

KIRKLEES COUNCIL

STATEMENT OF ACCOUNTS 2013/2014

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

	Page
Explanatory Foreword	2
Statement of Responsibilities and Certificate	9
<u>Main Financial Statements</u>	
Statement of Movement in Reserves	10
Comprehensive Income and Expenditure Statement	11
Balance Sheet	12
Cash Flow Statement	13
<u>Notes to the Core Financial Statements</u>	
Index of Notes	14
Disclosures	15
<u>Additional Financial Statements</u>	
Housing Revenue Account Income and Expenditure Account and Statement of Movement on the Housing Revenue Account Balance	90
Collection Fund	97
<u>Group Accounts</u>	
Explanatory Foreword	100
Group Statement of Movement in Reserves	104
Group Comprehensive Income and Expenditure Statement	105
Group Balance Sheet	106
Group Cash Flow Statement	107
Notes to the Group Accounts	108
Glossary of Terms	112
<u>Audit Opinion</u>	116
<u>Annual Governance Statement</u>	119

Introduction

I am pleased to introduce the Council's Statement of Accounts for 2013/14. These accounts demonstrate the Council's financial performance for the year ended 31 March 2014. The accounts of such a large and diverse organisation are by their nature complex and technical, and the purpose of this explanatory foreword is to offer interested parties a more understandable guide to the most significant matters reported.

The Statement of Accounts contains four core accounting statements:

- **Movement in Reserves Statement (MIRS)**
- **Comprehensive Income and Expenditure Statement (CIES)**
- **Balance Sheet at 31 March 2014**
- **Cash Flow Statement**

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

This main section is followed by three supplementary statements:

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

The Council is required to keep separate accounts for HRA and Collection Fund by statute. Each of the above is preceded by notes explaining their purpose and followed by explanatory notes.

The accounts also include:

- **The Statement of Responsibilities for the Statement of Accounts** - sets out the respective responsibilities of the Council and the Director of Resources for the accounts.
- **The Statement of Accounting Policies** - explains the basis of the figures in the financial statements, and the concepts and policies underpinning the accounts.
- **The Annual Governance Statement** (only included in the audited version of the published accounts) - sets out a framework within which overall governance and internal control are managed and reviewed.

Wherever possible, technical accounting terms have been explained either in the main text or in the glossary at the back of this publication. The Council also produces a Summary Statement of Accounts which, whilst having no formal legal standing, aims to remove many of the technicalities of this publication and provide a simplified version of the Council's financial position. These are available at www.kirklees.gov.uk/accounts

Financial Performance of the Council

Revenue Budget

The Revenue Budget for 2013/14 was approved on 20 February 2013. The Budget was set as part of the Medium Term Financial Plan (MTFP) which covers the period 2013-16. The overriding context for the MTFP remained the challenging national economic climate. The 2010 Comprehensive Spending Review saw significant phased reductions in overall Central Government formula grant funding to Councils nationally – the specific impact to Kirklees equates to 27% less resources over the 2011-15 period. When combined with inflation and volume changes, the forecast savings requirement rises over the period to £64.0 million. Further national funding reductions announced in 2012 and further forecast reductions beyond 2015 add a further £32.0 million to the savings requirement by the end of 2015-16. The savings target for 2013/14 was £23.0 million.

A Budget of £336.3 million was set which included parish precepts of £0.4 million. This was to be funded by Revenue Support Grant (£108.6 million) and Business Rates Top-Up Grant (£20.4 million), Unringfenced Grants (£17.0 million), Local Share of Business Rates (£51.2 million), Council Tax (£132.7 million, net of a repayment for Collection Fund deficit balances) and a planned contribution from General Fund Balances of £6.4 million.

EXPLANATORY FOREWORD

KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2013/14

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 £4.5 million (2012/13 £9.6 million surplus).

An underspend of £12.3 million was reported to Council on 16 July 2014. This included total underspends of £10.9 million on Directorate budgets as follows:

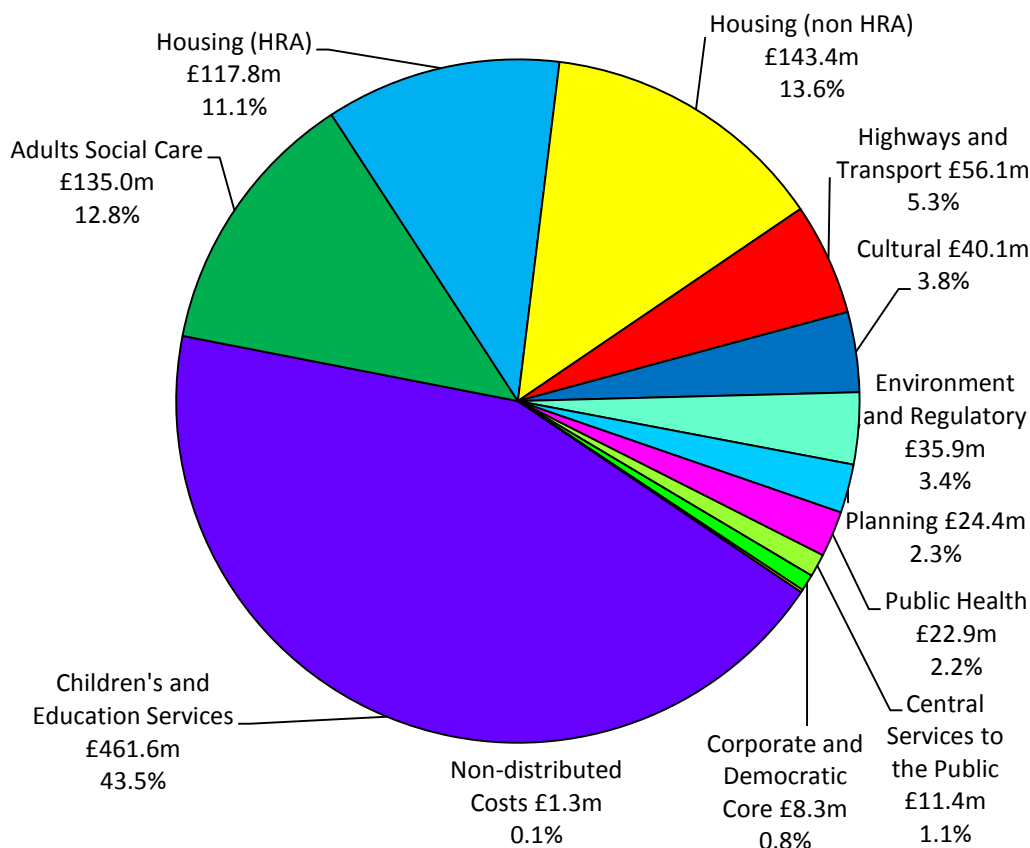
- Children and Adults - £4.5 million (1.8% on a net budget of £254 million);
- Place - £3.1 million (3.7% on a net budget of £84 million);
- Communities, Transformation and Change - £2.0 million (9.4% on a net budget of £21 million);
- Resources - £1.3 million (4.0% on a net budget of £32 million).

In addition, there was an underspend on Central Budgets (contingencies, treasury management, non-distributed costs) of £0.5 million and Council wide activity budgets (corporate priorities, area committees, energy) of £0.9 million.

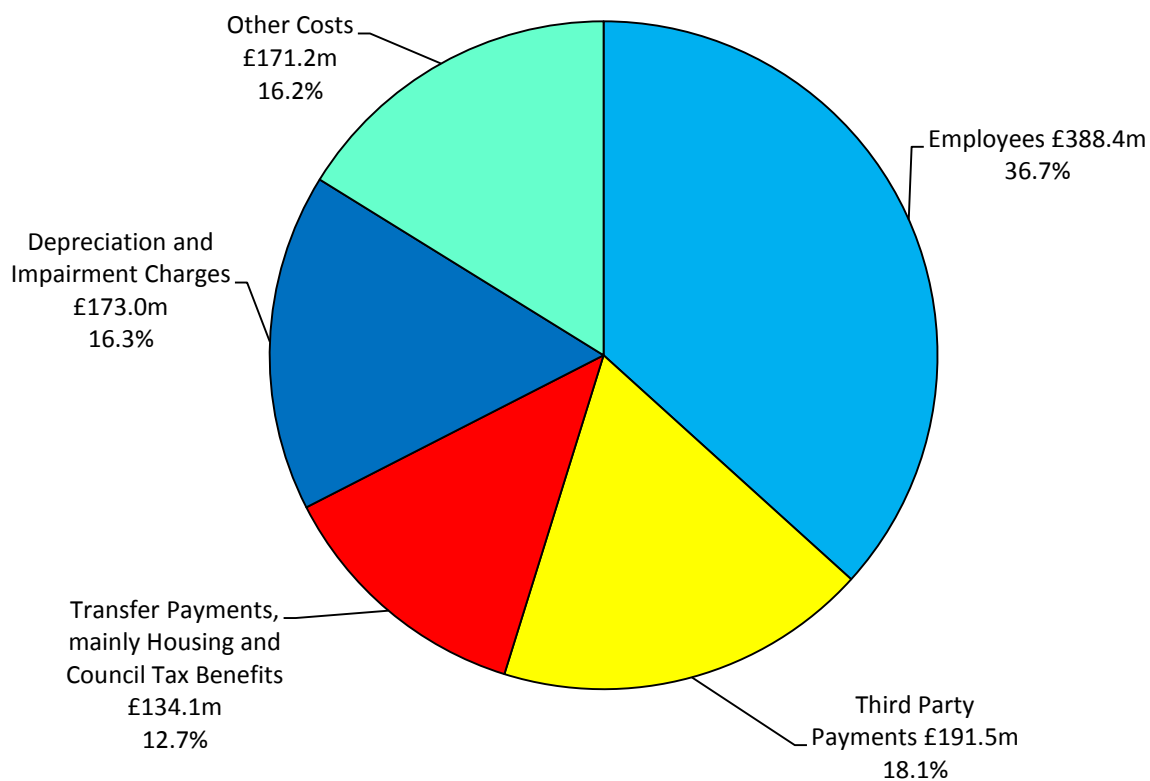
Many of the underspends reflect savings made early in preparation for planned savings requirement in the Council approved 2014/15 budget plans.

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

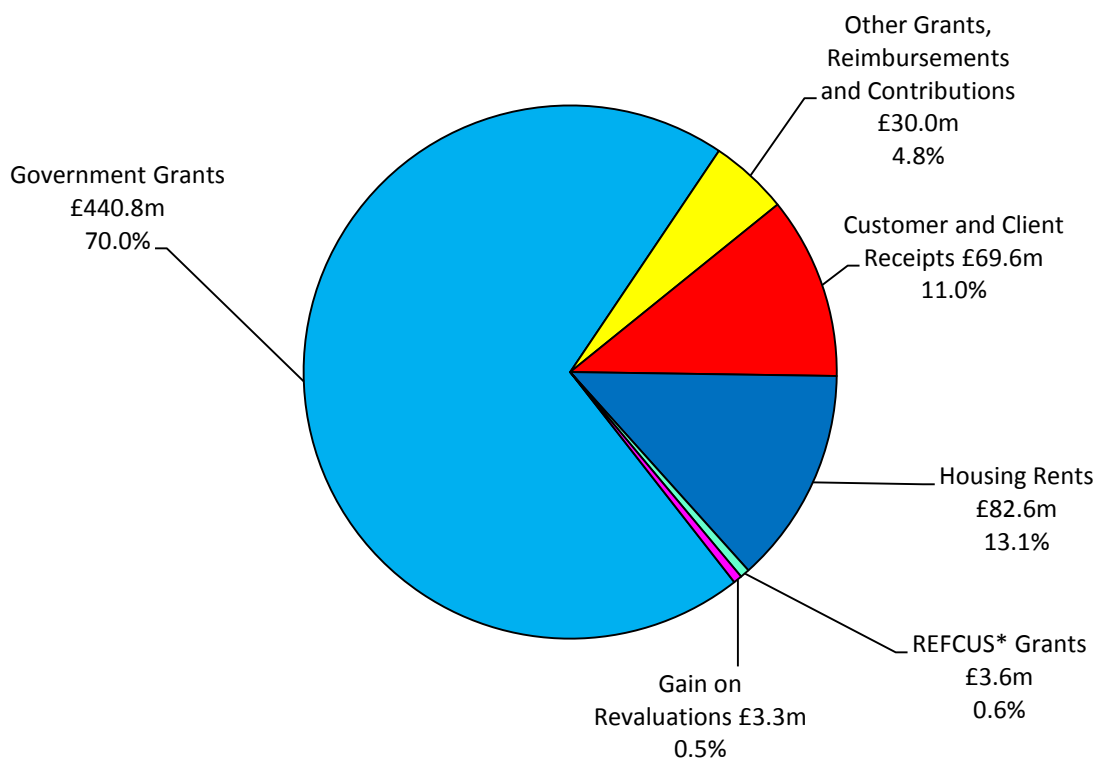
Gross revenue expenditure analysed by service (£1,058.2 million)



Gross revenue expenditure analysed by type (£1,058.2 million)



Income by type (£629.9 million)



*Revenue Expenditure Funded from Capital under Statute

Earmarked Reserves and Balances

The General Fund Balance at 31 March 2014 was £44.2 million, of which £5.0 million is required as the minimum level.

The Council's earmarked reserves increased by £6.9 million to £89.8 million. This includes a revenue grants reserve of £23.4 million. This was established in 2010/11 with the advent of International Financial Reporting Standards (IFRS). This is because all grants which do not have conditions (live) outstanding must now be recognised in the Comprehensive Income and Expenditure Statement (CIES) in the year, irrespective of whether the corresponding expenditure has been incurred. As such an appropriation is made to reserves to negate the effect on the General Fund Balance.

The remaining reserves cover specific areas of activity and risk and include an amount of £16.4 million (2012/13 £16.8 million) relating to schools' balances. Further details are contained in note 9 on page 40.

Housing Revenue Account (HRA)

The HRA Income and Expenditure Account shows an operating deficit for the year of £38.9 million (2012/13 operating deficit of £12.6 million). The deficits were primarily the result of losses arising from the revaluation of property. After taking account of various statutory adjustments in the Movement on the HRA Statement, the HRA Balance shows an increase of £1.0 million (2012/13 decrease of £1.2 million).

The HRA Balance stands at £33.0 million as at 31 March 2014 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 was fully utilised as at 31 March 2014 (31 March 2013 £8.4 million), being used to support capital expenditure and repay debt.

Collection Fund

For 2013/14, the Collection Fund showed an overall deficit of £4.4 million (2012/13 £0.9 million surplus), with an overall negative balance of £7.7 million as at 31 March 2014. There were two major changes in the incidence of responsibilities, affecting the administration of the Fund for 2013/14.

The first change saw councils adopt a local Council Tax Reduction Scheme, replacing the Council Tax Benefit Scheme. The Council consulted on a number of options and implemented a scheme which effectively clawed back a £3.3 million shortfall in Central Government funding. Council Tax made a £5.6 million surplus during the year, which moved the balance from a deficit of £3.3 million at the beginning of the year to a surplus balance of £2.3 million as at 31 March 2014. This balance will be shared between the Council and precepting authorities in future years (note C3 on page 99).

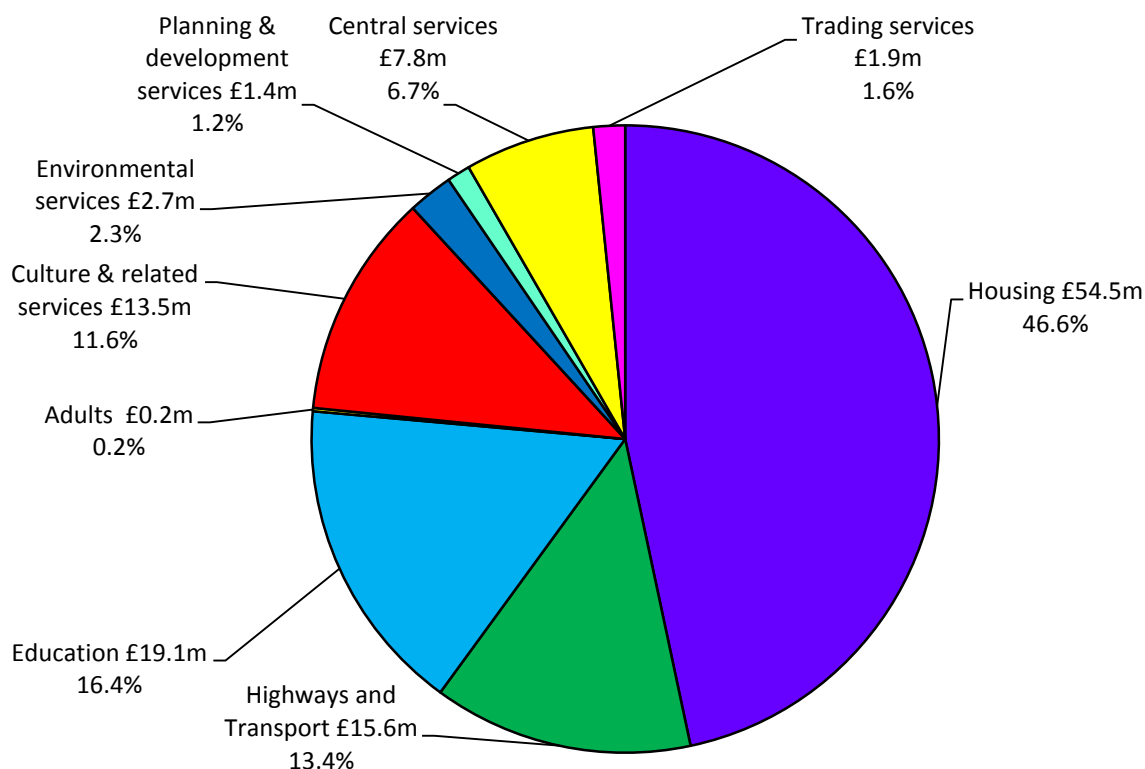
The second change was that national formula grant for business rates ceased from April 2013. This was replaced by a system where councils were allowed to retain 50% of business rates locally, together with a system of top-ups and tariffs to redistribute monies between high- and low-yield authorities. The Council is a top-up authority and was part of a regional pooling arrangement for 2013/14 – Leeds City Region Business Rates Pool. Business rates made a £10.1 million deficit in its first year of operation under the new rules. Much of this arose from the making of a provision for the first time for business rate appeals (£7.3 million). The deficit will be recovered in subsequent years from the Council, Central Government and West Yorkshire Fire and Rescue Authority (note C3 on page 99).

The percentage of Council Tax collected in year was 94.8% (2012/13 95.8%). The fall in the collection rate was mainly due to the introduction of the Council Tax Reduction Scheme which included a number of customers who had to pay for the first time. The Council's share of the arrears outstanding as at 31 March 2014 was £14.2 million (31 March 2013 £12.4 million). The percentage of Business Rates collected in the year was 96.5% (2012/13 96.4%). The Council's share of the arrears outstanding as at 31 March 2014 was £2.9 million (31 March 2013 £2.4 million).

Assets

The value of property, plant and equipment has decreased during the year by £123.8 million to £1,536.5 million. The fall is primarily due to losses on properties being revalued. In addition, the Council had heritage assets and investment properties valued at £35.7 million and £87.5 million respectively as at 31 March 2014 (2012/13 £36.3 million and £76.1 million).

The Capital Plan was approved on 20 February 2013 and was revised on 10 July 2013 to include unspent funds from 2012/13. The outturn budget, including PFI commitments, totalled £186.3 million compared with actual capital expenditure in 2013/14 of £116.7 million (2012/13 £105.9 million). Some of the underspend was a result of a technical accounting change on when PFI expenditure is recognised (£14.8 million). The expenditure is analysed by Service Area as follows:



The expenditure above was funded by borrowing £26.1 million, finance lease (PFI) £18.2 million, grants and contributions £28.5 million, capital receipts £4.4 million, Major Repairs Reserve £17.4 million, and revenue £22.1 million.

Current assets increased by £6.5 million mainly due to an increase in prepayments (payroll, housing benefits, public health and housing management fee). The Council's policy towards cash flow management is risk averse and all investments in 2013/14 have been placed short-term with a view towards security and liquidity. As at 31 March 2014, the Council held investments of £33.1 million within "cash equivalents", that is highly liquid deposits with an insignificant risk of change in value (31 March 2013 £29.7 million).

Liabilities

Current liabilities increased by £11.9 million in the year to £126.2 million. The increase is largely due to an increase in liabilities falling due with PFI contractors and deposits on pending property sales. As at 31 March 2014, the Council had total provisions (long-term and short-term) of £15.3 million (31 March 2013 £16.4 million). The movement between the years reflects the establishment for the first time of a provision relating to business rate appeals (£3.6 million), net of reductions in the provisions for insurance and equal pay/value claims.

Total external borrowing during the year decreased from £485.6 million to £467.5 million. There was no new long-term borrowing taken in the year. The average interest rate for external borrowing for 2013/14 was 5.1% (2012/13 5.2%).

The Balance Sheet also contains a net pensions liability (under Other Long Term Liabilities) of £448.4 million (31 March 2013 £707.9 million). This represents an actuarial assessment of the Council's share of the pension fund assets and the underlying commitment of the Council to pay future retirement benefits. The reduction in net liabilities of £259.5 million has arisen mainly because of a reduction in scheme liabilities (£218.4 million) largely due to changes in financial assumptions and liability experience.

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

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

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

Group performance

The Council's Group Accounts are made up of the accounts of the Council, two wholly owned subsidiaries, two joint venture companies and five associates. The group deficit for 2013/14 was £127.8 million (2012/13 group deficit £127.9 million restated).

Accounting and service developments affecting this year's accounts

In terms of accounting developments, there are two major changes to this year's Code – revisions to IAS19 Employee Benefits and service concessions (PFI arrangements). The former effects the calculation and presentation of pension figures in the CIES and requires additional pensions disclosures. The changes to service concession arrangements effectively means that assets acquired under PFI schemes are likely to be recognised earlier on the Balance Sheet, together with a corresponding liability. Both of these are changes to accounting policies and therefore require prior period adjustments. Details of the latter can be found in note 2.

On reviewing its existing accounting policies, the Council has also made changes to its policies regarding how it presents its accruals for interest on borrowings/investments and bank overdraft in the Balance Sheet. Both changes have required the previous year's figures to be restated and further details can be found in note 2.

In addition, the accounting for grants relating to Revenue Expenditure Funded from Capital under Statute (REFCUS) has been modified. From this year, where the grant has been recognised in the CIES but expenditure has not been incurred, the grant has been transferred to the Capital Grants Unapplied Account. Previous to this year, it has been held in an Earmarked Reserve. As the amounts involved are not material, a prior year adjustment has not been done.

There were two major developments affecting Collection Fund, as previously mentioned on page 5.

The Kirklees Primary Care Trust's (PCT) Public Health role transferred to the Council on 1 April 2013. The core responsibilities are health intelligence, health protection and commissioning for improving health and reducing health inequalities. Funding is by way of a ring fenced grant.

The Council agreed to make an additional pension contribution of £5.8 million in order to reduce its share of the deficit on the West Yorkshire Pension Fund and an additional £6.0 million revenue contribution towards funding this year's capital expenditure in order to reduce future borrowing requirements.

During 2013/14 there have been three more schools that have converted to Academy status and one to Trust status. Employees have been transferred to the new bodies together with assets valued at £23.1 million. The transfer of these Academies has also resulted in a reduction in revenue spending of £3.5 million and a corresponding amount of Dedicated Schools Grant.

The Council continually reviews its style and format of its accounts to try and make them more readable, and this year in particular a number of disclosures containing non-material amounts have been removed. This includes disclosures for Trust Funds, Inventories, Operating Leases where the Council is the lessee and Assets Held for Sale.

Future developments

Financial Planning

The October 2013 budget strategy update report summarised how the phased reductions on overall Central Government grant funding was impacting on the Council. Overall Council forecasts indicate a saving requirement of £129 million over the 2011-17 period. The Council had planned for and achieved savings of £63 million between 2011 and 2014, which leaves a balance of saving requirement of £66 million over the next three years. The Council is undergoing a comprehensive review of all aspects of expenditure in order to reshape the Council to ensure available resources best effect/support the Council's priorities and ensure the Council can live within its means for the foreseeable future.

There are also a number of changes/developments over the next couple of years which may have a significant impact on the finances of the Council -

- Proposed national welfare reforms and possible legislative changes on various aspects of the future of adult social care provision.
- The Department for Education previously 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 Education Funding Agency have transferred one project to its Capital Funding team for delivery, whilst the other two schemes will be provided through PFI contracts.
- Negotiations are currently going on with Central Government with regards financial support towards the creation of the West Yorkshire Transport Fund, which will generate 20,000 extra jobs and increase economy activity by £1 billion per year across the region. This is being driven by the West Yorkshire Combined Authority of which the Council is a partner.

Accounting

There are several changes to accounting standards for 2014/15, particularly in connection with group accounting arrangements. It is not considered that any will have a material impact on next year's accounts, although disclosures for group accounting arrangements are likely to be more extensive. However, CIPFA are currently reviewing the accounting for local authority maintained schools and it is possible that as part of this the Council's accounting treatment of church school assets will have to be reviewed and revised.

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 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 2013/14

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 2014.

David Smith
Director of Resources

26 September 2014

I certify that this Statement of Accounts was approved by the Corporate Governance and Audit Committee on 26 September 2014.

Hilary S Richards
Chair, Corporate Governance and Audit Committee

26 September 2014

MAIN FINANCIAL STATEMENTS
KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2013/14

STATEMENT OF MOVEMENT IN RESERVES

This statement shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The surplus or deficit on the provision of services' line shows the true economic cost of providing the Council's services, more details of which are shown in the Comprehensive Income and Expenditure Statement (CIES). These are different from the statutory amounts required to be charged to the General Fund Balance and Housing Revenue Account for Council Tax setting and dwellings rent setting purposes. The 'Net Increase/Decrease before Transfers to Earmarked Reserves' line shows the statutory General Fund Balance and the Housing Revenue Account Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council. Explanations and detailed movements of each reserve can be found in the Glossary and in Notes 8, 9 and 25.

	General Fund Balances £000	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	Note
	Restated		Restated				Restated	Restated	Restated	2
Balance at 31 March 2012	30,053	79,181	33,177	3,618	10,175	16,335	172,539	483,778	656,317	
Movement in reserves during 2012/13										
Deficit on the provision of services	-113,717	0	-12,597	0	0	0	-126,314	0	-126,314	
Other Comprehensive Income and Expenditure (see CIES)	0	0	0	0	0	0	0	-34,392	-34,392	
Total Comprehensive Income and Expenditure	-113,717	0	-12,597	0	0	0	-126,314	-34,392	-160,706	
Adjustments between accounting & funding basis under regulations (note 8)	127,166	0	11,442	4,094	-1,775	-553	140,374	-140,374	0	
Net Increase/Decrease (-) before Transfers to/from Earmarked Reserves	13,449	0	-1,155	4,094	-1,775	-553	14,060	-174,766	-160,706	
Transfers to/from Earmarked Reserves (note 9)	-3,801	3,801	0	0	0	0	0	0	0	
Increase/Decrease (-) in 2012/13	9,648	3,801	-1,155	4,094	-1,775	-553	14,060	-174,766	-160,706	
Balance at 31 March 2013 carried forward	39,701	82,982	32,022	7,712	8,400	15,782	186,599	309,012	495,611	
Movement in reserves during 2013/14										
Deficit on the provision of services	-86,044	0	-38,850	0	0	0	-124,894	0	-124,894	
Other Comprehensive Income and Expenditure (see CIES)	0	0	0	0	0	0	0	272,239	272,239	
Total Comprehensive Income and Expenditure	-86,044	0	-38,850	0	0	0	-124,894	272,239	147,345	
Adjustments between accounting & funding basis under regulations (note 8)	97,440	0	39,844	373	-8,400	4,252	133,509	-133,509	0	
Net Increase/Decrease (-) before Transfers to/from Earmarked Reserves	11,396	0	994	373	-8,400	4,252	8,615	138,730	147,345	
Transfers to/from Earmarked Reserves (note 9)	-6,867	6,867	0	0	0	0	0	0	0	
Increase/Decrease (-) in 2013/14	4,529	6,867	994	373	-8,400	4,252	8,615	138,730	147,345	
Balance at 31 March 2014 carried forward	44,230	89,849	33,016	8,085	0	20,034	195,214	447,742	642,956	

MAIN FINANCIAL STATEMENTS
KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2013/14

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.

	2012/13			2013/14			Note 2
	Gross Exp £000 Restated	Gross Income £000	Net Exp £000 Restated	Gross Exp £000	Gross Income £000	Net Exp £000	
Children's and Education Services	429,372	309,974	119,398	461,643	311,479	150,164	
Adults Social Care	133,773	41,856	91,917	135,005	43,360	91,645	
Housing (HRA)	85,712	81,684	4,028	117,784	90,933	26,851	
Housing (Non HRA)	140,922	124,397	16,525	143,381	123,741	19,640	
Highways and Transport	57,196	11,516	45,680	56,096	12,034	44,062	
Cultural	36,974	3,366	33,608	40,101	3,224	36,877	
Environmental and Regulatory	33,963	6,359	27,604	35,869	6,709	29,160	
Planning	25,758	12,713	13,045	24,378	12,116	12,262	
Central services to the public	41,903	35,303	6,600	11,488	3,096	8,392	
Corporate and democratic core	7,665	0	7,665	8,282	14	8,268	
Non distributed costs	1,625	134	1,491	1,288	43	1,245	
	994,863	627,302	367,561	1,035,315	606,749	428,566	
Public Health*	0	0	0	22,873	23,156	-283	
Cost of Services	994,863	627,302	367,561	1,058,188	629,905	428,283	
Other operating expenditure			75,910			26,346	10
Financing and investment income and expenditure			65,915			45,214	11
Taxation and non-specific grant income			-383,072			-374,949	12
Deficit on Provision of Services			126,314			124,894	
Surplus(-)/Deficit on revaluation of PPE and Heritage assets			-9,140			24,956	
Impairment losses on non-current assets to the Revaluation Reserve			147			66	
Surplus(-)/Deficit on revaluation of available for sale financial assets			2			-261	
Remeasurements of the net defined benefit liability			43,383			-297,000	
Other Comprehensive Income and Expenditure			34,392			-272,239	
Total Comprehensive Income and Expenditure			160,706			-147,345	

* On 1 April 2013 public health services were transferred from Kirklees Primary Care Trust.

MAIN FINANCIAL STATEMENTS
KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2013/14

BALANCE SHEET

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

	1 April 2012 £000 Restated	31 March 2013 £000 Restated	31 March 2014 £000	Note
Property, Plant & Equipment	1,723,894	1,660,288	1,536,532	13
Heritage Assets	34,701	36,333	35,700	14
Investment Property	87,709	76,054	87,452	15
Intangible Assets	2,062	3,819	5,382	16
Long Term Investments	3,951	3,986	1,242	
Long Term Debtors	32,405	28,871	28,802	18
Long Term Assets	1,884,722	1,809,351	1,695,110	
Short Term Investments	6,036	537	0	
Inventories	2,514	2,605	2,914	
Short Term Debtors	60,481	56,822	65,517	19
Assets Held for Sale	450	1,089	2,167	
Cash and Cash Equivalents	11,941	29,177	26,122	20
Current Assets	81,422	90,230	96,720	
Short Term Borrowing	-36,685	-33,498	-35,010	17
Short Term Creditors	-66,179	-73,395	-81,541	21
Other Short Term Liabilities	-1,229	-1,983	-5,072	
Provisions	-7,352	-5,400	-4,579	22
Current Liabilities	-111,445	-114,276	-126,202	
Long Term Borrowing	-471,494	-452,145	-432,451	17
Other Long Term Liabilities	-726,888	-837,549	-590,221	23
Long Term Liabilities	-1,198,382	-1,289,694	-1,022,672	
Net Assets	656,317	495,611	642,956	
Usable Reserves	172,539	186,599	195,214	24
Unusable Reserves	483,778	309,012	447,742	25
Total Reserves	656,317	495,611	642,956	

MAIN FINANCIAL STATEMENTS
KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2013/14

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.

	2012/13		2013/14	
	£000	£000	£000	£000
	Restated	Restated		Note
				2
Net deficit on the provision of services		126,314	124,894	
Adjustments to net deficit on the provision of services for non-cash movements		-226,751	-226,157	27
Adjustment for items included in the net deficit on the provision of services that are investing and financing activities		33,734	36,523	28
Net cash flows from Operating Activities		<u>-66,703</u>	<u>-64,740</u>	26
Net cash flows from Investing Activities				
Purchase of PPE, investment property and intangible assets	70,051		89,593	
Purchase of short-term and long-term investments	5,700		4,282	
Proceeds from the sale of PPE, investment property and intangible assets	-9,781		-10,712	
Proceeds from short-term and long-term investments	-14,391		-4,998	
Other receipts from investing activities	-27,005	24,574	<u>-30,433</u>	47,732
Net cash flows from Financing Activities				
Cash receipts of short and long-term borrowing	-35,754		-72,090	
Other receipts from financing activities	-9		-788	
Cash payments for the reduction for the outstanding liabilities relating to finance leases and PFI contracts	1,202		1,983	
Repayments of short and long-term borrowing	58,423		90,283	
Other payments for financing activities	1,031	24,893	<u>675</u>	20,063
Net increase (-)/ decrease in cash and cash equivalents		<u>-17,236</u>	<u>3,055</u>	
Cash and cash equivalents at the beginning of the reporting period		11,941	29,177	
Cash and cash equivalents at the end of the reporting period		29,177	26,122	20

NOTES TO THE CORE FINANCIAL STATEMENTS

KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2013/14

Index to Notes	Page
1. Accounting Policies	15
2. Prior Period Adjustments	29
3. Accounting Standards that have been issued but have not yet been adopted	34
4. Critical Judgements	34
5. Assumptions and Major Sources of Estimation Uncertainty	35
6. Exceptional items and Material items of Income and Expense	36
7. Events after Balance Sheet date	36
8. Adjustments between accounting basis and funding basis under regulations	37
9. Transfers to/from Earmarked Reserves	
<u>Notes Referring to Specific Items in the CIES</u>	
10. Other Operating Expenditure	41
11. Financing and Investment Income and Expenditure	41
12. Taxation and Non-Specific Grant Income	41
<u>Notes Referring to Specific Items in the Balance Sheet</u>	
13. Property, Plant and Equipment	42
14. Heritage Assets	45
15. Investment Properties	48
16. Intangible Assets	49
17. Financial Instruments	50
18. Long Term Debtors	55
19. Short Term Debtors	55
20. Cash and Cash Equivalents	56
21. Short Term Creditors	56
22. Provisions	56
23. Other Long Term Liabilities	57
24. Usable Reserves	57
25. Unusable Reserves	57
<u>Notes Referring to Specific Items in the Cash Flow Statement</u>	
26. Operating Activities	60
27. Adjustments to net surplus or deficit on the provision of services for non-cash movements	60
28. Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	60
<u>Other disclosures</u>	
29. Amounts Reported for Resource Allocation Decisions	61
30. Trading Operations	66
31. External Audit Costs	67
32. Pooled Funds	67
33. Officers' Remuneration	68
34. Deployment of Dedicated Schools Grant (DSG)	71
35. Grant Income	72
36. Related Party Transactions	73
37. Capital Expenditure and Capital Financing	74
38. Leases	75
39. Private Finance Initiative (PFI) Transactions	78
40. Pensions Disclosures	81
41. Contingent Liabilities	88
42. Contingent Asset	89

NOTES TO THE CORE FINANCIAL STATEMENTS

KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2013/14

1 Accounting Policies

General Principles

The Statement of Accounts summarises the Council's transactions for the 2013/14 financial year and its position at the year-end of 31 March 2014. 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 2013/14 (the Code) and the Service Reporting Code of Practice 2013/14, supported by International Financial Reporting Standards (IFRS).

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

Accruals of Income and Expenditure

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

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

Cash and Cash Equivalents

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

Cash and cash equivalents are shown net of bank overdrafts as the use of the latter is considered to be an integral part of cash management. This is a change of policy from 1 April 2013.

Charges to Revenue for Non-Current Assets

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

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

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

NOTES TO THE CORE FINANCIAL STATEMENTS

KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2013/14

Collection Fund

The transactions of the Collection Fund are wholly prescribed by legislation. The effect of this is:

- Shares of non-domestic rating income to major preceptors and a billing authority are paid out of the Collection Fund and credited to the CIESs of precepting and billing authorities. However, the transactions presented in the Collection Fund Statement are limited to the cash flows permitted by statute for the financial year, whereas each authority will recognise income on a full accruals basis (ie sharing out in full of surpluses and deficits at the end of the year, even though it will be distributed to or recovered in a subsequent financial year).
- The central share (after allowable deductions) of the non-domestic rating income is paid out of the Collection Fund to Central Government.
- Council tax precepts for major precepting authorities and a billing authority's demand on the fund are paid out of the Collection Fund and credited to CIESs of precepting and billing authorities. However, as with non-domestic rating income, the transactions presented in the Collection Fund Statement are limited to the cash flows permitted by statute for the financial year, whereas each authority will recognise income on a full accruals basis (ie sharing out in full of surpluses and deficits at the end of the year, even though it will be distributed to or recovered in a subsequent financial year).
- Parish precepts are paid from the General Fund of billing authorities and are disclosed on the notes to the CIES.
- The difference between the non-domestic rate and council tax income included in the CIES and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account and reported in the Movement in Reserves Statement.

Employee Benefits

Benefits Payable During Employment

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

An accrual is made for the cost of holiday and flexi-time entitlements earned by employees but not taken before the year-end, which employees can carry forward into the next financial year. The accrual is charged to the Surplus or Deficit on the Provision of Services, but then statutory regulations require this to be reversed out through the Movement in Reserves Statement, so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

Termination Benefits

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

Post Employment Benefits

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

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

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

The Teachers' Pension Scheme -

This scheme is unfunded, meaning it has no investment assets. The administrator uses a notional fund as the basis for calculating the employers' contribution rate by local education authorities. This means that liabilities for benefits cannot be identified specifically to the Council. The scheme is therefore accounted for as if it were a defined contribution scheme and no liability for future

NOTES TO THE CORE FINANCIAL STATEMENTS

KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2013/14

payments of benefits is recognised in the Balance Sheet. The Children's and Education Services line in the CIES is charged with the employer's contributions payable to Teachers' Pensions in the year.

The NHS Pension Scheme -

Staff transferred to the Council under the new arrangements for Public Health have retained access to the NHS Pension Scheme. This scheme also is unfunded and is accounted for on a defined contribution basis. The Public Health line in the CIES is charged with the employer's contributions payable to NHS Pensions in the year.

The Local Government Pension Scheme (LGPS) -

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

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

- The liabilities of the West Yorkshire Pension Fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – that is an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of projected earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate of 4.3% (based on UK AA rated bond prices compiled into a model by the Council's actuary Aon Hewitt Limited).
- The assets attributable to the Council are included in the Balance at their fair value.

The change in the net pensions liability is analysed into the following components:

- Service cost comprising:
 - Current service cost – the increase in liabilities as a result of years of service earned this year. Allocated in the CIES to the services for which the employees worked.
 - Past service cost – the increase in liabilities 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.
 - Net interest on the net defined benefit liability (asset) ie net interest expense for the Council – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the CIES. This is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period, taking account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.
- Remeasurements comprising –
 - The return on plan assets – excluding amounts included in net interest on the net defined benefit liability (asset). Charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
 - Actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because actuaries have updated their assumptions. Charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
- Contributions paid to the fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

The LGPS permits employees retiring to take an increase in their lump sum payment on retirement in exchange for a reduction in their future annual pension. The figures in this year's Statement of Accounts have been prepared by our actuary, based on the assumption that each member will exchange 75% of the maximum amount permitted of their service pension rights on retirement for additional lump sum.

In relation to retirement benefits, statutory provisions require the General Fund Balance to be charged with the amount payable by the Council to the pension fund or directly to pensioners in the

NOTES TO THE CORE FINANCIAL STATEMENTS

KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2013/14

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 Local Government Pension Scheme.

Events After the Balance Sheet Date

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

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

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.

Financial Instruments

Financial Liabilities

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

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

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

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

NOTES TO THE CORE FINANCIAL STATEMENTS

KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2013/14

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.

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

NOTES TO THE CORE FINANCIAL STATEMENTS

KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2013/14

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.

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. From 1 April 2014 this treatment also applies to grant relating to REFCUS. Prior to this, REFCUS grants unapplied were held in an Earmarked Reserve.

When capital grants have been applied, they are posted to the Capital Adjustment Account.

Heritage Assets

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

Recognition and Measurement

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

NOTES TO THE CORE FINANCIAL STATEMENTS

KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2013/14

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

- Fine Art Collection
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 and crafts, 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 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.

NOTES TO THE CORE FINANCIAL STATEMENTS

KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2013/14

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.

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

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.

NOTES TO THE CORE FINANCIAL STATEMENTS

KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2013/14

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

Leases

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

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

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

The Council as Lessee

Finance Leases:

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

Lease payments are apportioned between:

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

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

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

Operating Leases:

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

The Council as Lessor

Finance Leases:

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

NOTES TO THE CORE FINANCIAL STATEMENTS

KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2013/14

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 2013/14 (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.

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

NOTES TO THE CORE FINANCIAL STATEMENTS

KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2013/14

pass to the Council at the end of the contracts for no additional charge, the Council carries the assets used under the contracts on the Balance Sheet as part of Property, Plant and Equipment.

The Council has four PFI schemes –

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

The original recognition of the fixed assets was balanced by the recognition of a liability for amounts due to the scheme operator to pay for the assets. The liabilities on the schools' contracts were written down by initial capital contributions by the Council of £2.5 million on the first contract and £5.0 million on the second. The liability on the housing PFI has been written down by capital contributions of £8.5 million as at 31 March 2014.

Non current assets are recognised in the Balance Sheet when it is probable that future economic benefits or service potential associated with the item will flow to the Council and the cost/fair value of the item can be reliably measured. The assets are revalued and depreciated in the same way as Property, Plant and Equipment owned by the Council.

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

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

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

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

Property, Plant and Equipment

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.

NOTES TO THE CORE FINANCIAL STATEMENTS

KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2013/14

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

Measurement

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

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

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

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

NOTES TO THE CORE FINANCIAL STATEMENTS

KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2013/14

- Computer equipment 5 years

Where an item of Property, Plant and Equipment has a major component whose cost is significant in relation to the total cost of the item and whose life is significantly different from the life of the asset to which it is attached, the component is separately identified and depreciated.

The calculation of depreciation on the Council's housing stock is explained in the Notes to the HRA.

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

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to HRA housing disposals (75% for dwellings, 50% for land and other assets, net of statutory deductions and allowances) is payable to the Government. The balance of

NOTES TO THE CORE FINANCIAL STATEMENTS

KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2013/14

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.

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

NOTES TO THE CORE FINANCIAL STATEMENTS

KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2013/14

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

VAT

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

2 Prior Period Adjustments

There have been two major changes to the Code of Practice this year – revisions to IAS19 Employee Benefits and service concession arrangements. In addition, on reviewing its existing accounting policies, the Council has made changes regarding how it presents its borrowing/investments and bank overdraft in the Balance Sheet.

IAS19 Employee Benefits

The 2013/14 Code includes revisions to the recognition, measurement and disclosure requirements for employee benefits. The main change is its effect on the CIES and figures have been restated, reflecting that the expense recognised for funded benefits has increased by £25.141 million, correspondingly increasing the deficit on provision of services. There is a corresponding reduction to the actuarial losses on pension asset/liability line, meaning that there is no overall effect on the bottom line of the CIES (see below). The Movement on Reserves Statement has been restated to reflect the change to the deficit on provision of services and other comprehensive income and expenditure, together with notes on adjustments between accounting basis and funding basis under regulations, financing and investment income and expenditure, unusable reserves, amounts reported for resource allocation decisions, and pensions.

Additional disclosure requirements include:

- Details of actuarial gains/losses split between financial, demographic and experience.
- Additional information for defined benefit obligations e.g. average duration.
- Information on investing assets by the pension scheme, including matching assets to future liabilities.
- Additional information around multi-provider schemes.
- A sensitivity analysis of actuarial assumptions.

Service concession (PFI arrangements)

The 2013/14 Code includes augmentation of its provisions on service concessions (PFI). This has included new arrangements for assets under construction and effectively means that assets acquired under PFI schemes are likely to be recognised earlier in the Balance Sheet, together with the corresponding liability. As the Council's housing PFI scheme has been in an ongoing construction phase since early 2012, the accounts have had to be restated to reflect the recognition of the value of the units under construction as at the Balance Sheet date, rather than recognising the asset when completed. The Housing PFI accounting model has been recalculated to account for this change.

Thus, Balance Sheet values as at 1 April 2012 for PPE and other long term liabilities have increased by £6.306 million and £7.889 million respectively, together with a decrease of £1.583 million in short term liabilities. Similarly, Balance Sheet values as at 31 March 2013 for PPE and other long term liabilities have increased by £25.347 million and £28.417 million respectively, together with a decrease of £1.744 million and £1.327 million in short term liabilities and unusable reserves (the Capital Adjustment Account) respectively. These are reflected in the Balance Sheet restatement below.

The HRA Income and Expenditure Statement figures for 2012/13 have had to be restated to reflect an increase of £1.327 million in interest payable and deficit for the year, with a corresponding reduction in the Movement on the HRA Statement (provision for the financing of capital investment). These changes are also reflected in the Council's CIES (see below) and Movement in Reserves

NOTES TO THE CORE FINANCIAL STATEMENTS

KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2013/14

Statement. Disclosures for adjustments between accounting basis and funding basis under regulations, financing and investment income and expenditure, PPE, other long term liabilities, unusable reserves, amounts reported for resource allocation decisions, capital expenditure and capital financing, and HRA PFI have also been restated.

Presentation of borrowing and investments

In previous years' accounts, the Council has shown interest accrued on loans and investments within short term creditors and debtors, as appropriate. This practice is not compliant with the Code which states interest accrued on loans and investments must be shown as part of the value of loans and investments. The Council has now adopted this policy and has restated its Balance Sheet (see below). The main effect has been to move £6.043 million from short term creditors to short term borrowing as at 1 April 2012 and £6.164 million as at 31 March 2013. Certain tables in the financial instruments disclosure and the notes for short term debtors and creditors have also been restated to reflect these changes.

Presentation of bank overdraft

Having reviewed its accounting policy relating to the presentation of bank overdrafts, the Council has decided that it is more appropriate to net this item off against other bank deposits/current accounts rather than show it as a separate item on the balance sheet. The overdraft equates to BACs payments not yet cleared and cheques not yet presented at the bank. When these items are cleared or presented, amounts will be drawn down immediately from other accounts to negate any overdraft balance. The Balance Sheet has been restated to reflect this change of policy, moving £9.161 million as at 1 April 2012 and £9.116 million as at 31 March 2013 from current liabilities to the cash and cash equivalents line in current assets (see below). Certain tables in the financial instruments disclosure have been restated and the cash and cash equivalent note has been re-presented.

NOTES TO THE CORE FINANCIAL STATEMENTS

KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2013/14

Balance Sheet figures as at 1 April 2012 restated

	1 April 2012 £000 Original	HRA PFI £000	Interest Accruals £000	Bank Overdraft £000	1 April 2012 £000 Restated
Property, Plant & Equipment	1,717,588	6,306	0	0	1,723,894
Heritage Assets	34,701	0	0	0	34,701
Investment Property	87,709	0	0	0	87,709
Intangible Assets	2,062	0	0	0	2,062
Long Term Investments	3,951	0	0	0	3,951
Long Term Debtors	32,405	0	0	0	32,405
Long Term Assets	1,878,416	6,306	0	0	1,884,722
Short Term Investments	5,906	0	130	0	6,036
Inventories	2,514	0	0	0	2,514
Short Term Debtors	60,611	0	-130	0	60,481
Assets Held for Sale	450	0	0	0	450
Cash and Cash Equivalents	21,102	0	0	-9,161	11,941
Current Assets	90,583	0	0	-9,161	81,422
Cash and Cash Equivalents	-9,161	0	0	9,161	0
Short Term Borrowing	-30,642	0	-6,043	0	-36,685
Short Term Creditors	-72,222	0	6,043	0	-66,179
Other Short Term Liabilities	-2,812	1,583	0	0	-1,229
Provisions	-7,352	0	0	0	-7,352
Current Liabilities	-122,189	1,583	0	9,161	-111,445
Long Term Borrowing	-471,494	0	0	0	-471,494
Other Long Term Liabilities	-718,999	-7,889	0	0	-726,888
Long Term Liabilities	-1,190,493	-7,889	0	0	-1,198,382
Net Assets	656,317	0	0	0	656,317
Usable Reserves	172,539	0	0	0	172,539
Unusable Reserves	483,778	0	0	0	483,778
Total Reserves	656,317	0	0	0	656,317

NOTES TO THE CORE FINANCIAL STATEMENTS

KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2013/14

Balance Sheet figures as at 31 March 2013 restated

	31 March 2013 £000 Original	HRA PFI £000	Interest Accruals £000	Bank Overdraft £000	31 March 2013 £000 Restated
Property, Plant & Equipment	1,634,941	25,347	0	0	1,660,288
Heritage Assets	36,333	0	0	0	36,333
Investment Property	76,054	0	0	0	76,054
Intangible Assets	3,819	0	0	0	3,819
Long Term Investments	3,986	0	0	0	3,986
Long Term Debtors	28,871	0	0	0	28,871
Long Term Assets	1,784,004	25,347	0	0	1,809,351
Short Term Investments	509	0	28	0	537
Inventories	2,605	0	0	0	2,605
Short Term Debtors	56,850	0	-28	0	56,822
Assets Held for Sale	1,089	0	0	0	1,089
Cash and Cash Equivalents	38,293	0	0	-9,116	29,177
Current Assets	99,346	0	0	-9,116	90,230
Cash and Cash Equivalents	-9,116	0	0	9,116	0
Short Term Borrowing	-27,334	0	-6,164	0	-33,498
Short Term Creditors	-79,559	0	6,164	0	-73,395
Other Short Term Liabilities	-3,726	1,743	0	0	-1,983
Provisions	-5,400	0	0	0	-5,400
Current Liabilities	-125,135	1,743	0	9,116	-114,276
Long Term Borrowing	-452,145	0	0	0	-452,145
Other Long Term Liabilities	-809,132	-28,417	0	0	-837,549
Long Term Liabilities	-1,261,277	-28,417	0	0	-1,289,694
Net Assets	496,938	-1,327	0	0	495,611
Usable Reserves	186,599	0	0	0	186,599
Unusable Reserves	310,339	-1,327	0	0	309,012
Total Reserves	496,938	-1,327	0	0	495,611

NOTES TO THE CORE FINANCIAL STATEMENTS

KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2013/14

Comprehensive Income and Expenditure figures for 2012/13 restated

	Gross Exp £000	Net Exp £000	IAS19 £000	HRA PFI £000	Gross Exp £000	Net Exp £000
	Original	Original			Restated	Restated
Children's and Education Services	428,711	118,737	661	0	429,372	119,398
Adults Social Care	133,306	91,450	467	0	133,773	91,917
Housing (HRA)	85,712	4,028	0	0	85,712	4,028
Housing (Non HRA)	140,854	16,457	68	0	140,922	16,525
Highways and Transport	57,087	45,571	109	0	57,196	45,680
Cultural	36,761	33,395	213	0	36,974	33,608
Environmental and Regulatory	33,734	27,375	229	0	33,963	27,604
Planning	25,637	12,924	121	0	25,758	13,045
Central services to the public	41,777	6,474	126	0	41,903	6,600
Corporate and democratic core	7,622	7,622	43	0	7,665	7,665
Non distributed costs	1,625	1,491	0	0	1,625	1,491
	992,826	365,524	2,037	0	994,863	367,561
Public Health	0	0	0	0	0	0
Cost of Services	992,826	365,524	2,037	0	994,863	367,561
Other operating expenditure		75,910	0	0		75,910
Financing and investment income and expenditure		41,484	23,104	1,327		65,915
Taxation and non-specific grant income		-383,072	0	0		-383,072
Deficit on Provision of Services		99,846	25,141	1,327		126,314
Surplus on revaluation of PPE and Heritage assets		-9,140	0	0		-9,140
Impairment losses on non-current assets to the Revaluation Reserve		147	0	0		147
Surplus(-)/Deficit on revaluation of available for sale financial assets		2	0	0		2
Remeasurements of the net defined benefit liability		68,524	-25,141	0		43,383
Other Comprehensive Income and Expenditure		59,533	-25,141	0		34,392
Total Comprehensive Income and Expenditure		159,379	0	1,327		160,706

As the net deficit on the provision of services has changed, this has required the Cash Flow Statement figures for 2012/13 to be restated. The increase in the net deficit of £26.468 million is offset by an increase in "adjustments to net deficit on the provision of services for non-cash movements" of £25.141 million to £226.751 million and a reduction in "cash payments for the reduction for the outstanding liabilities relating to finance leases and PFI contracts" of £1.327 million to £1.202 million. Figures in the notes to the Cash Flow Statement have correspondingly been restated.

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

NOTES TO THE CORE FINANCIAL STATEMENTS

KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2013/14

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

The 2014/15 Code has introduced several changes in accounting policies which will be required from 1 April 2014. If these had been adopted for the financial year 2013/14, there would be no material changes to the financial statements, but disclosures on group accounting arrangements would be more extensive. The changes include the adoption of the following:

- IFRS 10 Consolidated Financial Statements
- IFRS 11 Joint Arrangements
- IFRS 12 Disclosure of Interests in Other Entities
- IAS 27 Separate Financial Statements (as amended in 2011)
- IAS 28 Investments in Associates and Joint Ventures (as amended in 2011)
- IAS 32 Financial Instruments: Presentation
- Annual Improvements to IFRS 2009-2011 Cycle

4 Critical judgements

In preparing the accounts, the Council has made judgements in applying its accounting policies in Note 1. Those which have a significant bearing on the figures recognised in the financial statements include:

- Schools – CIPFA are currently reviewing the accounting treatment for schools as it does not seem to be uniformly applied across all local authorities. In common with many authorities, the Council recognises ownership interests in community and voluntary controlled schools. The Council does not recognise academy, trust or voluntary aided schools on its balance sheet. Up to the point of schools being transferred to academy or trust status, their valuation on the balance sheet is based on continuing service potential.
- Grants – Where grant funding has been received, judgement has been made as to whether any conditions associated with the receipt of grant have been met or not. Where it is judged that conditions have been met, the grant is recognised in the CIES. Note 35 shows the details.
- Provisions – In calculating provisions, judgements have been made as to the certainty of a particular event happening giving rise to a liability and whether a reliable estimate can be made of that liability. Where this is not the case, the Council may disclose the issue as a contingent liability.
- Group Accounts – The Council has considered its relationships with a number of organisations and made a judgement as to its level of control and interest in these bodies. As a result, it has prepared Group Accounts, incorporating two subsidiaries, five associates and two joint ventures.
- Private Finance Initiatives (PFIs) – The Council has evaluated its four PFI schemes under the requirements of the Code and determined, irrespective of legal title, that the assets should be recognised on its balance sheet, together with a liability to pay for the assets. Note 39 in the Notes to the Core Financial Statements and note H11 to the HRA give further details for each scheme.
- Leases – All leases have been assessed to determine whether they should be classified as finance or operating leases. A number of tests have been applied and it has been determined that the Council has a number of finance leases where it is both lessor and lessee. Note 38 gives further details on lease treatment.
- Heritage Assets – The Code allows discretion over how to value heritage assets. The Council has made a judgement to value many of its heritage assets using insurance values. However, some assets, such as war memorials and certain museum exhibits, are not recognised on balance sheet because cost information is not available and it has been judged that the cost of obtaining valuations outweighs the benefits to users of the accounts. Note 14 gives more valuation details for heritage assets.
- Funding – There is a high degree of uncertainty about future levels of local authority funding. However, the Council has determined that this uncertainty is not yet sufficient to provide an indication that its assets might be impaired as a result of a need to close facilities and reduce levels of service provision.

NOTES TO THE CORE FINANCIAL STATEMENTS

KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2013/14

5 Assumptions and Major Sources of Estimation Uncertainty

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

The items in the Council's balance sheet at 31 March 2014 for which there is a significant risk of material adjustment within the next financial year are as follows:

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 £6.6 million for every year that the useful lives had reduced.
Provisions (including bad debts)	Provisions are made in accordance with the Code and IAS37, with the best estimate of the expenditure required to settle the obligation at the Balance Sheet date. The major provision is the organisational risk provision which comprises equal pay/value claims and insurance. The total value of provisions (including bad debts) as at 31 March 2014 was £30.7 million.	An increase in provisions (including bad debt provisions) of 10% would result in an additional revenue expense of £3.1 million.
Pensions Liability (note 40)	Estimation of the net liability to pay pensions depends on a number of complex judgements such as the discount rate used, the rate at which salaries are projected to increase, changes to mortality rates. A firm of qualified Actuaries is employed to provide the Council with expert professional advice about this specialised area. The net liability as at 31 March 2014 was £448.4 million.	The Actuaries provide information in relation to the sensitivity of the results to key assumptions and these are set out in a new disclosure within note 40.

NOTES TO THE CORE FINANCIAL STATEMENTS

KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2013/14

6 Exceptional Items and Material Items of Income and Expense

In 2013/14 the Council agreed to make an additional pension contribution of £5.8 million in order to reduce its share of the deficit on the West Yorkshire Pension Fund. This extra charge had little effect on the CIES, but is fully reflected in the figures for pensions in Movement in Reserves Statement and Balance Sheet. The Council also made an additional £6.0 million revenue contribution towards funding this year's capital expenditure. This had no effect on the CIES, but did decrease the "Adjustments between accounting and funding basis under regulations" figure for General Fund Balances in the Movement in Reserves Statement.

In addition, items of material income and expenditure not mentioned elsewhere are as follows:

Capital Charges – Revaluation Gains/Losses

Due to a change in estimation technique (see note 13) there have been large revaluations gains/losses on non-current assets.

Losses of £113.3 million (£47.4 million 2012/13) largely within:

- HRA £56.1 million (£29.0 million 2012/13) – mainly due to revaluing new PFI acquisitions as social housing
- Education £40.6 million (£2.8 million 2012/13)
- Investment Properties £7.3 million (£12.5 million 2012/13)
- Trading £4.4 million (nil 2012/13)

Gains of £24.1 million (£3.4 million 2012/13) largely within:

- Education £3.5 million (£0.5 million 2012/13)
- Investment Properties £20.4 million (£2.5 million 2012/13)

Academies

There was a full year effect reduction of £5.7 million in grant funding received for schools that have converted to Academy status in the last two years, with a corresponding decrease in schools expenditure.

Council Tax Benefit

The withdrawal of Central Government funding for council tax benefit (£31.9 million 2012/13) has resulted in a reduction of transfer payments (£31.6 million 2012/13) within Central Services to the Public. Council tax benefit is now accounted for as a reduced tax base within Collection Fund.

7 Events after Balance Sheet date

These accounts were authorised for issue on the date the Director of Resources signed the accounts – see Statement of Responsibilities and Certificate on page 9. The following non-adjusting events occurring between the Balance Sheet date and when the accounts were authorised for issue:

Schools converting to Academy Status

Since the Balance Sheet date, a further two schools have transferred to Academy status. One school is a voluntary aided school so the building and land are not recognised on the Council's balance sheet. The assets relating to the other school (net book value £12.3 million as at 31 March 2014) will be transferred off the Council's balance sheet in 2014/15. The Council will no longer receive Dedicated Schools Grant for either school (in total around £7.3 million).

In addition, a further school transferred to Trust status on 1 September 2014. Employees have been transferred to the Trust, together with assets valued at £10.6 million.

NOTES TO THE CORE FINANCIAL STATEMENTS

KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2013/14

8 Adjustments between accounting basis and funding basis under regulations

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

	Usable Reserves					
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£000 Restated	£000 Restated	£000	£000	£000	£000 Restated
2012/13						
<u>Adjustments involving the Capital Adjustment Account (CAA):</u>						
Charges for depreciation and impairment of non-current assets	54,393	0	0	15,165	0	-69,558
Amortisation of Intangible Assets	750	0	0	0	0	-750
Revaluation losses on PPE	5,830	29,008	0	0	0	-34,838
Revaluation gains on PPE	-847	-6	0	0	0	853
Movements in the market value of Investment Properties	10,678	-636	0	0	0	-10,042
Revenue expenditure funded from capital under statute (REFCUS)	9,411	0	0	0	0	-9,411
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	77,665	2,505	0	0	0	-80,170
Capital grants and contributions applied	-13,243	-824	0	0	0	14,067
Capital grants and contributions applied (REFCUS)	-3,886	0	0	0	0	3,886
Deferred Income written down - Waste PFI	-537	0	0	0	0	537
Provision for the financing of capital investment	-26,015	1,639	0	0	0	24,376
Capital expenditure charged against balances	-2,511	-15,411	0	0	0	17,922
Donated asset - income	-4,458	0	0	0	0	4,458
<u>Adjustments involving the Capital Grants Unapplied Account:</u>						
Capital grants and contributions unapplied and credited to the CIES	-12,760	0	0	0	12,760	0
Application of grants to capital financing transferred to the CAA	0	0	0	0	-13,313	13,313
<u>Adjustments involving the Capital Receipts Reserve:</u>						
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the CIES	-2,019	-4,889	6,908	0	0	0
Financing new capital expenditure	0	0	-4,167	0	0	4,167
Contribution towards administrative costs of asset disposals	125	53	-178	0	0	0
Contribution to finance the payments to the Government capital receipts pool	1,415	0	-1,415	0	0	0
Cash receipts from the repayment of capital loans given	0	0	11,763	0	0	-11,763
Used to repay debt (transfer to CAA)	0	0	-11,710	0	0	11,710
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	0	0	2,893	0	0	-2,893
<u>Adjustment 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	1	0	0	0	0	-1

NOTES TO THE CORE FINANCIAL STATEMENTS
KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2013/14

	Usable Reserves					
	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
	Restated	Restated				Restated
2012/13 cont.						
<u>Adjustment involving the Major Repairs Reserve:</u>						
Financing of new capital expenditure (transfer to CAA)	0	0	0	-10,681	0	10,681
Used to repay debt (transfer to CAA)	0	0	0	-6,259	0	6,259
<u>Adjustment involving the Financial Instruments Adjustment Account:</u>						
Amount by which finance costs charged to the CIES are different from those required by statutory regulations	-470	3	0	0	0	467
<u>Adjustments involving the Pensions Reserve:</u>						
Reversal of items relating to retirement benefits debited or credited to the CIES	73,155	0	0	0	0	-73,155
Employer's pensions contributions and direct payments	-36,677	0	0	0	0	36,677
<u>Adjustments involving the Collection Fund Adjustment Account:</u>						
Amount by which council tax income credited to the CIES is different from that required by statutory regulations	-748	0	0	0	0	748
<u>Adjustment involving the Accumulated Absences Account:</u>						
Amount by which officer remuneration charged to the CIES on an accruals basis is different from that required by statutory regulations	-2,086	0	0	0	0	2,086
Total Adjustments 2012/13	127,166	11,442	4,094	-1,775	-553	-140,374
2013/14						
<u>Adjustments involving the Capital Adjustment Account (CAA):</u>						
Charges for depreciation and impairment of non-current assets	58,555	0	0	15,274	0	-73,829
Amortisation of Intangible Assets	1,225	0	0	0	0	-1,225
Revaluation losses on PPE	48,575	56,104	0	0	0	-104,679
Revaluation gains on PPE	-3,366	-164	0	0	0	3,530
Movements in the market value of Investment Properties	-12,685	-420	0	0	0	13,105
Revenue expenditure funded from capital under statute (REFCUS)	7,339	0	0	0	0	-7,339
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	25,516	3,321	0	0	0	-28,837
Capital grants and contributions applied	-11,059	-651	0	0	0	11,710
Capital grants and contributions applied (REFCUS)	-2,787	0	0	0	0	2,787
Deferred Income written down - Waste PFI	-537	0	0	0	0	537
Provision for the financing of capital investment	-25,056	634	0	0	0	24,422
Capital expenditure charged against balances	-7,748	-14,392	0	0	0	22,140
Donated asset - income	-1,515	0	0	0	0	1,515
Other	3,102	0	0	0	0	-3,102

NOTES TO THE CORE FINANCIAL STATEMENTS
KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2013/14

	Usable Reserves					Movement in Unusable Reserves
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	
2013/14 cont.	£000	£000	£000	£000	£000	£000
<u>Adjustments involving the Capital Grants Unapplied Account:</u>						
Capital grants and contributions unapplied and credited to the CIES	-18,232	0	0	0	18,232	0
Application of grants to capital financing transferred to the CAA	0	0	0	0	-13,980	13,980
<u>Adjustments involving the Capital Receipts Reserve:</u>						
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the CIES	-1,730	-4,660	6,390	0	0	0
Financing new capital expenditure	0	0	-4,373	0	0	4,373
Contribution towards administrative costs of asset disposals	68	17	-85	0	0	0
Contribution to finance the payments to the Government capital receipts pool	1,631	0	-1,631	0	0	0
Cash receipts from the repayment of capital loans given	0	0	4,303	0	0	-4,303
Used to repay debt (transfer to CAA)	0	0	-4,257	0	0	4,257
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	0	0	26	0	0	-26
<u>Adjustment 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	1	0	0	0	0	-1
<u>Adjustment involving the Major Repairs Reserve:</u>						
Financing of new capital expenditure (transfer to Capital Adjustment Account)	0	0	0	-17,415	0	17,415
Used to repay debt (transfer to CAA)	0	0	0	-6,259	0	6,259
<u>Adjustment involving the Financial Instruments Adjustment Account:</u>						
Amount by which finance costs charged to the CIES are different from those required by statutory regulations	-522	55	0	0	0	467
<u>Adjustments involving the Pensions Reserve:</u>						
Reversal of items relating to retirement benefits debited or credited to the CIES	79,671	0	0	0	0	-79,671
Employer's pensions contributions and direct payments	-42,250	0	0	0	0	42,250
<u>Adjustments involving the Collection Fund Adjustment Account:</u>						
Amount by which council tax and non-domestic rating income credited to the CIES is different from that required by statutory regulations	31	0	0	0	0	-31
<u>Adjustment involving the Accumulated Absences Account:</u>						
Amount by which officer remuneration charged to the CIES on an accruals basis is different from that required by statutory regulations	-787	0	0	0	0	787
Total Adjustments 2013/14	97,440	39,844	373	-8,400	4,252	-133,509

NOTES TO THE CORE FINANCIAL STATEMENTS

KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2013/14

9 Transfers to/from Earmarked Reserves

This note sets out the amounts set aside in earmarked reserves to provide financing for future expenditure plans. No earmarked reserves have been set up for the HRA.

	Balance at 31 March 2012	Transfers Out 2012/13	Transfers In 2012/13	Balance at 31 March 2013	Transfers Out 2013/14	Transfers In 2013/14	Balance at 31 March 2014
Local Management of Schools	18,401	-1,611	0	16,790	-396	0	16,394
Insurance	4,000	-2,500	0	1,500	0	0	1,500
Organisational Risk	9,306	-4,278	2,500	7,528	0	0	7,528
Workforce Restructure	16,919	-2,249	0	14,670	0	513	15,183
Health and Social Care	4,066	0	2,688	6,754	0	3,259	10,013
Rollover	0	0	5,142	5,142	-2,238	1,456	4,360
PFI	3,188	-44	0	3,144	0	300	3,444
Revenue Grants	17,129	-5,812	9,322	20,639	-7,460	10,236	23,415
Other	6,172	-1,980	2,623	6,815	-3,204	4,401	8,012
Total	79,181	-18,474	22,275	82,982	-13,298	20,165	89,849

- 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 2014 represents 153 schools with cumulative balances of £16.8 million (166 schools and £17.2 million at 31 March 2013) and 14 schools with cumulative deficits amounting to £0.4 million (6 schools and £0.4 million at 31 March 2013).
- 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 Organisational Risk Reserve covers a range of potential costs highlighted in the Council's corporate risk assessment, including those covering certain contingent liabilities. This is linked into the reserves and balances strategy agreed as part of the Medium Term Financial Plan.
- The Workforce Restructure Reserve has been set up to cover one-off costs from the Council's redundancy programme.
- The Health and Social Care Reserve to support future expenditure on health and social care issues.
- The Rollover Reserve has been set up to deal with deferred spend commitments against approved Rollover.
- The PFI Reserve has been set up to fund the prepayments to the contractors, established from the PFI contract models.
- The Revenue Grants Reserve represents grants recognised in CIES before expenditure has been incurred. As expenditure is incurred monies will be released from the reserve.

NOTES TO THE CORE FINANCIAL STATEMENTS

KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2013/14

10 Other Operating Expenditure

	2012/13	2013/14
	£000	£000
Parish council precepts	460	412
Levies	142	161
Payment to Government Housing Capital Receipts Pool	1,415	1,631
Losses on the disposal of non-current assets*	73,053	23,374
Gains on impairment of asset held for sale	0	-100
Derecognition of Academies' Balances	840	868
Total	75,910	26,346

*This includes three schools converting to academy status with a further one converting to trust status in 2013/14. The assets relating to the schools were transferred from the Council's balance sheet, resulting in a £23.1 million loss on disposal (2012/13 £72.8 million).

11 Financing and Investment Income and Expenditure

	2012/13	2013/14
	£000	£000
	Restated	
Interest payable and similar charges	32,188	33,067
Net interest on the net defined benefit obligation	28,921	30,090
Interest receivable and similar income	-2,152	-1,870
Income and expenditure in relation to investment properties and changes in fair value	8,644	-15,578
Trading	-1,038	259
Dividend Income	-648	-754
Total	65,915	45,214

12 Taxation and Non-Specific Grant Income

	2012/13	2013/14
	£000	£000
Council tax income	-154,916	-137,652
Non domestic rates	-147,239	-46,237
Non-ring fenced government grants	-49,096	-162,333
Capital grants and contributions	-31,821	-28,727
Total	-383,072	-374,949

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

NOTES TO THE CORE FINANCIAL STATEMENTS
KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2013/14

13 Property, Plant and Equipment (PPE)

Movement in 2012/13	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant Furniture and Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total Property, Plant and Equipment £000	PFI Assets Included in PPE £000
							Restated	Restated	Restated
Cost or Valuation									
At 1 April 2012	498,431	1,048,964	40,561	312,352	8,915	10,130	9,340	1,928,693	182,442
Additions	44,028	20,683	5,789	14,408	624	6	20,079	105,617	41,270
Donations	0	4,458	0	0	0	0	0	4,458	0
Revaluation increases/ decreases(-) recognised in the Revaluation Reserve	-205	-17,194	0	0	0	25	0	-17,374	-205
Revaluation decreases recognised in the Deficit on the Provision of Services	-44,009	-6,527	0	0	0	-351	0	-50,887	-17,926
De-recognition – disposals	-2,341	-80,349	-3,741	-185	0	-1,381	0	-87,997	-16,036
De-recognition – other	0	0	0	0	0	0	0	0	0
Assets reclassified to Held for Sale	-637	-242	0	0	0	-1,221	0	-2,100	0
Other movements in cost or valuation	1,765	-6,883	0	-490	-74	5,963	1,839	2,120	1,764
At 31 March 2013	497,032	962,910	42,609	326,085	9,465	13,171	31,258	1,882,530	191,309
Accumulated Depreciation and Impairment									
At 1 April 2012	0	-68,315	-20,308	-114,169	-1,578	-429	0	-204,799	-13,008
Depreciation charge	-15,016	-32,535	-5,148	-15,155	-1,166	-347	0	-69,367	-5,807
Depreciation written out to the Revaluation Reserve	0	24,815	0	0	0	20	0	24,835	0
Depreciation written out to the Deficit on the Provision of Services	15,016	2,493	0	0	0	136	0	17,645	0
Impairment losses recognised in the Revaluation Reserve	0	0	0	0	0	-147	0	-147	0
Impairment losses recognised in the Deficit on the Provision of Services	0	0	0	0	0	-140	0	-140	0
De-recognition – disposals	0	5,427	3,496	186	0	546	0	9,655	1,580
De-recognition – other	0	0	0	0	0	0	0	0	0
Other movements in depreciation and impairment	0	621	0	0	0	-545	0	76	0
At 31 March 2013	0	-67,494	-21,960	-129,138	-2,744	-906	0	-222,242	-17,235
Net Book Value									
at 31 March 2012	498,431	980,649	20,253	198,183	7,337	9,701	9,340	1,723,894	169,434
at 31 March 2013	497,032	895,416	20,649	196,947	6,721	12,265	31,258	1,660,288	174,074

NOTES TO THE CORE FINANCIAL STATEMENTS
KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2013/14

Movement in 2013/14	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant Furniture and Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total Property, Plant and Equipment £000	PFI Assets Included in PPE £000
							Restated	Restated	Restated
Cost or Valuation									
At 1 April 2013	497,032	962,910	42,609	326,085	9,465	13,171	31,258	1,882,530	191,309
Additions	43,382	20,743	2,337	17,130	892	-268	17,537	101,753	28,604
Donations	0	1,515	0	0	0	0	0	1,515	0
Revaluation increases/ decreases(-) recognised in the Revaluation Reserve	-275	-48,868	0	0	0	146	0	-48,997	-29,018
Revaluation decreases recognised in the Deficit on the Provision of Services	-71,058	-59,738	0	0	0	-1,227	0	-132,023	-44,585
De-recognition – disposals	-2,746	-25,966	-3,946	-108	0	-1,584	0	-34,350	-12,611
De-recognition – other	0	-1,380	0	0	0	-34	0	-1,414	0
Assets reclassified to Held for Sale	-982	-969	0	0	0	0	0	-1,951	0
Other movements in cost or valuation	26,657	-2,497	0	0	0	2,586	-24,618	2,128	3,705
At 31 March 2014	492,010	845,750	41,000	343,107	10,357	12,790	24,177	1,769,191	137,404
Accumulated Depreciation and Impairment									
At 1 April 2013	0	-67,494	-21,960	-129,138	-2,744	-906	0	-222,242	-17,235
Depreciation charge	-15,112	-34,752	-5,511	-15,839	-1,262	-378	0	-72,854	-5,548
Depreciation written out to the Revaluation Reserve	0	24,420	0	0	0	86	0	24,506	13,974
Depreciation written out to the Deficit on the Provision of Services	15,112	15,761	0	0	0	21	0	30,894	3,029
Impairment losses recognised in the Revaluation Reserve	0	-55	0	0	0	-11	0	-66	0
Impairment losses recognised in the Deficit on the Provision of Services	0	-903	0	0	0	-21	0	-924	0
De-recognition – disposals	0	2,828	3,342	108	0	278	0	6,556	2,009
De-recognition – other	0	1,380	0	0	0	34	0	1,414	0
Other movements in depreciation and impairment	0	180	0	0	0	-123	0	57	0
At 31 March 2014	0	-58,635	-24,129	-144,869	-4,006	-1,020	0	-232,659	-3,771
Net Book Value									
at 31 March 2013	497,032	895,416	20,649	196,947	6,721	12,265	31,258	1,660,288	174,074
at 31 March 2014	492,010	787,115	16,871	198,238	6,351	11,770	24,177	1,536,532	133,633

NOTES TO THE CORE FINANCIAL STATEMENTS

KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2013/14

Revaluations

The Authority carries out a rolling valuation programme which ensures that all PPE required to be measured at fair value is revalued at least every five years. All valuations this year were carried out by external valuers - General Fund properties by Wilks Head & Eve and HRA properties by the District Valuer. The valuers hold the appropriate qualification required and belong to the Royal Institute of Chartered Surveyors. The valuations of land and buildings were carried out on 1 April 2013 and in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institute of Chartered Surveyors.

There was a net reduction in the PPE values of £125.6m as the result of revaluations. The effect of the losses has been split between the revaluation reserve and the deficit on provision of services. More detail of the latter is shown in note 6 on material items of income and expenditure.

A large part of the losses is the result of a change in valuer for General Fund properties (from internal to external). The change has resulted in the use of different estimation techniques and has resulted in major losses on DRC school valuations in particular. Previous valuations were based on lower rates for age and obsolescence for different parts of the building and also made allowances for where refurbishment had taken place. However, the new method of valuation assumes build rates depreciate 1% every year after the first 10 years up to a cap of 50% to ensure valuation consistency and places less emphasis on making allowances for recent refurbishment work. Land was previously valued as residential, but in this year's valuations has been valued as development land which has restricted use. A further reason for the losses relate to PFI Excellent Homes for Life being completed during the year and being revalued as social housing.

	Council Dwellings	Other Land & Buildings	Vehicles, Plant, Furniture and Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Carried at historical cost	0	15,493	16,871	198,238	6,351	0	24,177	261,130
Carried at fair value as at:								
2013/14	492,010	220,208	0	0	0	2,519	0	714,737
2012/13	0	139,273	0	0	0	705	0	139,978
2011/12	0	160,807	0	0	0	3,254	0	164,061
2010/11	0	124,480	0	0	0	2,733	0	127,213
2009/10	0	126,854	0	0	0	2,559	0	129,413
Total	492,010	787,115	16,871	198,238	6,351	11,770	24,177	1,536,532

Capital Commitments

In February 2014, the Council approved a capital programme of £100.3 million for 2014/15, which includes £8.9 million for PFI partners capital expenditure. A further £280.9 million of capital investment, subject to review, was also approved for the following four years. This covers expenditure on PPE, investment properties, intangible assets and revenue expenditure funded from capital under statute. The Council has a significant contractual commitment with the building of a new sports centre in Huddersfield (£35.5 million). Construction started in May 2013 and is due to be completed in 2015.

NOTES TO THE CORE FINANCIAL STATEMENTS
KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2013/14

14 Heritage Assets

	Fine Art Collection	Museums and Galleries Exhibits	Other	Total Assets
	£000	£000	£000	£000
<u>Movement in 2012/13</u>				
Cost or Valuation				
At 1 April 2012	28,067	3,431	3,284	34,782
Additions	0	0	4	4
Revaluation increases recognised in the Revaluation Reserve	1,485	0	194	1,679
At 31 March 2013	29,552	3,431	3,482	36,465
Accumulated Depreciation				
At 1 April 2012	0	0	-81	-81
Depreciation charge	0	0	-51	-51
At 31 March 2013	0	0	-132	-132
<u>Movement in 2013/14</u>				
Cost or Valuation				
At 1 April 2013	29,552	3,431	3,482	36,465
Additions	0	0	28	28
Revaluation increases recognised in the Revaluation Reserve	-410	-235	36	-609
At 31 March 2014	29,142	3,196	3,546	35,884
Accumulated Depreciation				
At 1 April 2013	0	0	-132	-132
Depreciation charge	0	0	-52	-52
At 31 March 2014	0	0	-184	-184
Net Book Value				
at 31 March 2012	28,067	3,431	3,203	34,701
at 31 March 2013	29,552	3,431	3,350	36,333
at 31 March 2014	29,142	3,196	3,362	35,700

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 includes wide ranging collections from the dawn of time to present day of local, regional, national and international significance.

The Council has a "Collections Development Policy" which gives details on how the collections are managed through review, rationalisation, acquisition, disposal, care, conservation and documentation. The Policy is approved by Council and is reviewed at least once every five years.

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

NOTES TO THE CORE FINANCIAL STATEMENTS

KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2013/14

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.

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 galleries 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' (currently valued at £1.5 million).

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 (£19.0 million 31 March 2013). 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 (£2.0 million 31 March 2013). Being donated assets, both paintings have conditions placed upon them. Total value of donated assets as at 31 March 2014 is £23.1 million (£23.2 million 31 March 2013).

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.

NOTES TO THE CORE FINANCIAL STATEMENTS

KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2013/14

Other Heritage Assets

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

The Civic Silver Collection consists of 388 items, mainly comprising of chains and pendants of office, maces and silverware. 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.

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 2014 is £1.7 million (£1.6 million 31 March 2013). 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 £0.9 million (£0.9 million 31 March 2013).

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 are valued by internal valuers and are reported in the Balance Sheet at depreciated replacement cost. The value of these structural assets as at 31 March 2014 is £1.2 million (£1.2 million 31 March 2013). 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 2013/14

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:

	2012/13	2013/14
	£000	£000
Rental income from investment property	-3,218	-3,286
Direct operating expenses arising from investment property	1,640	1,816
Net gain	-1,578	-1,470
Net gains(-)/losses from fair value adjustments	10,042	-13,105
Net gains(-)/losses on disposals of assets	180	-1,003
Income and expenditure in relation to investment properties and changes in fair value	8,644	-15,578

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:

	2012/13	2013/14
	£000	£000
Balance at 1 April	87,709	76,054
Additions	1,692	522
Disposals	-1,110	-101
Net gains/losses(-) from fair value adjustments	-10,042	13,105
Transfers to Property, Plant and Equipment	-2,195	-2,128
Balance at 31 March	76,054	87,452

NOTES TO THE CORE FINANCIAL STATEMENTS

KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2013/14

16 Intangible Assets

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

Intangible assets are initially measured at cost. Amounts are only revalued where the fair value of the assets held by the Council can be determined by reference to an active market. In practice, no intangible asset held by the Council meets this criterion, and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life (usually between 5 and 10 years) on a straight line basis.

Amortisation of £1.2 million was charged to CIES in 2013/14 (£0.8 million in 2012/13). Amortisation in relation to the Council's group wide technology is charged to the Information Technology service and then recharged as an overhead to user services. Other intangibles are charged directly to the front line services.

	2012/13 £000	2013/14 £000
Balance at 1 April		
Gross carrying amounts	4,612	6,152
Accumulated amortisation	-2,550	-2,333
Net carrying amount at 1 April	2,062	3,819
Additions - Purchases	2,507	2,788
Amortisation for the period	-750	-1,225
Net carrying amount at 31 March	3,819	5,382
Comprising:		
Gross carrying amounts	6,152	8,773
Accumulated amortisation	-2,333	-3,391
	3,819	5,382

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

	Carrying amount 31 March 2013	Carrying amount 31 March 2014	Remaining Amortisation Period
Core integrated IT system	2,175	4,447	4

In 2012/13 the Council entered into a contract for the replacement of the human resources, financial, payroll and procurement systems into a single core IT system. The system became operational in November 2013. There are no significant contractual commitments relating to intangible assets for 2014/15.

NOTES TO THE CORE FINANCIAL STATEMENTS

KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2013/14

17 Financial Instruments

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

	31 March 2013		31 March 2014	
	Long-term £000 Restated	Current £000 Restated	Long-term £000	Current £000
Investments and cash				
Loans and receivables				
Principal at amortised cost	3,102	15,325	126	19,278
Accrued interest	0	28	0	19
Available-for-sale financial assets				
Principal at amortised cost	759	**14,879	758	13,790
Accrued interest	0	0	0	5
Fair value adjustments	125	0	358	0
Other net cash items	0	-518	0	-6,970
Total Investments	3,986	29,714	1,242	26,122
Debtors*				
Loans and receivables				
	28,871	3,173	28,802	2,900
Financial assets carried at contract amounts	0	36,422	0	41,945
Total Debtors	28,871	39,595	28,802	44,845
Borrowings				
Loans at amortised cost				
Principal sum borrowed	451,766	27,347	432,057	29,646
Accrued interest	0	6,164	0	5,378
Adjustments for Effective Interest Rate (EIR)	379	-13	394	-14
Total Borrowings	452,145	33,498	432,451	35,010
Other Long Term Liabilities				
Financial liabilities at amortised cost	113,189	1,982	126,344	5,072
Total other long term liabilities	113,189	1,982	126,344	5,072
Creditors				
Financial liabilities carried at contract amounts	0	73,395	0	81,541
Total Creditors	0	73,395	0	81,541

* Debtors - amounts relating to such things as council tax, non-domestic rates etc are outside the scope of the accounting provisions for financial instruments as they are statutory debts and do not arise from contracts.

** This amount relates to Money Market Funds which have been re-categorised as available-for-sale assets from loans and receivables.

Material Soft Loans made by the Council

The Council provided support in 2009/10 to Kirklees College's Waterfront Development with a loan. The loan is secured against the assets of the College and the loan is charged at the cost of the borrowing to the Council plus a small margin to cover administration. The fair value of the loan is arrived at by adding a margin of 1.75% to reflect risk. The loan is being repaid on an annuity basis and the College will repay the full amount advanced by 2034/35.

The Council has provided interest free loans to Kirklees' householders in respect of renewable energy works. The loans are secured as a fixed charge on the householder's properties (that is the loans are recoverable when the householder sells the property). In addition, the Council has provided interest free loans for redevelopment of private housing in Ravensthorpe. The loans are

NOTES TO THE CORE FINANCIAL STATEMENTS

KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2013/14

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.

Movements on soft loans are detailed as follows:

	College £000	Renewable Energy £000	Private Housing Redevelopment £000	Total £000
Balance at 1 April 2012	18,983	1,448	207	20,638
Loans repaid	-530	-16	-42	-588
Unwinding of discount	167	94	23	284
Balance at 31 March 2013	18,620	1,526	188	20,334
Loans repaid	-557	-16	0	-573
Unwinding of discount	169	98	10	277
Balance at 31 March 2014	18,232	1,608	198	20,038
Nominal value at 31 March 2013	21,835	2,424	261	24,520
Nominal value at 31 March 2014	21,278	2,408	261	23,947

Income, Expense, Gains and Losses

	Financial Liabilities measured at amortised cost £000 Restated	Financial Assets: Loan and receivables £000	Financial Assets: Available for Sale £000	Total £000 Restated
2012/13				
Interest expense	32,176	0	0	32,176
Losses on derecognition	12	0	0	12
Impairment losses	0	455	0	455
Total expense in Deficit on the Provision of Services	32,188	455	0	32,643
Interest income	0	-2,152	0	-2,152
Gains on derecognition	0	0	0	0
Total income in Deficit on the Provision of Services	0	-2,152	0	-2,152
Gains on revaluation	0	0	0	0
Losses on revaluation	0	0	2	2
Net gain(-)/loss for the year	32,188	-1,697	2	30,493
2013/14				
Interest expense	33,054	0	0	33,054
Losses on derecognition	13	0	0	13
Impairment losses	0	2,234	0	2,234
Total expense in Deficit on the Provision of Services	33,067	2,234	0	35,301
Interest income	0	-1,870	0	-1,870
Gains on derecognition	0	0	0	0
Total income in Deficit on the Provision of Services	0	-1,870	0	-1,870
Gains on revaluation	0	0	-261	-261
Losses on revaluation	0	0	0	0
Net gain(-)/loss for the year	33,067	364	-261	33,170

NOTES TO THE CORE FINANCIAL STATEMENTS

KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2013/14

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 2013		31 March 2014	
	Carrying amount £000 Restated	Fair value £000 Restated	Carrying amount £000	Fair value £000
Borrowings				
PWLB	357,576	453,929	338,211	406,415
LOBOs	107,848	147,850	107,838	130,967
Loan Stock	7,253	16,054	7,252	14,226
Other borrowing	12,966	12,966	14,160	14,160
	485,643	630,799	467,461	565,768
PFI, Transferred Debt & Finance Lease Liabilities				
Liabilities	115,171	125,937	131,416	133,883
Creditors	73,395	73,395	81,541	81,541
	674,209	830,131	680,418	781,192
Investments and cash				
Loans and Receivables	33,334	33,006	19,423	19,423
Available for Sale	884	884	14,911	14,911
Other net cash items	-518	-518	-6,970	-6,970
	33,700	33,372	27,364	27,364
Long-term debtors	28,871	34,839	28,802	34,144
Short-term debtors	39,595	39,595	44,845	44,880
	102,166	107,806	101,011	106,388

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

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

The fair value of liabilities is more than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the rates available for similar loans at the Balance Sheet date. This shows a notional future loss (based on economic conditions at 31 March 2014) arising from a commitment to pay interest to lenders above current market rates.

The Council has several equity instruments, which have no quoted market price. The companies are either joint ventures or ones undertaking PFI contracts at the Council. The value of shares in the Balance Sheet as at 31 March 2014 was £1.1 million (£0.9 million 31 March 2013). The values are derived from using discounted cash flow techniques or in one case based on an in-house assessment of net assets, including a professional valuation of shares owned by the company.

NOTES TO THE CORE FINANCIAL STATEMENTS

KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2013/14

Nature and Extent of Risks Arising from Financial Instruments

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

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

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

Credit risk

Credit risk arises from deposits with banks and other financial institutions, as well as credit exposures to the council's customers. The treasury management strategy allowed officers to invest as follows:

- an unlimited amount with the UK Government for up to 6 months;
- up to £10 million and up to six months with UK banks and building societies with a "high to upper medium grade" credit rating and with individual local authorities;
- up to £10 million in individual Money Market Funds (instant access or up to 4 day notice);
- up to £10 million and up to six months with each part nationalised UK bank or building society that has no lower than mid "medium grade" credit ratings;
- up to £3 million and up to three months with individual UK banks and building societies with a mid "medium grade" credit rating.

At the year end, the Council held investments of £33.1 million for cashflow purposes, made up of cash equivalents of £33.1 million and no short-term investments (£30.2, £29.7 and £0.5 million respectively 31 March 2013). Cash equivalents by definition are highly liquid deposits with an insignificant risk of change in value. The Council did not make any investments of a treasury management nature longer than two months in 2013/14.

The Council's maximum exposure to credit risk in relation to the above balances cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution.

The Council does not generally allow credit for customers and trade debts are actively pursued after 21 days. As at 31 March 2014, the Council had a balance owing from its customers (mainly services and rent) of £44.8 million (£39.6 million 31 March 2013). The exposure to default has been assessed and is reflected in an impairment provision of £3.5 million (£3.6 million 31 March 2013). Of the trade debtors outstanding as at 31 March 2014 (£20.1 million), 71% relate to outstanding debt within 90 days of the Balance Sheet date, 7% within 90-180 days and 22% over 180 days.

Liquidity risk

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

NOTES TO THE CORE FINANCIAL STATEMENTS

KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2013/14

	31 March 2013 £000	31 March 2014 £000
	Restated	
Less than one year	33,511	35,010
Between 1 and 2 years	15,490	9,805
Between 2 and 5 years	32,313	30,499
Between 5 and 10 years	42,342	40,547
Between 10 and 15 years	14,070	5,004
More than 15 years	347,917	346,596
	485,643	467,461

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

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

Market risk

Interest Rate Risk

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

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

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

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

As at 31 March 2014, most investments held by the Council for cashflow purposes were at variable rates but with the benefit of instant access. In terms of borrowing, the Council holds £107.8 million of debt in the form of LOBOs, which equates to 22% of its total borrowing. LOBO agreements have periodic option dates on which lenders can opt to change the interest rate on a loan. If lenders exercise their option then the Council can either repay the loan (at no extra cost) or agree to the change of interest rate for the remaining term of the loan or until the lender chooses to exercise the option again. Of the £107.8 million LOBO debt at 31 March 2014, £87.8 million was exposed to variable rates through lender options. A 1% change in interest rates with all other variables held constant would increase or decrease interest costs by £0.88 million.

The fair value of fixed rate borrowings would decrease by around £68.7 million if interest rates increased by 1%, and increase by the same figure if rates decreased by 1%.

Price Risk

The Council does not generally invest in equity shares but does have shareholdings to the value of £1.1 million in a number of joint ventures. The Council is consequently exposed to losses arising from movements in the values of the shares. As the shareholdings have arisen in the acquisition of specific interests, the Council is not in a position to limit its exposure to price movements by diversifying its portfolio.

NOTES TO THE CORE FINANCIAL STATEMENTS

KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2013/14

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

Foreign Exchange Risk

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

18 Long Term Debtors

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

	31 March 2013 £000	31 March 2014 £000
Kirklees College (i)	18,062	17,646
PFI Prepayments (ii)	3,144	3,444
Finance Leases (iii)	3,420	3,418
Charges on Property for Residential Care	2,127	1,997
Renewable Energy (i)	1,511	1,608
Other	651	732
	28,915	28,845
Bad Debt Provision	-44	-43
Net Long Term Debtors	28,871	28,802

(i) See note 17 on financial instruments.

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

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

19 Short Term Debtors

	31 March 2013 £000	31 March 2014 £000
	Restated	
Central government bodies	8,266	7,589
Other local authorities	2,461	1,093
NHS bodies	3,239	3,152
Public corporations and trading funds	0	157
Other entities and individuals	57,090	68,835
	71,056	80,826
Bad Debt Provision – Other entities and individuals	-14,234	-15,309
Net Short Term Debtors	56,822	65,517

NOTES TO THE CORE FINANCIAL STATEMENTS

KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2013/14

20 Cash and Cash Equivalents

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

	31 March 2013 £000 Restated	31 March 2014 £000
Cash held by the Council	98	78
Bank current accounts	10,352	6,464
Instant access interest accounts	29,695	33,091
	40,145	39,633
Cash in transit	776	689
BACs payments and cheques not yet cleared	-11,744	-14,200
Total Cash and Cash Equivalents	29,177	26,122

21 Short Term Creditors

	31 March 2013 £000 Restated	31 March 2014 £000
Central government bodies	-9,009	-9,275
Other local authorities	-276	-668
NHS bodies	-137	-2,163
Public corporations and trading funds	-57	-1
Other entities and individuals	-63,916	-69,434
Total	-73,395	-81,541

22 Provisions

	Organisational Risk £000	Business Rate Appeals £000	Other £000	Total £000
Balance at 1 April 2013	-15,105	0	-1,337	-16,442
Additional provision made in 2013/14	-4,012	-3,589	-119	-7,720
Amounts used in 2013/14	2,939	0	692	3,631
Amounts reversed in 2013/14	5,211	0	66	5,277
Balance at 31 March 2014	-10,967	-3,589	-698	-15,254

The Organisational Risk provision covers obligations arising from insurance claims and equal pay/equal value compensation. After reassessment, the equal pay/equal value element of the provision has been reduced by £2.8 million, as the likelihood of this element of the liability crystallising is no longer probable.

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 are derived from those calculated during the last three-yearly actuarial valuation carried out in 2011/12. The short term element of this provision is estimated based on the percentages of claims paid out in the previous year.

NOTES TO THE CORE FINANCIAL STATEMENTS

KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2013/14

A separate reserve (see note 9) 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 split between long term and short term provisions is as follows:

	Short Term Provisions £000	Long Term Provisions £000	Total Provisions £000
Balance at 1 April 2013	-5,400	-11,042	-16,442
Balance at 31 March 2014	-4,579	-10,675	-15,254

23 Other Long Term Liabilities

	31 March 2013 £000	31 March 2014 £000
	Restated	
Deferred Liabilities (mainly outstanding PFI finance lease obligations)	-113,189	-126,344
Net Liability Related to Defined Benefit Pension Scheme	-707,947	-448,368
Long Term Provisions	-11,042	-10,675
PFI Deferred Income	-5,371	-4,834
Total	-837,549	-590,221

24 Usable Reserves

Movement in the Council's usable reserves are detailed in the Note 8 Adjustments between accounting basis and funding basis under regulation and Note 9 Transfers to and from Earmarked Reserves.

25 Unusable Reserves

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

	31 March 2013 £000	31 March 2014 £000
	Restated	
Capital Adjustment Account	796,049	710,737
Revaluation Reserve	239,027	202,033
Pensions Reserve	-707,947	-448,368
Available for Sale Financial Instruments Reserve	125	386
Financial Instruments Adjustment Account	-6,343	-5,876
Deferred Capital Receipts Reserve	3,470	3,443
Collection Fund Adjustment Account	-2,876	-2,907
Accumulated Absences Account	-12,493	-11,706
Total Unusable Reserves	309,012	447,742

Details of the movements on the Revaluation Reserve, Capital Adjustment Account and Pensions Reserve are detailed below. The purpose of the other reserves is explained in the Glossary and the movements of the larger ones are detailed in Note 8.

NOTES TO THE CORE FINANCIAL STATEMENTS

KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2013/14

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.

	2012/13	2013/14
	£000	£000
Balance at 1 April	Restated 877,427	796,049
<u>Capital financing applied in the year:</u>		
Use of Capital Receipts Reserve to finance new capital expenditure	4,167	4,373
Use of Capital Receipts Reserve to repay debt	11,710	4,257
Use of the Major Repairs Reserve to finance new capital expenditure	10,681	17,415
Capital grants and contributions credited to the CIES that have been applied to capital financing	17,953	14,497
Application of grants to capital financing from the Capital Grants Unapplied Account	13,313	13,980
Statutory provision for the financing of capital investment charged against the General Fund, HRA Balances and Major Repairs Reserve	30,636	30,681
Capital expenditure charged against the General Fund and HRA Balances	17,922	22,140
	983,809	903,392
Charges for depreciation and impairment of non-current assets	-69,558	-73,829
Amortisation of intangible assets	-750	-1,225
Revaluation losses on PPE	-34,838	-104,679
Revaluation gains on PPE	853	3,530
Movements in the market value of Investment Properties	-10,042	13,105
Revenue expenditure funded from capital under statute (REFCUS)	-9,411	-7,339
Amounts of non-current assets written off on disposal or sale	-80,170	-28,837
Adjusting amounts written out of the Revaluation Reserve	22,929	11,971
Deferred Income written down - Waste PFI	537	537
Long-term debtors written down	-11,763	-4,303
Donated asset - income	4,458	1,515
Other	-5	-3,101
Balance at 31 March	796,049	710,737

NOTES TO THE CORE FINANCIAL STATEMENTS

KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2013/14

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.

	2012/13	2013/14
	£000	£000
Balance at 1 April	252,963	239,027
Upward revaluation of assets	23,054	10,296
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	-14,061	-35,319
	261,956	214,004
Difference between fair value depreciation and historical cost depreciation	-7,388	-9,264
Accumulated gains on assets sold or scrapped	-15,541	-2,707
Balance at 31 March	239,027	202,033

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.

	2012/13			2013/14		
	LGPS £000	Teachers £000	Total £000	LGPS £000	Teachers £000	Total £000
	Restated		Restated			
Balance at 1 April	-574,468	-53,618	-628,086	-649,514	-58,433	-707,947
Pension cost payable to Pension Fund	32,863	3,814	36,677	38,614	3,636	42,250
Actuarial gain/loss (-)	-39,417	-3,966	-43,383	298,229	-1,229	297,000
Reversal of IAS19 entries	-68,492	-4,663	-73,155	-77,226	-2,445	-79,671
Balance at 31 March	-649,514	-58,433	-707,947	-389,897	-58,471	-448,368

NOTES TO THE CORE FINANCIAL STATEMENTS

KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2013/14

26 Cash Flow - Operating Activities

The cash flows for operating activities include the following items:

	2012/13	2013/14
	£000	£000
	Restated	
Interest received	-2,012	-2,021
Interest paid	32,070	33,056
Dividend received	-620	-696

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

	2012/13	2013/14
	£000	£000
	Restated	
Pension adjustments	-36,478	-37,421
Depreciation, impairment and amortisation	-70,308	-75,055
Revaluation gains/losses	-44,027	-88,043
Carrying amount of non-current assets sold	-80,170	-28,837
Deferred and donated asset income	4,995	2,052
Movements on -		
Provisions	4,680	1,188
Inventories	91	309
Revenue debtors (including bad debt provision)	-2,184	8,808
Revenue creditors	-3,579	-6,545
Other	229	-2,613
Total non-cash movements	-226,751	-226,157

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

	2012/13	2013/14
	£000	£000
Capital grants	26,826	30,132
Proceeds from the sale of PPE, investment property and intangible assets.	6,908	6,391
Total	33,734	36,523

NOTES TO THE CORE FINANCIAL STATEMENTS

KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2013/14

29 Amounts Reported for Resource Allocation Decisions

Chief Decision Maker

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

Rollover/Outturn Report

The following table is a breakdown of the final outturn position for 2013/14, reported to Cabinet as part of the rollover process. The rollover process is a mechanism for transferring budget provisions from one year to the next or vice versa. The report shows both the balance on the General Fund (excluding HRA) and the balance on the HRA. It should be noted that the Cabinet report is not done on a subjective basis. However, a subjective analysis has been done to conform to the requirements of the Code.

Some key things to note about the Revenue Financial Outturn and Rollover Report:

- Segments are shown by Directorate as this is the basis on which information is reported to Cabinet.
- Current service pension cost is shown at the 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.

Main differences

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

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

NOTES TO THE CORE FINANCIAL STATEMENTS

KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2013/14

General Fund – (Non HRA) Subjective Analysis	Children & Young People	Wellbeing & Communities	Place	Resources	Ring Fenced Budgets	Central Budgets	Total
2012/13	£000	£000	£000	£000	£000	£000	£000
Fees, charges & other service income	23,453	27,062	115,072	90,919	928	364	257,798
Capital Credits	495	0	173	64	0	-732	0
Interest	6	0	0	0	0	1,287	1,293
Government grants, reimbursements and contributions	303,245	19,804	14,535	153,325	65	-3,772	487,202
Total Income	327,199	46,866	129,780	244,308	993	-2,853	746,293
Employee Expenses	259,097	38,303	65,887	63,561	627	-9,900	417,575
Other Service Expenses	147,415	108,334	95,948	183,367	2,657	10,370	548,091
Support Service Recharges	15,192	8,621	19,306	24,300	200	28	67,647
Depreciation, amortisation and impairment	23,913	4,963	23,479	6,863	0	-59,218	0
Interest Payable	0	0	0	0	0	14,521	14,521
Total Operational Expenses	445,617	160,221	204,620	278,091	3,484	-44,199	1,047,834
Minimum Revenue Provision	0	0	0	0	0	23,307	23,307
Transfer to Earmarked Reserves	-937	0	183	0	0	12,328	11,574
Revenue Contribution to Capital	0	0	0	0	0	1,126	1,126
Net Cost of Service	117,481	113,355	75,023	33,783	2,491	-4,585	337,548

General Fund – (Non HRA) Subjective Analysis	Children and Adults	Place	Communities Transformation and Change	Resources	Ringfenced Budgets	Public Health	Central Budgets	Total
2013/14	£000	£000	£000	£000	£000	£000	£000	£000
Fees, charges & other service income	53,331	157,714	13,163	45,904	19	872	400	271,403
Capital Credits	2,268	1,156	0	17	0	0	-3,441	0
Interest	3	0	0	0	0	0	2,160	2,163
Government grants, reimbursements and contributions	321,210	11,018	406	122,056	23,137	20	1,527	479,374
Total Income	376,812	169,888	13,569	167,977	23,156	892	646	752,940
Employee Expenses	292,763	85,977	13,283	37,244	2,405	555	-11,801	420,426
Other Service Expenses	254,104	113,068	6,626	138,391	16,495	1,587	10,409	540,680
Support Service Recharges	19,899	18,255	3,023	19,404	3,866	6	22	64,475
Depreciation, amortisation and impairment	59,527	33,738	9,660	3,826	0	0	-106,751	0
Interest Payable	0	0	0	0	0	0	14,020	14,020
Total Operational Expenses	626,293	251,038	32,592	198,865	22,766	2,148	-94,101	1,039,601
Minimum Revenue Provision	0	0	0	0	0	0	22,593	22,593
Transfer to Earmarked Reserves	346	-11	0	0	0	0	7,376	7,711
Revenue Contribution to Capital	0	0	0	0	0	0	6,549	6,549
Net Cost of Service	249,827	81,139	19,023	30,888	-390	1,256	-58,229	323,514

NOTES TO THE CORE FINANCIAL STATEMENTS

KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2013/14

General Fund – (Non HRA) Reconciliation to Subjective Analysis	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
			Restated			Restated	Restated	Restated
2012/13								
Fees, charges & other service income	257,798	82,791	0	-89,440	-108,140	143,009	0	143,009
Capital Credits	0	6	1,884	-1,220	0	670	2,522	3,192
Interest and investment income	1,293	0		-1,293	0	0	6,017	6,017
Gain on Disposal of Fixed Assets	0	0	0	0	0	0	7,138	7,138
Government grants, reimbursement and contributions	487,202	4,438	32,042	-39,909	-150	483,623	80,916	564,539
National Non Domestic Rates Income	0	0	0	0	0	0	147,239	147,239
Income from Council Tax	0	0	0	0	0	0	154,916	154,916
Trading Income	0	0	0	0	0	0	11,413	11,413
Total Income	746,293	87,235	33,926	-131,862	-108,290	627,302	410,161	1,037,463
Employee Expenses	417,575	1,574	5,759	-39,551	0	385,357	0	385,357
Other Service Expenses	548,091	43,508	9,399	-51,916	-42,500	506,582	2,479	509,061
Support Service Recharges	67,647	2,399	0	-4,256	-65,790	0	0	0
Capital Charges	0	44,173	74,189	-15,438	0	102,924	12,564	115,488
Interest Payable and Similar Charges	14,521	0	0	-14,521	0	0	32,188	32,188
Losses on disposal of fixed assets	0	0	0	0	0	0	80,370	80,370
Precepts and Levies	0	0	0	0	0	0	602	602
Payments to Housing Capital Receipts Pool	0	0	0	0	0	0	1,415	1,415
Pension Interest Cost	0	0	0	0	0	0	28,921	28,921
Trading Expenditure	0	0	0	0	0	0	10,375	10,375
Total Operational Expenses	1,047,834	91,654	89,347	-125,682	-108,290	994,863	168,914	1,163,777
Minimum Revenue Provision	23,307	0	0	-23,307	0	0	0	0
Transfer to Earmarked Reserves	11,574	0	0	-11,574	0	0	0	0
Revenue Contribution to Capital	1,126	0	0	-1,126	0	0	0	0
Deficit on Provision of Services	337,548	4,419	55,421	-29,827	0	367,561	-241,247	126,314

NOTES TO THE CORE FINANCIAL STATEMENTS
KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2013/14

General Fund – (Non HRA) Reconciliation to Subjective Analysis	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
2013/14	£000	£000	£000	£000	£000	£000	£000	£000
Fees, charges & other service income	271,403	85,866	0	-96,578	-108,511	152,180	0	152,180
Capital Credits	0	164	3,440	-187	0	3,417	20,542	23,959
Interest and investment income	2,163	0	188	-2,351	0	0	5,910	5,910
Gain on Disposal of Fixed Assets	0	0	0	0	0	0	2,557	2,557
Government grants, reimbursement and contributions	479,374	7,912	3,458	-16,436	0	474,308	191,060	665,368
National Non Domestic Rates Income	0	0	0	0	0	0	46,237	46,237
Income from Council Tax	0	0	0	0	0	0	137,653	137,653
Trading Income	0	0	0	0	0	0	12,642	12,642
Total Income	752,940	93,942	7,086	-115,552	-108,511	629,905	416,601	1,046,506
Employee Expenses	420,426	120	6,244	-38,408		388,382		388,382
Other Service Expenses	540,680	46,752	10,655	-55,148	-46,142	496,797	2,684	499,481
Support Service Recharges	64,475	2,942	0	-5,048	-62,369	0	0	0
Capital Charges	0	71,377	108,530	-6,898	0	173,009	7,338	180,347
Interest Payable and Similar Charges	14,020	0	-14,020	0	0	0	33,067	33,067
Losses on disposal of fixed assets	0	0	0	0	0	0	24,928	24,928
Precepts and Levies	0	0	0	0	0	0	573	573
Payments to Housing Capital Receipts Pool	0	0	0	0	0	0	1,631	1,631
Pension Interest Cost	0	0	0	0	0	0	30,090	30,090
Trading Expenditure	0	0	0	0	0	0	12,901	12,901
Total Operational Expenses	1,039,601	121,191	111,409	-105,502	-108,511	1,058,188	113,212	1,171,400
Minimum Revenue Provision	22,593	0	0	-22,593	0	0	0	0
Transfer to Earmarked Reserves	7,711	0	0	-7,711	0	0	0	0
Revenue Contribution to Capital	6,549	0	0	-6,549	0	0	0	0
Deficit on Provision of Services	323,514	27,249	104,323	-26,803	0	428,283	-303,389	124,894

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

	2012/13 £000	2013/14 £000
Net Expenditure in the Outturn Report	337,548	323,514
Net Expenditure of services and support services not included in the analysis	4,419	27,249
Amounts in Cost of Service in the CIES not included in the analysis	55,421	104,323
	397,388	455,086
Amounts included in analysis not included in CIES	-29,827	-26,803
Cost of Services in the CIES	367,561	428,283

NOTES TO THE CORE FINANCIAL STATEMENTS

KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2013/14

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

HRA Segment and Reconciliation	HRA as per Outturn Report £000	Items not reported to management £000	Not included in HRA NCS £000	HRA Net Cost of Service £000	Corporate Amounts £000	HRA reported in the Accounts £000
2012/13					<i>Restated</i>	<i>Restated</i>
Fees, charges & other service income	77,843	0	-447	77,396	0	77,396
Reversal of impairment	0	6	0	6	1,599	1,605
Interest and investment income	216	4	-220	0	665	665
Government grants and contributions	4,438	0	0	4,438	825	5,263
Gains on disposal of fixed assets	0	0	0	0	4,889	4,889
Total Income	82,497	10	-667	81,840	7,978	89,818
Employee expenses	43	0	0	43	0	43
Other Service expenses	39,335	0	-52	39,283	53	39,336
Support Service recharges	2,399	0	0	2,399	0	2,399
Depreciation, amortisation and impairment	15,165	29,971	-964	44,172	964	45,136
Interest payable	10,934	0	-10,933	1	12,580	12,581
Losses on disposal on fixed assets	0	0	0	0	2,558	2,558
HRA share of Corporate and Democratic Core	362	0	0	362	0	362
Total Operational Expenses	68,238	29,971	-11,949	86,260	16,155	102,415
Movement between reserves - Capital expenditure charged to HRA Balances	15,411	0	-15,411	0	0	0
Balance contribution adjustment	-4,812	0	4,812	0	0	0
Net Cost of Service/Deficit for year	-3,660	29,961	-21,881	4,420	8,177	12,597
2013/14						
Fees, charges & other service income	83,013	0	0	83,013	0	83,013
Reversal of impairment	0	164	0	164	420	584
Interest and investment income	563	0	-563	0	563	563
Government grants and contributions	7,913	0	0	7,913	650	8,563
Gains on disposal of fixed asset	0	0	0	0	1,323	1,323
Total Income	91,489	164	-563	91,090	2,956	94,046
Employee expenses	30	0	0	30	0	30
Other service expenses	44,012	0	-22	43,990	22	44,012
Support service recharges	2,573	0	0	2,573	0	2,573
Depreciation, amortisation and impairment	15,274	56,104	0	71,378	0	71,378
Interest payable	13,845	0	-13,845	0	14,534	14,534
Losses on disposal on fixed assets	0	0	0	0	0	0
HRA share of Corporate and Democratic Core	369	0	0	369	0	369
Total Operational Expenses	76,103	56,104	-13,867	118,340	14,556	132,896
Movement between reserves - Capital expenditure charged to HRA Balances	14,392	0	-14,392	0	0	0
Balance contribution adjustment	0	0	0	0	0	0
Net Cost of Service/Deficit for year	-994	55,940	-27,696	27,250	11,600	38,850

NOTES TO THE CORE FINANCIAL STATEMENTS

KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2013/14

30 Trading Operations

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

	2012/13			2013/14		
	Turnover	Expenditure	Surplus (-)/ Deficit	Turnover	Expenditure	Surplus (-)/ Deficit
	£000	£000	£000	£000	£000	£000
Cleaning of Buildings (2)	6,611	5,127	-1,484	6,658	5,956	-702
Building Services (2)	39,697	38,120	-1,577	43,394	42,443	-951
Transport Services (2)	12,002	10,676	-1,326	11,789	14,759	2,970
Commercial Estates (3)	2,844	1,587	-1,257	2,640	1,531	-1,109
Highways Direct (2)	19,883	18,800	-1,083	18,901	18,634	-267
Catering (1) & (2)	14,965	13,488	-1,477	15,728	15,362	-366
Looking Local (2)	2,396	2,139	-257	1,949	1,685	-264
Support Services trading with External Organisations (4)	4,328	3,900	-428	4,402	4,402	0
Building Control (1)	731	725	-6	617	608	-9
Markets (1)	2,011	2,211	200	2,512	4,465	1,953
Trade Refuse (1)	3,236	3,017	-219	3,302	3,174	-128
Car Parking (1)	4,953	3,213	-1,740	5,073	2,904	-2,169
	113,657	103,003	-10,654	116,965	115,923	-1,042

Trading operations are incorporated in the CIES. Some are an integral part of services to the public (1). Others (2) support the Council's services to the public - the expenditure of these operations is allocated or recharged to headings in the Net Operating Expenditure. Commercial Estates (3) relates to investment properties and is included on the line for Investment Property within Financing and Investment Income and Expenditure. Where Support Services carry out work with external organisations, these amounts are charged to Finance and Investment Income and Expenditure under external trading (4).

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

	2012/13 £000	2013/14 £000
Net surplus on trading operations	-10,654	-1,042
Services to public included in CIES Expenditure (1)	2,943	827
Internal Trading recharged to CIES Expenditure (2)	5,416	-635
Rentals Received and Expenses Incurred on Investment Property (3)	1,257	1,109
Net gains in Financing and Investment Income and Expenditure	-1,038	259

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

NOTES TO THE CORE FINANCIAL STATEMENTS

KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2013/14

	2012/13	2013/14
	£000	£000
Cleaning of Buildings – additional refund to various services	1,437	644
Building Services – mainly refunded to HRA	1,467	1,095
Highways Direct Services – refund to Highways	1,039	302
Transport Services – refund to various services	1,473	-2,676
	5,416	-635

Additional Information Relating to Trading Operations

Building Services carries out repairs and maintenance on Council buildings, including housing stock. Work is won in open competition. External income is only 1%-2% of turnover.

Transport Services is responsible for the procurement, maintenance and disposal of vehicles and plant, which are used to deliver key front line services. The service's charges are competitive with external providers. External income is around 5% of turnover. The service's loss in 2013/14 was the result of a £4.4 million loss on property revaluation.

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

Catering's main customers are schools, providing over 5 million meals annually to approximately 26,000 customers.

31 External Audit Costs

KPMG became the Council's appointed auditor during 2012/13. Prior to this the Audit Commission was the Council's appointed auditor. The fees payable were as follows:

		2012/13	2013/14
		£000	£000
For external audit services	- KPMG	192	181
	- Audit Commission	4	0
For the certification of grant claims and returns	- KPMG	66	56
	- Audit Commission	13	0
		275	237

32 Pooled Funds

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

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

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

NOTES TO THE CORE FINANCIAL STATEMENTS

KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2013/14

	2012/13 £000	2013/14 £000
<u>Funding provided to the pooled budget</u>		
Kirklees Council	2,034	2,031
Kirklees Primary Care Trust*	1,394	0
Greater Huddersfield Clinical Commissioning Group	0	652
North Kirklees Clinical Commissioning Group	0	506
Total Funding	3,428	3,189
<u>Expenditure met from the pooled budget</u>		
Kirklees Council	1,512	1,132
Kirklees Primary Care Trust *	1,288	0
Greater Huddersfield Clinical Commissioning Group	0	543
North Kirklees Clinical Commissioning Group	0	421
Total Expenditure	2,800	2,096
Net surplus arising on pooled budget during the year	628	1,093
Council share of the net surplus arising on the pooled budget	628	1,093
*includes Kirklees Community Health Partnership		

From 1 April 2013, Primary Care Trusts were replaced by GP Commissioning Groups.

33 Officers' Remuneration

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

Remuneration Band (£)	2012/13		2013/14	
	Teachers	Other	Teachers	Other
50,000 - 54,999	62	41	70	28
55,000 - 59,999	53	25	33	28
60,000 - 64,999	36	7	39	7
65,000 - 69,999	12	3	12	3
70,000 - 74,999	7	1	6	5
75,000 - 79,999	1	1	1	3
80,000 - 84,999	3	5	1	6
85,000 - 89,999	2	2	1	1
90,000 - 94,999	2	2	1	1
95,000 - 99,999	1	0	0	0
100,000 - 104,999	0	1	1	0
105,000 - 109,999	1	1	0	1
110,000 - 114,999	0	0	1	1
115,000 - 119,999	0	0	0	0
120,000 - 124,999	0	1	0	1
125,000 - 129,999	0	1	0	0
130,000 - 134,999	0	0	0	1
135,000 - 139,999	0	1	0	1
140,000 - 144,999	0	0	0	1
145,000 - 149,999	0	1	0	1
Total	180	93	166	89

The remuneration figures include employee pension contributions and any severance costs, but exclude employer's pension contributions. There are no Senior Officers whose annualised salary is £150,000 or more per year.

NOTES TO THE CORE FINANCIAL STATEMENTS

KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2013/14

It should be noted that 7 employees received redundancy payments in 2013/14 (2012/13 20 employees) and exceeded the £50,000 remuneration band, who would not normally have done so. The figures for 2013/14 include 9 employees transferred to the Council with the transfer of the Public Health role from 1 April 2013.

The note excludes 33 employees of Voluntary Aided Schools as they are employed by the School Governors, not the Council, even though payments are made by the Council (2012/13 32 employees). Similarly, the note excludes 26 employees of Trust Schools (2012/13 24 employees). Furthermore, the note excludes 3 employees transferred to Academies (2012/13 2 employees).

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

Post holder information (Post title)	Salary including fees and allowances	Compensation for loss of office	Total Remuneration Excluding pension contributions	Employers pension contributions (6)	Total Remuneration including pension contributions
	£	£	£	£	£
2012/13					
Chief Executive	147,667	0	147,667	22,150	169,817
Director of Resources	120,103	0	120,103	18,016	138,119
Director for Children and Adults	135,819	0	135,819	20,373	156,192
Director for Place (1)	104,397	0	104,397	15,660	120,057
Interim Director for Place (1)	4,786	0	4,786	718	5,504
Director of Communities, Transformation and Change (2)	10,798	0	10,798	1,620	12,418
Interim Monitoring Officer (4)	92,287	0	92,287	13,843	106,130
2013/14					
Chief Executive	147,401	0	147,401	22,184	169,585
Director of Resources	120,103	0	120,103	18,075	138,178
Director for Children and Adults	135,819	0	135,819	20,441	156,260
Director for Place (1)	110,779	0	110,779	16,826	127,605
Director of Communities, Transformation and Change (2)	109,183	0	109,183	16,432	125,615
Director of Public Health (3)	132,321	0	132,321	17,795	150,116
Interim Monitoring Officer (4)	49,960	0	49,960	5,196	55,156
Monitoring Officer (5)	44,909	0	44,909	6,762	51,671

- (1) The Interim Director of Place became Director of Place on 17 April 2012: their annualised salary was £109,483. The Assistant Director of Investment and Regeneration had been acting up as Interim Director of Place from 1 September 2011.
- (2) The Director of Communities, Transformation and Change was appointed on 11 March 2013.
- (3) The Director of Public Health transferred to the Council on 1 April 2013.
- (4) The interim Monitoring Officer ceased their role on 22 September 2013.
- (5) There was a permanent appointment of a Monitoring Officer on 23 September 2013; their full time equivalent salary was £80,602.
- (6) No added years pensions were provided for Senior Officers.

NOTES TO THE CORE FINANCIAL STATEMENTS

KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2013/14

It should be noted that the 2012/13 figures for senior officers emoluments only relates to individuals who continued to be employed in 2013/14 and will exclude those who left the Council in 2012/13. 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.

Exit Packages and Termination Benefits

Exit packages include compulsory and voluntary redundancy costs, pension contributions in respect of added years, ex gratia payments and other departure costs. Pension strain arises when an employee retires early without actuarial reduction of pension. 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.

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
2012/13				£000	£000	£000
£0 - £20,000	0	72	72	808	691	117
£20,001 - £40,000	0	24	24	651	491	160
£40,001 - £60,000	0	9	9	414	146	268
£60,001 - £80,000	0	10	10	674	168	506
£80,001 - £100,000	0	2	2	173	65	108
Total	0	117	117	2,720	1,561	1,159
2013/14						
£0 - £20,000	0	34	34	229	218	11
£20,001 - £40,000	0	7	7	194	164	30
£40,001 - £60,000	0	2	2	97	26	71
£60,001 - £80,000	0	1	1	73	17	56
£80,001 - £100,000	0	1	1	83	83	0
£100,001 - £120,000	0	1	1	109	26	83
£120,001 - £140,000	0	1	1	131	30	101
Total	0	47	47	916	564	352

The figures for 2013/14 include 4 employees (2012/13 8 employees), who had not left the Council as at 31 March 2014, but had agreed package offers. The estimated cost of these packages are £0.1 million (2012/13 £0.4 million) and have been accrued into the CIES and included in a provision.

NOTES TO THE CORE FINANCIAL STATEMENTS

KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2013/14

34 Deployment of Dedicated Schools Grant

The Council's expenditure on schools is funded primarily by grant monies provided by the Department for Education, the Dedicated Schools Grant (DSG). An element of DSG is recouped by the Department to fund academy schools in the Council's area. DSG is ring fenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the School Finance (England) Regulations 2011. The Schools Budget includes elements for a range of educational services provided on a Council-wide basis and for the Individual Schools Budget (ISB), which is divided into a budget share for each maintained school.

Details of the deployment of DSG receivable are as follows:

	Central Expenditure £000	ISB £000	Total £000
Final DSG for 2013/14 before Academy recoupment			319,483
Academy figure recouped for 2013/14			-52,553
Total DSG after Academy recoupment for 2013/14			266,930
Brought forward from 2012/13			4,221
Carry forward to 2013/14 agreed in advance			0
Agreed budgeted distribution for 2013/14	33,178	237,973	271,151
In year adjustments	-510	510	0
Final budgeted distribution for 2013/14	32,668	238,483	271,151
Less actual central expenditure	-27,631		-27,631
Less actual ISB deployed		-238,483	-238,483
Carry forward to 2013/14	5,037	0	5,037
Add back carry forward to 2013/14 agreed in advance			0
Total carry forward to 2013/14			5,037

NOTES TO THE CORE FINANCIAL STATEMENTS

KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2013/14

35 Grant Income

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

	2012/13	2013/14
<u>Credited to Taxation and Non Specific Grant Income</u>	£000	£000
Revenue Support Grant (RSG)	2,854	108,567
NNDR Top up Grant	0	20,455
Early Intervention Grant	21,415	0
PFI Grants	11,359	11,359
Council Tax Freeze Grant	3,910	0
Education Services Grant	0	6,972
New Homes Grant	2,528	4,009
Small Businesses Rate Relief	0	2,358
Housing Benefit Subsidy Admin Grant	3,361	3,084
Other Non-Specific Grants (under £2 million)	3,669	5,529
 <u>Grants and Contributions related to capital financing which cannot be identified to particular services or assets</u>		
Standards Fund	14,623	12,649
Local Transport Plan (LTP)	8,754	9,430
Other Capital Grants and Contributions (under £2 million)	3,987	5,133
Donated asset – income	4,457	1,515
Total	80,917	191,060
 <u>Credited to Services</u>		
<u>Revenue</u>		
Dedicated Schools Grant	272,187	266,930
DWP – Rent Allowance	66,588	66,970
DWP – Rent Rebate	52,972	54,072
DWP – Council Tax	31,979	0
Department of Health Grant (Public Health)	0	22,603
Primary Care Trust (PCT)	9,852	0
NHS England	0	6,657
Clinical Commissioning Groups (CCGs)	0	4,109
Pupil Premium Grant	8,870	12,711
PFI Grant (ring fenced to HRA)	4,288	7,912
Young People’s Learning Agency Sixth Form Grant	2,488	2,283
European Regional Development Fund	3,819	2,502
Other Revenue Grants and Contributions (under £2 million)	9,778	13,827
<u>Capital (REFCUS)</u>		
Various Capital Grants and Contributions (under £2 million)	5,215	3,458
Total	468,036	464,034
 Total Grants in CIES	548,953	655,094

RSG now includes amounts previously paid back to Central Government as part of NNDR, as well as some non-ringfenced grants such as Early Intervention Grant.

NOTES TO THE CORE FINANCIAL STATEMENTS

KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2013/14

36 Related Party Transactions

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

i) Elected Members and Chief Officers

There were five material disclosures to declare for 2013/14, four relating to Elected Members and one to chief officers. The material disclosures are mentioned below. It should be noted that all members' financial and other interests which could conflict with those of the Council are open to public inspection as required by the code of conduct adopted by the Council in accordance with section 51 of the Local Government Act 2000 and the Local Authorities (Model Code of Conduct) (England) Regulations 2001, made under section 50 of that Act. Members are also required to disclose personal and prejudicial interests in matters being considered at meetings at which they are present. Officers also have a duty to declare any interests which could conflict with those of the Council.

One Councillor is a director of a local community based business providing sustainable employment for people in areas of deprivation, working in close partnership with the Council, other voluntary and community sector organisations and the private sector. The supplier was paid £0.43 million in 2013/14.

One Councillor works as a technical services manager for a local housing association. The Council made payments of £0.68 million to the association in 2013/14.

Another member of the Council is a Non-Executive Director of Yorkshire Water Services Ltd. During 2013/14, the Council made payments of £1.52 million to the company.

A member's partner is the manager of an independently run local community centre. The Council made payments of £80k to the centre in 2013/14.

The partner of a chief officer is paid per session by the Council as Clinical Lead for Self Care. The partner was paid £9k in 2013/14.

ii) Companies

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

	Monies received by the Council for services		Payments to the companies			
			Services		Grant	
	2012/13 £000	2013/14 £000	2012/13 £000	2013/14 £000	2012/13 £000	2013/14 £000
Kirklees Media Centre Ltd	2	2	159	187	0	0
Yorkshire Energy Services	959	89	75	905	75	0
Locala Community Partnerships	626	635	3,707	9,338	0	0
Northern College For Residential Adult Education Ltd	0	0	34	35	0	0
Deighton & Brackenhall Initiative Ltd	180	1	24	0	0	0
YHGfL Foundation	48	48	127	141	0	0
CO2 Sense	0	0	34	12	65	6

The Council has given a loan to Kirklees Media Centre Ltd. As at 31 March 2014, £203,299 was outstanding (£217,500 as at 31 March 2013).

NOTES TO THE CORE FINANCIAL STATEMENTS

KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2013/14

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

- The UK Central Government exerts significant influence through legislation and grant funding (see note 35).
- NHS Bodies (see note 32 and 35).
- Precepting authorities (see the CIES and the Collection Fund Income and Expenditure Statement). The Council also pays Joint Committees for providing services such as Trading Standards and Passenger Transport. Payments in 2013/14 amounted to £20.1 million (2012/13 £19.1 million). Certain Parish Councils have also invested funds with the Council. As at 31 March 2014, £200,455 (£164,800 at 31 March 2013) was invested.
- Pension Fund (see note 40).
- Subsidiary, joint venture companies and associates (see Group Accounts).
- PFI Transactions (see note 39 and note H11 in the HRA).

37 Capital Expenditure and Capital Financing

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

	2012/13	2013/14
	£000	£000
	Restated	
<i>Opening Capital Financing Requirement</i>	749,613	768,163
<u>Capital investment</u>		
Property, Plant and Equipment	105,617	101,753
Heritage Assets	4	28
Investment Properties	1,692	522
Intangible Assets	2,508	2,788
Revenue Expenditure Funded from Capital under Statute	9,411	7,339
Loans and investments	5,700	4,283
<u>Sources of Finance</u>		
Capital receipts	-4,167	-4,373
Government grants and other contributions	-31,266	-28,478
Major Repairs Reserve	-10,681	-17,415
Direct revenue contributions	-17,922	-22,139
To repay debt:		
Minimum Revenue Provision	-24,377	-24,422
Major Repairs Reserve	-6,259	-6,259
Capital receipts	-11,710	-4,257
<i>Closing Capital Financing Requirement</i>	768,163	777,533
<u>Explanation of movements in year</u>		
Increase in underlying need to borrow:		
PFI Finance Lease Liability	36,048	18,227
Other	24,848	26,081
Provision for repayment of debt	-42,346	-34,938
<i>Increase in Capital Financing Requirement</i>	18,550	9,370

NOTES TO THE CORE FINANCIAL STATEMENTS

KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2013/14

38 Leases

Council as Lessee

Finance Leases

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

	31 March 2013	31 March 2014
	£000	£000
Cost or valuation		
At 1 April	14,690	11,183
Additions	34	1,664
Revaluations increases recognised in the Revaluation Reserve	-3,541	0
At 31 March	11,183	12,847
Depreciation and impairments		
At 1 April	560	409
Depreciation charge	251	282
Depreciation written out to the Revaluation Reserve	-402	0
At 31 March	409	691
Net Book Value as at 31 March	10,774	12,156

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 2013	31 March 2014
	£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	6,870	6,780
Minimum lease payments	7,920	7,830

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

	Minimum Lease Payments		Finance Lease Liabilities	
	31 March 2013	31 March 2014	31 March 2013	31 March 2014
	£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	7,470	7,380	1,050	1,050
	7,920	7,830	1,050	1,050

In year the amount of contingent rents paid was £229,000 (2012/13 £229,000).

NOTES TO THE CORE FINANCIAL STATEMENTS

KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2013/14

Council as Lessor

Finance Leases:

The Council leases out large numbers of long land leases on 999 year terms and various ground leases on varying terms, mainly between 99 and 150 years. In addition, there are 14 Academies on long-term leases. However, these are at peppercorn rentals and therefore there is no value in the leases.

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

	31 March 2013	31 March 2014
	£000	£000
Finance lease debtor (net present of value of minimum lease payments):		
Non-current	3,421	3,420
Unearned finance income	16,748	16,474
Gross investment in the lease	20,169	19,894

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 2013	31 March 2014	31 March 2013	31 March 2014
	£000	£000	£000	£000
Not later than one year	275	275	275	275
Later than one year and not later than five years	1,100	1,100	1,100	1,100
Later than five years	18,794	18,519	18,794	18,519
	20,169	19,894	20,169	19,894

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

Operating Leases:

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

- For service provision, for example the Markets' service hires out various stalls within Market Halls.
- Receiving income from land and property on a commercial basis.
- Sports facilities to Kirklees Active Leisure (a company that runs community recreation facilities on behalf of the Council). The rentals are at peppercorn rents.

NOTES TO THE CORE FINANCIAL STATEMENTS

KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2013/14

The value of the assets leased out is as follows:

	31 March 2013	31 March 2014
	£000	£000
Cost or valuation		
At 1 April	149,589	146,815
Additions	2,345	1,835
Revaluations decreases recognised in the Revaluation Reserve	-363	-3,913
Revaluations increases/decreases(-) recognised in provision of services	-5,120	4,262
De-recognition - disposals	-771	-101
Other movements in cost or valuation (re-classifications)	1,135	574
At 31 March	146,815	149,472
Depreciation and impairments		
At 1 April	5,235	8,364
Depreciation charge for year	3,440	8,893
Depreciation written out to the Revaluation Reserve	-272	-1,548
Depreciation written out to the Surplus/Deficit to Services	-39	-1,273
Other movements in cost or valuation (re-classifications)	0	82
At 31 March	8,364	14,518
Net Book Value at 31 March	138,451	134,954

The Council received £4.8 million in rent on operating leases in 2013/14 (£5.1 million 2012/13). Total contingent rents recognised in the period was £0.1 million (£0.2 million in 2012/13).

The following is commitments relating to non-cancellable contracts:

	31 March 2013	31 March 2014
	£000	£000
Not later than one year	2,554	1,854
Later than one year and not later than five years	4,435	3,409
Later than five years	3,555	2,962
	10,544	8,225

NOTES TO THE CORE FINANCIAL STATEMENTS

KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2013/14

39 Private Finance Initiative (PFI) Transactions

The Council has four PFI schemes – waste disposal, two school and housing schemes. A summary of all scheme future payments, asset values and liability values are shown below. This is followed by the details on each scheme with the exception of the Housing PFI, which is covered in the note H11 for the HRA.

Estimated payments on all schemes are as follows:

	Service Charges £000 Restated	Interest Charges £000 Restated	Repayments Of Liability £000 Restated	Other £000 Restated	Total £000 Restated
In 2014/15	20,638	9,462	4,924	1,418	36,442
Between 2015/16 to 2018/19	88,774	34,134	20,460	6,322	149,690
Between 2019/20 to 2023/24	111,576	33,455	29,589	8,621	183,241
Between 2024/25 to 2028/29	85,881	23,235	30,618	8,965	148,699
Between 2029/30 to 2033/34	78,274	9,053	45,851	6,486	139,664
In 2034/35	770	32	1,670	0	2,472
	385,913	109,371	133,112	31,812	660,208

The value of assets held under all schemes:

	2012/13 £000 Restated	2013/14 £000
Net Book Value at 1 April	169,434	174,074
Additions	41,270	28,604
Revaluations	-18,131	-56,600
Disposals	-14,456	-10,602
Transfer of land from Investment Properties	1,764	3,705
Depreciation and impairment	-5,807	-5,548
Net Book Value at 31 March	174,074	133,633

The value of liabilities for all schemes:

	2012/13 £000 Restated	2013/14 £000
At 1 April	75,358	110,337
Movement in the year	34,979	16,399
At 31 March	110,337	126,736

a) Waste Disposal Services

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

The Council incurred costs of £11.7 million under the contract in 2013/14 (2012/13 £10.8 million) and received £3.2 million in PFI Grant (2012/13 £3.2 million). Details of estimated payments due to be made are as follows:

NOTES TO THE CORE FINANCIAL STATEMENTS

KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2013/14

	Service Charges £000	Interest Charges £000	Repayments Of Liability £000	Total £000
In 2014/15	8,816	980	1,404	11,200
Between 2015/16 to 2018/19	36,206	2,873	5,721	44,800
Between 2019/20 to 2022/23	37,488	1,179	6,133	44,800
	82,510	5,032	13,258	100,800

The estimated payments for service charges are based on expected tonnages and 2013/14 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 2014 was £4.8 million (31 March 2013 £5.4 million).

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

	2012/13 £000	2013/14 £000
Net Book Value at 1 April	30,480	29,250
Additions	27	3
Depreciation and impairment	-1,257	-1,259
Net Book Value at 31 March	29,250	27,994

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

	2012/13 £000	2013/14 £000
At 1 April	15,835	14,523
Movement in the year	-1,312	-1,369
At 31 March	14,523	13,154

b) Schools 1

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

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

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

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

NOTES TO THE CORE FINANCIAL STATEMENTS

KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2013/14

The Council incurred costs of £13.8 million under the contract in 2013/14 (2012/13 £13.2 million) and received £5.9 million in PFI Grant (2012/13 £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 2014/15	8,872	2,957	1,208	1,116	14,153
Between 2015/16 to 2018/19	38,972	11,086	3,895	5,044	58,997
Between 2019/20 to 2023/24	53,886	11,768	7,150	6,772	79,576
Between 2024/25 to 2028/29	59,920	8,719	10,738	7,472	86,849
Between 2029/30 to 2033/34	56,436	3,115	17,542	6,122	83,215
	218,086	37,645	40,533	26,526	322,790

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:

	2012/13 £000	2013/14 £000
Net Book Value at 1 April	114,685	104,286
Additions	2,199	4,334
Revaluations	0	-17,741
Disposals	-8,375	-10,602
Depreciation and impairment	-4,223	-3,985
Net Book Value at 31 March	104,286	76,292

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

	2012/13 £000	2013/14 £000
At 1 April	41,945	41,130
Movement in the year	-815	-597
At 31 March	41,130	40,533

c) Schools 2

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

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

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

The Council incurred costs of £2.8 million under the contract in 2013/14 (£2.8 million in 2012/13) and received £2.2 million in PFI Grant (2012/13 £2.2 million). Details of estimated payments due to be made are as follows:

NOTES TO THE CORE FINANCIAL STATEMENTS

KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2013/14

	Service Charges	Interest Charges	Repayments Of Liability	Other	Total
	£000	£000	£000	£000	£000
In 2014/15	1,123	857	482	302	2,764
Between 2015/16 to 2018/19	4,723	2,984	1,971	1,278	10,956
Between 2019/20 to 2023/24	6,488	2,841	2,417	1,849	13,595
Between 2024/25 to 2028/29	7,316	1,711	3,161	1,493	13,681
Between 2029/30 to 2031/32	3,887	266	2,194	364	6,711
	23,537	8,659	10,225	5,286	47,707

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:

	2012/13	2013/14
	£000	£000
Net Book Value at 1 April	17,963	11,744
Additions	189	95
Revaluations	0	-624
Disposals	-6,081	0
Depreciation	-327	-217
Net Book Value at 31 March	11,744	10,998

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

	2012/13	2013/14
	£000	£000
At 1 April	11,273	10,719
Movement in the year	-554	-494
At 31 March	10,719	10,225

40 Pensions Disclosures

Participation in Pension Schemes

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

The Council participates in three pension schemes:

- The Local Government Pension Scheme (LGPS) – a funded defined benefit final salary scheme administered by the West Yorkshire Pension Fund (WYPF) whereby the Council and employees pay contributions into a fund, calculated at a level intended to balance the 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 2013/14, the Council paid £15.3 million (2012/13 £15.9 million) to the Pensions Agency in respect of teachers' retirement benefits, representing 14.1% (2012/13 14.1%) of pensionable pay. A payment of £1.3 million was owing to the Agency as at 31 March 2014 (31 March 2013 £1.3 million). As a proportion of the total contributions to the Scheme during the year ending 31 March 2014, the Council's contribution equated to approximately 0.03%.

NOTES TO THE CORE FINANCIAL STATEMENTS

KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2013/14

- Employees transferred across from Kirklees PCT (Public Health) are members of the NHS Pension Scheme, administered by the NHS Business Services Authority (NHSBSA). Similar to the Teachers' Pension Scheme, this scheme is classed as a multi-employer defined benefit scheme and is treated as a defined contribution scheme under the Code. In 2013/14, the Council paid £0.2 million to the NHSBSA, representing 14.0% of pensionable pay. As a proportion of the total contributions to the Scheme during the year ending 31 March 2014, the Council's contribution equated to approximately 0.002%.

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:

	LGPS		Teachers £000	Total £000
	Funded £000	Unfunded £000		
2012/13	Restated			Restated
Comprehensive Income and Expenditure Statement				
<u>Cost of Services:</u>				
Current service cost	43,178	0	0	43,178
Past service cost	1,328	0	2,233	3,561
Settlements and Curtailments	-2,505	0	0	-2,505
<u>Financing and Investment income and Expenditure:</u>				
Net interest expense	25,074	1,417	2,430	28,921
Total Post-employment Benefits charged to the Deficit on the Provision of Services	67,075	1,417	4,663	73,155
<u>Remeasurement of the net defined benefit liability comprising:</u>				
Return on plan assets (excluding the amount included in the net interest expense)	-102,808	0	0	-102,808
Actuarial gains and losses arising on changes in demographic assumptions	0	0	0	0
Actuarial gains and losses arising on changes in financial assumptions	142,905	2,106	4,072	149,083
Actuarial gains and losses due to liability experience	-2,725	-61	-106	-2,892
Total Post Employment Benefit charged to the CIES	104,447	3,462	8,629	116,538
Movement in Reserves Statement				
Reversal of net charges made to the Deficit on the Provision of Services for retirement benefits	-67,075	-1,417	-4,663	-73,155
Actual amount charged against General Fund Balance for pensions in the year:				
Employers' contributions payable to scheme	30,523	2,340		32,863
Retirement benefits payable to pensioners			3,814	3,814

NOTES TO THE CORE FINANCIAL STATEMENTS

KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2013/14

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

NOTES TO THE CORE FINANCIAL STATEMENTS
KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2013/14

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

	LGPS		Teachers	Total
	Funded £000	Unfunded £000	£000	£000
	Restated	Restated	Restated	Restated
Opening balance 1 April 2012	-1,668,243	-31,967	-53,618	-1,753,828
Current Service Cost	-43,178	0	0	-43,178
Interest cost	-78,818	-1,417	-2,430	-82,665
Contributions by scheme participants	-12,075	0	0	-12,075
Remeasurement gain/loss(-):				
Arising on changes in financial assumptions	-142,905	-2,106	-4,072	-149,083
Due to liability experience	2,725	61	106	2,892
Benefits/transfers paid	47,727	2,340	3,814	53,881
Past service costs	-1,328	0	-2,233	-3,561
Settlements	7,100	0	0	7,100
Opening balance 1 April 2013	-1,888,995	-33,089	-58,433	-1,980,517
Current Service Cost	-49,952	0	0	-49,952
Interest cost	-82,273	-1,311	-2,324	-85,908
Contributions by scheme participants	-12,345	0	0	-12,345
Remeasurement gain/loss(-):				
Arising on changes in demographic assumptions	38,081	-1,076	-1,884	35,121
Arising on changes in financial assumptions	148,188	1,521	3,210	152,919
Due to liability experience	120,222	40	-2,555	117,707
Benefits/transfers paid	51,645	2,251	3,636	57,532
Past service costs	-906	0	-121	-1,027
Settlements	4,333	0	0	4,333
Closing balance 31 March 2014	-1,672,002	-31,664	-58,471	-1,762,137

The average duration of liabilities calculated at 31 March 2014 is 18.9 years for funded liabilities (18.3 at 31 March 2013) and 12.0 years for unfunded liabilities (12.0 at 31 March 2013).

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

	31 March 2013 £000	31 March 2014 £000
	Restated	
Opening balance 1 April	1,125,742	1,272,570
Interest income on assets	53,744	55,818
Remeasurement gains and losses	102,808	-8,747
Employer contributions	30,523	36,363
Contributions by scheme participants	12,075	12,345
Benefits paid	-47,727	-51,645
Settlements	-4,595	-2,935
Closing balance 31 March	1,272,570	1,313,769

NOTES TO THE CORE FINANCIAL STATEMENTS

KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2013/14

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 £47.1 million (2012/13 return of £156.6 million - restated). WYPF does not hold any of the Council's transferable financial instruments as plan assets.

Assets in the LGPS are valued at fair value, principally market value for investments, totalling £10.2 billion for the Fund as a whole at 31 March 2014 (£9.9 billion at 31 March 2013). The approximate split of assets for the Fund as a whole is shown in the table below. The assets allocated to each employer in the Fund are notional and the assets are assumed to be invested in line with the investments of the total Fund. The Fund is large and largely liquid and as a consequence there will be no significant restriction on realising assets if a large payment is required to be paid (e.g. bulk transfer payment).

The administering authority does not invest in property or assets related to itself. It is possible, however, that assets may be invested in shares relating to some of the private sector employers participating in the Fund, if it forms part of their balanced investment strategy.

The percentage breakdown of Fund assets is as follows:

	2012/13	2013/14		Total
	Total	Quoted	Unquoted	
	%	%	%	%
Equity investments	72.5	70.1	5.2	75.3
Government Bonds	11.9	10.5	0.0	10.5
Other Bonds	5.7	5.4	0.0	5.4
Property	3.1	3.2	0.0	3.2
Cash/ liquidity	3.6	3.1	0.0	3.1
Other	3.2	0.0	2.5	2.5
	100.0	92.3	7.7	100.0

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

http://www.bradford.gov.uk/bmdc/government_politics_and_public_administration/council_budgets_and_spending/statement_of_accounts

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc. Both the LGPS and Teacher's Unfunded Discretionary Benefits liabilities have been assessed by Aon Hewitt Limited, an independent firm of actuaries, estimates for the LGPS being based on the latest full valuation of the West Yorkshire Pension Fund carried out as at 31 March 2013.

NOTES TO THE CORE FINANCIAL STATEMENTS

KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2013/14

The principal assumptions used by the actuary have been:

	2012/13			2013/14		
	LGPS		Teachers	LGPS		Teachers
	Funded	Unfunded		Funded	Unfunded	
Rate of inflation – RPI	3.70%	3.50%	3.50%	3.40%	3.20%	3.20%
Rate of inflation – CPI	2.80%	2.60%	2.60%	2.40%	2.20%	2.20%
Rate of increase in salaries	4.70%	n/a	n/a	3.90%	n/a	n/a
Rate of increase in pensions	2.80%	2.60%	2.60%	2.40%	2.20%	2.20%
Rate for discounting liabilities	4.40%	4.10%	4.10%	4.30%	4.20%	4.20%
Take up of option to convert annual pension into retirement grant	62%	n/a	n/a	75%	n/a	n/a
<u>Mortality assumptions (years):</u>						
Longevity at 65 for current pensioners:						
Men	22.1	22.1	22.1	22.5	22.5	22.5
Women	24.3	24.3	24.3	25.4	25.4	25.4
Longevity at 65 for future pensioners:						
Men	23.9	23.9	23.9	24.7	24.7	24.7
Women	26.2	26.2	26.2	27.7	27.7	27.7

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes that for each change the assumption analysed changes, whilst all other assumptions remain constant. The analysis only applies to Funded LGPS benefits – the sensitivity of unfunded benefits is not included on materiality grounds.

	2013/14	
Discount rate assumption		
Adjustment to discount rate	+0.1% p.a.	-0.1% p.a.
Present value of total obligation £k	1,641,307	1,703,283
% change in present value of total obligation	-1.8%	+1.9%
Projected service cost £k	41,355	43,988
Approximate % change in projected service cost	-3.0%	+3.1%
Rate of general increase in salaries		
Adjustment to salary increase rate	+0.1% p.a.	-0.1% p.a.
Present value of total obligation £k	1,679,782	1,664,307
% change in present value of total obligation	+0.5%	-0.5%
Projected service cost £k	42,656	42,656
Approximate % change in projected service cost	0.0%	0.0%

NOTES TO THE CORE FINANCIAL STATEMENTS

KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2013/14

Rate of increase to pensions in payment and deferred pensions assumptions, and rate of revaluation of pension accounts assumption		
Adjustment to pension increase rate	+0.1% p.a.	-0.1% p.a.
Present value of total obligation £k	1,695,160	1,649,366
% change in present value of total obligation	+1.4%	-1.4%
Projected service cost £k	44,033	41,310
Approximate % change in projected service cost	+3.2%	-3.2%
Post retirement mortality assumption*		
Adjustment to pension increase rate	-1 Year	+1 Year
Present value of total obligation £k	1,710,715	1,633,165
% change in present value of total obligation	+2.3%	-2.3%
Projected service cost £k	43,997	41,310
Approximate % change in projected service cost	+3.1%	-3.2%
<i>*A rating of +1 year means that members are assumed to follow the mortality pattern of the base table for an individual that is 1 year older than them.</i>		

Under the transitional provisions on the introduction of the amendments to IAS19, the Council has not provided comparator information for this particular disclosure.

Asset and Liability Matching Strategy

	2009/10	2010/11	2011/12	2012/13	2013/14
	£000	£000	£000	£000	£000
Present value of liabilities:					
LGPS Funded	-1,728,632	-1,469,426	-1,668,243	-1,888,995	-1,672,002
LGPS Unfunded	-35,624	-30,226	-31,967	-33,089	-31,664
Teachers	-53,377	-48,761	-53,618	-58,433	-58,471
Fair value of assets in the LGPS	1,012,729	1,119,192	1,125,742	1,272,570	1,313,769
Deficit in the scheme:					
LGPS Funded	-715,903	-350,234	-542,501	-616,425	-358,233
LGPS Unfunded	-35,624	-30,226	-31,967	-33,089	-31,664
Teachers	-53,377	-48,761	-53,618	-58,433	-58,471
Total	-804,904	-429,221	-628,086	-707,947	-448,368

The net liabilities show the underlying commitments that the Council has in the long run to pay retirement benefits. The total liability of £448.4 million has a substantial impact on the net worth of the Council as recorded in the Balance Sheet. However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy:

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

It should be noted that the net liability is volatile as:

- The liabilities are linked to yields on AA-rated corporate bonds
- A significant proportion of the assets of the scheme are invested in equities.

Changes in equity markets in conjunction with any volatility on the discount rate, leads to volatility in the funded status of the pension plan. This volatility also affects actuarial gains and losses in Other Comprehensive Income.

NOTES TO THE CORE FINANCIAL STATEMENTS

KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2013/14

The scheme will need to take account of the national changes to the scheme under the Public Pensions Services Act 2013. The Act provides for scheme regulations to be made within a common framework, to establish new career average revalued earnings schemes to pay pensions and other benefits.

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

WYPF aim to reach 100% funding over a period of time and therefore that the assets built up will be able to meet all present and future liabilities. The way in which WYPF seeks to achieve this is set out in their Funding Strategy Statement (FSS), which in turn also refers to the Statement of Investment Principles (SIP) governing the asset mix which WYPF would seek to hold at any time. Both the Funding Strategy Statement and Statement of Investment Principles can be found at WYPF's website: http://www.wypf.org.uk/Index_2014.aspx

The total contributions expected to be made to the LGPS by the Council in the year to 31 March 2015 is £28.2 million. Additional contributions may also become due in respect of any employer discretions to enhance members' benefits in the Fund over the next accounting period.

41 Contingent Liabilities

The Council has the following significant contingent liabilities:

- The Council has given guarantees for outstanding contributions to Pension Funds, in the event of default by the following bodies: Calderdale and Kirklees Careers Company Ltd, Fresh Horizons, North Kirklees CAB, Kirklees Active Leisure, and Deighton and Sheepridge Partnership.
- The Council is participating with Huddersfield Sporting Pride Ltd and Huddersfield Town Association Football Club Ltd, in the development, construction and running of a sports stadium at Bradley Mills Road, Huddersfield, through Kirklees Stadium Development Ltd (KSDL). The Council originally guaranteed the financing of the construction of the stadium, pending the receipt of funds. The loan has been restructured and the Council has guaranteed the new loan of £7.4 million, to be repaid over twenty years commencing in February 2001. As at 31 March 2014, the balance on the loan was £3.6 million (£4.0 million at 31 March 2013). 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 2014, the balance on the loan was £0.01 million (£0.12 million at 31 March 2013).
- 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 disponee that is not a registered social landlord. In practice, the guarantee will not be discharged until the last dwelling on the estate built with HCA grant monies has been acquired under the right to acquire legislation.
- The Council was a defendant in proceedings brought by a group of property search companies for refunds of fees paid to the Council to access land charges data. This claim was settled during 2013/14 but a second group of companies are also seeking to claim refunds, although no proceedings have yet been issued. The Council has been informed that the value of those claims at present is £0.6 million plus interest and costs. The second group of Property Search Companies have also intimated that they may bring a claim against all English and Welsh local authorities for alleged anti-competitive behaviour. It is not clear what the value of any such claim would be as against the Council. It is possible that additional claimants may come forward to submit claims for refunds, but none have been intimated at present.

NOTES TO THE CORE FINANCIAL STATEMENTS

KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2013/14

The Council has made a provision to cover the cost of refunding the fees for known claims.

- The Council has several closed landfill sites which it continues to monitor and incur costs for gas control, leachate disposal and, in a few cases, restoration work. This is an extremely complex exposure to compute with very uncertain, potentially indefinite, timescales and therefore as a reliable estimate cannot be made, no provision has been made in the accounts for this obligation. Based on a worst case scenario, it is considered that total restoration and aftercare costs could be up to £4 million over the next 30 years.

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

42 Contingent Asset

The Council has a claim lodged for a VAT refund which, if successful, could total £10.8 million, excluding interest. This is in relation to VAT on off street car parking, where the VAT and Duties Tribunal ruled in January 2006 that local authorities should not be required to charge VAT on off street car parking because they operate under a special legal regime. Following an appeal the initial decision has been reversed and the case was recently reviewed by the Upper Tier Tax Tribunal, but the final decision is not expected to be released until later this year. Should local authorities be successful, the Council has the option to submit further claims from the period commencing October 2012 onwards, the date at which the most recent decision was made.

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

ADDITIONAL FINANCIAL STATEMENTS
KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2013/14

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.

	2012/13 £000 Restated	2013/14 £000	Notes
			H1
Expenditure			
Repairs and maintenance	18,465	21,635	
Supervision and management	18,295	20,169	
Special services	3,043	1,843	
Rent, rates, taxes and other charges	108	587	
Negative HRA subsidy payable	-68	0	
Depreciation and impairment of non-current assets	15,165	15,274	H2
Debt management costs	10	13	
Movement in the allowance for bad debts	1,842	2,316	
Revaluation losses on property, plant and equipment	29,008	56,104	H2
Total Expenditure	85,868	117,941	
Income			
Dwelling rents	75,628	80,069	
Non-dwelling rents	172	233	
Charges for services and facilities	1,590	2,555	
Contributions towards expenditure	156	156	
PFI Grants	4,288	7,912	H11
Revaluation gains on property, plant and equipment	6	165	
Total Income	81,840	91,090	
Net Cost of HRA Services as included in the CIES	4,028	26,851	
HRA share of Corporate & Democratic Core	362	369	
HRA share of Non-distributed costs	30	30	
Net Cost of HRA Services	4,420	27,250	
HRA share of operating income and expenditure included in the CIES:			
Gain on sale of HRA non-current assets	-2,331	-1,322	H4
Interest payable and similar charges	12,580	14,534	
Interest and investment income	-219	-140	
Income and expenditure in relation to investment properties and changes in fair value	-1,029	-821	
Capital grants and contributions receivable	-824	-651	
Deficit for the year on HRA services	12,597	38,850	

ADDITIONAL FINANCIAL STATEMENTS
KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2013/14

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.

	2012/13		2013/14	
	£000	£000	£000	£000
		Restated		Note
				H1
Balance on the HRA at the end of the previous year		-33,177	-32,022	
Deficit for the year on the HRA Income and Expenditure Statement		12,597	38,850	
<u>Adjustments involving the Capital Adjustment Account:</u>				
Net revaluation losses on council dwellings	-28,993		-55,946	
Net revaluation gains on non-dwellings	628		426	
Capital grants and contributions applied	824		651	
Amounts of non-current assets written off on disposal or sale	-2,505		-3,321	
Capital expenditure charged against balances	15,411		14,392	
Provision for the financing of capital investment	-1,640	-16,275	-634	-44,432
<u>Adjustments involving the Capital Receipts Reserve:</u>				
Transfer of cash sale proceeds credited as part of the gain/ loss on disposal	4,889		4,660	
Contribution towards administrative costs of asset disposals	-53	4,836	-17	4,643
<u>Adjustments involving the Financial Instruments Adjustment Account:</u>				
Amount by which finance costs charged to the HRA Income and Expenditure Account are different from those required by statutory regulations		-3	-55	
Increase(-)/decrease in the year on the HRA		<u>1,155</u>	<u>-994</u>	
Balance at the end of the current year		<u>-32,022</u>	<u>-33,016</u>	

NOTES TO THE HRA

H1 Prior Period Adjustments

The HRA Income and Expenditure Statement figures for 2012/13 have had to be restated to reflect an increase of £1.327 million in interest payable and deficit for the year, with a corresponding reduction in the Movement on the HRA Statement (provision for the financing of capital investment). This reflects changes to accounting policies on service concession arrangements as required by the Code of Practice, for which full details are in note 2 to the Main Financial Statements.

H2 Depreciation, impairment and revaluation gains/losses

The Council has adopted a depreciation calculation based on an analysis of the major components of a typical dwelling. The charge for council dwellings in 2013/14 is £15.1 million (2012/13 £15.0 million).

Following the implementation of a more self-sustaining financial regime for HRAs from 1 April 2012, transitional arrangements permit impairment and revaluation gains/losses on housing stock to be reversed out in the Movement on the HRA Statement. Revaluation losses of £56.1 million (2012/13 £29.0 million) are mainly the result of new PFI housing stock being completed during the year and revalued as social housing. This has resulted in a loss of £38.1 million (2012/13 £17.9 million). The transitional arrangements have been adopted and these amounts have been reversed out to leave the HRA balance unaffected.

Non-dwelling depreciation totalled £0.2 million in 2013/14 (2012/13 £0.2 million). Net revaluation gains on non-dwellings were £0.4 million (2012/13 £0.6 million).

H3 Major Repairs Reserve

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

	2012/13	2013/14
	£000	£000
Balance at 1 April	10,175	8,400
Amount equivalent to depreciation	15,165	15,274
	25,340	23,674
Financing of new capital expenditure	-10,681	-17,415
Used to repay debt	-6,259	-6,259
Balance at 31 March	8,400	0

H4 Gains and Losses on Asset Disposals

Gains and losses on asset disposals are shown on the face of the HRA Income and Expenditure Statement. The gain on disposal of £1.3 million in 2013/14 (2012/13 gain £2.3 million) includes the value of council dwellings demolished as part of housing regeneration projects of £0.7 million (2012/13 £0.2 million).

ADDITIONAL FINANCIAL STATEMENTS
KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2013/14

H5 Movement in HRA Fixed Assets

	PPE Council Dwellings £000	Council Dwellings Held For Sale £000	Other Land and Buildings £000	PPE Surplus £000	Assets Under Construction £000	Investment Properties £000	Total Assets £000
					Restated		Restated
Cost or Valuation							
At 1 April 2013	497,032	762	3,574	0	27,012	9,673	538,053
Additions	43,382	0	0	0	7,502	0	50,884
Revaluation increases/ decreases(-) recognised in the Revaluation Reserve	-275	0	116	0	0	0	-159
Revaluation increases/ decreases(-) recognised in Deficit on the Provision of Services	-71,058	0	3	-59	0	420	-70,694
De-recognition - disposals	-2,746	-576	0	0	0	0	-3,322
Assets reclassified to(-)/ from Held for Sale	-982	982	0	0	0	0	0
Other movement in cost or valuation	26,657	0	0	478	-24,618	-2,039	478
At 31 March 2014	492,010	1,168	3,693	419	9,896	8,054	515,240
Accumulated Depreciation and Impairment							
At 1 April 2013	0	0	0	0	0	0	0
Depreciation charge	-15,112	0	-162	0	0	0	-15,274
Depreciation written out to the Revaluation Reserve	0	0	159	0	0	0	159
Depreciation written out to Deficit on the Provision of Services	15,112	0	3	21	0	0	15,136
Other movements in depreciation and impairment	0	0	0	-21	0	0	-21
At 31 March 2014	0	0	0	0	0	0	0
Net Book Value							
at 1 April 2013	497,032	762	3,574	0	27,012	9,673	538,053
at 31 March 2014	492,010	1,168	3,693	419	9,896	8,054	515,240

H6 Fixed Asset Valuation

A complete revaluation of HRA assets was carried out as at 1 April 2013 by the District Valuer (North), who is RICS qualified. As at that date, the vacant possession value of dwellings was £1,479 million. The difference between this and the Balance Sheet value reflects the economic cost to the Government of providing council housing at less than open market rents.

Notwithstanding the requirement for a formal programme of revaluations, the Council is required to monitor values for material in year movements. After liaising with the Valuer, it was considered that there were no unusual or material movements during 2013/14 and asset values reflected in the accounts are as at 1 April 2013.

ADDITIONAL FINANCIAL STATEMENTS
KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2013/14

H7 Capital Expenditure and Sources of Finance

	2012/13 £000 Restated	2013/14 £000
Capital Expenditure:		
Fixed Assets	27,082	32,659
Fixed Assets - PFI	36,021	18,225
Total Capital Expenditure	63,103	50,884
Financed by:		
Finance Lease (PFI)	36,021	18,225
Major Repairs Reserve	10,681	17,415
Capital Receipts	166	201
Capital Grant and Contributions	824	651
Revenue	15,411	14,392
Total Sources of Finance	63,103	50,884

H8 Capital Receipts

	2012/13 £000	2013/14 £000
Capital receipts from sales of:		
Dwellings	4,536	4,253
Land	333	403
Clawback of legal title on Right to Buy sales	20	4
Capital receipts from mortgage repayments	19	20
	4,908	4,680
Contribution to Housing Pooled Capital Receipts	-1,415	-1,631
Disposal costs	-53	-17
Usable capital receipts	3,440	3,032

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

H9 Housing Stock

The Council's housing stock at 31 March 2014 is analysed below by size and age:

	1 Bedroom	2 Bedrooms	3 Bedrooms	4+ Bedrooms	Total
By Size					
Houses/ Bungalows	2,793	5,776	4,704	345	13,618
Flats/ Bedsits and Maisonettes	7,006	2,418	114	0	9,538
	9,799	8,194	4,818	345	23,156
By Age					
Houses/ Bungalows	5,900	5,501	1,560	657	13,618
Flats/ Bedsits and Maisonettes	163	2,371	3,921	3,083	9,538
	6,063	7,872	5,481	3,740	23,156

ADDITIONAL FINANCIAL STATEMENTS
KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2013/14

H10 Rent Arrears

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

	2012/13	2013/14
	£000	£000
Rent Arrears	4,328	3,991
Less Bad Debt Provision	-2,818	-1,330
Net Rent Arrears	1,510	2,661

H11 Housing PFI

In December 2011, the Council entered into a twenty two and a half year contract with Regenter Excellent Homes for Life for the design, build, financing and operation of a PFI contract to provide 466 units of HRA housing. The contractor has a licence from the Council to build and operate on Council sites. The operator is obliged to hand over the housing units in a specified condition at the end of the contract for no incremental consideration. Rent income will be collected by Kirklees Neighbourhood Housing (KNH) on behalf of the Council.

The Council incurred costs of £4.9 million under the contract in 2013/14 (2012/13 £0.3 million) and received £7.9 million in PFI Grant (2012/13 £4.3 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 2014/15	1,827	4,668	1,830	8,325
Between 2015/16 and 2018/19	8,873	17,191	8,873	34,937
Between 2019/20 and 2023/24	13,714	17,667	13,889	45,270
Between 2024/25 and 2028/29	18,645	12,805	16,719	48,169
Between 2029/30 and 2033/34	17,951	5,672	26,115	49,738
In 2034/35	770	32	1,670	2,472
Total	61,780	58,035	69,096	188,911

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

The value of assets (Council Dwellings) held under this scheme is as follows:

	2012/13	2013/14
	Restated £000	£000
Net Book Value at 1 April	6,305	28,793
Additions	38,855	24,172
Revaluations	-18,131	-38,234
Transfers	1,764	3,705
Depreciation	0	-87
Net Book Value at 31 March	28,793	18,349

ADDITIONAL FINANCIAL STATEMENTS
KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2013/14

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

	2012/13 Restated £000	2013/14 £000
At 1 April	6,305	43,965
Movement in the year	37,660	18,859
At 31 March	43,965	62,824

H12 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.

	2012/13 £000	2013/14 £000
Interest costs (calculated in line with item 8 Determination)	11,247	14,528
Less Impairments/Revaluation gains and losses/REFCUS charges	-29,001	-55,939
The Capital Asset Charges Accounting Adjustment	-17,754	-41,411

ADDITIONAL FINANCIAL STATEMENTS
KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2013/14

COLLECTION FUND STATEMENT

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

	2012/13	Business Rates	Council Tax	2013/14	
	Total £000	£000	£000	Total £000	Note
Income					
Income from Council Tax	148,493		162,616	162,616	1
Transfers from General Fund -					
Council Tax Benefits	31,573				
Locally Defined Discount Pensioner Reduction	-2				
Income Collectable from Business Ratepayers	101,660	104,645		104,645	2
Contributions towards previous years' Collection Fund deficit	3,076		3,506	3,506	
Total Income	284,800	104,645	166,122	270,767	
Expenditure					
Precepts and demands -					
Central Government	101,045	52,222		52,222	
Kirklees Council	156,843	51,178	135,792	186,970	
West Yorkshire Fire and Rescue	6,726	1,044	6,252	7,296	
West Yorkshire Police	16,748		14,759	14,759	
Allowance for impairment of debt	1,972	1,769	3,664	5,433	
Provision for Appeals	0	7,324	0	7,324	
Cost of collection	615	614		614	
Transitional Protection Payment	0	578		578	
Total Expenditure	283,949	114,729	160,467	275,196	
Surplus/Deficit(-)	851	-10,084	5,655	-4,429	
Balance at 1 April	-4,170	0	-3,319	-3,319	
Balance at 31 March	-3,319	-10,084	2,336	-7,748	3

The Local Government Finance Act 2012 required councils to adopt a local Council Tax Support Scheme from April 2013, to replace the Council Tax Benefit Scheme. In addition, national formula grant for business rates ceased at the start of 2013/14, in preference to councils being allowed to retain 50% of business rates locally, together with a system of top ups and tariffs to redistribute monies between high- and low-yield authorities. Kirklees Council is a top-up authority and has joined a regional pooling arrangement – Leeds City Region Business Rates Pool.

NOTES TO THE COLLECTION FUND STATEMENT

C1 Council Tax

The Council Tax is charged on a series of property valuation bands. These bands, the charges due for the year and the average Council Tax are shown below.

Estimated at the start of the year						
2012/13				2013/14		
Number of Chargeable Dwellings	Band D Equivalent Dwellings	Average Council Tax	Band	Number of Chargeable Dwellings	Band D Equivalent Dwellings	Average Council Tax
		£				£
93	51	781.11	A (5/9)	90	50	800.00
67,953	45,302	937.33	A (6/9)	49,852	33,235	960.00
29,338	22,818	1,093.56	B (7/9)	26,233	20,403	1,120.00
27,814	24,723	1,249.78	C (8/9)	26,199	23,288	1,280.00
14,543	14,543	1,406.00	D (9/9)	13,347	13,347	1,440.00
10,275	12,558	1,718.44	E (11/9)	10,026	12,253	1,760.00
4,520	6,529	2,030.89	F (13/9)	4,510	6,515	2,080.00
1,845	3,075	2,343.33	G (15/9)	1,859	3,098	2,400.00
89	177	2,812.00	H (18/9)	94	188	2,880.00
	129,776		Total		112,377	
	-1,440		Estimated losses on collection		-3,455	
	128,336		Council Tax Base		108,922	

From 1st April 2013, two legislation changes affected how the Band D equivalent figure in the tax base is calculated, the introduction of a localised Council Tax Support Scheme and the Council Tax Technical changes. These changes have been reflected in the Band D equivalent dwellings figure for 2013/14.

C2 Non-Domestic (Business) Rates

The Government specifies a multiplier and, subject to the effects of transitional arrangements and other reliefs, local businesses pay rates calculated by applying the multiplier to their rateable value. There are two multipliers – the national non-domestic rating multiplier of 47.1p (2012/13 45.8p) and the small business non-domestic rating multiplier of 46.2p (2012/13 45.0p) which is applicable to those that qualify for the small business rate relief. The Council is responsible for collecting rates due from the ratepayers in its area and from 1 April 2013 pays 50% of the proceeds to Central Government and 1% to West Yorkshire Fire and Rescue Authority.

	2012/13	2013/14
	£000	£000
Non-domestic rate income 2013/14 (average rateable value £283,592,136.02)		133,884
Non-domestic rate income 2012/13 (average rateable value £284,325,914.07)	130,244	
Allowance and other adjustments (net)	-28,584	-29,239
	101,660	104,645

The actual non-domestic rateable value at 31 March 2014 was £284,355,898 (£285,630,424 at 31 March 2013).

ADDITIONAL FINANCIAL STATEMENTS
KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2013/14

C3 Movement on Balances

The balance on the Collection Fund relates to Council Tax, Community Charge and Business Rates. That part of the balance which relates to Community Charge will be paid to the Council in subsequent financial years. That part of the balance which relates to Council Tax will be shared between the Council, 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. That part of the balance which relates to Business Rates will be shared between the Council, Central Government 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 2013 £000	Share of 2013/14 Surplus/ Deficit(-) £000	31 March 2014 £000
Council Tax and Community Charge			
Kirklees Council : Community Charge	10	0	10
Council Tax	-2,887	4,911	2,024
Collection Fund Adjustment Account – Council Tax	-2,877	4,911	2,034
West Yorkshire Police Authority – Council Tax	-313	528	215
West Yorkshire Fire and Rescue Authority – Council Tax	-129	216	87
	-3,319	5,655	2,336
Business Rates			
Kirklees Council – Business Rates	-	-4,941	-4,941
Collection Fund Adjustment Account - Business Rates	-	-4,941	-4,941
Central Government - Business Rates	-	-5,042	-5,042
West Yorkshire Fire and Rescue Authority – Business Rates	-	-101	-101
	-	-10,084	-10,084

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

GROUP ACCOUNTS

EXPLANATORY FOREWORD

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

The Group Accounts include:

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

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

All of the Council's subsidiaries, associates and joint venture companies are going concerns, although it is likely to be the case that Kirklees Henry Boot Partnership Limited will cease trading in the near future and become a dormant company, retaining their shares in a shopping centre in Huddersfield. Similarly, proposals are currently being looked at to dissolve Kirklees Metropolitan Development Company and transfer its properties to the Council.

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 2013/14, the Company made an operating surplus of £0.1 million (operating deficit £0.4 million 2012/13). The figures including the effects of IAS19 are an operating surplus of £7.0 million (operating deficit £1.1 million 2012/13 restated).

GROUP ACCOUNTS

KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2013/14

As at 31 March 2014, the Company had net assets of £1.9 million (£1.7 million at 31 March 2013). The figures including the effects of IAS19 are net liabilities of £3.2 million (£10.2 million at 31 March 2013).

Kirklees Metropolitan Development Company Limited (Devco)

The main activity of the Company is managing the lettings of two industrial estates. 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, IT & Performance. Due to the timing of the requirement to produce the Group Accounts, unaudited Devco accounts have been used for this consolidation.

In 2013/14, the Company made an operating loss of £6,000 (£12,000 operating loss in 2012/13).

As at 31 March 2014, the Company had net assets of £1.9 million (£1.7 million at 31 March 2013).

JOINT VENTURES

Kirklees Henry Boot Partnership Limited (KHBP)

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

The Company has been controlled, since commencement of trade in 1989, by the Council and Henry Boot Plc, on a 50/50 basis. The Council 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, IT & Performance. At the time of consolidation of the Group Accounts, the KHBP accounts for 2013 were still being audited.

Kirklees Stadium Development Limited (KSDL)

The Company was formed to carry out the development, construction and running of the sports stadium in Huddersfield. At the Company's Balance Sheet date, the Council had a shareholding of 40%, with Huddersfield Sporting Pride Limited holding 20% and Huddersfield Town Association Football Limited holding 40%.

Given the nature of KSDL's business, the ideal time for preparing accounts is during the football close season, giving the company a year end date of 31 July. In order to achieve a consolidation consistent with the Council's Balance Sheet date, KSDL management have provided management accounts as at 31 March 2014.

Financial performance of joint ventures

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

			2012/13		2013/14
	KHBP	KSDL	KSDL	KHBP	KSDL
	£000	£000	£000	£000	£000
Income	8	1,354	1,858	4	572
Expenses	-12	-1,000	-1,449	-15	-1,004
Fixed Assets	1,072	8,183	8,111	1,072	7,903
Current Assets	190	887	758	179	754
Liabilities < 1 year	-554	-432	-565	-553	-547
Liabilities > 1 year	-2,116	-1,652	-1,668	-2,116	-1,511
Provision for liabilities	0	-81	-105	0	-130
Accruals & Deferred Income	0	-388	-380	0	-377

The figures in italics for KSDL represent the final audited figures for 2012/13 adjusted in line with the Group's accounting policies. The figures in the Group Accounts were based on draft accounts and as none of the final amendments to the Company accounts were material, the Group Accounts have not been restated.

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

The principal activity of CKC is to provide careers information, advice and guidance services within Calderdale and Kirklees. The main age group of services are aged between 13-19 and the main area of work is within schools. The body is a company limited by Guarantee. The Council has a significant influence within the Company of 25% (increased from 17% in 2012/13). The influence of 25% has been used as part of the consolidation process. Significant influence is defined within IAS28 "Investments in Associates".

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

Kirklees Active Leisure (KAL)

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

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

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

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

Kirklees Community Association Group (KCA)

The principal activity of KCA is to promote a range of community facilities including housing, educational, recreational, cultural and general community benefits in the Kirklees area. The body is a charitable company limited by Guarantee. The Council has a significant influence within the company of 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.

GROUP ACCOUNTS

KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2013/14

Kirklees Theatre Trust (KTT)

The principal activity of KTT is to promote, maintain, improve and advance education by encouraging and promoting the arts. The body is a charitable company limited by Guarantee. The Council has a significant influence within the company of 23% (decreased from 30% in 2012/13). The influence of 23% has been used as part of the consolidation process. Significant influence is defined within IAS28 "Investments in Associates".

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

Financial Performance of associates

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

	CKC	<i>CKC</i>	KAL	KCA	<i>KCA</i>	KMS	KTT	<i>KTT</i>
2012/13	£000	<i>£000</i>	£000	£000	<i>£000</i>	£000	£000	<i>£000</i>
Assets	374	<i>374</i>	786	5,988	<i>5,564</i>	398	1,202	<i>1,277</i>
Liabilities	-1,953	<i>-1,952</i>	-1,277	-2,188	<i>-1,973</i>	-133	-99	<i>-95</i>
Revenues	896	<i>896</i>	2,100	533	<i>316</i>	984	297	<i>383</i>
Profit or Loss (-)	-29	<i>-34</i>	0	112	<i>-71</i>	22	-52	<i>28</i>
2013/14								
Assets	554		1,072	6,126		410		1,004
Liabilities	-2,284		-1,302	-2,112		-48		-132
Revenues	1,370		2,238	421		941		222
Profit or Loss (-)	-68		-20	172		53		-39

The figures in italics for CKC, KCA and KTT represent the final audited figures for 2012/13. The figures in the Group Accounts were based on draft accounts and as none of the final amendments to the Company accounts were material, the Group Accounts have not been restated.

GROUP ACCOUNTS

KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2013/14

GROUP STATEMENT OF MOVEMENT IN RESERVES

This statement shows the movements in year on the different reserves held by the Group, analysed between usable reserves and unusable reserves.

	General Fund Balances £000	Earmarked General Fund Reserves £000	Housing Revenue Account £000	Useable Capital Reserves £000	Total Council Usable Reserves £000	Total Council Unusable Reserves £000	Total Council Reserves £000	Group Entities Usable Reserve £000	Group Entities Unusable Reserves £000	Total Group Reserves £000	Note
	Restated		Restated		Restated	Restated	Restated	Restated		Restated	G1
Balance at 31 March 2012	30,053	79,181	33,177	30,128	172,539	483,778	656,317	-4,483	5,115	656,949	
Movement in reserves during 2012/13											
Surplus or deficit (-) on the provision of services	-116,083	0	1,473	0	-114,610	0	-114,610	-13,331	0	-127,941	
Other Comprehensive Income and Expenditure (see CIES)	0	0	0	0	0	-34,392	-34,392	644	-241	-33,989	
Total Comprehensive Income and Expenditure	-116,083	0	1,473	0	-114,610	-34,392	-149,002	-12,687	-241	-161,930	
Adjustments between group and authority accounts (Note G2)	2,366	0	-14,070	0	-11,704	0	-11,704	11,704	0	0	
Adjustments between accounting & funding basis under regulations	127,166	0	11,442	1,766	140,374	-140,374	0	0	0	0	
Net Increase/Decrease (-) before Transfers to/from Earmarked Reserves	13,449	0	-1,155	1,766	14,060	-174,766	-160,706	-983	-241	-161,930	
Transfers to/from Earmarked Reserves	-3,801	3,801	0	0	0	0	0	0	0	0	
Increase/Decrease (-) in 2012/13	9,648	3,801	-1,155	1,766	14,060	-174,766	-160,706	-983	-241	-161,930	
Balance at 31 March 2013 carried forward	39,701	82,982	32,022	31,894	186,599	309,012	495,611	-5,466	4,874	495,019	
Movement in reserves during 2013/14											
Deficit on the provision of services	-88,519	0	-24,129	0	-112,648	0	-112,648	-15,171	0	-127,819	
Other Comprehensive Income and Expenditure (see CIES)	0	0	0	0	0	272,239	272,239	9,415	192	281,846	
Total Comprehensive Income and Expenditure	-88,519	0	-24,129	0	-112,648	272,239	159,591	-5,756	192	154,027	
Adjustments between group and authority accounts (Note G2)	2,475	0	-14,721	0	-12,246	0	-12,246	12,246	0	0	
Adjustments between accounting & funding basis under regulations	97,440	0	39,844	-3,775	133,509	-133,509	0	0	0	0	
Net Increase/Decrease (-) before Transfers to/from Earmarked Reserves	11,396	0	994	-3,775	8,615	138,730	147,345	6,490	192	154,027	
Transfers to/from Earmarked Reserves	-6,867	6,867	0	0	0	0	0	0	0	0	
Increase/Decrease (-) in 2013/14	4,529	6,867	994	-3,775	8,615	138,730	147,345	6,490	192	154,027	
Balance at 31 March 2014 carried forward	44,230	89,849	33,016	28,119	195,214	447,742	642,956	1,024	5,066	649,046	

GROUP ACCOUNTS

KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2013/14

GROUP COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT (CIES)

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

	2012/13			2013/14			Note G1
	Gross Exp Restated £000	Gross Income Restated £000	Net Exp Restated £000	Gross Exp £000	Gross Income £000	Net Exp £000	
	Children's and Education Services	429,372	309,974	119,398	461,643	311,467	
Adults Social Care	133,763	41,856	91,907	134,979	43,360	91,619	
Housing (HRA)	85,355	82,559	2,796	116,718	89,606	27,112	
Housing (Non HRA)	140,922	124,397	16,525	143,381	123,741	19,640	
Highways and Transport Services	57,196	11,099	46,097	56,096	11,858	44,238	
Cultural	36,974	3,252	33,722	40,101	3,221	36,880	
Environmental and Regulatory	33,963	6,333	27,630	35,869	6,681	29,188	
Planning	25,873	12,880	12,993	24,461	12,232	12,229	
Central services to the public	41,903	35,303	6,600	11,488	3,096	8,392	
Corporate and democratic core	7,665	0	7,665	8,282	14	8,268	
Non distributed costs	1,821	134	1,687	1,343	43	1,300	
	994,807	627,787	367,020	1,034,361	605,319	429,042	
Public Health	0	0	0	22,873	23,156	-283	
Cost of Services	994,807	627,787	367,020	1,057,234	628,475	428,759	
Other operating expenditure			75,910			26,346	
Financing and investment income and expenditure			68,263			46,262	
Taxation and non-specific grant income			-383,072			-374,949	
Deficit on Provision of Services			128,121			126,418	
Associates and joint ventures accounted for on an equity basis			-173			1,390	
Tax expenses of subsidiaries			-7			10	
Tax expenses of associates and joint ventures			0			1	
Group Deficit			127,941			127,819	
Surplus on revaluation of PPE			-9,140			24,882	
Impairment losses on non-current assets to the Revaluation Reserve			147			66	
Surplus on revaluation of available for sale financial assets			2			-261	
Remeasurements of the net defined benefit liability			42,677			-305,514	
Share of other comprehensive income and expenditure of associates and joint ventures			303			-1,019	
Other Comprehensive Income and Expenditure			33,989			-281,846	
Total Comprehensive Income and Expenditure			161,930			-154,027	

GROUP BALANCE SHEET

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

	1 April 2012 £000 Restated	31 March 2013 £000 Restated	31 March 2014 £000	Note
Property, Plant & Equipment	1,725,705	1,662,099	1,538,417	G1
Heritage Assets	34,701	36,333	35,700	
Investment Property	87,709	76,054	87,452	
Intangible Assets	2,062	3,819	5,382	
Long Term Investments	3,465	3,500	630	
Investments in Associates and Joint Ventures	10,136	10,280	11,340	
Long Term Debtors	32,405	28,871	28,802	
Long Term Assets	1,896,183	1,820,956	1,707,723	
Short Term Investments	6,036	537	0	
Inventories	2,514	2,605	2,914	
Short Term Debtors	58,894	56,575	63,987	
Assets Held for Sale	450	1,089	2,167	
Cash and Cash Equivalents	15,870	30,737	29,418	G3
Current Assets	83,764	91,543	98,486	
Short Term Borrowing	-36,665	-33,498	-35,010	
Short Term Creditors	-66,326	-72,916	-81,399	
Other Short Term Liabilities	-1,229	-1,983	-5,072	
Provisions	-7,352	-5,400	-4,579	
Current Liabilities	-111,572	-113,797	-126,060	
Liabilities in Associates and Joint Ventures	-1,808	-2,071	-3,377	
Long Term borrowing	-471,494	-452,145	-432,451	
Other Long Term Liabilities	-738,124	-849,467	-595,275	
Long Term Liabilities	-1,211,426	-1,303,683	-1,031,103	
Net Assets	656,949	495,019	649,046	
Usable Reserves	168,056	181,133	196,238	
Unusable Reserves	488,893	313,886	452,808	G4
Total Reserves	656,949	495,019	649,046	

GROUP CASH FLOW STATEMENT

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

	2012/13		2013/14	Note
	£000	£000	£000	£000
	Restated	Restated		G1
Net deficit on the provision of services		128,121		126,418
Adjustments to net deficit on the provision of services for non-cash movements		-226,189		-238,712
Adjustment for items included in the net deficit on the provision of services that are investing and financing activities		33,734		36,523
Net cash flows from Operating Activities		<u>-64,334</u>		<u>-75,771</u>
Net cash flows from Investing Activities				
Purchase of PPE, investment property and intangible assets	70,051		89,593	
Purchase of short-term and long-term investments	5,700		4,282	
Proceeds from the sale of PPE, investment property and intangible assets	-9,781		-6,385	
Proceeds from short-term and long-term investments	-14,391		-4,998	
Other receipts from investing activities	-27,005	24,574	-30,433	52,059
Net cash flows from Financing Activities				
Cash receipts of short and long-term borrowing	-35,754		-72,090	
Other receipts from financing activities	-9		-288	
Cash payments for the reduction for the outstanding liabilities relating to finance leases and PFI contracts	1,202		1,983	
Repayments of short and long-term borrowing	58,423		90,284	
Other payments for financing activities	1,031	24,893	5,142	25,031
Net increase (-) or decrease in cash and cash equivalents		<u>-14,867</u>		<u>1,319</u>
Cash and cash equivalents at the beginning of the reporting period		15,870		30,737
Cash and cash equivalents at the end of the reporting period		30,737		29,418

G1 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 have some scope to adopt different accounting policies under UK GAAP and therefore adjustments must be made to the company figures and policies where necessary in order to bring them into line with the reporting authority’s policies.

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

Pensions

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

KNH has a defined benefit pension scheme and accounts for this under Financial Reporting Standard 17. For group consolidation, figures have had to be converted to an IAS19 basis. Companies are not allowed to reverse out the effect of pension accounting entries, unlike local authorities. This means that rather than by an appropriation to/from a pensions reserve, they must be accounted for in the Group CIES.

Tangible Fixed Assets

The Code requires that the reporting authority, its subsidiaries, joint ventures and associates share the same accounting policies in relation to measurement, recognition, valuation and depreciation of fixed assets. These policies are detailed in the single entity accounting policies.

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

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

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

Prior Year Adjustments

All prior year adjustments from the single entity accounts are also presented in the Group Accounts – see note 2 of the single entity accounts. The accounting changes arising from IAS19 have also required the restatement of KNH pension figures in the Group CIES for 2012/13. Increases in the net expenditure figures for Housing (HRA) (£0.478 million), non distributed costs (£0.196 million) and financing and investment income and expenditure (£0.333 million) have cumulatively increased the Group deficit by £1.007 million, in addition to the changes from the single entity accounts. This is matched by a corresponding decrease in the remeasurements of the net defined benefit liability figure. The Movement in Reserves Statement and Cash Flow Statement have been restated to reflect the changes to the deficit position.

GROUP ACCOUNTS

KIRKLEES COUNCIL – STATEMENT OF ACCOUNTS 2013/14

G2 Adjustment between Group Accounts and Authority Accounts in the Group Movement in Reserves Statement

This note details the adjustments between Group Accounts and authority accounts which is needed because the movements in the authority's reserves may be affected by the consolidation adjustments. The entry to balance the adjustment to the authority's balances has been made against the usable reserves of the Group.

	General Fund Balances	Earmarked General Fund Reserves	Housing Revenue Account	Useable Capital Reserves	Total Council Usable Reserves	Total Council Unusable Reserves	Total Council Reserves	Group Entities Usable Reserve	Group Entities Unusable Reserves	Total Group Reserves
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
2012/13										
Purchase of goods and services from subsidiaries	2,366	0	-14,070	0	-11,704	0	-11,704	11,704	0	0
Total adjustments between Group	2,366	0	-14,070	0	-11,704	0	-11,704	11,704	0	0
2013/14										
Purchase of goods and services from subsidiaries	2,475	0	-14,721	0	-12,246	0	-12,246	12,246	0	0
Total adjustments between Group	2,475	0	-14,721	0	-12,246	0	12,246	12,246	0	0

G3 Cash and Cash Equivalents

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

	Devco £000	KNH £000	Council £000	Total £000
			Restated	Restated
Cash held	0	0	98	98
Bank current accounts	186	0	10,352	10,538
Instant access interest accounts	0	1,374	29,695	31,069
	186	1,374	40,145	41,705
Cash in transit	0	0	776	776
BACs payments and cheques not yet cleared	0	0	-11,744	-11,744
Total Cash and Cash Equivalents as at 31 March 2013	186	1,374	29,177	30,737
Cash held	0	3	78	81
Bank current accounts	135	458	6,464	7,057
Instant access interest accounts	0	2,700	33,091	35,791
	135	3,161	39,633	42,929
Cash in transit	0	0	689	689
BACs payments and cheques not yet cleared	0	0	-14,200	-14,200
Total Cash and Cash Equivalents as at 31 March 2014	135	3,161	26,122	29,418

G4 Unusable Reserves

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

	Devco £000	KHBP £000	KSDL £000	KCA £000	KMS £000	Council £000	Total £000
						Restated	Restated
Revaluation Reserve	559	0	0	-230	0	239,027	239,356
Available for Sale Financial Instruments Reserve	0	69	0	0	0	125	194
Capital Adjustment Account	600	-305	4,173	0	0	796,049	800,517
Pensions Reserve	0	0	0	0	0	-707,947	-707,947
Other	0	0	0	0	8	-18,242	-18,234
Balance at 31 March 2013	1,159	-236	4,173	-230	8	309,012	313,886
Revaluation Reserve	633	0	0	22	0	202,033	202,688
Available for Sale Financial Instruments Reserve	0	-57	0	0	0	386	329
Capital Adjustment Account	600	-305	4,173	0	0	710,737	715,205
Pensions Reserve	0	0	0	0	0	-448,368	-448,368
Other	0	0	0	0	0	-17,046	-17,046
Balance at 31 March 2014	1,233	-362	4,173	22	0	447,742	452,808

G5 Related Party Transactions

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

Kirklees Neighbourhood Housing Limited

During 2013/14, KNH incurred costs of £2.4 million (2012/13 £2.3 million) for Council services including insurance and office accommodation. The Council also provided payroll services for the company. At 31 March 2014, £1.4 million was outstanding (£0.5 million at 31 March 2013).

The Council incurred costs of £14.0 million (2012/13 £13.4 million) in relation to KNH's management fee. At 31 March 2014, nil amount was outstanding (£0.9 million at 31 March 2013).

Kirklees Metropolitan Development Company Limited

Devco paid the Council £144,000 for service provision in 2013/14 (2012/13 £108,000). At 31 March 2014, a balance of £55,000 was owing to the Council (£43,000 at 31 March 2013).

During the same period, the Council incurred rent and service charges of £40,000 (2012/13 £44,000) 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. The Council charged the Company £21,000 (2012/13 £19,000) in respect of 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 (2012/13 £250,000). At the Balance Sheet date, £0.2 million (2012/13 £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 (2012/13 £0.6 million) was due to the Council in respect of interest accrued and £0.5 million (2012/13 £0.5 million) in respect of a transfer of land.

Kirklees Stadium Development Limited

The Council made grant payments totalling £0.2 million to KSDL (2012/13 £0.3 million). The Council guarantees loans for the Company. These are detailed in the Contingent Liabilities note in the Council accounts.

Calderdale and Kirklees Careers Service Partnership

During 2013/14, CKC incurred costs of £0.2 million (2012/13 £0.2 million) for Council services. At 31 March 2014, £54,000 was outstanding (£11,000 at 31 March 2013).

The Council incurred costs of £2.7 million in 2013/14 (2012/13 £2.8 million) in relation to the contract agreement and other services in place. At 31 March 2014, £0.3 million was outstanding (£0.3 million at 31 March 2013).

Kirklees Active Leisure

During 2013/14, KAL incurred costs of £0.4 million (2012/13 £0.3 million) for Council services.

The Council incurred costs of £2.9 million in 2013/14 (2012/13 £3.2 million) in relation to services carried out on behalf of the Council.

Kirklees Community Association

During 2013/14, KCA incurred costs of £0.1 million (2012/13 £0.1 million) for Council services. At 31 March 2014, £22,000 was outstanding (£14,000 at 31 March 2013).

Kirklees Music School

During 2013/14, KMS incurred costs of £9,000 (2012/13 £13,000) for Council services.

The Council provided funding of £0.3 million in 2013/14 (2012/13 £0.5 million).

Kirklees Theatre Trust

During 2013/14, KTT received funding of £0.3 million (2012/13 £0.3 million) from the Council.

G6 Notes to the Cash Flow Statement

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

KNH - The Company has a Net Cash inflow of Operating Activities of £1.8 million (2012/13 £2.5 million Net Cash outflow).

Devco - The Company has a Net Cash outflow of Operating Activities of £51,000 (2012/13 £108,000 Net Cash inflow).

Accruals

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

Capital Expenditure

Expenditure on the acquisition of a fixed asset or expenditure which adds to and not merely maintains the value of an existing fixed asset.

Capital Receipts

These are the proceeds from the sale of capital assets.

Cash Equivalents

Short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Community Assets

Assets that the Council intends to hold in perpetuity, have no determinable useful life, and may have restrictions on their disposal. Examples of community assets are parks.

Contingent Asset

A possible asset that arises from past events, and whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Council's control. Examples of contingent assets include claims for compensation being pursued through the legal process.

Contingent Liability

A possible obligation at the Balance Sheet date, whose existence will be confirmed only on the occurrence or non-occurrence of one or more uncertain future events. Where a material loss can be estimated with reasonable accuracy a liability is accrued in the financial statements. If, however a loss cannot be accurately estimated or its occurrence is not considered sufficiently probable to accrue it, the obligation is disclosed in a note to the Balance Sheet. Examples of contingent liabilities include legal claims pending settlement.

Corporate and Democratic Core

Costs of corporate policy making and all Council member-based activities, together with costs relating to corporate management, public accountability and treasury management.

Current Service (Pensions) Cost

The current service cost is an estimate of the true economic cost of employing people in a financial year, earning years of service that will eventually entitle them to the receipt of a lump sum and pension when they retire. It measures the full liability estimated to have been generated in the year (at today's prices) and is thus unaffected by whether any fund established to meet liabilities is in surplus or deficit.

Defined Benefit Pension Scheme

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

Depreciated Replacement Cost

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

Depreciation

The measure of the cost or revalued amount of the benefit, of the fixed asset that has been consumed during the period. Consumption includes the wearing out, consumption, or other reduction in the useful economic life of a fixed asset, whether arising from use, passage of time or obsolescence through technological or other changes.

Existing Use Value (EUV)

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

Existing Use Value – Social Housing (EUV – SH)

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

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

Fair Value

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's-length transaction.

Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another. It covers the most straightforward financial assets and liabilities such as trade receivables and payables, and more complex ones such as forward investments and stepped rate loan instruments.

General Fund

This is the account for the major functions for which the Council is responsible, excluding the HRA and Collection Fund.

Heritage Assets

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

Housing Revenue Account (HRA)

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

Impairment

A reduction in the value of a fixed asset below its carrying amount on the balance sheet.

Infrastructure Assets

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

Intangible Assets

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

Interest Cost (Pensions)

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

Leasing

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

Live Condition – Grant

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

Net Realisable Value

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

National Non-Domestic Rates (NNDR)

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

Non-distributed Costs

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

Past Service (Pensions) Costs

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

Precept

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

Provisions

These are liabilities of uncertain timing or amount.

Related Parties

Individuals or bodies who have the potential to influence or control the Council or to be influenced or controlled by the Council.

Revenue Expenditure

This is money spent on the day to day running costs of providing services. It is usually of a recurring nature and produces no permanent asset.

Revenue Expenditure Funded from Capital under Statute (REFCUS)

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

Settlements and Curtailments (Pensions)

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

Soft Loans

Authorities sometimes make loans to individuals or organisations at less than market rates, where a service objective would justify the council making a concession. The Code requires the discounted interest rate to be recognised as a reduction in the fair value of the asset when measured for the first time. In subsequent years this discount is unwound by applying a market rate of interest, which will write up the value of the loan less any repayments of principal.

Usable Reserves

These represent reserves available to support revenue and capital expenditure and are divided as follows:

- General Fund Balances – This is the general reserve available for Council use, excluding Housing Revenue Account purposes.
- Earmarked General Fund Reserves – These are reserves set aside for specific areas of expenditure and risk.
- Housing Revenue Account (HRA) – This is a general reserve available for HRA purposes.
- Capital Receipts Reserve – Income from the disposal of assets and capital loans is credited to this reserve. A proportion of the receipts relating to housing disposals is payable to the Government. The balance on the reserve can be used to finance new capital investment or set aside to reduce the Council's underlying need to borrow.
- Major Repairs Reserve – The Council is required by regulations to maintain this reserve. The main credit to the reserve is an amount equivalent to the charge for depreciation on HRA assets. The reserve can be used to finance capital expenditure on HRA assets or repay HRA debt.
- Capital Grants Unapplied – Capital grants and contributions received by the Council are credited to this reserve when there is an expectation that any conditions related to the grants will be met. These grants and contributions are then used to fund related capital expenditure when it is incurred.

Unusable Reserves

- Capital Adjustment Account - This account reflects the difference between the cost of fixed assets consumed and the capital financing set aside to pay for them.
- Revaluation Reserve - This account records the net gain from fixed asset revaluations made after 1 April 2007.
- Accumulated Absences Account – This account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year, e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.
- The Collection Fund Adjustment Account – This account manages the differences arising from the recognition of Council Tax income in the CIES as it falls due from Council Tax payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.
- The Deferred Capital Receipts Reserve – This reserve holds the gains recognised on the disposal of non-current assets but for which cash settlement has yet to take place. Under statutory arrangements, the Council does not treat these gains as usable for financing new Capital expenditure until they are backed by cash receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the Capital Receipts Reserve.
- Financial Instruments Adjustment Account – This account provides a balancing mechanism between different rates at which gains and losses (such as premiums on the early repayment of debt and soft loans) are recognised under the Code and are required by statute to be met from the General Fund.
- Available for Sale Financial Instruments Reserve - This Reserve records gains made by the Council arising from increases in the value of its investments that have quoted market prices or otherwise do not have fixed or determinable payments. The balance is reduced when investments with accumulated gains are revalued downwards or impaired and the gains are lost or disposed of and the gains are realised.



Independent auditor's report to the members of Kirklees Council

We have audited the financial statements of Kirklees Council for the year ended 31 March 2014 on pages 10 to 111. 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 2013/14.

This report is made solely to the members of the Council, as a body, in accordance with Part II of the Audit Commission Act 1998. Our audit work has been undertaken so that we might state to the members of the Council, as a body, those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the members of the Council, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Director of Resources and auditor

As explained more fully in the Statement of Responsibilities, the Director of Resources is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14, and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Council's and the Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Director of Resources; and the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Explanatory Foreword to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of the Council and the Group as at 31 March 2014 and of the Council's and the Group's expenditure and income for the year then ended;
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14.

Matters on which we are required to report by exception

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

- the annual governance statement which accompanies the financial statements does not reflect compliance with ‘Delivering Good Governance in Local Government: a Framework’ published by CIPFA/SOLACE in June 2007; or
- the information given in the explanatory foreword for the financial year for which the financial statements are prepared is not consistent with the financial statements; or
- any matters have been reported in the public interest under section 8 of the Audit Commission Act 1998 in the course of, or at the conclusion of, the audit; or
- any recommendations have been made under section 11 of the Audit Commission Act 1998; or
- any other special powers of the auditor have been exercised under the Audit Commission Act 1998.

We have nothing to report in respect of these matters.

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

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

Auditor’s responsibilities

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

We report if significant matters have come to our attention which prevent us from concluding that the Council has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Council’s arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

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

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

The Audit Commission has determined these two criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Council put in place proper

arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2014.

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

Conclusion

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2013, we are satisfied that, in all significant respects, Kirklees Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2014.

Certificate

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

John Graham Prentice**For and on behalf of KPMG LLP, Appointed Auditor***Chartered Accountants*

1 The Embankment
Neville Street
Leeds
LS1 4DW

26 September 2014

Kirklees Council

Annual Governance Statement 2013/14

Scope of responsibility

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

In discharging this overall responsibility, Kirklees Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and which includes arrangements for the management of risk. Kirklees Council has a Code of Corporate Governance, which is consistent with the principles of the CIPFA/SOLACE framework *Delivering Good Governance in Local Government as updated in 2012*. A copy of the Code is available from the Monitoring Officer.

This Statement explains how the Council has complied with the Code and also meets the requirements of Accounts and Audit (England) Regulations 2011, regulation 4(3), which requires all relevant bodies to publish an annual governance statement to accompany their Statement of Accounts.

This Statement aims to provide assurance about the Council's governance framework to enable users of the accounts to be satisfied that proper arrangements are in place to govern spending and safeguard assets. Where improvements are needed, brief information is provided about the key issues and the main areas of work that have been progressed during 2013/14 and are being developed going forward in 2014/15.

The purpose of the governance framework

Corporate governance is a phrase used to describe how organisations direct and control what they do. For local authorities this also includes how a Council relates to the communities that it serves. The governance framework comprises the systems and processes, culture and values by which the Council is directed and controlled and its activities through which it accounts to, engages with and leads its communities. It enables the Council to monitor the achievement of its strategic objectives as set out in the Corporate Plan and to consider whether those objectives have led to the delivery of appropriate services and value for money.

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

Kirklees Council has been working to its Code of Corporate Governance for the year ended 31 March 2014 and up to the date of approval of the Statement of Accounts.

The governance framework

Key elements of the systems and processes that comprise Kirklees Council's governance include arrangements for:

- a Leader and Cabinet model of governance;
- identifying and communicating the Council's vision of its purpose, its shared priorities with its partners and intended outcomes for residents and service users;
- reviewing the shared and Council priorities and their implications for the governance arrangements;
- a Corporate Plan that outlines how officers will seek to run the Council to meet our community commitments at the same time as achieving our objectives;
- 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, validates and reports the organisational achievement against planned actions, performance indicators and targets for consideration by Scrutiny Committees, 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 (KNH) Limited and the Company's governance arrangements include an Audit Committee.

Review of effectiveness

Kirklees Council has a legal responsibility for conducting, at least annually, a review of the effectiveness of its governance framework and that of the other parts of its Group activities

such as KNH, including the system of internal control. The Council has four bodies / committees jointly responsible for monitoring and reviewing governance. These are:

- the Executive (Cabinet);
- the Corporate Governance & Audit Committee (CGAC);
- the Overview & Scrutiny Committee; and
- the Standards Committee.

Review of effectiveness of the system of internal audit

In accordance with the requirements of the Accounts and Audit Regulations 2003 (Amended 2006 and 2011) the Council conducts an annual review of the effectiveness of its system of internal audit to be considered as part of its governance assurance processes, including the production of the AGS.

Responsibility for the review rests with the CGAC. The 2013/14 review approved by the CGAC 16 May 2013 demonstrated that we have an effective system of internal audit including a policy framework, internal audit function, Audit Committee and effective management engagement. The Head of Audit & Risk has reported on the current degree of compliance with the new Public Sector Internal Audit Standards (effective from 1 April 2013) and this will be monitored by the CGAC. KPMG, our external auditors, confirmed that, where required, they take assurance from the quality and extent of internal audit work done in 2013/14, including assurance over the core financial systems activity.

Head of Audit and Risk Annual Assurance Opinion 2013/14

The Head of Audit and Risk is responsible for providing an independent opinion on the adequacy and effectiveness of the Council's systems of internal control. This is delivered through an annual risk based programme of audit work designed to raise standards of governance, risk management and internal control across the Council. Internal Audit Quarterly Summary Reports are presented to the CGAC to provide assurance that the annual programme is being delivered as planned. This culminates in the Annual Opinion Report.

Based on the programme of planned Internal Audit work and other than in respect of a small number of significant control issues that have arisen during the year, the Head of Audit and Risk has provided substantial assurance that the Council's systems of governance, risk management and internal control are generally sound and operate reasonably consistently across Services. There is no specific governance, risk management or internal control issue which causes any qualification of the above opinion.

The main issue and priority, as recognised by management, continues to be that the Council sustains and completes the programme of transformational change and embeds improvement across the Council whilst maintaining service delivery and the effective operation of key controls. In a Council of Kirklees' size and complexity, with its significant change agenda and the impact of the Comprehensive Spending Review settlement, there is a heightened risk of reduced compliance with control mechanisms, particularly where roles and systems are changing.

Areas of potential risk and areas for improvement have been identified, recommendations have been made to address the risk, and management action plans have been agreed.

External Auditor's Review of the Effectiveness of our Governance Arrangements

The External Auditor's Annual Report to those charged with Governance summarised the key issues arising from their work carried out up to September 2013. The Report confirmed:

- an unqualified opinion on the Council's 2012/13 financial statements; and
- an unqualified VFM conclusion, stating that we have made proper arrangements to secure economy, efficiency and effectiveness in our use of resources.

Latterly, an interim report on the 2013/14 Accounts has concluded the Council has

- effective organisational controls in place, in particular the Corporate Governance & Audit Committee and the Constitution;
- an effective IT control environment;
- effective financial systems in operation, including budget monitoring;
- no significant VFM risks and arrangements to deliver VFM are adequate.

Corporate Governance & Audit Committee

The Committee's terms of reference include to agree and update regularly the Council's Code of Corporate Governance, monitoring its operation and compliance with it.

During 2013/14, the CGAC has reviewed a number of aspects of the Council's governance arrangements including:

- Annual Revision to parts of the Constitution including Contract Procedure Rules and Financial Procedure Rules, were approved and subsequently passed at Annual Council 22 May 2013
- Petition Scheme Update
- Term of the Leader of the Council
- Risk Management Strategy
- Delegation of Formal Health Scrutiny powers
- Representation on Outside Bodies
- Settlement of a Maladministration Claim
- Appointment of a new Monitoring Officer
- New Arrangements for Member Conduct
- Final Accounts Approval
- External Audit Annual Governance Report & Annual Audit Letter
- Changes to the Terms of Reference of the Planning & Highways Committee
- Change to the date of Annual Council 2014
- Adjustments to Committee / Panel membership
- Members' Allowances Independent Review Panel
- Review of Polling Districts & Stations
- West Yorkshire Combined Authority Appointments & Nominations
- Article 7 of the Constitution (leadership of the Council pending election of a new Leader if the existing Leader resigns mid-term)
- Other corporate sources of assurance in Annual Reports regarding
 - Corporate Customer Standards - Kirklees did not receive a formal Ombudsman Report during 2012-13 and the numbers of investigations reduced slightly. There was a small increase in the number of third stage complaints investigated but outcomes suggest that officers continue to respond in a considered and detailed way.
 - Health, Safety & Resilience - there was no clear trend in overall accident data and that statutorily reportable incidents continue to show a downward trend.

Regional benchmarking information suggests we perform well. No formal enforcement process has been undertaken by the Health & Safety Executive this year.

- Information Access - a significant increase in requests made under the Data Protection and Freedom of Information Acts was noted, which was having an effect on the time in which the Council was able to respond and comply with statutory timescales to do so.
- Treasury Management Strategy – confirmed ongoing compliance with the CIPFA Code of Practice and various statutory requirements.

Annual Review of the role of the Chief Financial Officer

The Council has undertaken a review of the role of its Chief Financial Officer (CFO), the Director of Resources, against the governance arrangements set out in the CIPFA Statement which are required to ensure the CFO is able to operate effectively and perform their core duties as part of the review of the constitution. The Council's financial management arrangements fully conform to those set out in the Statement.

Significant Partnerships

Partnerships range from joint venture partnerships, thematic partnerships and their subsidiaries to key contractual agreements managing substantial amounts of public money. The main contact officer for each Partnership is responsible for assessment of the governance arrangements and providing details of any significant changes to the membership and circumstances of the partnership. This information is used by senior officers of the Council to assess the potential risk that the partnership presents to the reputation or financial standing of the Council. No partnership was considered high risk and no significant governance issues were identified by audit work during 2013/14.

Local Government Association Corporate Peer Challenge

During the year the Council commissioned the LGA to undertake a Peer Challenge in Kirklees to determine how it operates currently and what it will need to focus on in the future. The Challenge concluded that the Council has been well led and managed during the austerity period whilst there has been No Overall Control as regards political leadership. The Challenge had a particular focus on health and social care.

Looking forward, the participants identified leadership and challenge as the key issue for the Council with a number of messages emerging as follows:

- the need for a political leadership settlement to set a clear direction and single narrative for the Council to inform a series of strategic decisions that need to take shape urgently to meet the changes required moving forward;
- the need for a devolution settlement; and
- the need for reform of the planning process.

LGA in association with the Planning Advisory Service - Investment (Open for Growth) Peer Challenge

At the Council's invitation a separate review sought to assess the delivery of the key priority of jobs and growth for its communities.

The Team commented that leadership and organisational development were impressive and that there is a mature understanding of the Council's role in fostering growth. Whilst mainly

positive, the Challenge identified the need for urgent action to develop interim and longer term strategies to improve decision making processes and provide longer term land allocations to support new jobs and houses in Kirklees.

Adult Social Care Local Account 2013

Local accounts must demonstrate how the Council has safeguarded and maintained personal dignity, put people first and achieved value for money, judged against the health and social care outcomes for their area. The 2013 report concluded that the Council had continued to improve the quality of adult social care services against a backdrop of very difficult financial challenges coupled with growing demand as people live longer and experience more complex health conditions.

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

Ofsted inspects and regulates services which care for children and young people, and those providing education and skills for learners. The latest Ofsted report shows that 78% of schools inspected were good or better for overall effectiveness. All school inspection reports are published on the Ofsted website. Additionally, performance in the school league tables exceeded the national average in terms of the % of pupils achieving 5 A* - C grades including maths and English at GCSE.

Information Commissioner

The Information Commissioner's Office served an Enforcement Notice on the Council to address breaches of the Data Protection Act to protect adequately the security of personal data by one of the Council's third party data processors.

We have been advised on the implications of the results of the above review of effectiveness of the governance framework by the Corporate Governance and Audit Committee, and that the arrangements continue to be regarded as fit for purpose in accordance with the governance framework. The areas already addressed and those to be specifically addressed with new actions planned are outlined overleaf.

Progress on significant governance issues identified from last year's (2012/13) Annual Governance Statement

This section summarises the activity and progress against each of the governance issues reported in the 2012/13 Statement.

1. To ensure we have robust governance arrangements in place for new responsibilities highlighted in national changes in policy and legislation (relating to Public Health, Health & Social Care and Police & Crime, and now the West Yorkshire Combined Authority) by completing and embedding effectively new structures and arrangements with members and senior managers and key partners to ensure the Council meets all its responsibilities in these new areas.

Arrangements have worked well during the year and have become an established part of the overall governance structure.

2. Achieving objectives with significantly less resources in the context of decreasing resources from central government and increasing demand pressures locally continues to be the single biggest challenge facing the Council. A process entitled “It’s Time to Talk” has been initiated to spark debate about the future shape of the Council both internally and externally in meeting the Vision. The outcome will help inform how the Council responds in developing a budget and service delivery plan to meet the financial pressures from 2014/15.

A balanced budget for 2014/15 was agreed by Council utilising reserves to sustain current service levels whilst the debate about future priorities comes to a conclusion with a view to informing and preparing the 2015/16 one as part of the Medium Term Financial Plan.

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

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

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

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

Significant governance issues identified during 2013/14

The review of governance arrangements and risks during the last 12 months has identified the following new areas where the Council will need to focus its efforts during 2014/15.

1. Managing the implementation of the Health & Social Care Act 2014.

The Council is working with its partners through the Health and Wellbeing Board to implement measures that address the key implications of the legislation, including capping the cost of care, care assessment notification and adult safeguarding. These changes are likely to strengthen existing priorities to personalise budgets and services, for people to be provided with information, advice and support and to focus on early intervention and prevention to delay the need for care and support.

2. Complying with the Data Protection Act in protecting personal data provided to third parties as data processors on behalf of the Council.

The Council has accepted an invitation from the Information Commissioner to undertake a consensual audit in late September 2014.

3. Embedding fully the new integrated financial system (SAP) to address initial implementation issues, e.g. making timely creditor payments, and to take advantage of the opportunity for the technology to empower operational staff and managers and to ensure projected back office savings are realised.

- 4 Refreshing the Whistleblowing Policy to ensure that it is fit for purpose and to raise the profile across the current workforce and reinforce the culture of behaviours that the Council wants to maintain at a time of tremendous change and transition.

A revised Policy has been agreed by the Corporate Governance & Audit Committee and employees will be informed accordingly.

- 5 Responding robustly to the status of the Council's bank (the Co-operative) which has experienced well documented financial and governance problems during the year which led to it advising its public sector client base that it would support and facilitate customers seeking alternative arrangements for banking services.

The Council has taken steps to minimise the extent of its exposure should the Co-operative encounter major difficulties in the short term and has appointed a new provider recently, subject to contract.

- 6 Responding to and meeting the continued high expectations of regulatory agencies with significantly less resources in prescribed timescales, for example freedom of information requests.

The Information Governance Board will continue to monitor performance and advise accordingly.

We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Signed:

D Sheard
Leader of the Council

A Lythgo
Chief Executive