 2011.

David Smith
Director of Resources

29 September 2011

I certify that this Statement of Accounts was approved by the Corporate Governance and Audit Committee on 29 September 2011.

Councillor Linda Wilkinson
Chair, Corporate Governance and Audit Committee

29 September 2011

MAIN FINANCIAL STATEMENTS
KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2010/11

STATEMENT OF MOVEMENT IN RESERVES

This statement shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The surplus or deficit on the provision of services' line shows the true economic cost of providing the Council's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance and Housing Revenue Account for Council Tax setting and dwellings rent setting purposes. The 'Net Increase/ Decrease before Transfers to Earmarked Reserves' line shows the statutory General Fund Balance and the Housing Revenue Account Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.

	General Fund Balances	Earmarked General Fund Reserves	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Council Reserves
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Balance at 31 March 2009	34,781	54,022	25,970	7,000	17,590	11,062	150,425	942,388	1,092,813
Movement in reserves during 2009/10									
Surplus or (deficit) on the provision of services	-48,449	0	42,249	0	0	0	-6,200	0	-6,200
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	-347,508	-347,508
Total Comprehensive Income and Expenditure	-48,449	0	42,249	0	0	0	-6,200	-347,508	-353,708
Adjustments between account basis & funding basis under regulations (note 7)	34,369	0	-41,255	0	1,447	8,877	3,438	-3,438	0
Net Increase/(Decrease) before Transfers to Earmarked Reserves	-14,080	0	994	0	1,447	8,877	-2,762	-350,946	-353,708
Transfers to/from Earmarked Reserves (note 8)	-1,530	1,530	0	0	0	0	0	0	0
Increase/(Decrease) in 2009/10	-15,610	1,530	994	0	1,447	8,877	-2,762	-350,946	-353,708
Balance at 31 March 2010 carried forward	19,171	55,552	26,964	7,000	19,037	19,939	147,663	591,442	739,105

MAIN FINANCIAL STATEMENTS
KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2010/11

	General Fund Balances £000	Earmarked General Fund Reserves £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Council Reserves £000
Balance at 31 March 2010 carried forward	19,171	55,552	26,964	7,000	19,037	19,939	147,663	591,442	739,105
Movement in reserves during 2010/11									
Surplus or (deficit) on the provision of services	151,573	0	-230,916	0	0	0	-79,343	0	-79,343
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	251,569	251,569
Total Comprehensive Income and Expenditure	151,573	0	-230,916	0	0	0	-79,343	251,569	172,226
Adjustments between account basis & funding basis under regulations (note 7)	-131,295	0	235,245	-3,382	-5,854	2,232	96,946	-96,946	0
Net Increase/(Decrease) before Transfers to Earmarked Reserves	20,278	0	4,329	-3,382	-5,854	2,232	17,603	154,623	172,226
Transfers to/from Earmarked Reserves (note 8)	-20,769	20,769	0	0	0	0	0	0	0
Increase/(Decrease) in 2010/11	-491	20,769	4,329	-3,382	-5,854	2,232	17,603	154,623	172,226
Balance at 31 March 2011 carried forward	18,680	76,321	31,293	3,618	13,183	22,171	165,266	746,065	911,331

General Fund Balances – This is the general reserve available for Council use, excluding Housing Revenue Account purposes.

Earmarked General Fund Reserves – These are reserves set aside for specific areas of expenditure and risk.

Housing Revenue Account (HRA) – This is a general reserve available for HRA purposes.

Capital Receipts Reserve – Income from the disposal of assets and capital loans is credited to this reserve. A proportion of the receipts relating to housing disposals is payable to the Government. The balance on the reserve can be used to finance new capital investment or set aside to reduce the Council's underlying need to borrow.

Major Repairs Reserve – 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.

Capital Grants Unapplied – Capital grants and contributions received by the Council are credited to this reserve when there is an expectation that any conditions related to the grants will be met. These grants and contributions are then used to fund related capital expenditure when it is incurred.

MAIN FINANCIAL STATEMENTS
KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2010/11

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT (CIES)

This Statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost.

	2010/11			2009/10			
	Gross Exp £000	Gross Income £000	Net Exp £000	Gross Exp £000	Gross Income £000	Net Exp £000	Note
Children's and Education Services	505,906	402,728	103,178	484,437	378,024	106,413	5
Adults Social Care	139,699	38,781	100,918	136,497	35,787	100,710	5
Housing (HRA)	54,795	74,681	-19,886	54,129	106,461	-52,332	
Exceptional Item (HRA) – Revaluation losses on PPE	244,253	0	244,253	0	0	0	9a
Housing (Non HRA)	127,688	110,894	16,794	128,295	107,011	21,284	5
Highways and Transport services	61,830	17,373	44,457	58,406	17,306	41,100	5
Cultural, Environmental, Regulatory and Planning services	109,286	27,154	82,132	113,648	29,987	83,661	5
Central services to the public	48,669	39,841	8,828	45,697	37,561	8,136	5
Other Services	5,434	5,164	270	5,570	5,286	284	
Corporate and democratic core	8,672	93	8,579	9,018	386	8,632	
Non distributed costs	4,813	0	4,813	14,631	0	14,631	
Exceptional Item – Pension increases to CPI	-192,085	0	-192,085	0	0	0	9b
Cost of Services	1,118,960	716,709	402,251	1,050,328	717,809	332,519	
Other operating expenditure	17,313	3,162	14,151	13,311	3,461	9,850	10
Financing and investment income and expenditure	143,698	92,272	51,426	127,211	65,075	62,136	11
Taxation and non-specific grant income	0	388,485	-388,485	0	398,305	-398,305	12
(Surplus) or Deficit on Provision of Services			79,343			6,200	
Surplus or deficit on revaluation of Property, Plant and Equipment assets			-37,177			-52,373	
Surplus or deficit on revaluation of available for sale financial assets			-385			167	
Actuarial gains/losses on pension asset/liabilities			-214,007			399,714	
Other Comprehensive Income and Expenditure			-251,569			347,508	
Total Comprehensive Income and Expenditure			-172,226			353,708	

MAIN FINANCIAL STATEMENTS
KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2010/11

BALANCE SHEET

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories. The first category of reserves is usable reserves; that is those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example, the capital receipts reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the Council is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example, the revaluation reserve), where amounts would only become available to provide services if the assets are sold; and reserves that holding timing differences shown in the Movement in Reserves Statement line “Adjustments between accounting basis and funding basis under regulations”.

	31 March 2011 £000	31 March 2010 £000	31 March 2009 £000	Note
Property, Plant & Equipment	1,851,479	2,048,498	1,942,975	13
Investment Property	81,076	86,680	81,846	14
Intangible Assets	2,650	3,740	1,374	15
Assets Held for Sale	1,040	1,231	1,013	22
Long Term Investments	3,855	4,428	10,338	17
Long Term Debtors	32,155	31,334	12,104	18
Long Term Assets	1,972,255	2,175,911	2,049,650	
Short Term Investments	15,773	12,932	48,272	
Inventories	2,470	2,277	2,596	19
Short Term Debtors	61,241	75,338	58,912	20
Cash and Cash Equivalents	37,908	34,491	54,493	21
Current Assets	117,392	125,038	164,273	
Cash and Cash Equivalents	-10,339	-14,570	-4,607	21
Short Term Borrowing	-33,228	-18,621	-9,065	
Short Term Creditors	-72,345	-88,293	-85,914	23
Other Short Term Liabilities	-2,563	-2,891	-3,026	24
Provisions	-23,024	-23,986	-23,045	25
Current Liabilities	-141,499	-148,361	-125,657	
Long Term Borrowing	-527,133	-525,066	-528,401	16
Other Long Term Liabilities	-509,684	-888,417	-467,052	26
Long Term Liabilities	-1,036,817	-1,413,483	-995,453	
Net Assets	911,331	739,105	1,092,813	
Usable Reserves	165,266	147,663	150,425	
Unusable Reserves	746,065	591,442	942,388	28
Total Reserves	911,331	739,105	1,092,813	

CASH FLOW STATEMENT

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

	2010/11	2009/10	
	£000	£000	Note
Net (surplus) or deficit on the provision of services	79,343	6,200	
Adjustments to net surplus or deficit on the provision of services for non-cash movements	-168,557	-70,628	51
Adjustment for items included in the net surplus or deficit on the provision of services that are investing and financing activities	43,860	55,591	52
Net cash flows from Operating Activities	-45,354	-8,837	29
Investing Activities	59,555	32,702	30
Financing Activities	-21,849	6,100	31
Net increase (-) or decrease in cash and cash equivalents	-7,648	29,965	
Cash and cash equivalents at the beginning of the reporting period	19,921	49,886	
Cash and cash equivalents at the end of the reporting period	27,569	19,921	21

NOTES TO THE CORE FINANCIAL STATEMENTS

KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2010/11

1 Accounting Policies

General Principles

The Statement of Accounts summarises the Council's transactions for the 2010/11 financial year and its position at the year-end of 31 March 2011. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2011, in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Council Accounting in the United Kingdom 2010/11 (the Code) and the Best Value Accounting Code of Practice 2010/11, supported by International Financial Reporting Standards (IFRS).

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

Accruals of Income and Expenditure

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

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

Cash and Cash Equivalents

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

Cash and cash equivalents are only shown net of bank overdrafts where there is a right of offset.

Exceptional Items

When items of income and expense are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are to an understanding of the Council's financial performance.

Charges to Revenue for Non-Current Assets

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

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

NOTES TO THE CORE FINANCIAL STATEMENTS

KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2010/11

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

Collection Fund

The transactions of the Collection Fund are wholly prescribed by legislation. These set the main types of income which must be paid directly into and the main types of expenditure which must be made directly from the Collection Fund. Precepts for major precepting authorities and a billing council's demand on the fund are paid out of the Collection Fund and credited to the Comprehensive Income and Expenditure Statements of precepting and billing authorities. Transactions presented in the Collection statement are limited to the cash flows permitted by statute for the financial year, whereas each council will recognise income on a full accruals basis (that is sharing out in full the surplus or deficit on the Collection Fund at the end of the year, even though it will be distributed to or recovered from the authorities in subsequent years).

Employee Benefits

Benefits Payable During Employment

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

An accrual is made for the cost of holiday and flexi-time entitlements carried forward into the next financial year. The accrual is charged to Surplus or Deficit on the Provision of Services, but then statutory regulations require this to be reversed out through the Movement in Reserves Statement, so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the Non Distributed Costs line in the Comprehensive Income and Expenditure Statement when the Council is demonstrably committed to the termination of the employment of an officer or group of officers.

Post Employment Benefits

Employees of the Council are members of two separate pension schemes:

- The Teachers' Pension Scheme, administered by Capita Teachers' Pensions on behalf of the Department for Education (DfE).
- West Yorkshire Pension Fund, which is part of the Local Government Pension Scheme (LGPS), administered by City of Bradford Metropolitan District Council.

Both schemes provided defined benefits to members (retirement lump sums and pensions), earned as employees worked for the Council.

The Teachers' Pension Scheme

This scheme is unfunded, meaning it has no investment assets. The administrator uses a notional fund as the basis for calculating the employers' contribution rate by local education authorities. This means that liabilities for benefits cannot be identified specifically to the Council. The scheme is therefore accounted for as if it were a defined contribution scheme and no liability for future payments of benefits is recognised in the Balance Sheet. The Children's and Education Services line in the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to Teachers' Pensions in the year.

NOTES TO THE CORE FINANCIAL STATEMENTS

KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2010/11

The Local Government Pension Scheme (LGPS)

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

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

- The liabilities of the West Yorkshire Pension Fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – that is an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of projected earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate of 5.4% (based on information gathered by the Council's actuary Aon Hewitt Limited and used to calculate its UK Corporate AA Curve – Swaps Extrapolation).
- The change in the net pensions liability is analysed into seven components:
 - Current service cost – the increase in liabilities as a result of years of service earned this year. Allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked.
 - Past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years. Debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.
 - Interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid. Debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.
 - Expected return on assets – the annual investment return on the fund assets attributable to the Council, based on an average of the expected long-term return. Credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.
 - Gains or losses on settlements and curtailments – the result of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees. Debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.
 - Actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions. Debited or credited to the Pensions Reserve.
 - Contributions paid to the fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

Changes to the LGPS permit employees retiring on or after 6 April 2006 to take an increase in their lump sum payment on retirement in exchange for a reduction in their future annual pension. The figures in this year's Statement of Accounts have been prepared by our actuary, based on the assumption that each member will exchange 62% of the maximum amount permitted of their past service pension rights on retirement for additional lump sum and 82% of the maximum amount of their future service pension costs.

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

NOTES TO THE CORE FINANCIAL STATEMENTS

KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2010/11

Discretionary Benefits

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

Events After the Balance Sheet Date

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

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

Financial Instruments

Financial Liabilities

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

For most of the borrowings that the Council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable; and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement 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 Comprehensive Income and Expenditure Statement 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 Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund Balance to be spread over future years. The Council has a policy of spreading the losses over the term that was remaining on the replacement loan and similarly for gains up to a maximum of ten years. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Financial Assets

Financial assets are classified into two types:

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

NOTES TO THE CORE FINANCIAL STATEMENTS

KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2010/11

Loans and receivables are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument. They are initially measured at fair value and subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For many of the loans that the Council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

However, the Council has made a number of loans to voluntary organisations at less than market rates (soft loans). When soft loans are made, a loss is recorded in the Comprehensive Income and Expenditure Statement (debited to the appropriate service) for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal. Interest is credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement at a marginally higher effective rate of interest than the rate receivable from the organisations, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year – the reconciliation of amounts debited and credited to the Comprehensive Income and Expenditure Statement to the net gain required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

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

Any gains and losses that arise on the derecognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

Available-for-sale assets are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Where the asset has fixed or determinable payments, annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income (for example, dividends) is credited to the Comprehensive Income and Expenditure Statement when it becomes receivable by the Council.

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

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

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made (fixed or determinable payments) or fair value falls below cost, the asset is written down and a charge made to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. If the asset has fixed or determinable payments, the impairment loss is measured as the difference between the

NOTES TO THE CORE FINANCIAL STATEMENTS

KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2010/11

carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate. Otherwise, the impairment loss is measured as any shortfall of fair value against the acquisition cost of the instrument (net of any principal repayment and amortisation).

Any gains and losses that arise on the derecognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any accumulated gains or losses previously recognised in the Available-for-Sale Reserve.

Instruments entered into before 1 April 2006

The Council entered into a number of financial guarantees that are not required to be accounted for as financial instruments. Where judged to be material, these guarantees are covered in the Contingent Liabilities note.

Government Grants and Contributions

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

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

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

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

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

Area Based Grant (ABG)

Area Based Grant is a general grant allocated by central government directly to local authorities as additional revenue funding. ABG is non-ringfenced and is credited to Taxation and Non-Specific Grant Income in the Comprehensive Income and Expenditure Statement.

Intangible Assets

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

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

NOTES TO THE CORE FINANCIAL STATEMENTS

KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2010/11

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

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Council can be determined by reference to an active market. In practice, no intangible asset held by the Council meets this criterion, and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life (usually between 3 and 10 years) to the relevant service line in the Comprehensive Income and Expenditure Statement. Straight-line amortisation has been adopted and it is assumed that residual value is insignificant or nil. An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the relevant service line in the Comprehensive Income and Expenditure Statement.

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

Interests in Companies and Other Entities

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

Inventories and Long Term Contracts

Inventories are included in the Balance Sheet at the lower of cost and net realisable value. The cost of inventories is now assigned using the [FIFO/weighted average] costing formula. However, it should be noted that Building Services moved to a new stock system in February 2010. Before this date the Last In First Out (LIFO) method of stock valuation method was used.

Investment Property

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

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

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

Jointly Controlled Operations

Jointly controlled operations are activities undertaken by the Council in conjunction with other venturers that involve the use of the assets and resources of the venturers rather than the establishment of a separate entity. If material, the Council recognises on its Balance Sheet the assets that it controls and the liabilities that it incurs, and debits and credits the Comprehensive Income and Expenditure Statement with the expenditure it incurs and the share of income it earns from the activity of the operation.

Landfill Allowance Schemes

Landfill allowances, whether allocated by DEFRA or purchased from another Waste Disposal Council (WDA) are recognised as current assets and are initially measured at fair value. Landfill allowances allocated by DEFRA are accounted for as a government grant.

NOTES TO THE CORE FINANCIAL STATEMENTS

KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2010/11

After initial recognition, allowances are measured at the lower of cost and net realisable value.

As landfill is used, a liability and an expense are recognised. The liability is discharged either by surrendering allowances or by payment of a cash penalty to DEFRA (or by a combination). The liability is measured at the best estimate of the expenditure required to meet the obligation, normally the market price of the number of allowances required to meet the liability at the reporting date. However, where some of the obligation will be met by paying a cash penalty to DEFRA, that part of its liability is measured at the cost of the penalty. The allowances in 2010/11 (and 2009/10) are recognised at nil value.

Leases

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

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

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

The Council as Lessee

Finance Leases:

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

Lease payments are apportioned between:

- A charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease liability, and
- A finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

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

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

Operating Leases:

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefiting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments.

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The Council as Lessor

Finance Leases:

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

Lease rentals receivable are apportioned between:

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

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

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

Operating Leases:

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

Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Best Value Accounting Code of Practice 2010/11 (BVACOP). The total absorption costing principle is used - the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

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

These two cost categories are defined in BVACOP and accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of Net Expenditure on Services.

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

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

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

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

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

Property, Plant and Equipment

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

Recognition

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

Measurement

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

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

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

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

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

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

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

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

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

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

NOTES TO THE CORE FINANCIAL STATEMENTS

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Depreciation

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

- | | |
|--------------------------------------|--------------|
| • Buildings | 50/60 years |
| • Infrastructure | 20 years |
| • Vehicles and operational equipment | 5 – 10 years |
| • Computer equipment | 3 – 5 years |

Where an item of Property, Plant and Equipment has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately. The de-minimis level for componentising an asset is £1 million. Only one significant component within those assets where depreciation could be considered material has been identified; Mechanical and Electrical.

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

Impairment

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

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

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

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

Disposals and Non-current Assets Held for Sale

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

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale; adjusted for depreciation, amortisation or revaluations that would have

NOTES TO THE CORE FINANCIAL STATEMENTS

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been recognised had they not been classified as Held for Sale, and their recoverable amount at the date of the decision not to sell.

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

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

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to housing disposals (75% for dwellings, 50% for land and other assets, net of statutory deductions and allowances) is payable to the Government. The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Council's underlying need to borrow. Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

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

Private Finance Initiative (PFI) and Similar Contracts

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

The Council has three PFI schemes –

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

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

Non current assets recognised on the Balance Sheet are revalued and depreciated in the same way as property, plant and equipment owned by the Council.

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

- Fair value of services received during the year – debited to the relevant service in the Comprehensive Income and Expenditure Statement.
- Finance cost – an interest charge on the outstanding Balance Sheet liability, debited to Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.
- Payment towards liability – applied to write down the Balance Sheet liability.

NOTES TO THE CORE FINANCIAL STATEMENTS

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- Lifecycle replacement costs – recognised as additions to Property, Plant and Equipment when the relevant works are carried out.

The Council receives an annual PFI Grant from Central Government which is credited to the “Taxation and Non Specific Grant Income” line in the Comprehensive Income and Expenditure Statement.

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

Provisions, Contingent Liabilities and Contingent Assets

Provisions

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

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

Contingent Liabilities

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

Contingent Assets

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

Reserves

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

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

NOTES TO THE CORE FINANCIAL STATEMENTS

KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2010/11

Revenue Expenditure Funded from Capital under Statute

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

VAT

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

NOTES TO THE CORE FINANCIAL STATEMENTS

KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2010/11

2 Prior Period Adjustments

The Statement of Accounts for 2010/11 is the first to be prepared on an International Financial Reporting Standards (IFRS) basis. Adoption of the IFRS based Code has resulted in the restatement of various balances and transactions, with the result that some of the amounts presented in the financial statements are different from the equivalent figures presented in the Statement of accounts for 2009/10.

Reconciliation of Net Worth reported under previous GAAP to Net Worth under IFRS at the date of transition (1 April 2009).

Note refs	Previous GAAP £000	Effect of transition to IFRS					IFRS £000
		Absences 2a £000	Grants 2b £000	Leases 2c £000	Other Non- current Assets 2d £000	Other 2e £000	
Property, Plant & Equipment	1,959,248	0	0	0	-7,891	0	1,951,357
Investment Property	81,851	0	0	-5,960	5,954	0	81,845
Intangible Assets	1,374	0	0	0	0	0	1,374
Assets Held for Sale	0	0	0	0	1,014	0	1,014
Long Term Investments	10,338	0	0	0	0	0	10,338
Long Term Debtors	8,690	0	0	6,317	0	0	15,007
Long Term Assets	2,061,501	0	0	357	-923	0	2,060,935
Short Term Investments	89,172	0	0	0	0	-40,900	48,272
Inventories	2,596	0	0	0	0	0	2,596
Short Term Debtors	58,821	0	91	0	0	0	58,912
Cash and Cash Equivalents	8,986	0	0	0	0	45,507	54,493
Current Assets	159,575	0	91	0	0	4,607	164,273
Cash and Cash Equivalents	0					-4,607	-4,607
Short Term Borrowing	-9,065	0	0	0	0	0	-9,065
Short Term Creditors	-103,247	-10,670	24,977	0	0	0	-88,940
Provisions	0	0	0	0	0	0	0
Current Liabilities	-112,312	-10,670	24,977		0	-4,607	-102,612
<i>Grants Deferred</i>	-120,201	0	120,201	0	0	0	0
Provisions	-23,045	0	0	0	0	0	-23,045
Long Term Borrowing	-528,401	0	0	0	0	0	-528,401
Other LT Liabilities	-467,052	0	0	0	0	0	-467,052
Long Term Liabilities	-1,138,699	0	120,201	0	0	0	-1,018,498
Net Assets	970,065	-10,670	145,269	357	-923	0	1,104,098
Capital Grants Unapplied	0	0	11,062	0	0	0	11,062
Earmarked Reserves	42,921	0	14,006	0	0	0	56,927
Other Usable Reserves	85,341	0	0	0	0	0	85,341
Usable Reserves	128,262	0	25,068	0	0	0	153,330
Capital Adj Account	1,026,293	0	120,201	-5,960	21,172	0	1,161,706
Revaluation Reserve	204,202	0	0	0	-22,095	0	182,107
Absences Account	0	-10,670	0	0	0	0	-10,670
Other Unusable Reserves	-388,692	0	0	6,317	0	0	-382,375
Unusable Reserves	841,803	-10,670	120,201	357	-923	0	950,768
Total Reserves	970,065	-10,670	145,269	357	-923	0	1,104,098

NOTES TO THE CORE FINANCIAL STATEMENTS

KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2010/11

Reconciliation of Net Worth reported under previous GAAP to Net Worth under IFRS at the end of the latest period presented in the most recent financial statements (31 March 2010).

	Previous GAAP	<u>Effect of transition to IFRS</u>					IFRS
		<i>Absences</i>	<i>Grants</i>	<i>Leases</i>	<i>Other Non- current Assets</i>	<i>Other</i>	
<i>Note refs</i>	£000	<i>2a</i> £000	<i>2b</i> £000	<i>2c</i> £000	<i>2d</i> £000	<i>2e</i> £000	£000
Property, Plant & Equipment	2,067,404	0	0	0	-11,486	0	2,055,918
Investment Property	84,434	0	0	-5,960	8,206	0	86,680
Intangible Assets	3,740	0	0	0	0	0	3,740
Assets Held for Sale	0	0	0	0	1,231	0	1,231
Long Term Investments	4,428	0	0	0	0	0	4,428
Long Term Debtors	28,342	0	0	6,310	0	0	34,652
Long Term Assets	2,188,348	0	0	350	-2,049	0	2,186,649
Short Term Investments	12,932	0	0	0	0	0	12,932
Inventories	2,277	0	0	0	0	0	2,277
Short Term Debtors	73,200	0	2,138	0	0	0	75,338
Cash and Cash Equivalents	26,660	0	0	0	0	7,831	34,491
Current Assets	115,069	0	2,138	0	0	7,831	125,038
Short Term Borrowing	-18,621	0	0	0	0	0	-18,621
Short Term Creditors	-112,925	-12,997	34,739	0	0	0	-91,183
Cash and Cash Equivalents	-6,739	0	0	0	0	-7,831	-14,570
Provisions	0	0	0	0	0	0	0
Current Liabilities	-138,285	-12,997	34,739		0	-7,831	-124,374
<i>Grants Deferred</i>	-152,425	0	152,425	0	0	0	0
Provisions	-23,986	0	0	0	0	0	-23,986
Long Term Borrowing	-525,066	0	0	0	0	0	-525,066
Other LT Liabilities	-888,417	0	0	0	0	0	-888,417
Long Term Liabilities	-1,589,894	0	152,425	0	0	0	-1,437,469
Net Assets	575,238	-12,997	189,302	350	-2,049	0	749,844
Capital Grants Unapplied	0	0	19,939	0	0	0	19,939
Earmarked Reserves	41,933	0	16,938	0	0	0	58,871
Other Usable Reserves	72,172	0	0	0	0	0	72,172
Usable Reserves	114,105	0	36,877	0	0	0	150,982
Capital Adj Account	1,025,496	0	152,425	-5,960	22,303	0	1,194,264
Revaluation Reserve	249,565	0	0	0	-24,352	0	225,213
Absences Account	0	-12,997	0	0	0	0	-12,997
Other Unusable Reserves	-813,928	0	0	6,310	0	0	-807,618
Unusable Reserves	461,133	-12,997	152,425	350	-2,049	0	598,862
Total Reserves	575,238	-12,997	189,302	350	-2,049	0	749,844

NOTES TO THE CORE FINANCIAL STATEMENTS

KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2010/11

Reconciliation to Total Comprehensive Income and Expenditure under IFRS for the latest period in the most recent annual financial statements (year ended 31 March 2010)

	Previous	<u>Effect of transition to IFRS</u>					IFRS
	GAAP	<i>Absences</i>	<i>Grants</i>	<i>Leases</i>	<i>Other Non-current Assets</i>	<i>Other</i>	
<i>Note refs</i>	£000	<i>2a</i>	<i>2b</i>	<i>2c</i>	<i>2d</i>	<i>2e</i>	£000
Central services to the public	8,012	43	81	0	0	0	8,136
Cultural, Environmental, Regulatory and Planning services	82,513	309	2,272	0	-923	0	84,171
Children's and Education services	102,758	1,354	1,442	0	859	0	106,413
Highways and Transport services	39,580	5	1,550	0	1	0	41,136
Local council housing (HRA)	-52,774	0	46	0	396	0	-52,332
Other housing services	20,884	20	367	0	13	0	21,284
Adults Social Care	100,605	34	-1,047	0	1,118	0	100,710
Corporate and democratic core	8,631	1	0	0	0	0	8,632
Non distributed costs	14,928	297	2	0	-596	0	14,631
Other Services	33	112	76	0	415	-352	284
Cost of Services	325,170	2,175	4,789	0	1,283	-352	333,065
Other operating expenditure	11,826	0	0	0	-1,976	0	9,850
Financing and investment income and expenditure	62,333	151	112	7	-819	352	62,136
Taxation and non-specific grant income	-349,371	0	-48,934	0	0	0	-398,305
(Surplus) or Deficit on Provision of Services	49,958	2,326	-44,033	7	-1,512	0	6,746
Surplus or deficit on revaluation of non current assets	-55,029	0	0	0	2,638	0	-52,391
Surplus or deficit on revaluation of available for sale financial assets	167	0	0	0	0	0	167
Actuarial gains/losses on pension asset/liabilities	399,714	0	0	0	0	0	399,714
Other	18	0	0	0	0	0	18
Other Comprehensive Income and Expenditure	344,870	0	0	0	2,638	0	347,508
Total Comprehensive Income and Expenditure	394,828	2,326	-44,033	7	1,126	0	354,254

NOTES TO THE CORE FINANCIAL STATEMENTS

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Notes explaining the movements in the above tables:

2a. Short-term accumulating compensated absences

Short-term accumulating compensated absences refers to benefits that employees receive as part of their contract of employment, entitlement to which is built up as they provide services to the Council. The most significant benefit covered is holiday pay. Employees build up an entitlement to paid holidays as they work. Under the Code, the cost of providing holidays and similar benefits is required to be recognised when employees render service that increases their entitlement to future compensated absences. As a result, the Council is required to accrue for any annual leave earned but not taken at 31 March each year. Under previous accounting arrangements, no such accrual was required.

The Government has issued regulations that mean local authorities are only required to fund holiday pay and similar benefits when they are used, rather than when employees earn the benefits. Amounts are transferred to the Accumulated Absences Account until the benefits are used.

2b. Grants

The general position taken in the Code to the recognition of grants and contributions is that the Comprehensive Income and Expenditure Statement is credited with income at the point that the Council's relationship with the entity giving the financial support ceases to have the formal status of a liability. This is when the Council has satisfied any conditions that could otherwise lead to the repayment of the grant or contribution.

As a consequence of adopting this accounting policy required by the Code, the financial statements have been amended as follows:

- The balance on the Grants Deferred Account has been transferred to the Capital Adjustment Account.
- Capital grants not yet applied to fund capital expenditure have been transferred to Capital Grants Unapplied in Usable Reserves from Creditors.
- Portions of grants deferred previously recognised as income in 2009/10 have been removed from the Comprehensive Income and Expenditure Statement.
- Revenue grants have been credited to the Comprehensive Income and Expenditure Statement to the extent that there is no live condition outstanding which would require the funding to be returned to the giver (or there is reasonable assurance that the condition can be met). Additionally, a revenue grants reserve has been created to negate the impact of this on the General Fund.

2c. Leases

The definition of what is a finance or operating lease is slightly different under IFRS and the Council has reviewed its accounting treatment for these. As a result, where acting as a lessor, it has reclassified various long land leases from operating to finance leases. The main effect is to remove the asset value from investment properties and create a long-term debtor.

2d. Other Non-current Assets

IFRS introduces a new asset category called Assets Held for Sale. To fall into this category, assets must meet certain criteria such as the asset being actively marketed and likely to be sold within the next 12 month period. Assets which were categorised as "Surplus" under GAAP have been analysed and where appropriate have been transferred under IFRS to either Assets Held for Sale or Investment Properties.

IFRS has required the elimination of any revaluation reserves relating to Investment Properties. These balances have been written off to the Capital Adjustment Account.

2e. Other

IFRS introduces the concept of cash equivalents, which are "short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value". Accordingly, where monies previously recorded as short-term

NOTES TO THE CORE FINANCIAL STATEMENTS

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investments now meet this definition, the monies have been transferred under IFRS to Cash and Cash Equivalents.

Whereas under GAAP, provisions were recorded as long-term liabilities, the Code requires provisions to be classified as current liabilities when:

- it is expected that the provision will be settled within the Council's normal operating cycle (normally within 12 months)
- the liability is due to be settled within 12 months after the reporting period, or
- the Council does not have an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

Accordingly, existing provisions have been analysed and those meeting the above requirements have been reclassified under short-term liabilities. All other provisions remain classified as long-term liabilities.

Other Prior Period Adjustments

Four further prior period adjustments have been undertaken to correct material misstatements in the previous year's accounts. The first involves the Waste Management PFI model established for the first time in the 2009/10 accounts. In preparing the model, asset values were indexed from the start of the contract, adding about £9 million in value mainly to the Waste to Energy Plant. A formal valuation of all assets has now been undertaken, which has revealed that there is minimal deviation from original assets values. It is considered that the effect of inflation has been largely cancelled out by technological advances. The formal valuation has also revealed more appropriate assumptions on plant replacement which have now been factored into the model.

The second adjustment involves Kingsgate Car Park which was incorrectly recorded as an asset on the Council's balance sheet. The Council does not own the car park but is the lessee.

<u>Adjustments to the Opening 1 April 2009 Balance Sheet:</u>		
	Waste PFI £000	Kingsgate Car Park £000
Property, Plant and Equipment	-6,817	-1,564
Long Term Debtors	-2,904	
Earmarked Reserves	2,904	
Revaluation Reserve	9,016	1,301
Capital Adjustment Account	-2,199	263
 <u>Adjustments to the 31 March 2010 Balance Sheet:</u>		
Property, Plant and Equipment	-5,891	-1,529
Long Term Debtors	-3,319	
Earmarked Reserves	3,319	
Revaluation Reserve	8,666	1,272
Capital Adjustment Account	-2,775	257
 <u>2009/10 Comprehensive Income and Expenditure Statement:</u>		
Cultural, Environmental, Regulatory and Planning Services	-511	
Highways and Transport Services		-36

The third and fourth prior period adjustment relates to internal income. In the 2009/10 Statement of Accounts, internal income of £1.56 million within Children's and Education Service and £1.35 million within the Housing Revenue Account was not identified and the income and expenditure figures would have been overstated by these amounts, although the net effect would have nil.

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3 Accounting Standards that have been issued but have not yet been adopted : Heritage Assets

The Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 has introduced a change in accounting policy in relation to the treatment of heritage assets held by the Council, which will need to be adopted in the 2011/12 Statement of Accounts. The Council is required to disclose information relating to the likely impact of the accounting change on next year's financial statements as a result of the adoption by the Council.

A heritage asset is an asset which is kept in trust for future generations because of its cultural, environmental or historical associations. It often has an historical, artistic, scientific, geophysical or environmental quality and is generally kept by an authority for the purposes of contributing to knowledge and culture. Examples of such assets within the Council are civic regalia, paintings, sculptures and museum artefacts. Buildings such as the town halls, whilst being historic are used for operational purposes and are not classed as heritage assets.

Only a small proportion of the assets that are likely to be treated as heritage assets are currently on the balance sheet; where this is the case they are treated as community assets and included at a nominal value (£1.3 million). The remainder of the assets are not currently recognised on the Council's financial statements. A list of these assets is held by the Risk & Insurance Section and the valuation placed on the total heritage assets, for the purpose of insurance as at 31 March 2011 is £43.5 million. The majority of the value of the Council's assets are made up of museum and gallery exhibits, and works of art. It should be noted that there are limitations on what the Council can do with some collections due to the restrictive covenants in place.

The 2011/12 Code permits some relaxation in the valuation requirements of heritage assets (including allowing insurance valuations) and this means that the Council will be able to recognise more of its heritage assets on the balance sheet. This will result in a revaluation gain of £42.2 million. Generally, there will be no depreciation charged on heritage assets as they are considered to have an indeterminate life and a high residual value.

The Code also permits authorities to measure community assets at valuation if it is considered more appropriate. As at 30 June 2011, no decision had been taken as to whether this will be changed.

4 Critical judgments, and assumptions made about the future and other major sources of estimation uncertainty

In applying the accounting policies, the Council has had to make certain judgments about complex transactions or those involving uncertainty about future events.

The Statement of Accounts contains estimated figures that are based on assumptions made by the Council about the future, or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The table overleaf details the critical judgements and assumptions in the Authority's balance sheet as at 31 March 2011.

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Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant and Equipment (note 13)	Assets are depreciated over their useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Council will be able to sustain its current spending on repairs and maintenance in the longer term bringing into doubt the useful lives assigned to assets.	If the useful life of an asset reduces (non HRA), the depreciation increases and the carrying amount of the asset falls. It is estimated that the annual depreciation charge would increase by £2.72 million for every year that the useful lives had reduced.
Pensions Liability (note 47)	Estimation of the net liability to pay pensions depends on a number of complex judgements such as the discount rate used, the rate at which salaries are projected to increase, changes to mortality rates. A firm of qualified Actuaries is employed to provide the Council with expert professional advice about this specialised area.	<p>The Actuaries provide information in relation to the sensitivity of the results to key assumptions. The effects on the net pensions liability of changes in individual assumptions can be measured. For instance a 0.5% increase in the discount rate assumptions would result in a decrease in the pensions liability of £124.97 million.</p> <p>However the assumptions interact in more complex ways. During 2010/11 the Council's actuaries advised that the net pensions liability for funded LGPS benefits has decreased by £63.71 million as a result of estimates being corrected and decreased by £112.58 million attributable to updating of the assumptions.</p>

NOTES TO THE CORE FINANCIAL STATEMENTS

KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2010/11

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Housing Arrears (note 11 to the HRA)	At 31 March 2011, the Authority had arrears outstanding of £4.98 million. A review of the outstanding balances, in line with agreed practices, suggested that a bad debt provision of £2.89 million was appropriate. The level of arrears has dropped year on year by £0.58 million, however in the current economic climate it is not certain that such an allowance is sufficient.	If collection rates were to deteriorate, a 20% increase in the bad debt provision on housing arrears would require an additional £0.58 million.
Provisions (note 25)	Provisions are made in accordance with the Code and IAS37, with the best estimate of the expenditure required to settle the obligation at the balance sheet date. The major provision is the organisational risk provision which comprises equal pay/value claims and insurance.	An increase in provisions of 10% would result in an additional revenue expense of £3.70 million.

NOTES TO THE CORE FINANCIAL STATEMENTS

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5 Material Items of Income and Expense

The following lists items of material income and expenditure including major variances.

- Children's and Education Services
 - A new Young People's Learning Agency 16-19 grant resulted in both an increase in income and expenditure of £17.0 million.
 - There was an increase in revaluation losses of £2.5 million; the main ones being Scissett Middle (£1.2 million), Westborough High (£1.1 million) and Boothroyd Junior and Infant (£0.8 million) in addition to an extra £2.4 million in depreciation charges. There was also a revaluation of £1.7 million on Church Schools in 2009/10
 - 2009/10 figures included an accounting adjustment in relation to a soft loan issued to Kirklees College of £3.7 million
 - Increase in Dedicated School Grant for the year of £9.5 million
- Adults Services
 - Growth in direct payments and external placements of £3.8 million
 - Income increased because of an increase in PCT funding of £3.0 million and an increase in customer and client receipts of £0.9 million
 - There was an impairment on Swallow Court due to demolition (£1.3 million) resulting in a year on year increase in impairments of £0.4 million
- Housing Non – HRA
 - A reduction in funding (£1.2 million) to the HRA from the Housing General Fund contribution
 - A decrease in Revenue Expenditure Funded from Capital under Statue and associated grants of £1.1 million
 - There was a major impairment in 2009/10 (£1.7 million) of the Chestnut Centre.
- Highways and Transport Services
 - Increase in capital charges (£1.2 million depreciation, £1.8 million Impairments)
- Culture, Environment and Planning
 - *Culture and Leisure Services*
 - Within Culture and Leisure Services there has been an increase in depreciation of £1.1 million. This was because of revaluation gains in the previous year (for example on Huddersfield Sports Centre) as well as capital expenditure incurred in the previous year (for example on Greenhead park)
 - A VAT refund was received in 2009/10 (£0.8m) and another 2010/11 (£0.3m)
 - *Environmental Services*
 - There was a £2.2 million reduction in expenditure due to the winding down of the Warmzone initiative
- Central Services to the public
 - A provision was raised in 2010/11 in relation to search fees of £0.4 million
 - Increase in election expenses as there was no local elections in 2009/10 and a general election 2010/11
- Taxation and Non-Specific Grant Income
 - The Revenue Support Grant was reduced by £8.6 million. Including an in year reduction of £2.9 million, the Area Based Grant was reduced £4.0 million. Local Authority Business Growth Incentives Grant and Housing and Planning Delivery Grant were not issued in 2010/11 leading to an additional reduction in grants received of £1.8 million
 - National Non Domestic Rates received from Government increased by £13.8 million
 - Council Tax increased £3.3 million in line with the agreed 2% increase
 - Capital grants recognised reduced by £12.6 million

NOTES TO THE CORE FINANCIAL STATEMENTS

KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2010/11

6 Events after Balance Sheet date

These accounts were authorised for issue on the date the Director of Resources signed the accounts – see Statement of Responsibilities and Certificate on page 11. There has been one non-adjusting event occurring between the Balance Sheet date and when the accounts were authorised for issue and this is noted below:

Schools converting to Academy and Trust status

The background and broad effects of conversion are explained in the Explanatory Foreword on pages 8 and 9.

There have been five schools that have converted to Academy status since the balance sheet date—Mirfield Free Grammar, Castle Hall, Moor End Technology College, Shelley College and Batley Girls' High. The assets will be transferred to the schools in 2011/12 (with the exception of Mirfield Free Grammar and Castle Hall which were previously Foundation status and as such the assets had already been transferred). The net book value of the school assets being transferred as at 31 March 2011 was £56.5 million.

Individual school balances from the Local Management of Schools earmarked reserve will also transfer. The schools concerned had balances of £1.7 million as at 31 March 2011. In addition, the Council will no longer receive Dedicated Schools Grant (DSG) provided for the schools concerned. For 2010-11, £24.2 million of DSG received related specifically to these schools.

Two school Trusts have been established since 31 March 2011 – Royds Hall Learning Cooperative Trust (Royds Hall High School) and North Huddersfield Trust School (replacing Fartown High School). The assets will be transferred to the schools - as at 31 March 2011 the net book value of these assets was £29.1 million.

NOTES TO THE CORE FINANCIAL STATEMENTS

KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2010/11

7 Adjustments between accounting basis and funding basis under regulations

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

2010/11	Usable Reserves					Movement in Unusable Reserves £000
	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	
<u>Adjustments primarily involving the Capital Adjustment Account:</u>						
<i>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement (CIES):</i>						
Charges for depreciation and impairment of non-current assets	57,093	0	0	0	0	-57,093
Revaluation losses on Property Plant and Equipment	10,906	244,253	0	0	0	-255,159
Revaluation gains on Property Plant and Equipment	-6,517	-36	0	0	0	6,553
Movements in the market value of Investment Properties	1,687	0	0	0	0	-1,687
Amortisation of Intangible Assets	1,173	0	0	0	0	-1,173
Capital grants and contributions applied	-14,566	-3,494	0	0	0	18,060
Revenue expenditure funded from capital under statute (net of grants)	7,732	0	0	0	0	-7,732
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	15,820	2,736	0	0	0	-18,556
<i>Insertion of items not debited or credited to the CIES:</i>						
Statutory provision for the financing of capital investment	-23,478	0	0	0	0	23,478
Capital expenditure charged against the General Fund and HRA balances	-1,339	-5,732	0	0	0	7,071
<u>Adjustments primarily involving the Capital Grants Unapplied Account:</u>						
Capital grants and contributions unapplied and credited to the CIES	-19,847	0	0	0	19,847	0
Application of grants to capital financing transferred to the Capital Adjustment Account	0	0	0	0	-	17,615

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2010/11	Usable Reserves					
	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
<u>Adjustments primarily involving the Capital Receipts Reserve:</u>						
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the CIES	-3,798	-2,736	6,534	0	0	0
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	-8,092	0	0	8,092
Contribution from Capital Receipts Reserve towards administrative costs of non current asset disposals	0	45	-45	0	0	0
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool.	1,832	0	-1,832	0	0	0
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	0	0	20	0	0	-20
<u>Adjustment primarily involving the Deferred Capital Receipts Reserve:</u>						
Finance Leases- Amount by which sale proceeds received in CIES differs from those received in accordance with statutory requirements	7	0	0	0	0	-7
<u>Adjustment primarily involving the Major Repairs Reserve:</u>						
Reversal of Major Repairs Allowance credited to the HRA	0	206	0	-206	0	0
Use of the Major Repairs Reserve to finance new capital expenditure	0	0	0	-20,808	0	20,808
Transfer to Capital Adjustment Account	0	0	0	15,160	0	-15,160

NOTES TO THE CORE FINANCIAL STATEMENTS

KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2010/11

2010/11	Usable Reserves					Movement in Unusable Reserves
	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	£000
<p>Adjustment primarily involving the Financial Instruments Adjustment Account: Amount by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements</p>	395	3	33	0	0	-431
<p>Adjustments primarily involving the Pensions Reserve: Reversal of items relating to retirement benefits debited or credited to the CIES (see note 47)</p>	-120,352	0	0	0	0	120,352
<p>Employer's pensions contributions and direct payments to pensioners payable in the year</p>	-41,324	0	0	0	0	41,324
<p>Adjustments primarily involving the Collection Fund Adjustment Account: Amount by which council tax income credited to the CIES is different from council tax income calculated for the year in accordance with statutory requirements</p>	-527	0	0	0	0	527
<p>Adjustment relating to the capitalisation of redundancy/pension</p>	5,092	0	0	0	0	-5,092
<p>Adjustment primarily involving the Accumulated Absences Account: Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements</p>	-1,284	0	0	0	0	1,284
Total Adjustments	-131,295	235,245	-3,382	-5,854	2,232	-96,946

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KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2010/11

2009/10 Comparative Figures	Usable Reserves					
	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
<u>Adjustments primarily involving the Capital Adjustment Account:</u>						
<i>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement (CIES):</i>						
Charges for depreciation and impairment of non-current assets	49,267	0	0	0	0	-49,267
Revaluation losses on Property Plant and Equipment	12,819	363	0	0	0	-13,182
Revaluation gains on Property Plant and Equipment	-10,637	-32,046	0	0	0	42,683
Movements in the market value of Investment Properties	190	0	0	0	0	-190
Amortisation of intangible assets	504	0	0	0	0	-504
Capital grants and contributions applied	-31,769	-552	0	0	0	32,321
Revenue expenditure funded from capital under statute (net of grants)	11,495	0	0	0	0	-11,495
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	9,645	2,848	0	0	0	-12,493
<i>Insertion of items not debited or credited to the CIES:</i>						
Statutory provision for the financing of capital investment	-21,263	0	0	0	0	21,263
Capital expenditure charged against the General Fund and HRA balances	-1,413	-9,351	0	0	0	10,764
<u>Adjustments primarily involving the Capital Grants Unapplied Account:</u>						
Capital grants and contributions unapplied and credited to the CIES	-18,177	0	0	0	18,177	0
Application of grants to capital financing transferred to the Capital Adjustment Account	0	0	0	0	-9,300	9,300

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2009/10 Comparative Figures	Usable Reserves					Movement in Unusable Reserves
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	
	£000	£000	£000	£000	£000	£000
<u>Adjustments primarily involving the Capital Receipts Reserve:</u>						
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the CIES	-3,219	-2,715	5,934	0	0	0
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	-4,106	0	0	4,106
Contribution from Capital Receipts Reserve towards administrative costs of non current asset disposals	0	44	-44	0	0	0
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool.	1,815	0	-1,815	0	0	0
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	0	0	31	0	0	-31
<u>Adjustments primarily involving the Deferred Capital Receipts Reserve:</u>						
Finance Leases- Amount by which sale proceeds received in CIES differs from those received in accordance with statutory requirements	7	0	0	0	0	-7
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the CIES	-1	-31	0	0	0	32
<u>Adjustment primarily involving the Major Repairs Reserve:</u>						
Reversal of Major Repairs Allowance credited to the HRA	0	241	0	-241	0	0
Use of the Major Repairs Reserve to finance new capital expenditure	0	0	0	-13,286	0	13,286
Transfer to Capital Adjustment Account	0	0	0	14,974	0	-14,974

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2009/10 Comparative Figures	Usable Reserves					
	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
Adjustment primarily involving the Financial Instruments Adjustment Account: Amount by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements	3,789	-56	0	0	0	-3,733
Adjustments primarily involving the Pensions Reserve: Reversal of items relating to retirement benefits debited or credited to the CIES (see note 47)	71,133	0	0	0	0	-71,133
Employer's pensions contributions and direct payments to pensioners payable in the year	-46,054	0	0	0	0	46,054
Adjustments primarily involving the Collection Fund Adjustment Account: Amount by which council tax income credited to the CIES is different from council tax income calculated for the year in accordance with statutory requirements	1,227	0	0	0	0	-1,227
Adjustment primarily involving the Unequal Pay Back Pay Adjustment Account: Amount by which amounts charged for Equal Pay claims to the CIES are different from the cost of settlements chargeable in the year in accordance with statutory requirements	2,683	0	0	0	0	-2,683
Adjustment primarily involving the Accumulated Absences Account: Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	2,328	0	0	0	0	-2,328
Total Adjustments	34,369	-41,255	0	1,447	8,877	-3,438

NOTES TO THE CORE FINANCIAL STATEMENTS

KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2010/11

8 Transfers to/from Earmarked Reserves

This note sets out the amounts set aside in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2010/11. No earmarked reserves have been set up for the HRA.

	Balance at 31 March 2011	Transfers Out 2010/11	Transfers In 2010/11	Balance at 31 March 2010	Transfers Out 2009/10	Transfers In 2009/10	Balance at 31 March 2009
	£000	£000	£000	£000	£000	£000	£000
Local Management of Schools	9,551	-602	0	10,153	-2,155	0	12,308
Standards Fund	13,163	0	2,639	10,524	0	2,755	7,769
Asylum Seekers	155	-254	0	409	0	43	366
Insurance Fund	1,500	0	0	1,500	0	0	1,500
Pensions Reserve	5,155	0	0	5,155	0	0	5,155
Organisational Risk Reserve	6,205	0	1,228	4,977	0	0	4,977
Workforce Restructure	14,498	0	14,498	0	0	0	0
Primary Care Trust Joint Working Reserve	1,715	-449	1,715	449	-687		1,136
Strategic Office Accommodation Review	616	-70	0	686	-134	0	820
Adverse Weather Reserve	500	0	0	500	0	500	0
PFI Reserve	2,948	-95	0	3,043	-315	86	3,272
Revenue Grants Reserve	15,921	-2,028	4,766	13,183	-2,560	3,383	12,360
REFCUS Grants Reserve	1,931	-555	823	1,663	-589	606	1,646
Other	2,463	-1,248	401	3,310	-429	1,026	2,713
Total	76,321	-5,301	26,070	55,552	-6,869	8,399	54,022

- 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 2011 represents 176 schools with cumulative balances of £10.9 million (183 schools and £10.7 million at 31 March 2010) and 14 schools with cumulative deficits amounting to £1.3 million (9 schools and £0.5 million at 31 March 2010).
- The Standards Fund Reserve represents under spending against Standards Fund allocations for 2010/11 and will be used to supplement future spending on Education.
- 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 cover decisions taken in previous years to award added years on retirement and also to cover the risk of a change in the percentage contribution rate payable to the pension fund or towards a one off deficit contribution.
- The Organisational Risk Reserve is a risk based reserve and has been set up to cover the costs of various cross cutting projects such as single status implementation. This is linked into the reserves and balances strategy agreed as part of the Medium Term Financial Plan.
- The Workforce Restructure Reserve has been set up to cover one-off costs from the Innovation and Efficiency redundancy programme.
- 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.

NOTES TO THE CORE FINANCIAL STATEMENTS

KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2010/11

- The Strategic Office Accommodation Reserve has been established to fund one off costs arising from the Strategic Office Accommodation Review.
- The Adverse Weather Reserve has been set up to deal with costs arising from unanticipated adverse weather.
- The PFI Reserve has been set up to fund the prepayments to the contractors, established from the PFI contract models.
- The REFCUS (revenue expenditure funded from capital under statute) Grants Reserve represents grant income taken through the Comprehensive Income and Expenditure Account (CIES), which will be applied to finance capital expenditure incurred in future years.
- The Revenue Grants Reserve represents grants recognised in CIES before expenditure has been incurred. As expenditure is incurred monies will be released from the reserve to effectively fund it.

9 Exceptional Items

- a) HRA revaluation losses on PPE - The £244.3 million loss arising in 2010/11 is largely the result of a decrease in the adjustment factor used to arrive at the value of housing stock. This value is obtained by taking the cost of buying a vacant dwelling of a similar type, and applying an adjustment factor according to the type of tenancy and regional factors to reflect the fact that the property is used for social housing. The adjustment factors are contained in guidance issued by the Department of Communities and Local Government and have been reviewed and updated for the first time in five years. As a result, the adjustment factor appropriate to this region has decreased from 47% to 31%. Where decreases in asset values are identified and there is no balance or an insufficient balance on the Revaluation Reserve relating to a particular asset, the carrying amount of the asset is written down in the Income and Expenditure statements.
- b) Pension increases to CPI - This exceptional item relates to the Government's decision to increase future pension payments by the Consumer Price Index (CPI) rather than the Retail Price Index (RPI). The calculations by the Council's Actuary show that this reduces future liabilities to the Pension Fund and is accounted for by adjusting for charges made in previous years.

10 Other Operating Expenditure

	2010/11	2009/10
	£000	£000
Parish council precepts	448	445
Levies	122	92
Payment to Government Housing Capital Receipts Pool	1,832	1,815
Gains/losses on the disposal of non-current assets	11,416	6,683
Impairment loss on assets held for sale	333	815
Total	14,151	9,850

NOTES TO THE CORE FINANCIAL STATEMENTS
KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2010/11

11 Financing and Investment Income and Expenditure

	2010/11	2009/10
	£000	£000
Interest payable and similar charges	34,700	35,184
Pensions interest cost and expected return on pensions assets	19,499	31,495
Interest receivable and similar income	-2,693	-2,808
Income and expenditure in relation to investment properties and changes in fair value	944	-1,586
Trading	-508	479
Dividend Income	-516	-628
Total	51,426	62,136

12 Taxation and Non-Specific Grant Income

	2010/11	2009/10
	£000	£000
Council tax income	-154,179	-150,871
Non domestic rates	-137,199	-123,396
Non-ringfenced government grants	-59,198	-73,539
Capital grants and contributions	-37,909	-50,499
Total	-388,485	-398,305

NOTES TO THE CORE FINANCIAL STATEMENTS
KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2010/11

13 Property, Plant and Equipment

Movements in 2010/11									
	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant, Furniture and Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total Property, Plant and Equipment £000	<i>PFI Assets Included in Property, Plant and Equipment £000</i>
Cost or Valuation									
At 1 April 2010	744,441	1,160,114	36,219	268,182	5,012	15,867	7,718	2,237,553	233,494
Additions	28,175	32,220	5,005	26,883	4,338	4	3,402	100,027	3,007
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	0	9,409	0	0	0	172	0	9,581	-11,351
Revaluation increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services	-259,196	-9,846	0	0	0	-175	-463	-269,680	-257
De-recognition – disposals	-2,219	-11,029	-1,706	0	0	-81	0	-15,035	0
Assets reclassified (to)/from Held for Sale	-328	0	0	0	0	0	0	-328	0
Other movements in cost or valuation	0	-1,934	0	0	0	3,436	-1,314	188	3,477
At 31 March 2011	510,873	1,178,934	39,518	295,065	9,350	19,223	9,343	2,062,306	228,370

NOTES TO THE CORE FINANCIAL STATEMENTS
KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2010/11

Movements in 2010/11	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant, Furniture and Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total Property, Plant and Equipment £000	<i>PFI Assets Included in Property, Plant and Equipment £000</i>
Accumulated Depreciation and Impairment									
At 1 April 2010	0	-80,838	-14,782	-88,090	-148	-4,968	-229	-189,055	-16,920
Depreciation charge	-14,954	-36,531	-4,740	-12,928	-426	-345	0	-69,924	-7,673
Depreciation written out to the Revaluation Reserve	0	27,940	0	0	0	48	25	28,013	14,479
Depreciation written out to the Surplus/Deficit on the Provision of Services	14,954	6,338	0	0	0	440	204	21,936	81
Impairment losses/reversals recognised in the Revaluation Reserve	0	0	0	0	0	0	-339	-339	0
Impairment losses/reversals recognised in the Surplus/ Deficit on the Provision of Services	0	-120	0	0	0	-1,354	-1,459	-2,933	0
De-recognition - disposals	0	0	1,475	0	0	0	0	1,475	0
De-recognition - other	0	0	0	0	0	0	0	0	0
Other movements in depreciation and impairment	0	290	0	0	0	-290	0	0	-444
At 31 March 2011	0	-82,921	-18,047	-101,018	-574	-6,469	-1,798	-210,827	-10,477
Net Book Value at 31 March 2011	510,873	1,096,013	21,471	194,047	8,776	12,754	7,545	1,851,479	217,893
at 31 March 2010	744,441	1,079,276	21,437	180,092	4,864	10,899	7,489	2,048,498	216,574

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KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2010/11

Comparative Movements in 2009/10	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant, Furniture and Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total Property, Plant and Equipment £000	<i>PFI Assets Included in Property, Plant and Equipment £000</i>
Cost or Valuation									
At 1 April 2009	706,483	1,102,292	31,441	240,417	2,638	9,643	11,693	2,104,607	232,923
Additions	23,477	38,618	6,718	27,765	2,358	0	1,720	100,656	2,687
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	0	35,197	0	0	0	1,745	86	37,028	1,362
Revaluation increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services	17,299	-5,387	0	0	0	108	25	12,045	0
De-recognition – disposals	-2,497	-6,729	-1,940	0	0	-168	-300	-11,634	0
Assets reclassified (to)/from Held for Sale	-579	-1,587	0	0	0	0	0	-2,166	0
Other movements in cost or valuation	258	-2,290	0	0	16	4,539	-5,506	-2,983	0
At 31 March 2010	744,441	1,160,114	36,219	268,182	5,012	15,867	7,718	2,237,553	236,972

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Comparative Movements in 2009/10	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant, Furniture and Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total Property, Plant and Equipment £000	PFI Assets Included in Property, Plant and Equipment £000
Accumulated Depreciation and Impairment									
At 1 April 2009	0	-72,249	-12,036	-76,551	0	-796	0	-161,632	-12,800
Depreciation charge	-14,732	-33,037	-4,404	-11,539	-148	-380	0	-64,240	-7,543
Depreciation written out to the Revaluation Reserve	0	16,068	0	0	0	63	0	16,131	3,126
Depreciation written out to the Surplus/Deficit on the Provision of Services	14,743	6,451	0	0	0	4	0	21,198	0
Impairment losses/reversals recognised in the Revaluation Reserve	0	0	0	0	0	-2,926	0	-2,926	0
Impairment losses/reversals recognised in the Surplus/ Deficit on the Provision of Services	0	0	0	0	0	-301	0	-301	0
De-recognition - disposals	0	690	1,658	0	0	68	0	2,416	0
Other movements in depreciation and impairment	-11	1,239	0	0	0	-700	-229	299	0
At 31 March 2010	0	-80,838	-14,782	-88,090	-148	-4,968	-229	-189,055	-17,217
Net Book Value									
At 31 March 2010	744,441	1,079,276	21,437	180,092	4,864	10,899	7,489	2,048,498	219,755
At 31 March 2009	706,483	1,030,043	19,405	163,866	2,638	8,847	11,693	1,942,975	220,123

NOTES TO THE CORE FINANCIAL STATEMENTS

KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2010/11

The Authority carries out a rolling valuation programme that ensures that all Property, Plant and Equipment required to be measured at fair value is revalued at least every five years, with the exception of the HRA properties which are valued annually. All valuations were carried out internally, with the exception of the HRA properties which are carried out by the external District Valuer. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institute of Chartered Surveyors.

The significant assumptions applied in estimating the fair values are:

- 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 outgoing 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.

	Council Dwellings £000	Other Land & Buildings £000	Vehicles, Plant, Furniture and Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total £000
Carried at historical cost		19,521	21,471	194,048	8,776		7,545	251,361
Carried at fair value as at:								
2010/11	510,873	154,187				2,277		667,337
2009/10		487,545				3,312		490,857
2008/09		398,042				7,165		405,207
2007/08		13,917						13,917
2006/07		22,800						22,800
Total	510,873	1,096,012	21,471	194,048	8,776	12,754	7,545	1,851,479

NOTES TO THE CORE FINANCIAL STATEMENTS

KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2010/11

14 Investment Properties

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

	2010/11	2009/10
	£000	£000
Rental income from investment property	-2,978	-3,116
Direct operating expenses arising from investment property	1,681	1,740
Net gain	-1,297	-1,376

There are no restrictions on the Council's ability to realise the value inherent in its investment property or on the Council's right to the remittance of income and the proceeds of disposal. The Council has no contractual obligations to purchase, construct or develop investment property or repair, maintain or enhance such property.

The movement in the fair value of investment properties over the year is as follows:

	2010/11	2009/10
	£000	£000
Balance at 1 April	86,680	81,846
Additions:		
Purchases	1,055	4,789
Subsequent expenditure	28	96
Disposals	-3,980	-2,349
Net gains/losses from fair value adjustments	-1,687	-658
Transfers to/from Property Plant and Equipment	-1,020	2,956
Balance at 31 March	81,076	86,680

15 Intangible Assets

The Council accounts for software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and Equipment. The intangible assets include purchased licences and other purchased software. The Council does not have any internally generated intangible assets.

Intangible assets are initially measured at cost. Amounts are only revalued where the fair value of the assets held by the Council can be determined by reference to an active market. In practice, no intangible asset held by the Council meets this criterion, and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life (usually between 3 and 10 years) on a straight line basis.

Amortisation of £1.1 million was charged to CIES in 2010/11 (£0.5m in 2009/10). Amortisation in relation to the Council's group wide technology is charged to the Information technology service and then recharged as an overhead to service headings in the Net Expenditure of Services. Other intangibles are charged directly to the front line services in the Net Expenditure of Services which utilises the assets. The majority of the amortisation relates to Microsoft Enterprise Licences purchased in 09/10 which is being amortised over 5 years.

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	2010/11	2009/10
	£000	£000
Balance at 1 April		
Gross carrying amounts	5,406	2,536
Accumulated amortisation	-1,666	-1,162
Net carrying amount at 1 April	3,740	1,374
Additions - Purchases	83	2,870
Amortisation for the period	-1,173	-504
Net carrying amount at 31 March	2,650	3,740
Comprising:		
Gross carrying amounts	5,489	5,406
Accumulated amortisation	-2,839	-1,666
	2,650	3,740

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

	Carrying amount 31 March 2011	Carrying amount 31 March 2010	Remaining Amortisation Period
Microsoft Enterprise Licence	1,919	2,341	4 years

NOTES TO THE CORE FINANCIAL STATEMENTS

KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2010/11

16 Financial Instruments

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

	31 March 2011		31 March 2010	
	Long-term £000	Current £000	Long-term £000	Current £000
Investments				
Loans and receivables	3,103	45,621	4,103	44,407
Available-for-sale financial assets	752	8,060	325	3,016
Total Investments	3,855	53,681	4,428	47,423
Debtors				
Loans and receivables	32,155	0	31,334	0
Financial assets carried at contract amounts	0	41,760	0	46,909
Total Debtors	32,155	41,760	31,334	46,909
Borrowings				
Financial liabilities at amortised cost	527,133	43,567	525,066	33,190
Total Borrowings	527,133	43,567	525,066	33,190
Other Long Term Liabilities				
Financial liabilities at amortised cost	74,018	2,563	76,531	2,891
Total other long term liabilities	74,018	2,563	76,531	2,891
Creditors				
Financial liabilities carried at contract amounts	0	72,335	0	88,293
Total Creditors	0	72,335	0	88,293

NOTES TO THE CORE FINANCIAL STATEMENTS

KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2010/11

Income, Expense, Gains and Losses 2010/11

	Financial Liabilities measured at amortised cost £000	Financial Assets: Loan and receivables £000	Financial Assets: Available for Sale £000	Total £000
Interest expense	34,665	0	0	34,665
Losses on derecognition	35	0	0	35
Impairment losses	0	523	0	523
Total expense in Surplus or Deficit on the Provision of Services	34,700	523	0	35,223
Interest income	0	-3,078	409	-2,669
Gains on derecognition	-23	0	0	-23
Total income in Surplus or Deficit on the Provision of Services	-23	-3,078	409	-2,692
Gains on revaluation	0	0	-444	-444
Losses on revaluation	0	0	59	59
Net gain/(loss) for the year	34,677	-2,555	24	32,146

Income, Expense, Gains and Losses 2009/10 Comparator

	Financial Liabilities measured at amortised cost £000	Financial Assets: Loan and receivables £000	Financial Assets: available for sale £000	Total £000
Interest expense	34,956	0	0	34,956
Losses on derecognition	227	0	0	227
Impairment losses	0	368	0	368
Total expense in Surplus or Deficit on the Provision of Services	35,183	368	0	35,551
Interest income	0	-2,606	-62	-2,668
Gains on derecognition	-140	0	0	-140
Total income in Surplus or Deficit on the Provision of Services	-140	-2,606	-62	-2,808
Gains on revaluation	0	0	-16	-16
Losses on revaluation	0	0	183	183
Net gain/(loss) for the year	35,043	-2,238	105	32,910

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KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2010/11

Fair Value of assets and liabilities carried at amortised cost

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

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

	31 March 2011		31 March 2010	
	Carrying amount £000	Fair value £000	Carrying amount £000	Fair value £000
Borrowings				
PWLB	427,471	471,741	425,969	462,164
LOBOs	106,622	126,754	106,628	124,119
Loan Stock	6,983	12,924	6,983	13,318
Bank overdraft	10,339	10,339	14,570	14,570
Other borrowing	19,285	19,291	4,107	4,107
	570,700	641,049	558,257	618,278
Other long-term liabilities	76,581	77,172	79,422	82,692
Creditors	72,345	72,345	88,293	88,293
	719,626	790,566	725,972	789,263
Investments				
Loans and Receivables	48,724	47,754	48,511	46,264
Available for Sale	8,813	8,813	3,342	3,342
	57,537	56,567	51,853	49,606
Long-term debtors	32,155	32,802	31,334	31,442
Short-term debtors	41,760	41,760	46,909	46,909
	131,452	131,129	130,096	127,957

The calculation for borrowing and other long-term liabilities is based on interest rates quoted for long term loans at 31 March by the Public Works Loan Board 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.

The fair value of material loans and receivables has similarly been calculated using PWLB rates. For short-term debtors and creditors, it is assumed that the carrying value will be a reasonable approximation of fair value.

The fair value of liabilities is more than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the rates available for similar loans at the Balance Sheet date. This shows a notional future loss (based on economic conditions at 31 March 2011) arising from a commitment to pay interest to lenders above current market rates.

The Council has several equity instruments, which have no quoted market price. The 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 £0.49 million. Valuation is based on an in-house assessment of net assets, but included a professional valuation of shares owned by the company.
- Kirklees School Services Ltd – 163,140 ordinary shares, currently valued in the Balance Sheet at £0.11 million. Valuation is based on discounted cash flow techniques. This company is

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KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2010/11

responsible for running one of the Council's PFI contracts (see note 44ii), 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 £0.15 million. Valuation is based on discounted cash flow techniques. This company is responsible for running one of the Council's PFI contracts (see note 44iii), and whilst this continues, it is very unlikely the Council would dispose of its interest.
- Sita Kirklees Ltd – small number of shares, carried at nil 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 44i), and whilst this continues, it is very unlikely the Council would dispose of its interest.
- Kirklees Stadium Development Ltd – 40 shares, 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.
- Sebel House Great Northern Ltd – 190 shares, carried at negligible value as the company is dormant.

Nature and Extent of Risks Arising from Financial Instruments

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

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

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

Credit risk

Credit risk arises from deposits with banks and other financial institutions, as well as credit exposures to the council's customers. Deposits were not made with banks and other financial institutions unless they were rated by one of the main credit rating companies with a minimum rating of F1 (Fitch) and P-1 (Moody's), or were a building society with assets of more than £1.0 billion. The Council has a policy of not lending more than £10.0 million of its surplus balances to any counterparty and not more than £3.0 million to any counterparty for investments longer than one year. Investments in the institutions of foreign countries are limited to foreign countries that hold a high credit rating (AAA or AA+) and to a maximum of £10.0 million per country.

At the year end, the Council held investments of £42.7 million for cashflow purposes, made up of cash equivalents of £29.7 million and short-term investments of £13.0 million (£38.7, £24.8 and £12.9 million respectively 31 March 2010). Cash equivalents by definition are highly liquid deposits with an insignificant risk of change in value. The Council did not make any investments of a treasury management nature longer than one year in 2010/11.

The Council's maximum exposure to credit risk in relation to the above balances cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. However, included in the investment balances is a deposit in a failed Icelandic bank. Latest indications are that the Council will recover between 85% and 90%. The value of the investment has been written down in the accounts from £1 million to £830,000.

The Council provided support in 2009/10 to Kirklees College's Waterfront Development with a loan of £23.3 million. The loan is secured against the assets of the College and is accounted for as a soft loan, that is the interest rate charged is less than the "market" rate of interest. The value of the loan

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KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2010/11

is written down accordingly in the balance sheet to reflect this. The College will repay the full amount advanced by 2034/35 and the amount to be repaid at 31 March 2011 was £22.9 million.

During 2010/11, the Council advanced a loan of £2.7 to million Kirklees Community Association Limited (part of the Council's group), whilst the company repaid an existing loan of £1.8 million at the start of the year. The loans are unsecured and facilitated the company's working capital requirements in respect of providing elements of social housing.

The Council has also provided loans to Kirklees' householders in respect of renewable energy works and for the redevelopment of private housing in Ravensthorpe. The former has been treated as a soft loan and has been secured as a fixed charge on the householder's properties (that is the loans are recoverable when the householder sells the property). The amount repayable as at 31 March 2011 was £2.3 million (£0.5 million, 31 March 2010). The loans for housing improvements in Ravensthorpe were secured as a percentage charge on the householder's property so is subject to house price variations. The amount repayable as at 31 March 2011 was £3.1 million (£3.1 million, 31 March 2010).

The Council does not generally allow credit for customers and trade debts are actively pursued after 21 days. As at 31 March 2011, the Council had a balance owing from its customers (mainly services and rent) of £41.8 million (£46.9 million 31 March 2010). The exposure to default has been assessed and is reflected in an impairment provision of £2.1 million (£1.9 million 31 March 2010).

Liquidity risk

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

	31 March 2011 £000	31 March 2010 £000
Less than one year	33,240	18,610
Between 1 and 2 years	15,563	13,944
Between 2 and 5 years	43,026	47,900
Between 5 and 10 years	76,537	58,437
Between 10 and 15 years	21,795	33,759
More than 15 years	370,200	371,037
	560,361	543,687

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

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

Market risk

Interest Rate Risk

The Council is exposed to significant risk in terms of its exposure to interest rate movements in particular on borrowings. Movements in interest rates have a complex impact on the Council. For instance, a rise in interest rates would have the following effects:

- Borrowings at variable rates – the interest expense charged to the 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.

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- Investments at fixed rates – the fair value of the assets will fall.

The Council has a number of strategies for managing interest rate risk, including keeping a maximum of 40% of its borrowings in variable rate loans. During periods of falling interest rates, and where economic circumstances make it favourable, fixed rate loans may be repaid to limit exposure to losses. The risk of loss is ameliorated by the fact that a proportion of government grant payable on financing costs will normally move with prevailing interest rates and provide compensation for a proportion of any higher borrowing costs.

The treasury management strategy is proactive, providing for the constant assessment of interest rate exposures and deciding whether new borrowing taken out is fixed or variable.

As at 31 March 2011, the Council held few investments at variable rates. In terms of borrowing, the Council holds £20.0 million of variable rate loans from PWLB. These loans have their interest rates reset every 6 months and can be changed to fixed rate loans if desired. The Council also holds £106.6 million of debt in the form of LOBOs, which equates to 19% of its total borrowing. LOBO agreements have periodic option dates on which lenders can opt to change the interest rate on a loan. If lenders exercise their option then the Council can either repay the loan (at no extra cost) or agree to the change of interest rate for the remaining term of the loan or until the lender chooses to exercise the option again. Of the £106.6 million LOBO debt at 31 March 2011, £76.6 million was exposed to variable rates through lender options. A 1% change in interest rates with all other variables held constant would increase or decrease interest costs by £1.0 million.

The fair value of fixed rate borrowings would decrease by around £74.5 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 Council is consequently exposed to losses arising from movements in the values of the shares. As the shareholdings have arisen in the acquisition of specific interests, the Council is not in a position to limit its exposure to price movements by diversifying its portfolio.

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

Foreign Exchange Risk

The Council has no financial assets or liabilities denominated in foreign currencies, other than a small amount in a Euro Bank account relating to grants from the EU for environmental projects. In this way, the Council has little exposure to loss arising from movements in exchange rates.

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17 Long Term Investments

The Council holds the following long term investments:

	31 March 2011	31 March 2010
	£000	£000
Kirklees Henry Boot Partnership	486	0
Kirklees School Services	111	150
QED (KMC) Holdings	150	170
Affordable Housing	3,102	3,102
Money Market Investment	0	1,000
Other	6	6
Total	3,855	4,428

Prior to 2010/11, it had been intended to wind up Kirklees Henry Boot Partnership and therefore in the 2009/10 Statement of Accounts the investment was treated as short-term. This is no longer the case and the investment has been moved back into long-term investments.

Further detail of the above investments is shown in the notes on financial instruments (note 16).

18 Long Term Debtors

This note identifies amounts owing to the Council which are being repaid over various periods longer than one year. Provision has been made for long term debts which the Council anticipates may not be recovered.

	31 March 2011	31 March 2010	31 March 2009
	£000	£000	£000
Mortgages	74	83	102
Kirklees College (i)	18,819	19,161	0
PFI Prepayments (ii)	2,948	3,043	3,272
Waste Management SSA Issue	227	302	377
Finance Leases (iii)	6,304	6,311	6,318
Employee Loans for Cars and Bicycles	300	550	647
Charges on Property for Residential Care	1,784	1,108	891
Renewable Energy	1,290	303	0
Other	437	494	512
	32,183	31,355	12,119
Bad Debt Provision	-28	-21	-15
Net Long Term Debtors	32,155	31,334	12,104

(i) See note 16 on financial instruments.

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

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

NOTES TO THE CORE FINANCIAL STATEMENTS

KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2010/11

19 Inventories

	Building Services*	Highways Direct Services	Catering & Cleaning Services	Fleet Management	Other	Total Stocks	Building Services Work in Progress	Total Stocks and Work in Progress
	£000	£000	£000	£000	£000	£000	£000	£000
Balance at 1 April 2009	807	694	154	139	203	1,997	599	2,596
Purchases	3,166	2,603	3,397	3,009	774	12,949	0	12,949
Recognised as an expense in the year	-3,163	-2,641	-3,376	-2,994	-811	-12,985	0	-12,985
Written off balances	0	-5	0	0	-1	-6	0	-6
Movement in Work in Progress	0	0	0	0	0	0	-277	-277
Balance outstanding at 31 March 2010	810	651	175	154	165	1,955	322	2,277
Purchases	3,288	2,823	3,487	3,446	456	13,500	0	13,500
Recognised as an expense in the year	-3,275	-2,428	-3,485	-3,371	-424	-12,983	0	-12,983
Written off balances	0	-16	0	0	0	-16	0	-16
Movement in Work in Progress	0	0	0	0	0	0	-308	-308
Balance outstanding at 31 March 2011	823	1,030	177	229	197	2,456	14	2,470

*Building Services used the Last in First Out (LIFO) stock valuation method up until February 2010 when a new stock system was brought online and Weighted Cost Average was used instead. Under IFRS LIFO is prohibited. On restatement it proved to be impossible to revalue the stock on the comparator under the Weighted Cost Average Method as the old system was no longer available. Due to the balances involved, the Council has used the LIFO balance at 1 April 2010.

NOTES TO THE CORE FINANCIAL STATEMENTS

KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2010/11

20 Short Term Debtors

	31 March 2011 £000	31 March 2010 £000	31 March 2009 £000
Central government bodies	16,427	22,189	29,817
Other local authorities	1,017	1,259	986
NHS Bodies	274	287	72
Public corporations and trading funds	49	45	38
Other entities and individuals	57,291	64,610	40,337
	75,058	88,390	71,250
Bad Debt Provision – Other entities and individuals	-13,817	-13,052	-12,338
Net Short Term Debtors	61,241	75,338	58,912

21 Cash and Cash Equivalents

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

	31 March 2011 £000	31 March 2010 £000	31 March 2009 £000
Cash held by the Council	133	132	126
Bank current accounts	8,092	9,527	8,335
Instant access interest accounts	29,683	24,832	46,032
	37,908	34,491	54,493
Bank overdraft	-10,339	-14,570	-4,607
Total Cash and Cash Equivalents	27,569	19,921	49,886

22 Assets Held for Sale

	2010/11 Non-Current £000	2009/10 Non-Current £000
Balance outstanding at 1 April	1,231	1,013
<u>Assets newly classified as held for sale:</u>		
Property, Plant and Equipment	541	2,046
Other assets/liabilities in disposal groups	833	0
Revaluation losses	-333	-815
<u>Assets declassified as held for sale:</u>		
Property, Plant and Equipment	-214	-152
Assets sold	-1,018	-861
Balance outstanding at 31 March	1,040	1,231

NOTES TO THE CORE FINANCIAL STATEMENTS

KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2010/11

23 Short Term Creditors

	31 March 2011 £000	31 March 2010 £000	31 March 2009 £000
Central government bodies	-15,296	-15,469	-18,223
Other local authorities	-574	-1,298	-1,254
NHS bodies	-1,763	-169	-438
Public corporations and trading funds	0	-132	-40
Other entities and individuals	-54,712	-71,225	-65,959
Total	-72,345	-88,293	-85,914

24 Other Short Term Liabilities

	31 March 2011 £000	31 March 2010 £000
Transferred Debt	-173	-180
PFI Liability	-2,390	-2,711
Total	-2,563	-2,891

25 Provisions

	Organisational Risk £000	Other £000	Total £000
Balance at 1 April 2010	-23,943	-43	-23,986
Additional provision made in 2010/11	-810	-980	-1,790
Amounts used in 2010/11	2,744	8	2,752
Balance at 31 March 2011	-22,009	-1,015	-23,024

The organisational risk provision covers obligations arising from Insurance claims and Equal Pay Compensation.

The insurance element of the organisational risk provision covers forecast costs relating to Employer's Liability, Public Liability, Motor, Fire and Miscellaneous risks.

The nature of insurance claims, particularly liability claims, means that there can be significant lead in times as claimants do not need to lodge claims for some time after the event occurred. For each insurance claim received an expected value is calculated based on best known estimates at the time: the figures used are derived from those calculated during the actuarial valuation in 2008/09. Settlement, depending on the nature of the claim, can vary considerably however as the Council is not able to influence this, it is considered prudent to class the provision as current.

The value and legitimacy of insurance claims depends on circumstances and will be a combination of compensation and legal costs.

A separate reserve (see note 8) exists to cover uninsured and unexpected losses which may arise from possible claims for third party asbestos, flooding and environmental impairment (pollution). It is not possible to state with any certainty the amount or timing of the likely use of the reserve due to the nature of the risks covered.

NOTES TO THE CORE FINANCIAL STATEMENTS

KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2010/11

The other element of this provision has been made to meet compensation payments arising from equal pay claims from certain groups of employees.

26 Other Long Term Liabilities

	31 March 2011 £000	31 March 2010 £000
Deferred Liabilities	-74,018	-76,531
Net Liability Related to Defined Benefit Pension Scheme	-429,221	-804,904
PFI Deferred Income	-6,445	-6,982
Total	-509,684	-888,417

27 Usable Reserves

Movement in Council's usable reserves are detailed in the Movement in Reserves Statement and Note 8 transfers to and from Earmarked Reserves.

28 Unusable Reserves

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

	31 March 2011 £000	31 March 2010 £000
Revaluation Reserve	242,958	215,275
Available for Sale Financial Instruments Reserve	54	-331
Capital Adjustment Account	946,263	1,196,781
Financial Instruments Adjustment Account	-7,195	-6,801
Deferred Capital Receipts Reserve	6,405	6,432
Pensions Reserve	-429,221	-804,904
Collection Fund Adjustment Account	-1,487	-2,014
Accumulated Absences Account	-11,712	-12,996
Total Unusable Reserves	746,065	591,442

Revaluation Reserve

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

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

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

NOTES TO THE CORE FINANCIAL STATEMENTS

KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2010/11

	2010/11	2009/10
	£000	£000
Balance at 1 April	215,275	171,789
Upward revaluation of assets	37,505	58,087
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	-328	-5,697
Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	252,452	224,179
Difference between fair value depreciation and historical cost depreciation	-7,030	-4,514
Accumulated gains on assets sold or scrapped	-2,464	-4,390
Balance at 31 March	242,958	215,275

Available for Sale Financial Instruments Reserve

This Reserve records gains made by the Council arising from increases in the value of its investments that have quoted market prices or otherwise do not have fixed or determinable payments. The balance is reduced when investments with accumulated gains are revalued downwards or impaired and the gains are lost or disposed of and the gains are realised.

	2010/11	2009/10
	£000	£000
Balance at 1 April	-331	-164
Upward revaluation of investments	444	16
Downward revaluation of investments not charged to the Surplus/Deficit on the Provision of Services	-59	-183
Balance at 31 March	54	-331

Capital Adjustment Account

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

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

NOTES TO THE CORE FINANCIAL STATEMENTS

KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2010/11

	2010/11	2009/10
	£000	£000
Balance at 1 April	1,196,781	1,163,642
Reversal of items relating to capital expenditure debited or credited to the CIES:		
Charges for depreciation and impairment of non-current assets	-57,093	-49,267
Revaluation losses on Property, Plant and Equipment	-255,159	-13,182
Revaluation gains on Property, Plant and Equipment	6,553	42,683
Amortisation of intangible assets	-1,173	-504
Revenue expenditure funded from capital under statute (REFCUS)	-15,996	-19,128
Capitalisation of equal pay	0	-7,383
Capitalisation of redundancy/pension costs	-5,092	0
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal	-18,556	-12,493
	850,265	1,104,368
Transfer to Major Repairs Reserve	-15,160	-14,974
Adjusting amounts written out of the Revaluation Reserve	9,495	8,905
Net written out amount of the cost of non-current assets consumed in the year	844,600	1,098,299
Capital financing applied in the year:		
Use of Capital Receipts Reserve to finance new capital expenditure	8,092	4,106
Use of the Major Repairs Reserve to finance new capital expenditure	20,808	13,286
Capital grants and contributions credited to the CIES that have been applied to capital financing/REFCUS	26,324	39,953
Application of grants to capital financing from the Capital Grants Unapplied Account	17,615	9,300
Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	23,478	21,263
Capital expenditure charged against the General Fund and HRA balances	7,071	10,764
	947,988	1,196,971
Movements in the market value of Investment Properties debited or credited to the CIES	-1,687	-190
Other	-38	0
Balance at 31 March	946,263	1,196,781

NOTES TO THE CORE FINANCIAL STATEMENTS

KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2010/11

Financial Instruments Adjustment Account

The Reserve provides a balancing mechanism between different rates at which gains and losses (such as premiums on the early repayment of debt and soft loans) are recognised under the Code and are required by statute to be met from the General Fund.

	2010/11	2009/10
	£000	£000
Balance at 1 April	-6,801	-3,081
Premiums and discounts written down in the year	188	188
Soft loans given in the year	-787	-3,946
Soft loan written down in the year	205	38
Balance at 31 March	-7,195	-6,801

Pensions Reserve

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

	2010/11			2009/10		
	LGPS	Teachers	Total	LGPS	Teachers	Total
	£000	£000	£000	£000	£000	£000
Balance at 1 April	-751,527	-53,377	-804,904	-339,338	-40,773	-380,111
Pension cost payable to Pension Fund	38,016	3,308	41,324	42,763	3,291	46,054
Actuarial gain/loss (-)	213,986	21	214,007	-388,530	-11,184	-399,714
Reversal of IAS19 entries	119,065	1,287	120,352	-66,422	-4,711	-71,133
Balance at 31 March	-380,460	-48,761	-429,221	-751,527	-53,377	-804,904

NOTES TO THE CORE FINANCIAL STATEMENTS

KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2010/11

Deferred Capital Receipts Reserve

The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of non-current assets but for which cash settlement has yet to take place. Under statutory arrangements, the Council does not treat these gains as usable for financing new Capital expenditure until they are backed by cash receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the Capital Receipts Reserve.

	2010/11	2009/10
	£000	£000
Balance at 1 April	6,432	6,470
Transfer to the Capital Receipts Reserve upon receipt of cash	-20	-31
Transfer to General Fund balance in accordance with statutory regulations relating to Finance Leases	-7	-7
Balance at 31 March	6,405	6,432

Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax income in the Comprehensive Income and Expenditure Statement as it falls due from council tax payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

	2010/11	2009/10
	£000	£000
Balance at 1 April	-2,014	-787
Amount by which council tax income credited to the CIES is different from council tax income calculated for the year in accordance with statutory requirements	527	-1,227
Balance at 31 March	-1,487	-2,014

The Unequal Back Pay Account

This Reserve absorbs the effect of applying statutory provisions that allow the impact on the General Fund of settlements of back pay to be deferred until cash is actually paid (rather than when a provision becomes necessary).

	2010/11	2009/10
	£000	£000
Balance at 1 April	0	-4,700
Cash settlements paid in the year	0	7,383
Amount by which amounts charged for Equal Pay claims to the CIES is different from the cost of settlements chargeable in the year in accordance with statutory requirements	0	-2,683
Balance at 31 March	0	0

NOTES TO THE CORE FINANCIAL STATEMENTS

KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2010/11

Accumulated Absences Account

The Reserve absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year, e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

	2010/11	2009/10
	£000	£000
Balance at 1 April	-12,996	-10,670
Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	1,284	-2,326
Balance at 31 March	-11,712	-12,996

29 Cash Flow Statement – Operating Activities

The cash flows for operating activities include the following items:

	2010/11	2009/10
	£000	£000
Interest received	-2,495	-3,526
Interest paid	34,939	35,232
Dividend received	-628	-440

30 Cash Flow Statement – Investing Activities

	2010/11	2009/10
	£000	£000
Purchase of property, plant and equipment, investment property and intangible assets	104,135	108,367
Purchase of short-term and long-term investments	1,693	57,304
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	-6,489	-5,952
Proceeds from short-term and long-term investments	-740	-73,469
Other receipts from investing activities	-39,044	-53,548
Net cash flows from investing activities	59,555	32,702

31 Cash Flow Statement – Financing Activities

	2010/11	2009/10
	£000	£000
Cash receipts of short and long-term borrowing	-99,358	-72,798
Other receipts from financing activities	4	-30
Cash payments for the reduction for the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	2,841	3,026
Repayments of short and long-term borrowing	82,696	66,613
Other payments for financing activities	-8,032	9,289
Net cash flows from financing activities	-21,849	6,100

NOTES TO THE CORE FINANCIAL STATEMENTS

KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2010/11

32 Amounts Reported for Resource Allocation Decisions

Chief Decision Maker

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

Rollover / Outturn Report

The following table is a breakdown of the final outturn position reported to Cabinet as part of the rollover process. The rollover process is a mechanism for transferring budget provisions from one year to the next or vice versa. The report shows both the balance on the General Fund (excluding HRA) and the balance on the HRA. It should be noted that the Cabinet report is not done on a subjective basis. However, a subjective analysis has been done to conform with the requirements of the Code that segments should be shown subjectively.

Some key things to note about the rollover report:

- Segments are shown by Directorate as this is the basis on which information is reported to Cabinet.
- Current service pension cost is shown at the IAS19 rate within Directorates. The effect of this on the General Fund balance is reversed out in the non-distributed costs segment.
- Capital charges, as well as credits relating to capital charges are shown within Directorates. The effect of these on the General Fund are reversed out in the Treasury Management segment and replaced with the provision for debt repayments.
- Revenue Expenditure Funded as Capital under Statute (REFCUS) as well as any associated grants are also shown in Directorates, with the effect on the General Fund reversed out under treasury management.
- Movements that have taken place between the General Fund and earmarked reserves are shown in order that the net cost of service for each directorate ties back to the General Fund balance.

Main differences

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

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

NOTES TO THE CORE FINANCIAL STATEMENTS
KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2010/11

General Fund (Non HRA) Subjective Analysis 2010/11	Children & Young People	Wellbeing & Communities	Place	Resources	Joint Committees	Contingencies	Non- Distributed Costs	Treasury Management	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Fees, charges & other service income	26,122	28,388	150,960	112,670	0	0	315	109	318,564
Capital Credits	5,325	1,121	268	161	0	0	0	-6,875	0
Interest	4	0	0	0	0	77	0	1,598	1,679
Government grants, reimbursements and contributions	386,502	19,439	16,249	144,829	1,082	-1,730	0	-8,532	557,839
Total Income	417,953	48,948	167,477	257,660	1,082	-1,653	315	-13,700	878,082
Employee Expenses	304,243	48,085	76,794	70,802	0	-5,089	-8,961	0	485,874
Other Service Expenses	173,023	106,267	127,367	181,863	19,983	609	0	-16,773	592,339
Support Service Recharges	12,769	12,843	24,617	30,236	0	26	0	82	80,573
Depreciation, amortisation and impairment	30,055	5,803	23,137	8,494	0	0	0	-67,489	0
Minimum Revenue Provision	0	0	0	0	0	0	0	20,767	20,767
Interest Payable	0	0	0	0	0	0	0	19,024	19,024
Total Operational Expenses	520,090	172,998	251,915	291,395	19,983	-4,454	-8,961	-44,389	1,198,577
Transfer to/from (-) Reserves	2,210	0	-339	0	0	15,263	3,604	-6	20,732
Net Cost of Service	104,347	124,050	84,099	33,735	18,901	12,462	-5,672	-30,695	341,227

NOTES TO THE CORE FINANCIAL STATEMENTS
KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2010/11

General Fund (Non HRA) Reconciliation 2010/11	Directorate Analysis	Services not reported to management	Items not reported to management	Items not in net cost of service	Allocation of recharges	Cost of Service	Corporate Amounts	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Fees, charges & other service income	318,564	73,370	-214	-107,931	-135,716	148,073	0	148,073
Capital Credits	0	36	10,218	-3,701	0	6,553	3,701	10,254
Interest and investment income	1,679	0		-1,679	0	0	6,187	6,187
Gain on Disposal of Fixed Assets	0	0	0	0	0	0	6,588	6,588
Government grants, reimbursements and contributions	557,839	6,331	34,028	-36,115	0	562,083	97,107	659,190
National Non Domestic Rates Income	0	0	0	0	0	0	137,199	137,199
Expected Return on Pension Assets	0	0	0	0	0	0	72,593	72,593
Income from council tax	0	0	0	0	0	0	154,179	154,179
Trading Income	0	0	0	0	0	0	6,365	6,365
Total Income	878,082	79,737	44,032	-149,426	-135,716	716,709	483,919	1,200,628
Employee Expenses	485,874	1,329	-177,399	-48,825	0	260,979	0	260,979
Other Service Expenses	592,339	40,139	7,257	-48,365	-58,961	532,409	1,682	534,091
Support Service Recharges	80,573	3,643	0	-7,461	-76,755	0	0	0
Capital Charges	0	259,452	74,559	-8,439	0	325,572	5,721	331,293
Minimum Revenue Provision	20,767	0	0	-20,767	0	0	0	0
Interest Payable and Similar Charges	19,024	0	0	-19,024	0	0	34,700	34,700
Losses on disposal on fixed assets	0	0	0	0	0	0	18,557	18,557
Precepts and Levies	0	0	0	0	0	0	570	570
Payments to Housing Capital Receipts Pool	0	0	0	0	0	0	1,832	1,832
Pension Interest Cost	0	0	0	0	0	0	92,092	92,092
Trading Expenditure	0	0	0	0	0	0	5,857	5,857
Total Operational Expenses	1,198,577	304,563	-95,583	-152,881	-135,716	1,118,960	161,011	1,279,971
Transfer to/ from (-) Reserves	20,732	0	0	-20,732	0	0	0	0
Deficit on Provision of Services	341,227	224,826	-139,615	-24,187	0	402,251	-322,908	79,343

NOTES TO THE CORE FINANCIAL STATEMENTS
KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2010/11

The HRA is presented in the Council's Rollover Report as a memorandum account, not included in the balance on the General Fund. The following shows how the reported balance reconciles through to the HRA balance in the Statement of Accounts.

HRA	HRA as per Outturn Report £000	Not reported to management £000	Not included in HRA NCS £000	HRA Net Cost of Service £000	Corporate Amounts £000	HRA reported in Accounts £000
Segment and reconciliation 2010/11						
Fees, charges & other service income	68,469	0	0	68,469	0	68,469
Reversal of Impairment	0	36	0	36	0	36
Interest	821	-3	-818	0	818	818
Government grants and contributions	6,331	0	0	6,331	3,494	9,825
Total Income	75,621	33	-818	74,836	4,312	79,148
Employee Expenses	119	0	0	119	0	119
Other Service Expenses	36,133	0	-47	36086	47	36,133
Support Service Recharges	3,643	0	0	3643	0	3,643
Depreciation, amortisation and impairment	14,993	244,459	0	259,452	0	259,452
Interest Payable	10,309	0	-10,309	0	10,309	10,309
losses on disposal on fixed assets	0	0	0	0	45	45
HRA Share of Corporate and Democratic Core	363	0	0	363	0	363
Total Operational Expenses	65,560	244,459	-10,356	299,663	10,401	310,064
Transfer to/from(-) Reserves						
Movement between reserves - Revenue						
Contribution to Capital Outlay (RCCO)	5,732	0	-5,732	0	0	0
Balance Contribution Adjustment	4,976	0	-4,976	0	0	0
Net Cost of Service	647	244,426	-20,246	224,827	6,089	230,916

NOTES TO THE CORE FINANCIAL STATEMENTS
KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2010/11

General Fund – (Non HRA) Subjective Analysis Comparator 2009/2010	Children & Young People	Wellbeing & Communities	Place	Resources	Joint Committees	Contingencies	Non-Distributed Costs	Treasury Management	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Fees, charges & other service income	28,374	29,438	147,728	112,872	0	-600	309	87	318,208
Capital Credits	6,691	759	1,029	400	0	0	0	-8,879	0
Interest	5	0	0	0	0	94	0	1,412	1,511
Government grants, reimbursements and contributions	355,950	16,735	16,347	138,751	1,071	1,363	0	-7,614	522,603
Total Income	391,020	46,932	165,104	252,023	1,071	857	309	-14,994	842,322
Employee Expenses	299,565	49,548	74,724	70,255	0	-2,680	17,468	19	508,899
Other Service Expenses	159,788	104,347	126,221	180,400	19,755	682	0	-22,888	568,305
Support Service Recharges	9,238	12,065	26,716	31,819	0	37	0	73	79,948
Depreciation, amortisation and impairment	16,604	6,866	21,643	5,792	0	0	0	-50,905	0
Minimum Revenue Provision	0	0	0	0	0	0	0	18,424	18,424
Interest Payable	0	0	0	0	0	0	0	18,344	18,344
Total Operational Expenses	485,195	172,826	249,304	288,266	19,755	-1,961	17,468	-36,933	1,193,920
Transfer to/ from (-) Reserves	448	1,054	183	-30	0	-251	0	-5	1,399
Net Cost of Service	94,623	126,948	84,383	36,213	18,684	-3,069	17,159	-21,944	352,997

NOTES TO THE CORE FINANCIAL STATEMENTS
KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2010/11

General Fund – Non HRA Reconciliation to Subjective Analysis Comparator 2009/10	Directorate Analysis	Services not report to management	Items not reported to management	Items not in net cost of service	Allocation of recharges	Cost of Service	Corporate Amounts	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Fees, charges & other service income	318,208	73,438	1,137	-104,503	-136,639	151,641	0	151,641
Capital Credits	0	32,047	11,047	-410	0	42,684	2,144	44,828
Interest and investment income	1,511	0	0	-1,511	0	0	6,538	6,538
Gain on Disposal of Fixed Assets	0	0	0	0	0	0	6,211	6,211
Government grants, reimbursement and contributions	522,603	6,342	35,947	-41,408	0	523,484	124,051	647,535
Expected Return on Pension Assets	0	0	0	0	0	0	48,006	48,006
National Non Domestic Rates Income	0	0	0	0	0	0	123,396	123,396
Income from council tax	0	0	0	0	0	0	150,871	150,871
Trading Income	0	0	0	0	0	0	5,624	5,624
Total Income	842,322	111,827	48,131	-147,832	-136,639	717,809	466,841	1,184,650
Employee Expenses	508,899	1,076	-1,554	-49,399	0	459,022	0	459,022
Other Service Expenses	568,305	40,950	13,984	-43,357	-62,121	517,761	1,739	519,500
Support Service Recharges	79,948	2,578	0	-8,008	-74,518	0	0	0
Capital Charges	0	15,371	62,770	-4,596	0	73,545	3,148	76,693
Minimum Revenue Provision	18,424	0	0	-18,424	0	0	0	0
Interest Payable and Similar Charges	18,344	0	0	-18,344	0	0	35,185	35,185
Losses on disposal on fixed assets	0	0	0	0	0	0	12,493	12,493
Precepts and Levies	0	0	0	0	0	0	538	538
Payments to Housing Capital Receipts Pool	0	0	0	0	0	0	1,815	1,815
Pension Interest Cost	0	0	0	0	0	0	79,501	79,501
Trading Expenditure	0	0	0	0	0	0	6,103	6,103
Total Operation Expenses	1,193,920	59,975	75,200	-142,128	-136,639	1,050,328	140,523	1,190,850
Transfer to/ from (-) Reserves	1399	0	0	-1399	0	0	0	0
Deficit on Provision of Services	352,997	-51,852	27,069	4,305	0	332,519	-326,319	6,200

NOTES TO THE CORE FINANCIAL STATEMENTS
KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2010/11

The HRA is presented in the Council's Rollover Report as a memorandum account, not included in the balance on the General Fund. The following shows how the reported balance reconciles through to the HRA balance in the Statement of Accounts.

HRA Segment and Reconciliation Comparator 2009/2010	HRA as per Outturn Report £000	Items not reported to management £000	Not included in HRA NCS £000	HRA Net Cost of Service £000	Corporate Amounts £000	HRA reported in Accounts £000
Fees, charges & other service income	69,425	0	0	69,425	0	69,425
Reversal of Impairment	364	31,683	0	32,047	0	32,047
Interest	1,132	56	-1,188	0	1,188	1,188
Government grants and contributions	6,342	0	0	6,342	552	6,894
Total Income	77,263	31,739	-1,188	107,814	1,740	109,554
Employee Expenses	33	0	0	33	0	33
Other Service Expenses	37,608	0	-74	37,534	74	37,608
Support Service Recharges	2,577	0	0	2,577	0	2,577
Depreciation, amortisation and impairment	15,130	241	0	15,371	0	15,371
Minimum Revenue Provision	0	0	0	0	0	0
Interest Payable	11,197	0	-11,197	0	11,197	11,197
losses on disposal on fixed assets	0	0	0	0	146	146
HRA Share of Corporate and Democratic Core	373	0	0	373	0	373
Total Operation Expenses	66,918	241	-11,271	55,888	11,417	67,305
Transfer to/from (-) Reserves						
Movement between reserves - Revenue	9,351	0	-9,351	0	0	0
Contribution to Capital Outlay	-2,805	0	2,805	0	0	0
Balance Contribution Adjustment	-2,805	0	2,805	0	0	0
Net Cost of Service	-3,799	-31,498	-16,629	-51,926	9,677	-42,249

NOTES TO THE CORE FINANCIAL STATEMENTS

KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2010/11

The following is a reconciliation between the Net Expenditure in the Rollover Report to the Cost of Services in the Comprehensive Income and Expenditure Account (CIES):

	2010/11	2009/10
	£000	£000
Net Expenditure in the Rollover report	341,227	352,997
Net Expenditure of services and support services not included in the analysis	224,826	-51,852
Amounts in the Comprehensive Income and Expenditure Statement not included in the analysis	-139,615	27,069
	426,438	328,214
Amounts included in Analysis not included in Comprehensive Income and Expenditure Account	-24,187	4,305
Cost of Services in the Comprehensive Income and Expenditure Account	402,251	332,519

33 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.

	2010/11			2009/10		
	Turnover	Expenditure	Surplus(-)/Deficit	Turnover	Expenditure	Surplus(-)/Deficit
	£000	£000	£000	£000	£000	£000
Cleaning of Buildings ²	6,697	6,762	65	6,523	6,978	455
Building Services ²	41,921	41,956	35	40,833	40,433	-400
Design and Property Services ²	6,743	7,621	878	8,879	9,033	154
Transport Services ²	12,345	10,983	-1,362	12,251	11,862	-389
Commercial Estates ³	2,753	1,635	-1,118	2,887	1,666	-1,221
Highways Direct ²	24,006	23,510	-496	19,891	19,648	-243
School & Welfare Catering ²	13,533	13,203	-330	13,284	13,177	-107
Looking Local ²	2,013	1,663	-350	1,485	1,424	-61
Building Control ¹	824	865	41	898	833	-65
Markets ¹	2,080	2,625	545	2,234	2,450	216
Trade Refuse ¹	2,427	1,661	-766	2,531	1,753	-778
	115,342	112,484	-2,858	111,696	109,257	-2,439

Trading operations are incorporated in the Comprehensive Income and Expenditure Statement. Some are an integral part of one of the Council's services to the public¹. Others support² the Council's services to the public, the expenditure of these operations is allocated or recharged to headings in the Net Operating Expenditure of Continuing Operations. Commercial Estates³ relates to investment properties and is included on the line for Investment Property within Financing and Investment income.

NOTES TO THE CORE FINANCIAL STATEMENTS

KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2010/11

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

	2010/11	2009/10
	£000	£000
Net surplus on trading operations	-2,859	-2,439
Services to public included in Expenditure of Continuing Operations ¹	181	628
Internal Trading recharged to Expenditure of Continuing Operations ²	1,052	1,069
Rentals Received and Expenses Incurred on Investment Property ³	1,118	1,221
Net gains (-)/losses in Financing and Investment Income	-508	479

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

	2010/11	2009/10
	£000	£000
Cleaning of Buildings – additional charge to various services	0	-439
Building Services – mainly refund to HRA	0	375
Highways Direct Services – refund to Highways	498	200
Estates Management – additional charge to various services	-928	0
Transport Services – refund to various services	1,101	933
School & Welfare Catering – refund to Education	381	0
	1,052	1,069

Additional Information Relating to Trading Operations

Cleaning of Buildings

The overall objective of the Cleaning & Caretaking Service is to maximise income/profit through the provision of a cleaning and caretaking service to a wide variety of customers in a cost effective manner.

Schools represent the largest client with £3.5 million turnover. There are a small number of external contracts; the main ones being with West Yorkshire Fire Authority (turnover £0.1 million) and KNH Ltd (turnover £0.018 million).

In 2010/11 although posting a deficit Cleaning of Buildings underspent its budget by £0.043 million. Subsequent budgets have been set with a target of creating a surplus of £0.5 million and turnover of £6.5 million in each of the next three years.

Building Services

This service carries out repairs and maintenance on buildings throughout the Council. Its main customers are the Housing Revenue Account, and Physical Resources and Procurement. External Customers (turnover £0.5 million) include the NHS, West Yorkshire Fire Service and Unison.

The service overspent its budget by £0.6 million. This was due to problems encountered introducing new IT and process changes as well as work being undertaken to move the workforce onto the Council's single status terms and conditions. Future year targets have been set to break-even, and work is ongoing to achieve this through management action and the setting of performance targets.

NOTES TO THE CORE FINANCIAL STATEMENTS

KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2010/11

Design and Property Services

The Service is responsible for the strategic leadership and management of the Council's land and property assets, the programme and project management of major capital schemes and the design and maintenance of building related construction. Income predominantly comes from internal recharges to either other Council departments or to schemes in the Capital Plan.

The total budgeted income in year was £9.24 million. Total actual income was significantly less, mainly as a result of the current capital review that has deferred a significant amount of capital work. Building Schools for the Future in particular in its current form has led to greater reductions in anticipated workload with minimal work retained

Moving forward, a budgeted surplus has been set for the next 3 years being £0.6 million (2011-12), £0.9 million (2012-13) and £1.1 million (2013-14). Remedial action taken so far includes an ongoing restructuring of the workforce and a recalculation of fees and charges based on a new lower level of anticipated work.

Transport Services

Transport Services is principally responsible for the procurement of vehicles and plant, maintenance and disposal, that are used to deliver key front line services. Transport Services is also responsible for the fuel used by the Council's vehicles. The service operates as a trading operation aiming to deliver an enhanced service and support at rates that are competitive with external providers.

Main customers are Building Services, Refuse Collection, Highways Services & Grounds Maintenance. External turnover is small in comparison (£0.7 million) with customers including Kirklees Neighbourhood Housing, West Yorkshire Passenger Transport, Taxi testing & external vehicle servicing.

The service met its surplus target showing a favourable variance of £0.078 million for the year.

Commercial Estates

Unlike other trading services this service is consolidated within Investment Property within Finance and Investment, but is disclosed within this note as it meets the definition of a Trading Account under the Best Value Code of Practice.

Land and property within the Commercial Estate portfolio is leased to a number of parties, for example businesses who lease units/shops or home owners who lease allotments, garages or gardens linked to their properties. The aim is to have all land and units occupied. The main trading risks involve include non-payment of rent by tenants as well as voids.

Income from land and property was £0.089 million lower in 2010/11 than budget due to an increase in vacant properties within Huddersfield Town Centre. This trend is likely to continue in the short-term.

Highways Direct

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

Record turnover figures were far in excess of forecast work. This was due to an exceptional winter, comprising actual winter maintenance activities and repair of subsequent damage to the Highway Network. Additional work was also secured by Streetcare and additional works from across the Council that was not known during the budget / sales forecasting process.

NOTES TO THE CORE FINANCIAL STATEMENTS

KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2010/11

School and Welfare Catering

The main objective of this service is the provision of a catering service to a wide variety of customers in a cost effective manner, maximising both profit and turnover.

The service provides over 5 million meals annually to approximately 26,000 customers in 191 schools. The trading/profit objective is met through maximising the uptake of meals (including free school meals), providing varied menus tailored to attract custom at individual schools & meeting diverse customer requirements.

Work is commissioned in the primary school sector by the Client Service within the Council (with the overall level of income dependent on the volume of meals served). Secondary school catering is run on the basis of the schools paying directly through a Service Level Agreement for the provision of a school meals service, with the Catering Service retaining all variable sales income from individual customer purchases. Direct sales to pupils within high schools, together with the direct sales at establishments such as the Deighton Centre generated turnover of £2.7 million (£2.6 million in 2009/10).

The Catering Service outcome is dependent on the number of trading days in the financial year. This can vary with the timing of holidays and notably, the Easter break. Budgets are set and managed accordingly but this can result in varying trading positions across different years. Subsequent budgets have a target of creating a surplus of more than £1 million in each of the next three years.

Looking Local (Previously called Digi TV)

The services provides a fully managed technology service that enables local public sector bodies across the UK to exploit television, mobiles and smartphones for the delivery of front line public services. The service can be found on SKY & Virgin Media, and also accessed via a variety of other mobile devices. Main customers are local authorities, housing associations, health trusts and the police. Partnerships are also in place with Jobcentre Plus, Transport Direct, NHS Choices and NHS24.

Most turnover is externally generated amounting to £1.8 million (£1.3 million 2009/10).

Performance against budget has been solid over the previous 3 years delivering the projected surplus in each case. The target for this year was £0.315 million. The projected surplus for next year is £0.174 million as the current market is more challenging.

Trade Refuse

The Council operates a trade waste collection service for internal and external customers. This involves the provision of waste containers on customers' premises. A quarterly charge is levied for the number of times each container is emptied in the quarter. The Council is in direct competition with the private sector, and it looks to make a surplus from operating the service.

The budgeted surplus in 2010/11 was £0.167 million compared to the actual surplus of £0.766 million. The large surplus is due to less waste going to landfill than used to be the case, which has led to significant savings in landfill tax.

Building Control

The Building Control Charge Account is run in accordance with the Building Local Authority Charges Regulations 2010. Its main activities are checking, inspecting and providing advice on Building Regulation applications and inspections of work on site, ensuring applications and work on site meets the minimum standards laid out in the regulations.

The legislation requires that the charges are set so the costs incurred by the Building Regulation chargeable activity are recovered. The workload is subject to competition and construction activity. Each application is subject to private sector competition.

There is a regulatory requirement to break even; as such the results of one years trading will influence the actions of the following year. Therefore this year's deficit (£0.040 million) should be seen within the context of last year's surplus (£0.065 million).

NOTES TO THE CORE FINANCIAL STATEMENTS

KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2010/11

Markets

The purpose of Markets is the provision of markets for traders across Kirklees. The service covers all elements of market trading ranging from 'car boot sales' through to established market facilities within town centres. Turnover is generated through the letting of stalls and areas within markets. Traders review market trends before committing to long term arrangements. Customers are a combination of long established businesses within the market halls through to day pitches at car boot sales / specialist markets.

The service is a key indicator for the local economy, reflecting changes in the economic patterns of the Council. The risk of delivering the service is high and continually under scrutiny with income streams failing to meet targets. As such the service is at risk of private sector competition e.g. supermarkets, with Members having to balance key priorities across the Kirklees area.

The current target for the service is to break even, with poor performing areas of the service being reviewed to ensure value for money is maintained.

34 Agency Services

The Council provides services as an agent of other public bodies, whereby the Council recoups the costs incurred from the principal body.

	2010/11			2009/10		
	Income £000	Expenditure £000	Surplus £000	Income £000	Expenditure £000	Surplus £000
Translation Service	330	337	-7	581	647	-66
Housing Voids	377	377	0	369	370	-1
Payroll Service	145	145	0	152	152	0
Cash Collection	32	32	0	31	31	0
Total	884	891	-7	1,133	1,200	-67

NOTES TO THE CORE FINANCIAL STATEMENTS

KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2010/11

35 Pooled Funds

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

During 2002/03 the Council, in association with the local Primary Care Trusts, established a pooled budget agreement for people with learning disabilities. The purpose of the fund was to increase the opportunities for adults with learning disabilities to access community facilities, to support people in the development of person centred planning, and to provide advocacy support in the development of services. In 2003/04 the same partners established an Integrated Community Equipment Service. The partners contribute funds to the agreed budget and there is no fixed split of contributions, these are negotiated and agreed between the parties each year.

The pooled budget is hosted by the Council on behalf of the partners to the arrangement.

	2010/11	2009/10
	£000	£000
<u>Funding provided to the pooled budget</u>		
Kirklees Council	1,971	2,227
Kirklees Primary Care Trust	451	460
Kirklees Community Health Services	995	365
Total Funding	3,417	3,052
<u>Expenditure met from the pooled budget</u>		
Kirklees Council	1,819	2,045
Kirklees Community Health Services	995	351
Total Expenditure	2,814	2,396
Net surplus arising on pooled budget during the year	603	656
Council share of the net surplus arising on the pooled budget	603	642

36 Members Allowances

	2010/11	2009/10
	£000	£000
Total amount of allowances and expenses paid, including employers' national insurance and pension contributions	1,369	1,349

NOTES TO THE CORE FINANCIAL STATEMENTS

KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2010/11

37 Officers' Remuneration

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

Remuneration Band (£)	2010/11		2009/10-Restated		2009/10	
	Teachers	Other	Teachers	Other	Teachers	Other
50,000 - 54,999	93	50	92	74	107	55
55,000 - 59,999	59	26	65	44	70	32
60,000 - 64,999	39	8	29	22	32	15
65,000 - 69,999	13	7	14	5	14	3
70,000 - 74,999	9	8	8	16	8	14
75,000 - 79,999	6	10	6	4	6	3
80,000 - 84,999	4	7	4	6	6	6
85,000 - 89,999	2	4	2	1	2	1
90,000 - 94,999	2	2	2	2	2	2
95,000 - 99,999	0	0	0	2	0	2
100,000 - 104,999	1	0	2	1	2	1
105,000 - 109,999	1	0	0	2	0	2
110,000 - 114,999	0	1	0	0	0	0
115,000 - 119,999	1	0	0	2	0	2
120,000 - 124,999	0	1	0	0	0	0
125,000 - 129,999	0	3	0	0	0	0
130,000 - 134,999	0	0	0	1	0	1
135,000 - 139,999	0	2	0	1	0	1
140,000 - 144,999	0	1	0	0	0	0
145,000 - 149,999	0	1	0	0	0	0
155,000 - 159,999	0	0	0	2	0	2
170,000 - 174,999	0	1	0	1	0	1
Total	230	132	224	186	249	143

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

This year 26 (26 – 2009/10) employees of Voluntary Aided Schools have been excluded from the note as they have been identified as being employed by the School Governors, not the Council, even though payments are made by the Council. This arrangement applied in both years. The comparator has been amended as these employees have previously been included.

The 2009/10 comparator has also been amended to include 44 employees, not included in last year's disclosure, who breached the £50k disclosure limit after receiving redundancy payments. It should be noted 34 employees received redundancy payments in 2010/11 and breached the £50k limit, who would not otherwise have done so.

There has been a reduction in the number of Senior Officers in the financial year due to a Council wide voluntary early retirement programme and a restructure of the senior management structure.

NOTES TO THE CORE FINANCIAL STATEMENTS
KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2010/11

The following table sets out the remuneration disclosures for Senior Officers whose annualised salary is £150,000 or more per year:

Post holder information (Post title and name)	Salary including fees and allowances £	Expense Allowance £	Total Remuneration Excluding pension contributions £	Employer's pension contributions £	Total Remuneration including pension contributions £
2010/11					
Chief Executive -1* R Vincent	31,890	0	31,890	4,464	36,354
2009/10					
Chief Executive R Vincent	159,447	195	159,642	21,047	180,689

1* R Vincent ceased his duties as Chief Executive on 30/06/2010. His annualised salary was £161,666. He is now employed as Chief Executive at Doncaster Council, and although Kirklees continue to pay his salary, Doncaster Council is fully recharged and have agreed to include his remuneration in their note.

The following table sets out the remuneration disclosures for the Council's senior officers (Directors Group and Monitoring Officer), whose full time equivalent salary is less than £150,000, but equal to or more than £50,000 per year.

Senior Officers' emoluments 2010/11

Post holder information (Post title)	Salary including fees and allowances £	Expense Allowances £	Compensation for loss of office £	Total Remuneration Excluding pension contributions 2010/11 £	Employers Pension Contributions 8* £	Total Remuneration including pension contributions 2010/11 £
Chief Executive - 1*	102,390	0	0	102,390	14,335	116,725
Director of Finance & Performance - 2*	33,985	0	0	33,985	4,758	38,743
Director of Resources - 3*	18,807	0	0	18,807	2,633	21,440
Director for Children and Young People	135,819	250	0	136,069	19,015	155,084
Director for Wellbeing and Communities	112,826	0	0	112,826	15,796	128,622
Director for Place	120,233	0	0	120,233	16,814	137,047
Director for Environment, Transportation and Property - 4*	112,844	0	62,361	175,205	15,798	191,003
Director of Human Resources - 5*	36,038	0	0	36,038	5,045	41,083
Director of Organisational Development - 6*	48,505	0	92,172	140,677	5,928	146,605
Monitoring Officer – 7*	85,089	0	0	85,089	5,295	90,384

1* The Chief Executive took on their role on 01/08/10. Their annualised salary is £143,189.

NOTES TO THE CORE FINANCIAL STATEMENTS

KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2010/11

- 2* The Director of Finance and Performance became Chief Executive on 01/08/10. Their annualised salary as at 31/07/2010 was £120,433.
- 3* The Director of Resources commenced employment on 21/02/2011, their full time equivalent salary as at 31/03/2011 was £120,433.
- 4* The Director of Environment, Transportation and Property left the authority on 27/03/2011. Their full time equivalent as at 27/03/2011 was £120,433.
- 5* The Director of Human Resources left the authority on 18/08/10. They worked an average of 20 hours and 45 minutes as week. Their full time equivalent salary as at 18/08/10 was £114,958.
- 6* The Director of Organisational Development left the authority on 03/09/10, their annualised salary was £112,143.
- 7* The Monitoring Officer took on this role on 06/04/2010.
- 8* No added years pensions were provided for senior officers

Senior Officers' emoluments 2009/10 comparator

Post holder information (Post title)	Salary including fees and allowances	Expense Allowances	Compensation for loss of office	Total Remuneration Excluding pension contributions 2009/10	Employers Pension Contributions 4*	Total Remuneration including pension contributions 2009/10
	£	£	£	£	£	£
Director for Children and Young People	138,743	442	0	139,185	17,402	156,587
Director for Wellbeing and Communities	109,334	0	0	109,334	14,432	123,766
Director for Place	119,300	139	0	119,439	15,747	135,186
Director of Finance & Performance - 1*	95,027	0	0	95,027	12,543	107,570
Director for Environment, Transportation and Property	119,300	136	0	119,436	15,748	135,184
Director of Human Resources - 2*	103,708	136	0	103,844	13,689	117,533
Director of Organisational Development - 3*	52,792	0	0	52,792	6,968	59,760

- 1* The Director of Finance and Performance commenced employment on 6/07/2009, their full time equivalent salary as at 31/03/2010 was £120,433.
- 2* The Director of Human Resources worked 33 hours and 20 minutes a week, their full time equivalent salary as at 31/03/2010 was £114,958.
- 3* The Director of Organisational Development commenced employment on 26/10/09, their annualised salary as at 31/03/2010 was £109,483.
- 4* No added years pensions were provided for senior officers

It should be noted that the 2009/10 figures for senior officers emoluments only relates to individuals who continued to be employed in 2010/11 and will exclude those who left the Council in 2009/10. This is because the requirements of this note are specific to employees qualifying for the current year, not for persons who left the authority in the prior year.

NOTES TO THE CORE FINANCIAL STATEMENTS

KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2010/11

38 External Audit Costs

The Council's appointed auditor is the Audit Commission. The fees incurred relating to external audit and inspections were as follows:

	2010/11	2009/10
	£000	£000
Fees payable for external audit services	365	383
Fees payable for Statutory Inspection	3	17
Fees payable for the certification of grant claims and returns	130	115
	498	515

39 Deployment of Dedicated Schools Grant (DSG)

The Council's expenditure on schools is funded primarily by grant monies provided by the Department for Education. DSG is ring fenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the School Finance (England) Regulations 2008. The Schools Budget includes elements for a range of educational services provided on a council-wide basis and for the Individual Schools Budget (ISB), which is divided into a budget share for each maintained school.

Details of the deployment of DSG receivable are as follows:

	Central	ISB	Total
	Expenditure		
	£000	£000	£000
Final DSG for 2010/11	24,616	234,872	259,488
Brought forward from 2009/10 and earlier years	879	0	879
Carry forward to 2011/12 agreed in advance	0	0	0
Agreed budgeted distribution for 2010/11	25,495	234,872	260,367
Allocation of school specific contingencies	-1,871	1,871	0
Actual Central Expenditure	-22,461	0	-22,461
Actual ISB deployed to schools	0	-236,743	-236,743
Carry forward to 2011/12	1,163	0	1,163

NOTES TO THE CORE FINANCIAL STATEMENTS

KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2010/11

40 Grant Income

The Council credited the following grants and contributions to the Comprehensive Income and Expenditure Statement:-

	2010/11	2009/10
	£000	£000
<u>Credited to Taxation and Non Specific Grant Income</u>		
Revenue Support Grant (RSG)	19,923	28,481
Area Based Grant (ABG)	27,917	21,301
PFI Grant	11,358	11,358
Performance Reward Grant	0	657
Local Authority Business Growth Incentives (LABGI)	0	257
Housing and Planning Delivery Grant (HPDG)	0	891
Supporting People *	0	10,594
<u>Grants and Contributions related to capital financing which cannot be identified to particular services or assets</u>		
Standards Fund	19,894	19,502
Specified Capital Grant	4,116	5,903
Local Transport Plan (LTP)	3,072	5,848
Lottery	2,411	1,708
Regional Housing	2,147	4,756
Homes and Communities Agency	1,967	0
Low Carbon Building Project	833	0
Yorkshire Forward	749	2,576
Children's Centres	630	2,504
Fair Play Playbuilder	0	1,203
Free Swimming	0	2,370
DEFRA	0	669
Other Capital Grants and Contributions	2,090	3,460
Total	97,107	124,038
<u>Credited to Services</u>		
<u>Revenue</u>		
Dedicated Schools Grant	259,488	249,965
DWP – Rent Allowance	58,285	56,930
DWP – Rent Rebate	46,536	44,386
DWP – Council Tax	32,383	30,274
Standards Fund	37,658	35,433
Young People's Learning Agency (YPLA) 16 - 19	17,009	0
General Sure Start Grant	16,997	14,357
School Standards Grant	13,681	13,540
Young People's Learning Agency Sixth Form Grant	8,872	10,677
Housing Revenue Account Subsidy	6,331	6,444
Housing Benefit and Council Tax Administration	3,930	3,791
DWP Income – Future Jobs Fund	3,352	311
Social Care Reform Grant	1,873	1,657

NOTES TO THE CORE FINANCIAL STATEMENTS

KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2010/11

	2010/11	2009/10
	£000	£000
<u>Revenue Grants continued</u>		
Asylum Seekers	1,872	2,865
Children and Young Peoples Grant	1,059	0
Youth Justice Board	1,041	1,079
PCT – Winter Pressures	791	0
TDA Graduate Teacher Programme	620	682
Diploma Grant	592	454
Sport England West Yorkshire Sport Extending Activities	541	400
s31 Winter Damaged Roads	505	0
Other Revenue Grants and Contributions	9,939	12,509
<u>Capital</u>		
Children’s Centres	3,595	1,418
Regional Housing	2,686	127
Disabled Facilities	1,082	1,112
Standards Fund	686	1,123
Specified Capital Grant	0	2,315
Yorkshire Forward	0	542
Low Carbon Communities Challenge	0	500
Other Capital Grants and Contributions	483	512
Total	531,887	493,403
Total Grants in Comprehensive Income & Expenditure Account	628,994	617,441

* Supporting People was separately identifiable in 2009/10 – it is now included within the Area Based Grant

The Council has received a number of grants and contributions that have yet to be recognised as income as they have conditions attached to them that cannot be reasonably satisfied, and which may require them to be returned to the giver. The main one relates to s31 Winter Damaged Roads 2011/12 (£1.3 million) which was received at the end of March 2011 and as at the balance sheet date, a plan was not in place to spend the funding. The remainder as at 31 March 2011 was £0.3 million and related to a small number of other grants.

As at 31 March 2010, £0.9 million had not been recognised as income.

41 Related Party Transactions

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

i) Elected Members and Chief Officers

There were no material disclosures to declare for 2010/11 for either Elected Members or Chief Officers, except for one noted below. It should be noted that all members’ financial and other interests which could conflict with those of the Council are open to public inspection as required by the code of conduct adopted by the Council in accordance with section 51 of the Local Government Act 2000 and the Local Authorities (Model Code of Conduct) (England) Regulations 2001, made under section 50 of that Act. Members are also required to disclose

NOTES TO THE CORE FINANCIAL STATEMENTS

KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2010/11

personal and prejudicial interests in matters being considered at meetings at which they are present. Officers also have a duty to declare any interests which could conflict with those of the Council.

One Councillor is employed by a community based business that undertakes energy efficiency projects, from which the Council and a number of other local authorities receive services. As the Council has been involved in a major project with the supplier, it has been paid £3.871m.

Another member of the Council is employed by an organisation that provides training to some Council employees. The Councillor has no involvement in the placing of this work.

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	
	2010/11 £000s	2009/10 £000s	2010/11 £000s	2009/10 £000s	2010/11 £000s	2009/10 £000s
Kirklees Media Centre Ltd	72	40	116	0	0	0
Yorkshire Energy Services	33	8	0	0	3,871	938
Nationwide Children's Research Centre	0	0	9	35	0	0
Northern College For Residential Adult Education Ltd	1	0	22	5	0	0

The Council has given a loan to Kirklees Media Centre Ltd. As at 31 March 2011 £217,500 was outstanding (£217,500 as at 31 March 2010).

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

- Precepting authorities (see the Comprehensive Income and Expenditure Statement and the Collection Fund Income and Expenditure Statement). The Council also pays Joint Committees for providing services such as Trading Standards and Passenger Transport. Payments in 2010/11 amounted to £18.7 million (2009/10 £18.5 million). Certain Parish Councils have also invested funds with the Council. As at 31 March 2011, £152,800 (£128,800 at 31 March 2010) was invested.
- Pension Fund (see note 47)
- Grants (see note 40)
- Subsidiary, joint venture companies and associates (see Group Accounts)
- PFI Transactions (see note 44)

NOTES TO THE CORE FINANCIAL STATEMENTS

KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2010/11

42 Capital Expenditure and Capital Financing

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

	2010/11	2009/10
	£000	£000
<i>Opening Capital Financing Requirement</i>	751,005	687,383
<u>Capital investment</u>		
Property, Plant and Equipment	100,028	100,658
Investment Properties	1,083	4,885
Intangible Assets	83	2,870
Revenue Expenditure Funded from Capital under Statute	15,996	19,781
Loans and investments	4,539	26,182
Capitalisation of equal pay	0	7,383
Capitalisation of redundancy/pension costs	5,092	0
<u>Sources of Finance</u>		
Capital receipts	-8,092	-4,106
Government grants and other contributions	-43,403	-48,717
Major Repairs Reserve	-20,808	-13,286
Sums set aside from revenue:		
Direct revenue contributions	-7,071	-10,765
Minimum Revenue Provision	-23,478	-21,263
Capital receipts used to repay debt	-2,289	0
<i>Closing Capital Financing Requirement</i>	772,685	751,005
<u>Explanation of movements in year</u>		
Increase in underlying need to borrow:		
Supported by Government financial assistance	11,288	13,415
Unsupported by Government financial assistance	36,159	71,470
Provision for repayment of debt	-25,767	-21,263
<i>Increase in Capital Financing Requirement</i>	21,680	63,622

NOTES TO THE CORE FINANCIAL STATEMENTS

KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2010/11

43 Leases

Council as Lessee

Finance Leases

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

	31 March 2011	31 March 2010
	£000	£000
Cost or valuation		
At 1 April	12,674	11,807
Additions	122	867
Revaluations increases recognised in the Revaluation Reserve	1,690	0
Revaluations increases recognised in the Surplus/Deficit on the Provision of Services	154	0
At 31 March	14,640	12,674
Depreciation and impairments		
At 1 April	735	554
Depreciation charge	190	181
Depreciation written out to the Revaluation Reserve	-623	0
Depreciation written out to the Surplus/Deficit on the Provision of Services	-57	0
At 31 March	245	735
Net Book Value as at 31 March	14,395	11,939

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

	31 March 2011	31 March 2010
	£000	£000
Finance lease liabilities (net present of value of minimum lease payments):		
• current	0	0
• non-current	1,050	1,050
Finance costs payable in future years	27,660	27,979
Minimum lease payments	28,710	29,029

NOTES TO THE CORE FINANCIAL STATEMENTS

KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2010/11

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

	Minimum Lease Payments		Finance Lease Liabilities	
	31 March	31 March	31 March	31 March
	2011	2010	2011	2010
	£000	£000	£000	£000
Not later than one year	90	90	0	0
Later than one year and not later than five years	360	360	0	0
Later than five years	7,650	7,740	1,050	1,050
	8,100	8,190	1,050	1,050

In year the amount of contingent rents paid was £229,000 (£229,000 2009-10).

Operating Leases

The Council uses vehicles, wheeled bins, computer and printing equipment and accommodation, mainly in Huddersfield Town Centre, financed under the terms of operating leases. The Council is committed at 31 March 2011 to make future minimum lease payments due under non-cancellable leases as follows:

	Minimum Lease Payments		Minimum Sub Leases Receivable	
	31 March	31 March	31 March	31 March
	2011	2010	2011	2010
	£000	£000	£000	£000
Not later than one year	820	625	-30	-30
Later than one year and not later than five years	1,407	1,196	0	-30
Later than five years	1,468	1,138	0	0
	3,695	2,959	-30	-60

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

	2010/11	2009/10
	£000	£000
Minimum Lease Payments	715	1,230
Contingent Rents	19	13
Sub Lease payments	-30	-30
	704	1,213

NOTES TO THE CORE FINANCIAL STATEMENTS

KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2010/11

Council as Lessor

Finance Leases:

The Council leases out large numbers of long land leases on 999 year terms and various ground leases on varying terms, mainly between 99 and 150 years.

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

	31 March 2011	31 March 2010
	£000	£000
Finance lease debtor (net present of value of minimum lease payments):		
• non-current	6,304	6,311
Unearned finance income	24,635	25,082
Gross investment in the lease	30,939	31,393

The gross investment in the lease and the minimum lease payments will be received over the following periods:

	Gross Investment in the Lease		Minimum Lease Payments	
	31 March 2011	31 March 2010	31 March 2011	31 March 2010
	£000	£000	£000	£000
Not later than one year	454	454	454	454
Later than one year and not later than five years	1,818	1,818	1,818	1,818
Later than five years	28,667	29,121	28,667	29,121
	30,939	31,393	30,939	31,393

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

Operating Leases:

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

- For service provision. For example Markets hires out various stalls within Market Halls as part of their service provision
- Receiving income from land and property on a commercial basis

The value of the assets leased out is as follows:

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	31 March 2011 £000	31 March 2010 £000
Cost or valuation		
At 1 April	64,679	61,592
Additions	666	1,870
Revaluations increases recognised in the RR	0	2,593
Revaluations decreases recognised in provision of services	-2,008	-1,365
De-recognition - disposals	-118	-212
Other movements in cost or valuation (re-classifications)	-348	201
At 31 March	62,871	64,679
Depreciation and impairments		
At 1 April	1,290	1,616
Depreciation charge for year	704	522
Depreciation written out to the Revaluation Reserve	0	-373
Depreciation written out to the Surplus/Deficit to Services	-226	-475
At 31 March	1,768	1,290
Net Book Value at 31 March	61,104	63,389

The Council received £5.3 million in rent on operating leases in 2010/11 (£5.6 million 2009/10).

The following is commitments relating to non-cancellable contracts (covering both minimum lease payments and contingent rents):

	31 March 2011 £000	31 March 2010 £000
Not later than one year	2,232	2,132
Later than one year and not later than five years	4,614	5,210
Later than five years	3,022	3,197
	9,868	10,539

44 Private Finance Initiative (PFI) Transactions

The Council has three PFI schemes:

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

The Council incurred costs of £11.0 million under the contract in 2010/11 (2009/10 £11.1 million) and received £3.2 million in PFI Grant (2009/10 £3.2 million). Details of estimated payments due to be made are as follows:

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	Service Charges £000	Interest Charges £000	Repayments Of Liability £000	Total £000
In 2011/12	8,316	1,282	1,402	11,000
Between 2012/13 to 2015/16	35,039	4,117	5,544	44,700
Between 2016/17 to 2020/21	46,047	2,805	7,148	56,000
Between 2021/22 to 2022/23	18,752	371	3,277	22,400
	108,154	8,575	17,371	134,100

The estimated payments for service charges are based on expected tonnages and 2011/12 price base.

Under this contract, the operator receives a significant part of their income from third parties, either from gate fees, sale of energy production or recycled materials. A proportion of the assets are effectively financed with third party revenues rather than with fixed payments from the Council. A balancing credit, pro rata to the proportion of fixed payments from the Council and expected third party payments, has been created in the form of a Deferred Income balance. This balance is released to income and expenditure over the life of the contract, with a corresponding appropriation from the Capital Adjustment Account to the Statement of Movement on the General Fund Balance. The balance as at 31 March 2011 was £6.4 million (31 March 2010 £7.0 million).

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

	2010/11 £000	2009/10 £000
Net Book Value at 1 April	30,317	31,873
Additions	50	15
Revaluations	-11,608	0
Depreciation and impairment	12,954	-1,571
Net Book Value at 31 March	31,713	30,317

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

	2010/11 £000	2009/10 £000
At 1 April	18,522	19,829
Movement in the year	-1,308	-1,307
At 31 March	17,214	18,522

ii) Schools 1

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

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

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

NOTES TO THE CORE FINANCIAL STATEMENTS

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

The Council incurred costs of £12.7 million under the contract in 2010/11 (2009/10 £13.1 million) and received £5.9 million in PFI Grant (2010/11 £5.9 million). Details of estimated payments due to be made are as follows:

	Service Charges £000	Interest Charges £000	Repayments Of Liability £000	Other £000	Total £000
In 2011/12	8,096	3,095	399	1,191	12,781
Between 2012/13 to 2015/16	33,736	11,880	3,447	4,701	53,764
Between 2016/17 to 2020/21	46,531	13,232	6,189	6,313	72,265
Between 2021/22 to 2025/26	52,894	10,689	7,835	7,158	78,576
Between 2026/27 to 2030/31	56,670	6,902	14,841	7,304	85,717
Between 2031/32 to 2033/34	29,339	1,007	9,633	3,401	43,380
	227,266	46,805	42,344	30,068	346,483

Estimated payments assume annual inflation of 2.5%, where appropriate. Other costs largely relate to lifecycle replacement costs.

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

	2010/11 £000	2009/10 £000
Net Book Value at 1 April	171,417	170,067
Additions	2,634	2,519
Revaluations	0	4,489
Depreciation and impairment	-5,899	-5,658
Net Book Value at 31 March	168,152	171,417

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

	2010/11 £000	2009/10 £000
At 1 April	43,132	44,120
Movement in the year	-788	-988
At 31 March	42,344	43,132

iii) Schools 2

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

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

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

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The Council incurred costs of £2.8 million under the contract in 2010/11 (£2.8 million in 2009/10) and received £2.2 million in PFI Grant (2009/10 £2.2 million). Details of estimated payments due to be made are as follows:

	Service Charges £000	Interest Charges £000	Repayments Of Liability £000	Other £000	Total £000
In 2011/12	1,055	994	589	153	2,791
Between 2012/13 to 2015/16	4,387	3,515	2,063	1,044	11,009
Between 2016/17 to 2020/21	5,974	3,441	2,290	1,839	13,544
Between 2021/22 to 2025/26	6,691	2,419	2,558	1,835	13,503
Between 2026/27 to 2030/31	7,610	1,115	3,910	1,040	13,675
Between 2031/32 to 2031/32	658	12	452	14	1,136
	26,375	11,496	11,862	5,925	55,658

Part of the contract payment deflates at 2.5% annually, whilst the other part is indexed annually in line with "All items RPI". The estimated payments above assume future annual inflation of 2.5%, where appropriate. Other costs largely relate to lifecycle replacement costs.

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

	2010/11 £000	2009/10 £000
Net Book Value at 1 April	18,021	18,182
Additions	323	153
Depreciation	-316	-314
Net Book Value at 31 March	18,028	18,021

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

	2010/11 £000	2009/10 £000
At 1 April	12,427	12,971
Movement in the year	-565	-544
At 31 March	11,862	12,427

45 Impairment Losses

During 2010/11 the Authority has demolished three surplus buildings which have created impairment losses charged to the surplus or deficit on the provision of services of £2.328 million (09/10 £2.927 million). The most significant building was the demolition of Swallow Court, a former Day Centre, which has been demolished as part of the sports centre development, resulting in an impairment loss of £1.3 million.

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KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2010/11

46 Termination Benefits

The Council terminated the contracts of 443 employees through voluntary severance in 2010/11, incurring liabilities of £5.6 million (£2.3 million 2009/10). Of this liability, £92,172 was paid to the Director of Organisational Development, and £62,361 was paid to the Director of Environment, Transport and Property in the form of compensation for loss of office.

The 443 employees who left were distributed across the Council's directorates as follows:

Directorate	Total
Children and Young Persons Service	61
Place	160
Resources	141
Wellbeing and Communities	81
Total	443

47 Pensions Disclosures

Participation in Pension Schemes

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

The Council participates in two pension schemes:

- The Local Government Pension Scheme (LGPS) – a funded defined benefit final salary 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 employed by the Council are members of the Teachers' Pension Scheme, administered by the Teachers' Pensions Agency. Under the Code, this scheme is classed as a multi-employer defined benefit scheme for which liabilities of individual employers cannot be separated. The scheme is therefore treated as a defined contribution scheme under the Code. In 2010/11, the Council paid £17.87 million (2009/10 £17.41 million) to the Pensions Agency in respect of teachers' retirement benefits, representing 14.1% (2009/10 14.1%) of pensionable pay. A payment of £1.53 million was owing to the Agency as at 31 March 2011 (31 March 2010 £1.48 million).

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

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Transactions Relating to Retirement Benefits

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

2010/11	LGPS		Teachers	Total
	Funded	Unfunded		
	£000	£000	£000	£000
Comprehensive Income and Expenditure Statement				
Cost of Services:				
Current service cost	45,550	0	0	45,550
Past service cost	-178,235	-3,220	-3,946	-185,401
Settlements and Curtailments	0	0	0	0
Financing and Investment income and Expenditure:				
Interest cost	87,668	1,765	2,659	92,092
Expected return on assets in the scheme	-72,593	0	0	-72,593
Total Post Employment Benefit charged to the Surplus or Deficit on the Provision of Services	-117,610	-1,455	-1,287	-120,352
Other Post Employment Benefit charged to the Comprehensive Income and Expenditure Statement:				
Actuarial gains(-) and losses	-212,196	-1,790	-21	-214,007
Total Post Employment Benefit charged to the Comprehensive Income and Expenditure Statement	-329,806	-3,245	-1,308	-334,359
Movement in Reserves Statement				
Reversal of net charges made to the Surplus or Deficit on the Provision of Services for retirement benefits in accordance with the Code	365,669	5,398	4,616	375,683
Actual amount charged against General Fund Balance for pensions in the year:				
Employers' contributions payable to scheme	35,863	2,153		38,016
Retirement benefits payable to pensioners			3,308	3,308

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to 31 March 2011 is a loss of £236.9 million.

NOTES TO THE CORE FINANCIAL STATEMENTS
KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2010/11

2009/10 comparator	LGPS		Teachers	Total
	Funded	Unfunded		
	£000	£000	£000	£000
Comprehensive Income and Expenditure Statement				
Cost of Services:				
Current service cost	26,804	0	0	26,804
Past service cost	10,968	0	1,866	12,834
Settlements and Curtailments	0	0	0	0
Financing and Investment income and Expenditure:				
Interest cost	74,710	1,946	2,845	79,501
Expected return on assets in the scheme	-48,006	0	0	-48,006
Total Post Employment Benefit charged to the Surplus or Deficit on the Provision of Services	64,476	1,946	4,711	71,133
Other Post Employment Benefit charged to the Comprehensive Income and Expenditure Statement:				
Actuarial gains and losses	381,114	7,416	11,184	399,714
Total Post Employment Benefit charged to the Comprehensive Income and Expenditure Statement	445,590	9,362	15,895	470,847
Movement in Reserves Statement				
Reversal of net charges made to the Surplus or Deficit on the Provision of Services for retirement benefits in accordance with the Code	-405,083	-7,106	-12,604	-424,793
Actual amount charged against General Fund Balance for pensions in the year:				
Employers' contributions payable to scheme	40,507	2,256		42,763
Retirement benefits payable to pensioners			3,291	3,291

NOTES TO THE CORE FINANCIAL STATEMENTS

KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2010/11

Assets and Liabilities in Relation to Retirement Benefits

Reconciliation of present value of the scheme liabilities (defined benefit obligation):

	LGPS		Teachers	Total
	Funded	Unfunded		
	£000	£000	£000	£000
Opening balance 1 April 2009	-1,047,184	-28,518	-40,773	-1,116,475
Current Service Cost	-26,804	0	0	-26,804
Interest cost	-74,710	-1,946	-2,845	-79,501
Contributions by scheme participants	-14,437	0	0	-14,437
Actuarial gains and losses	-596,454	-7,416	-11,184	-615,054
Benefits/transfers paid	41,925	2,256	3,291	47,472
Past service costs	-10,968	0	-1,866	-12,834
Opening balance 1 April 2010	-1,728,632	-35,624	-53,377	-1,817,633
Current Service Cost	-45,550	0	0	-45,550
Interest cost	-87,668	-1,765	-2,659	-92,092
Contributions by scheme participants	-13,594	0	0	-13,594
Actuarial gains and losses	176,287	1,790	21	178,098
Benefits/transfers paid	51,496	2,153	3,308	56,957
Past service costs	178,235	3,220	3,946	185,401
Closing balance 31 March 2011	-1,469,426	-30,226	-48,761	-1,548,413

The reduction in liability values mainly arises because future increases to pensions in payment will be linked to annual increases in the Consumer Prices Index (CPI) measure of inflation rather than the Retail Price Index (RPI).

Reconciliation of fair value of the scheme assets (LGPS):

	31 March 2011 £000	31 March 2010 £000
Opening balance 1 April	1,012,729	736,364
Expected rate of return	72,593	48,006
Actuarial gains and losses	35,909	215,340
Employer contributions	35,863	40,507
Contributions by scheme participants	13,594	14,437
Benefits paid	-51,496	-41,925
Closing balance 31 March	1,119,192	1,012,729

The increase in asset values on the LGPS reflects better investment returns during the year.

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

The actual return on scheme assets in the year showed a return of £108.5 million (2009/10 return of £263.3 million).

NOTES TO THE CORE FINANCIAL STATEMENTS
KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2010/11

Scheme history

	2010/11	2009/10	2008/09	2007/08	2006/07
	£000	£000	£000	£000	£000
Present value of liabilities:					
LGPS Funded	-1,469,426	-1,728,632	-1,047,184	-1,242,934	-1,033,809
LGPS Unfunded	-30,226	-35,624	-28,518	-33,608	-29,954
Teachers	-48,761	-53,377	-40,773	-46,651	-39,321
Fair value of assets in the LGPS	1,119,192	1,012,729	736,364	915,400	891,412
Surplus/ deficit (-) in the scheme:					
LGPS Funded	-350,234	-715,903	-310,820	-327,534	-142,397
LGPS Unfunded	-30,226	-35,624	-28,518	-33,608	-29,954
Teachers	-48,761	-53,377	-40,773	-46,651	-39,321
Total	-429,221	-804,904	-380,111	-407,793	-211,672

The liabilities show the underlying commitments that the Council has in the long run to pay retirement benefits. The total liability of £429.2 million has a substantial impact on the net worth of the Council as recorded in the balance sheet. However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy:

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

The total contributions expected to be made to the LGPS by the Council in the year to 31 March 2012 is £29.2 million

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc. Both the LGPS and Teacher's Unfunded Discretionary Benefits liabilities have been assessed by Aon Hewitt Limited, an independent firm of actuaries, estimates for the LGPS being based on the latest full valuation of the West Yorkshire Pension Fund carried out as at 31 March 2010.

NOTES TO THE CORE FINANCIAL STATEMENTS

KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2010/11

The principal assumptions used by the actuary have been:

	LGPS		2010/11	LGPS		2009/10
	Funded	Unfunded	Teachers	Funded	Unfunded	Teachers
	Rate of inflation – RPI	3.70%	n/a	n/a	3.90%	3.80%
Rate of inflation – CPI	2.80%	2.7%	2.7%	n/a	n/a	n/a
Rate of increase in salaries	5.20%	n/a	n/a	5.65%	n/a	n/a
Rate of increase in pensions	2.80%	2.70%	2.70%	3.90%	3.80%	3.80%
Rate for discounting liabilities	5.40%	5.50%	5.50%	5.50%	5.50%	5.50%
Take up of option to convert annual pension into retirement grant	62%	n/a	n/a	57%	n/a	n/a
<u>Mortality assumptions (years):</u>						
Longevity at 65 for current pensioners:						
Men	21.9	21.9	21.9	21.8	21.8	21.8
Women	24.0	24.0	24.0	25.4	25.4	25.4
Longevity at 65 for future pensioners:						
Men	23.7	23.7	23.7	24.1	24.1	24.1
Women	26.0	26.0	26.0	27.9	27.9	27.9

Assets in the LGPS are valued at fair value, principally market value for investments, totalling £8.6 billion for the Fund as a whole at 31 March 2011 (£7.9 billion at 31 March 2010). The Fund's assets consist of the following categories, by proportion of the total assets held by the Fund:

	2010/11		2009/10	
	Split between categories	Expected rate of return	Split between categories	Expected rate of return
	%	%	%	%
Equity investments	73.1	8.4	71.6	8.0
Government Bonds	11.4	4.4	12.2	4.5
Other Bonds	3.9	5.1	3.4	5.5
Property	3.6	7.9	3.4	8.5
Cash/ liquidity	2.3	1.5	3.4	0.7
Other	5.7	8.4	6.0	8.0
	100.0		100.0	

NOTES TO THE CORE FINANCIAL STATEMENTS

KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2010/11

History of experience Gains and Losses

The actuarial gains/losses identified as movements on the Pensions Reserve in 2010/11 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2011. Note that the split for experience gains and losses on liabilities between LGPS funded and unfunded is not available pre 2008/09.

	2010/11 %	2009/10 %	2008/09 %	2007/08 %	2006/07 %
<u>LGPS</u> – funded and unfunded					
Experience gains and losses on liabilities	-	-	0	-6.5	0

	2010/11 %	2009/10 %	2008/09 %	2007/08 %	2006/07 %
<u>LGPS</u> - funded					
Difference between the expected and actual return on assets	3.2	21.3	-33.1	-4.2	1.1
Experience gains and losses on liabilities	4.3	0.6	-	-	-

	2010/11 %	2009/10 %	2008/09 %	2007/08 %	2006/07 %
<u>LGPS</u> - unfunded					
Experience gains and losses on liabilities	2.0	2.5	-	-	-

	2010/11 %	2009/10 %	2008/09 %	2007/08 %	2006/07 %
<u>Teachers</u>					
Experience gains and losses on liabilities	-4.9	2.5	0	-4.1	0

48 Contingent Liabilities

- The Council has given guarantees for outstanding contributions to Pension Funds, in the event of default by the following bodies: Calderdale and Kirklees Careers Company Ltd, Fresh Horizons, North Kirklees CAB, Kirklees Active Leisure, and Deighton and Sheepridge Partnership.
- The Council is participating with Huddersfield Sporting Pride Ltd, 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 2011, the balance on the loan was £4.8 million (£5.2 million at 31 March 2010). 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 2011, the balance on the loan was £0.33 million (£0.45 million at 31 March 2010).
- 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.

NOTES TO THE CORE FINANCIAL STATEMENTS

KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2010/11

- The local government pay settlement in 2004 required local authorities to implement single status pay and conditions arrangements. As part of this process, the Council has been making backdated equal pay and equal value settlements to current and former employees who demonstrate an entitlement. A contingent liability exists in relation to the risk that the provision made for equal pay claims is insufficient, and for the emerging risk of claims facing all Councils under equal value legislation.
- The Council has given an unlimited guarantee in perpetuity to the Homes & Communities Agency (HCA) in the event of default by Kirklees Community Association (KCA) of the conditions of their grant agreement with HCA for the redevelopment of the Fieldhead Estate. The guarantee contains two elements; that KCA will complete the development required by HCA; that KCA will discharge the clawback obligations due to the HCA whenever there is a disposal of the land – either under the right to acquire legislation or to a donee that is not a registered social landlord. In practice the guarantee will not be discharged until the last dwelling on the estate built with HCA grant monies has been acquired under the right to acquire legislation.
- A joint committee of which the Council is a member authority has been asked by a regulatory body to provide information in relation to its activities. At present it is not known whether this will lead to any action or if there will be any financial impact.

49 Contingent Asset

The Council has one claim lodged for a VAT refund which, if successful, could total £9.7 million, excluding interest. This is in relation to VAT on off street car parking, where the VAT and Duties Tribunal ruled in January 2006 that local authorities should not be required to charge VAT on off street car parking because they operate under a special legal regime. However, HM Revenue & Customs have since lodged an appeal and the legal process is still continuing.

NOTES TO THE CORE FINANCIAL STATEMENTS

KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2010/11

50 Trust Funds

The Council administers over fifty funds which are held in trust 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 Comprehensive Income and Expenditure Statement and Balance Sheet.

Income and Expenditure Account:

	Income £000	Expenditure £000	2010/11 Balance £000	2009/10 Balance £000
<u>Trust Funds for which Council is sole trustee -</u>				
Dewsbury Endowed Schools	28	1,531*	1,534	3,037
Algernon Firth Trust	0	0	215	215
Kayes School	0	0	87	87
Festival of Britain	0	0	42	42
Wartons Charity	0	0	15	15
Huddersfield Enclosure Act	1	0	17	16
Other (9 separate funds each with a balance less than £10,000)	0	0	18	18
	29	1,531	1,928	3,430
<u>Trust Funds for which Council is not sole trustee -</u>				
William Henry Coulter	9	2	247	240
Lockwood Mechanics	0	0	122	122
William Greenwood Homes	0	0	-170	-170
Fletcher Homes	16	9	-11	-18
Golcar Township	21	21	97	97
Roebuck Memorial	18	42	28	52
Huddersfield Orphan Homes	5	4	85	84
Batley Enclosure Act	0	0	20	20
Cleckheaton Cemetery	0	0	10	10
Scissett Baths	0	0	10	10
Other (28 separate funds each with a balance less than £10,000)	5	3	110	108
	74	81	548	555
	103	1,612	2,476	3,985

* £1.52 million of the expenditure in 2010/11 relates to losses on revaluation of assets.

NOTES TO THE CORE FINANCIAL STATEMENTS
KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2010/11

Trust Fund Balance Sheet:

	31 March 2011 £000	31 March 2010 £000
Fixed Assets	974	2,494
Investments	1,090	1,032
Debtors	7	0
Cash	406	460
Less Creditors	-1	-1
	2,476	3,985
Represented by -		
Capital Balances	2,385	3,898
Revenue Surpluses	91	87
	2,476	3,985

51 Cash Flow Statement – Adjustments to net surplus or deficit on the provision of services for non cash movements

	2010/11 £000	2009/10 £000
Pension adjustments	161,676	-25,079
Depreciation and impairment	-73,425	-64,746
Revaluation gains/losses	-250,293	29,312
Carrying amount of non-current assets sold	-18,556	-12,493
Movements on -		
Provisions	962	-941
Inventories	193	-319
Revenue debtors (including bad debt provision)	-1,971	6,527
Revenue creditors	13,006	-278
Other	-149	-2,611
Total non cash movements	-168,557	70,628

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

	2010/11 £000	2009/10 £000
Capital grants	37,371	49,960
Proceeds from the sale of property, plant and equipment, investment property and intangible assets.	6,489	5,631
Total	43,860	55,591

ADDITIONAL FINANCIAL STATEMENTS
KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2010/11

HOUSING REVENUE ACCOUNT (HRA) INCOME AND EXPENDITURE ACCOUNT

The HRA Income and Expenditure Statement shows the economic cost in the year of providing housing services in accordance with generally accepted accounting practices, rather than the amount to be funded from rents and government grants. Authorities charge rents to cover expenditure in accordance with regulations; this may be different from the accounting cost. The increase or decrease in the year, on the basis of which rents are raised, is shown in the Movement on the HRA Statement.

	2010/11 £000	2009/10 £000	Notes
<u>Expenditure</u>			
Repairs and maintenance	17,752	19,524	
Supervision and management	17,069	15,968	
Special services	4,164	3,993	
Rent, rates, taxes and other charges	54	83	
Depreciation and impairment of non-current assets	15,160	14,974	2
Debt management costs	39	33	
Movement in the allowance for bad debts	712	544	
Revaluation losses on property, plant and equipment	244,253	363	12
Total Expenditure	299,203	55,482	
<u>Income</u>			
Dwelling rents	66,981	66,531	
Non-dwelling rents	161	165	
Charges for services and facilities	1,172	1,377	
Contributions towards expenditure	155	1,353	
HRA subsidy receivable	6,331	6,342	3
Revaluation gains on property, plant and equipment	36	32,046	
Total Income	74,836	107,814	
Net Cost of HRA Services as included in the Comprehensive Income and Expenditure Statement	224,367	-52,332	
HRA share of Corporate & Democratic Core	363	373	
HRA share of Non-distributed costs	97	33	
Net Cost of HRA Services	224,827	-51,926	
HRA share of operating income and expenditure included in the Comprehensive Income and Expenditure Statement			
Loss on sale of HRA non-current assets	45	146	5
Interest payable and similar charges	10,309	11,197	
Interest and investment income	-352	-718	
Rentals and expenses on investment properties	-419	-396	
Capital grants and contributions receivable	-3,494	-552	
(Surplus)/Deficit for the year on HRA services	230,916	-42,249	

ADDITIONAL FINANCIAL STATEMENTS
KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2010/11

MOVEMENT ON THE HRA STATEMENT

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

	£000	2010/11 £000	2009/10 £000
Balance on the HRA at the end of the previous year		-26,964	-25,970
(Surplus) for the year on the HRA Income and Expenditure Statement		230,916	-42,249
Adjustments primarily involving the Capital Adjustment Account:			
Charges for depreciation and losses on non-current assets	-244,217		31,683
Capital grants and contributions applied	3,494		552
Amounts of non-current assets written off on disposal or sale	-2,736		-2,848
Capital expenditure charged to HRA balances	5,732	-237,727	9,351
Adjustments primarily involving the Capital Receipts Reserve:			
Transfer of cash sale proceeds credited as part of the gain/loss on disposal	2,736		2,715
Contribution towards administrative costs of non current asset disposals	-45	2,691	-44
Adjustments primarily involving the Deferred Capital Receipts Reserve:			
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal		0	31
Adjustments primarily involving the Major Repairs Reserve:			
Reversal of Major Repairs Allowance credited to the HRA		-206	-241
Adjustments primarily involving the Financial Instruments Adjustment Account:			
Amount by which finance costs charged to the HRA Income and Expenditure Account are different from those chargeable in the year in accordance with statutory requirements		-3	56
Balance at the end of the current year		-31,293	-26,964

NOTES TO THE HRA

1 The Council acknowledges that it is proper accounting practice to fully recognise the effects of IAS19 (in relation to post employment benefits) in the HRA, but has not included them on the grounds of materiality.

2 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. The charge in 2010/11 is £14.9 million (2009/10 £14.7 million). Non-dwelling depreciation totalled £0.2 million in 2010/11 (2009/10 £0.2 million). For 2010/11 after review by the District Valuers, no impairment has occurred.

3 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.

	2010/11	2009/10
	£000	£000
Allowance for Management	13,695	13,265
Allowance for Maintenance	25,248	24,248
Allowance for Major Repairs	14,954	14,732
Charges for Capital	17,502	18,040
Guideline Rent Income	-65,061	-63,933
Interest on Receipts	-7	-10
Total HRA Subsidy	6,331	6,342

4 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.

	2010/11	2009/10
	£000	£000
Balance at 1 April	19,037	17,590
Capital Expenditure	-20,808	-13,286
Depreciation – non-dwellings	-206	-241
Transfer to the reserve	15,160	14,974
Balance at 31 March	13,183	19,037

5 Gains and Losses on Asset Disposals

Gains and losses on asset disposals are shown on the face of the HRA Income and Expenditure Account. The loss on disposal of £45,000 in 2010/11 (£146,000 in 2009/10) includes the value of council dwellings demolished as part of housing regeneration projects of £1.241 million (£1.492 million in 2009/10).

ADDITIONAL FINANCIAL STATEMENTS
KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2010/11

6 Movement in HRA Fixed Assets

	PPE Council Dwellings £000	Council Dwellings Held For Sale £000	Other Land and Buildings £000	Surplus Assets £000	Assets Under Construction £000	Investment Properties £000	Total Assets £000
Cost or Valuation							
At 1 April 2010	744,441	731	4,342	301	0	7,540	757,355
Additions	28,175	0	0	0	3,091	27	31,293
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	0	0	17	0	0	0	17
Revaluation increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services	-259,196	0	209	0	0	1,387	-257,600
De-recognition - disposals	-2,219	-517	0	0	0	0	-2,736
assets reclassified (to)/ from Held for Sale	-328	328	0	0	0	0	0
Other movement in cost or valuation	0	0	0	-301	0	-83	-384
At 31 March 2011	510,873	542	4,568	0	3,091	8,871	527,945
Accumulated Depreciation and Impairment							
At 1 April 2010	0	0	0	-45	0	0	-45
Depreciation charge	-14,954	0	-206	0	0	0	-15,160
Depreciation written out to the Revaluation Reserve	0	0	198	0	0	0	198
Depreciation written out to the Surplus/ Deficit on the Provision of Services	14,954	0	8	0	0	0	14,962
Other movements in depreciation and impairment	0	0	0	45	0	0	45
At 31 March 2011	0	0	0	0	0	0	0
Net Book Value							
at 31 March 2011	510,873	542	4,568	0	3,091	8,871	527,945
at 1 April 2010	744,441	731	4,342	256	0	7,540	757,310

ADDITIONAL FINANCIAL STATEMENTS
KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2010/11

7 Fixed Asset Valuation

A complete revaluation of HRA assets was carried out as at 1 April 2010 by the District Valuer (North). Please refer to the Accounting Policy note on the different bases of valuation. As at that date, the vacant possession value of dwellings was £1,535 million. The difference between this and the balance sheet value reflects the economic cost to the Government of providing council housing at less than open market rents.

Notwithstanding the requirement for a formal programme of revaluations, the Council is required to monitor values for material in year movements. After liaising with the Valuer there were not any unusual or material movements and asset values reflected in the accounts are as at 1 April 2010.

8 Capital Expenditure and Sources of Finance

	2010/11	2009/10
	£000	£000
Capital Expenditure:		
Fixed Assets	31,293	23,571
Total Capital Expenditure	31,293	23,571
Financed by:		
Borrowing	1,125	0
Major Repairs Reserve	20,808	13,286
Capital Receipts	134	335
Capital Grant and Contributions	3,494	599
Revenue	5,732	9,351
Total Sources of Finance	31,293	23,571

9 Capital Receipts

	2010/11	2009/10
	£000	£000
Capital receipts from sales of:		
Dwellings (net of sale administration fees)	2,438	2,351
Land	209	61
Clawback of legal title on Right to Buy sales	44	259
Capital receipts from mortgage repayments	20	31
	2,711	2,702
Contribution to Housing Pooled Capital Receipts	-1,832	-1,815
Usable capital receipts	879	887

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

ADDITIONAL FINANCIAL STATEMENTS
KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2010/11

10 Housing Stock

The Council's housing stock at 31 March 2011 is analysed below by size and age:

<u>By Size</u>	1 Bedroom	2 Bedrooms	3 Bedrooms	4+ Bedrooms	Total
Houses/ Bungalows	2,798	5,863	4,771	349	13,781
Flats/ Bedsits and Maisonettes	6,964	2,176	115	0	9,255
	9,762	8,039	4,886	349	23,036
<u>By Age</u>	Pre 1945	1945-64	1965-74	Post 1974	Total
Houses/ Bungalows	5,984	5,597	1,559	641	13,781
Flats/ Bedsits and Maisonettes	160	2,484	3,906	2,705	9,255
	6,144	8,081	5,465	3,346	23,036

11 Rent Arrears

Rent arrears have reduced over the year, as follows:

	2010/11	2009/10
	£000	£000
Rent Arrears	4,981	5,557
Less Bad Debt Provision	-2,885	-2,975
Net Rent Arrears	2,096	2,582

12 Revaluation losses on property, plant and equipment

The £244.3 million loss arising in 2010/11 is largely the result of a decrease in the adjustment factor used to arrive at the value of housing stock. This value is obtained by taking the cost of buying a vacant dwelling of a similar type, and applying an adjustment factor according to the type of tenancy and regional factors to reflect the fact that the property is used for social housing. The adjustment factors are contained in guidance issued by the Department of Communities and Local Government and have been reviewed and updated for the first time in five years. As a result, the adjustment factor appropriate to this region has decreased from 47% to 31%. Where decreases in asset values are identified and there is no balance or an insufficient balance on the Revaluation Reserve relating to a particular asset, the carrying amount of the asset is written down in the Income and Expenditure statements.

Because of the significance of this item, it has been shown separately as an exceptional item in the Comprehensive Income and Expenditure Statement.

ADDITIONAL FINANCIAL STATEMENTS
KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2010/11

COLLECTION FUND STATEMENT

The Collection Fund shows the transactions of the billing council in relation to the collection from taxpayers and distribution to local authorities and Government of council tax and non-domestic rates.

	2010/11	2009/10	Note
	£000	£000	
<u>Income</u>			
Income from Council Tax	146,575	143,879	1
Transfers from General Fund -			
Council Tax Benefits	31,961	30,200	
Locally Defined Discount Pensioner Reduction	766	759	
Income Collectable from Business Ratepayers	92,466	93,293	2
Contributions -			
Towards previous years' Collection Fund deficit	1,806	0	
Adjustment of previous years' Community Charges	0	1	
Total Income	273,574	268,132	
<u>Expenditure</u>			
Precepts and demands -			
Kirklees Council	155,224	152,098	
West Yorkshire Police	16,576	16,162	
West Yorkshire Fire	6,657	6,523	
Business Rate -			
Payment to national pool	91,842	92,664	
Cost of collection	624	629	
Allowance for impairment of debt	2,047	1,466	
Total Expenditure	272,970	269,542	
Movement on Fund Balance	604	-1,410	
Balance at 1 April	-2,316	-906	
Balance at 31 March	-1,712	-2,316	3

ADDITIONAL FINANCIAL STATEMENTS
KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2010/11

NOTES TO THE COLLECTION FUND STATEMENT

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.

<u>Estimated at the start of the year</u>						
Number of Chargeable Dwellings	2010/11 Band D Equivalent Dwellings	Average Council Tax £	Band	Number of Chargeable Dwellings	2009/10 Band D Equivalent Dwellings	Average Council Tax £
88	49	780.56	A (5/9)*	79	44	764.93
67,611	45,074	936.67	A (6/9)	67,156	44,770	917.92
28,969	22,531	1,092.78	B (7/9)	28,686	22,311	1,070.91
27,594	24,528	1,248.89	C (8/9)	27,403	24,358	1,223.89
14,303	14,303	1,405.00	D (9/9)	14,118	14,118	1,376.88
10,271	12,554	1,717.22	E (11/9)	10,206	12,474	1,682.85
4,514	6,520	2,029.44	F (13/9)	4,460	6,442	1,988.83
1,839	3,064	2,341.67	G (15/9)	1,825	3,042	2,294.80
81	163	2,810.00	H (18/9)	85	170	2,753.76
	128,786		Total		127,729	
	-1,769		Adjustments **		-787	
	127,017		Council Tax Base		126,942	
<u>Outturn Figures</u>						
Number of Chargeable Dwellings	2010/11 Band D Equivalent Dwellings	Average Council Tax £	Band			
92	51	780.56	A (5/9)*			
67,251	44,834	936.67	A (6/9)			
29,073	22,612	1,092.78	B (7/9)			
27,596	24,530	1,248.89	C (8/9)			
14,465	14,465	1,405.00	D (9/9)			
10,2401	12,516	1,717.22	E (11/9)			
4,497	6,496	2,029.44	F (13/9)			
1,838	3,062	2,341.67	G (15/9)			
85	170	2,810.00	H (18/9)			
	128,736		Council Tax Base			
* Band A disabled ** Estimated losses on collection						

ADDITIONAL FINANCIAL STATEMENTS
KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2010/11

2 National Non-Domestic Rates (NNDR)

NNDR is organised on a national basis. The Government specifies a multiplier (40.7p in 2010/11) and, subject to the effects of transitional arrangements and other relief's, 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:

	2010/11	2009/10
	£000	£000
Non-domestic rate income 2010/11 (average rateable value £285,867,058.43)	118,211	n/a
Non-domestic rate income 2009/10 (average rateable value £238,350,316.15)	n/a	115,508
Allowance and other adjustments (net)	-25,745	-22,215
	92,466	93,293

The actual non-domestic rateable value at 31 March 2011 was £286,729,022 (£239,116,415 at 31 March 2010).

3 Precepts and Demands

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:

	1 April 2010	Share of 2010/11 Surplus	31 March 2011
	£000	£000	£000
Kirklees Council Community Charge Surplus	7	0	7
Kirklees Council – Council Tax Deficit	-2,021	526	-1,495
Collection Fund Adjustment Account	-2,014	526	-1,488
West Yorkshire Police Authority – Council Tax Deficit	-216	55	-161
West Yorkshire Fire Authority – Council Tax Deficit	-86	23	-63
	-2,316	604	-1,712

GROUP ACCOUNTS

EXPLANATORY FOREWORD

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

The Group Accounts include:

- **An Explanatory Foreword** - provides a guide to the most significant items reported.
- **The Statement of Accounting Policies** - explains the basis of the figures in the financial statements.
- **Comprehensive Income and Expenditure Statement** - shows the income and expenditure relating to the Council and its associated companies and demonstrates how this has been financed.
- **Movement in Reserves Statement** – showing the movement in the year on the different reserves held by the authority, analysed into ‘usable reserves’ (ie those that can be applied to fund expenditure or reduce local taxation) and other reserves.
- **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, five associates (Calderdale & Kirklees Careers, Kirklees Active Leisure, Kirklees Community Association, Kirklees Music School and Kirklees Theatre Trust) and two joint ventures (Kirklees Henry Boot Partnership Limited and Kirklees Stadium Development Limited). The interest in and level of control over the joint ventures is so significant that omission from the Group Accounts would not give the whole picture of the Council’s interests and services.

All of the Council’s subsidiaries, associates and joint venture companies are going concerns, although it may be the case that Kirklees Henry Boot Partnership Limited will cease trading during 2011-12 and become a dormant company, retaining their shares in WD Huddersfield, the owner of a shopping centre in Huddersfield.

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

The Subsidiaries, Joint Ventures and Associates of Kirklees Council**SUBSIDIARIES****Kirklees Neighbourhood Housing Limited (KNH)**

The principal activity of KNH is to manage, maintain and improve the housing stock owned by the Council.

The body is a company limited by Guarantee. The Company has fifteen directors, five nominated by the Council, five tenant representatives and five independent representatives. Despite the composition of the board, the Council maintains 100% of the risk, reward and control.

KNH produce their own set of accounts with a year end date of 31 March. Copies of the accounts can be obtained from Kirklees Neighbourhood Housing, 2nd Floor, Perseverance House, St Andrews Road, Aspley, Huddersfield, HD1 6RY.

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

In 2010/11 the company made an operating surplus of £0.6 million (£0.9 million 2009/10). The figures including the effects of IAS19 are an operating surplus of £2.2 million (operating surplus £0.3 million 2009/10).

As at 31 March 2011 the company had net assets of £2.8 million (£2.2 million at 31 March 2010). The figures including the effects of IAS19 are net liabilities of £3.6 million (£10.4 million at 31 March 2010).

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 2010/11, 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 Assistant Director of Finance & Performance.

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

In 2010/11 the company made an operating loss of £0.017 million (£0.015 million profit in 2009/10).

As at 31 March 2011 the company had net assets of £2.1 million (£2.0 million at 31 March 2010).

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 Assistant Director of Finance & Performance.

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 Code specifies that entities in the Group should share the same year end date as the reporting council. Where this is not practicable it is recommended that accounts prepared in the three months prior to the Council'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. 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 2011.

Financial performance of joint ventures

	KHBP £000	KSDL £000
Income	8	744
Expenses	-20	-824
Fixed Assets	1,072	8,616
Current Assets	200	1,048
Liabilities < 1 year	-553	-762
Liabilities > 1 year	0	-2,196
Accruals & Deferred Income	0	-267

ASSOCIATES

Calderdale and Kirklees Careers Service Partnership (CKC)

The principal activity of CKC is to provide careers information, advice and guidance services within Calderdale and Kirklees. The main age group of services are aged between 13-19 and the main area of work is within schools.

The body is a company limited by Guarantee. The Council have a significant influence within the company of 17%. The influence of 17% has been used as part of the consolidation process. Significant influence is defined within IAS28 Investments in Associates.

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

- There is currently a vacancy on the board, but influence could be raised to 21%
- The activities of CKC and the Council are closely aligned via back-office staff, management objectives and other transactions.
- The prime activities of CKC are subject to funding from the Council and the activities are subsidised by the Council.

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

Kirklees Active Leisure (KAL)

The principal activity of KAL is to operate community recreation facilities on behalf of the Council.

The body is a company limited by Guarantee. The council have a significant influence within the company of 10%. The influence of 10% has been used as part of the consolidation process. Significant influence is defined within IAS28 Investments in Associates.

Although the influence of 10% is below the prescribed level within IAS28, it is still considered that the Council has significant influence over KAL for the following reasons;

- Although the Council influence is only 10%, this cannot be removed.
- The activities (both managerial and operational) of both the Council and KAL are closely aligned, both through exchange of staff, back office service and other transactions.
- The prime activity of KAL is subject to a funding agreement from the Council, and the activities of KAL are subsidised by the Council.

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

Kirklees Community Association (KCA)

The principal activity of KCA is to promote a range of community facilities including housing, educational, recreational, cultural and general community benefits in the Kirklees area.

The body is a company limited by Guarantee. The council have a significant influence within the company of 50%. The influence of 50% has been used as part of the consolidation process. Significant influence is defined within IAS28 Investments in Associates.

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

Kirklees Music School (KMS)

The principal activity of KMS is to promote and support the highest quality music education for all. The company exists for the advancement of public education in all aspects of the arts and sciences of music in the Borough of Kirklees. In practice Kirklees Music School provides the delivery of the local authority's music service.

The body is a company limited by Guarantee. The council have a significant influence within the company of 50%. The influence of 50% has been used as part of the consolidation process. Significant influence is defined within IAS28 Investments in Associates.

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

Kirklees Theatre Trust (KTT)

The principal activity of KTT is to promote, maintain, improve and advance education by encouraging and promoting the arts.

The body is a company limited by Guarantee. The council have a significant influence within the company of 30%. The influence of 30% has been used as part of the consolidation process. Significant influence is defined within IAS28 Investments in Associates.

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

Financial Performance of associates

	C&KC £000	KAL £000	KCA £000	KMS £000	KTT £000
Assets	362	302	6,896	329	1,280
Liabilities	-1,329	-496	-1,916	-67	-93
Revenues	935	1,126	2,370	996	270
Profit or Loss (-)	389	157	2,208	-14	-54

STATEMENT OF ACCOUNTING POLICIES

The main accounting policies to which the Council now comply with under IFRS for Group Accounts are IAS27 Consolidated and Separate Financial Statements, IAS28 Investments in Associates and IAS31 Interests in Joint Ventures.

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

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

ADJUSTMENTS TO THE COUNCIL'S ACCOUNTS TO COMPLY WITH IFRS**Pensions**

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

KNH has a defined benefit pension scheme and must adhere to IAS19. The code requires that IAS19 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 IAS19 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 Code requires that the reporting authority its subsidiaries, joint ventures and associates share the same Accounting Policies in relation to measurement, recognition, valuation and depreciation of fixed assets. These policies are detailed in the single entity Accounting Policies.

Devco holds investment assets carried at the lower of net current replacement cost, so no adjustments were necessary.

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

KCA holds dwellings for affordable rent as investment properties. These properties are valued on an annual basis at market value.

Prior Year Adjustments

All prior year adjustments from the single entity accounts are also presented in the Group Accounts. The 2009/10 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.

GROUP ACCOUNTS

KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2010/11

GROUP STATEMENT OF MOVEMENT IN RESERVES

	General Fund Balances £000	Earmarked General Fund Reserves £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Council Reserves £000	Group Usable Reserves £000	Group Unusable Reserves £000	Total Group Reserves £000
Balance at 31 March 2009	34,781	54,022	25,970	7,000	17,590	11,062	150,425	942,388	1,092,813	7	9,348	1,102,168
Movement in reserves during 2009/10												
Surplus or (deficit) on the provision of services	-50,384	0	56,869	0	0	0	6,485	0	6,485	-12,709	0	-6,224
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	-347,508	-347,508	-8,715	161	-356,062
Total Comprehensive Income and Expenditure	-50,384	0	56,869	0	0	0	6,485	-347,508	-341,023	-21,424	161	-362,286
Adjustments between group accounts and authority accounts	1,935	0	-14,620	0	0	0	-12,685	0	-12,685	12,685	0	0
Net Increase/Decrease before Transfers (group accounts only)	-48,449	0	42,249	0	0	0	-6,200	-347,508	-353,708	-8,739	161	-362,286
Adjustments between account basis and funding basis under regulations	34,369	0	-41,255	0	1,447	8,877	3,438	-3,438	0	0	0	0
Net Increase/Decrease before Transfers to Earmarked Reserves	-14,080	0	994	0	1,447	8,877	-2,762	-350,946	-353,708	-8,739	161	-362,286
Transfer to/from Earmarked Reserves	-1,530	1,530	0	0	0	0	0	0	0	0	0	0
Increase/Decrease in 2009/10	-15,610	1,530	994	0	1,447	8,877	-2,762	-350,946	-353,708	-8,739	161	-362,286

GROUP ACCOUNTS

KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2010/11

	General Fund Balances £000	Earmarked General Fund Reserves £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Council Reserves £000	Group Usuable Reserves £000	Group Unusable Reserves £000	Total Group Reserves £000
Balance at 31 March 2010	19,171	55,552	26,964	7,000	19,037	19,939	147,663	591,442	739,105	-8,732	9,509	739,882
Movement in reserves during 2010/11												
Surplus or (deficit) on the provision of services	149,338	0	-215,797	0	0	0	-66,459	0	-66,459	-7,984	0	-74,443
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	251,569	251,569	5,256	-538	256,287
Total Comprehensive Income and Expenditure	149,338	0	-215,797	0	0	0	-66,459	251,569	185,110	-2,728	-538	181,844
Adjustments between group accounts and authority accounts	2,235	0	-15,119	0	0	0	-12,884	0	-12,884	12,884	0	0
Net Increase/Decrease before Transfers (group accounts only)	151,573	0	-230,916	0	0	0	-79,343	251,569	172,226	10,156	-538	181,844
Adjustments between account basis & funding basis under regulations	-131,295	0	235,245	-3,382	-5,854	2,232	96,946	-96,946	0	0	0	0
Net Increase/Decrease before Transfers to Earmarked Reserves	20,278	0	4,329	-3,382	-5,854	2,232	17,603	154,623	172,226	10,156	-538	181,844
Transfers to/from Earmarked Reserves	-20,769	20,769	0	0	0	0	0	0	0	0	0	0
Increase/Decrease in Year	-491	20,769	4,329	-3,382	-5,854	2,232	17,603	154,623	172,226	10,156	-538	181,844
Balance at 31 March 2011 carried forward	18,680	76,321	31,293	3,618	13,183	22,171	165,266	746,065	911,331	1,424	8,971	921,726

GROUP ACCOUNTS

KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2010/11

GROUP COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

	2010/11			2009/10			Note
	Gross	Gross	Net	Gross	Gross	Net	
	Exp £000	Income £000	Exp £000	Exp £000	Income £000	Exp £000	
Children's and Education Services	505,906	402,728	103,178	484,437	378,024	106,413	
Adults Social Care	139,686	38,781	100,905	136,482	35,787	100,695	
Housing (HRA)	51,997	74,681	-22,684	52,492	107,584	-55,092	
Exceptional Item (HRA) – Revaluation losses on PPE	244,253	0	244,253	0	0	0	
Housing (Non HRA)	127,688	110,894	16,794	128,295	107,011	21,284	
Highways and Transport Services	61,830	16,888	44,942	58,406	16,882	41,524	
Cultural, Environmental, Regulatory and Planning services	109,391	27,263	82,128	113,715	30,007	83,708	
Central services to the public	48,669	39,841	8,828	45,697	37,561	8,136	
Other Services	5,434	5,164	270	5,570	5,286	284	
Corporate and democratic core	8,672	93	8,579	9,018	386	8,632	
Non distributed costs	4,813	0	4,813	14,631	0	14,631	
Exceptional Item – Pension increases to CPI	-195,100	0	-195,100	0	0	0	
Cost of Services	1,113,239	716,333	396,906	1,048,743	718,528	330,215	
Other operating expenditure	17,313	3,162	14,151	13,311	3,461	9,850	
Financing and investment income and expenditure	144,671	90,528	54,143	127,739	63,633	64,106	
Taxation and non-specific grant income	0	388,485	-388,485	0	398,305	-398,305	
(Surplus) or Deficit on Provision of Services			76,715			5,866	
Associates and joint ventures accounted for on an equity basis			-2,285			335	
Tax expenses of subsidiaries			13			23	
Tax expenses of associates and joint ventures			0			0	
Group (Surplus) or Deficit			74,443			6,224	
Surplus or deficit on revaluation of Property, Plant and Equipment assets			-37,237			-52,338	
Surplus or deficit on revaluation of available for sale financial assets			-385			167	
Actuarial gains/losses on pension asset/liabilities			-218,215			406,758	
Share of other comprehensive income and expenditure of associates and joint ventures			-450			1,475	
Other Comprehensive Income and Expenditure			-256,287			356,062	
Total Comprehensive Income and Expenditure			-181,844			362,286	

GROUP BALANCE SHEET

	31 March 2011 £000	31 March 2010 £000	31 March 2009 £000	Note
Property, Plant & Equipment	1,853,454	2,050,413	1,944,925	
Investment Property	81,076	86,680	81,846	
Intangible Assets	2,650	3,740	1,374	
Assets Held for Sale	1,040	1,231	1,013	
Long Term Investments	3,369	4,342	10,116	
Investments in Associates and Joint Ventures	13,586	11,947	12,020	
Long Term Debtors	32,155	31,334	12,104	
Long Term Assets	1,987,330	2,189,687	2,063,398	
Short Term Investments	15,773	12,932	48,272	
Inventories	2,470	2,277	2,596	
Short Term Debtors	59,737	75,276	58,745	
Cash and Cash Equivalents	41,588	36,995	54,645	
Current Assets	119,568	127,480	164,258	
Cash and Cash Equivalents**	-10,339	-14,570	-4,607	
Short Term Borrowing	-33,208	-18,581	-9,065	
Short Term Creditors	-71,653	-88,473	-84,506	
Other Short Term Liabilities	-2,563	-2,891	-3,026	
Provisions	-23,024	-23,986	-23,045	
Current Liabilities	-140,787	-148,501	-124,249	
Liabilities in Associates and Joint Ventures	-1,161	-2,657	-783	
Long Term borrowing	-527,133	-525,066	-528,401	
Other Long Term Liabilities	-516,091	-901,061	-472,055	
Long Term Liabilities	-1,044,385	-1,428,784	-1,001,239	
Net Assets	921,726	739,882	1,102,168	
Usable Reserves	166,690	138,930	150,432	
Unusable Reserves	755,036	600,952	951,736	1
Total Reserves	921,726	739,882	1,102,168	

GROUP CASH FLOW STATEMENT

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

	2010/11	2009/10
	£000	£000
Net (surplus) or deficit on the provision of services	74,443	6,224
Adjustments to net surplus or deficit on the provision of services for non-cash movements	-164,813	-73,044
Adjustment for items included in the net surplus or deficit on the provision of services that are investing and financing activities	43,860	55,591
Net cash flows from Operating Activities	-46,510	-11,229
Investing Activities	59,535	32,742
Financing Activities	-21,849	6,100
Net increase or decrease in cash and cash equivalents	-8,824	27,613
Cash and cash equivalents at the beginning of the reporting period	22,425	50,038
Cash and cash equivalents at the end of the reporting period	31,249	22,425

NOTES TO THE GROUP ACCOUNTS

1 Unusable Reserves

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

Balance at 31 March 2011	Devco	KHBP	KSDL	KCA	Council	Total
	£000	£000	£000	£000	£000	£000
Revaluation Reserve	723	0	0	1,595	242,958	245,276
Available for Sale Financial Instruments Reserve	0	69	0	0	54	123
Capital Adjustment Account	600	1,811	4,173	0	946,263	952,847
Pensions Reserve	0	0	0	0	-429,221	-429,221
Other	0	0	0	0	-13,989	-13,989
Balance at 31 March 2011	1,323	1,880	4,173	1,595	746,065	755,036

Balance at 31 March 2010	Devco	KHBP	KSDL	KCA	Council	Total
	£000	£000	£000	£000	£000	£000
Revaluation Reserve	663	0	0	1,794	215,275	217,732
Available for Sale Financial Instruments Reserve	0	469	0	0	-331	138
Capital Adjustment Account	600	1,811	4,173	0	1,196,781	1,203,365
Pensions Reserve	0	0	0	0	-804,904	-804,904
Other	0	0	0	0	-15,379	-15,379
Balance at 31 March 2010	1,263	2,280	4,173	1,794	591,442	600,952

2 Related Party Transactions

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

Kirklees Neighbourhood Housing Limited

During 2010/11, KNH incurred costs of £2.2 million (2009/10 £1.9 million) for Council services including insurance and office accommodation. At 31 March 2011, £1.1 million was outstanding (£0.3 million at 31 March 2010).

The Council incurred costs of £14.7 million (2009/10 £14.6 million) in relation to KNH's management fee. At 31 March 2011, £1.6 million was outstanding (£0.5 million at 31 March 2010).

Kirklees Metropolitan Development Company Limited

Devco paid the Council £109,000 for service provision in 2010/11 (2009/10 £99,000). At 31 March 2011 a balance of £54,000 was owing to the Council (£69,000 at 31 March 2010).

During the same period the Council incurred rent and service charges of £41,000 (2009/10 £46,000) 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 £250,000 and secured loans of £4.2 million. Interest of £15,000 (2009/10 £68,000) was incurred in the year on the outstanding loans. The Council charged the Company £16,000 (2009/10 £26,000) 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 £250,000 (2009/10 £250,000). At the Balance Sheet date £177,000 (2009/10 £177,000) 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, £557,000 (2009/10 £560,000) was due to the Council in respect of interest accrued and £536,000 (2009/10 £536,000) 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 £0.9 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 2011, the Council paid rent of £210,000 (2009/10 £140,000). The Council also provided funding of £275,000 (2009/10 £275,000). The Council paid the company a further £106,000 in various rents and maintenance in year ending 31 March 2011 (2009/10 £106,000).

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

Calderdale and Kirklees Careers Service Partnership

During 2010/11, CKS incurred costs of £0.1 million (2009/10 £0.2 million) for Council services.

At 31 March 2011, £0.04 million was outstanding (£0.06 million at 31 March 2010).

The Council incurred costs of £3.0 million in 2010/11 (2009/10 £3.1 million) in relation to the contract agreement and other services in place. At 31 March 2011, £0.3 million was outstanding (£0.6 million at 31 March 2010).

Kirklees Active Leisure

During 2010/11, KAL incurred costs of £0.4 million (2009/10 £0.4 million) for Council services. At 31 March 2011, nil was outstanding (£0.04 million at 31 March 2010).

The Council incurred costs of £3.8 million in 2010/11 (2009/10 £4.4 million) in relation to services carried out on behalf of the Council.

Kirklees Community Association

During 2010/11, KCA incurred costs of £0.167 million (2009/10 £0.140 million) for Council services. At 31 March 2011, £0.071 million was outstanding (£0.021 million at 31 March 2010).

The Council provides an overdraft facility to KCA in relation to the Fieldhead project. At 31 March 2011 £2.772 million was outstanding (£1.821 million at 31 March 2010).

Kirklees Music School

During 2010/11, KMS incurred costs of £13,000 (2009/10 £12,000) for Council services. The Council incurred costs of £733,000 in 2010/11 (2009/10 £733,000). At 31 March 2011, £0 was outstanding (£0 at 31 March 2010).

Kirklees Theatre Trust

During 2010/11, KTT incurred costs of £0.235 million (2009/10 £0.233 million) for Council services.

The Council incurred no service costs within 2010/11.

3. Notes to the Cash Flow Statement

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

KNH - The Company has a Net Revenue Activities inflow of £1.1 million.

Devco - The Company has a Net Revenue Activities inflow of £21,000 and an investment inflow of £20,000 resulting in an increase in the cash figure of £41,000.

GROUP ACCOUNTS

KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2010/11

4. Segmental Reporting

	Single Entity	2010/11 Group Companies	Group Accounts	Single Entity	2009/10 Group Companies	Group Accounts
	£000	£000	£000	£000	£000	£000
Fees, charges & other service income	148,073	14,037	162,110	151,641	14,783	166,424
Capital Credits	10,254		10,254	44,828		44,828
Surplus on associates and joint ventures		2,754	2,754		11	11
Interest and investment income	6,187		6,187	6,538		6,538
Gain on Disposal of Fixed Assets	6,588		6,588	6,211		6,211
Government grants, reimbursements and contributions	659,190		659,190	647,536		647,536
National Non Domestic Rates Income	137,199		137,199	48,006		48,006
Expected Return on Pension Assets	72,593		72,593	123,396		123,396
Income from council tax	154,179		154,179	150,871		150,871
Trading Income	6,365		6,365	5,624		5,624
Total Income	1,200,628	16,791	1,217,419	1,184,651	14,794	1,199,445
Employee Expenses	260,979	8,324	269,303	459,022	10,982	470,004
Other Service Expenses	534,091	2,112	536,203	519,501	2,946	522,447
Capital Charges	331,293		331,293	76,693		76,693
Interest Payable and Similar Charges	34,700		34,700	35,185		35,185
Losses on disposal on fixed assets	18,557		18,557	12,493		12,493
Deficit on associates and joint ventures		469	469		346	346
Precepts and Levies	570		570	538		538
Payments to Housing Capital Receipts Pool	1,832		1,832	1,815		1,815
Pension Interest Cost	92,092	986	93,078	79,501	544	80,045
Trading Expenditure	5,857		5,857	6,103		6,103
Total Operational Expenses	1,279,971	11,891	1,291,862	1,190,851	14,818	1,205,669
Deficit on Provision of Services	79,343	-4,900	74,443	6,200	24	6,224

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 or losses on revaluation of financial assets not yet realised through sales.

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 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 Grants Receipts in Advance Account

This account reflects capital grants which have been received, but the conditions relating to the grant have not yet been met and cannot therefore be credited to the Comprehensive Income and Expenditure Account.

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 transactions in relation to national non-domestic rates (NNDR) and Council Tax.

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 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 council.

Defined Benefit Pension Scheme

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

Depreciated Replacement Cost

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

Depreciation

The measure of the cost or revalued amount of the benefit, of the fixed asset that has been consumed during the period.

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

Existing Use Value (EUV)

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

Existing Use Value – Social Housing (EUV – SH)

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

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

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.

Heritage Assets

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

Housing Revenue Account (HRA)

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

Impairment

A reduction in the value of fixed assets resulting from obsolescence, physical damage or general market conditions.

Infrastructure Assets

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

Intangible Assets

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

Interest Cost (Pensions)

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

Leasing

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

Live Condition – Grant

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

Market Value

The estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arms-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

MRP

Minimum revenue provision. This is the minimum amount which must be charged to a council's revenue account each year in respect of the financing of capital expenditure through borrowing.

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.

NNDR

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

Non-distributed Costs

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

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

Provisions

These are liabilities of uncertain timing or amount.

Related Parties

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 a council 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.

Revenue Expenditure Funded from Capital under Statute (REFCUS)

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

Settlements and Curtailments (Pensions)

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

Soft Loans

Authorities sometimes make loans to individuals or organisations at less than market rates, where a service objective would justify the council making a concession. The Code requires the discounted interest rate to be recognised as a reduction in the fair value of the asset when measured for the first time.



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF KIRKLEES COUNCIL

Opinion on the Council and Group accounting statements

I have audited the Council and Group accounting statements of Kirklees Council for the year ended 31 March 2011 under the Audit Commission Act 1998. The Council and Group accounting statements comprise the Council and Group Movement in Reserves Statement, the Council and Group Comprehensive Income and Expenditure Statement, the Council and Group Balance Sheet, the Council and Group Cash Flow Statement, the Housing Revenue Account, the Movement on the Housing Revenue Account Statement and Collection Fund and the related notes. These accounting statements have been prepared under the accounting policies set out in the Statement of Accounting Policies.

This report is made solely to the members of Kirklees Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010.

Respective responsibilities of the Director of Resources and auditor

As explained more fully in the Statement of the Director of Resources' Responsibilities, the Director of Resources is responsible for the preparation of the Council and Group's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom. My responsibility is to audit the accounting statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the accounting statements sufficient to give reasonable assurance that the accounting statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Council and Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Council and Group; and the overall presentation of the accounting statements. I read all the information in the explanatory foreword to identify material inconsistencies with the audited accounting statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

Opinion on accounting statements

In my opinion the accounting statements:

- give a true and fair view of the state of Kirklees Council's affairs as at 31 March 2011 and of its income and expenditure for the year then ended;
- give a true and fair view of the state of the Group's affairs as at 31 March 2011 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom.

Opinion on other matters

In my opinion, the information given in the explanatory foreword for the financial year for which the accounting statements are prepared is consistent with the accounting statements.

Matters on which I report by exception

I have nothing to report in respect of the governance statement on which I report to you if, in my opinion the governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007.

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

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

Auditor's responsibilities

I am required under Section 5 of the Audit Commission Act 1998 to satisfy myself that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires me to report to you my conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

I report if significant matters have come to my attention which prevent me from concluding that the Council has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. 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.

Basis of conclusion

I have undertaken my audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2010, as to whether the Council has proper arrangements for:

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

The Audit Commission has determined these two criteria as those necessary for me to consider under the Code of Audit Practice in satisfying myself whether the Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2011.

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

Conclusion

On the basis of my work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2010, I am satisfied that, in all significant respects, Kirklees Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2011.

Delay in certifying completion of the audit

I cannot formally conclude the audit and issue the certificate until I have completed my consideration of matters brought to my attention by local authority electors in respect of the 2007/08 accounts. I am

satisfied that these matters do not have a material effect on the 2010/11 financial statements or a significant impact on my 2010/11 value for money conclusion.

Paul Lundy
Officer of the Audit Commission
3 Leeds City Office Park
Holbeck
Leeds
LS11 5BD

29 September 2011



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 2011 issued on 29 September 2011 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 2011 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 2011 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 2011 issued on 29 September 2011 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 2011.

Certificate

In my report dated 29 September 2011, 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

Audit Commission
3 Leeds City Office Park
Holbeck
Leeds
LS11 5BD

9th May 2012

1. SCOPE OF RESPONSIBILITY

Kirklees Council is responsible for ensuring that its business and that of its related companies is conducted in accordance with the law and proper standards, and that public money is safeguarded and accounted for properly. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, 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.

The Council has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*. This Statement explains how the Council has complied with the code and also meets the requirements of the Accounts and Audit (England) Regulations 2011.

The assurance provided by this Statement enables users of the accounts to be satisfied that proper arrangements are in place to govern spending and safeguard assets.

This Statement also applies to the Council's two wholly owned subsidiaries (Kirklees Neighbourhood Housing Limited and Kirklees Metropolitan Development Company) and three joint venture companies (Kirklees Henry Boot Partnership Limited, Kirklees School Services Limited and Kirklees Stadium Development Limited).

2. THE PURPOSE OF THE GOVERNANCE FRAMEWORK

The governance framework comprises the systems and processes, and culture and values by which the Authority is directed and controlled and its activities through which it accounts to, 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.

The Council's key priorities are as follows:

- Enhance life chances for young people
- Support older people to be healthy, active and included
- Lead Kirklees out of recession
- Provide effective and productive services

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

The governance framework has been in place for the year ended 31 March 2011 and up to the date of approval of the Annual Report and Statement of Accounts.

3. THE FRAMEWORK

The key elements of the systems and processes that comprise the Council's governance arrangements include:

- identifying and communicating the Council's vision of its purpose, its shared priorities with its partners and intended outcomes for residents and service users

- reviewing the shared and Council priorities and their implications for the governance arrangements
- measuring the quality of services for users, for ensuring they are delivered in accordance with the Council's objectives and for ensuring that they represent the best use of resources
- a Monitoring Officer with responsibility for defining and documenting the roles and responsibilities of the executive, non-executive, scrutiny and officer functions in the Constitution, with clear delegation arrangements and protocols for effective communication, and ensuring the legality of Authority actions
- developing, communicating and embedding codes of conduct, defining the standards of behaviour for members and staff, reviewing and updating rules of procedure, contract & financial procedure rules, a scheme of delegation and supporting procedure notes / manuals, which clearly define how decisions are taken and the internal control environment required to identify and manage risks / Risk Management Strategy
- the Director of Resources (as were his predecessors (April to September 2010 and September 2010 to February 2011) is a professionally qualified accountant and reports directly to the Chief Executive as a member of the Director Group in accordance with the governance requirements of the five principles that define the core activities and behaviours that belong to the role in the CIPFA Statement on *The Role of the Chief Financial Officer in Local Government (2010)*.
- a performance management system that identifies the organisational achievement against performance indicators and targets for consideration by Cabinet and Directors
- the Corporate Governance & Audit Committee, which operates in accordance with best practice, including ensuring compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful
- incorporating good governance arrangements in respect of partnerships and other group working and reflecting these in the Council's overall governance arrangements. The Director of Resources monitors and reports on the financial effectiveness of the subsidiary and joint venture companies, whose accounts are subject to external audit, albeit that the joint venture companies have a different financial year. In addition the Council provides an internal audit service to Kirklees Neighbourhood Housing Limited and the Company's governance arrangements include an Audit Committee.

4. REVIEW OF EFFECTIVENESS

The Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of internal auditors and executive managers who have responsibility for the development and maintenance of the governance environment, and also by comments made by the external auditors and other review agencies and inspectorates. Consequently the Council also has a responsibility to undertake an annual review of its internal audit arrangements. The latter review is informed by the work of the external auditors and the Corporate Governance & Audit Committee.

Annual Council reviews the Constitution, taking account of recommendations from the Corporate Governance & Audit Committee as required. In 2010 the review included revisions to the membership of the Standards and Overview & Scrutiny Committees, and the latter's call in procedure, as well as Council, Contract & Financial Procedure Rules. A revised Protocol for Members of the Planning Committee was introduced. Area governance arrangements were revised with the introduction of six Town and Valley Committees from the start of the 2010-11 municipal year.

The Council also implemented a revised executive form with an indirectly elected leader, for a four year term, and Cabinet as per the Local Government & Public Involvement in Health Act 2007. The current Leader's position was not opposed at Annual Council; his term expires in May 2012 when he faces the local elections.

The Cabinet has responsibility for the Risk Management Strategy, as prepared and promoted by the Director of Resources and for reviewing the effectiveness of the overall arrangements. A process has been established that identifies business risks and appropriate control measures, both at service and corporate level with named managers responsible for risk control and reporting on changes to corporate risk on a regular basis. Understanding of, and adherence to, the process has risen, although it still needs to be embedded further into operational and particularly project management.

The Cabinet and directors are responsible for effective performance management of the Council and for achieving compliance with financial and other targets and objectives set by the Council. During 2010-11 a review of the existing arrangements and overall framework was undertaken, which concentrated upon issues of priority setting, service planning and in particular employee personal performance management.

The Council's Internal Audit function reports to the Corporate Governance & Audit Committee, which oversees its work, and also directly to service managers, directors and the Cabinet on its findings. The audit role is of particular significance given that directors have not been asked to pursue the completion of annual assurance statements about their area of responsibility. Other internal review and inspection agencies also monitor performance, policy and legislative compliance. The Cabinet considers the advice of the external auditor and other review agencies.

The Director of Resources is responsible for financial monitoring and reporting has been undertaken throughout the year and in relation to the subsidiary and joint venture companies too.

The Corporate Governance & Audit Committee reviewed the effectiveness and made recommendations for improvement as appropriate of various aspects of the Code of Corporate Governance during the year, including

- (a) A reconsideration of the statutory Petitions Scheme
- (b) The Officer Appeal Panel for disciplinary matters
- (c) Ethical Standards principle
- (d) Exercise of Emergency Powers by the Chief Executive
- (e) Member Allowances
- (f) Partnership Behaviour Protocol
- (g) Designation of the Section 151 Officer (Local Government Act 1972)

To formalise current arrangements and working practices in the interests of transparency and good governance, Annual Council 2011 approved a revision to Article 13 of the Constitution, delegated authority to the Chief Executive to establish officer boards to oversee the proper administrative, management and strategic direction of the Council and its service delivery functions and responsibilities. Membership, purpose and terms of reference were codified.

In addition to the Directors' Group, Management Board and Council Managers' Group which were established earlier in the year to reflect the revised senior management structure, the four current Boards are as follows:

- Communications Board
- Innovation and Efficiency Programme Board
- Employee Relations Panel
- Strategic Investment Board

We have been advised on the implications of the result of the review of the effectiveness of the governance framework by the Corporate Governance & Audit Committee, and a plan is in place to address the areas set out in Section 5 to ensure continuous improvement of the system.

5. SIGNIFICANT GOVERNANCE ISSUES

The ongoing review of governance and internal control arrangements has identified the following "significant" issues.

- The primary issue facing the Council continues to be the fundamental impact the national economic situation is having on the Local Government Finance Settlement as Central Government seeks to rebalance public expenditure in response to the rapid increase in borrowing following the need to support the banking sector. The Council faces significant reductions in revenue support grant over the next three years. A balanced budget has been agreed as part of the medium term financial plan but there are still a number of difficult decisions to be taken to determine priorities within the overall plan.

The Council's strategy is encompassed in the Innovation and Efficiency (I & E) Programme to mitigate the impact of these financial reductions on front line services. The MTFP continues to assume that the I & E initiatives will deliver significant savings to address the financial reductions.

The I & E Programme comprises,

- a top management restructure
- a new IT Strategy
- development of a Council wide Customer Strategy
- a review of procurement
- a new Asset Strategy
- consolidation of support services
- a review of administrative support services

Work has commenced on these programmes under the oversight of the I & E Programme Board to help remove duplication and fragmentation in aspects of the Council's business processes and further improve the governance of the Council. The Board's remit is to have an overview of the Programme, drive progress, resolve issues within or between projects and to review benefits realisation and programme risks, taking or recommending action where appropriate to ensure the success of the Programme. It meets fortnightly and reports to Management Board. A target was not set for financial savings in 2010/11 but £7.5m of savings were actually achieved. This was through a combination of salary savings through staff leaving on voluntary early retirement, restructuring of senior management and procurement savings.

The financial savings target for £2011/12 is £12.7m, and significant progress has been made to achieving this target. However, as the 2012/13 savings from this work are more challenging still with a requirement to find an additional £20m, there remains a risk that failure to crystallise these will yet impact upon front line service delivery.

- There is an inherent risk in the current economic climate and during a period of downsizing that there could be a diminution of internal control. This is one of the risks considered on a regular basis by the Director Group and the Director of Resources who are responsible for the I & E programme.

To manage this risk, Internal Audit has devised its audit programme for the year ahead to help management ensure proper controls remain in place. All employees have been reminded of the need to make appropriate declarations and record keeping has been made more robust and aligned to the new management structure. Also a programme of fraud awareness and appropriate behaviour refresher training is ongoing and involves managers in key roles such as procurement and licensing or approval of activities.

- Further improvements have also been made in addressing budgetary pressures and financial control. The Council's overall process for budgetary control is robust and effective but does not yet fully link performance, output and outcome data with financial information, risk

management and value for money. The links in the reporting of these processes are being developed as part of the change programmes and in 2010-11 the Council amended its performance reporting arrangements to implement what should be a fully integrated performance management system by the end of 2011-12. One example of the need for the work yet to be done was highlighted by the uncertainty around the financial performance of the Council's building maintenance operation during 2010-11.

Within the context of the financial position the Council seeks to address a key current performance failing to reduce significant inequalities around health and educational attainment between parts of the Borough. The Directors will continue to work with partners to focus on delivering key outcomes and in particular to pursue the Council's shared priorities. During 2010-11 this included a sustained focus on narrowing the gap between the poorest parts of Kirklees and the Kirklees average.

- An updated Delegation Scheme has been developed across the Council to improve the accountability and transparency of officer decision making, although it is not yet fully implemented nor embedded within services. There is some evidence to suggest that the recording of decisions taken by Officers under the scheme remains incomplete and in need of improvement. Uniformity of process will be achieved in the coming year.
- Procurement is a devolved activity at present. Responsibility for obtaining value for money rests with budget managers within the overall framework overseen by the procurement function. Work within the procurement workstream of I & E is developing a more corporate approach to procurement.

The Director of Resources has responsibility for developing the procurement function. The objectives of this development are to achieve savings and maximise value for money, for example by ongoing thorough re-examination of the Council's current requirements for goods and services and when sourced externally, by using better co-ordinated procurement e. g. by extending the use of framework contracts, renegotiating rates, revising risk levels (the need for a security presence) and refreshing policies (hospitality offered).

A more corporate procurement methodology is underpinned by significantly greater use of the Marketplace IT system that enables managers to monitor committed as well as actual expenditure, as well as enhancing management information. However concerns around various internal control issues about the use of the system have been raised during 2010-11 by Internal Audit and a Scrutiny Review. It is proposed to address these concerns as part of the corporate development of an integrated IT strategy with a new suite of business systems.

- The Council's agenda for modernising and reforming many aspects of its operations and the impact this has on its human resources arrangements, including the implementation of Single Status, is accompanied generally by a series of risks around consistent service delivery and in employee impacts by its application by service managers, as well as achieving anticipated savings, whilst maintaining the confidence of the workforce. Meeting the aspirations of different stakeholders, including the trades unions, is a significant challenge.
- The changing face of service delivery with greater emphasis on partnership working with local and regional bodies and in a variety of settings continues to pose issues concerning governance and financial accountability and control.

The Directors keep all of the above risks under consideration and management. The Council will continue the process of clarifying and strengthening financial and governance issues relating to its key partners to ensure delivery of its principal objectives.

Overall, we are satisfied that all the Council's arrangements for internal control are at least adequate for their purpose. The Council is aware of one case where its rules for declaration of interests may not have been complied with correctly. This matter is being investigated fully and does not of itself

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undermine this conclusion. The improvements identified in this Statement will make our arrangements stronger.

A Lythgo
Chief Executive

M Khan
Leader of the Co

