

KIRKLEES COUNCIL

STATEMENT OF ACCOUNTS 2011/2012

(Incorporating the Annual Governance Statement)

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Introduction

I am pleased to introduce the Council's Statement of Accounts for 2011/12. These accounts demonstrate the Council's financial performance for the year ended 31 March 2012. 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 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 2012**
- **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 describing 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 2011/12 was approved on 23 February 2011, following an extensive planning process which began in the summer of 2010. A Budget of £317.6 million was set, together with a planned contribution to General Fund Balances of £1.0 million. This was to be funded by Formula Grant (£159.2 million), Council Tax (£155.5 million) and Council Tax Freeze Grant (£3.9 million). The latter was received from Central Government when the Council chose to freeze its Council Tax in 2011/12. 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 £7.5 million to take account of additional budgets agreed as part of the 2010/11 "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 £325.1 million (including parish precepts).

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 surplus for the Council of £11.4 million (2010/11 £0.5 million deficit). The Council had underspent by £17.8 million against an overall budget of £325.1 million.

The underspending arose in the following areas –

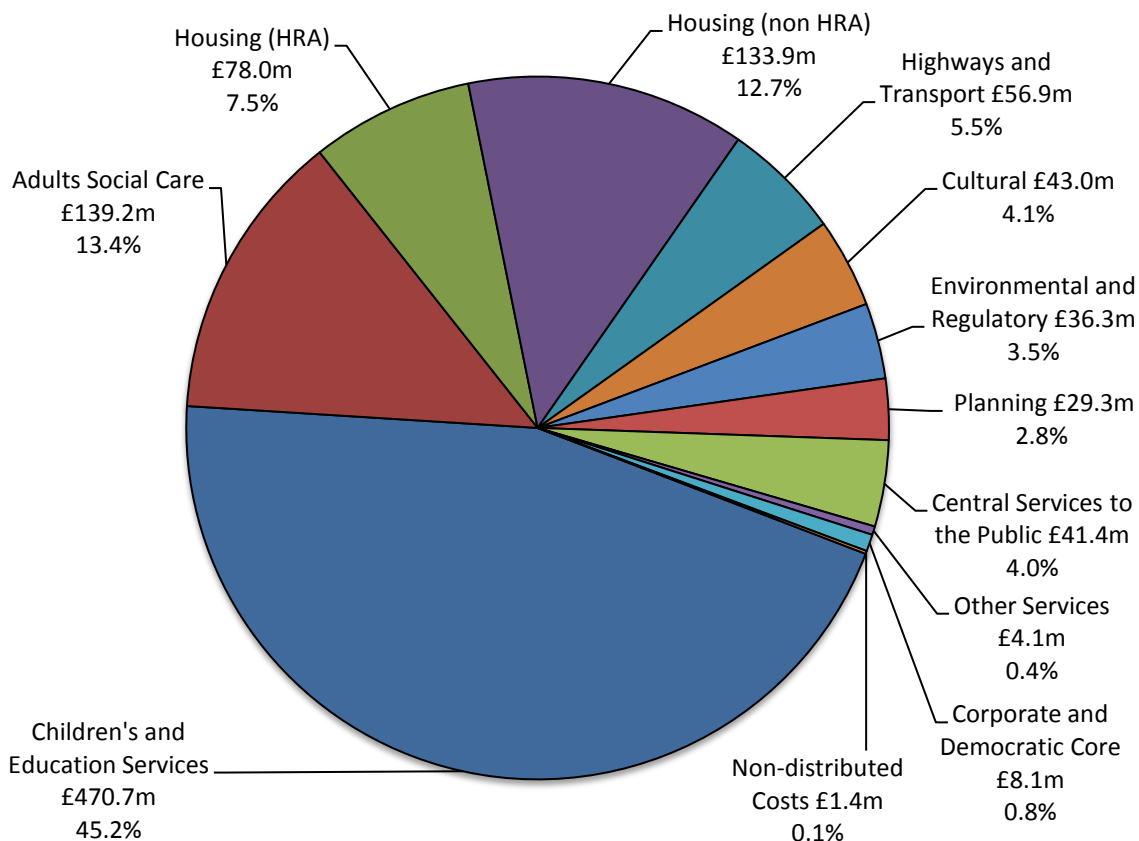
- £4.9 million from the Council's four Directorates, excluding ring-fenced budgets. The net position is made up of a mixture of underspends and overspends, but main areas of underspend included trading services performing better than anticipated; savings arising from vacancy management and efficiencies; and savings in the area of social care.
- £3.9 million from Directorate-led ring-fenced budgets, such as Corporate Priority Budgets (£2.7 million), Council Wide Initiatives (£0.4 million), and Town and Valley Committee Budgets (£0.5 million).
- £6.3 million from central budgets. This included £3.1 million on treasury management activities due to cashflow gains from higher than anticipated balances and slippage on the capital programme, and £2.1 million from higher than expected specific grant receipts.
- £2.7 million from contingency rollover, a one-off resource, earmarked to support the Council's forward plans.

Further details on the revenue spend in the year are contained in the outturn report that was presented to Council on 4 July 2012.

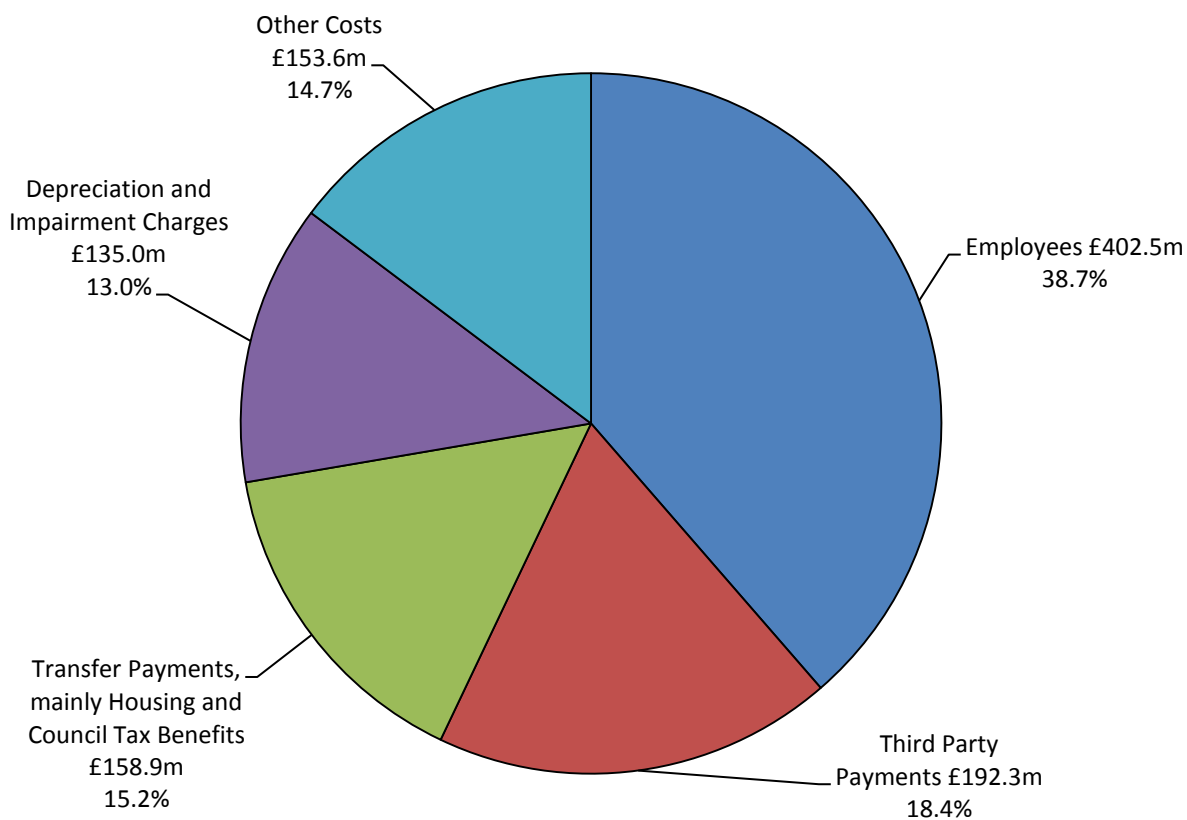
The following charts illustrate how the Council spent its money (by service and by type of expenditure) and where the money came from to fund this expenditure.

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Gross revenue expenditure analysed by service (£1,042.3 million)



Gross revenue expenditure analysed by type (£1,042.3 million)



Housing Revenue Account (HRA)

The HRA Income and Expenditure Account shows an operating surplus for the year of £15.4 million (2010/11 operating deficit of £230.9 million). After taking account of various statutory adjustments in the Movement on the HRA Statement, the HRA Balance shows a final reported surplus of £1.9 million (2010/11 surplus of £4.3 million).

The HRA Balance stands at £33.2 million as at 31 March 2012 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 £10.2 million at 31 March 2012 (31 March 2011 £13.2 million) and will be used primarily to support capital expenditure over future years to help meet decent homes targets.

Collection Fund

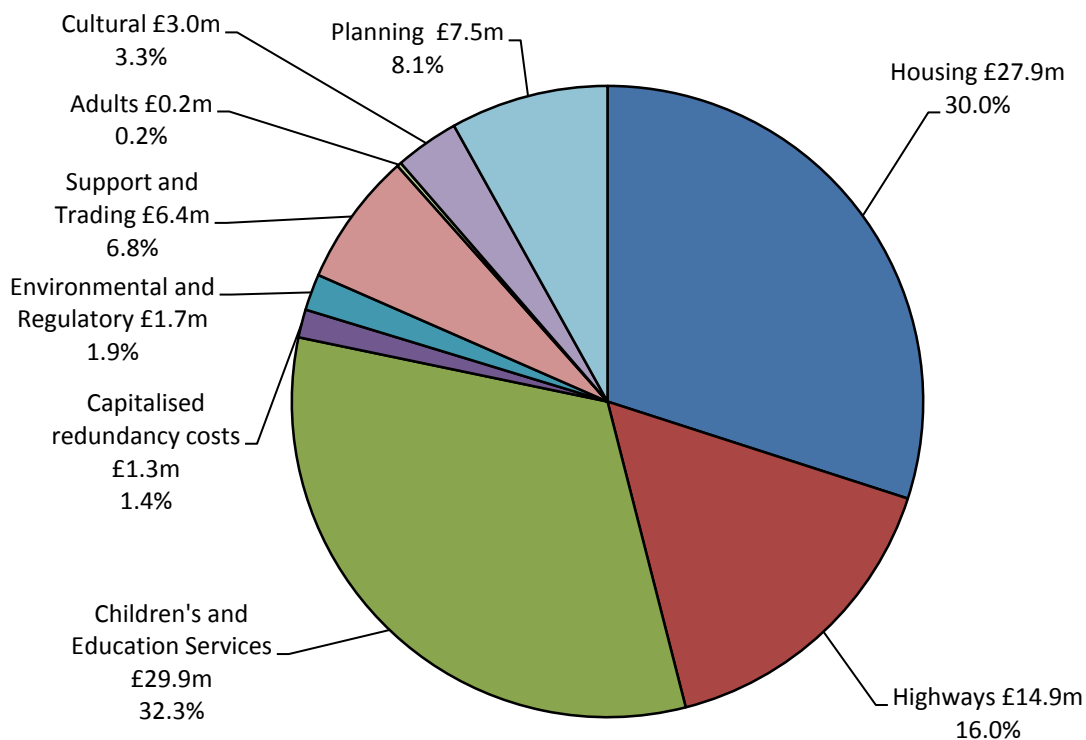
For 2011/12, the Collection Fund showed a deficit of £2.5 million (2010/11 £0.6 million surplus), increasing the negative Collection Fund Balance to £4.2 million. This balance will be recovered from the Council and precepting authorities in future years. National Non-Domestic Rates do not impact on the balance as they are paid over to the Central 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.

The percentage of Council Tax collected in year was 96.1% (2010/11 96.0%), with arrears outstanding as at 31 March 2012 of £12.4 million (31 March 2011 £12.6 million).

Assets

The value of Property, Plant and Equipment has decreased during the year by £136.5 million to £1,713.6 million. The fall is primarily due to the transfer of school properties to Academies and Trusts (£104.7 million), whilst the rest of the decrease is largely due to the effect of revaluations. In addition, the Council had Heritage Assets and Investment Properties valued at £34.7 million and £87.7 million respectively as at 31 March 2012 (2010/11 £27.6 million and £81.1 million).

Capital expenditure in 2011/12 was £92.8 million (2010/11 £126.8 million) and can be analysed by service area as follows:



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The expenditure above was funded by borrowing (£27.5 million), grants and contributions (£38.8 million), capital receipts (£2.9 million), Major Repairs Reserve (£17.8 million), and revenue (£5.8 million).

The Council's policy towards cash flow management is risk averse and all investments in 2011/12 have been placed short-term with an emphasis on security and liquidity. As at 31 March 2012, £2.8 million was held in short-term investments with financial institutions and £16.5 million in "cash equivalents", that is highly liquid deposits with an insignificant risk of change in value (31 March 2011 £13.0 million and £29.7 million). The Council has an outstanding investment with a failed Icelandic Bank. As at 31 March 2012, around a third of the original £1 million investment had been returned, and latest estimates suggest that the Council will receive all of the principal and interest due, subject to exchange rate fluctuations.

Liabilities

Current liabilities reduced by £19.3 million in the year to £122.2 million. This decrease is partly due to a change in estimation technique on provisions, which has meant that as at 31 March 2012, £13.8 million of liabilities are shown as long term rather than current. As at 31 March 2012, the Council had total provisions of £21.1 million (31 March 2011 £23.0 million). These largely cover estimated liabilities relating to insurance claims and equal pay/value claims.

Total external borrowing during the year decreased from £560.4 million to £502.1 million. There was no new long-term borrowing taken in the year and a variable rate loan of £10.0 million was redeemed early to aid cashflow management. In addition, £31.4 million of debt relating to HRA was repaid at the end of March by Department for Communities and Local Government (DCLG) in preparation for the HRA self-financing reforms coming into effect on 1 April 2012. The remaining reduction in external borrowing is largely a direct result of the Council reducing its short term investments, as noted above. The average interest rate for external borrowing for 2011/12 was 5.26% (2010/11 5.28%).

The Balance Sheet also contains a net pensions liability of £628.1 million (31 March 2011 £429.2 million). This represents an actuarial assessment of the Council's share of the pension fund assets and the underlying commitment of the Council to pay future retirement benefits. The increase in liabilities of £198.9 million has arisen for two reasons - firstly, an actuarial loss on assets of £65.0 million representing the difference between the actual return on fund assets and the expected return based on assumptions made at the start of the accounting period (the fund return was only 1.9% compared to an expected return of 7.6%); and secondly, an actuarial loss on liabilities of £133.9 million due to a sharp fall in AA rated corporate bond yields which are used when calculating the current value of future liabilities.

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

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

The net liability is matched by an appropriate accounting entry under Unusable 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 2011/12 was £117.0 million (2010/11 group deficit £74.5 million).

Accounting and service developments affecting this year's accounts

After significant changes in last year's accounts required from the first time adoption of IFRS, the changes for 2011/12 are relatively few, and with the exception of accounting for heritage assets, are comparatively minor.

For 2011/12 onwards, local authority accounts are required to adopt the requirements of Financial Reporting Standard (FRS) 30 "Heritage Assets". Assets being held for their historical, artistic and cultural qualities have been brought onto the Balance Sheet and are being carried at valuation (where possible). Disclosures have been added providing amongst other things, information on valuation methods, individually material assets, donated items, and policies on acquisition and disposal. This was a change in accounting policy and therefore has required a prior year adjustment.

There are two presentational changes in this year's accounts compared to last year. The CIES splits the line for "Cultural, Environmental, Regulatory and Planning Services" into three separate lines – "Cultural and Related Services", "Environmental and Regulatory Services", and "Planning Services". In the disclosure notes, amounts arising from capitalisation directions are no longer shown separately but integrated into the "Revenue Expenditure Funded from Capital under Statute (REFCUS)" lines.

During 2011/12, there have been five more schools that have converted to Academy status and two to Trust status. Employees have been transferred to the new bodies together with assets valued at £104.7 million. The transfer of Academies has also resulted in a reduction in revenue spending of £25.1 million and Dedicated Schools Grant of £19.6 million.

The Localism Act 2011 has introduced reforms which effectively ends the current Housing Subsidy system, and replaces it with a more self-sustaining financial regime going forward, whereby Council Housing Revenue Accounts retain all future rental income generated locally, to be spent on the provision of landlord services to tenants. Although not formally adopted until 1 April 2012, the DCLG repaid £31.4 million of the Council's housing debt on its behalf at the end of March 2012, in readiness for the reform's introduction. Regulations require the Council to treat the settlement transaction (including a £7.7 million premium paid by DCLG for early redemption of the debt) as a capital receipt in its accounts. The entries required in the CIES and the HRA Income and Expenditure Account are shown as exceptional items.

The Council signed an agreement in December 2011 with Regenter Excellent Homes for Life to design, build, finance and operate a Private Finance Initiative (PFI) contract to provide 466 units of HRA housing of which 140 will be extra care units and 35 suitable for tenants with physical disabilities. The total estimated nominal payments over the life of the contract will be in the region of £194 million, being funded by PFI grant and rental income. The payments do not start until the end of 2012.

Future developments

Financial Planning

The overriding context for the Council's current Medium Term Financial Plan is the continuation of phased reductions in overall Central Government formula grant funding to Councils nationally, equivalent to 25% less resources over the 2011/15 period. The estimated impact of this reduction for Kirklees Council, when combined with inflation and other increases in costs (most notably costs of extra client numbers), is a requirement to make a cost saving of £64 million per annum by 2015/16. The Council has made significant progress with its Innovation and Efficiency Programme implemented in 2009 and there are a number of cross cutting Council initiatives and service reviews in progress to help meet the savings target. The Council is also currently reviewing and reprioritising its Capital Plan.

There are also a number of changes/developments over the next couple of years which could have a significant impact on the finances of the Authority –

- Proposed changes to the Council Tax benefit scheme; specifically the proposal to reduce the overall funding available to councils by 10% nationally from 2013/14 onwards.

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- Proposed national welfare reforms and possible legislative changes on various aspects of the future of adult social care provision.
- Proposed cessation of national formula grant for business rates, in preference to councils instead being allowed to retain business rates locally from 2013/14 onwards, but with transitional arrangements.
- The Kirklees Primary Care Trust's (PCT) Public Health role will transfer to the Council on 1 April 2013. The core responsibilities are health intelligence, health protection and commissioning for improving health and reducing health inequalities. The move will involve the transfer of approximately £19 million of revenue spend and 70 staff.
- The Department for Education has confirmed that the Council will receive a share of £2 billion funding over the next five years for extensions/extensive refurbishment of three schools. The Council had bid for £40 million of funding for these schools under the Priority Building School Programme. The work will be delivered by PFI.

Accounting

There will be no major accounting changes to the accounts for 2012/13.

Further Information

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

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

Acknowledgements

I wish to thank colleagues in Finance, Risk 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 2011/12

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 2012.

David Smith
Director of Resources

26 September 2012

I certify that this Statement of Accounts was approved by the Corporate Governance and Audit Committee on 26 September 2012.

Hilary S Richards
Chair, Corporate Governance and Audit Committee

26 September 2012

MAIN FINANCIAL STATEMENTS
KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2011/12

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 £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
	Restated						Restated	Restated	Restated
Balance at 31 March 2010	19,171	55,552	26,964	7,000	19,037	19,939	147,663	617,753	765,416
Movement in reserves during 2010/11									
Surplus or deficit (-) on the provision of services	151,533	0	-230,916	0	0	0	-79,383	0	-79,383
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	251,569	251,569
Total Comprehensive Income and Expenditure	151,533	0	-230,916	0	0	0	-79,383	251,569	172,186
Adjustments between account basis & funding basis under regulations (note 7)	-131,255	0	235,245	-3,382	-5,854	2,232	96,986	-96,986	0
Net Increase/Decrease (-) before Transfers to Earmarked Reserves	20,278	0	4,329	-3,382	-5,854	2,232	17,603	154,583	172,186
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	154,583	172,186
Balance at 31 March 2011 carried forward	18,680	76,321	31,293	3,618	13,183	22,171	165,266	772,336	937,602

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	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 2011 brought forward	18,680	76,321	31,293	3,618	13,183	22,171	165,266	772,336	937,602
Movement in reserves during 2011/12									
Surplus or deficit (-) on the provision of services	-131,719	0	15,406	0	0	0	-116,313	0	-116,313
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	-168,953	-168,953
Total Comprehensive Income and Expenditure	-131,719	0	15,406	0	0	0	-116,313	-168,953	-285,266
Adjustments between account basis & funding basis under regulations (note 7)	145,952	0	-13,522	0	-3,008	-5,836	123,586	-123,586	0
Net Increase/Decrease(-) before Transfers to Earmarked Reserves	14,233	0	1,884	0	-3,008	-5,836	7,273	-292,539	-285,266
Transfers to/from Earmarked Reserves (note 8)	-2,860	2,860	0	0	0	0	0	0	0
Increase/Decrease(-) in 2011/12	11,373	2,860	1,884	0	-3,008	-5,836	7,273	-292,539	-285,266
Balance at 31 March 2012 carried forward	30,053	79,181	33,177	3,618	10,175	16,335	172,539	479,797	652,336

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.

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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.

	2011/12			2010/11			Note
	Gross Exp	Gross Income	Net Exp	Gross Exp Restated	Gross Income Restated	Net Exp Restated	
	£000	£000	£000	£000	£000	£000	
Children's and Education Services	470,684	332,402	138,282	505,906	402,728	103,178	
Adults Social Care	139,152	42,461	96,691	139,699	38,781	100,918	
Housing (HRA)	77,972	71,707	6,265	54,795	74,681	-19,886	
Exceptional Item (HRA) – Revaluation losses on PPE	0	0	0	244,253	0	244,253	9
Housing (Non HRA)	133,877	116,566	17,311	127,688	110,894	16,794	
Highways and Transport	56,890	13,806	43,084	57,961	13,504	44,457	
Cultural	43,002	7,542	35,460	39,624	7,722	31,902	
Environmental and Regulatory	36,322	6,835	29,487	38,484	7,258	31,226	
Planning	29,337	9,901	19,436	31,217	12,173	19,044	
Central services to the public	41,441	35,861	5,580	48,669	39,841	8,828	
Other Services	4,148	3,728	420	5,434	5,164	270	
Corporate and democratic core	8,091	0	8,091	8,672	93	8,579	
Non distributed costs	1,375	233	1,142	4,813	0	4,813	
Exceptional Item – Pension increases to CPI	0	0	0	-192,085	0	-192,085	9
Cost of Services	1,042,291	641,042	401,249	1,115,130	712,839	402,291	
Other operating expenditure	111,140	2,877	108,263	17,313	3,162	14,151	10
Financing and investment income and expenditure:							
General	126,726	101,973	24,753	143,698	92,272	51,426	11
Exceptional	7,670	0	7,670	0	0	0	9/11
Taxation and non-specific grant income:							
General	0	386,556	-386,556	0	388,485	-388,485	12
Exceptional	0	39,066	-39,066	0	0	0	9/12
Deficit on Provision of Services			116,313			79,383	
Surplus on revaluation of PPE assets			-30,636			-37,177	
Surplus on revaluation of available for sale financial assets			-73			-385	
Actuarial gains(-)/losses on pension asset/liabilities			199,662			-214,007	
Other Comprehensive Income and Expenditure			168,953			-251,569	
Total Comprehensive Income and Expenditure			285,266			-172,186	

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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 2012 £000	31 March 2011 £000 Restated	1 April 2010 £000 Restated	Note 2
Property, Plant & Equipment	1,713,607	1,850,121	2,047,165	13
Heritage Assets	34,701	27,629	27,644	14
Investment Property	87,709	81,076	86,680	15
Intangible Assets	2,062	2,650	3,740	16
Long Term Investments	3,951	3,855	4,428	18
Long Term Debtors	32,405	32,155	31,334	19
Long Term Assets	1,874,435	1,997,486	2,200,991	
Short Term Investments	5,906	15,773	12,932	
Inventories	2,514	2,470	2,277	20
Short Term Debtors	60,611	61,241	75,338	21
Assets Held for Sale	450	1,040	1,231	22
Cash and Cash Equivalents	21,102	37,908	34,491	23
Current Assets	90,583	118,432	126,269	
Cash and Cash Equivalents	-9,161	-10,339	-14,570	23
Short Term Borrowing	-30,642	-33,228	-18,621	17
Short Term Creditors	-72,222	-72,345	-88,293	24
Other Short Term Liabilities	-2,812	-2,563	-2,891	25
Provisions	-7,352	-23,024	-23,986	26
Current Liabilities	-122,189	-141,499	-148,361	
Long Term Borrowing	-471,494	-527,133	-525,066	17
Other Long Term Liabilities	-718,999	-509,684	-888,417	27
Long Term Liabilities	-1,190,493	-1,036,817	-1,413,483	
Net Assets	652,336	937,602	765,416	
Usable Reserves	172,539	165,266	147,663	28
Unusable Reserves	479,797	772,336	617,753	29
Total Reserves	652,336	937,602	765,416	

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KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2011/12

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.

	2011/12	2010/11	
	£000	£000	Note
		Restated	2
Net deficit on the provision of services	116,313	79,383	
Adjustments to net deficit on the provision of services for non-cash movements	-196,566	-168,597	33
Adjustment for items included in the net deficit on the provision of services that are investing and financing activities	33,544	43,860	34
Net cash flows from Operating Activities	-46,709	-45,354	30
Investing Activities	33,825	59,555	31
Financing Activities	28,512	-21,849	32
Net increase(-)/decrease in cash and cash equivalents	15,628	-7,648	
Cash and cash equivalents at the beginning of the reporting period	27,569	19,921	
Cash and cash equivalents at the end of the reporting period	11,941	27,569	23

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1 Accounting Policies

General Principles

The Statement of Accounts summarises the Council's transactions for the 2011/12 financial year and its position at the year-end of 31 March 2012. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2011, in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 (the Code) and the Service Reporting Code of Practice 2011/12, 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 CIES 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.

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,

NOTES TO THE CORE FINANCIAL STATEMENTS

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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 CIES's 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 CIES when the Council is demonstrably committed to the termination of the employment of an officer or group of officers.

Post Employment Benefits

Employees of the Council are members of 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 CIES is charged with the employer's contributions payable to Teachers' Pensions in the year.

NOTES TO THE CORE FINANCIAL STATEMENTS

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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 4.8% (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 CIES 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 CIES 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 CIES.
 - 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 CIES.
 - 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 CIES 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 pre 1 April 2010 pension entitlements for additional lump sum and 82% of the maximum amount permitted of their post 31 March 2010 pension entitlements.

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 earned by employees.

Discretionary Benefits -

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

NOTES TO THE CORE FINANCIAL STATEMENTS

KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2011/12

Events After the Balance Sheet Date

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

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

Financial Instruments

Financial Liabilities

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

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

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

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

Financial Assets

Financial assets are classified into two types:

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

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

NOTES TO THE CORE FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

Instruments entered into before 1 April 2006

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

NOTES TO THE CORE FINANCIAL STATEMENTS

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Government Grants and Contributions

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

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

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

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

Where capital grants are credited to the CIES, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied reserve. Where it has been applied, it is posted to the Capital Adjustment Account.

Heritage Assets

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

Recognition and Measurement

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

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

- Art Collection
The art collection consists of paintings, drawings, sculptures and print collections. These items are reported on the Balance Sheet using insurance valuations, which are based on market values estimated by the Council's Museum and Gallery staff with reference to recent information from sales at auctions and, occasionally, expert advice. The valuations are updated on an annual basis. Acquisitions are occasionally made by purchase or donation. Acquisitions are initially recognised at cost and donations are recognised at valuation in accordance with the policy on valuations of the art collection.
- Museum Exhibits
Museum exhibits comprise of collections relating to archaeology, art, industry, natural sciences, social history and world cultures. Only a small proportion of these items have market values and are reported on the Balance Sheet. The values have been estimated by the Council's Museum and Gallery staff with reference to recent information from sales at auctions and, occasionally, expert advice. The valuations are updated on an annual basis. The collection is

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relatively static and acquisitions and donations are rare. Where they do occur, acquisitions are initially recognised at cost and donations are recognised at valuation in accordance with the policy on valuations of museum exhibits.

- Other

The Civic Silver Collection mainly comprises of the Mayor's & Mayoress's chain of office and pendant, mace, various ornaments and important figurines for the local area. These items are reported on the Balance Sheet at replacement cost. There is an annual programme of valuations and the items in the collection are valued by an external valuer who specialises in precious metal craft and design. The Council has a number of structural heritage assets which are not recognised elsewhere on the Balance Sheet. These comprise of two clock towers, a Victorian tower and two park band stands. These items have been valued by internal valuers and are reported in the Balance Sheet at replacement cost. They will be revalued at least every five years.

The Council also holds a number of heritage assets which are not recognised on the Balance Sheet. This is on the basis that cost information is not available and the cost of obtaining valuations outweighs the benefits to users of the financial statements. Information on these assets is set out in the disclosure notes on heritage assets.

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

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

The Council has no material intangible heritage assets.

Depreciation and impairment

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

Disposal

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

Intangible Assets

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

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

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

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

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

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

Interests in Companies and Other Entities

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

Inventories 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 (First In First Out/weighted average) costing formula.

Investment Property

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

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

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

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 CIES 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 are recognised as current assets and are initially measured at fair value. Landfill allowances allocated by DEFRA are accounted for as a government grant.

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

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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 2011/12 (and 2010/11) 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 CIES).

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

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

Operating Leases:

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

The Council as Lessor

Finance Leases:

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

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the same line in the CIES also as part of the gain or loss on disposal (that is netted off against the carrying value of the asset at the time of disposal), matched by a lease (Long Term Debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

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

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

The written-off value of disposals is not a charge against Council Tax, as the cost of 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 CIES. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments.

Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the Service Reporting Code of Practice 2011/12 (SERCOP). The total absorption costing principle is used - the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

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

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

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

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

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

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

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

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Property, Plant and Equipment (PPE)

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

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.

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

Measurement

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

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

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 CIES where they arise from the reversal of a previous loss charged to a service, adjusted for depreciation that would have been charged if the loss had not been recognised.

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

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

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

Depreciation

Depreciation is provided for on all 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

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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 CIES.

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

Disposals and Non-current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification 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 CIES, even if there are accumulated revaluation gains on the asset in the Revaluation Reserve. Gains in fair value are recognised only up to the amount of any previously recognised losses in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

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

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 CIES as part of the gain or loss on disposal. Receipts from disposals (if any)

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are credited to the same line in the CIES also as part of the gain or loss on disposal (that is netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to 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 four PFI schemes –

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

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

The Council receives an annual PFI Grant from Central Government which is credited to the "Taxation and Non Specific Grant Income" line in the CIES.

Under the waste disposal contract, the operator receives a significant part of their income from third parties, either from gate fees, sale of energy production or recycled materials. A proportion of the assets on the Balance Sheet are therefore financed with third party revenues rather than with fixed payments from the Council. A balancing credit, pro rata to the proportion of fixed payments from the Council and expected third party payments, has been created in the form of a Deferred Income

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balance. This effectively represents the benefits that the Council is deemed to receive over the life of the contract through its control of the services provided through use of the property and plant. The Deferred Income is released to the CIES over the life of the contract, with a corresponding appropriation from the Capital Adjustment Account to the Movement in Reserves Statement.

Although the Housing PFI scheme commenced in 2011/12, payments to the PFI operator and PFI grant income will not start until the 2012/13 financial year. The Council is to make a £10.0 million capital contribution to the scheme.

Provisions, Contingent Liabilities and Contingent Assets

Provisions

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

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

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

Contingent Liabilities

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

Contingent Assets

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

Reserves

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

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

Revenue Expenditure Funded from Capital under Statute (REFCUS)

Legislation in England and Wales allows some expenditure to be classified as capital for funding purposes when it does not result in the expenditure being carried on the Balance Sheet as a non-current asset. The purpose of this is to enable it to be funded from capital resources rather than be charged to the General Fund and impact on that year's Council Tax. These items are generally

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grants and expenditure on property not owned by the Council, and amounts directed under section 16(2) of part 1 of the Local Government Act 2003. Such expenditure is charged to the relevant service in the CIES in the year. Where the Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of Council Tax.

VAT

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

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2 Prior Period Adjustments

Heritage Assets

The Code introduced a change to the treatment in accounting for heritage assets held by the Council. A new accounting policy has been added to Note 1 which requires heritage assets to be carried in the Balance Sheet at valuation, where possible. Previously, heritage assets were either recognised as community assets (at cost) in the Property, Plant and Equipment classification in the Balance Sheet or were not recognised in the Balance Sheet as it was not possible to obtain cost information on the assets.

Comparative figures have been restated to apply the new policy –

<u>Balance Sheet 1 April 2010</u>	Opening Balances 1 April 2010 £000	Restatement £000	Restated Opening Balances 1 April 2010 £000
Property, Plant and Equipment	2,048,498	-1,333	2,047,165
Heritage Assets	0	27,644	27,644
Long Term Assets	2,175,910	26,311	2,202,221*
Net Assets	739,105	26,311	765,416
Unusable Reserves - <i>Revaluation Reserve</i>	215,275	26,311	241,586
Unusable Reserves Total	591,442	26,311	617,753
Total Reserves	739,105	26,311	765,416

£1.3 million of community assets under Property, Plant and Equipment (notably the Civic Silver Collection) have been reclassified as heritage assets as 1 April 2010. On reclassification they have been revalued to £9.6 million, with a corresponding increase in the Revaluation Reserve (Unusable Reserves). The Council has also recognised additional heritage assets valued at £18.0 million that were not previously recognised on the Balance Sheet. Again, this increase is recognised in the Revaluation Reserve.

Effect on the CIES 2010/11

During 2010/11, a charge of £40,500 had to be recognised on the "Cultural" line for depreciation relating to structural heritage assets. This has correspondingly increased the figures for Cost of Services and the Deficit on Provision of Services, and reduced the figure for Total Comprehensive Income and Expenditure.

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<u>Balance Sheet 31 March 2011</u>	Closing Balances 31 March 2011 £000	Restatement to 1 April 2010 detailed above £000	Restatement 1 April 2010 to 31 March 2011 £000	Restated Closing Balances 31 March 2011 £000
Property, Plant and Equipment	1,851,479	-1,333	-25	1,850,121
Heritage Assets	0	27,644	-15	27,629
Long Term Assets	1,972,255	26,311	-40	1,998,526*
Net Assets	911,331	26,311	-40	937,602
<i>Unusable Reserves -</i>				
<i>Revaluation Reserve</i>	242,958	26,311	0	269,269
<i>Capital Adjustment Account</i>	946,263	0	-40	946,223
Unusable Reserves Total	746,065	26,311	-40	772,336
Total Reserves	911,331	26,311	-40	937,602

Asset additions of £25,000, classified as community assets in 2010/11, have been reclassified as heritage assets. The value of heritage assets has been written down by £40,500 to reflect the depreciation charged in the restated CIES for 2010/11, with the corresponding entry to Capital Adjustment Account within Unusable Reserves.

Effect on Movement in Reserves Statement 2010/11

	As previously stated - Total Council Reserves £000	Restatement £000	Restated - Total Council Reserves £000
Balance as at 1 April 2010	739,105	26,311	765,416
Movement in Reserves during 2010/11			
Deficit on the provision of services	-79,343	-40	-79,383
Other Comprehensive Income and Expenditure	251,569	0	251,569
Total Comprehensive Income and Expenditure	172,226	-40	172,186
Adjustments between accounting basis and funding basis under regulations	0	0	0
Net increase before Transfers to Earmarked Reserves	172,226	-40	172,186
Transfers to/from Earmarked Reserves	0	0	0
Increase/(Decrease) in 2010/11	172,226	-40	172,186
Balance at 31 March 2011 carried forward	911,331	26,271	937,602

Effect on Cash Flow Statement 2010/11

The deficit on the provision of services has been increased by £40,500 (depreciation charge) and the amount for non cash movements has been correspondingly increased.

NOTES TO THE CORE FINANCIAL STATEMENTS

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Other Prior Year Adjustments

Two further prior period adjustments have been undertaken to correct material misstatements in the previous year's accounts. The first involves the presentation of "Assets Held for Sale" as long-term assets on the Balance Sheet. This should have been shown as a current asset and has been moved accordingly, resulting in the figure for Long Term Assets* reducing by £1.040 million at 31 March 2011 (£1.231 million at 31 March 2010) and correspondingly increasing the total for Current Assets.

The second adjustment relates to £3.9 million of income that had not been correctly identified as being internally generated in the CIES. This resulted in both the gross expenditure and income figures of the "Highways and Transport" line being overstated by this amount, together with the Cost of Services.

The corrected figures for 2010/11 are:

Comprehensive Income and Expenditure Statement		
	Unadjusted £000	Restated £000
Highways and Transport		
Gross	61,830	57,961
Income	-17,373	-13,504
Net	44,457	44,457
Cost of Services		
Gross	1,118,960	1,115,090
Income	-716,709	-712,839
Net	402,251	402,251

*After taking into account the adjustments for Assets Held for Sale and for Heritage Assets, the net effect is to increase figures for Long Term Assets to £1,997.5 million as at 31 March 2011 and £2,201.0 million as at 31 March 2010, from £1,972.3 million and £2,175.9 million as previously stated.

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

The Code 2012/13 incorporates amendments to IFRS7 "Financial Instruments: Disclosures (transfers of financial assets)". It is not a change of policy that will require the publication of a third Balance Sheet (ie at the beginning of the earliest comparative period). However, the Council will need to provide disclosures for any transferred financial assets that are not derecognised and for any continuing involvement in a transferred asset existing at the reporting date.

4 Critical judgements, 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 judgements 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 below details the critical judgements and assumptions in the Council's Balance Sheet as at 31 March 2012.

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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 £5.8 million for every year that the useful lives had reduced.
Pensions Liability (note 50)	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 £142.4 million.</p> <p>However the assumptions interact in complex ways. During 2011/12 the Council's actuaries advised that the net pensions liability for funded LGPS benefits had increased by £11.1 million as a result of estimates being corrected as a result of experience and increased by £117.3 million attributable to updating of the assumptions.</p>

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Item	Uncertainties	Effect if Actual Results Differ from Assumptions
<p>Housing Rent Arrears (note 11 to the HRA)</p>	<p>At 31 March 2012, the Council had arrears outstanding of £4.5 million. A review of the outstanding balances, in line with agreed practices, suggested that a bad debt provision of £2.6 million was appropriate. The level of arrears has dropped year on year by £0.5 million, however in the current economic climate it is not certain that such an allowance is sufficient.</p>	<p>If collection rates were to deteriorate, a 20% increase in the bad debt provision on housing arrears would require an additional £0.5 million.</p>
<p>Provisions (note 26)</p>	<p>Provisions are made in accordance with the Code and IAS37, with the best estimate of the expenditure required to settle the obligation at the Balance Sheet date. The major provision is the organisational risk provision which comprises equal pay/value claims and insurance.</p>	<p>An increase in provisions (including bad debt provisions) of 10% would result in an additional revenue expense of £3.6 million.</p>

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5 Material Items of Income and Expense

The following lists items of material income and expenditure not mentioned elsewhere:

General reductions in spending due to Government austerity measures

- Employee costs have decreased by £55.6 million (including trading accounts) after excluding the 2010/11 exceptional item on Non Distributed Costs.
- Service Specific Grants Reimbursement and Contributions have fallen by £77.7 million (including Young People's Learning Agency (YPLA) grant - see below), although this is offset by an increase in non specific revenue grants of £22.1 million.
- The Council's share of the National Domestic Rates Pool decreased by £15.6 million.

Capital Charges – Revaluation Losses

There was a loss on Housing stock of £22.8 million (£250.6 million 2010/11) and a reduction in land values of £32.0 million (£7.6 million loss in 2010/11).

Academies

Due to five schools converting to Academy status, there was a £25.1 million reduction in spending within Children's and Education Service. This was matched by a reduction in Dedicated Schools Grant of £19.6 million and a reduction in sixth form funding from Young Peoples Learning Agency (YPLA) of £5.3 million.

YPLA grants paid directly to colleges

In 2010/11 the Council received £17.0 million in YPLA grants that in 2011/12 are now paid directly to colleges. There has therefore been a reduction in both income and expenditure of £17.0 million associated with this.

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 10. 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

There have been three schools that have converted to Academy status since the Balance Sheet date – Birkenshaw Middle, King James and Christ Church Woodhouse. The assets relating to Birkenshaw Middle and King James will be transferred off the Council's Balance Sheet in 2012/13 (net book value £16.4 million as at 31 March 2012). Christ Church Woodhouse was a Voluntary Aided school and therefore the assets were not on the Council Balance Sheet as at 31 March 2012.

Individual school balances from the Local Management of Schools earmarked reserve will also transfer. The above schools had balances of £0.5 million as at 31 March 2012. In addition, the Council will no longer receive Dedicated Schools Grant (DSG) for these schools (£7.3 million in 2011-12).

One further school Trust has been established since 1 April 2012 – Spenborough Co-Operative Trust. No school buildings have been transferred as yet, but potentially five schools may be transferred with a total net book value of £30.0 million as at 31 March 2012.

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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.

2011/12	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 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	59,422	0	0	0	0	-59,422
Revaluation losses on PPE	39,838	22,800	0	0	0	-62,638
Revaluation gains on PPE	-11,749	-3	0	0	0	11,752
Movements in the market value of Investment Properties	-3,174	0	0	0	0	3,174
Amortisation of Intangible Assets	875	0	0	0	0	-875
Revenue expenditure funded from capital under statute (REFCUS)	10,087	0	0	0	0	-10,087
Capital grants and contributions applied	-16,816	-182	0	0	0	16,998
Capital grants and contributions applied (REFCUS)	-3,663	0	0	0	0	3,663
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	106,558	1,623	0	0	0	-108,181
<i>Insertion of items not debited or credited to the CIES:</i>						
Statutory provision for the financing of capital investment	-24,309	-17	0	0	0	24,326
Capital expenditure charged against the General Fund and HRA balances	-1,104	-4,696	0	0	0	5,800
<u>Adjustments primarily involving the Capital Grants Unapplied Account:</u>						
Capital grants and contributions unapplied and credited to the CIES	-12,804	0	0	0	12,804	0
Application of grants to capital financing transferred to the Capital Adjustment Account	0	0	0	0	-18,640	18,640
<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	-2,384	-1,894	4,278	0	0	0
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	-2,939	0	0	2,939
Contribution from Capital Receipts Reserve towards administrative costs of non current asset disposals	39	36	-75	0	0	0
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	1,342	0	-1,342	0	0	0
HRA self financing reform – payment by Secretary of State	0	-39,065	39,065	0	0	0
HRA self financing reform – application of payment	0	7,670	-39,065	0	0	31,395
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	0	0	32	0	0	-32

NOTES TO THE CORE FINANCIAL STATEMENTS
KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2011/12

2011/12	Usable Reserves					
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£000	£000	£000	£000	£000	£000
<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	8	0	0	0	0	-8
<u>Adjustment primarily involving the Major Repairs Reserve:</u>						
Reversal of Major Repairs Allowance credited to the HRA	0	165	0	-165	0	0
Use of the Major Repairs Reserve to finance new capital expenditure	0	0	0	-17,764	0	17,764
Transfer to Capital Adjustment Account	0	0	0	14,921	0	-14,921
<u>Adjustment primarily involving the Financial Instruments Adjustment Account:</u>						
Amount by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements	-421	41	46	0	0	334
<u>Adjustments primarily involving the Pensions Reserve:</u>						
Reversal of items relating to retirement benefits debited or credited to the CIES (see note 50)	35,732	0	0	0	0	-35,732
Employer's pensions contributions and direct payments to pensioners payable in the year	-36,529	0	0	0	0	36,529
<u>Adjustments primarily involving the Collection Fund Adjustment Account:</u>						
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	2,138	0	0	0	0	-2,138
<u>Adjustment primarily involving the Accumulated Absences Account:</u>						
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	2,866	0	0	0	0	-2,866
Total Adjustments	145,952	-13,522	0	-3,008	-5,836	-123,586

NOTES TO THE CORE FINANCIAL STATEMENTS
KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2011/12

2010/11 Comparator (Restated)	Usable Reserves					Movement in Unusable Reserves
	General Fund Balance £000 Restated	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	57,133	0	0	0	0	-57,133
Revaluation losses on PPE	10,906	244,253	0	0	0	-255,159
Revaluation gains on PPE	-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
Revenue expenditure funded from capital under statute (REFCUS)	21,088	0	0	0	0	-21,088
Capital grants and contributions applied	-14,566	-3,494	0	0	0	18,060
Capital grants and contributions applied (REFCUS)	-8,264	0	0	0	0	8,264
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	17,615
<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

NOTES TO THE CORE FINANCIAL STATEMENTS
KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2011/12

2010/11 Comparator (Restated)	Usable Reserves					Movement in Unusable Reserves Restated
	General Fund Balance £000 Restated	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	
<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
<u>Adjustment primarily involving the Financial Instruments Adjustment Account:</u>						
Amount by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements	395	3	33	0	0	-431
<u>Adjustments primarily involving the Pensions Reserve:</u>						
Reversal of items relating to retirement benefits debited or credited to the CIES (see note 50)	-120,352	0	0	0	0	120,352
Employer's pensions contributions and direct payments to pensioners payable in the year	-41,324	0	0	0	0	41,324
<u>Adjustments primarily involving the Collection Fund Adjustment Account:</u>						
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	0	0	0	0	527
<u>Adjustment primarily involving the Accumulated Absences Account:</u>						
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	0	0	0	0	1,284
Total Adjustments	-131,255	235,245	-3,382	-5,854	2,232	-96,986

NOTES TO THE CORE FINANCIAL STATEMENTS

KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2011/12

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 2011/12. No earmarked reserves have been set up for the HRA.

	Balance at 31 March 2012 £000	Transfers Out 2011/12 £000	Transfers In 2011/12 £000	Balance at 31 March 2011 £000	Transfers Out 2010/11 £000	Transfers In 2010/11 £000	Balance at 31 March 2010 £000
Local Management of Schools	18,401	0	8,850	9,551	-602	0	10,153
Standards Fund	176	-12,987	0	13,163	0	2,639	10,524
Insurance Fund	4,000	0	2,500	1,500	0	0	1,500
Pensions Reserve	0	-5,155	0	5,155	0	0	5,155
Organisational Risk Reserve	9,306	0	3,101	6,205	0	1,228	4,977
Workforce Restructure	16,919	-2,859	5,280	14,498	0	14,498	0
Primary Care Trust Joint Working Reserve	4,066	0	2,351	1,715	-449	1,715	449
Strategic Office Accommodation Review	590	-26	0	616	-70	0	686
Adverse Weather Reserve	940	0	440	500	0	0	500
PFI Reserve	3,188	-58	298	2,948	-95	0	3,043
Revenue Grants Reserve	17,129	-5,220	6,428	15,921	-2,028	4,766	13,183
REFCUS Grants Reserve	1,268	-910	247	1,931	-555	823	1,663
Other	3,198	-309	889	2,618	-1,502	401	3,719
Total	79,181	-27,524	30,384	76,321	-5,301	26,070	55,552

- 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 2012 represents 178 schools with cumulative balances of £18.7 million (176 schools and £10.9 million at 31 March 2011) and 4 schools with cumulative deficits amounting to £0.3 million (14 schools and £1.3 million at 31 March 2011).
- The majority of the Standards Fund Reserve has been deployed to schools, and has been used to supplement spending on education in 2011/12, as required by Department for Education grant regulations.
- 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 was 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. This has now been amalgamated into the Workforce Restructure Reserve.
- The Organisational Risk Reserve has been set up to cover a range of potential costs highlighted in the Council's corporate risk assessment. This is linked into the reserves and balances strategy agreed as part of the Medium Term Financial Plan.
- The Workforce Restructure Reserve has been set up to cover one-off costs from the Council's redundancy programme.
- The Primary Care Trust Joint Working Reserve has been set up to allow longer term use of additional resources generated from and for joint working with the PCT.
- The Strategic Office Accommodation Reserve has been established to fund one off costs arising from the Strategic Office Accommodation Review.

NOTES TO THE CORE FINANCIAL STATEMENTS

KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2011/12

- 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 Grants Reserve represents grant income taken through the 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

2011/12

The Localism Act 2011 has introduced reforms which effectively ends the current Housing Subsidy system, and replaces it with a more self-sustaining financial regime going forward, whereby Council Housing Revenue Accounts retain all future rental income generated locally, to be spent on the provision of landlord services to tenants. Although not formally adopted until 1 April 2012, the DCLG repaid £31.4 million of the Council's housing debt on its behalf at the end of March 2012, in readiness for the reform's introduction.

The accounting treatment of this unusual transaction is in line with the guidance issued in Local Authority Accounting Panel Bulletin 92 issued by the Chartered Institute of Public Finance and Accountancy (CIPFA). Regulations require the Council to treat the settlement transaction (including a £7.7 million premium paid by DCLG for early redemption of the debt) as a capital receipt in its accounts. In the Income and Expenditure Account, the premium payment is included in the "Interest payable and similar charges" and the benefit the authority has received by having its debt repaid early is recorded as "Capital grants and contributions receivable". There is also an entry in the Movement in the HRA Statement to recognise that the payment by DCLG for the derecognition of debt was a capital receipt.

2010/11

In 2010/11, there was a £244.3 million loss arising on revaluation of housing stock. This arose largely from an adjustment to a discount factor (issued by the DCLG) which is part of the valuation calculation.

Pension increases to CPI (£192.1 million) - 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.

NOTES TO THE CORE FINANCIAL STATEMENTS

KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2011/12

10 Other Operating Expenditure

	2011/12 £000	2010/11 £000
Parish council precepts	452	448
Levies	122	122
Payment to Government Housing Capital Receipts Pool	1,342	1,832
Net losses on the disposal of non-current assets (1)	104,301	11,416
Impairment loss on assets held for sale	0	333
Derecognition of Academies' Balances (2)	2,046	0
Total	108,263	14,151

(1) Five schools converted to academy status with a further two schools converting to trust schools in 2011/12. In both cases the assets relating to the schools were transferred from the Council's Balance Sheet, resulting in a £104.7 million loss on disposal (2010/11 £11.1 million).

(2) The cash balances associated with schools converting to academies were transferred from the Council's own balances resulting in a £2.0 million loss.

11 Financing and Investment Income and Expenditure

	2011/12 £000	2010/11 £000
Interest payable and similar charges	34,072	34,700
Pensions interest cost and expected return on pensions assets	-860	19,499
Interest receivable and similar income	-2,640	-2,693
Income and expenditure in relation to investment properties and changes in fair value	-4,779	944
Trading account surpluses	-421	-508
Dividend Income	-619	-516
	24,753	51,426
Exceptional Item - interest payable and similar charges (Premium on HRA Self Financing)	7,670	0
Total	32,423	51,426

12 Taxation and Non-Specific Grant Income

	2011/12 £000	2010/11 £000
Council Tax income	-153,800	-154,179
Non Domestic Rates	-121,613	-137,199
Non-ring fenced government grants	-81,340	-59,198
Capital grants and contributions	-29,803	-37,909
	-386,556	-388,485
Exceptional Item - Capital grants and contributions (HRA Self Financing)	-39,066	0
Total	-425,622	-388,485

NOTES TO THE CORE FINANCIAL STATEMENTS
KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2011/12

13 Property, Plant and Equipment

Movement in 2011/12									
	Council Dwellings	Other Land and Buildings	Vehicles, Plant Furniture and Equipment	Infra structure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant and Equipment	PFI Assets Included in PPE
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Cost or Valuation									
At 1 April 2011	510,873	1,178,934	39,518	295,065	7,992	19,223	9,343	2,060,948	228,370
Additions	22,628	28,132	4,256	18,386	1,028	541	605	75,576	2,943
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	-1,389	7,832	0	0	0	79	0	6,522	0
Revaluation increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services	-37,009	-53,447	0	0	0	-90	0	-90,546	0
De-recognition – disposals	-1,241	-115,014	-3,213	-1099	-89	-4,247	-1,798	-126,701	-55,177
De-recognition – other	0	-120	0	0	0	-3,024	0	-3,144	0
Assets reclassified (to)/from Held for Sale	-129	0	0	0	0	-209	0	-338	0
Other movements in cost or valuation	4,698	-1,599	0	0	-16	-2,143	-5,116	-4,176	0
At 31 March 2012	498,431	1,044,718	40,561	312,352	8,915	10,130	3,034	1,918,141	176,136
Accumulated Depreciation and Impairment									
At 1 April 2011	0	-82,921	-18,047	-101,018	-574	-6,469	-1798	-210,827	-10,477
Depreciation charge	-14,756	-37,201	-5,304	-14,250	-1026	-337	0	-72,874	-7,571
Depreciation written out to the Revaluation Reserve	569	16,081	0	0	0	407	0	17,057	0
Depreciation written out to the Surplus/Deficit on the Provision of Services	14,211	25,581	0	0	22	416	0	40,230	0
Impairment losses/reversals recognised in the Revaluation Reserve	0	0	0	0	0	0	0	0	0
Impairment losses/reversals recognised in the Surplus/ Deficit on the Provision of Services	0	-12	0	0	-89	-1,772	0	-1,873	0
De-recognition – disposals	0	10,229	3,043	1099	89	4,187	1798	20,445	5,040
De-recognition – other	0	120	0	0	0	3,024	0	3,144	0
Other movements in depreciation and impairment	-24	73	0	0	0	115	0	164	0
At 31 March 2012	0	-68,050	-20,308	-114,169	-1,578	-429	0	-204,534	-13,008
Net Book Value									
at 31 March 2012	498,431	976,668	20,253	198,183	7,337	9,701	3,034	1,713,607	163,128
at 31 March 2011	510,873	1,096,013	21,471	194,047	7,418	12,754	7,545	1,850,121	217,893

NOTES TO THE CORE FINANCIAL STATEMENTS
KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2011/12

Comparative Movement 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	PFI Assets Included in PPE £000
Cost or Valuation					Restated			Restated	
At 1 April 2010	744,441	1,160,114	36,219	268,182	3,679	15,867	7,718	2,236,220	233,494
Additions	28,175	32,220	5,005	26,883	4,313	4	3,402	100,002	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	7,992	19,223	9,343	2,060,948	228,370
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	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	7,418	12,754	7,545	1,850,121	217,893
at 31 March 2010	744,441	1,079,276	21,437	180,092	3,531	10,899	7,489	2,047,165	216,574

NOTES TO THE CORE FINANCIAL STATEMENTS

KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2011/12

The Authority carries out a rolling valuation programme which 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. Valuations were carried out internally, with the exception of the HRA properties which were carried out by the external District Valuer. The valuers hold the appropriate qualification required and belong to the Royal Institute of Chartered Surveyors. The valuations of land and buildings were carried out on 1 April 2011 and 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 and 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		19,776	20,253	198,183	7,337	526	2,747	248,822
Carried at fair value as at:								
2011/12	498,431	224,951				2,659		726,041
2010/11		144,449				2,053	287	146,789
2009/10		389,850				2,257		392,107
2008/09		177,297				1,858		179,155
2007/08		20,345				348		20,693
Total	498,431	976,668	20,253	198,183	7,337	9,701	3,034	1,713,607

In February 2012, the Council approved a capital programme of £153.4 million for 2012/13 and a further £291.2 million of capital investment in the following three years (subject to review). This covers expenditure on PPE, investment properties, intangible assets and revenue expenditure funded from capital under statute. As at 31 March 2012, there were no significant contractual commitments on PPE, but there is planned the building of a new sports centre in Huddersfield (£32.1 million).

NOTES TO THE CORE FINANCIAL STATEMENTS

KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2011/12

14 Heritage Assets

	Fine Art Collection £000	Museums and Galleries Exhibits £000	Other £000	Total Assets £000
Cost or Valuation				
At 1 April 2010	21,667	3,431	2,546	27,644
Additions	0	0	25	25
At 31 March 2011	21,667	3,431	2,571	27,669
Additions	0	0	184	184
Revaluation increases recognised in the Revaluation Reserve	6,400	0	529	6,929
At 31 March 2012	28,067	3,431	3,284	34,782
Accumulated Depreciation and Impairment				
At 1 April 2010	0	0	0	0
Depreciation charge	0	0	-40	-40
At 31 March 2011	0	0	-40	-40
Depreciation charge	0	0	-41	-41
At 31 March 2012	0	0	-81	-81
Net Book Value				
at 31 March 2012	28,067	3,431	3,203	34,701
at 31 March 2011	21,667	3,431	2,531	27,629
at 31 March 2010	21,667	3,431	2,546	27,644

Fine Art and Museum Exhibits Collections

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

Some items have been purchased through the national purchase grant fund administered by the Victoria and Albert Museum and the Museums, Libraries and Archives Council. The collection has also benefited from continued membership of the Contemporary Art Society, receiving artworks by artists as varied as Francis Bacon, Keith Vaughan, Albert Irvin and Graham Sutherland. The majority of items acquired in this way have covenants covering terms of use and restrictions on sale.

Like most museums and galleries services, much of the collection is in store. The Council showcases the best of the collections and include wide ranging collections from the dawn of time to present day of local, regional, national and international significance.

More information on the collections can be found in the "Collections Development Policy" which is available on the Council's website at <http://www.kirklees.gov.uk/leisure/museums/museums.asp>. In particular, the Policy gives details on how the collections are managed through review, rationalisation, acquisition, disposal, care, conservation and documentation. The Policy is approved by Council and is reviewed at least once every five years.

Although the Council has had a number of items kindly donated over the years, it has insufficient information as to when such assets were donated and/or what the value of these items would have been when they were donated. The Council therefore has not recognised any of these in the Donated Assets Account on the Balance Sheet prior to 1 April 2010 (although their current value may be recognised on the Balance Sheet as a Long Term Asset).

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

NOTES TO THE CORE FINANCIAL STATEMENTS

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Fine Art Collection

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

Acquisition began in the early years of the twentieth century, with a particular focus on British art – initially of the nineteenth and latterly of the twentieth century. The drive for the development of the collection came largely in the post war period. During this time the gallery had access to a small annual purchase fund and a larger capital fund to support purchases. This included the purchase of a Henry Moore sculpture - 'Falling Warrior'.

The two most significant exhibits in terms of both value and note were both donated. The "Figure Study II" by Francis Bacon is arguably the most important work in the collection and was the first painting by Bacon to enter a public collection in 1952. It was acquired as a gift from the Contemporary Art Society. The painting has in the past been loaned out and displayed in Paris, Madrid and New York. The painting has been internally valued at £19.0 million. The second notable exhibit is titled "Joshua commanding the sun to stand still upon Gibeon", an oil painting by the English Romantic painter, John Martin. This epic painting was presented to the former Dewsbury Corporation by Charles Brooke Crawshaw in 1928. The painting has been internally valued at £2.0 million. Being donated assets, both paintings have conditions placed upon them. Total current value of donated assets as at 31 March 2012 is £22.8 million.

The art collection is reported on the Balance Sheet at insurance valuations which are based on market values estimated by the Council's Museum and Gallery staff with reference to recent information from sales at auction and, on occasions, expert advice. The valuations are updated on an annual basis.

Museum Exhibits

The collection consists of around 750,000 items relating to archaeology, arts and crafts (ceramics, furniture etc), industry, natural sciences, social history and world cultures which have been collected during the nineteenth and twentieth centuries. At any time 4% of the collection is on display across the museum sites. Some of the more significant items include:

- the Skelmanthorpe Flag, one of the most impressive survivors from the early days of organised labour and featured recently in the BBC's History of the World project;
- the regionally important Porritt Collection, which includes specimens of a high proportion of the British butterflies and moths;
- a collection linked to Bamforth and Company, one of the best known and loved publishers of comic postcards;
- a collection of Mesolithic material, mainly collected by Francis Buckley, J.H.Priestly, Pat Stonehouse and the Darby family; and
- a photographic archive of over 250,000 images on glass plate and celluloid negatives, lantern slides and original prints.

Only a small proportion of the museum exhibits have market values and are reported on the Balance Sheet. The values have been estimated by the Council's Museum and Gallery staff with reference to recent information from sales at auctions and, occasionally, expert advice. The valuations are updated on an annual basis. The main collections not valued include the British Archaeology, Natural Sciences (bird's egg collection) and the Ethnography Collections.

Other Heritage Assets

This category includes the Civic Silver Collection, structural heritage assets, statues and books of remembrance. In terms of monetary value, the first two are the most significant. There have been no significant purchases, disposals or impairments under this category over the last five years.

The Civic Silver Collection consists of 387 items, mainly comprising of chains and pendants of office, maces and silverware. The majority of the pieces of the collection have been donated by local aldermen, former mayors, councillors, organisations and businesses to mark historic occasions or events. Approximately 95% of the collection is on display, excluding the Kirklees Chains of office which are in use.

NOTES TO THE CORE FINANCIAL STATEMENTS

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The collection is reported on the Balance Sheet at replacement cost. Valuations are carried out annually in September by an external valuer (Gerard Laurence Collins) who specialises in precious metal craft and design. The value as at 31 March 2012 is £1.6 million (£1.1 million 31 March 2011). Although the Council has had a number of items kindly donated over the years, it has insufficient information as to when such assets were donated and/or what the value of these items would have been when they were donated. The Council therefore has not recognised any of these in the Donated Assets Account on the Balance Sheet. However, the current value of donated items recognised as Long Term Assets is £0.89 million.

The Council has a number of structural heritage assets which are not recognised elsewhere on the Balance Sheet. These comprise of two clock towers, a Victorian tower and two park band stands. Of particular note is the Victorian Tower on Castle Hill, Huddersfield which was completed in 1899 to celebrate the 60th anniversary of Queen Victoria's reign. The Tower, reaching the height of almost 997 feet above sea level and visible for miles around, has become an iconic landmark, symbolising to many people Huddersfield and South Kirklees. The Tower is open to public on selected days of the year.

The structural assets have been valued by internal valuers and are reported in the Balance Sheet at replacement cost. The value of these structural assets as at 31 March 2012 is £1.1 million (£1.1 million 31 March 2011). The assets will be revalued at least every five years.

Heritage Assets not recognised on the Balance Sheet

The Council also holds a number of heritage assets which are not recognised on the Balance Sheet. This is on the basis that cost information is not available and the cost of obtaining valuations outweighs the benefits to users of the financial statements. Notable assets not recognised are Castle Hill, war memorials, the local studies collection and a number of museum exhibits.

Castle Hill, Huddersfield is a Scheduled Ancient Monument and a Regionally Important Geological Site. The history of human activity on the hill goes back over 4,000 years. The site was developed as an Iron Age hill fort, and there was a castle in the Middle Ages. The Victorian Tower mentioned above is built on Castle Hill. The land and the Tower were transferred into the Council's ownership from the Ramsden Estate in 1920.

There are 39 war memorials within the Kirklees region and the Council is responsible for their upkeep and maintenance. The local studies collection comprises of books about area's history and local families. Certain museum exhibits are also not recognised on the Balance Sheet as detailed above.

Heritage Assets recognised under other asset categories

Where assets are operational and not principally maintained for their contribution to knowledge and culture, they are recorded on the Balance Sheet under Property, Plant and Equipment. The most notable building is Oakwell Hall in Gomersal, a grade one listed Elizabethan manor house with Bronte connections which is used as a museum. The Council also has a number of grade two listed buildings largely used for museum, civic and commercial purposes.

NOTES TO THE CORE FINANCIAL STATEMENTS

KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2011/12

15 Investment Properties

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

	2011/12	2010/11
	£000	£000
Rental income from investment property	-3,131	-2,978
Direct operating expenses arising from investment property	1,988	1,681
Net gain	-1,143	-1,297
Net (gains)/losses from fair value adjustments	-3,174	1,687
Net (gains)/losses on disposals of assets	-462	554
Income and expenditure in relation to investment properties and changes in fair value	-4,779	944

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:

	2011/12	2010/11
	£000	£000
Balance at 1 April	81,076	86,680
Additions:		
Purchases	0	1,055
Subsequent expenditure	444	28
Disposals	-1,043	-3,980
Net gains/losses from fair value adjustments	3,174	-1,687
Transfers to/from Property Plant and Equipment	4,058	-1,020
Balance at 31 March	87,709	81,076

Included in the values above are two properties with a combined net book value of £0.1 million, which meet the criteria for held for sale.

NOTES TO THE CORE FINANCIAL STATEMENTS

KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2011/12

16 Intangible Assets

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

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

Amortisation of £0.9 million was charged to CIES in 2011/12 (£1.2m in 2010/11). 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 2009/10 which are being amortised over 5 years.

	2011/12 £000	2010/11 £000
Balance at 1 April		
Gross carrying amounts	5,489	5,406
Accumulated amortisation	-2,839	-1,666
Net carrying amount at 1 April	2,650	3,740
Additions	287	83
Amortisation for the period	-875	-1,173
Net carrying amount at 31 March	2,062	2,650
Comprising:		
Gross carrying amounts	4,612	5,489
Accumulated amortisation	-2,550	-2,839
	2,062	2,650

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

	Carrying amount 31 March 2012	Carrying amount 31 March 2011	Remaining Amortisation Period
Microsoft Enterprise Licence	1,492	1,919	3 years

NOTES TO THE CORE FINANCIAL STATEMENTS
KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2011/12

17 Financial Instruments

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

	31 March 2012		31 March 2011	
	Long-term £000	Current £000	Long-term £000	Current £000
Investments				
Loans and receivables	3,102	24,871	3,103	45,621
Available-for-sale financial assets	849	2,137	752	8,060
Total Investments	3,951	27,008	3,855	53,681
Debtors				
Loans and receivables	32,405	0	32,155	0
Financial assets carried at contract amounts	0	46,027	0	41,760
Total Debtors	32,405	46,027	32,155	41,760
Borrowings				
Financial liabilities at amortised cost	471,494	39,803	527,133	43,567
Total Borrowings	471,494	39,803	527,133	43,567
Other Long Term Liabilities				
Financial liabilities at amortised cost	71,235	2,812	74,018	2,563
Total other long term liabilities	71,235	2,812	74,018	2,563
Creditors				
Financial liabilities carried at contract amounts	0	72,222	0	72,345
Total Creditors	0	72,222	0	72,345

Material Soft Loans made by the Council

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 the loan is charged at the cost of the borrowing to the Council plus a small margin to cover administration. The fair value of the loan is arrived at by adding a margin of 1.75% to reflect risk. The loan is being repaid on an annuity basis and the College will repay the full amount advanced by 2034/35.

The Council has provided interest free loans to Kirklees' householders in respect of renewable energy works. The loans are secured as a fixed charge on the householder's properties (that is the loans are recoverable when the householder sells the property). In addition, the Council has provided interest free loans for redevelopment of private housing in Ravensthorpe. The loans are secured as a percentage charge on the householder's property so are subject to house price variations. The fair value of the renewable energy and redevelopment loans are arrived at by taking the cost to the Council of taking a ten year loan and adding an allowance of 2% for risk.

NOTES TO THE CORE FINANCIAL STATEMENTS

KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2011/12

Movements on soft loans are detailed as follows:

	College	Renewable Energy	Private Housing Redevelopment	Total
	£000	£000	£000	£000
Balance at 1 April 2010	19,641	302	209	20,152
Nominal value of new loans in year	0	1,757	0	1,757
Fair value adjustment on initial recognition	0	-787	0	-787
Loans repaid	-479	0	-33	-512
Impairment losses	0	0	-5	-5
Unwinding of discount	161	18	25	204
Balance at 31 March 2011	19,323	1,290	196	20,809
Nominal value of new loans in year	0	188	0	188
Fair value adjustment on initial recognition	0	-81	0	-81
Loans repaid	-504	-46	0	-550
Unwinding of discount	164	97	11	272
Balance at 31 March 2012	18,983	1,448	207	20,638
Nominal value at 31 March 2012	22,365	2,440	304	25,109
Nominal value at 31 March 2011	22,869	2,298	304	25,471

Income, Expense, Gains and Losses 2011/12

	Financial Liabilities measured at amortised cost £000	Financial Assets: Loan and receivables £000	Financial Assets: Available for Sale £000	Total £000
Interest expense	33,953	0	0	33,953
Losses on derecognition	119	0	0	119
Impairment losses	0	1,000	0	1,000
Total expense in Surplus or Deficit on the Provision of Services	34,072	1,000	0	35,072
Interest income	0	-2,640	0	-2,640
Gains on derecognition	0	0	0	0
Total income in Surplus or Deficit on the Provision of Services	0	-2,640	0	-2,640
Gains on revaluation	0	0	-73	-73
Losses on revaluation	0	0	0	0
Net (gain)/loss for the year	34,072	-1,640	-73	32,359

NOTES TO THE CORE FINANCIAL STATEMENTS

KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2011/12

Income, Expense, Gains and Losses 2010/11 Comparator

	Financial Liabilities measured at amortised cost	Financial Assets: Loan and receivables	Financial Assets: available for sale	Total
	£000	£000	£000	£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

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 2012		31 March 2011	
	Carrying amount £000	Fair value £000	Carrying amount £000	Fair value £000
Borrowings				
PWLB	372,257	469,446	427,471	471,741
LOBOs	106,616	154,821	106,622	126,754
Loan Stock	6,983	14,663	6,983	12,924
Bank overdraft	9,161	9,161	10,339	10,339
Other borrowing	16,280	16,310	19,285	19,291
	511,297	664,401	570,700	641,049
PFI, Transferred Debt & Finance Lease Liabilities				
Creditors	74,047	82,020	76,581	77,172
	72,222	72,222	72,345	72,345
	657,566	818,643	719,626	790,566
Investments				
Loans and Receivables	27,973	27,460	48,724	47,754
Available for Sale	2,986	2,986	8,813	8,813
	30,959	30,446	57,537	56,567
Long-term debtors	32,405	39,592	32,155	32,802
Short-term debtors	46,027	46,027	41,760	41,760
	109,391	116,065	131,452	131,129

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

NOTES TO THE CORE FINANCIAL STATEMENTS

KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2011/12

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 2012) 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 £0.17 million. Valuation is based on discounted cash flow techniques. This company is responsible for running one of the Council's PFI contracts (see note 47ii), 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 £0.18 million. Valuation is based on discounted cash flow techniques. This company is responsible for running one of the Council's PFI contracts (see note 47iii), 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 47i), 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 £2.0 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.

NOTES TO THE CORE FINANCIAL STATEMENTS

KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2011/12

At the year end, the Council held investments of £19.3 million for cashflow purposes, made up of cash equivalents of £16.5 million and short-term investments of £2.8 million (£42.7 million, £29.7 million and £13.0 million respectively 31 March 2011). 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 2011/12.

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.

During 2011/12, the Council advanced a loan of £1.0 million to Kirklees Community Association Limited (part of the Council's Group), whilst the company repaid £0.6 million of an existing loan. The company owed £3.1 million as at 31 March 2012 (£2.7 million 31 March 2011). The loans are unsecured and facilitate the company's working capital requirements in respect of providing elements of social housing.

The Council has also provided funding for the purchase, or part purchase, and renovation of properties via Registered Social Landlords. These properties were then offered as affordable housing with the Council taking a percentage equity stake. When the property is sold, the Council will receive the appropriate percentage of the sale price, and thus the value of the stake is subject to housing market fluctuations. As the Council used government grant to fund the loans, they are not treated as soft loans. The amount repayable as at 31 March 2012 was £3.1 million (£3.1 million, 31 March 2011).

The Council does not generally allow credit for customers and trade debts are actively pursued after 21 days. As at 31 March 2012, the Council had a balance owing from its customers (mainly services and rent) of £46.0 million (£41.8 million 31 March 2011). The exposure to default has been assessed and is reflected in an impairment provision of £3.2 million (£2.1 million 31 March 2011).

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 2012 £000	31 March 2011 £000
Less than one year	30,643	33,240
Between 1 and 2 years	14,387	15,563
Between 2 and 5 years	39,788	43,026
Between 5 and 10 years	54,770	76,537
Between 10 and 15 years	14,209	21,795
More than 15 years	348,339	370,200
	502,136	560,361

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.

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KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2011/12

Market risk

Interest Rate Risk

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

- Borrowings at variable rates – the interest expense charged to the CIES.
- Borrowings at fixed rates – the fair value of the liabilities will fall.
- Investments at variable rates – the interest income credited to the CIES will rise.
- Investments at fixed rates – the fair value of the assets will fall.

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

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

As at 31 March 2012, the Council held few investments for cashflow purposes at variable rates. In terms of borrowing, the Council holds £10.0 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 21% 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 2012, £86.6 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 £90.5 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 £0.8 million in a number of joint ventures. The Council is consequently exposed to losses arising from movements in the values of the shares. As the shareholdings have arisen in the acquisition of specific interests, the Council is not in a position to limit its exposure to price movements by diversifying its portfolio.

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

Foreign Exchange Risk

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

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18 Long Term Investments

The Council holds the following long term investments:

	31 March 2012 £000	31 March 2011 £000
Kirklees Henry Boot Partnership	486	486
Kirklees School Services	174	111
QED (KMC) Holdings	183	150
Affordable Housing	3,102	3,102
Other	6	6
Total	3,951	3,855

Further detail of the above investments is shown in the notes on financial instruments (note 17).

19 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 2012 £000	31 March 2011 £000
Mortgages	30	74
Kirklees College (i)	18,453	18,819
PFI Prepayments (ii)	3,188	2,948
Waste Management SSA Issue	151	227
Finance Leases (iii)	6,288	6,304
Employee Loans for Cars and Bicycles	166	300
Charges on Property for Residential Care	2,178	1,784
Renewable Energy (i)	1,403	1,290
Other	587	437
	32,444	32,183
Bad Debt Provision	-39	-28
Net Long Term Debtors	32,405	32,155

(i) See note 17 on financial instruments.

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

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

NOTES TO THE CORE FINANCIAL STATEMENTS

KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2011/12

20 Inventories

	Building Services £000	Highways Direct Services £000	Catering and Cleaning Services £000	Fleet Management £000	Other £000	Total Stocks £000	Building Services Work in Progress £000	Total Stocks and Work in Progress £000
Balance at 1 April 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 at 31 March 2011	823	1,030	177	229	197	2,456	14	2,470
Purchases	3,173	2,138	3,663	3,675	532	13,181	0	13,181
Recognised as an expense in the year	-3,222	-2,055	-3,625	-3,713	-541	-13,156	0	-13,156
Written off balances	0	0	0	0	0	0	0	0
Movement in Work in Progress	0	0	0	0	0	0	19	19
Balance at 31 March 2012	774	1,113	215	191	188	2,481	33	2,514

21 Short Term Debtors

	31 March 2012 £000	31 March 2011 £000
Central government bodies	11,098	16,427
Other local authorities	1,567	1,017
NHS bodies	149	274
Public corporations and trading funds	142	49
Other entities and individuals	62,201	57,291
	75,157	75,058
Bad Debt Provision – Other entities and individuals	-14,546	-13,817
Net Short Term Debtors	60,611	61,241

NOTES TO THE CORE FINANCIAL STATEMENTS

KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2011/12

22 Assets Held for Sale

	2011/12	2010/11
	£000	£000
Balance at 1 April	1,040	1,231
<u>Assets newly classified as held for sale:</u>		
Property, Plant and Equipment	451	541
Other assets/liabilities in disposal groups	0	833
Revaluation losses	0	-333
<u>Assets declassified as held for sale:</u>		
Property, Plant and Equipment	-159	-214
Assets sold	-882	-1,018
Balance at 31 March	450	1,040

23 Cash and Cash Equivalents

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

	31 March	31 March
	2012	2011
	£000	£000
Cash held by the Council	108	133
Bank current accounts	4,482	8,092
Instant access interest accounts	16,512	29,683
	21,102	37,908
Bank overdraft	-9,161	-10,339
Total Cash and Cash Equivalents	11,941	27,569

24 Short Term Creditors

	31 March	31 March
	2012	2011
	£000	£000
Central government bodies	-14,748	-15,296
Other local authorities	-515	-574
NHS bodies	-124	-1,763
Public corporations and trading funds	-81	0
Other entities and individuals	-56,754	-54,712
Total	-72,222	-72,345

25 Other Short Term Liabilities

	31 March	31 March
	2012	2011
	£000	£000
Transferred Debt	-160	-173
PFI Liability	-2,652	-2,390
Total	-2,812	-2,563

NOTES TO THE CORE FINANCIAL STATEMENTS

KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2011/12

26 Provisions

	Organisational Risk £000	Other £000	Total £000
Balance at 1 April 2011	-22,009	-1,015	-23,024
Additional provision made in 2011/12	-3,656	-918	-4,574
Amounts used in 2011/12	6,041	0	6,041
Amounts reversed in 2011/12	0	435	435
Balance at 31 March 2012	-19,624	-1,498	-21,122

The Organisational Risk provision covers obligations arising from insurance claims and equal pay and equal value 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 2011/12. Settlement, depending on the nature of the claim, can vary considerably however as the Council is not able to influence this. The short term element of this provision is estimated based on the percentages of claims paid out in the previous year.

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.

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

Split between long term and short term provisions:

	Short Term Provisions £000	Long Term Provisions £000	Total Provisions £000
Balance at 1 April 2011	23,024	0	23,024
Balance at 31 March 2012	7,352	13,770	21,122

Due to a change in estimation technique the Council now classifies some of its provisions as long term (expected to be settled in more than one year). Based on the current estimation technique last year's provision would have had carried forward value of £15.6 million in long term provisions.

NOTES TO THE CORE FINANCIAL STATEMENTS

KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2011/12

27 Other Long Term Liabilities

	31 March 2012 £000	31 March 2011 £000
Deferred Liabilities	-71,235	-74,018
Net Liability Related to Defined Benefit Pension Scheme	-628,086	-429,221
Long Term Provisions (see note 26 on provisions)	-13,770	0
PFI Deferred Income	-5,908	-6,445
Total	-718,999	-509,684

28 Usable Reserves

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

29 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 2012 £000	31 March 2011 £000	1 April 2010 £000
		Restated	Restated
Revaluation Reserve	252,963	269,269	241,587
Available for Sale Financial Instruments Reserve	127	54	-331
Capital Adjustment Account	873,446	946,223	1,196,781
Financial Instruments Adjustment Account	-6,815	-7,195	-6,801
Deferred Capital Receipts Reserve	6,365	6,405	6,432
Pensions Reserve	-628,086	-429,221	-804,904
Collection Fund Adjustment Account	-3,625	-1,487	-2,014
Accumulated Absences Account	-14,578	-11,712	-12,997
Total Unusable Reserves	479,797	772,336	617,753

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 2011/12

	2011/12	2010/11
	£000	£000
Balance at 1 April	269,269	241,586
Upward revaluation of assets	31,463	37,505
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	-852	-328
Surplus or deficit on revaluation of non-current assets not posted to the Surplus/Deficit on the Provision of Services	299,880	278,763
Difference between fair value depreciation and historical cost depreciation	-7,228	-7,030
Accumulated gains on assets sold or scrapped	-39,689	-2,464
Balance at 31 March	252,963	269,269

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.

	2011/12	2010/11
	£000	£000
Balance at 1 April	54	-331
Upward revaluation of investments	73	444
Downward revaluation of investments not charged to the Surplus/Deficit on the Provision of Services	0	-59
Balance at 31 March	127	54

Capital Adjustment Account

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

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

NOTES TO THE CORE FINANCIAL STATEMENTS

KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2011/12

	2011/12 £000	2010/11 £000 Restated
Balance at 1 April	946,223	1,196,781
<u>Reversal of items relating to capital expenditure debited or credited to the CIES:</u>		
Charges for depreciation and impairment of non-current assets	-59,422	-57,133
Revaluation losses on Property, Plant and Equipment	-62,638	-255,159
Revaluation gains on Property, Plant and Equipment	11,752	6,553
Amortisation of intangible assets	-875	-1,173
Revenue expenditure funded from capital under statute (REFCUS)	-10,087	-21,088
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal	-108,181	-18,556
	716,772	850,225
Transfer to Major Repairs Reserve	-14,921	-15,160
Adjusting amounts written out of the Revaluation Reserve	46,917	9,495
Net written out amount of the cost of non-current assets consumed in the year	748,768	844,560
<u>Capital financing applied in the year:</u>		
Use of Capital Receipts Reserve to finance new capital expenditure	2,939	8,092
Use of Capital Receipts Reserve to repay debt	31,395	0
Use of the Major Repairs Reserve to finance new capital expenditure	17,764	20,808
Capital grants and contributions credited to the CIES that have been applied to capital financing/REFCUS	20,661	26,324
Application of grants to capital financing from the Capital Grants Unapplied Account	18,640	17,615
Statutory provision for the financing of capital investment charged against the General Fund and HRA Balances	24,326	23,478
Capital expenditure charged against the General Fund and HRA Balances	5,800	7,071
	870,293	947,948
Movements in the market value of Investment Properties debited or credited to the CIES	3,174	-1,687
Other	-21	-38
Balance at 31 March	873,446	946,223

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.

	2011/12 £000	2010/11 £000
Balance at 1 April	-7,195	-6,801
Premiums and discounts written down in the year	188	188
Soft loans given in the year	-81	-787
Soft loans written down in the year	273	205
Balance at 31 March	-6,815	-7,195

NOTES TO THE CORE FINANCIAL STATEMENTS

KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2011/12

Pensions Reserve

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

	2011/12		2010/11	
	LGPS £000	Teachers £000	LGPS £000	Teachers £000
Balance at 1 April	-380,460	-48,761	-751,527	-53,377
Pension cost payable to Pension Fund	33,056	3,473	38,016	3,308
Actuarial gain/loss(-)	-195,437	-4,225	213,986	21
Reversal of IAS19 entries	-31,627	-4,105	119,065	1,287
Balance at 31 March	-574,468	-53,618	-380,460	-48,761

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.

	2011/12 £000	2010/11 £000
Balance at 1 April	6,405	6,432
Transfer to the Capital Receipts Reserve upon receipt of cash	-32	-20
Transfer to General Fund Balance in accordance with statutory regulations relating to Finance Leases	-8	-7
Balance at 31 March	6,365	6,405

Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of Council Tax income in the CIES as it falls due from Council Tax payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

	2011/12 £000	2010/11 £000
Balance at 1 April	-1,487	-2,014
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	-2,138	527
Balance at 31 March	-3,625	-1,487

NOTES TO THE CORE FINANCIAL STATEMENTS

KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2011/12

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.

	2011/12	2010/11
	£000	£000
Balance at 1 April	-11,712	-12,996
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	-2,866	1,284
Balance at 31 March	-14,578	-11,712

30 Cash Flow Statement – Operating Activities

The cash flows for operating activities include the following items:

	2011/12	2010/11
	£000	£000
Interest received	-3,214	-2,495
Interest paid	34,441	34,939
Dividend received	-561	-628

31 Cash Flow Statement – Investing Activities

	2011/12	2010/11
	£000	£000
Purchase of PPE, investment property and intangible assets	74,516	104,135
Purchase of short-term and long-term investments	9,431	1,693
Proceeds from the sale of PPE, investment property and intangible assets	-4,278	-6,489
Proceeds from short-term and long-term investments	-14,967	-740
Other receipts from investing activities	-30,877	-39,044
Net cash flows from investing activities	33,825	59,555

32 Cash Flow Statement – Financing Activities

	2011/12	2010/11
	£000	£000
Cash receipts of short and long-term borrowing	-15,084	-99,358
Other receipts from financing activities	-1,290	-8,032
Cash payments for the reduction for the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	2,534	2,841
Repayments of short and long-term borrowing	42,032	82,696
Other payments for financing activities	320	4
Net cash flows from financing activities	28,512	-21,849

NOTES TO THE CORE FINANCIAL STATEMENTS

KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2011/12

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

	2011/12	2010/11
	£000	£000
		Restated
Pension adjustments	797	161,676
Depreciation and impairment	-75,219	-73,465
Revaluation net gains/losses	-47,713	-250,293
Carrying amount of non-current assets sold	-108,181	-18,556
HRA Self Financing Reform	31,395	0
Movements on -		
Provisions	1,902	962
Inventories	43	193
Revenue debtors (including bad debt provision)	-2,886	-1,971
Revenue creditors	2,435	13,006
Other	861	-149
Total non cash movements	-196,566	-168,597

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

	2011/12	2010/11
	£000	£000
Capital grants	29,266	37,371
Proceeds from the sale of PPE, investment property and intangible assets	4,278	6,489
Total	33,544	43,860

NOTES TO THE CORE FINANCIAL STATEMENTS

KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2011/12

35 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 to the requirements of the Code.

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 Central Budgets 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 Central Budgets and replaced with the provision for debt repayments.
- Revenue Expenditure Funded from 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 Central Budgets.
- 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.
- This year's note now includes a segment for Ring-Fenced Budgets, this now mirrors the format of the Rollover Report.
- Some of the Central Budget segments have been combined to mirror the format of the Rollover Report.
- Where segments have changed the comparators, have been restated as required by the CIPFA Code of Practice.

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, 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.

NOTES TO THE CORE FINANCIAL STATEMENTS
KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2011/12

General Fund – (Non HRA) Subjective Analysis	Children and Young People	Wellbeing and Communities	Place	Resources	Ring Fenced Budgets within Directorates	Central Budgets	Total
	£000	£000	£000	£000	£000	£000	£000
2011/12							
Fees, charges & other service income	27,861	26,651	116,332	110,336	832	355	282,367
Capital Credits	7,306	2,140	1,162	908	0	-11,516	0
Interest	7	0	1	0	0	1,599	1,607
Government grants, reimbursements and contributions	317,034	19,113	12,030	147,674	75	26,192	522,118
Total Income	352,208	47,904	129,525	258,918	907	16,630	806,092
Employee Expenses	273,334	41,849	66,152	64,068	988	-5,292	441,099
Other Service Expenses	150,990	108,975	96,660	186,732	2,106	11,013	556,476
Support Service Recharges	17,063	7,481	19,408	28,012	153	32	72,149
Depreciation, amortisation and impairment	48,133	9,900	26,495	13,587	0	-98,115	0
Minimum Revenue Provision	0	0	0	0	0	21,988	21,988
Interest Payable	0	0	0	0	0	18,432	18,432
Total Operational Expenses	489,520	168,205	208,715	292,399	3,247	-51,942	1,110,144
Transfer to/ from (-) Reserves	-3,641	0	517	0	0	6,276	3,152
Net Cost of Service	133,671	120,301	79,707	33,481	2,340	-62,296	307,204
2010/11 - Comparator			Restated	Restated	Restated	Restated	
Fees, charges & other service income	26,122	28,388	150,959	111,889	782	424	318,564
Capital Credits	5,325	1,121	268	161	0	-6,875	0
Interest	4	0	0	0	0	1,675	1,679
Government grants, reimbursements and contributions	386,502	19,439	16,186	144,632	260	-9,180	557,839
Total Income	417,953	48,948	167,413	256,682	1,042	-13,956	878,082
Employee Expenses	304,243	48,085	76,794	68,970	1,832	-14,050	485,874
Other Service Expenses	173,023	106,267	126,810	179,441	2,979	3,819	592,339
Support Service Recharges	12,769	12,843	24,617	30,071	165	108	80,573
Depreciation, amortisation and impairment	30,055	5,803	23,137	8,494	0	-67,489	0
Minimum Revenue Provision	0	0	0	0	0	20,767	20,767
Interest Payable	0	0	0	0	0	19,024	19,024
Total Operational Expenses	520,090	172,998	251,358	286,976	4,976	-37,821	1,198,577
Transfer to/ from (-) Reserves	2,210	0	-339	0	0	18,861	20,732
Net Cost of Service	104,347	124,050	83,606	30,294	3,934	-5,004	341,227

NOTES TO THE CORE FINANCIAL STATEMENTS
KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2011/12

General Fund – (Non HRA) Reconciliation to Subjective Analysis 2011/12	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	282,367	77,009	-157	-99,257	-115,068	144,894	0	144,894
Capital Credits	0	3	15,299	-3,550	0	11,752	3,420	15,172
Interest and investment income	1,607	0	0	-1,607	0	0	6,389	6,389
Gain on Disposal of Fixed Assets	0	0	0	0	0	0	4,381	4,381
Government grants, reimbursement and contributions	522,118	0	20,289	-58,011	0	484,396	150,208	634,604
Expected Return on Pension Assets	0	0	0	0	0	0	84,029	84,029
National Non Domestic Rates Income	0	0	0	0	0	0	121,613	121,613
Income from Council Tax	0	0	0	0	0	0	153,801	153,801
Trading Income	0	0	0	0	0	0	6,631	6,631
Total Income	806,092	77,012	35,431	-162,425	-115,068	641,042	530,472	1,171,514
Employee Expenses	441,099	1,234	4,055	-44,023	0	402,365	0	402,365
Other Service Expenses	556,476	41,919	-2,234	-43,594	-47,649	504,918	4,032	508,950
Support Service Recharges	72,149	2,777	0	-7,507	-67,419	0	0	0
Capital Charges	0	37,732	103,976	-6,700	0	135,008	246	135,254
Minimum Revenue Provision	21,988	0	0	-21,988	0	0	0	0
Interest Payable and Similar Charges	18,432	0	0	-18,432	0	0	41,742	41,742
Losses on disposal on fixed assets	0	0	0	0	0	0	108,221	108,221
Precepts and Levies	0	0	0	0	0	0	574	574
Payments to Housing Capital Receipts Pool	0	0	0	0	0	0	1,342	1,342
Pension Interest Cost	0	0	0	0	0	0	83,169	83,169
Trading Expenditure	0	0	0	0	0	0	6,210	6,210
Total Operational Expenses	1,110,144	83,662	105,797	-142,244	-115,068	1,042,291	245,536	1,287,827
Transfer to/ from (-) Reserves	3,152	0	0	-3,152	0	0	0	0
Deficit on Provision of Services	307,204	6,650	70,366	17,029	0	401,249	-284,936	116,313

NOTES TO THE CORE FINANCIAL STATEMENTS
KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2011/12

General Fund – (Non HRA) Reconciliation to Subjective Analysis Comparator 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 Restated	£000	£000 Restated	£000 Restated	£000	£000 Restated
Fees, charges & other service income	318,564	73,370	-214	-107,931	-139,586	144,203	0	144,203
Capital Credits	0	36	10,218	-3,701	0	6,553	3,701	10,254
Interest and investment income	1,679	0	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, reimbursement and contributions	557,839	6,331	34,028	-36,115	0	562,083	97,107	659,190
Expected Return on Pension Assets	0	0	0	0	0	0	137,199	137,199
National Non Domestic Rates Income	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	-139,586	712,839	483,919	1,196,758
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	-62,831	528,539	1,682	530,221
Support Service Recharges	80,573	3,643	0	-7,461	-76,755	0	0	0
Capital Charges	0	259,452	74,599	-8,439	0	325,612	5,721	331,333
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	-95,543	-152,881	-139,586	1,115,130	161,011	1,276,141
Transfer to/ from (-) Reserves	20,732	0	0	-20,732	0	0	0	0
Deficit on Provision of Services	341,227	224,826	-139,575	-24,187	0	402,291	-322,908	79,383

NOTES TO THE CORE FINANCIAL STATEMENTS

KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2011/12

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

	2011/12	2010/11
	£000	£000 Restated
Net Expenditure in the Rollover report	307,204	341,227
Net Expenditure of services and support services not included in the analysis	6,650	224,826
Amounts in Cost of Service in the CIES not included in the analysis	70,366	-139,575
	384,220	426,478
Amounts included in Analysis not included in Cost of Service in CIES	17,029	-24,187
Cost of Services in the CIES	401,249	402,291

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 2011/12	HRA as per Outturn Report	Items not reported to management	Not included in HRA NCS	HRA Net Cost of Service	Corporate Amounts	HRA reported in the Accounts
	£000	£000	£000	£000	£000	£000
Fees, charges & other service income	71,862	0	0	71,862	0	71,862
Reversal of Impairment	0	3	0	3	0	3
Interest	-6,881	0	6,881	0	-6,881	-6,881
Government grants and contributions	7,670	0	-7,670	0	39,248	39,248
Gains on disposal of fixed assets	0	0	0	0	1,894	1,894
Total Income	72,651	3	-789	71,865	34,261	106,126
Employee Expenses	42	0	0	42	0	42
Other Service Expenses	37,664	0	-53	37,611	54	37,665
Support Service Recharges	2,777	0	0	2,777	0	2,777
Depreciation, amortisation and impairment	14,767	22,965	0	37,732	0	37,732
Interest Payable	10,469	0	-10,469	0	10,492	10,492
Losses on disposal on fixed assets	0	0	0	0	1,659	1,659
HRA Share of Corporate and Democratic Core	353	0	0	353	0	353
Total Operational Expenses	66,072	22,965	-10,522	78,515	12,205	90,720
Transfer to/from(-) Reserves:						
Movement between reserves - Capital expenditure charged to HRA Balances	4,696	0	-4,696	0	0	0
Balance Contribution Adjustment	155	0	-155	0	0	0
Net Cost of Service	-1,728	22,962	-14,584	6,650	-22,056	-15,406

NOTES TO THE CORE FINANCIAL STATEMENTS

KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2011/12

HRA Segment and Reconciliation Comparator 2010/11	HRA as per Outturn Report	Items not reported to management	Not included in HRA NCS	HRA Net Cost of Service	Corporate Amounts	HRA reported in the Accounts
	£000	£000	£000	£000	£000	£000
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	36,086	47	36,133
Support Service Recharges	3,643	0	0	3,643	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 - Capital expenditure charged to HRA Balances	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 2011/12

36 Trading Operations

The Council carries out trading operations, which 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.

	2011/12			2010/11		
	Turnover	Expenditure	Surplus(-)/Deficit	Turnover	Expenditure	Surplus(-)/Deficit
	£000	£000	£000	£000	£000	£000
Cleaning of Buildings (2)	6,675	6,304	-371	6,697	6,762	65
Building Services (2)	41,715	38,204	-3,511	41,921	41,956	35
Design and Property Services (2)	6,467	6,515	48	6,743	7,621	878
Transport Services (2)	12,420	11,473	-947	12,345	10,983	-1,362
Commercial Estates (3)	2,915	1,934	-981	2,753	1,635	-1,118
Highways Direct (2)	19,620	18,846	-774	24,006	23,510	-496
School & Welfare Catering (2)	13,754	12,908	-846	13,533	13,203	-330
Looking Local (2)	2,011	1,863	-148	2,013	1,663	-350
Building Control (1)	608	726	118	824	865	41
Markets (1)	2,103	4,072	1,969	2,080	2,625	545
Trade Refuse (1)	3,322	2,514	-808	2,427	1,661	-766
	111,610	105,359	-6,251	115,342	112,484	-2,858

Trading operations are incorporated in the CIES. Some are an integral part of one of the Council's services to the public (1). Others (2) support the Council's services to the public, the expenditure of these operations is allocated or recharged to headings in the Net Operating Expenditure. Commercial Estates (3) relates to investment properties and is included on the line for Investment Property within Financing and Investment income.

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

	2011/12	2010/11
	£000	£000
Net surplus on trading operations	-6,251	-2,858
Services to public included in Expenditure of Continuing Operations (1)	-1,279	180
Internal Trading recharged to Expenditure of Continuing Operations (2)	6,128	1,052
Rentals Received and Expenses Incurred on Investment Property (3)	981	1,118
Net gains in Financing and Investment Income and Expenditure	-421	-508

NOTES TO THE CORE FINANCIAL STATEMENTS

KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2011/12

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

	2011/12	2010/11
	£000	£000
Cleaning of Buildings – additional refund to various services	399	0
Building Services – mainly refund to HRA	3,470	0
Highways Direct Services – refund to Highways	750	498
Estates Management – additional charge to various services	-296	-928
Transport Services – refund to various services	1,025	1,101
School & Welfare Catering – refund to Education	780	381
	6,128	1,052

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 £3.4 million turnover. There are a small number of external contracts, the main one being with West Yorkshire Fire and Rescue Authority (turnover £0.1 million).

Budgets for the next three years have been set with a target of creating a surplus of £0.5 million per year and turnover of £6.5 million per year.

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 and Rescue Authority and Unison.

The service generated an additional £0.4 million surplus to budget. This was mainly due to the implementation of better management processes and the more efficient use of resources. Next years budget target is a £0.2 million surplus.

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 income in 2011/12 has remained in line with that generated in 2010/11, however moving forward into 2012/13, with the reduction in the Capital Plan and a reduction in the number of Council assets, this is expected to reduce.

Transport Services

Transport Services is principally responsible for the procurement, maintenance and disposal of vehicles and plant, which 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 Executive, Taxi testing and external vehicle servicing.

NOTES TO THE CORE FINANCIAL STATEMENTS

KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2011/12

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 out winter maintenance for the Council including precautionary gritting and snow clearing.

For the second year in succession turnover figures were far in excess of forecast work. Additional business was due to additional funding secured by Streetscene and Housing and works across the Council, not confirmed during the budget/sales forecasting process.

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 187 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 and meeting diverse customer requirements.

Work is commissioned in the primary school sector by a 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 £2.8 million (£2.7 million in 2010/11).

Markets

This service posted losses of £1.9 million due to revaluation losses on Market Halls. After stripping out the effect of this one off cost results in a much smaller loss, with the service posting a £0.3 million favourable variance against budget.

37 Agency Services

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

	Income	Expenditure	2011/12 Deficit	Income	Expenditure	2010/11 Surplus
	£000	£000	£000	£000	£000	£000
Translation Service	335	336	1	337	330	-7
Payroll Service	177	177	0	145	145	0
Cash Collection	23	23	0	32	32	0
Total	535	536	1	514	507	-7

NOTES TO THE CORE FINANCIAL STATEMENTS

KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2011/12

38 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.

	2011/12 £000	2010/11 £000
<u>Funding provided to the pooled budget</u>		
Kirklees Council	2,050	1,971
Kirklees Primary Care Trust*	1,545	1,446
Total Funding	3,595	3,417
<u>Expenditure met from the pooled budget</u>		
Kirklees Council	1,895	1,819
Kirklees Primary Care Trust *	1,094	995
Total Expenditure	2,989	2,814
Net surplus arising on pooled budget during the year	606	603
Council share of the net surplus arising on the pooled budget	606	603
*includes Kirklees Community Health Partnership		

39 Members' Allowances

	2011/12 £000	2010/11 £000
Total amount of allowances and expenses paid, including employers' national insurance and pension contributions	1,335	1,369

NOTES TO THE CORE FINANCIAL STATEMENTS

KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2011/12

40 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 (£)	2011/12			2010/11	
	Teachers	Other	Teachers*	Other	
50,000 - 54,999	81	39	90 (93)	50	
55,000 - 59,999	53	20	58 (59)	26	
60,000 - 64,999	38	6	37 (39)	8	
65,000 - 69,999	13	3	13	7	
70,000 - 74,999	5	0	9	8	
75,000 - 79,999	2	1	5 (6)	10	
80,000 - 84,999	4	8	4	7	
85,000 - 89,999	3	1	2	4	
90,000 - 94,999	2	3	2	2	
95,000 - 99,999	0	2	0	0	
100,000 - 104,999	0	0	1	0	
105,000 - 109,999	1	1	1	0	
110,000 - 114,999	0	2	0	1	
115,000 - 119,999	0	0	1	0	
120,000 - 124,999	0	2	0	1	
125,000 - 129,999	0	0	0	3	
130,000 - 134,999	0	0	0	0	
135,000 - 139,999	0	1	0	2	
140,000 - 144,999	0	1	0	1	
145,000 - 149,999	0	0	0	1	
150,000 - 154,999	0	0	0	0	
155,000 - 159,999	0	0	0	0	
160,000 - 164,999	0	0	0	0	
165,000 - 169,999	0	0	0	0	
170,000 - 174,999	0	0	0	1	
Total	202	90	223 (230)	132	

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

Movements in the figures between the years can be explained as follows -

- 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 senior management.
- It should be noted that 19 employees received redundancy payments in 2011/12 (2010/11 34 employees) and exceeded the £50k remuneration band, who would not otherwise have done so.
- The 2011/12 figure also excludes 17 employees of Academies as the employees have transferred to the Trust Body and are no longer employed by the Council.

The note excludes 27 employees of Voluntary Aided Schools as they are employed by the School Governors, not the Council, even though payments are made by the Council (2010/11 26 employees). Similarly, the note excludes 17 employees of Trust Schools. *The comparator has been amended, as 7 employees of Trust Schools were mistakenly included in last year's published figures (original figures are in brackets).

NOTES TO THE CORE FINANCIAL STATEMENTS

KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2011/12

There are no Senior Officers whose annualised salary is £150,000 or more per year.

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 2011/12

Post holder information (Post title)	Salary including fees and allowances £	Expense Allowances £	Compensation for loss of office £	Total Remuneration Excluding pension contributions £	Employers pension contributions (3) £	Total Remuneration including pension contributions £
Chief Executive	142,954	0	0	142,954	20,848	163,802
Director of Resources	120,103	0	0	120,103	17,535	137,638
Director for Children and Young People	135,874	0	0	135,874	19,830	155,704
Director for Wellbeing and Communities	114,643	0	0	114,643	16,738	131,381
Director for Place (1)	44,990	0	65,826	110,816	6,561	117,377
Interim Director for Place (2)	68,269	0	0	68,269	9,925	78,194
Monitoring Officer	86,358	0	0	86,358	12,608	98,966

(1) The Director of Place left the authority on 31 August 2011: their annualised salary was £120,433

(2) The Assistant Director of Investment and Regeneration has been acting up as Interim Director of Place since 1 September 2011.

(3) No added years pensions were provided for Senior Officers.

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 £	Employers pension contributions (5) £	Total Remuneration including pension contributions £
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
Monitoring Officer (4)	85,089	0	0	85,089	5,295	90,384

(1) The Chief Executive was appointed on 1 August 2010: their annualised salary is £143,189.

NOTES TO THE CORE FINANCIAL STATEMENTS

KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2011/12

- (2) The Director of Finance and Performance became Chief Executive on 1 August 2010: their annualised salary as at 31 July 2010 was £120,433.
- (3) The Director of Resources was appointed on 21 February 2011: their full time equivalent salary as at 31 March 2011 was £120,433.
- (4) The Monitoring Officer took on this role on 6 April 2010.
- (5) No added years pensions were provided for Senior Officers.

It should be noted that the 2010/11 figures for senior officers emoluments only relates to individuals who continued to be employed in 2011/12 and will exclude those who left the Council in 2010/11. 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.

41 External Audit Costs

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

	2011/12 £000	2010/11 £000
Fees payable for external audit services	322	365
Fees payable for Statutory Inspection	0	3
Fees payable for the certification of grant claims and returns	90	130
	412	498

42 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 Expenditure £000	ISB £000	Total £000
Final DSG for 2011/12	28,292	260,131	288,423
Brought forward from 2010/11 and earlier years	1,163	0	1,163
Agreed budgeted distribution for 2011/12	29,455	260,131	289,586
Allocation of school specific contingencies	-2,016	2,016	0
Actual Central Expenditure	-24,537	0	-24,537
Actual ISB deployed to schools	0	-262,147	-262,147
Carry forward to 2012/13	2,902	0	2,902

NOTES TO THE CORE FINANCIAL STATEMENTS

KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2011/12

43 Grant Income

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

	2011/12 £000	2010/11 £000
<u>Credited to Taxation and Non Specific Grant Income</u>		
Revenue Support Grant (RSG)	37,591	19,923
Area Based Grant (ABG) forms part of RSG in 2011/12	0	27,917
Early Intervention Grant (replaced Surestart Grant)	20,579	0
PFI Grant	11,358	11,358
Council Tax Freeze Grant	3,887	0
New Homes Grant	1,497	0
Housing Benefit Subsidy Admin Grant (service specific in 2010/11)	3,742	0
Learning Disabilities & Health Reform Grant	1,835	0
Local Services Support Grant	850	0
<u>Grants and Contributions related to capital financing which cannot be identified to particular services or assets</u>		
HRA Self-Financing Reform Grant (1)	39,065	0
Standards Fund	16,097	19,894
Primary Route Network	0	4,116
Local Transport Plan (LTP)	8,758	3,072
Lottery	267	2,411
Regional Housing	103	2,147
Homes and Communities Agency	0	1,967
Community Capacity	952	0
Low Carbon Building Project	0	833
Yorkshire Forward	2,659	749
Children's Centres	-193	630
Other Capital Grants and Contributions	1,160	2,090
Total	150,207	97,107
<u>Credited to Services</u>		
<u>Revenue</u>		
Dedicated Schools Grant	288,423	259,488
DWP – Rent Allowance	64,566	58,285
DWP – Rent Rebate	49,142	46,536
DWP – Council Tax	32,128	32,383
Primary Care Trust	9,703	791
Pupil Premium Grant	4,802	0
Young People's Learning Agency Sixth Form Grant	3,708	8,872
Asylum Seekers	2,212	1,872
s31 Winter Damaged Roads	1,304	505

NOTES TO THE CORE FINANCIAL STATEMENTS
KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2011/12

	2011/12 £000	2010/11 £000
<u>Revenue Grants continued</u>		
European Regional Development Fund	1,079	0
Youth Justice Board	850	1,041
DWP Income – Future Jobs Fund	773	3,352
TDA Graduate Teacher Programme	692	620
Standards Fund	-201	37,658
Young People’s Learning Agency (YPLA) 16 - 19	0	17,009
General Sure Start Grant	0	16,997
School Standards Grant	0	13,681
Housing Revenue Account Subsidy (2)	0	6,331
Housing Benefit Subsidy Admin Grant	0	3,930
Social Care Reform Grant	0	1,873
Children and Young Peoples Grant	0	1,059
Other Revenue Grants and Contributions	5,535	11,072
<u>Capital (REFCUS)</u>		
Standards Fund	1,326	686
Disabled Facilities	1,232	1,082
Children’s Centres	0	3,595
Regional Housing	0	2,686
Other Capital Grants and Contributions	443	483
Total	467,717	531,887
Total Grants in CIES	617,924	628,994

- (1) In order to enable the Council’s HRA to be self financing the Department of Communities and Local Government paid off a proportion of its HRA debt. The Council has followed the CIPFA LAAP Bulletin 92 which treats this income as a capital grant in the CIES, but also as a Capital Receipt on the Balance Sheet.
- (2) The Housing Revenue Account Subsidy became a negative subsidy of £3.3 million which is coded as an expense within the HRA.

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 in 2011/12 relates to the DWP Rent Allowance, Rent Rebate and Council Tax grants (£0.3 million) with the balance of the others mainly relating to balances of grants likely to be repaid.

As at 31 March 2012, £0.8 million had not been recognised as income.

NOTES TO THE CORE FINANCIAL STATEMENTS

KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2011/12

44 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 2 material disclosures to declare for 2011/12 for Elected Members but none for Chief Officers. The material disclosures are 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 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. The Council was involved in a major project with the supplier and although this has now finished, the supplier was paid £0.2 million in 2011/12.

Another member of the Council is a Non Executive Director of Yorkshire Water Services Ltd. During 2011/12, the Council paid the Company £1.2 million for services.

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	
	2011/12	2010/11	2011/12	2010/11	2011/12	2010/11
	£000	£000	£000	£000	£000	£000
Kirklees Media Centre Ltd	1	72	91	116	0	0
Yorkshire Energy Services	53	33	0	0	223	3,871
Nationwide Children's Research Centre	0	0	0	9	0	0
Northern College For Residential Adult Education Ltd	0	1	22	22	0	0
Locala Community Partnerships	153	0	1,278	0	0	0

The Council has given a loan to Kirklees Media Centre Ltd. As at 31 March 2012 £217,500 was outstanding (£217,500 as at 31 March 2011).

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

- The UK Central Government exerts significant influence through legislation and grant funding (see note 43).
- NHS Bodies (see note 38).
- Precepting authorities (see the CIES and the Collection Fund Income and Expenditure Statement). The Council also pays Joint Committees for providing services such as Trading Standards and Passenger Transport. Payments in 2011/12 amounted to £19.4 million (2010/11 £18.7 million). Certain Parish Councils have also invested funds with the Council. As at 31 March 2012, £149,800 (£152,800 at 31 March 2011) was invested.
- Pension Fund (see note 50).
- Subsidiary, joint venture companies and associates (see Group Accounts).
- PFI Transactions (see note 47).

NOTES TO THE CORE FINANCIAL STATEMENTS

KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2011/12

45 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.

	2011/12	2010/11
	£000	£000
		Restated
<i>Opening Capital Financing Requirement</i>	772,685	751,005
<u>Capital Investment</u>		
Property, Plant and Equipment	75,576	100,003
Heritage Assets	184	25
Investment Properties	444	1,083
Intangible Assets	287	83
Revenue Expenditure Funded from Capital under Statute	10,087	21,088
Loans and Investments	6,186	4,539
<u>Sources of Finance</u>		
Capital receipts	-2,939	-8,092
Government grants and other contributions	-38,764	-43,403
Major Repairs Reserve	-17,764	-20,808
Sums set aside from revenue:		
Direct revenue contributions	-5,800	-7,071
Minimum Revenue Provision	-24,326	-23,478
Capital receipts used to repay debt	-32,549	-2,289
<i>Closing Capital Financing Requirement</i>	743,307	772,685
<u>Explanation of movements in year</u>		
Increase in underlying need to borrow:		
Supported by Government financial assistance	23	11,288
Unsupported by Government financial assistance	27,474	36,159
Provision for repayment of debt	-56,875	-25,767
<i>Increase/decrease(-) in Capital Financing Requirement</i>	-29,378	21,680

NOTES TO THE CORE FINANCIAL STATEMENTS

KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2011/12

46 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 2012	31 March 2011
	£000	£000
Cost or valuation		
At 1 April	14,640	12,674
Additions	50	122
Revaluations increases recognised in the Revaluation Reserve	0	1,690
Revaluations increases recognised in the Surplus/Deficit on the Provision of Services	0	154
At 31 March	14,690	14,640
Depreciation and impairments		
At 1 April	245	735
Depreciation charge	315	190
Depreciation written out to the Revaluation Reserve	0	-623
Depreciation written out to the Surplus/Deficit on the Provision of Services	0	-57
At 31 March	560	245
Net Book Value as at 31 March	14,130	14,395

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 2012	31 March 2011
	£000	£000
Finance lease liabilities (net present of value of minimum lease payments):		
• non-current	1,050	1,050
Finance costs payable in future years	27,341	27,660
Minimum lease payments	28,391	28,710

NOTES TO THE CORE FINANCIAL STATEMENTS
KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2011/12

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

	Minimum Lease Payments		Finance Lease Liabilities	
	31 March 2012	31 March 2011	31 March 2012	31 March 2011
	£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	7,560	7,650	1,050	1,050
	8,010	8,100	1,050	1,050

In year the amount of contingent rents paid was £229,000 (2010/11 £229,000).

Operating Leases

The Council uses printing equipment and accommodation, mainly in Huddersfield Town Centre, financed under the terms of operating leases. The Council is committed at 31 March 2012 to make future minimum lease payments due under non-cancellable leases as follows:

	Minimum Lease Payments		Minimum Sub Leases Receivable	
	31 March 2012	31 March 2011	31 March 2012	31 March 2011
	£000	£000	£000	£000
Not later than one year	428	820	0	30
Later than one year and not later than five years	563	1,407	0	0
Later than five years	1,078	1,468	0	0
	2,069	3,695	0	30

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

	2011/12	2010/11
	£000	£000
Minimum Lease Payments	505	715
Contingent Rents	325	19
Sub Lease Payments	-22	-30
	808	704

NOTES TO THE CORE FINANCIAL STATEMENTS

KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2011/12

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 2012 £000	31 March 2011 £000
Finance lease debtor (net present of value of minimum lease payments):		
• non-current	6,296	6,304
Unearned finance income	24,189	24,635
Gross investment in the lease	30,485	30,939

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 2012 £000	31 March 2011 £000	31 March 2012 £000	31 March 2011 £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	28,213	28,667	28,213	28,667
	30,485	30,939	30,485	30,939

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

Operating Leases:

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

- For service provision, for example the Markets' service hires out various stalls within Market Halls.
- Receiving income from land and property on a commercial basis.

NOTES TO THE CORE FINANCIAL STATEMENTS

KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2011/12

The value of the assets leased out is as follows:

	31 March 2012 £000	31 March 2011 £000
Cost or valuation		
At 1 April	62,871	64,679
Additions	189	666
Revaluations increases recognised in the Revaluation Reserve	0	0
Revaluations decreases recognised in the Surplus/Deficit on the Provision	-2,273	-2,008
De-recognition - disposals	-883	-118
Other movements in cost or valuation (re-classifications)	2,306	-348
At 31 March	62,210	62,871
Depreciation and impairments		
At 1 April	1,768	1,290
Depreciation charge for year	732	704
Depreciation written out to the Revaluation Reserve	0	0
Depreciation written out to the Surplus/Deficit on the Provision of Services	-1,196	-226
At 31 March	1,304	1,768
Net Book Value at 31 March	60,906	61,103

The Council received £5.3 million in rent on operating leases in 2011/12 (£5.3 million 2010/11). Total contingent rents recognised in the period was £0.3 million (£0.2 million in 2010/11).

The following is commitments relating to non-cancellable contracts:

	31 March 2012 £000	31 March 2011 £000
Not later than one year	2,238	2,277
Later than one year and not later than five years	4,883	4,630
Later than five years	3,971	3,022
	11,092	9,929

47 Private Finance Initiative (PFI) Transactions

The Council has four PFI schemes. The Housing PFI is covered in the note 12 for the HRA:

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.

NOTES TO THE CORE FINANCIAL STATEMENTS

KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2011/12

The Council incurred costs of £11.3 million under the contract in 2011/12 (2010/11 £11.0 million) and received £3.2 million in PFI Grant (2010/11 £3.2 million). Details of estimated payments due to be made are as follows:

	Service Charges £000	Interest Charges £000	Repayments Of Liability £000	Total £000
In 2012/13	8,582	1,179	1,339	11,100
Between 2013/14 to 2016/17	35,436	3,708	5,656	44,800
Between 2017/18 to 2021/22	46,454	2,278	7,268	56,000
In 2022/23	9,367	127	1,706	11,200
	99,839	7,292	15,969	123,100

The estimated payments for service charges are based on expected tonnages and 2012/13 price base.

Under this contract, the operator receives a significant part of their income from third parties, either from gate fees, sale of energy production or recycled materials. A proportion of the assets are effectively financed with third party revenues rather than with fixed payments from the Council. A balancing credit, pro rata to the proportion of fixed payments from the Council and expected third party payments, has been created in the form of a Deferred Income balance. This balance is released to income and expenditure over the life of the contract, with a corresponding appropriation from the Capital Adjustment Account to the Movement in Reserves Statement. The balance as at 31 March 2012 was £5.9 million (31 March 2011 £6.4 million).

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

	2011/12 £000	2010/11 £000
Net Book Value at 1 April	31,713	30,317
Additions	23	50
Revaluations	0	-11,608
Depreciation and impairment	-1,256	12,954
Net Book Value at 31 March	30,480	31,713

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

	2011/12 £000	2010/11 £000
At 1 April	17,214	18,522
Movement in the year	-1,379	-1,308
At 31 March	15,835	17,214

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

KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2011/12

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 £13.1 million under the contract in 2011/12 (2010/11 £12.7 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 2012/13	8,232	3,065	815	1,135	13,247
Between 2013/14 to 2016/17	35,419	11,627	3,198	4,896	55,140
Between 2017/18 to 2021/22	48,434	12,768	6,541	6,444	74,187
Between 2022/23 to 2026/27	54,727	10,098	8,649	7,277	80,751
Between 2027/28 to 2031/32	58,578	5,767	16,483	7,349	88,177
Between 2032/33 to 2033/34	17,284	384	6,258	1,776	25,702
	222,674	43,709	41,944	28,877	337,204

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:

	2011/12 £000	2010/11 £000
Net Book Value at 1 April	168,152	171,417
Additions	2,663	2,634
Revaluations	0	0
Disposals	-50,137	0
Depreciation and impairment	-5,993	-5,899
Net Book Value at 31 March	114,685	168,152

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

	2011/12 £000	2010/11 £000
At 1 April	42,344	43,132
Movement in the year	-399	-788
At 31 March	41,945	42,344

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.

NOTES TO THE CORE FINANCIAL STATEMENTS

KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2011/12

The Council incurred costs of £2.8 million under the contract in 2011/12 (£2.8 million in 2010/11) and received £2.2 million in PFI Grant (2010/11 £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 2012/13	1,089	943	554	206	2,792
Between 2013/14 to 2016/17	4,555	3,339	2,090	1,053	11,037
Between 2017/18 to 2021/22	6,207	3,244	2,327	1,841	13,619
Between 2022/23 to 2026/27	6,954	2,197	2,670	1,800	13,621
Between 2027/28 to 2031/32	6,925	778	3,632	871	12,206
	25,730	10,501	11,273	5,771	53,275

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:

	2011/12 £000	2010/11 £000
Net Book Value at 1 April	18,028	18,021
Additions	257	323
Depreciation	-322	-316
Net Book Value at 31 March	17,963	18,028

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

	2011/12 £000	2010/11 £000
At 1 April	11,862	12,427
Movement in the year	-589	-565
At 31 March	11,273	11,862

48 Impairment Losses

During 2011/12 the Council demolished one surplus building, the former Stile Common I&J School. The site will probably be sold, given appropriate planning permission for residential land. An impairment loss was charged to the surplus or deficit on the provision of services - £1.8 million gross less accumulated depreciation of £0.4 million, resulting in a net loss £1.4 million. Impairment losses in 2010/11 totalled £2.3 million.

49 Exit Packages and Termination Benefits

The 2011/12 Code has introduced a new requirement to disclose in bands the number of exit packages agreed and the cost of those packages to the Council in the financial year. Presentationally, this requirement has been amalgamated with the existing requirement to disclose termination benefits.

Exit packages include compulsory and voluntary redundancy costs, pension contributions in respect of added years, ex gratia payments and other departure costs. Pension strain arises when an employee retires early without actuarial reduction of pension. Unlike the termination benefit it is not a cash payment to the pension fund, but rather the accrued cost of the pension strain resulting from the departure of the employee recognised in the CIES.

NOTES TO THE CORE FINANCIAL STATEMENTS

KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2011/12

2011/12 Exit package cost band	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band	Total cost of exit packages in each band £000	Split of exit packages (Termination Benefit) £000	Split of exit packages (Pension Strain) £000
£0 - £20,000	1	117	118	990	856	134
£20,001 - £40,000	1	51	52	1,475	931	544
£40,001 - £60,000	0	16	16	737	281	456
£60,001 - £80,000	0	8	8	550	167	383
£80,001 - £100,000	0	6	6	524	146	378
£100,001 - £150,000	0	3	3	343	85	258
£150,001 - £200,000	0	1	1	155	66	89
Total	2	202	204	4,774	2,532	2,242

The table above includes 46 employees, who have not yet left the employment of the Council, but have agreed package offers. The estimated cost of these packages (£0.7 million) have been accrued into the CIES and included in a provision.

2010/11 comparator Exit package cost band	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band	Total cost of exit packages in each band £000	Split of exit packages (Termination Benefit) £000	Split of exit packages (Pension Strain) £000
£0 - £20,000	0	250	250	2,511	1,907	604
£20,001 - £40,000	0	115	115	3,223	1,563	1,660
£40,001 - £60,000	0	43	43	2,057	854	1,203
£60,001 - £80,000	0	12	12	833	385	448
£80,001 - £100,000	0	10	10	881	213	668
£100,001 - £150,000	0	8	8	940	224	716
£150,001 - £200,000	0	3	3	548	292	256
£200,001 - £250,000	0	1	1	213	74	139
£250,001 - £300,000	0	0	0	0	0	0
£300,001 - £350,000	0	1	1	309	62	247
Total	0	443	443	11,515	5,574	5,941

50 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:

NOTES TO THE CORE FINANCIAL STATEMENTS

KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2011/12

- 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 2011/12, the Council paid £17.6 million (2010/11 £17.9 million) to the Pensions Agency in respect of teachers' retirement benefits, representing 14.1% (2010/11 14.1%) of pensionable pay. A payment of £1.4 million was owing to the Agency as at 31 March 2012 (31 March 2011 £1.5 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.

Transactions Relating to Retirement Benefits

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

2011/12	LGPS		Teachers £000	Total £000
	Funded £000	Unfunded £000		
Comprehensive Income and Expenditure Statement				
<u>Cost of Services:</u>				
Current service cost	37,008	0	0	37,008
Past service cost	2,230	0	1,482	3,712
Settlements and Curtailments	-4,128	0	0	-4,128
<u>Financing and Investment income and Expenditure:</u>				
Interest cost	78,944	1,602	2,623	83,169
Expected return on assets in the scheme	-84,029	0	0	-84,029
Total Post Employment Benefit charged to the Surplus or Deficit on the Provision of Services	30,025	1,602	4,105	35,732
<u>Other Post Employment Benefit charged to the CIES:</u>				
Actuarial gains and losses	193,062	2,375	4,225	199,662
Total Post Employment Benefit charged to the CIES	223,087	3,977	8,330	235,394
Movement in Reserves Statement				
Reversal of actuarial gains and losses	-193,062	-2,375	-4,225	-199,662
Reversal of net charges made to the Surplus or Deficit on the Provision of Services for retirement benefits	795	634	-632	797
Total Movement in Pension Reserve	-192,267	-1,741	-4,857	-198,865
Actual amount charged against General Fund Balance for pensions in the year:				
Employers' contributions payable to scheme	30,820	2,236		33,056
Retirement benefits payable to pensioners			3,473	3,473

NOTES TO THE CORE FINANCIAL STATEMENTS
KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2011/12

The cumulative amount of actuarial gains and losses recognised in the CIES to 31 March 2012 is a loss of £436.6 million.

2010/11 comparator	LGPS		Teachers	Total
	Funded £000	Unfunded £000	£000	£000
Comprehensive Income and Expenditure Statement				
<u>Cost of Services:</u>				
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
<u>Financing and Investment Income and Expenditure:</u>				
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/ Deficit on the Provision of Services	-117,610	-1,455	-1,287	-120,352
<u>Other Post Employment Benefit charged to the CIES:</u>				
Actuarial gains and losses	-212,196	-1,790	-21	-214,007
Total Post Employment Benefit charged to the CIES	-329,806	-3,245	-1,308	-334,359
Movement in Reserves Statement				
Reversal of actuarial gains and losses	212,196	1,790	21	214,007
Reversal of net charges made to the Surplus/ Deficit on the Provision of Services for retirement benefits	153,473	3,608	4,595	161,676
Total Movement in Pension Reserve	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

NOTES TO THE CORE FINANCIAL STATEMENTS

KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2011/12

Assets and Liabilities in Relation to Retirement Benefits

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

	LGPS		Teachers	Total
	Funded £000	Unfunded £000	£000	£000
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
Opening balance 1 April 2011	-1,469,426	-30,226	-48,761	-1,548,413
Current Service Cost	-37,008	0	0	-37,008
Interest cost	-78,944	-1,602	-2,623	-83,169
Contributions by scheme participants	-12,611	0	0	-12,611
Actuarial gains and losses	-128,358	-2,375	-4,225	-134,958
Benefits/transfers paid	47,255	2,236	3,473	52,964
Past service costs	-2,230	0	-1,482	-3,712
Settlements	13,079	0	0	13,079
Closing balance 31 March 2012	-1,668,243	-31,967	-53,618	-1,753,828

The increase in liability values mainly arises because of the sharp fall in AA rated corporate bond yields which are used to calculate the current cost of future liabilities.

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

	31 March 2012 £000	31 March 2011 £000
Opening balance 1 April	1,119,192	1,012,729
Expected rate of return	84,029	72,593
Actuarial gains and losses	-64,704	35,909
Employer contributions	30,820	35,863
Contributions by scheme participants	12,611	13,594
Benefits paid	-47,255	-51,496
Settlements	-8,951	0
Closing balance 31 March	1,125,742	1,119,192

The small increase in asset values on the LGPS is a result of the combined effect of the above changes. In particular, the Actuary has calculated that the actual rate of return on assets was much lower than that forecast at the start of the financial year. This is a reasonable assumption in the current economic climate.

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 £19.3 million (2010/11 return of £108.5 million).

NOTES TO THE CORE FINANCIAL STATEMENTS
KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2011/12

Scheme history

	2011/12	2010/11	2009/10	2008/09	2007/08
	£000	£000	£000	£000	£000
Present value of liabilities:					
LGPS Funded	-1,668,243	-1,469,426	-1,728,632	-1,047,184	-1,242,934
LGPS Unfunded	-31,967	-30,226	-35,624	-28,518	-33,608
Teachers	-53,618	-48,761	-53,377	-40,773	-46,651
Fair value of assets in the LGPS	1,125,742	1,119,192	1,012,729	736,364	915,400
Deficit in the scheme:					
LGPS Funded	-542,501	-350,234	-715,903	-310,820	-327,534
LGPS Unfunded	-31,967	-30,226	-35,624	-28,518	-33,608
Teachers	-53,618	-48,761	-53,377	-40,773	-46,651
Total	-628,086	-429,221	-804,904	-380,111	-407,793

The liabilities show the underlying commitments that the Council has in the long run to pay retirement benefits. The total liability of £628.1 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 2013 is £39.3 million.

NOTES TO THE CORE FINANCIAL STATEMENTS

KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2011/12

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 2011.

The principal assumptions used by the actuary have been:

	2011/12			2010/11		
	LGPS		Teachers	LGPS		Teachers
	Funded	Unfunded		Funded	Unfunded	
Rate of inflation – RPI	3.60%	3.40%	3.40%	3.70%	3.60%	n/a
Rate of inflation – CPI	2.60%	2.40%	2.40%	2.80%	2.70%	2.70%
Rate of increase in salaries	5.10%	n/a	n/a	5.20%	n/a	n/a
Rate of increase in pensions	2.60%	2.40%	2.40%	2.80%	2.70%	2.70%
Rate for discounting liabilities	4.80%	4.60%	4.60%	5.40%	5.50%	5.50%
Take up of option to convert annual pension into retirement grant	62%	n/a	n/a	62%	n/a	n/a
<u>Mortality assumptions (years):</u>						
Longevity at 65 for current pensioners:						
Men	22.0	22.0	22.0	21.9	21.9	21.9
Women	24.1	24.1	24.1	24.0	24.0	24.0
Longevity at 65 for future pensioners:						
Men	23.8	23.8	23.8	23.7	23.7	23.7
Women	26.1	26.1	26.1	26.0	26.0	26.0

Assets in the LGPS are valued at fair value, principally market value for investments, totalling £8.7 billion for the Fund as a whole at 31 March 2012 (£8.6 billion at 31 March 2011). The Fund's assets consist of the following categories, by proportion of the total assets held by the Fund:

	2011/12		2010/11	
	Split between categories	Expected rate of return	Split between categories	Expected rate of return
	%	%	%	%
Equity investments	71.1	8.1	73.1	8.4
Government Bonds	12.6	3.1	11.4	4.4
Other Bonds	5.4	3.7	3.9	5.1
Property	3.6	7.6	3.6	7.9
Cash/ liquidity	2.8	1.8	2.3	1.5
Other	4.5	8.1	5.7	8.4
	100.0		100.0	

NOTES TO THE CORE FINANCIAL STATEMENTS

KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2011/12

History of experience Gains and Losses

The actuarial gains/losses identified as movements on the Pensions Reserve in 2011/12 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2012. Note that the split for experience gains and losses on liabilities between LGPS funded and unfunded is not available for 2008/09 and before.

	2011/12	2010/11	2009/10	2008/09	2007/08
	%	%	%	%	%
<u>LGPS – funded and unfunded</u>					
Experience gains and losses on liabilities	-	-	-	0	-6.5
<u>LGPS - funded</u>					
Difference between the expected and actual return on assets	-5.7	3.2	21.3	-33.1	-4.2
Experience gains and losses on liabilities	-0.7	4.3	0.6	-	-
<u>LGPS - unfunded</u>					
Experience gains and losses on liabilities	-2.3	2.0	2.5	-	-
<u>Teachers</u>					
Experience gains and losses on liabilities	-2.2	-4.9	2.5	0	-4.1

51 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 2012, the balance on the loan was £4.4 million (£4.8 million at 31 March 2011). 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 2012, the balance on the loan was £0.23 million (£0.33 million at 31 March 2011).
- The Council has given an indemnity for direct loss and economic loss up to £2.0 million plus inflation to date to the lessee of a reclaimed site in respect of pollution arising from contaminants on the site at the date of the lease.
- The 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; and that KCA will discharge the clawback obligations due to the HCA whenever there is a disposal of the land – either under the right to acquire legislation or to a donee that is not a registered social landlord. In practice, the guarantee will not be discharged until the last dwelling on the estate built with HCA grant monies has been acquired under the right to acquire legislation.
- Many local authorities, including Kirklees Council, entered into a scheme of arrangement with Municipal Mutual Insurance (MMI) when the company got into financial difficulties towards the end of 1992. The arrangement means that the company, whilst not taking on any new business,

NOTES TO THE CORE FINANCIAL STATEMENTS

KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2011/12

would carry on meeting insurance claims relating to pre 1993 policies, but allows for clawback from scheme participants should MMI not have sufficient funds to meet remaining future claims.

Although MMI have consistently reported the likelihood of a solvent run-off, a court ruling in March 2012 has raised concerns that MMI may be liable for many more asbestos exposure claims and that a solvent run-off may now not be possible. As of the date the accounts were signed, the scheme of arrangement had not been triggered. MMI are still taking legal, financial and actuarial advice in order to determine the full implications of the court judgement and are considering the most appropriate way forward.

The Council has taken a prudent approach to this issue and has set aside £2.5 million in the Insurance Fund Reserve, after taking advice from the Council's own actuarial advisor.

52 Contingent Asset

The Council has one claim lodged for a VAT refund which, if successful, could total £10.4 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 2011/12

53 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 CIES and Balance Sheet.

Income and Expenditure Account:

	Income £000	Expenditure £000	2011/12 Balance £000	2010/11 Balance £000
<u>Trust Funds for which Council is sole trustee</u>				
Dewsbury Endowed Schools	16	18	1,532	1,534
Algernon Firth Trust	3	0	218	215
Kayes School	1	1	87	87
Broadlands	47	0	47	0
Festival of Britain	0	0	42	42
Wartons Charity	0	0	15	15
Huddersfield Enclosure Act	0	0	17	17
Other (9 separate funds each with a balance less than £10,000)	0	0	18	18
	67	19	1,976	1,928
<u>Trust Funds for which Council is not sole trustee</u>				
Scissett Baths	586	6	590	10
William Henry Coulter	9	6	250	247
Lockwood Mechanics	1	0	123	122
William Greenwood Homes	0	0	-170	-170
Fletcher Homes	18	15	-8	-11
Golcar Township	13	27	83	97
Huddersfield Orphan Homes	6	3	88	85
Roebuck Memorial	20	20	28	28
Batley Enclosure Act	0	0	20	20
Cleckheaton Cemetery	0	0	10	10
Other (26 separate funds each with a balance less than £10,000)	7	5	112	110
	660	82	1,126	548
	727	101	3,102	2,476

NOTES TO THE CORE FINANCIAL STATEMENTS
KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2011/12

Trust Fund Balance Sheet:

	31 March 2012 £000	31 March 2011 £000
Fixed Assets	974	974
Investments	1,068	1,090
Debtors	1	7
Cash	1,060	406
Less Creditors	-1	-1
	3,102	2,476
Represented by -		
Capital Balances	2,941	2,385
Revenue Surpluses	161	91
	3,102	2,476

ADDITIONAL FINANCIAL STATEMENTS
KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2011/12

HOUSING REVENUE ACCOUNT (HRA) INCOME AND EXPENDITURE STATEMENT

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

	2011/12 £000	2010/11 £000	Notes
Expenditure			
Repairs and maintenance	16,646	17,752	
Supervision and management	15,524	17,069	
Special services	4,194	4,164	
Rent, rates, taxes and other charges	102	54	
Negative HRA subsidy payable	3,258	0	3
Depreciation and impairment of non-current assets	14,921	15,160	2
Debt management costs	11	39	
Movement in the allowance for bad debts	674	712	
Revaluation losses on Property, Plant and Equipment	22,800	244,253	13
Total Expenditure	78,130	299,203	
Income			
Dwelling rents	70,234	66,981	
Non-dwelling rents	167	161	
Charges for services and facilities	1,303	1,172	
Contributions towards expenditure	158	155	
HRA subsidy receivable	0	6,331	3
Revaluation gains on Property, Plant and Equipment	3	36	
Total Income	71,865	74,836	
Net Cost of HRA Services as included in the Comprehensive Income and Expenditure Statement	6,265	224,367	
HRA share of Corporate & Democratic Core	353	363	
HRA share of Non-distributed costs	32	97	
Net Cost of HRA Services	6,650	224,827	
HRA share of operating income and expenditure included in the Comprehensive Income and Expenditure Statement:			
Gain (-)/Loss on sale of HRA non-current assets	-235	45	5
Interest payable and similar charges:			
General	10,492	10,309	
Exceptional item	7,670	0	13
Interest and investment income	-314	-352	
Rentals and expenses on investment properties	-422	-419	
Capital grants and contributions receivable:			
General	-182	-3,494	
Exceptional item	-39,065	0	13
(Surplus)/Deficit for the year on HRA services	-15,406	230,916	

ADDITIONAL FINANCIAL STATEMENTS
KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2011/12

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.

	2011/12	2010/11
£000	£000	£000
Balance on the HRA at the end of the previous year	-31,293	-26,964
Surplus(-)/deficit for the year on the HRA Income and Expenditure Statement	-15,406	230,916
<u>Adjustments primarily involving the Capital Adjustment Account:</u>		
Revaluation gains/losses on non-current assets	-22,797	-244,217
Capital grants and contributions applied	182	3,494
Amounts of non-current assets written off on disposal or sale	-1,623	-2,736
Capital expenditure charged to HRA balances	4,696	5,732
Provision for the financing of capital expenditure	17	0
<u>Adjustments primarily involving the Capital Receipts Reserve:</u>		
Transfer of cash sale proceeds credited as part of the gain/loss on disposal	1,894	2,736
HRA Self Financing – payment by Secretary of State	39,065	0
HRA Self Financing – application of payment	-7,670	0
Contribution towards administrative costs of non current asset disposals	-36	-45
<u>Adjustments primarily involving the Major Repairs Reserve:</u>		
Reversal of Major Repairs Allowance credited to the HRA	-165	-206
<u>Adjustments primarily involving the Financial Instruments Adjustment Account:</u>		
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	-41	-3
Increase in the year on the HRA	-1,884	-4,329
Balance at the end of the current year	-33,177	-31,293

ADDITIONAL FINANCIAL STATEMENTS
KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2011/12

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 2011/12 is £14.7 million (2010/11 £14.9 million). Non-dwelling depreciation totalled £0.2 million in 2011/12 (2010/11 £0.2 million). For 2011/12 after review by the District Valuers, no impairment has occurred.

3 Breakdown of HRA Subsidy Received/Paid

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.

	2011/12 £000	2010/11 £000
Allowance for Management	14,030	13,695
Allowance for Maintenance	25,144	25,248
Allowance for Major Repairs	14,756	14,954
Charges for Capital	11,845	17,502
Guideline Rent Income	-69,029	-65,061
Interest on Receipts	-4	-7
Total HRA Subsidy	-3,258	6,331

In 2011/12, the Council's subsidy position changed from being positive to negative.

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.

	2011/12 £000	2010/11 £000
Balance at 1 April	13,183	19,037
Capital expenditure	-17,764	-20,808
Depreciation – non-dwellings	-165	-206
Transfer to the reserve	14,921	15,160
Balance at 31 March	10,175	13,183

5 Gains and Losses on Asset Disposals

Gains and losses on asset disposals are shown on the face of the HRA Income and Expenditure Statement. The gain on disposal of £0.2 million in 2011/12 (2010/11 loss £45,000) includes the value of council dwellings demolished as part of housing regeneration projects of £0.9 million (2010/11 £1.2 million).

ADDITIONAL FINANCIAL STATEMENTS
KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2011/12

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 2011	510,873	542	4,568	0	3,091	8,871	527,945
Additions	22,628	0	24	0	605	16	23,273
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	-1,389	0	-110	0	0	1,133	-366
Revaluation increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services	-37,009	0	-4	0	0	0	-37,013
De-recognition - disposals	-1,241	-382	0	0	0	0	-1,623
Assets reclassified (to)/ from Held for Sale	-129	129	0	0	0	0	0
Other movement in cost or valuation	4,698	0	-969	0	-3,696	2,814	2,847
At 31 March 2012	498,431	289	3,509	0	0	12,834	515,063
Accumulated Depreciation and Impairment							
At 1 April 2011	0	0	0	0	0	0	0
Depreciation charge	-14,756	0	-165	0	0	0	-14,921
Depreciation written out to the Revaluation Reserve	569	0	136	0	0	0	705
Depreciation written out to the Surplus/Deficit on the Provision of Services	14,211	0	5	0	0	0	14,216
Other movements in depreciation and impairment	-24	0	24	0	0	0	0
At 31 March 2012	0	0	0	0	0	0	0
Net Book Value at 31 March 2012	498,431	289	3,509	0	0	12,834	515,063
at 1 April 2011	510,873	542	4,568	0	3,091	8,871	527,945

7 Fixed Asset Valuation

A complete revaluation of HRA assets was carried out as at 1 April 2011 by the District Valuer (North), who is RICS qualified. As at that date, the vacant possession value of dwellings was £1,496 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 no unusual or material movements and asset values reflected in the accounts are as at 1 April 2011.

ADDITIONAL FINANCIAL STATEMENTS
KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2011/12

8 Capital Expenditure and Sources of Finance

	2011/12 £000	2010/11 £000
Capital Expenditure:		
Fixed Assets	23,273	31,293
Total Capital Expenditure	23,273	31,293
Financed by:		
Borrowing	600	1,125
Major Repairs Reserve	17,764	20,808
Capital Receipts	31	134
Capital Grant and Contributions	182	3,494
Revenue	4,696	5,732
Total Sources of Finance	23,273	31,293

9 Capital Receipt

	2011/12 £000	2010/11 £000
Capital receipts from sales of:		
Dwellings	1,824	2,483
Land	61	209
Clawback of legal title on Right to Buy sales	9	44
Capital receipts from mortgage repayments	32	20
HRA Self Financing Reform (see note 13)	39,065	0
	40,991	2,756
Contribution to Housing Pooled Capital Receipts	-1,342	-1,832
Disposal costs	-36	-45
Usable capital receipts	39,613	879

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

10 Housing Stock

The Council's housing stock at 31 March 2012 is analysed below by size and age:

	1 Bedroom	2 Bedrooms	3 Bedrooms	4+ Bedrooms	Total
By Size					
Houses/ Bungalows	2,796	5,847	4,788	351	13,782
Flats/ Bedsits and Maisonettes	6,934	2,173	115	0	9,222
	9,730	8,020	4,903	351	23,004
By Age					
Houses/ Bungalows	5,976	5,578	1,564	664	13,782
Flats/ Bedsits and Maisonettes	164	2,444	3,937	2,677	9,222
	6,140	8,022	5,501	3,341	23,004

ADDITIONAL FINANCIAL STATEMENTS
KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2011/12

11 Rent Arrears

Rent arrears have reduced over the year, as follows:

	2011/12	2010/11
	£000	£000
Rent Arrears	4,520	4,981
Less Bad Debt Provision	-2,603	-2,885
Net Rent Arrears	1,917	2,096

12 Housing PFI

In December 2011, the Council entered into a twenty two and a half year contract with Regenter Excellent Homes for Life for the design, build, financing and operation of a PFI contract to provide 466 units of HRA housing. The contractor has a licence from the Council to build and operate on Council sites.

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

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

The Council did not incur any costs or receive any PFI grant during 2011/12. Payment/receipt of these will commence during 2012/13.

Details of estimated payments due to be made are as follows:

	Service Charges £000	Interest Charges £000	Repayments of Liability £000	Total £000
In 2012/13	548	55	-267	336
Between 2013/14 and 2016/17	7,181	15,890	7,352	30,423
Between 2017/18 and 2021/22	12,098	20,601	11,685	44,384
Between 2022/23 and 2026/27	17,043	15,881	14,061	46,985
Between 2027/28 and 2031/32	17,895	9,803	21,244	48,942
Between 2032/33 and 2034/35	8,916	1,295	12,749	22,960
	63,681	63,525	66,824	194,030

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

The value of assets – there are no assets at 31 March 2012.

The value of liabilities – there are no liabilities at 31 March 2012.

13 Exceptional Items

2011/12

The Localism Act 2011 has introduced reforms which effectively ends the current Housing Subsidy system, and replaces it with a more self-sustaining financial regime going forward, whereby Council Housing Revenue Accounts retain all future rental income generated locally, to be spent on the provision of landlord services to tenants. Although not formally adopted until 1 April 2012, the DCLG repaid £31.4 million of the Council's housing debt on its behalf at the end of March 2012, in readiness for the reform's introduction.

The accounting treatment of this unusual transaction is in line with the guidance issued in Local Authority Accounting Panel Bulletin 92 issued by the Chartered Institute of Public Finance and Accountancy (CIPFA). Regulations require the Council to treat the settlement transaction (including a £7.7 million premium paid by DCLG for early redemption of the debt) as a capital receipt in its

ADDITIONAL FINANCIAL STATEMENTS
KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2011/12

accounts. In the Income and Expenditure Statement, the premium payment is included in the “Interest payable and similar charges” and the benefit the authority has received by having its debt repaid early is recorded as “Capital grants and contributions receivable”. There is also an entry in the Movement in the HRA Statement to recognise that the payment by DCLG for the derecognition of debt was a capital receipt.

2010/11

In 2010/11, there was a £244.3 million loss arising on revaluation of housing stock. This arose largely from an adjustment to a discount factor (issued by the DCLG) which is part of the valuation calculation. Because of the significance of this item, it was shown separately as an exceptional item in the CIES.

14 The Capital Asset Charges Accounting Adjustment

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

	2011/12	2010/11
	£000	£000
Interest costs (calculated in line with the Item 8 Determination)	10,448	10,303
Less Impairments/Revaluation gains and losses/REFCUS charges	-22,797	-244,217
The Capital Asset Charges Accounting Adjustment	-12,349	-233,914

ADDITIONAL FINANCIAL STATEMENTS
KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2011/12

COLLECTION FUND STATEMENT

The Collection Fund Statement shows the transactions of the billing council in relation to the collection from taxpayers and distribution to local authorities and Government of Council Tax and Non-Domestic Rates.

	£000	2011/12 £000	2010/11 £000	Note
<u>Income</u>				
Income from Council Tax		147,618	146,575	1
Transfers from General Fund -				
Council Tax Benefits		31,299	31,961	
Locally Defined Discount Pensioner Reduction		-16	766	
Income Collectable from Business Ratepayers		99,339	92,466	2
Contributions -				
Towards previous years' Collection Fund deficit		0	1,806	
Adjustment of previous years' Community Charges		2	0	
Total Income		278,242	273,574	
<u>Expenditure</u>				
Precepts and demands -				
Kirklees Council	155,939		155,224	
West Yorkshire Police	16,652		16,576	
West Yorkshire Fire	6,687	179,278	6,657	
Business Rate -				
Payment to national pool	98,723		91,842	
Cost of collection	616	99,339	624	
Allowance for impairment of debt		2,083	2,047	
Total Expenditure		280,700	272,970	
Movement on Fund Balance		-2,458	604	
Balance at 1 April		-1,712	-2,316	
Balance at 31 March		-4,170	-1,712	3

ADDITIONAL FINANCIAL STATEMENTS
KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2011/12

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.

Estimated at the start of the year							
Number of Chargeable Dwellings	2011/12			Band	2010/11		
	Band D Equivalent Dwellings	Average Council Tax £			Number of Chargeable Dwellings	Band D Equivalent Dwellings	Average Council Tax £
92	51	780.56		A (5/9)*	88	49	780.56
67,641	45,094	936.67		A (6/9)	67,611	45,074	936.67
29,228	22,733	1,092.78		B (7/9)	28,969	22,531	1,092.78
27,668	24,594	1,248.89		C (8/9)	27,594	24,528	1,248.89
14,447	14,447	1,405.00		D (9/9)	14,303	14,303	1,405.00
10,266	12,547	1,717.22		E (11/9)	10,271	12,554	1,717.22
4,512	6,517	2,029.44		F (13/9)	4,514	6,520	2,029.44
1,836	3,060	2,341.67		G (15/9)	1,839	3,064	2,341.67
86	172	2,810.00		H (18/9)	81	163	2,810.00
	129,215			Total		128,786	
	-1,615			Adjustments **		-1,769	
	127,600			Council Tax Base		127,017	

* Band A disabled ** Estimated losses on collection

ADDITIONAL FINANCIAL STATEMENTS
KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2011/12

2 National Non-Domestic Rates (NNDR)

NNDR is organised on a national basis. The Government specifies a multiplier (42.6p in 2011/12) 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:

	2011/12	2010/11
	£000	£000
Non-domestic rate income 2011/12 (average rateable value £284,843,541.50)	123,997	n/a
Non-domestic rate income 2010/11 (average rateable value £285,867,058.43)	n/a	118,211
Allowance and other adjustments (net)	-24,658	-25,745
	99,339	92,466

The actual non-domestic rateable value at 31 March 2012 was £285,756,966 (£286,729,022 at 31 March 2011).

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 and Rescue Authority in proportion to their precepts and demand on the Fund, again in subsequent financial years. The balance is split as follows:

	1 April 2011	Share of 2011/12 Surplus/Deficit	31 March 2012
	£000	£000	£000
Kirklees Council Community Charge Surplus	7	2	9
Kirklees Council – Council Tax Deficit	-1,495	-2,140	-3,635
Collection Fund Adjustment Account	-1,488	-2,138	-3,626
West Yorkshire Police Authority – Council Tax Deficit	-161	-228	-389
West Yorkshire Fire and Rescue Authority – Council Tax Deficit	-63	-92	-155
	-1,712	-2,458	-4,170

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.
- **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 is likely to be the case that Kirklees Henry Boot Partnership Limited will cease trading during 2012/13 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 notes to the Group Accounts.

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

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

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

KNH produce their own set of accounts with a year end date of 31 March. Copies of the accounts can be obtained from Kirklees Neighbourhood Housing, 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 2011/12, the Company made an operating deficit of £0.7 million (operating surplus £0.6 million 2010/11). The figures including the effects of IAS19 are an operating deficit of £1.0 million (operating surplus £2.6 million 2010/11).

As at 31 March 2012, the Company had net assets of £2.1 million (£2.8 million at 31 March 2011). The figures including the effects of IAS19 are net liabilities of £9.1 million (£3.6 million at 31 March 2011).

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 2011/12, 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 Financial Management, Risk & Performance.

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

In 2011/12, the Company made an operating loss of £23,000 (£17,000 operating loss in 2010/11).

As at 31 March 2012, the Company had net assets of £1.9 million (£2.1 million at 31 March 2011).

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 Financial Management, Risk & Performance.

At the time of consolidation of the Group Accounts, the KHBP accounts for 2011 were still being audited.

GROUP ACCOUNTS

KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2011/12

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%.

Given the nature of KSDL's business, the ideal time for preparing accounts is during the football close season, giving the company a year end date of 31 July. In order to achieve a consolidation consistent with the Council's Balance Sheet date, KSDL management have provided management accounts as at 31 March 2012.

Financial performance of joint ventures

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

	2011/12		2010/11	
	KHBP £000	KSDL £000	KHBP £000	KSDL £000
Income	9	733	8	744
Expenses	-15	-911	-20	-824
Fixed Assets	1,072	8,775	1,072	8,616
Current Assets	195	844	200	1,048
Liabilities < 1 year	-554	-906	-553	-762
Liabilities > 1 year	-2,116	-2,232	-2,116	-2,196
Accruals & Deferred Income	0	-261	0	-267

The Liabilities > 1 year for KHBP have been restated, as the Company has decided to re-present its loan from the Council as a short term creditor rather than equity. The short term liability figure was previously nil.

ASSOCIATES

Calderdale and Kirklees Careers Service Partnership (CKC)

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

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

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

Kirklees Music School (KMS)

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

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

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

Kirklees Theatre Trust (KTT)

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

The body is a charitable company limited by Guarantee. The Council has a significant influence within the company of 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.

GROUP ACCOUNTS**KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2011/12****Financial Performance of associates**

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

2011/12	CKC	KAL	KCA	KMS	KTT
	£000	£000	£000	£000	£000
Assets	367	399	5,845	253	1,245
Liabilities	-1,832	-742	-1,914	-20	-90
Revenues	870	1,152	747	962	297
Profit or Loss (-)	-17	15	528	-14	-36

2010/11	CKC	<i>CKC</i>	KAL	KCA	KMS	KTT	<i>KTT</i>
	£000	<i>£000</i>	£000	£000	£000	£000	<i>£000</i>
Assets	360	<i>(362)</i>	302	6,896	329	1,288	<i>(1,280)</i>
Liabilities	-1,325	<i>(-1,329)</i>	-496	-1,916	-67	-96	<i>(-93)</i>
Revenues	959	<i>(935)</i>	1,126	2,370	996	288	<i>(270)</i>
Profit or Loss (-)	391	<i>(389)</i>	157	2,208	-14	-48	<i>(-54)</i>

The figures in italics for CKC and KTT represent the final audited figures for 2010/11. The figures in the Group Accounts for 2010/11 were based on draft accounts and as none of the final amendments to the Company accounts were material, the Group Accounts have not been restated.

GROUP ACCOUNTS

KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2011/12

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 2010	19,171	55,552	26,964	7,000	19,037	19,939	147,663	617,753	765,416	-8,732	7,393	764,077
Movement in reserves during 2010/11												
Surplus or (deficit) on the provision of services	149,298	0	-215,797	0	0	0	-66,499	0	-66,499	-7,984	0	-74,483
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	149,298	0	-215,797	0	0	0	-66,499	251,569	185,070	-2,728	-538	181,804
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)	151,533	0	-230,916	0	0	0	-79,383	251,569	172,186	10,156	-538	181,804
Adjustments between account basis & funding basis under regulations	-131,255	0	235,245	-3,382	-5,854	2,232	96,986	-96,986	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	154,583	172,186	10,156	-538	181,804
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	154,583	172,186	10,156	-538	181,804
Balance at 31 March 2011 carried forward	18,680	76,321	31,293	3,618	13,183	22,171	165,266	772,336	937,602	1,424	6,855	945,881

GROUP ACCOUNTS

KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2011/12

	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 2011	18,680	76,321	31,293	3,618	13,183	22,171	165,266	772,336	937,602	1,424	6,855	945,881
Movement in reserves during 2011/12												
Surplus or (deficit) on the provision of services	-134,058	0	29,887	0	0	0	-104,171	0	-104,171	-12,877	0	-117,048
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	-168,953	-168,953	-5,172	-1,740	-175,865
Total Comprehensive Income and Expenditure	-134,058	0	29,887	0	0	0	-104,171	-168,953	-273,124	-18,049	-1,740	-292,913
Adjustments between group accounts and authority accounts	2,339	0	-14,481	0	0	0	-12,142	0	-12,142	12,142	0	0
Net Increase/Decrease before Transfers (group accounts only)	-131,719	0	15,406	0	0	0	-116,313	-168,953	-285,266	-5,907	-1,740	-292,913
Adjustments between account basis & funding basis under regulations	145,952	0	-13,522	0	-3,008	-5,836	123,586	-123,586	0	0	0	0
Net Increase/Decrease before Transfers to Earmarked Reserves	14,233	0	1,884	0	-3,008	-5,836	7,273	-292,539	-285,266	-5,907	-1,740	-292,913
Transfers to/from Earmarked Reserves	-2,860	2,860	0	0	0	0	0	0	0	0	0	0
Increase/Decrease in Year	11,373	2,860	1,884	0	-3,008	-5,836	7,273	-292,539	-285,266	-5,907	-1,740	-292,913
Balance at 31 March 2012 carried forward	30,053	79,181	33,177	3,618	10,175	16,335	172,539	479,797	652,336	-4,483	5,115	652,968

GROUP COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

	2011/12			2010/11		
	Gross Exp	Gross Income	Net Exp	Gross Exp Restated	Gross Income Restated	Net Exp Restated
	£000	£000	£000	£000	£000	£000
Children's and Education Services	470,684	332,402	138,282	505,906	402,728	103,178
Adults Social Care	139,139	42,461	96,678	139,686	38,781	100,905
Housing (HRA)	77,461	72,738	4,723	51,997	74,681	-22,684
Exceptional Item (HRA) – Revaluation losses on PPE	0	0	0	244,253	0	244,253
Housing (Non HRA)	133,877	116,566	17,311	127,688	110,894	16,794
Highways and Transport Services	56,890	13,372	43,518	57,961	13,019	44,942
Cultural	43,002	7,542	35,460	39,625	7,723	31,902
Environmental and Regulatory	36,322	6,834	29,488	38,484	7,233	31,251
Planning	29,248	9,901	19,347	31,322	12,307	19,015
Central services to the public	41,441	35,861	5,580	48,669	39,841	8,828
Other Services	4,148	3,703	445	5,434	5,164	270
Corporate and democratic core	8,091	0	8,091	8,672	93	8,579
Non distributed costs	1,375	233	1,142	4,813	0	4,813
Exceptional Item – Pension increases to CPI	0	0	0	-195,100	0	-195,100
Cost of Services	1,041,678	641,613	400,065	1,109,410	712,464	396,946
Other operating expenditure			108,263			14,151
Financing and investment income and expenditure:						
General			26,968			54,143
Exceptional			7,670			0
Taxation and non-specific grant income:						
General			-386,556			-388,485
Exceptional			-39,066			0
Deficit on Provision of Services			117,344			76,755
Associates and joint ventures accounted for on an equity basis			-293			-2,285
Tax expenses of subsidiaries			-3			13
Tax expenses of associates and joint ventures			0			0
Group Deficit			117,048			74,483
Surplus on revaluation of PPE			-30,472			-37,237
Surplus on revaluation of available for sale financial assets			-73			-385
Actuarial gains(-)/losses on pension asset/liabilities			204,153			-218,215
Share of other comprehensive income and expenditure of associates and joint ventures			2,257			-450
Other Comprehensive Income and Expenditure			175,865			-256,287
Total Comprehensive Income and Expenditure			292,913			-181,804

GROUP BALANCE SHEET

	31 March 2012 £000	31 March 2011 £000 Restated	31 March 2010 £000 Restated	Note
Property, Plant & Equipment	1,715,418	1,852,096	2,049,080	
Heritage Assets	34,701	27,629	27,644	
Investment Property	87,709	81,076	86,680	
Intangible Assets	2,062	2,650	3,740	
Long Term Investments	3,465	3,369	4,342	
Investments in Associates and Joint Ventures	10,136	11,470	9,831	
Long Term Debtors	32,405	32,155	31,334	
Long Term Assets	1,885,896	2,010,445	2,212,651	
Short Term Investments	5,906	15,773	12,932	
Inventories	2,514	2,470	2,277	
Short Term Debtors	59,024	59,737	75,276	
Assets Held for Sale	450	1,040	1,231	
Cash and Cash Equivalents	25,031	41,588	36,995	
Current Assets	92,925	120,608	128,711	
Cash and Cash Equivalents	-9,161	-10,339	-14,570	
Short Term Borrowing	-30,622	-33,208	-18,581	
Short Term Creditors	-72,369	-71,653	-88,473	
Other Short Term Liabilities	-2,812	-2,563	-2,891	
Provisions	-7,352	-23,024	-23,986	
Current Liabilities	-122,316	-140,787	-148,501	
Liabilities in Associates and Joint Ventures	-1,808	-1,161	-2,657	
Long Term borrowing	-471,494	-527,133	-525,066	
Other Long Term Liabilities	-730,235	-516,091	-901,061	
Long Term Liabilities	-1,203,537	-1,044,385	-1,428,784	
Net Assets	652,968	945,881	764,077	
Usable Reserves	168,056	166,690	138,930	
Unusable Reserves	484,912	779,191	625,147	2
Total Reserves	652,968	945,881	764,077	

GROUP CASH FLOW STATEMENT

	2011/12	2010/11
	£000	£000
		Restated
Net deficit on the provision of services	117,344	76,755
Adjustments to net deficit on the provision of services for non-cash movements	-197,826	-167,125
Adjustment for items included in the net deficit on the provision of services that are investing and financing activities	33,544	43,860
Net cash flows from Operating Activities	-46,938	-46,510
Investing Activities	33,805	59,535
Financing Activities	28,512	-21,849
Net increase (-) or decrease in cash and cash equivalents	15,379	-8,824
Cash and cash equivalents at the beginning of the reporting period	31,249	22,425
Cash and cash equivalents at the end of the reporting period	15,870	31,249

1 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.

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 Comprehensive Income and Expenditure Statement, 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.

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.

Prior Year Adjustments

All prior year adjustments from the single entity accounts are also presented in the Group Accounts. The 2010/11 Group Accounts were partly based on unaudited and management accounts. There have been no significant changes in the audited accounts which merit amendment to last year’s Group figures. However, as part of the 2011/12 accounts process, KHBP have restated 2010/11 figures, in terms of how it has presented a loan from the Council. This has resulted in Long Term Assets and Unusable Reserves figures on the Balance Sheet falling by £2.1 million.

2 Unusable Reserves

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

	Devco £000	KHBP £000	KSDL £000	KCA £000	Council £000	Total £000
Revaluation Reserve	559	0	0	19	252,963	253,541
Available for Sale Financial Instruments Reserve	0	69	0	0	127	196
Capital Adjustment Account	600	-305	4,173	0	873,446	877,914
Pensions Reserve	0	0	0	0	-628,086	-628,086
Other	0	0	0	0	-18,653	-18,653
Balance at 31 March 2012	1,159	-236	4,173	19	479,797	484,912

	Devco £000	KHBP £000 Restated	KSDL £000	KCA £000	Council £000 Restated	Total £000 Restated
Revaluation Reserve	723	0	0	1,595	269,269	271,587
Available for Sale Financial Instruments Reserve	0	69	0	0	54	123
Capital Adjustment Account	600	-305	4,173	0	946,223	950,691
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	-236	4,173	1,595	772,336	779,191

3 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 2011/12, KNH incurred costs of £2.2 million (2010/11 £2.2 million) for Council services including insurance and office accommodation. At 31 March 2012, £1.7 million was outstanding (£1.1 million at 31 March 2011).

The Council incurred costs of £13.9 million (2010/11 £14.7 million) in relation to KNH's management fee. At 31 March 2012, £0.7 million was outstanding (£1.6 million at 31 March 2011).

Kirklees Metropolitan Development Company Limited

Devco paid the Council £149,000 for service provision in 2011/12 (2010/11 £109,000). At 31 March 2012, a balance of £83,000 was owing to the Council (£54,000 at 31 March 2011).

During the same period, the Council incurred rent and service charges of £37,000 (2010/11 £41,000) 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 a secured loan of £4.2 million. No interest was incurred in the year on the outstanding loans (2010/11 £15,000). The Council charged the Company £20,000 (2010/11 £16,000) 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 (2010/11 £250,000). At the Balance Sheet date £0.2

million (2010/11 £0.2 million) was due from Henry Boot Group to KHBP in respect of an overpayment in relation to a land transfer.

At the Council's Balance Sheet date, £0.6 million (2010/11 £0.6 million) was due to the Council in respect of interest accrued and £0.5 million (2010/11 £0.5 million) in respect of the transfer of land at Healds Road, Dewsbury.

Kirklees Stadium Development Limited

The Council paid the Company a rental for the use of office space at the stadium. The Council vacated the accommodation during the year. In the year ended 31 March 2012, the Council paid rent of £0.1 million (2010/11 £0.2 million). The Council paid the company a further £0.1 million in various rents and maintenance in year ending 31 March 2012 (2010/11 £0.1 million). The Council also made a payment to KSDL of £1.3 million (2010/11 £0.3 million). £1.1 million of this was a capital grant reflecting the revised financial arrangements between the parties agreed in 2011 which will mean that the revenue support provided by the Council to KSDL will cease in 2013.

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 2011/12, CKC incurred costs of £0.2 million (2010/11 £0.1 million) for Council services. At 31 March 2012, £5,000 was outstanding (£40,000 at 31 March 2011).

The Council incurred costs of £2.7 million in 2011/12 (2010/11 £3.0 million) in relation to the contract agreement and other services in place. At 31 March 2012, £0.3 million was outstanding (£0.3 million at 31 March 2011).

Kirklees Active Leisure

During 2011/12, KAL incurred costs of £0.4 million (2010/11 £0.4 million) for Council services.

The Council incurred costs of £3.2 million in 2011/12 (2010/11 £3.8 million) in relation to services carried out on behalf of the Council.

Kirklees Community Association

During 2011/12, KCA incurred costs of £0.1 million (2010/11 £0.2 million) for Council services. At 31 March 2012, £46,000 was outstanding (£71,000 at 31 March 2011).

The Council provides an overdraft facility to KCA in relation to the Fieldhead project. At 31 March 2012 £3.2 million was outstanding (£2.8 million at 31 March 2011).

Kirklees Music School

During 2011/12, KMS incurred costs of £18,000 (2010/11 £13,000) for Council services.

The Council provided funding of £0.7 million in 2011/12 (2010/11 £0.7 million).

Kirklees Theatre Trust

During 2011/12, KTT received funding of £0.2 million (2010/11 £0.2 million) from the Council.

4 Notes to the Cash Flow Statement

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

KNH - The Company has a Net Cash Inflow of Operating Activities of £0.3 million.

Devco - The Company has a Net Cash Inflow of Operating Activities of £24,000 and an investment activity of £20,000 resulting in an increase in the cash figure of £44,000.

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 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 Loss

This is the amount by which an asset's carrying amount exceeds its recoverable amount, which is the higher of fair value less costs to sell (i.e. net selling price) and its value in use.

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.

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.

National Non-Domestic Rates (NNDR)

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

Non-distributed Costs

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

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. In subsequent years this discount is unwound by applying a market rate of interest, which will write up the value of the loan less any repayments of principal.

**INDEPENDENT AUDITOR'S REPORT TO THE
MEMBERS OF KIRKLEES COUNCIL****Opinion on the financial statements**

I have audited the financial statements of Kirklees Council for the year ended 31 March 2012 under the Audit Commission Act 1998. The financial 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 Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement and Collection Fund and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12.

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 Responsibilities, the Director of Resources is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, and for being satisfied that they give a true and fair view. My responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require 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 financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Council and Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Director of Resources; and the overall presentation of the financial statements. In addition, I read all the financial and non-financial information in the explanatory foreword to identify material inconsistencies with the audited financial 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 financial statements:

- give a true and fair view of the financial position of Kirklees Council as at 31 March 2012 and of its expenditure and income for the year then ended;
- give a true and fair view of the financial position of the Group as at 31 March 2012 and of its expenditure and income for the year then ended; and

- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12.

Opinion on other matters

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

Matters on which I report by exception

I report to you if:

- in my opinion the annual governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007;
- I issue a report in the public interest under section 8 of the Audit Commission Act 1998;
- I designate under section 11 of the Audit Commission Act 1998 any recommendation as one that requires the Council to consider it at a public meeting and to decide what action to take in response; or
- I exercise any other special powers of the auditor under the Audit Commission Act 1998.

I have nothing to report in these respects

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

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.

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 2011, 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 2012.

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 2011, 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 ended 31 March 2012.

Certificate

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

3 Leeds City Office Park,
Holbeck,
Leeds,
LS11 5BD

27 September 2012

KIRKLEES COUNCIL

ANNUAL GOVERNANCE STATEMENT 2011-12

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 during the year 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 Limited) and two joint venture companies (Kirklees Henry Boot Partnership 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 continue to be as follows:

- Enhance life chances for young people - working in partnership to improve educational attainment for the under 16s, and enable them to reach their full potential.
- Support older people to be healthy, active and included - focussing on preventative work, while empowering those with long term conditions to live independent lives to the full and be in control of making their own decisions.
- Lead Kirklees out of recession - making sure we emerge with a stronger economy and better paid jobs
- Provide effective and productive services - ensuring services are focused on the needs of the community and are excellent value for money

The system of internal control is a significant part of the governance 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 2012 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:

- a Leader and Cabinet model of governance. In accordance with a commitment at the previous Annual Council in 2011, the Leader put himself forward for election in 2012. No other nominations were put forward and so, accordingly, under current legislation, the current Leader of the Council continued in this role for the whole of the period covered by this Statement.
- 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 statutory S151 Officer is a professionally qualified accountant and reports directly to the Chief Executive as a member of the Director Group, as part of ensuring that the financial management arrangements conform with all of the governance requirements of the five principles that define the core activities and behaviours that belong to the role in the CIPFA Statement on *The Role of the Chief Financial Officer in Local Government (2010)*.
- a performance management system that identifies and reports the organisational achievement against planned actions, performance indicators and targets for consideration by Cabinet and Directors.
- a system for receiving, investigating and reporting the outcome of complaints from customers and service users.
- the Corporate Governance & Audit Committee (CGAC), which operates in accordance with best practice, including ensuring compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful, primarily by receiving an annual opinion on the internal control environment from the Head of Audit & Risk.
- incorporating good governance arrangements in respect of partnerships and other group working and reflecting these in the Council's overall governance arrangements. 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 senior 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. The Annual Report of Internal Audit 2011/12 concluded that the overall framework of the Council's business and financial systems, processes and its management of assets remains sound, and thus that overall the Council has an adequate and effective control environment.

Consequently, there is a responsibility to undertake an annual review of internal audit arrangements which is exercised through the CGAC. Internal Audit reports to the Committee, which oversees its work and also directly to service managers and directors on its specific 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. An independent review of the Council's system of internal audit undertaken at the end of the year concluded that it is effective and complies with CIPFA Standards, as reported in the 2011/12 Annual Report of Internal Audit.

Annual Council reviews the Constitution, taking account of recommendations from the CGAC as required. In 2011 the review resulted in revisions to the Council, Contract & Financial Procedure Rules and sundry amendments to a number of the Articles of the Constitution.

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, and comparative work suggests there is scope and opportunity for improvement.

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 2011-12, the findings of the 2010-11 review of the existing arrangements and overall framework were implemented. This concentrated on robustness in the planning and delivery of actions and targets to achieve priorities, effective quarterly and annual reporting of performance, and the performance management of employees.

To formalise current arrangements and working practices in the interests of transparency and good governance, Annual Council 2010 approved a revision to Article 13 of the Constitution, delegating 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, established to reflect the revised senior management structure, the associated boards have been refreshed to help drive the Council forward through a difficult period. The current Panels are as follows:

- Change Delivery Panel
- Organisational Development Panel
- People Management Panel

Other internal review and inspection agencies also monitor performance, policy and legislative compliance. The Local Government Ombudsman reported that she had no concerns about Council response times and there were no issues arising from the complaints reviewed in 2011/12 on which to comment further. The CGAC considers the outcome of the work of the external auditor and the findings of other review agencies and any action required are managed by Director Group.

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. Overall, the Council under spent its budget in 2011/12 by £17.8m, or 5.5%, against the £325.1m revenue budget. There was a Directorate under spend of £4.9m, or just 1.3%, excluding 'ring-fenced' budgets.

The CGAC reviewed the effectiveness and made recommendations for improvement as appropriate of various aspects of the Code of Corporate Governance during 2011-12, including the Petitions Scheme, Polling District / Station Review, the Amended Standards Regime (on member and co-optee conduct) and the establishment of the West Yorkshire Police & Crime Panel. The effectiveness of the Code was also subject to internal audit review and the areas examined that underpinned the Code were found to be operating satisfactorily, the main areas for improvement relating to the profile and embedding of the policies consistently across the Council. The means of delivering the Code and assurance about its effectiveness were issues requiring resolution to ensure that the CGAC meets its terms of reference on the matter, i.e. to undertake regular reviews and monitor operation and compliance. The profile of the Code is relatively low at present and this may detract from the transparency of the compilation process of this Statement and thus its message.

The Committee is also responsible for approving a draft of this Statement taking into account the level of assurance received in its compilation. The Committee gave its approval at the meeting of 20 July 2012.

We have been advised on the implications of the results of the review of the effectiveness of the governance framework by the CGAC, 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, to which the Council's response is also described.

- 1 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. From April 2013 the Government intends to change the Local Government Funding System, if present plans are enacted the current Formula Grant system will be abolished. The Council will keep 50% of the local business rate income and a baseline top-up payment to replace the abolished formula grant and the redistributed national non-domestic rate income we currently receive. That top up payment will grow in line with the retail price index up until 2020 when the system will be reviewed. There will be a safety net to support authorities who experience a steep decline in local business rate income. The details of this major change are still being worked on, but will clearly impact on our finances.

A balanced budget has been agreed as part of the MTFP but there are still a number of difficult decisions to be taken to determine priorities within the overall plan. The Council's strategy continues to be encompassed in a programme of organisational change to mitigate the impact of these financial reductions on front line services. The MTFP continues to assume that these initiatives will deliver significant savings to address the financial reductions. A Change Delivery Panel will assist and advise directors and members on the strategy to be followed.

At the full Council meeting in February 2012, the three main parties agreed a budget for providing local services over the next three years, which included the continuation of existing plans to reduce staff numbers previously discussed by members and part of the savings required in the range of service reviews taking place. By the end of the next financial year (2012-13) the Council will be more than half way through the plan to make £80 million savings in the budget, although the Chancellor's 2012 Budget implied that the budget deficit would continue to be a challenge up to 2017.

There remains a significant risk however, that failure to crystallise these improvements will yet impact upon front line service delivery. Risk examples include

- the review of procurement not yielding the total savings postulated,
- service review slippage, and
- the delivery of the Powerhouse project, as the outcome of the new IT Strategy, not leading to the planned fundamental change and associated savings in back office processes.

A number of key actions have now been put in place to speed the rate of completion and outcome.

- 2 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.

To manage this risk, Internal Audit devised its audit plan to help management ensure they stay focussed on the need for proper controls to remain in place.

- 3 There has been further planned integration of financial information, risk management and the reporting of performance output and outcome data during 2011-12. Budget and risk monitoring information is more effectively reflected and used in assessments of quarterly and annual performance.

The links in the reporting process are being developed further in 2012-13, including specific focus in the areas of supporting and driving Service review savings, to be overseen by the Change Delivery Panel, and the introduction of a revised and robust Value for Money framework. All of these actions will tighten the management of performance governance risks. In addition to the issue of Service Reviews, the new arrangements have highlighted that Capital Plan delivery has not achieved its target, particularly the disposal of some of our assets which has been due in the main to external factors e.g. the economy and investor confidence.

We continue to see increasing national demands for social care provision and this has been true locally, especially in relation to rate of increase in the numbers of children being received into care. There have also been additional pressures placed on social care by new research and guidance, inspectorate regimes or changes to legislation including Adoption procedures.

- 4 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.
- 5 The Council's housing management partner, KNH, failed to calculate the annual rent rise for 2011-12 correctly and the error was not identified until the end of the first quarter of the year, resulting in a substantial under recovery of rent plus associated remedial costs, totalling almost £700,000. KNH admitted liability in this matter and its Board agreed to meet this sum from Company Reserves, albeit that the Company is owned entirely by the Council.

An internal audit review identified several contributory factors which led both to the error occurring and going unnoticed for so long, as well as the overall management of the finance function within KNH. The KNH Management Team and Audit Committee have both committed the Company to addressing a series of agreed recommendations and a follow up audit in September 2012 will establish if these have been implemented accordingly. In the intervening period, the 2012-13 increase was applied successfully. Rent calculation is one of a number of grey areas where the Council has responsibility for a function but in practice it is undertaken by KNH under the terms of a Management Agreement. A more focussed lead under the renewed Agreement will help to provide more certainty and clarity to the relationship.

- 6 The impact of the recession locally has seen a significant rise in the number of reports and instances of suspected fraud and inappropriate behaviour by staff, customers and suppliers, as borne out by the local outcome of the National Fraud Initiative 2011-12. Savings identified exceeded £250,000 for the first time, principally related to undeclared pension income and student loans by benefit claimants. However, there is a clear need for a greater coordinated and more proactive approach, and a concern that our response is almost entirely reactive in nature. Corporate mechanisms exist for the report, recording and investigation of suspected cases but there is evidence that managers are investigating matters outside of this framework, leading to the lack of a consistent, independent, recorded and possibly robust approach.

A recent update of the Anti-Fraud, Anti-Corruption & Anti-Bribery Strategy affords the opportunity to raise the profile of the Council's stance and work in this area. More proactive data sharing and checking at the assessment stage of claimed entitlements is an additional control which the Audit Commission are considering making available to authorities, although this approach may impact further upon entitlement determination times.

- 7 The Council assumes responsibility for public health functions transferred from the Primary Care Trusts under the Department of Health's auspices in April 2013 with local authorities taking the lead for improving health and coordinating local efforts to protect the public's health and wellbeing and ensuring health services effectively promote population health. There remain a series of risks and issues to be clarified and resolved around the allocation and management of staff and resources, relationships, performance delivery and governance arrangements. There are a number of common themes in terms of areas of concern across the country that apply in Kirklees too, namely:

- Allocation of resources to the local authority for the implementation of the responsibilities the Council will inherit. In particular how that resource transfer will account for investment made by the PCT in public health since the baseline financial assessment was made;
- The lack of national guidance to govern staff transfers to the Local authority, NHS Commissioning Board or Public Health England;
- Concerns that delay in establishing NHSCB and PHE will affect the transfer of staff and resource within the current national timescales; and
- The need for an agreement across the cluster regarding the due diligence process.

Nevertheless, the Director of Public Health has been working closely with both Council and NHS colleagues to prepare for the shadow period that begins in October 2012. The Transition Plan has been developed to reflect local needs and in line with the NHS assurance check list. The Plan describes the approaches being adopted for the transition, the work streams of the programme, the governance arrangements, the main project areas, the key timescales and the key risks and issues. The Chief Executive signed it off on 14 March 2012.

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 improvements identified in this Statement will make our arrangements stronger.

A Lythgo
Chief Executive

M Khan
Leader of the Council