



# **Summary Accounts 2016-17**

**Welcome to Kirklees Council's Summary Accounts, which aims to put the formal set of accounts into a format which is concise and more easily understood.**

### **Statement of Accounts**

The Council produces a full set of accounts. These can be viewed on the Council's website:

<http://www.kirklees.gov.uk/accounts>

The Council's audited Statement of Accounts complies with the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Local Authority Accounting, which is based on International Financial Reporting Standards, as well as proper accounting practice defined under statute.

The Statement of Accounts is signed by the Service Director – Finance, IT and Transactional Services. The Council's Corporate Governance and Audit Committee approve the accounts following their audit by the Council's external auditors.

### **Summary Accounts**

The size and scale of Kirklees as an organisation gives rise to a Statement of Accounts that is both a large and complex document. The purpose of this summary is to give interested parties a broad view of the Council's accounts, in a simplified and more understandable format. A reader of this report should gain a better understanding of both the Council's financial performance and available resources.

All the figures behind this summary were compiled having regard to proper accounting practices. In order to provide simplified, meaningful, summary information, some figures have been combined.

It is important to note that although the summary of accounts is based on the full Statement of Accounts, the summary itself has not been audited.

### **Revenue Expenditure**

Revenue expenditure is day to day expenditure incurred in the running of Council services, including expenses such as salaries and wages, building maintenance, heat and lighting. Revenue expenditure cannot be funded from borrowing and each year the Council is required by law to set a balanced revenue budget.

### **Where the money was spent**

The Council's Income and Expenditure Statement shows the cost in the year of providing Council services. In the private sector the equivalent statement is often called the Profit and Loss account.

**KIRKLEES COUNCIL – SUMMARY ACCOUNTS 2016/17**  
**Income and Expenditure**

**Breakdown of income and expenditure by service**

Service	Expenditure £ million	Income £ million	Net Cost of Services £ million
Children and Young People	388.2	-289.5	98.7
Commissioning, Public Health & Adults	174.7	-81.9	92.8
Place	119.7	-45.0	74.7
Resources	163.4	-123.1	40.3
Communities, Transformation & Change	14.8	-1.6	13.2
Economic Resilience	13.0	-2.6	10.4
Early Intervention & Prevention	24.7	-1.0	23.7
Central Budgets	25.9	-32.1	-6.2
District Committee managed budgets	0.4	0	0.4
HRA	144.4	-97.3	47.1
<b>Net Cost of Services</b>	<b>1,069.2</b>	<b>-674.1</b>	<b>395.1</b>
<b>Funding</b>			
General Grants and Contributions			-127.1
Business Rates			-51.0
Council Tax			-152.2
<b>Total Funding available</b>			<b>-330.3</b>
Other Operating Income and Expenditure – mainly value of assets transferred to Academies			52.2
Financing and Investment Income and Expenditure – mainly interest paid			29.9
<b>Deficit on Provision of Services</b>			<b>146.9</b>
Accounting adjustments - not charged to Council Tax (1)			-133.1
<b>Contribution from General Fund Balance (2)</b>			<b>13.8</b>

## **KIRKLEES COUNCIL – SUMMARY ACCOUNTS 2016/17**

### **Income and Expenditure**

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(1) Various accounting charges involving employee pensions and Council's assets by law should not be funded by Council Tax. These items need to be excluded before money is charged to or from the Council's General Fund Balance. Also some statutory charges to Council Tax and Business Rates are not proper accounting charges so need to be added back in before determining the contribution to/from the General Fund Balance. A much more detailed explanation of this can be found in the Expenditure and Funding Analysis in the full Statement of Accounts.

(2) A positive figure represents a deficit on the Council's General Fund which is transferred to the General Fund Balance at year end.

### **How our services are funded**

There are several funding streams the Council uses to fund the net cost of providing services to Kirklees residents:

- It receives general grants from Government which are used to support all services, in contrast to service specific grants such as the Dedicated Schools Grants which must be spent on education.
- Council Tax - a tax that the Council raises on local homes to support its services.
- Business Rates – a tax on businesses, of which councils are allowed to retain 49% locally.

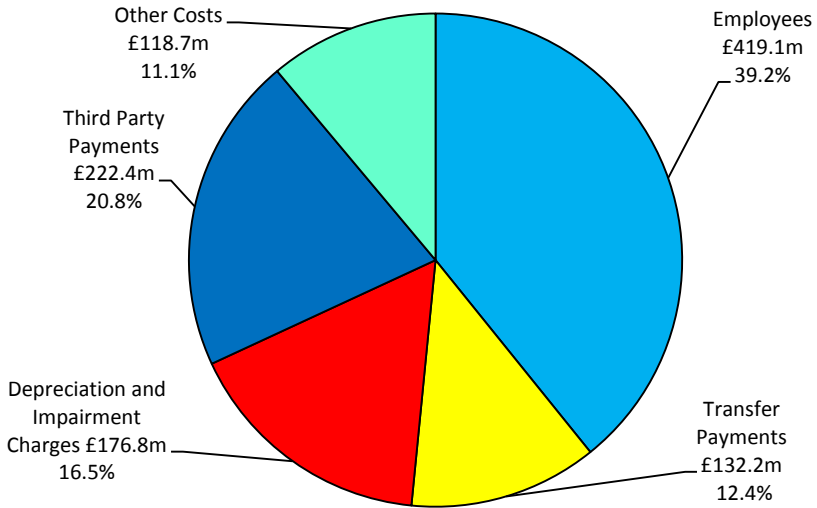
### **Breakdown of income and expenditure by type**

It is also useful to know the type of expenditure incurred as well as which service has spent it. The following graphs break down income and expenditure by type. It should be noted that these graphs show the income and expenditure relating to service expenditure only.

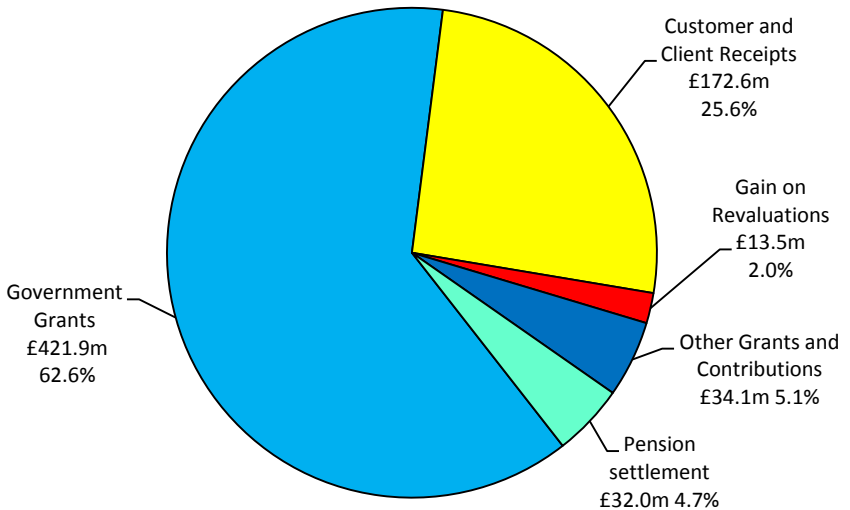
**KIRKLEES COUNCIL – SUMMARY ACCOUNTS 2016/17**  
**Income and Expenditure**

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**Breakdown of expenditure by type £1,069.2 million**



**Breakdown of income by type £674.1 million**



**KIRKLEES COUNCIL – SUMMARY ACCOUNTS 2016/17**  
**Capital Expenditure**

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### **Capital Expenditure**

Capital expenditure generally represents money spent by the Council on purchasing, upgrading and improving assets such as buildings and roads. The Council benefits from capital expenditure over a long period of time. Capital expenditure is shown on the Balance Sheet as Long Term Assets. Over the lifetime of an asset its cost is charged to revenue as its value decreases through use. This cost will be represented in the Income and Expenditure Statement as depreciation and impairment.

<b>Capital Expenditure by Service</b>	<b>£ million</b>
Housing - Council Housing	16.4
Highways	15.1
Children and Young People	22.0
Economic Delivery	2.5
Transport	3.4
Housing - Other	3.4
Other	8.0
<b>Total Capital Expenditure</b>	<b>70.8</b>

Capital expenditure is funded by grants, borrowing, receipts from the sale of assets, as well as revenue contributions. Kirklees is allowed to borrow to invest in assets as long as any borrowing does not breach the Council's prudential borrowing limits.

<b>Sources of Finance</b>	<b>£ million</b>
Government Grants and Other Contributions	-25.9
Borrowing	-17.2
Revenue Contributions and Reserves	-17.2
Capital Receipts	-10.5
<b>Total Funding</b>	<b>-70.8</b>

**KIRKLEES COUNCIL – SUMMARY ACCOUNTS 2016/17**  
**Financial Position (Balance Sheet)**

**Financial Position of the Council**

The Balance Sheet presents the financial position of the Council at 31 March 2017. It shows what the Council owns (assets) and what it owes (liabilities) as well as the amount held in reserves (equal to assets less liabilities).

	£ million
<b>Assets – What Kirklees Owns</b>	
Property and equipment	1,510.2
Other long term assets	4.4
Monies owed to the Council	84.9
Cash, investments and stocks	30.1
	1,629.6
<b>Liabilities – What Kirklees Owes</b>	
Borrowing	-559.5
Monies owed by the Council	-86.3
Pension scheme (1)	-556.3
	-1,202.1
<b>Net Worth of the Council</b>	<b>427.5</b>
<b>Financed by Usable Reserves:</b>	
General Fund Balance (2)	-90.1
Housing Revenue Account (HRA) Balance	-52.0
Capital Receipts (used to pay off debt or acquire new assets)	-8.3
Capital Grants Unapplied (used to acquire new assets)	-16.1
	-166.5
<b>Unusable Reserves (3)</b>	<b>-261.0</b>
<b>Total Council Reserves</b>	<b>-427.5</b>

(1) This represents the Council's net liabilities from its share of the pension fund assets and the commitment of the Council to pay future retirement benefits.

(2) This includes Earmarked Reserves which are kept to cover specific areas of activity and risk e.g. workforce restructuring, schools and grants.

(3) Unusable Reserves support fixed assets and pensions on the balance sheet and are not available for use in providing services.



**KIRKLEES COUNCIL – SUMMARY ACCOUNTS 2016/17**  
**Cash Flow**

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**Cash Flow**

All organisations require cash to be able to function. The following statement shows how the Council's cash balance (including very short term financial assets) changed in the financial year 2016/17.

	£ million
Net deficit on the provision of services	146.9
Adjustments for non-cash movements (1)	-190.7
Adjustment for items in net surplus that are investing or financing activities	33.3
<b>Net cash flow from Operating Activities</b>	<b>-10.5</b>
Investing Activities (mainly from purchase and sale of fixed assets)	22.5
Financing Activities (mainly from taking out new and paying off existing borrowing)	-8.4
<b>Net decrease in Cash and Cash Equivalents</b>	<b>3.6</b>
<b>Cash and cash equivalents at 1 April 2016</b>	<b>31.1</b>
<b>Cash and cash equivalents at 31 March 2017</b>	<b>27.5</b>

(1) Some items are reversed out of the Cash Flow Statement as they have no cash effect in 2016/17. For example, a building on the Balance Sheet is recognised as an expense through depreciation when the economic benefit is received rather than the year in which the asset is purchased.

**KIRKLEES COUNCIL – SUMMARY ACCOUNTS 2016/17**  
**Housing Revenue Account**

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**Housing Revenue Account (HRA)**

The Council owns just under 22,800 dwellings. The Housing Revenue Account by law must be kept separate from the Council's General Fund Balance and be accounted for separately as a separate fund. This prevents General Fund resources being used to subsidise council housing or vice versa.

Housing Revenue Account	£ million
<b>Income</b>	
Council house rents	-82.8
Grants	-8.0
Other income	-6.5
	<b>-97.3</b>
<b>Expenditure</b>	
Repairs and maintenance	21.2
Supervision and management	23.6
Depreciation and impairment losses (1)	97.1
Other costs	2.9
	<b>144.8</b>
<b>Net Expenditure for HRA Services</b>	<b>47.5</b>
Accounting adjustments - not charged to HRA balance	-56.7
<b>Contribution to HRA balance</b>	<b>-9.2</b>

(1) This includes a one-off revaluation loss of £76.5m arising from a decrease in the adjustment factor used to arrive at the value of housing stock.

Housing rent levels in 2016/17 were reduced by 1.0% (2015/16 2.20% increase).

The level of housing rent arrears at the year-end was £2.4m as at 31 March 2017 (£2.5m 31 March 2016).

The HRA Balance (£52.0m) will be used to help sustain a balanced HRA revenue position over the medium to longer term informed by the HRA business plan.

### **Collection Fund**

Kirklees Council collects Council Tax on behalf of itself as well as other precepting authorities: West Yorkshire Police Authority (WYPA) and West Yorkshire Fire and Rescue Authority (WYFRA). Council Tax is a residential property tax based on a series of property valuation bandings. In order to manage this arrangement the Council operates a Collection Fund.

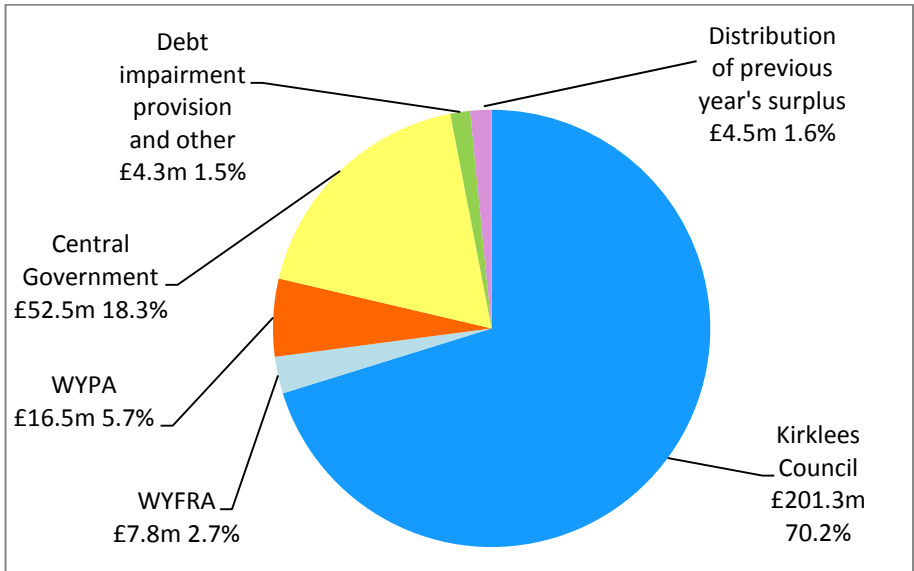
The Collection Fund also collects Business Rates (National Non Domestic Rates) on behalf of itself, Central Government and WYFRA. The amount that local businesses pay is calculated by applying the multiplier set by Central Government to their rateable value. The Council is responsible for collection rates due from ratepayers in its area and pays 50% of the proceeds to Central Government and 1% to WYFRA.

This year the Collection Fund showed income collected from Council Tax of £177.6m and Business Rates of £106.4m.

Precepts and demands on the Collection Fund were as follows:

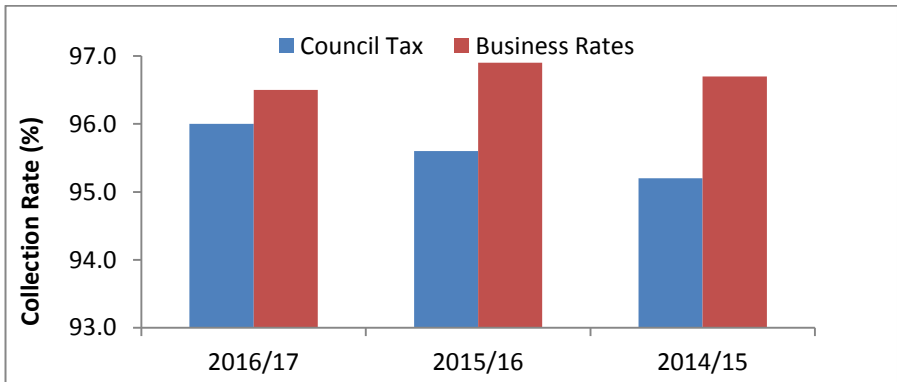
Kirklees Council (Council Tax £149.9m, Business Rates £51.4m), Central Government (Business Rates £52.5m), WYFRA (Council Tax £6.8m, Business Rates £1.0m), WYPA (Council Tax £16.5m).

**Collection Fund Expenditure**



The Council's share of arrears for Council Tax as at 31 March 2017 was £10.7m (31 March 2016 £11.6m) and for Business Rates £2.5m (31 March 2016 £2.3m).

**Collection Rates**



**Further Information**

The focus of this document is to make our accounts more accessible to all our key stakeholders - including:

- Service Users
- Council Tax payers
- Council Tenants
- Business Rates payers
- Employees
- Suppliers
- Anyone who has a general interest in our financial position and performance

As such we would like to hear from you. If you have any further comments or queries regarding this document please contact the financial accounting team on **01484 221000** or by email to **Central.Finance@kirklees.gov.uk**

Our Statement of Accounts can be found on our website along with other useful financial documents, such as our budget, efficiency plan and previous years' Summary Accounts [www.kirklees.gov.uk/accounts](http://www.kirklees.gov.uk/accounts)

## **Glossary**

### **Capital Expenditure**

Expenditure on the acquisition of assets or expenditure that adds to and not merely maintains the value of assets.

### **Collection Fund**

A separate statutory account under the provisions of the Local Government Finance Act 1988, showing the transactions in relation to Business Rates and Council Tax.

### **Depreciation**

This represents the consumption of an asset over its useful life. If the cash cost of acquiring an asset was charged to revenue in one go, it would distort the year on year figures, and ignore the fact that the organisation has an asset which is generating service potential for the authority.

### **International Financial Reporting Standards (IFRS)**

A set of standards developed globally to ensure that accounts compiled in one country will be comparable to those compiled in another. Most countries across the world now use IFRS, including the UK public sector which uses European Union Adopted IFRS adapted for use in the public sector.

### **Reserve**

Reserves are reported in two categories. The first category is usable reserves: that is those reserves that the Council may use to provide services. The second category (unusable) is those that the Council is not able to use to provide services. They include reserves for unrealised gains and losses and adjustment accounts that absorb the difference between the outcome of applying proper accounting practices and the requirements of statutory arrangements for funding expenditure.

### **Impairment**

The value of an asset may be revised down due to changes in Market Value, or due to damage/obsolescence resulting in a loss of service potential from the asset. When this happens, depreciation would not fully reflect the loss, so an additional charge is put through the Income and Expenditure Statement.

**Third Party Payments**

Some Council services are contracted out to third parties or internal trading units.

**Transfer Payments**

These are payments to individuals for which no goods or services are received in return by the Council. Examples are housing benefits and direct payments for adult social care.