KIRKLEES COUNCIL

STATEMENT OF ACCOUNTS 2012/2013

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Introduction
I am pleased to introduce the Council's Statement of Accounts for 2012/13. These accounts demonstrate the Council's financial performance for the year ended 31 March 2013. The accounts of such a large and diverse organisation are by their nature complex and technical, and the purpose of this explanatory foreword is to offer interested parties a more understandable guide to the most significant matters reported.

The financial statements are prepared under International Financial Reporting Standards (IFRS), although they include a number of specific adjustments to avoid council tax payers contributing to future expenditure.

The Statement of Accounts contains four core accounting statements:
- **Movement in Reserves Statement**
- **Comprehensive Income and Expenditure Statement**
- **Balance Sheet at 31 March 2013**
- **Cash Flow Statement**

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

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

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

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

Financial Performance of the Council

Revenue Budget
The Revenue Budget for 2012/13 was approved on 22 February 2012, following an extensive planning process which began in the summer of 2011. A Budget of £351.3 million was set which included parish precepts of £0.5 million. This was to be funded by Formula Grant (£146.2 million), Unringfenced Grants (£30.2 million), Council Tax (£154.2 million, net of a repayment for Collection Fund deficit balances), Council Tax Freeze Grant (£7.8 million) and a planned contribution from General Fund Balances of £12.9 million. The Budget was set as part of the Medium Term Financial Plan (MTFP), which was prepared in the context of the Council's ambitions.

During the year, the Budget for 2012/13 was increased by £8.1 million to take account of additional budgets agreed as part of the 2011/12 "Rollover" process. Subject to certain conditions, this is a process where unspent budgets and slippage on specific schemes in one year can be carried forward into following years. The net revenue budget was therefore increased to £359.4 million (including parish precepts). In February 2013, Council revenue budget plans for 2013-16 included approval for a number of in-year movements in balances, including transfers totalling £12.1 million, effectively held within existing central contingency budgets, to revert to balances at year end, as part of the overall Council strategy for planned use of balances to support the Council's forward plans. These adjustments resulted in a net revenue budget of £346.8 million.

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 reported surplus for the Council of £9.6 million (2011/12 £11.4 million surplus).

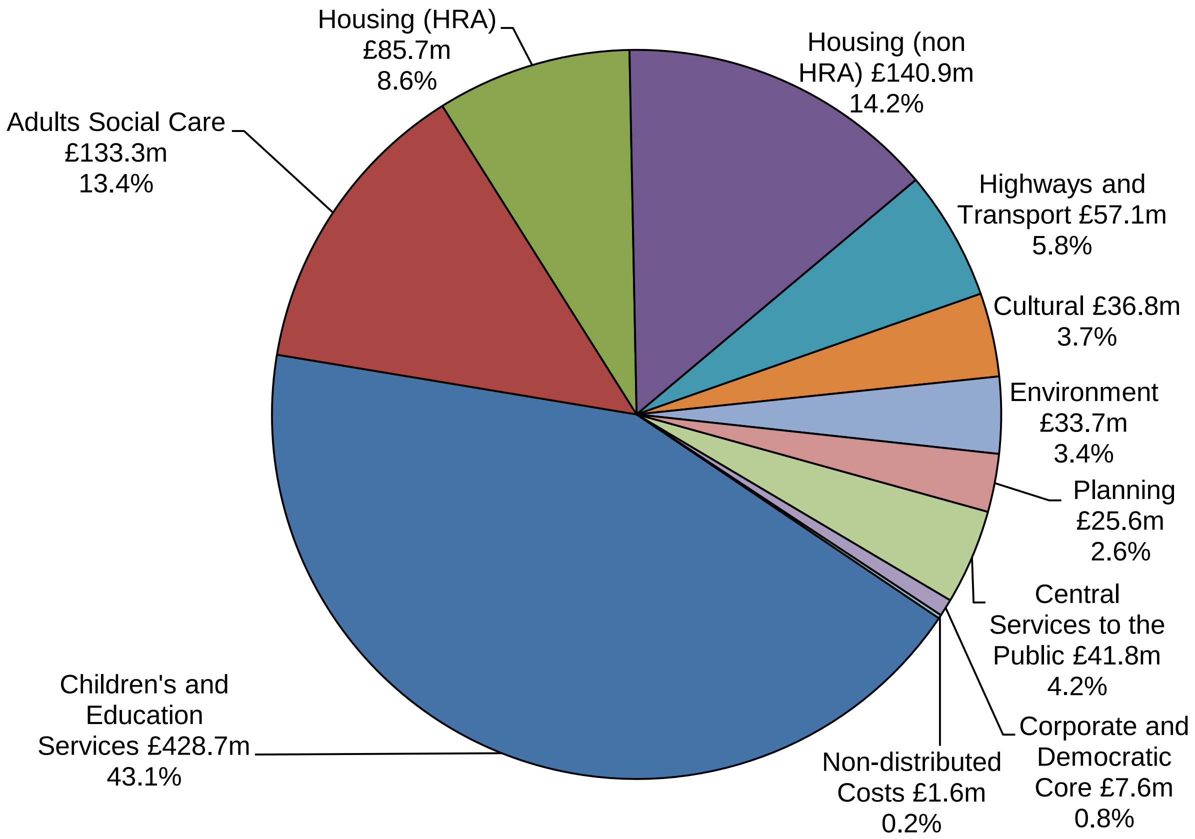
An underspend of £9.2 million was reported to Council on 10 July 2013. This included a Portfolio underspend of £4.3 million –

- Children and Young People – £0.5 million underspend. There were underspends on Learning (£1.4 million) and Commissioning and Safeguarding Assurance (£0.4 million), offset by an overspend on the area of Family Support and Protection.
- Place – £2.1 million underspend, largely down to a £1.1 million underspend on waste services together with £0.7 million in the area of Investment and Regeneration.
- Wellbeing and Communities - £1.9 million underspend, mainly from savings on employees and external placements within Wellbeing and Integration.
- Resources - £1.3 million net underspend on various support services, many of which arising from vacancy management.
- Ring-fenced Budgets - £1.5 million overspend, £2.5 million from savings not achieved from the Innovation and Efficiency programme, offset by underspends on Corporate Priorities and Town and Valley Committees' budgets.

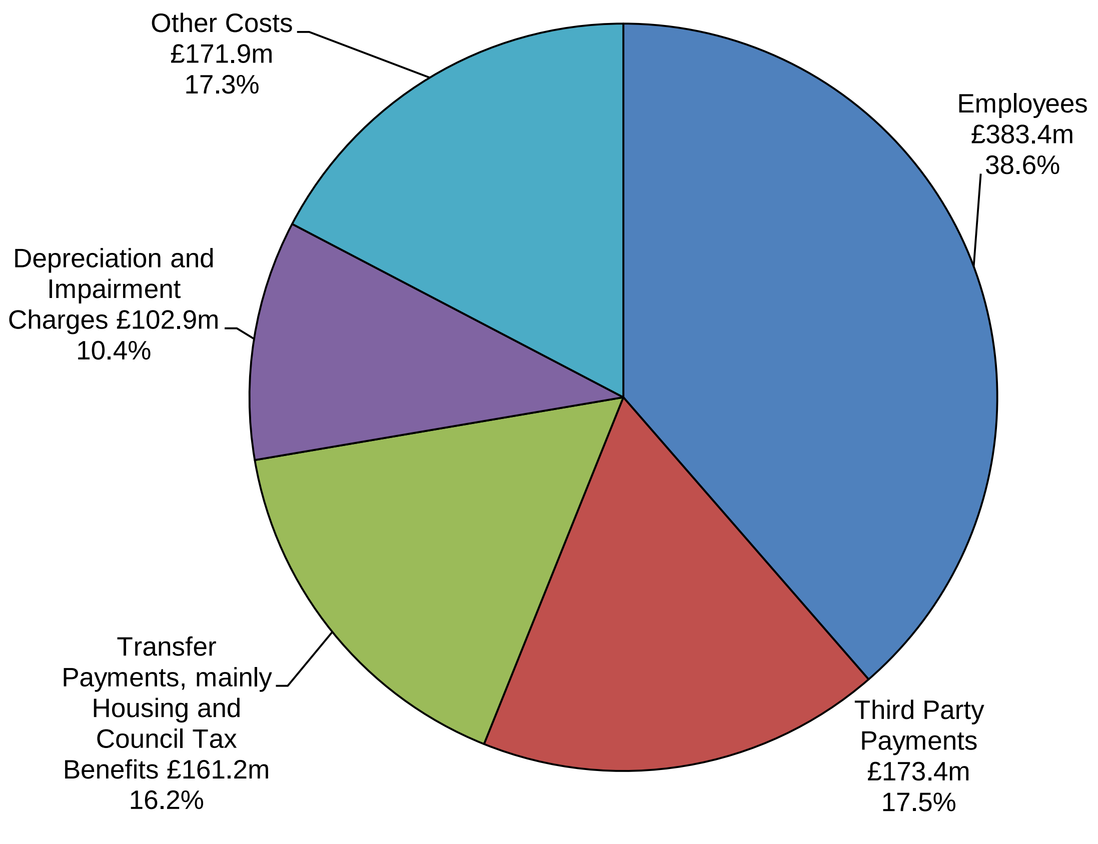
In addition, there was an underspend on Central Budgets of £4.9 million, mainly related to savings in treasury management from reduced borrowing costs as a result of stronger than expected cash flows and slippage on capital expenditure (£3.3 million), together with an underspending on contingencies and joint committees of £1.6 million.

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.

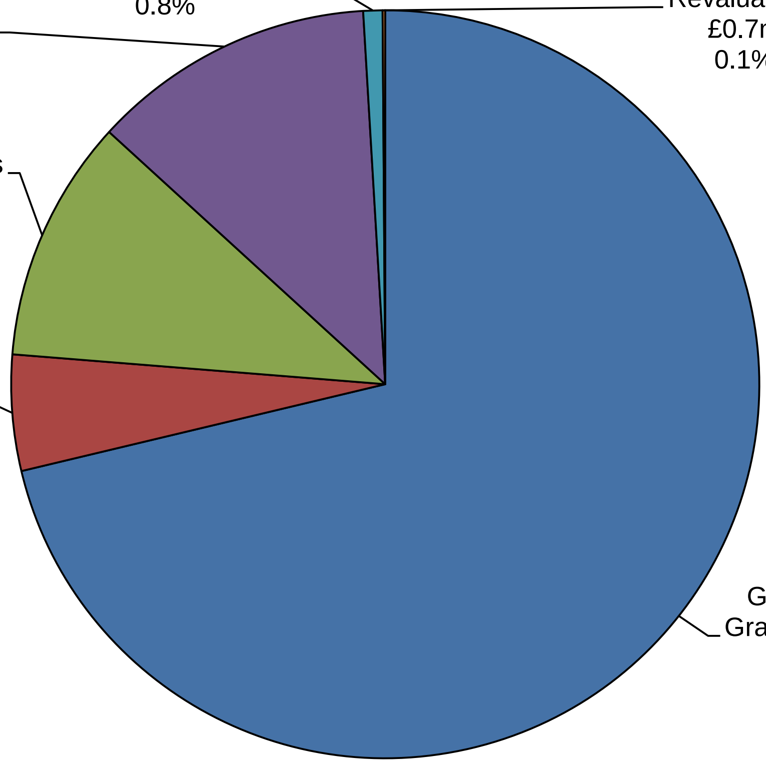
Gross revenue expenditure analysed by service (£992.8 million)



Gross revenue expenditure analysed by type (£992.8 million)



Income by type (£627.3 million)



*Revenue Expenditure Funded from Capital under Statute

Earmarked Reserves and Balances
The General Fund Balance at 31 March 2013 was £39.7 million, of which £5.0 million is required as the minimum level. The balances will be used to support the Council's Medium Term Financial Plan and also to reduce the Collection Fund deficit.

The Council's earmarked reserves increased by £3.8 million to £83.0 million. This includes a revenue grants reserve of £20.6 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 in the year they are received, 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 £16.8 million (2011/12 £18.4 million) relating to schools' balances. Further details are contained in note 9 on page 42.

Housing Revenue Account (HRA)
The Localism Act 2011 introduced reforms which effectively ended the Housing Subsidy system in 2011/12, replacing it with a more self-sustaining financial regime going forward, whereby Council HRAs retain all future rental income generated locally, to be spent on the provision of landlord services to tenants. For the initial year under this reform, the HRA Income and Expenditure Account shows an operating deficit for the year of £11.3 million (2011/12 operating surplus of £15.4 million). After taking account of various statutory adjustments in the Movement on the HRA Statement, the HRA Balance shows a decrease of £1.2 million (2011/12 increase of £1.9 million).

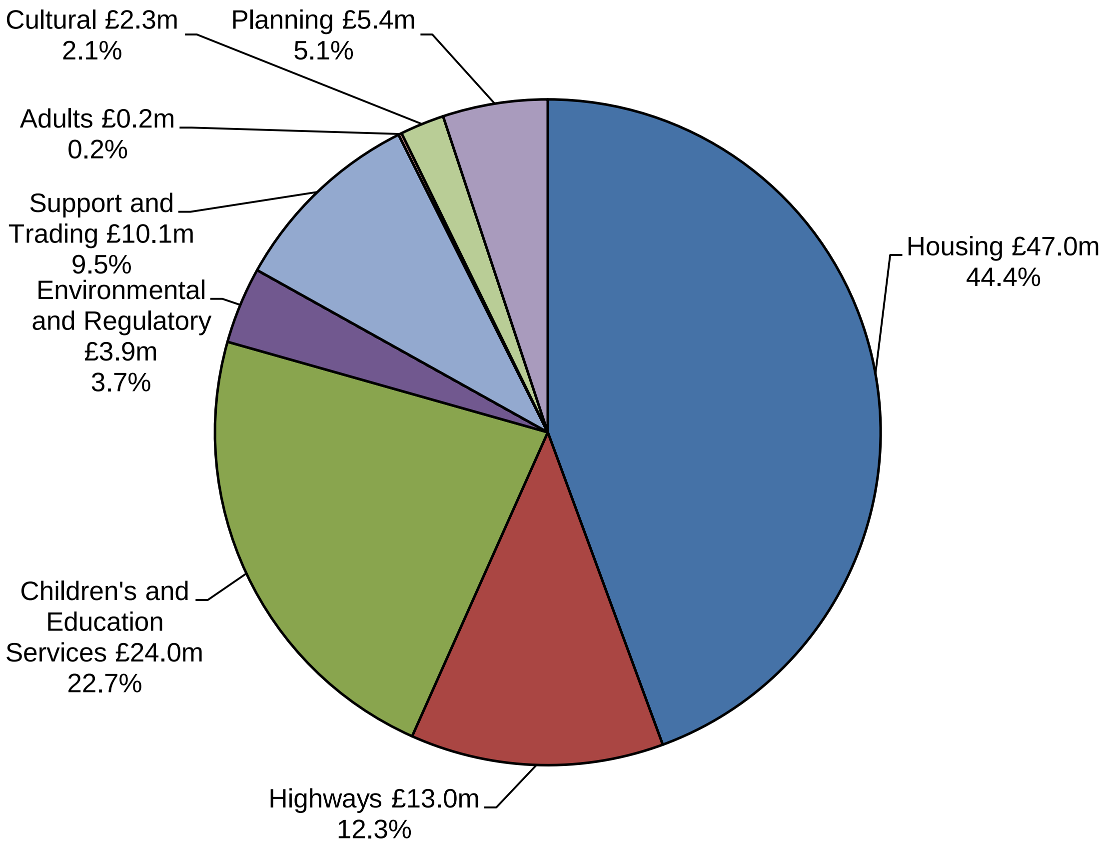
The HRA Balance stands at £32.0 million as at 31 March 2013 and this will be used to help sustain a balanced HRA revenue position over the medium to longer term. The balance on the Major Repairs

Reserve stands at £8.4 million at 31 March 2013 (31 March 2012 £10.2 million) and will be used primarily to support capital expenditure over future years to help meet decent homes targets and also to repay debt.

Collection Fund
For 2012/13, the Collection Fund showed a surplus of £0.9 million (2011/12 £2.5 million deficit), reducing the negative Collection Fund Balance to £3.3 million. This balance will be recovered from the Council and precepting authorities in future years. National Non-Domestic Rates do not impact on the balance as they are paid over to the Central Government's national pool and redistributed to authorities based on population. The deficit balance is mainly the result of lower than anticipated levels of Council Tax Income arising from recessionary effects.

The percentage of Council Tax collected in year was 96.0% (2011/12 96.1%), with arrears outstanding as at 31 March 2013 of £12.4 million (31 March 2012 £12.4 million).

Assets
The value of property, plant and equipment (PPE) has decreased during the year by £82.6 million to £1,634.9 million. The fall is primarily due to the transfer of school properties to Academies and Trusts (£72.8 million). In addition, the Council had heritage assets and investment properties valued at £36.3 million and £76.1 million respectively as at 31 March 2013 (2011/12 £34.7 million and £87.7 million). Capital Expenditure in 2012/13 was £105.9 million (2011/12 £92.8 million) and can be analysed by Service Area as follows:



The expenditure above was funded by borrowing £24.8 million, finance lease (PFI) £17.0 million, grants and contributions £31.3 million, capital receipts £4.2 million, Major Repairs Reserve £10.7 million, and revenue £17.9 million.

The Council's policy towards cash flow management is risk averse and all investments in 2012/13 were placed short-term with a view towards security and liquidity. As at 31 March 2013, £0.5 million was held in short-term investments with financial institutions and £29.7 million in "cash equivalents", that is highly liquid deposits with an insignificant risk of change in value (31 March 2012 £2.8 million and £16.5 million).

Liabilities

Current liabilities increased by £2.9 million in the year to £125.1 million. As at 31 March 2013, the Council had total provisions of £16.4 million (31 March 2012 £21.1 million), largely covering estimated liabilities relating to insurance claims and equal pay/value claims. The reduction in total provisions is due to less equal pay/value claims materialising than initially anticipated.

Total external borrowing during the year decreased from £502.1 million to £479.5 million. There was no new long-term borrowing taken in the year and a variable rate loan of £5.0 million was redeemed early to aid cashflow management. The average interest rate for external borrowing for 2012/13 was 5.2% (2011/12 5.3%).

The Balance Sheet also contains a net pensions liability (under Other Long Term Liabilities) of £707.9 million (31 March 2012 £628.1 million). This represents an actuarial assessment of the Council's share of the pension fund assets and the underlying commitment of the Council to pay future retirement benefits. The increase in net liabilities of £79.8 million has arisen mainly for two reasons - firstly, an actuarial gain of around 6.1% on assets equating to £77.7 million representing the difference between the actual return on fund assets and the expected return based on assumptions made at the start of the accounting period. The fund return was 14.0% compared to the expected return of 7.0%. Secondly, an actuarial loss on liabilities of around 7.3% equating to £146.2 million due to a fall in AA rated corporate bond yields which are used when calculating the current value of future liabilities.

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

- It is not an immediate deficit that needs to be met now. The sum is the current assessment taking a long-term view of the future liabilities for existing pensioners and current employees who are accruing pension entitlement.
- It is not a situation unique to Kirklees Council or local authorities generally. There is a national problem for pension funds in both public and private sectors.
- The West Yorkshire Pension Fund is regularly reviewed and provision has been made for additional contributions to address the deficit over a period of years.
- Under proposed changes to regulations, employee contribution rates which were previously fixed may now 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 2012/13 was £100.5 million (2011/12 group deficit £117.1 million).

Accounting and service developments affecting this year's accounts
In terms of accounting developments, amendments in this year's Code have not required any changes to accounting policies. The main change to accounting requirements was in relation to HRA reform which was implemented on 1 April 2012. This reform has changed fundamentally the way that local authority housing has been funded. Since 1989, a system of redistributive subsidy had been used but this has now been replaced with a system where all rental income is kept locally in return for authorities taking on a level of debt representative of the value of the dwelling stock. Local authorities have taken on the responsibility for investment in the housing assets based on a 30 year business plan.

The main change for the Council's HRA has been a reduction in HRA debt of £31.4 million (Central Government effectively repaid this debt on behalf of the authority at the end of 2011/12) and the accounting entries in respect of housing subsidy are no longer required. As part of this reform, the Council has reviewed and changed its method of depreciation relating to council dwellings. More details of this change in estimation technique and some transitional arrangements can be found on page 102 in the notes to the HRA.

On reviewing its accounting policies, the Council has made a change to its policy on component accounting. Since component accounting was brought in two years ago, the Council adopted a specific policy of treating Mechanical and Electrical components together as one component and separating it out for all assets with a value in excess of £1.0 million. This specific part of the component accounting policy has been removed because of revaluation difficulties in treating the separate components as one (in reality, the different elements of the component had different lives and were at different stages of their lifecycle). A change in accounting policy normally requires prior year adjustments, but in this case the changes to previous year's figures are not material and therefore have not been reflected.

Two prior period adjustments have been undertaken to correct material misstatements in the previous year's accounts. The first involves a voluntary controlled school which had not been brought on to the Balance Sheet in line with Council's accounting policies for church schools. The second follows a review of the Council's accounting for trading activities. Full details of the adjustment can be found in note 2 on page 31.

During 2012/13, a further 7 schools have converted to Academy status and 5 to Trust status. Employees have been transferred to the new bodies together with assets valued at £72.8 million. The transfer of Academies has also resulted in a reduction in revenue spending of £5.6 million during the year, together with a corresponding amount of Dedicated Schools Grant. One church aided school (St Saviours) changed to being a controlled school during the year, which meant the Council has brought the school onto its Balance Sheet increasing Property, Plant and Equipment by £4.5 million. The opposite entry to this transaction has been to recognise the gain to the authority in the Taxation and Non-specific Grant Income line in the Comprehensive Income and Expenditure Statement.

The Council signed an agreement in December 2011 with Regenter Excellent Homes for Life to design, build, finance and operate a Private Finance Initiative (PFI) contract to provide 466 units of HRA housing. The first units were completed in August 2012, and payments have started to be made to the contractor and grant received from DCLG. More information on payments and the liability arising is contained in the disclosures on page 106.

Future developments
<u>Financial Planning</u>
The overriding context for the Council's current Medium Term Financial Plan is the continuation of phased reductions in overall Central Government formula grant funding to Councils nationally, equivalent to 25% less resources over the 2011-15 period. The estimated impact of this reduction for Kirklees Council, when combined with inflation and other increases in costs (most notably costs of extra client numbers), is a requirement to make a target saving of £64.0 million per annum by 2015/16 within existing plans, plus a requirement for further plans to address a forecast funding gap of £32.0 million over the period. The Council has made significant progress with its Innovation and Efficiency Programme implemented in 2009 and there are a number of cross cutting Council initiatives and service reviews in progress to help meet the savings target. The Council has also

reviewed and reprioritised its Capital Plan with a view to stabilising its borrowing costs in the medium term.

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

- The Kirklees Primary Care Trust's (PCT) Public Health role will transfer to the Council on 1 April 2013. The core responsibilities are health intelligence, health protection and commissioning for improving health and reducing health inequalities. The funding transferred has been confirmed at £22.6 million for 2013/14 and £23.6 million for 2014/15. This is by way of a ring fenced grant.
- The Local Government Finance Act 2012 requires councils to adopt a local Council Tax Support Scheme for April 2013, to replace the current Council Tax Benefit Scheme. Compared to current Council Tax Benefit grant funding, the funding allocated represents a 10% reduction, although a transitional one-off grant can be applied for to cushion some of the effect in 2013/14. The Council has consulted on a number of options and approved a local scheme which will effectively claw back a £3.3 million shortfall in funding.
- National formula grant for business rates will cease from April 2013, 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. The Council is a top-up authority and has agreed to join a regional pooling arrangement for 2013/14 – Leeds City Region Business Rates Pool.
- Proposed national welfare reforms and possible legislative changes on various aspects of the future of adult social care provision.
- The Department for Education has confirmed that the Council will receive a share of £2.0 billion funding over the next five years for extensions/extensive refurbishment of three schools. The Council had bid for £40.0 million of funding for these schools under the Priority Building School Programme. The work will be delivered by PFI.

<u>Accounting</u>
There are two changes to accounting standards for 2013/14 which will have a material impact on next year's accounts - revisions to IAS19 Employee Benefits and service concessions (PFI/PPP) arrangements. The former includes major changes for post-employment benefits in terms of how the expected return on assets is calculated and the disclosure requirements. In terms of service concession arrangements, the change basically brings asset recognition into line with current policies for PPE, that is to recognise the asset on balance sheet when it is probable that economic benefits/service potential will flow to the authority rather than when the asset is available for use. This will mean that in future asset values and liabilities for new schemes will probably be recognised in earlier periods on the Balance Sheet.

Both changes will require prior period adjustments in the 2013/14 accounts. More details are in note 3 in the Notes to the Core Financial Statements.

In addition, amendments will be required to meet the introduction of the localisation of business rates mentioned above.

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 Financial Management, Risk and Performance for their hard work, commitment and skill in completing this Statement of Accounts and all the supporting information.

David Smith
Director of Resources

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 2013.

David Smith — 27 September 2013
Director of Resources

I certify that this Statement of Accounts was approved by the Corporate Governance and Audit Committee on 27 September 2013.

Hilary S Richards — 27 September 2013
Chair, Corporate Governance and Audit Committee

STATEMENT OF MOVEMENT IN RESERVES

This statement shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The surplus or deficit on the provision of services' line shows the true economic cost of providing the Council's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance and Housing Revenue Account for Council Tax setting and dwellings rent setting purposes. The 'Net Increase/Decrease before Transfers to Earmarked Reserves' line shows the statutory General Fund Balance and the Housing Revenue Account Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council. An explanation of each reserve is provided in the Glossary under "Usable Reserves", with detailed movements in Notes 8 and 9. Details of "Unusable Reserves" are provided in Note 12q.

	General Fund Balances	Earmarked General Fund Reserves	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Council Reserves
	£000	£000	£000	£000	£000	£000	£000	£000	£000
	Restated							Restated	Restated
Balance at 31 March 2011	18,680	76,321	31,293	3,618	13,183	22,171	165,266	776,405	941,671
Movement in reserves during 2011/12									
Surplus or deficit (-) on the provision of services	-131,807	0	15,406	0	0	0	-116,401	0	-116,401
Other Comprehensive Income and Expenditure (see CIES)	0	0	0	0	0	0	0	-168,953	-168,953
Total Comprehensive Income and Expenditure	-131,807	0	15,406	0	0	0	-116,401	-168,953	-285,354
Adjustments between accounting & funding basis under regulations (note 8)	146,040	0	-13,522	0	-3,008	-5,836	123,674	-123,674	0
Net Increase/ Decrease(-) before Transfers to/from Earmarked Reserves	14,233	0	1,884	0	-3,008	-5,836	7,273	-292,627	-285,354
Transfers to/from Earmarked Reserves (note 9)	-2,860	2,860	0	0	0	0	0	0	0
Increase/Decrease(-) in 2011/12	11,373	2,860	1,884	0	-3,008	-5,836	7,273	-292,627	-285,354
Balance at 31 March 2012 carried forward	30,053	79,181	33,177	3,618	10,175	16,335	172,539	483,778	656,317

	General Fund Balances	Earmarked General Fund Reserves	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Council Reserves
	£000	£000	£000	£000	£000	£000	£000	£000	£000
								Restated	Restated
Balance at 31 March 2012 brought forward	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	-88,576	0	-11,270	0	0	0	-99,846	0	-99,846
Other Comprehensive Income and Expenditure (see CIES)	0	0	0	0	0	0	0	-59,533	-59,533
Total Comprehensive Income and Expenditure	-88,576	0	-11,270	0	0	0	-99,846	-59,533	-159,379
Adjustments between accounting & funding basis under regulations (note 8)	102,025	0	10,115	4,094	-1,775	-553	113,906	-113,906	0
Net Increase/ Decrease(-) before Transfers to/from Earmarked Reserves	13,449	0	-1,155	4,094	-1,775	-553	14,060	-173,439	-159,379
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**	**-173,439**	**-159,379**
Balance at 31 March 2013 carried forward	**39,701**	**82,982**	**32,022**	**7,712**	**8,400**	**15,782**	**186,599**	**310,339**	**496,938**

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. Coucils raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost.

	2012/13			2011/12			
	Gross Exp	**Gross Income**	**Net Exp**	Gross Exp Restated	Gross Income Restated	Net Exp Restated	Note 2
	£000	**£000**	**£000**	£000	£000	£000	
Children's and Education Services	**428,711**	**309,974**	**118,737**	470,971	332,402	138,569	
Adults Social Care	**133,306**	**41,856**	**91,450**	139,222	42,461	96,761	
Housing (HRA)	**85,712**	**81,684**	**4,028**	77,972	71,707	6,265	
Housing (Non HRA)	**140,854**	**124,397**	**16,457**	133,882	116,566	17,316	
Highways and Transport	**57,087**	**11,516**	**45,571**	56,918	13,806	43,112	
Cultural	**36,761**	**3,366**	**33,395**	43,070	7,542	35,528	
Environmental and Regulatory	**33,734**	**6,359**	**27,375**	36,388	6,835	29,553	
Planning	**25,637**	**12,713**	**12,924**	29,372	9,901	19,471	
Central services to the public	**41,777**	**35,303**	**6,474**	41,476	35,860	5,616	
Corporate and democratic core	**7,622**	**0**	**7,622**	8,171	0	8,171	
Non distributed costs	**1,625**	**134**	**1,491**	1,225	309	916	
Cost of Services	**992,826**	**627,302**	**365,524**	1,038,667	637,389	401,278	
Other operating expenditure	**82,117**	**6,207**	**75,910**	111,140	2,877	108,263	11a
Financing and investment income and expenditure:							
General	**140,495**	**99,011**	**41,484**	130,446	105,634	24,812	11b
Exceptional	**0**	**0**	**0**	7,670	0	7,670	10/11b
Taxation and non-specific grant income:							
General	**0**	**383,072**	**-383,072**	0	386,556	-386,556	11c
Exceptional	**0**	**0**	**0**	0	39,066	-39,066	10/11c
Deficit on Provision of Services			**99,846**			116,401	
Surplus on revaluation of PPE and Heritage assets			**-9,140**			-30,636	
Impairment losses on non-current assets to the Revaluation Reserve			**147**			0	
Surplus(-)/Deficit on revaluation of available for sale financial assets			**2**			-73	
Actuarial losses on pension asset/liabilities			**68,524**			199,662	
Other Comprehensive Income and Expenditure			**59,533**			168,953	
Total Comprehensive Income and Expenditure			**159,379**			285,354	

BALANCE SHEET

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

	31 March 2013 £000	31 March 2012 £000 Restated	1 April 2011 £000 Restated	Note 2
Property, Plant & Equipment	**1,634,941**	1,717,588	1,854,190	12a
Heritage Assets	**36,333**	34,701	27,629	12b
Investment Property	**76,054**	87,709	81,076	12c
Intangible Assets	**3,819**	2,062	2,650	12d
Long Term Investments	**3,986**	3,951	3,855	12f
Long Term Debtors	**28,871**	32,405	32,155	12g
Long Term Assets	**1,784,004**	1,878,416	2,001,555	
Short Term Investments	**509**	5,906	15,773	
Inventories	**2,605**	2,514	2,470	12h
Short Term Debtors	**56,850**	60,611	61,241	12i
Assets Held for Sale	**1,089**	450	1,040	12j
Cash and Cash Equivalents	**38,293**	21,102	37,908	12k
Current Assets	**99,346**	90,583	118,432	
Cash and Cash Equivalents	**-9,116**	-9,161	-10,339	12k
Short Term Borrowing	**-27,334**	-30,642	-33,228	12e
Short Term Creditors	**-79,559**	-72,222	-72,345	12l
Other Short Term Liabilities	**-3,726**	-2,812	-2,563	12m
Provisions	**-5,400**	-7,352	-23,024	12n
Current Liabilities	**-125,135**	-122,189	-141,499	
Long Term Borrowing	**-452,145**	-471,494	-527,133	12e
Other Long Term Liabilities	**-809,132**	-718,999	-509,684	12o
Long Term Liabilities	**-1,261,277**	-1,190,493	-1,036,817	
Net Assets	**496,938**	656,317	941,671	
Usable Reserves	**186,599**	172,539	165,266	12p
Unusable Reserves	**310,339**	483,778	776,405	12q
Total Reserves	**496,938**	656,317	941,671	

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		2011/12	
	£000	**£000**	£000	£000 Restated	Note 2
Net deficit on the provision of services		**99,846**		116,401	
Adjustments to net deficit on the provision of services for non-cash movements		**-201,610**		-196,654	13b
Adjustment for items included in the net deficit on the provision of services that are investing and financing activities		**33,734**		33,544	13c
Net cash flows from Operating Activities		**-68,030**		-46,709	13a
Net cash flows from Investing Activities					
Purchase of PPE, investment property and intangible assets	**70,051**		74,516		
Purchase of short-term and long-term investments	**5,700**		9,431		
Proceeds from the sale of PPE, investment property and intangible assets	**-9,781**		-4,278		
Proceeds from short-term and long-term investments	**-14,391**		-14,967		
Other receipts from investing activities	**-27,005**	**24,574**	-30,877	33,825	
Net cash flows from Financing Activities					
Cash receipts of short and long-term borrowing	**-35,754**		-15,084		
Other receipts from financing activities	**-9**		-1,290		
Cash payments for the reduction for the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	**2,529**		2,534		
Repayments of short-term and long-term borrowing	**58,423**		42,032		
Other payments for financing activities	**1,031**	**26,220**	320	28,512	
Net increase(-) or decrease in cash and cash equivalents		**-17,236**		15,628	
Cash and cash equivalents at the beginning of the reporting period		**11,941**		27,569	
Cash and cash equivalents at the end of the reporting period		**29,177**		11,941	12k

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1 Accounting Policies

General Principles

The Statement of Accounts summarises the Council's transactions for the 2012/13 financial year and its position at the year-end of 31 March 2013. 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 2012/13 (the Code) and the Service Reporting Code of Practice 2012/13, supported by International Financial Reporting Standards (IFRS).

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

Accruals of Income and Expenditure

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

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

Cash and Cash Equivalents

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

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

Exceptional Items

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

Charges to Revenue for Non-Current Assets

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

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

The Council is not required to raise council tax to fund depreciation, revaluation and impairment losses or 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.

Collection Fund

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

Employee Benefits

Benefits Payable During Employment

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

An accrual is made for the cost of holiday and flexi-time entitlements 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 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 two separate pension schemes:

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

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

The Teachers' Pension Scheme -

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

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 future earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate of 4.4% (based on UK AA rated bond prices compiled into a model by the Council's actuary Aon Hewitt Limited).
- The change in the net pensions liability is analysed into seven components:
    - Current service cost – the increase in liabilities as a result of years of service earned this year. Allocated in the CIES to the services for which the employees worked.
    - Past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years. Debited to the Surplus or Deficit on the Provision of Services in the CIES as part of Non Distributed Costs.
    - Interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid. Debited to the Financing and Investment Income and Expenditure line in the CIES.
    - Expected return on assets – the annual investment return on the fund assets attributable to the Council, based on an average of the expected long-term return. Credited to the Financing and Investment Income and Expenditure line in the CIES.
    - Gains or losses on settlements and curtailments – the result of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees. Debited or credited to the Surplus or Deficit on the Provision of Services in the CIES as part of Non Distributed Costs.
    - Actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions. Debited or credited to the Pensions Reserve.
    - Contributions paid to the fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

Changes to the LGPS permit employees retiring on or after 6 April 2006 to take an increase in their lump sum payment on retirement in exchange for a reduction in their future annual pension. The figures in this year's Statement of Accounts have been prepared by our actuary, based on the assumption that each member will exchange 62% of the maximum amount permitted of their pre 1 April 2010 pension entitlements for additional lump sum and 82% of the maximum amount permitted of their post 31 March 2010 pension entitlements.

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

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

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

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

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

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

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

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

Financial Assets
Financial assets are classified into two types:

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

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

<u>Instruments entered into before 1 April 2006</u>
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. Where it has been applied, it is posted to the Capital Adjustment Account.

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

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

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

- <u>Fine Art Collection</u>
  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.
- <u>Museum Exhibits</u>
  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.

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.

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.

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

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

As landfill is used, a liability and an expense are recognised. The liability is discharged either by surrendering allowances or by payment of a cash penalty to DEFRA (or by a combination). The liability is measured at the best estimate of the expenditure required to meet the obligation, normally the market price of the number of allowances required to meet the liability at the reporting date. However, where some of the obligation will be met by paying a cash penalty to DEFRA, that part of its liability is measured at the cost of the penalty. The allowances in 2012/13 (and 2011/12) are recognised at nil value. The scheme ceased at the end of 2012/13.

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 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 2012/13 (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.

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.

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
• 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 policy of treating Mechanical and Electrical components together as one component and separating it out for all assets with a value in excess of £1 million has been dropped from 1 April 2012. This is due to revaluation difficulties in treating the separate components as one (in reality, the different elements of the component had different lives and were at different stages of their lifecycle). Normally, this change would require a prior year adjustment but in this case changes to the previous year are not material and therefore have not been reflected. The main effect of the change would have been a reduced depreciation charge of £0.455 million in the various service lines in the CIES in 2011/12. Thus, the deficit on the CIES would have been correspondingly reduced and this would have been reversed out in the Adjustments between accounting basis and funding basis under regulations line in the Movement in Reserves Statement. On the Balance Sheet, the balance on Property, Plant and Equipment as at 1 April 2011 would remain the same, but the closing balance as at 31 March 2012 would be £0.455 million greater, increasing the Net Assets, Unusable Reserves and Total Reserves figures by the same amount.

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

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

Private Finance Initiative (PFI) and Similar Contracts

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

The Council has four PFI schemes –

- A twenty five year contract from April 1998 for waste disposal services.
- A thirty two and a half year contract, starting March 2001, for major repairs/ refurbishment and continuing maintenance of nineteen schools, together with caretaking and cleaning services.
- A twenty six and a half year contract, starting March 2005 for the new build of two special schools and full refurbishment of existing buildings at a third special school, together with the maintenance of buildings and premise management functions at all three schools.
- A twenty two and a half year contract starting December 2011, for the design, build, financing and operation of 466 housing units. 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 £2.8 million as at 31 March 2013.

Non current assets recognised on the Balance Sheet are revalued and depreciated in the same way as Property, Plant and Equipment owned by the Council.

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

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

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

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

Provisions, Contingent Liabilities and Contingent Assets

Provisions

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

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

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

Contingent Liabilities

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

Contingent Assets

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

Reserves

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

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

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

A prior period adjustment has been carried out to correct the fact that a voluntary controlled school (Meltham CE (VC) Primary School) had not been brought on to the Balance Sheet in line with the Council's accounting policies for church schools.

This has meant the following Balance Sheet items have been restated -

	Opening Balances 1 April 2011	Restated Opening Balances 1 April 2011	Closing Balances 31 March 2012	Restated Closing Balances 31 March 2012
	£000	£000	£000	£000
Property, Plant and Equipment	1,850,121	1,854,190	1,713,607	1,717,588
Long Term Assets	1,997,486	2,001,555	1,874,435	1,878,416
Net Assets	937,602	941,671	652,336	656,317
Unusable Reserves -				
Capital Adjustment Account	*946,223*	*950,292*	*873,446*	*877,427*
Unusable Reserves Total	772,336	776,405	479,797	483,778
Total Reserves	937,602	941,671	652,336	656,317

Thus, as at 1 April 2011 the figures have increased by £4.069 million (the value of the school as of that date) and by £3.981 million as at 31 March 2012 (the value of the school as at 1 April 2011 less £0.088 million depreciation charged in 2011/12). The above changes have been reflected in the notes for Property, Plant and Equipment and Unusable Reserves (Capital Adjustment Account).

In the CIES, the gross and net expenditure for Children's and Education Services has been restated for the additional £0.088 million depreciation charge in 2011/12, similarly increasing the figures for Cost of Services, Deficit on Provision of Services and Total Comprehensive Income and Expenditure.

In the Statement of Movement in Reserves, the Deficit on Provision of Services for General Fund Balances and Total Usable Reserves has increased in 2011/12 by £0.088 million to £131.807 million and £116.401 million respectively. The adjustments between accounting and funding basis under regulations figure has similarly increased to negate any effect on the General Fund Balance and Total Usable Reserves carried forward as at 31 March 2012. The balance for Unusable Reserves as at 31 March 2011 has increased by £4.069 million to £776.405 million as noted above. The adjustments between accounting and funding basis under regulations figure has increased by £0.088 million, leaving the balance on Unusable Reserves as at 31 March 2012 higher by £3.981 million after restatement.

The figure for Deficit on Provision of Services in the Cash Flow Statement has been restated to match the change noted above in the CIES. The adjustments for non-cash movements figure has been similarly increased by £0.088 million to -£196.654 million.

In addition, a prior period adjustment has been carried out following a review of the accounting for the Council’s trading activities. The restatement reflects –

- The reclassification of Design and Property Services from a trading activity to a support function.
- The reclassification of external income received by support services as a trading activity. This was previously shown in the Net Cost of Services under “Other Services”, which is not recognised under the Service Reporting Code of Practice 2012/13.
- The inclusion of car parking as a trading activity. This change only affected the Trading Operations note as the activity’s income and expenditure is still reported in the Highways and Transport line within the Net Cost of Services in the CIES.

In terms of the main financial statements, this amendment has only affected the CIES. The changes are reflected in the table below. The main change is to the gross expenditure and income figures, which for the Cost of Service decrease from £1,042.3 million and £641.0 million to £1,038.6 and £637.4 million respectively. The Cost of Services overall total decreases by £0.1 million, with a corresponding increase in the trading accounts figures within the Financing and Investment Income and Expenditure line. There is no effect on the Deficit on Provision of Services.

The notes for Trading Operations and Segmental Reporting have also been restated.

	2011/12			Restatements			Restated 2011/12		
	Gross Exp	Gross Income	Net Exp	Gross Exp	Gross Income	Net Exp	Gross Exp	Gross Income	Net Exp
	£000	£000	£000				£000	£000	£000
Children's and Education Services	470,684	332,402	138,282	199	0	199	470,883	332,402	138,481
Adults Social Care	139,152	42,461	96,691	70	0	70	139,222	42,461	96,761
Housing (HRA)	77,972	71,707	6,265	0	0	0	77,972	71,707	6,265
Housing (Non HRA)	133,877	116,566	17,311	5	0	5	133,882	116,566	17,316
Highways and Transport	56,890	13,806	43,084	28	0	28	56,918	13,806	43,112
Cultural	43,002	7,542	35,460	68	0	68	43,070	7,542	35,528
Environmental and Regulatory	36,322	6,835	29,487	66	0	66	36,388	6,835	29,553
Planning	29,337	9,901	19,436	35	0	35	29,372	9,901	19,471
Central services to the public	41,441	35,861	5,580	35	-1	36	41,476	35,860	5,616
Other Services	4,148	3,728	420	-4,148	-3,728	-420			
Corporate and democratic core	8,091	0	8,091	80	0	80	8,171	0	8,171
Non distributed costs	1,375	233	1,142	-150	76	-226	1,225	309	916
Cost of Services	1,042,291	641,042	401,249	-3,712	-3,653	-59	1,038,579	637,389	401,190
Other operating expenditure	111,140	2,877	108,263	0	0	0	111,140	2,877	108,263
Financing and investment income and expenditure:									
General	126,726	101,973	24,753	3,720	3,661	59	130,446	105,634	24,812
Exceptional	7,670	0	7,670	0	0	0	7,670	0	7,670
Taxation and non-specific grant income:									
General	0	386,556	-386,556	0	0	0	0	386,556	-386,556
Exceptional	0	39,066	-39,066	0	0	0	0	39,066	-39,066
Deficit on Provision of Services			116,313						116,313
Surplus on revaluation of PPE assets			-30,636						-30,636
Impairment losses on non-current assets to the Revaluation Reserve			0						0
Surplus on revaluation of available for sale financial assets			-73						-73
Actuarial gains(-)/ losses on pension asset/liabilities			199,662						199,662
Other Comprehensive Income and Expenditure			168,953						168,953
Total Comprehensive Income and Expenditure			285,266						285,266

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

There are several changes to the 2013/14 Code, but there are only two that will have a material effect on the Council's accounts. Both will require prior period adjustments.

The 2013/14 Code includes revisions to IAS19 Employee Benefits. If these changes had been adopted for the accounting period ending 31 March 2013, the expenses recognised for funded benefits would have increased to £67.1 million from £41.9 million, thus increasing the Deficit on the Provision of Services. The increased expense is due to how the expected return on assets is calculated, that is at the discount rate rather than at an expected rate of return based on actual plan assets held. However, there would be a corresponding change to the actuarial gains/losses on pension asset/liabilities meaning that overall Total Comprehensive Income and Expenditure would not change. There would be no effect on the Balance Sheet, but additional disclosures will be required.

The 2013/14 Code also includes augmentation of its provisions on service concessions (PFI/PPP) arrangements. This essentially brings asset recognition on service concessions into line with current policies for Property, Plant and Equipment, that is to recognise the asset on balance sheet when it is probable that economic benefits/service potential will flow to the authority rather than when the asset is available for use. The policy is effective from 1 April 2013 and would require the Council to recognise properties being constructed under its Housing PFI scheme as assets under construction with a similar increase in the liability. The main changes to this year's accounts if this standard had been adopted would have been:

- As at 31 March 2013, the Council had approximately £27.1 million of Housing PFI assets under construction (land and buildings), thus increasing the amount of Property, Plant and Equipment on the Balance Sheet (£9.2 million 31 March 2012).
- As at 31 March 2013, Investment Property on the Balance Sheet would be reduced by £2.5 million relating to land transferred to assets under construction (£3.0 million 31 March 2012).
- The Other Long Term Liabilities at 31 March 2013 would increase by £26.0 million (£6.2 million 31 March 2012).
- The effect on the CIES in 2012/13 would be that interest charged would increase by £1.3 million, thus increasing the Deficit on Provision of Services, with a corresponding increase in the adjustments between accounting and funding line in the Statement Movement in Reserves to negate any effect on General Fund Balances.

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 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 foundation, 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 22 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 26 in the

Notes to the Core Financial Statements and note 13 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 25 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 12b gives more valuation details for heritage assets.

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 2013 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	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 £6.2 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 2013 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.

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Pensions Liability	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 2013 was £707.9 million.	The Actuaries provide information in relation to the sensitivity of the results to key assumptions. The effects on the net pensions liability of changes in individual assumptions can be measured. For instance a 0.5% increase in the discount rate assumptions would result in a decrease in the pensions liability of £168.9 million. However the assumptions interact in complex ways. During 2012/13 the Council's actuaries advised that the net pensions liability for funded LGPS benefits had increased by £2.7 million as a result of estimates being corrected as a result of experience and increased by £142.9 million attributable to updating of the assumptions.

6 Material Items of Income and Expense

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

Capital Charges – Revaluation Losses

There was a reduction land values £4.1 million (£32.0 million 2011/12). Within the HRA, there was an increase in losses on Housing Stock of £22.8 million (£28.3 million 2012/13), the increase mainly being due to PFI assets being re-valued down to social housing values.

Academies

£18.2 million reduction in grant funding received for Schools that have now converted to Academy Status. There will be a similar decrease in Schools expenditure.

Increase in Payments of Benefits

There was an increase in benefit payments to £150.5 million (£144.0 million 2011/12), with a corresponding increase in grant recognised in the year of £5.7 million from the Department for Work and Pensions used to fund these payments.

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 10. The following non-adjusting events occurred between the Balance Sheet date and when the accounts were authorised for issue:

Schools converting to Academy and Trust status

Since the Balance Sheet date, there has been a further school transferred to Trust status. Employees have been transferred to the Trust, together with assets valued at £4.3 million. In addition, a further school has transferred to Academy status on 1 September 2013. The assets relating to the school (net book value £11.6 million as at 31 March 2013) will be transferred off the Council's balance sheet in 2013/14. The school had a balance of £0.4 million which will also be transferred and the Council will no longer receive Dedicated Schools Grant for this school (£4.1 million).

Co-operative Bank

The Council's supplier of current account banking facilities, the Co-operative Bank, was heavily downgraded by two credit rating agencies in May and June 2013. The Bank announced a plan for re-capitalisation in June 2013. If the Bank was to fail, the Council does face exposure to financial and operational risk, and on that basis the Council is closely monitoring developments and considering ways to minimise risk.

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.

2012/13	Usable Reserves					
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£000	£000	£000	£000	£000	£000
Adjustments involving the Capital Adjustment Account:						
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/Assets Held for Sale	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	312	0	0	0	25,703
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
Adjustments involving the Capital Grants Unapplied Account:						
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 Capital Adjustment Account	0	0	0	0	-13,313	13,313
Adjustments involving the Capital Receipts Reserve:						
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 Capital Adjustment Account)	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

2012/13	Usable Reserves					
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£000	£000	£000	£000	£000	£000
Adjustment involving the Deferred Capital Receipts Reserve:						
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
Adjustment involving the Major Repairs Reserve:						
Financing of new capital expenditure (transfer to Capital Adjustment Account)	0	0	0	-10,681	0	10,681
Used to repay debt (transfer to Capital Adjustment Account)	0	0	0	-6,259	0	6,259
Adjustment involving the Financial Instruments Adjustment Account:						
Amount by which finance costs charged to the CIES are different from those required by statutory regulations	-470	3	0	0	0	467
Adjustments involving the Pensions Reserve:						
Reversal of items relating to retirement benefits debited or credited to the CIES	48,014	0	0	0	0	-48,014
Employer's pensions contributions and direct payments	-36,677	0	0	0	0	36,677
Adjustments involving the Collection Fund Adjustment Account:						
Amount by which council tax income credited to the CIES is different from that required by statutory regulations	-748	0	0	0	0	748
Adjustment involving the Accumulated Absences Account:						
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	102,025	10,115	4,094	-1,775	-553	-113,906

2011/12 Comparator	Usable Reserves					
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£000	£000	£000	£000	£000	£000
	Restated					Restated
Adjustments involving the Capital Adjustment Account:						
Charges for depreciation and impairment of non-current assets	59,511	0	0	14,921	0	-74,432
Amortisation of Intangible Assets	875	0	0	0	0	-875
Revaluation losses on PPE	39,838	22,800	0	0	0	-62,638
Revaluation gains on PPE	-11,749	-3	0	0	0	11,752
Movements in the market value of Investment Properties	-3,174	0	0	0	0	3,174
Revenue expenditure funded from capital under statute (REFCUS)	10,087	0	0	0	0	-10,087
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	106,558	1,623	0	0	0	-108,181
Capital grants and contributions applied	-16,279	-182	0	0	0	16,461
Capital grants and contributions applied (REFCUS)	-3,663	0	0	0	0	3,663
Deferred Income written down - Waste PFI	-537	0	0	0	0	537
Provision for the financing of capital investment	-24,309	-17	0	0	0	24,326
Capital expenditure charged against balances	-1,104	-4,696	0	0	0	5,800
Adjustments involving the Capital Grants Unapplied Account:						
Capital grants and contributions unapplied and credited to the CIES	-12,804	0	0	0	12,804	0
Application of grants to capital financing transferred to the Capital Adjustment Account	0	0	0	0	-18,640	18,640
Adjustments involving the Capital Receipts Reserve:						
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the CIES	-2,384	-1,894	4,278	0	0	0
Financing new capital expenditure	0	0	-2,939	0	0	2,939
Contribution towards administrative costs of asset disposals	39	36	-75	0	0	0
Contribution to finance the payments to the Government capital receipts pool.	1,342	0	-1,342	0	0	0
HRA self financing reform - payment by Secretary of State	0	-39,065	39,065	0	0	0
HRA self financing reform - application of payment	0	7,670	-39,065	0	0	31,395
Cash receipts from the repayment of capital loans given	0	0	1,200	0	0	-1,200
Used to repay debt (transfer to Capital Adjustment Account)	0	0	-1,154	0	0	1,154
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	0	0	32	0	0	-32

2011/12 Comparator	Usable Reserves					
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£000	£000	£000	£000	£000	£000
	Restated					Restated
Adjustment involving the Deferred Capital Receipts Reserve:						
Finance Leases- Amount by which sale proceeds received in CIES differs from those received in accordance with statutory requirements	8	0	0	0	0	-8
Adjustment involving the Major Repairs Reserve:						
Reversal of Major Repairs Allowance credited to the HRA	0	165	0	-165	0	0
Financing of new capital expenditure (transfer to Capital Adjustment Account)	0	0	0	-17,764	0	17,764
Used to repay debt (transfer to Capital Adjustment Account)	0	0	0	0	0	0
Adjustment involving the Financial Instruments Adjustment Account:						
Amount by which finance costs charged to the CIES are different from those required by statutory regulations	-421	41	0	0	0	380
Adjustments involving the Pensions Reserve:						
Reversal of items relating to retirement benefits debited or credited to the CIES	35,732	0	0	0	0	-35,732
Employer’s pensions contributions and direct payments	-36,529	0	0	0	0	36,529
Adjustments involving the Collection Fund Adjustment Account:						
Amount by which council tax income credited to the CIES is different from that required by statutory regulations	2,138	0	0	0	0	-2,138
Adjustment involving the Accumulated Absences Account:						
Amount by which officer remuneration charged to the CIES on an accruals basis is different from that required by statutory regulations	2,866	0	0	0	0	-2,866
Total Adjustments	146,041	-13,522	0	-3,008	-5,836	-123,675

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 2013	Transfers Out 2012/13	Transfers In 2012/13	Balance at 31 March 2012	Transfers Out 2011/12	Transfers In 2011/12	Balance at 31 March 2011
Local Management of Schools	**16,790**	-1,611	0	18,401	0	8,850	9,551
Standards Fund	**128**	-48	0	176	-12,987	0	13,163
Insurance	**1,500**	-2,500	0	4,000	0	2,500	1,500
Pensions	**0**	0	0	0	-5,155	0	5,155
Organisational Risk	**7,528**	-4,278	2,500	9,306	0	3,101	6,205
Workforce Restructure	**14,670**	-2,249	0	16,919	-2,859	5,280	14,498
Health and Social Care	**6,754**	0	2,688	4,066	0	2,351	1,715
Rollover	**5,142**	0	5,142	0	0	0	0
PFI	**3,144**	-44	0	3,188	-58	298	2,948
Revenue Grants	**20,639**	-5,812	9,322	17,129	-5,220	6,428	15,921
REFCUS Grants	**2,598**	-138	1,468	1,268	-910	247	1,931
Other	**4,089**	-1,794	1,155	4,728	-335	1,329	3,734
Total	**82,982**	-18,474	22,275	79,181	-27,524	30,384	76,321

- 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 2013 represents 166 schools with cumulative balances of £17.2 million (178 schools and £18.7 million at 31 March 2012) and 6 schools with cumulative deficits amounting to £0.4 million (4 schools and £0.3 million at 31 March 2012).
- The majority of the Standards Fund Reserve has been deployed to schools, as required by Department for Education grant regulations.
- The Insurance Fund covers risks that have not been insured and provides a reserve for worse case scenarios, over and above the Insurance Provision which is based on likely outcomes.
- The Pensions Reserve was amalgamated into the Workforce Restructure Reserve in 2011/12.
- 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 (renamed from the Primary Care Trust Joint Working Reserve) was set up from funds received from the former Primary Care Trust to support future expenditure on health and social care issues.
- The Rollover Reserve has been set up to deal with deferred spend commitments.
- 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.
- The REFCUS (revenue expenditure funded from capital under statute) Grants Reserve represents grant income taken through the CIES, which will be applied to finance capital expenditure incurred in future years.

10 Exceptional Items

2012/13

There are no exceptional items for 2012/13.

2011/12

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

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

11 Notes Referring to Specific Items in the CIES

11a Other Operating Expenditure

	2012/13 £000	2011/12 £000
Parish council precepts	**460**	452
Levies	**142**	122
Payment to Government Housing Capital Receipts Pool	**1,415**	1,342
Gains/losses on the disposal of non-current assets (1)	**73,053**	104,301
Derecognition of Academies' Balances (2)	**840**	2,046
Total	**75,910**	108,263

(1) Seven schools converted to academy status with a further five schools converting to trust schools in 2012/13. In all cases except one, the assets relating to the schools were transferred from the Council's Balance Sheet, resulting in a £72.8 million loss on disposal (2011/12 £104.7 million). The exception was an aided school which was not on the Council's Balance Sheet.

(2) The cash balances associated with schools converting to academies were transferred from the Council's own balances resulting in a £0.8 million loss (2011/12 £2.0 million).

11b Financing and Investment Income and Expenditure

	2012/13 £000	2011/12 £000 Restated
Interest payable and similar charges	**30,861**	34,072
Pensions interest cost and expected return on pensions assets	**5,817**	-860
Interest receivable and similar income	**-2,152**	-2,640
Income and expenditure in relation to investment properties and changes in fair value	**8,644**	-4,779
Trading	**-1,038**	-362
Dividend Income	**-648**	-619
	41,484	24,812
Exceptional Item - interest payable and similar charges (Premium on HRA Self Financing)	**0**	7,670
Total	**41,484**	32,482

11c Taxation and Non-Specific Grant Income

	2012/13 £000	2011/12 £000
Council tax income	**-154,916**	-153,800
Non domestic rates	**-147,239**	-121,613
Non-ring fenced government grants	**-49,096**	-81,340
Capital grants and contributions	**-31,821**	-29,803
	-383,072	-386,556
Exceptional Item - Capital grants and contributions (HRA Self Financing)	**0**	-39,066
Total	**-383,072**	-425,622

12 Notes Referring to Specific Items in the Balance Sheets

12a 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 Property, Plant and Equipment £000*
Cost **or Valuation**									
At 1 April 2012	498,431	1,048,964	40,561	312,352	8,915	10,130	3,034	1,922,387	*176,136*
Additions	44,028	20,683	5,789	14,408	624	6	1,038	86,576	*22,229*
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 increases/ 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(-) /from 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**	**5,911**	**1,857,183**	***165,962***
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 2013	**497,032**	**895,416**	**20,649**	**196,947**	**6,721**	**12,265**	**5,911**	**1,634,941**	***148,727***
at 31 March 2012	498,431	980,649	20,253	198,183	7,337	9,701	3,034	1,717,588	*163,128*

Comparative Movement in 2011/12	Council Dwellings £000	Other Land and Buildings £000 Restated	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 Restated	*PFI Assets Included in Property, Plant and Equipment* £000
Cost or Valuation									
At 1 April 2011	510,873	1,183,180	39,518	295,065	7,992	19,223	9,343	2,065,194	*228,370*
Additions	22,628	28,132	4,256	18,386	1,028	541	605	75,576	*2,943*
Revaluation increases/ decreases(-) recognised in the Revaluation Reserve	-1,389	7,832	0	0	0	79	0	6,522	*0*
Revaluation increases/ decreases(-) recognised in the Deficit on the Provision of Services	-37,009	-53,447	0	0	0	-90	0	-90,546	*0*
De-recognition – disposals	-1,241	-115,014	-3,213	-1,099	-89	-4,247	-1,798	-126,701	*-55,177*
De-recognition – other	0	-120	0	0	0	-3,024	0	-3,144	
Assets reclassified to(-)/from Held for Sale	-129	0	0	0	0	-209	0	-338	*0*
Other movements in cost or valuation	4,698	-1,599	0	0	-16	-2,143	-5,116	-4,176	*0*
At 31 March 2012	498,431	1,048,964	40,561	312,352	8,915	10,130	3,034	1,922,387	*176,136*
Accumulated Depreciation and Impairment									
At 1 April 2011	0	-83,098	-18,047	-101,018	-574	-6,469	-1,798	-211,004	*-10,477*
Depreciation charge	-14,756	-37,289	-5,304	-14,250	-1,026	-337	0	-72,962	*-7,571*
Depreciation written out to the Revaluation Reserve	569	16,081	0	0	0	407	0	17,057	*0*
Depreciation written out to the Deficit on the Provision of Services	14,211	25,581	0	0	22	416	0	40,230	*0*
Impairment losses recognised in the Revaluation Reserve	0	0	0	0	0	0	0	0	*0*
Impairment losses recognised in the Deficit on the Provision of Services	0	-12	0	0	-89	-1,772	0	-1,873	*0*
De-recognition – disposals	0	10,229	3,043	1,099	89	4,187	1,798	20,445	*5,040*
De-recognition – other	0	120	0	0	0	3,024	0	3,144	*0*
Other movements in depreciation and	-24	73	0	0	0	115	0	164	*0*
At 31 March 2012	0	-68,315	-20,308	-114,169	-1,578	-429	0	-204,799	*-13,008*
Net Book Value									
at 31 March 2012	498,431	980,649	20,253	198,183	7,337	9,701	3,034	1,717,588	*163,128*
at 31 March 2011	510,873	1,100,082	21,471	194,047	7,418	12,754	7,545	1,854,190	*217,893*

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, with the exception of the HRA properties which are valued annually. Valuations were carried out internally, with the exception of the HRA properties which were carried out by the external District Valuer. The valuers hold the appropriate qualification required and belong to the Royal Institute of Chartered Surveyors. The valuations of land and buildings were carried out on 1 April 2012 and in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institute of Chartered Surveyors.

The significant assumptions applied in estimating the fair values are:

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

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

	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		23,339	20,649	196,947	6,721	511	5,911	254,078
Carried at fair value as at:								
2012/13	497,032	141,441				751		639,224
2011/12		170,073				3,113		173,186
2010/11		132,306				2,842		135,148
2009/10		267,039				2,156		269,195
2008/09		161,218				2,892		164,110
Total	497,032	895,416	20,649	196,947	6,721	12,265	5,911	1,634,941

Capital Commitments
In February 2013, the Council approved a capital programme of £150.2 million for 2013/14, which includes £44.8 million for PFI Partners capital expenditure. A further £340.3 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. As at 31 March 2013, there were no significant contractual commitments on PPE, but there is planned the building of a new sports centre in Huddersfield (£30 million), with construction due to commence in May 2013.

12b Heritage Assets

Movement in 2012/13	Fine Art Collection	Museums and Galleries Exhibits	Other	Total Assets
	£000	£000	£000	£000
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**
Net Book Value				
at 31 March 2013	**29,552**	**3,431**	**3,350**	**36,333**
at 31 March 2012	28,067	3,431	3,203	34,701

Movement in 2011/12	Fine Art Collection	Museums and Galleries Exhibits	Other	Total Assets
	£000	£000	£000	£000
Cost or Valuation				
At 1 April 2011	21,667	3,431	2,571	27,669
Additions	0	0	184	184
Revaluation increases recognised in the Revaluation Reserve	6,400	0	529	6,929
At 31 March 2012	28,067	3,431	3,284	34,782
Accumulated Depreciation				
At 1 April 2011	0	0	-40	-40
Depreciation charge	0	0	-41	-41
At 31 March 2012	0	0	-81	-81
Net Book Value				
at 31 March 2012	28,067	3,431	3,203	34,701
at 31 March 2011	21,667	3,431	2,531	27,629

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.

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

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

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

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

Acquisition began in the early years of the twentieth century, with a particular focus on British art – initially of the nineteenth and latterly of the twentieth century. The drive for the development of the collection came largely in the post war period. During this time the gallery had access to a small annual purchase fund and a larger capital fund to support purchases. This included the purchase of a Henry Moore sculpture - 'Falling Warrior' (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 2012). 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 2012). Being donated assets, both paintings have conditions placed upon them. Total value of donated assets as at 31 March 2013 is £23.2 million (£22.8 million 31 March 2012).

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 British butterflies and moths;
- a collection linked to Bamforth and Company, one of the best known and loved publishers of comic postcards;
- a collection of Mesolithic material, mainly collected by Francis Buckley, J.H.Priestly, Pat Stonehouse and the Darby family; and
- a photographic archive of over 250,000 images on glass plate and celluloid negatives, lantern slides and original prints.

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

Other Heritage Assets

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

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

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 2013 is £1.6 million (£1.6 million 31 March 2012). 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 £0.91 million (£0.89 million 31 March 2012).

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

The structural assets have been valued by internal valuers and are reported in the Balance Sheet at replacement cost. The value of these structural assets as at 31 March 2013 is £1.2 million (£1.3 million 31 March 2012). 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.

12c 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 £000	2011/12 £000
Rental income from investment property	**-3,218**	-3,131
Direct operating expenses arising from investment property	**1,640**	1,988
Net gain	**-1,578**	-1,143
Net gains(-)/losses from fair value adjustments	**10,042**	-3,174
Net gains(-)/losses on disposals of assets	**180**	-462
Income(-) and expenditure in relation to investment properties and changes in fair value	**8,644**	-4,779

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 £000	2011/12 £000
Balance at 1 April	**87,709**	81,076
Additions	**1,692**	444
Disposals	**-1,110**	-1,043
Net gains/losses(-) from fair value adjustments	**-10,042**	3,174
Transfers to/from(-) Property, Plant and Equipment	**-2,195**	4,058
Balance at 31 March	**76,054**	87,709

Included in the value for 31 March 2013, is a property with a net book value of £0.2 million (£0.1 million 31 March 2012), which meets the criteria for held for sale.

12d 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 £0.8 million was charged to CIES in 2012/13 (£0.9 million in 2011/12). 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. The majority of the amortisation relates to Microsoft Enterprise Licences purchased in 2009/10 which are being amortised over 5 years.

	2012/13 £000	2011/12 £000
Balance at 1 April		
Gross carrying amounts	**4,612**	5,489
Accumulated amortisation	**-2,550**	-2,839
Net carrying amount at 1 April	**2,062**	2,650
Additions - Purchases	**2,507**	287
Amortisation for the period	**-750**	-875
Net carrying amount at 31 March	**3,819**	2,062
Comprising:		
Gross carrying amounts	**6,152**	4,612
Accumulated amortisation	**-2,333**	-2,550
	3,819	2,062

There are two items of capitalised software that are individually material to the financial statements:

	Carrying amount 31 March 2013	Carrying amount 31 March 2012	Remaining Amortisation Period
Microsoft Enterprise Licence	1,113	1,492	2
Core integrated IT system	2,175	0	5

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 is expected to be operational in November 2013. The Council is committed to make payments of £1.5 million during 2013/14.

12e Financial Instruments

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

	31 March 2013		31 March 2012	
	Long-term £000	**Current £000**	Long-term £000	Current £000
Investments				
Loans and receivables	**3,102**	**38,802**	3,102	24,871
Available-for-sale financial assets	**884**	**0**	849	2,137
Total Investments	**3,986**	**38,802**	3,951	27,008
Debtors*				
Loans and receivables	**28,871**	**0**	32,405	0
Financial assets carried at contract amounts	**0**	**39,623**	0	46,027
Total Debtors	**28,871**	**39,623**	32,405	46,027
Borrowings				
Financial liabilities at amortised cost	**452,145**	**36,450**	471,494	39,803
Total Borrowings	**452,145**	**36,450**	471,494	39,803
Other Long Term Liabilities				
Financial liabilities at amortised cost	**84,772**	**3,726**	71,235	2,812
Total other long term liabilities	**84,772**	**3,726**	71,235	2,812
Creditors				
Financial liabilities carried at contract amounts	**0**	**79,559**	0	72,222
Total Creditors	**0**	**79,559**	0	72,222

* Debtors - amounts relating to such items 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.

Material Soft Loans made by the Council

The Council provided support in 2009/10 to Kirklees College's Waterfront Development with a loan of £23.3 million. The loan is secured against the assets of the College and the loan is charged at the cost of the borrowing to the Council plus a small margin to cover administration. The fair value of the loan is arrived at by adding a margin of 1.75% to reflect risk. The loan is being repaid on an annuity basis and the College will repay the full amount advanced by 2034/35.

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

Movements on soft loans are detailed as follows:

	College	Renewable Energy	Private Housing Redevelopment	Total
	£000	£000	£000	£000
Balance at 1 April 2011	19,323	1,290	196	20,809
Nominal value of new loans in year	0	188	0	188
Fair value adjustment on initial recognition	0	-81	0	-81
Loans repaid	-504	-46	0	-550
Unwinding of discount	164	97	11	272
Balance at 31 March 2012	18,983	1,448	207	20,638
Nominal value of new loans in year	0	0	0	0
Fair value adjustment on initial recognition	0	0	0	0
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**
Nominal value at 31 March 2013	**21,835**	**2,424**	**261**	**24,520**
Nominal value at 31 March 2012	22,365	2,440	304	25,109

Income, Expense, Gains and Losses 2012/13

	Financial Liabilities measured at amortised cost	Financial Assets: Loan and receivables	Financial Assets: Available for Sale	Total
	£000	£000	£000	£000
Interest expense	30,849	0	0	30,849
Losses on derecognition	12	0	0	12
Impairment losses	0	455	0	455
Total expense in Deficit on the Provision of Services	30,861	455	0	31,316
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	**30,861**	**-1,697**	**2**	**29,166**

Income, Expense, Gains and Losses 2011/12 Comparator

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

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 2012	
	Carrying amount	**Fair value**	Carrying amount	Fair value
	£000	**£000**	£000	£000
Borrowings				
PWLB	**352,919**	**453,929**	372,257	469,446
LOBOs	**106,611**	**147,850**	106,616	154,821
Loan Stock	**6,983**	**16,054**	6,983	14,663
Bank overdraft	**9,116**	**9,116**	9,161	9,161
Other borrowing	**12,966**	**12,966**	16,280	16,310
	488,595	**639,915**	511,297	664,401
PFI, Transferred Debt & Finance Lease Liabilities	**88,498**	**98,583**	74,047	82,020
Creditors	**79,559**	**79,559**	72,222	72,222
	656,652	**818,057**	657,566	818,643
Investments				
Loans and Receivables	**41,904**	**41,576**	27,973	27,460
Available for Sale	**883**	**883**	2,986	2,986
	42,787	**42,459**	30,959	30,446
Long-term debtors	**28,871**	**34,839**	32,405	39,592
Short-term debtors	**39,623**	**39,623**	46,027	46,027
	111,281	**116,921**	109,391	116,065

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.

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

The fair value of liabilities is more than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the rates available for similar loans at the Balance Sheet date. This shows a notional future loss (based on economic conditions at 31 March 2013) 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 2013 was £0.9 million (£0.8 million 31 March 2012). 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.

Nature and Extent of Risks Arising from Financial Instruments
The Council's activities expose it to a variety of financial risks:

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

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

Credit risk

Credit risk arises from deposits with banks and other financial institutions, as well as credit exposures to the council's customers. Deposits were not made with banks and other financial institutions unless they were rated by one of the main credit rating companies with a minimum rating of F1 (Fitch) and P-1 (Moody's), were a building society with assets of more than £2.0 billion or were a part-nationalised UK bank. The Council has a policy of not lending more than £10.0 million of its surplus balances to any counterparty and not more than £3.0 million to any counterparty for investments longer than one year. Investments in the institutions of foreign countries are limited to foreign countries that hold a high credit rating (AAA or AA+) and to a maximum of £10.0 million per country.

At the year end, the Council held investments of £30.2 million for cashflow purposes, made up of cash equivalents of £29.7 million and short-term investments of £0.5 million (£19.3 million, £16.5 million and £2.8 million respectively 31 March 2012). Cash equivalents by definition are highly liquid deposits with an insignificant risk of change in value. The Council did not make any investments of a treasury management nature longer than one year in 2012/13.

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

During 2012/13, Kirklees Community Association repaid in full the loan outstanding of £3.1 million, given towards providing elements of social housing.

The Council has also provided funding for the purchase, or part purchase, and renovation of properties via Registered Social Landlords. These properties were then offered as affordable housing with the Council taking a percentage equity stake. When the property is sold, the Council will receive the appropriate percentage of the sale price, and thus the value of the stake is subject to housing market fluctuations. As the Council used government grant to fund the loans, they are not treated as soft loans. The amount repayable as at 31 March 2013 was £3.1 million (£3.1 million, 31 March 2012).

The Council does not generally allow credit for customers and trade debts are actively pursued after 21 days. As at 31 March 2013, the Council had a balance owing from its customers (mainly services and rent) of £39.6 million (£46.0 million 31 March 2012). The exposure to default has been assessed and is reflected in an impairment provision of £3.6 million (£3.2 million 31 March 2012). Of the trade debtors outstanding as at 31 March 2013 (£17.3 million), 67% relate to outstanding debt within 90 days of the Balance Sheet date, 6% within 90-180 days, 5% within 180-365 days, and 22% over 365 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:

	31 March 2013 £000	31 March 2012 £000
Less than one year	**36,463**	39,804
Between 1 and 2 years	**15,490**	14,387
Between 2 and 5 years	**32,313**	39,788
Between 5 and 10 years	**42,342**	54,770
Between 10 and 15 years	**14,070**	14,209
More than 15 years	**347,917**	348,339
	488,595	511,297

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. However, current practice is to pay invoices as soon as possible in an attempt to alleviate some of the pressures for suppliers arising from the current economic situation.

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 2013, 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 £4.2 million of variable rate loans from PWLB. These loans have their interest rates reset every 6 months and can be changed to fixed rate loans if desired. The Council also holds £106.6 million of debt in the form of LOBOs, which equates to 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 £106.6 million LOBO debt at 31 March 2013, £86.6 million was exposed to variable rates through lender options. A 1% change in interest rates with all other variables held constant would increase or decrease interest costs by £1.0 million.

The fair value of fixed rate borrowings would decrease by around £77.8 million if interest rates increased by 1%, and increase by the same figure if rates decreased by 1%.

Price Risk

The Council does not generally invest in equity shares but does have shareholdings to the value of £0.9 million in a number of joint ventures. The Council is consequently exposed to losses arising from movements in the values of the shares. As the shareholdings have arisen in the acquisition of specific interests, the Council is not in a position to limit its exposure to price movements by diversifying its portfolio.

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

Foreign Exchange Risk

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

12f Long Term Investments

The Council holds the following long term investments:

	31 March 2013 £000	31 March 2012 £000
Kirklees Henry Boot Partnership	**486**	486
Kirklees School Services	**195**	174
QED (KMC) Holdings	**196**	183
Affordable Housing	**3,102**	3,102
Other	**7**	6
Total	**3,986**	3,951

12g 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 2012 £000
Kirklees College (i)	**18,062**	18,453
PFI Prepayments (ii)	**3,144**	3,188
Finance Leases (iii)	**3,420**	6,288
Charges on Property for Residential Care	**2,127**	2,178
Renewable Energy	**1,511**	1,403
Other	**651**	934
	28,915	32,444
Bad Debt Provision	**-44**	-39
Net Long Term Debtors	**28,871**	32,405

(i) See note 12e 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.

12h Inventories

	Building Services £000	Highways Direct Services £000	Catering & Cleaning Services £000	Fleet Management £000	Other £000	Total Stocks £000	Building Services Work in Progress £000	Total Stocks and Work in Progress £000
Balance at 1 April 2011	823	1,030	177	229	197	2,456	14	2,470
Purchases	3,173	2,138	3,663	3,675	532	13,181	0	13,181
Recognised as an expense in the year	-3,222	-2,055	-3,625	-3,713	-541	-13,156	0	-13,156
Movement in Work in Progress	0	0	0	0	0	0	19	19
Balance at 31 March 2012	774	1,113	215	191	188	2,481	33	2,514
Purchases	3,426	2,211	3,981	3,611	649	13,878	0	13,878
Recognised as an expense in the year	-3,355	-2,431	-3,953	-3,612	-564	-13,915	0	-13,915
Movement in Work in Progress	0	0	0	0	0	0	128	128
Balance at 31 March 2013	**845**	**893**	**243**	**190**	**273**	**2,444**	**161**	**2,605**

12i Short Term Debtors

	31 March 2013 £000	31 March 2012 £000
Central government bodies*	**8,266**	8,152
Other local authorities	**2,461**	1,567
NHS bodies*	**3,239**	3,095
Public corporations and trading funds	**0**	142
Other entities and individuals	**57,118**	62,201
	71,084	75,157
Bad Debt Provision – Other entities and individuals	**-14,234**	-14,546
Net Short Term Debtors	**56,850**	60,611

* The figures for 31 March 2012 have been restated as £2.946 million of income relating to Kirklees PCT was incorrectly categorised as a Central Government body when it should have been included in NHS bodies.

12j Assets Held for Sale

	2012/13 £000	2011/12 £000
Balance at 1 April	**450**	1,040
Assets newly classified as held for sale:		
Property, Plant and Equipment	**2,222**	451
Revaluation losses	**-743**	0
Assets declassified as held for sale:		
Property, Plant and Equipment	**-123**	-159
Assets sold	**-717**	-882
Balance at 31 March	**1,089**	450

12k Cash and Cash Equivalents

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

	31 March 2013 £000	31 March 2012 £000
Cash held by the Council	**98**	108
Bank current accounts	**8,500**	4,482
Instant access interest accounts	**29,695**	16,512
	38,293	21,102
Bank overdraft	**-9,116**	-9,161
Total Cash and Cash Equivalents	**29,177**	11,941

12l Short Term Creditors

	31 March 2013 £000	31 March 2012 £000
Central government bodies	**-13,666**	-14,748
Other local authorities	**-276**	-515
NHS bodies	**-137**	-124
Public corporations and trading funds	**-57**	-81
Other entities and individuals	**-65,423**	-56,754
Total	**-79,559**	-72,222

12m Other Short Term Liabilities

	31 March 2013 £000	31 March 2012 £000
Transferred Debt	**-154**	-160
PFI Liability	**-3,572**	-2,652
Total	**-3,726**	-2,812

12n Provisions

	Organisational Risk £000	Other £000	Total £000
Balance at 1 April 2012	-19,624	-1,498	-21,122
Additional provision made in 2012/13	-2,857	-368	-3,225
Amounts used in 2012/13	3,184	529	3,713
Amounts reversed in 2012/13	4,192	0	4,192
Balance at 31 March 2013	**-15,105**	**-1,337**	**-16,442**

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 £4.2 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 used are derived from those calculated during the actuarial valuation in 2012/13. Settlement, depending on the nature of the claim, can vary considerably and the Council is not able to influence this. The short term element of this provision is estimated based on the percentages of claims paid out in the previous year.

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

A separate reserve (see note 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 Provisons £000	Total Provisions £000
Balance at 1 April 2012	-7,352	-13,770	-21,122
Balance at 31 March 2013	**-5,400**	**-11,042**	**-16,442**

12o Other Long Term Liabilities

	31 March 2013 £000	31 March 2012 £000
Deferred Liabilities	**-84,772**	-71,235
Net Liability Related to Defined Benefit Pension Scheme	**-707,947**	-628,086
Long Term Provisions	**-11,042**	-13,770
PFI Deferred Income	**-5,371**	-5,908
Total	**-809,132**	-718,999

12p 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.

12q 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	31 March 2012	1 April 2011
	£000	£000	£000
		Restated	Restated
Revaluation Reserve	**239,027**	252,963	269,269
Capital Adjustment Account	**797,376**	877,427	950,292
Available for Sale Financial Instruments Reserve	**125**	127	54
Financial Instruments Adjustment Account	**-6,343**	-6,815	-7,195
Deferred Capital Receipts Reserve	**3,470**	6,365	6,405
Collection Fund Adjustment Account	**-2,876**	-3,625	-1,487
Accumulated Absences Account	**-12,493**	-14,578	-11,712
Pensions Reserve	**-707,947**	-628,086	-429,221
Total Unusable Reserves	**310,339**	483,778	776,405

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	2011/12
	£000	£000
Balance at 1 April	**252,963**	269,269
Upward revaluation of assets	**23,054**	31,463
Downward revaluation of assets and impairment losses not charged to the Deficit on the Provision of Services	**-14,061**	-852
	261,956	299,880
Difference between fair value depreciation and historical cost depreciation	**-7,388**	-7,228
Accumulated gains on assets sold or scrapped	**-15,541**	-39,689
Balance at 31 March	**239,027**	252,963

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 £000	2011/12 £000 Restated
Balance at 1 April	**877,427**	950,292
Capital financing applied in the year:		
Use of Capital Receipts Reserve to finance new capital expenditure	**4,167**	2,939
Use of Capital Receipts Reserve to repay debt	**11,710**	32,549
Use of the Major Repairs Reserve to finance new capital expenditure	**10,681**	17,764
Capital grants and contributions credited to the CIES that have been applied to capital financing	**17,953**	20,124
Application of grants to capital financing from the Capital Grants Unapplied Account	**13,313**	18,640
Statutory provision for the financing of capital investment charged against the General Fund, HRA Balances and Major Repairs Reserve	**31,963**	24,326
Capital expenditure charged against the General Fund and HRA Balances	**17,922**	5,800
	985,136	1,072,434
Charges for depreciation and impairment of non-current assets	**-69,558**	-74,432
Amortisation of intangible assets	**-750**	-875
Revaluation losses on PPE/Assets Held for Sale	**-34,838**	-62,638
Revaluation gains on PPE	**853**	11,752
Movements in the market value of Investment Properties	**-10,042**	3,174
Revenue expenditure funded from capital under statute (REFCUS)	**-9,411**	-10,087
Amounts of non-current assets written off on disposal or sale	**-80,170**	-108,181
Adjusting amounts written out of the Revaluation Reserve	**22,929**	46,917
Deferred Income written down - Waste PFI	**537**	537
Long-term debtors written down	**-11,763**	-1,154
Donated asset - income	**4,458**	0
Other	**-5**	-20
Balance at 31 March	**797,376**	877,427

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.

	2012/13 £000	2011/12 £000
Balance at 1 April	**127**	54
Upward revaluation of investments	**35**	73
Accumulated gains on assets realised written out to the CIES	**-37**	0
Balance at 31 March	**125**	127

Financial Instruments Adjustment Account

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

	2012/13	2011/12
	£000	£000
Balance at 1 April	**-6,815**	-7,195
Premiums and discounts written down in the year	**188**	188
Soft loans given in the year	**0**	-81
Soft loans written down in the year	**284**	273
Balance at 31 March	**-6,343**	-6,815

Deferred Capital Receipts Reserve

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

	2012/13	2011/12
	£000	£000
Balance at 1 April	**6,365**	6,405
Transfer to the Capital Receipts Reserve upon receipt of cash	**-2,894**	-32
Transfer to General Fund Balance in accordance with statutory regulations relating to Finance Leases	**-1**	-8
Balance at 31 March	**3,470**	6,365

Collection Fund Adjustment Account

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

	2012/13	2011/12
	£000	£000
Balance at 1 April	**-3,625**	-1,487
Amount by which council tax income credited to the CIES is different from that required by statutory regulations	**749**	-2,138
Balance at 31 March	**-2,876**	-3,625

Accumulated Absences Account

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

	2012/13	2011/12
	£000	£000
Balance at 1 April	**-14,578**	-11,712
Amount by which officer remuneration charged to the CIES on an accruals basis is different from that required by statutory regulations	**2,085**	-2,866
Balance at 31 March	**-12,493**	-14,578

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, changing 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 Pensions 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			2011/12
	LGPS	**Teachers**	**Total**	LGPS	Teachers	Total
	£000	**£000**	**£000**	£000	£000	£000
Balance at 1 April	**-574,468**	**-53,618**	**-628,086**	-380,460	-48,761	-429,221
Pension cost payable to Pension Fund	**32,863**	**3,814**	**36,677**	33,056	3,473	36,529
Actuarial gain/loss(-)	**-64,558**	**-3,966**	**-68,524**	-195,437	-4,225	-199,662
Reversal of IAS19 entries	**-43,351**	**-4,663**	**-48,014**	-31,627	-4,105	-35,732
Balance at 31 March	**-649,514**	**-58,433**	**-707,947**	-574,468	-53,618	-628,086

13 Notes Referring to Specific Items in the Cash Flow Statement

13a Operating Activities

The cash flows for operating activities include the following items:

	2012/13 £000	2011/12 £000
Interest received	**-2,012**	-3,214
Interest paid	**30,743**	34,441
Dividend received	**-620**	-561

13b Adjustments to net surplus or deficit on the provision of services for non cash movements

	2012/13 £000	2011/12 £000 Restated
Pension adjustments	**-11,337**	797
Depreciation, impairment and amortisation	**-70,308**	-73,877
Revaluation gains/losses	**-44,027**	-49,143
Carrying amount of non-current assets sold	**-80,170**	-108,181
HRA Self Financing Reform	**0**	31,395
Donated asset - income	**4,995**	0
Movements on -		
Provisions	**4,680**	1,902
Inventories	**91**	43
Revenue debtors (including bad debt provision)	**-2,184**	-2,886
Revenue creditors	**-3,579**	2,435
Other	**229**	861
Total non cash movements	**-201,610**	-196,654

13c Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities

	2012/13 £000	2011/12 £000
Capital grants	**26,826**	29,266
Proceeds from the sale of assets.	**6,908**	4,278
Total	**33,734**	33,544

14 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.

Financial Outturn Report

The following table is a breakdown of the final outturn position reported to Cabinet. It should be noted that the report is not prepared on a subjective format as required by this note.

Some key things to note about the 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 is 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.
- Where segments have changed, the comparators have been restated as required by the CIPFA Code of Practice.

A reconciliation is provided 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 outturn 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.

Last year's comparator has been restated to take account of the prior period adjustments detailed in note 2.

General Fund – (Non HRA) Subjective Analysis	Children & Young People	Wellbeing & Communities	Place	Resources	Ring Fenced Budgets within Directorates	Central Budgets	Total
	£000	£000	£000	£000	£000	£000	£000
2012/13							
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**
2011/12 - Comparator							
Fees, charges & other service income	27,861	26,651	116,332	110,336	832	355	282,367
Capital Credits	7,306	2,140	1,162	908	0	-11,516	0
Interest	7	0	1	0	0	1,599	1,607
Government grants, reimbursements and contributions	317,034	19,113	12,030	147,674	75	26,192	522,118
Total Income	**352,208**	**47,904**	**129,525**	**258,918**	**907**	**16,630**	**806,092**
Employee Expenses	273,334	41,849	66,152	64,068	988	-5,292	441,099
Other Service Expenses	150,990	108,975	96,660	186,732	2,106	11,013	556,476
Support Service Recharges	17,063	7,481	19,408	28,012	153	32	72,149
Depreciation, amortisation and impairment	48,133	9,900	26,495	13,587	0	-98,115	0
Interest Payable	0	0	0	0	0	18,432	18,432
Total Operational Expenses	**489,520**	**168,205**	**208,715**	**292,399**	**3,247**	**-73,930**	**1,088,156**
Minimum Revenue Provision (1)	0	0	0	0	0	21,988	21,988
Transfer to Earmarked Reserves	-3,641	0	517	0	0	6,276	3,152
Net Cost of Service	**133,671**	**120,301**	**79,707**	**33,481**	**2,340**	**-62,296**	**307,204**

(1) Last year the Minimum Revenue Provision was presented within Operational Expense. It has been moved this year below Operational Expenses as an adjustment line, as it represents a transfer of resources to the Capital Adjustment Account.

General Fund – (Non HRA) Reconciliation to Subjective Analysis 2012/13	Directorate Analysis	Services not reported to management	Items not reported to management	Items not in net cost of service	Allocation of recharges	Cost of Service	*Corporate Amounts*	*Total*
	£000	£000	£000	£000	£000	£000	*£000*	*£000*
Fees, charges & other service income	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	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*
Expected Return on Pension Assets	0	0	0	0	0	0	*78,129*	*78,129*
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**	***488,290***	***1,115,592***
Employee Expenses	417,575	1,574	3,722	-39,551		383,320	*0*	*383,320*
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	*30,861*	*30,861*
Losses on disposal on 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	*83,946*	*83,946*
Trading Expenditure	0	0	0	0	0	0	*10,375*	*10,375*
Total Operational Expenses	**1,047,834**	**91,654**	**87,310**	**-125,682**	**-108,290**	**992,826**	**222,612**	**1,215,438**
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
Net Cost of Services/*Deficit on Provision of Services*	**337,548**	**4,419**	**53,384**	**-29,827**	**0**	**365,524**	**-265,678**	**99,846**

General Fund – (Non HRA) Reconciliation to Subjective Analysis Comparator 2011/12	Directorate Analysis	Services not reported to management	Items not reported to management	Items not in net cost of service	Allocation of recharges	Cost of Service	*Corporate Amounts*	*Total*
	£000	£000	£000 Restated	£000 Restated	£000	£000 Restated	*£000*	*£000 Restated*
Fees, charges & other service income	282,367	77,009	-157	-102,705	-115,068	141,446	*0*	*141,446*
Capital Credits	0	3	15,299	-3,621	0	11,681	*3,420*	*15,101*
Interest and investment income	1,607	0	0	-1,607	0	0	*6,389*	*6,389*
Gain on Disposal of Fixed Assets	0	0	0	0	0	0	*4,381*	*4,381*
Government grants, reimbursement and contributions	522,118	0	20,289	-58,145	0	484,262	*150,208*	*634,470*
Expected Return on Pension Assets	0	0	0	0	0	0	*84,029*	*84,029*
Non Domestic Rates Income	0	0	0	0	0	0	*121,613*	*121,613*
Income from Council Tax	0	0	0	0	0	0	*153,801*	*153,801*
Trading Income	0	0	0	0	0	0	*10,292*	*10,292*
Total Income	806,092	77,012	35,431	-166,078	-115,068	637,389	*534,133*	*1,171,522*
Employee Expenses	441,099	1,234	4,055	-45,650	0	400,738	*0*	*400,738*
Other Service Expenses	556,476	41,919	-2,234	-45,679	-47,649	502,833	*4,032*	*506,865*
Support Service Recharges	72,149	2,777	0	-7,507	-67,419	0	*0*	*0*
Capital Charges	0	37,732	104,064	-6,700	0	135,096	*246*	*135,342*
Interest Payable and Similar Charges	18,432	0	0	-18,432	0	0	*41,742*	*41,742*
Losses on disposal on fixed assets	0	0	0	0	0	0	*108,221*	*108,221*
Precepts and Levies	0	0	0	0	0	0	*574*	*574*
Payments to Housing Capital Receipts Pool	0	0	0	0	0	0	*1,342*	*1,342*
Pension Interest Cost	0	0	0	0	0	0	*83,169*	*83,169*
Trading Expenditure	0	0	0	0	0	0	*9,930*	*9,930*
Total Operational Expenses	1,088,156	83,662	105,885	-123,968	-115,068	1,038,667	*249,256*	*1,287,923*
Minimum Revenue Provision (1)	21,988	0	0	-21,988	0	0	*0*	*0*
Transfer to Earmarked Reserves	3,152	0	0	-3,152	0	0	*0*	*0*
Net Cost of Services/*Deficit on Provision of Services*	307,204	6,650	70,454	16,970	0	401,278	*-284,877*	*116,401*

(1) Last year the Minimum Revenue Provision was presented within Operational Expense. It has been moved this year below Operational Expenses as an adjustment line, as it represents a transfer of resources to the Capital Adjustment Account.

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

	2012/13 £000	2011/12 £000 Restated
Net Expenditure in the financial outturn report	**337,548**	307,204
Net Expenditure of services and support services not included in the analysis	**4,419**	6,650
Amounts in Cost of Service in the CIES not included in the analysis	**53,384**	70,454
	395,351	384,308
Amounts included in analysis not included in CIES	**-29,827**	16,970
Cost of Services in the CIES	**365,524**	401,278

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

HRA Segment and Reconciliation 2012/13	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*
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	*11,253*	*11,254*
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**	***14,828***	***101,088***
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 Services/*Deficit for the year*	**-3,660**	**29,961**	**-21,881**	**4,420**	***6,850***	***11,270***

HRA Segment and Reconciliation Comparator 2011/12	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*
Fees, charges & other service income	71,862	0	0	71,862	*0*	*71,862*
Reversal of Impairment	0	3	0	3	*0*	*3*
Interest and Investment Income	-6,881	0	6,881	0	*-6,881*	*-6,881*
Government grants and contributions	7,670	0	-7,670	0	*39,248*	*39,248*
Gains on disposal of fixed asset	0	0	0	0	*1,894*	*1,894*
Total Income	72,651	3	-789	71,865	*34,261*	*106,126*
Employee Expenses	42	0	0	42	*0*	*42*
Other Service Expenses	37,664	0	-53	37,611	*54*	*37,665*
Support Service Recharges	2,777	0	0	2,777	*0*	*2,777*
Depreciation, amortisation and impairment	14,767	22,965	0	37,732	*0*	*37,732*
Interest Payable	10,469	0	-10,469	0	*10,492*	*10,492*
Losses on disposal on fixed assets	0	0	0	0	*1,659*	*1,659*
HRA Share of Corporate and Democratic Core	353	0	0	353	*0*	*353*
Total Operational Expenses	66,072	22,965	-10,522	78,515	*12,205*	*90,720*
Movement between reserves - Capital expenditure charged to HRA Balances	4,696	0	-4,696	0	*0*	*0*
Balance Contribution Adjustment	155	0	-155	0	*0*	*0*
Net Cost of Services/*Surplus for the year*	-1,728	22,962	-14,584	6,650	*-22,056*	*-15,406*

15 Trading Operations

The Council carries out trading operations, which are deemed to function in a competitive environment; that is, one in which the user has discretion over whether to procure the service from the in-house provider either as part of a periodic tendering procedure or on a continuous basis. Following a review of the accounting for trading activities, some of the figures for 2011/12 have been restated. More details behind the prior period adjustment can be found in note 2 on page 31.

	2012/13			2011/12		
	Turnover	**Expenditure**	**Surplus(-)/Deficit**	Turnover	Expenditure	Surplus(-)/Deficit
	£000	**£000**	**£000**	£000	£000	£000
				Restated	Restated	Restated
Cleaning of Buildings (2)	**6,611**	**5,127**	**-1,484**	6,675	6,304	-371
Building Services (2)	**39,697**	**38,120**	**-1,577**	41,715	38,204	-3,511
Transport Services (2)	**12,002**	**10,676**	**-1,326**	12,420	11,473	-947
Commercial Estates (3)	**2,844**	**1,587**	**-1,257**	2,915	1,934	-981
Highways Direct (2)	**19,883**	**18,800**	**-1,083**	19,620	18,846	-774
School & Welfare Catering (1) & (2)	**14,965**	**13,488**	**-1,477**	13,754	12,908	-846
Looking Local (2)	**2,396**	**2,139**	**-257**	2,011	1,863	-148
Support Services trading with external organisations (4)	**4,328**	**3,900**	**-428**	3,907	3,717	-190
Building Control (1)	**731**	**725**	**-6**	608	726	118
Markets (1)	**2,011**	**2,211**	**200**	2,103	4,072	1,969
Trade Refuse (1)	**3,236**	**3,017**	**-219**	3,322	2,514	-808
Car Parking (1)	**4,953**	**3,213**	**-1,740**	5,181	3,730	-1,451
	113,657	**103,003**	**-10,654**	114,231	106,291	-7,940

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

	2012/13	2011/12
	£000	£000
		Restated
Net surplus on trading operations	**-10,654**	-7,940
Services to public included in Expenditure of Continuing Operations (1)	**2,943**	173
Internal Trading recharged to Expenditure of Continuing Operations (2)	**5,416**	6,424
Rentals Received and Expenses Incurred on Investment Property (3)	**1,257**	981
Net gains in Financing and Investment Income and Expenditure	**-1,038**	-362

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:

	2012/13 £000	2011/12 £000 Restated
Cleaning of Buildings – additional refund to various services	**1,437**	399
Building Services – mainly refund to HRA	**1,467**	3,470
Highways Direct Services – refund to Highways	**1,039**	750
Transport Services – refund to various services	**1,473**	1,025
School & Welfare Catering – refund to Education	**0**	780
	5,416	6,424

Additional Information Relating to Trading Operations

Cleaning of Buildings
The overall objective of the Cleaning & Caretaking Service is to maximise income/profit through the provision of a cleaning and caretaking service to a wide variety of customers in a cost effective manner. The trading figures were improved by a write back of the equal pay/equal value provision £0.7 million.

Schools represent the largest client with £3.5 million turnover. There are a small number of external contracts, the main one being with West Yorkshire Fire and Rescue Authority (turnover £0.1 million).

Building Services
This service carries out repairs and maintenance on buildings throughout the Council. Work is won in open competition. The service's main customers are the Housing Revenue Account and Physical Resources and Procurement Service. External customers (turnover £0.6 million) include the NHS, West Yorkshire Fire and Rescue Authority and Unison.

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

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

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

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

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

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

In 2011/12 work was commissioned in the primary school sector by a client service within Education (with the overall level of income dependent on the volume of meals served). At the start of this financial year, the commissioning arm moved into the catering service. Due to this change, Primary Catering now feeds directly into the Education Service Expenditure Analysis in the CIES. Secondary school catering is run on the basis of the schools paying directly through a Service Level Agreement for the provision of a school meals service, with the Catering Service retaining all variable sales income from individual customer purchases.

The service's trading figures for 2012/13 were improved by a write back of the equal pay/equal value provision, decreasing in year employment costs by £0.9 million.

Car Parks
The overall aim of the parking function is to provide a service to the residents and visitors to Kirklees, factoring in accessibility, safety, congestion and air quality. The Council has 3 districts where pay & display zones are in operations: Dewsbury, Holmfirth and Huddersfield. Off Street Car parking includes 36 Pay and display car parks with a capacity of 5,574 spaces. On Street parking includes over 1,000 Pay & display spaces. Car parking tariffs are set and approved by the Council's Cabinet.

16 Agency Services

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

	Income £000	**Expenditure £000**	**2012/13 Surplus £000**	Income £000	Expenditure £000	2011/12 Deficit £000
Translation Service	**462**	**459**	**-3**	335	336	1
Payroll Service	**205**	**205**	**0**	177	177	0
Cash Collection	**23**	**23**	**0**	32	32	0
Property Management	**17**	**17**	**0**	0	0	0
Total	**707**	**704**	**-3**	544	545	1

17 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.

	2012/13 £000	2011/12 £000
Funding provided to the pooled budget		
Kirklees Council	**2,034**	2,050
Kirklees Primary Care Trust*	**1,394**	1,545
Total Funding	**3,428**	3,595
Expenditure met from the pooled budget		
Kirklees Council	**1,512**	1,895
Kirklees Primary Care Trust *	**1,288**	1,094
Total Expenditure	**2,800**	2,989
Net surplus arising on pooled budget during the year	**628**	606
Council share of the net surplus arising on the pooled budget	**628**	606
*includes Kirklees Community Health Partnership		

With effect from 1 April 2013, Primary Care Trusts will be replaced by GP Commissioning Groups.

18 Members' Allowances

	2012/13 £000	2011/12 £000
Total amount of allowances and expenses paid, including employers' national insurance and pension contributions	**1,394**	1,335

19 Officers' Remuneration

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

	2012/13		2011/12	
Remuneration Band (£)	**Teachers**	**Other**	Teachers	Other
50,000 - 54,999	**62**	**41**	81	39
55,000 - 59,999	**53**	**25**	53	20
60,000 - 64,999	**36**	**7**	38	6
65,000 - 69,999	**12**	**3**	13	3
70,000 - 74,999	**7**	**1**	5	0
75,000 - 79,999	**1**	**1**	2	1
80,000 - 84,999	**3**	**5**	4	8
85,000 - 89,999	**2**	**2**	3	1
90,000 - 94,999	**2**	**2**	2	3
95,000 - 99,999	**1**	**0**	0	2
100,000 - 104,999	**0**	**1**	0	0
105,000 - 109,999	**1**	**1**	1	1
110,000 - 114,999	**0**	**0**	0	2
115,000 - 119,999	**0**	**0**	0	0
120,000 - 124,999	**0**	**1**	0	2
125,000 - 129,999	**0**	**1**	0	0
130,000 - 134,999	**0**	**0**	0	0
135,000 - 139,999	**0**	**1**	0	1
140,000 - 144,999	**0**	**0**	0	1
145,000 - 149,999	**0**	**1**	0	0
Total	**180**	**93**	202	90

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

The main reason for the decrease in the number of teachers earning £50,000 or more is the transfer of staff to Academies and Trust Schools.

The note excludes 32 employees of Voluntary Aided Schools as they are employed by the School Governors, not the Council, even though payments are made by the Council (2011/12 27 employees). Similarly, the note excludes 24 employees of Trust Schools (2011/12 17 employees).

It should be noted that 20 employees received redundancy payments in 2012/13 (2011/12 19 employees) and exceeded the £50k remuneration band, who would not otherwise have done so.

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

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

Senior Officers' emoluments

Post holder information (Post title)	Salary including fees and allowances £	Compensation for loss of office £	Total Remuneration excluding pension contributions £	Employers pension contributions (4) £	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 Young People	135,819	0	135,819	20,373	156,192
Director for Wellbeing and Communities - (1)	57,007	0	57,007	8,551	65,558
Director for Place - (2)	104,397	0	104,397	15,660	120,057
Interim Director for Place - (2)	4,786	0	4,786	718	5,504
Director of Communities, Transformation and Change - (3)	10,798	0	10,798	1,620	12,418
Monitoring Officer	92,287	0	92,287	13,843	106,130
2011/12					
Chief Executive	142,954	0	142,954	20,848	163,802
Director of Resources	120,103	0	120,103	17,535	137,638
Director for Children and Young People	135,874	0	135,874	19,830	155,704
Director for Wellbeing and Communities	114,643	0	114,643	16,738	131,381
Interim Director for Place - (2)	68,269	0	68,269	9,925	78,194
Monitoring Officer	86,358	0	86,358	12,608	98,966

(1) The Director of Wellbeing and Communities left the authority on 14 October 2012: their annualised salary was £114,958.
(2) 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.
(3) The Director of Communities, Transformation and Change was appointed on 11 March 2013: their full time equivalent salary as at 31 March 2013 was £109,843.
(4) No added years pensions were provided for Senior Officers.

It should be noted that the 2011/12 figures for senior officers emoluments only relates to individuals who continued to be employed in 2012/13 and will exclude those who left the Council in 2011/12. 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	Split of exit packages (Termination Benefit)	Split of exit packages (Pension Strain)
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
2011/12						
£0 - £20,000	1	117	118	990	856	134
£20,001 - £40,000	1	51	52	1,475	931	544
£40,001 - £60,000	0	16	16	737	281	456
£60,001 - £80,000	0	8	8	550	167	383
£80,001 - £100,000	0	6	6	524	146	378
£100,001 - £150,000	0	3	3	343	85	258
£150,001 - £200,000	0	1	1	155	66	89
Total	2	202	204	4,774	2,532	2,242

The figures for 2012/13 include 8 employees (2011/12 46 employees), who have not yet left the employment of the Council, but have agreed package offers. The estimated cost of these packages are £0.4 million (2011/12 £0.7 million) and have been accrued into the CIES and included in a provision.

20 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	2011/12
		£000	£000
For external audit services	- KPMG	**192**	0
	- Audit Commission	**4**	322
For the certification of grant claims and returns	- KPMG	**66**	0
	- Audit Commission	**13**	90
		275	412

21 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 2012/13 before Academy recoupment			311,490
Academy figure recouped for 2012/13			-39,303
Total DSG after Academy recoupment for 2012/13			272,187
Brought forward from 2011/12			2,902
Carry forward to 2013/14 agreed in advance			0
Agreed budgeted distribution for 2012/13	28,970	246,119	275,089
In year adjustments	-1,761	1,761	0
Final budgeted distribution for 2012/13	27,209	247,880	275,089
Less actual central expenditure	-22,988		-22,988
Less actual ISB deployed		-247,880	-247,880
Plus Council contribution for 2012/13	0	0	0
Carry forward to 2013/14	4,221	0	4,221
Add back carry forward to 2013/14 agreed in advance			0
Total carry forward to 2013/14			4,221

22 Grant Income

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

	2012/13	2011/12
Credited to Taxation and Non Specific Grant Income	**£000**	£000
Revenue Support Grant (RSG)	**2,854**	37,591
Early Intervention Grant	**21,415**	20,579
PFI Grants	**11,359**	11,358
Council Tax Freeze Grant	**3,910**	3,887
New Homes Bonus Grant	**2,528**	1,497
Housing Benefit Subsidy Admin Grant	**3,361**	3,742
Learning Disabilities & Health Reform Grant	**1,913**	1,835
Other Non Specific Grants	**1,756**	850
Grants and Contributions related to capital financing which cannot be identified to particular services or assets		
HRA Self-Financing Reform Grant	**0**	39,065
Standards Fund	**14,623**	16,097
Local Transport Plan (LTP)	**8,754**	8,758
Yorkshire Forward	**0**	2,659
Other Capital Grants and Contributions (under £1m)	**3,987**	2,289
Donated asset - income (St Saviours now Voluntary Controlled from Aided)	**4,457**	0
Total	**80,917**	150,207
Credited to Services		
Revenue		
Dedicated Schools Grant	**272,187**	288,423
DWP – Rent Allowance	**66,588**	64,566
DWP – Rent Rebate	**52,972**	49,142
DWP – Council Tax	**31,979**	32,128
Primary Care Trust (PCT)	**9,852**	9,703
Pupil Premium Grant	**8,870**	4,802
PFI Grant (ring fenced to HRA)	**4,288**	0
Young People's Learning Agency Sixth Form Grant	**2,488**	3,708
European Regional Development Fund	**3,819**	1,079
European Social Fund	**1,410**	370
Asylum Seekers	**1,366**	2,212
Youth Justice Board	**1,167**	850
s31 Winter Damaged Roads	**0**	1,304
Other Revenue Grants and Contributions (under £1m)	**5,835**	6,429
Capital (REFCUS)		
Disabled Facilities	**1,412**	1,232
Clusters of Empty Homes	**1,440**	0
Standards Fund	**961**	1,326
Other Capital Grants and Contributions (under £1m)	**1,402**	443
Total	**468,036**	467,717
Total Grants in CIES	**548,953**	617,924

The Council has received a number of grants and contributions that have yet to be recognised as income as they have conditions attached to them and which may require them to be returned to the giver. The main one in 2012/13 relates to the DWP Rent Allowance, Rent Rebate and Council Tax grants (£1.1 million), with the balance of the others mainly relating to balances of grants likely to be repaid. As at 31 March 2013, £1.7 million had not been recognised as income.

23 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 3 material disclosures to declare for 2012/13, 2 for Elected Members and 1 for 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 £0.5 million in 2012/13, mainly for services provided.

Another member of the Council is a Non Executive Director of Yorkshire Water Services Ltd. During 2012/13, the company was paid £1.2 million for supplying water services.

A Chief Officer is a Non Executive Director of CO2 Sense a business that helps both public and private organisations reduce their greenhouse emissions and energy costs. The supplier was paid £0.1 million in 2012/13, mainly in grant income.

ii) Companies

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

	Monies received by the Council for services		Payments to the companies: Services		Payments to the companies: Grant	
	2012/13 £000	2011/12 £000	**2012/13 £000**	2011/12 £000	**2012/13 £000**	2011/12 £000
Kirklees Media Centre Ltd	**2**	1	**132**	91	**0**	0
Yorkshire Energy Services	**818**	53	**63**	0	**75**	223
Locala Community Partnerships	**529**	153	**3,110**	1,278	**0**	0
Northern College For Residential Adult Education Ltd	**0**	0	**34**	22	**0**	0
Deighton & Brackenhall Initiative Ltd	**180**	282	**24**	0	**0**	0
YHGfL Foundation	**40**	49	**106**	97	**0**	0
CO2 Sense	**0**	12	**32**	0	**65**	0

The Council has given a loan to Kirklees Media Centre Ltd. As at 31 March 2013 £217,500 was outstanding (£217,500 as at 31 March 2012).

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 22).
- NHS Bodies (see note 17).
- 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 2012/13 amounted to £19.1 million (2011/12 £19.4 million). Certain Parish Councils have also invested funds with the Council. As at 31 March 2013, £164,800 (£149,800 at 31 March 2012) was invested.
- Pension Fund (see note 28).
- Subsidiary, joint venture companies and associates (see Group Accounts).
- PFI Transactions (see note 26 to the Core Financial Statements and note 13 in the HRA).

24 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	2011/12
	£000	£000
Opening Capital Financing Requirement	**743,307**	772,685
Capital investment		
Property, Plant and Equipment	**86,576**	75,576
Heritage Assets	**4**	184
Investment Properties	**1,692**	444
Intangible Assets	**2,508**	287
Revenue Expenditure Funded from Capital under Statute	**9,411**	10,087
Loans and investments	**5,700**	6,186
Sources of Finance		
Capital receipts	**-4,167**	-2,939
Government grants and other contributions	**-31,266**	-38,764
Major Repairs Reserve	**-10,681**	-17,764
Direct revenue contributions	**-17,922**	-5,800
To repay debt:		
Minimum Revenue Provision	**-25,704**	-24,326
Major Repairs Reserve	**-6,259**	0
Capital receipts	**-11,710**	-32,549
Closing Capital Financing Requirement	**741,489**	743,307
Explanation of movements in year		
Increase in underlying need to borrow:		
PFI Finance Lease Liability	**17,007**	23
Other	**24,848**	27,474
Provision for repayment of debt	**-43,673**	-56,875
Increase/decrease(-) in Capital Financing Requirement	**-1,818**	-29,378

25 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 2012
	£000	£000
Cost or valuation		
At 1 April	**14,690**	14,640
Additions	**34**	50
Revaluations increases recognised in the Revaluation Reserve	**-3,541**	0
At 31 March	**11,183**	14,690
Depreciation and impairments		
At 1 April	**560**	245
Depreciation charge	**251**	315
Depreciation written out to the Revaluation Reserve	**-402**	0
Depreciation written out to the Surplus/Deficit on the Provision of Services	**0**	0
At 31 March	**409**	560
Net Book Value as at 31 March	**10,774**	14,130

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 2012*
	£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**	6,960
Minimum lease payments	**7,920**	8,010

*The figures for costs payable in future years were incorrectly stated in last year's accounts (£28.4 million) and have been restated.

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

	Minimum Lease Payments		Finance Lease Liabilities	
	31 March 2013	31 March 2012	**31 March 2013**	31 March 2012
	£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**	7,560	**1,050**	1,050
	7,920	8,010	**1,050**	1,050

In the year the amount of contingent rents paid was £229,000 (2011/12 £229,000).

Operating Leases

The Council uses printing equipment and property, mainly in Huddersfield Town Centre, financed under the terms of operating leases. The Council is committed at 31 March 2013 to make future minimum lease payments due under non-cancellable leases as follows:

	Minimum Lease Payments		Minimum Sub Leases Receivable	
	31 March 2013	31 March 2012*	**31 March 2013**	31 March 2012
	£000	£000	**£000**	£000
Not later than one year	**690**	738	**0**	0
Later than one year and not later than five years	**1,432**	1,803	**0**	0
Later than five years	**968**	1,078	**0**	0
	3,090	3,619	**0**	0

*Figures restated to include lease agreement for a car park incorrectly omitted in last year's accounts. Figures were originally £428,000 for not later than one year and £563,000 for later than one year and not later than five years.

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

	2012/13	2011/12
	£000	£000
Minimum Lease Payments	**763**	505
Contingent Rents	**170**	325
Sub Lease payments	**0**	-22
	933	808

<u>Council as Lessor</u>

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 11 Academies and 8 Trust Schools on long-term leases. However, these are at peppercorn rentals and therefore there is no value in the lease.

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 2012
	£000	£000
Finance lease debtor (net present of value of minimum lease payments):		
Non-current	**3,421**	6,296
Unearned finance income	**16,748**	24,189
Gross investment in the lease	**20,169**	30,485

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 2012	**31 March 2013**	31 March 2012
	£000	£000	**£000**	£000
Not later than one year	**275**	454	**275**	454
Later than one year and not later than five years	**1,100**	1,818	**1,100**	1,818
Later than five years	**18,794**	28,213	**18,794**	28,213
	20,169	30,485	**20,169**	30,485

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.

The value of the assets leased out is as follows:

	31 March 2013	31 March 2012*
	£000	£000
Cost or valuation		
At 1 April	**149,589**	148,024
Additions	**2,345**	1,336
Revaluations increases recognised in the Revaluation Reserve	**-363**	3,838
Revaluations decreases recognised in provision of services	**-5,120**	-5,032
De-recognition - disposals	**-771**	-883
Other movements in cost or valuation (re-classifications)	**1,135**	2,306
At 31 March	**146,815**	149,589
Depreciation and impairments		
At 1 April	**5,235**	5,849
Depreciation charge for year	**3,440**	3,595
Depreciation written out to the Revaluation Reserve	**-272**	-1,663
Depreciation written out to the Surplus/Deficit to Services	**-39**	-2,546
At 31 March	**8,364**	5,235
Net Book Value at 31 March	**138,451**	144,354

*The figures for the previous year have been restated as the sports facilities leased to Kirklees Active Leisure were omitted from the note in last year's accounts. The opening and closing net book values for 2011/12 were £61.1 million and £60.1 million respectively.

The Council received £6.1 million in rent on operating leases in 2012/13 (£5.3 million 2011/12). Total contingent rents recognised in the period was £0.2 million (£0.3 million in 2011/12).

The following are the commitments relating to non-cancellable contracts:

	31 March 2013	31 March 2012
	£000	£000
Not later than one year	**2,554**	2,238
Later than one year and not later than five years	**4,435**	4,883
Later than five years	**3,555**	3,971
	10,544	11,092

26 Private Finance Initiative (PFI) Transactions

The Council has four PFI schemes. The Housing PFI is covered in the note 13 for the HRA.

i) Waste Disposal Services

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

The Council incurred costs of £10.8 million under the contract in 2012/13 (2011/12 £11.3 million) and received £3.2 million in PFI Grant (2011/12 £3.2 million). Details of estimated payments due to be made are as follows:

	Service Charges	Interest Charges	Repayments Of Liability	Total
	£000	£000	£000	£000
In 2013/14	8,746	1,082	1,372	11,200
Between 2014/15 to 2017/18	35,805	3,290	5,705	44,800
Between 2018/19 to 2022/23	46,705	1,741	7,554	56,000
	91,256	6,113	14,631	112,000

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

Under this contract, the operator receives a significant part of their income from third parties, either from gate fees, sale of energy production or recycled materials. A proportion of the assets are effectively financed with third party revenues rather than with fixed payments from the Council. A balancing credit, pro rata to the proportion of fixed payments from the Council and expected third party payments, has been created in the form of a Deferred Income balance. This balance is released to income and expenditure over the life of the contract, with a corresponding appropriation from the Capital Adjustment Account to the Movement in Reserves Statement. The balance as at 31 March 2013 was £5.4 million (31 March 2012 £5.9 million).

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

	2012/13	2011/12
	£000	£000
Net Book Value at 1 April	**30,480**	31,713
Additions	**27**	23
Revaluations	**0**	0
Depreciation and impairment	**-1,257**	-1,256
Net Book Value at 31 March	**29,250**	30,480

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

	2012/13	2011/12
	£000	£000
At 1 April	**15,835**	17,214
Movement in the year	**-1,312**	-1,379
At 31 March	**14,523**	15,835

ii) Schools 1

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

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

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

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

The Council incurred costs of £13.2 million under the contract in 2012/13 (2011/12 £13.1 million) and received £5.9 million in PFI Grant (2011/12 £5.9 million). Details of estimated payments due to be made are as follows:

	Service Charges	Interest Charges	Repayments Of Liability	Other	Total
	£000	£000	£000	£000	£000
In 2013/14	8,939	2,999	597	1,217	13,752
Between 2014/15 to 2017/18	37,070	11,391	3,951	4,878	57,290
Between 2018/19 to 2022/23	51,450	12,281	6,866	6,595	77,192
Between 2023/24 to 2027/28	57,785	9,442	9,521	7,402	84,150
Between 2028/29 to 2032/33	61,333	4,509	18,904	7,277	92,023
In 2033/34	5,889	23	1,291	373	7,576
	222,466	40,645	41,130	27,742	331,983

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	2011/12 £000
Net Book Value at 1 April	**114,685**	168,152
Additions	**2,199**	2,663
Revaluations	**0**	0
Disposals	**-8,375**	-50,137
Depreciation and impairment	**-4,223**	-5,993
Net Book Value at 31 March	**104,286**	114,685

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

	2012/13 £000	2011/12 £000
At 1 April	**41,945**	42,344
Movement in the year	**-815**	-399
At 31 March	**41,130**	41,945

iii)Schools 2

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

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

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

The Council incurred costs of £2.8 million under the contract in 2012/13 (£2.8 million in 2011/12) and received £2.2 million in PFI Grant (2011/12 £2.2 million). Details of estimated payments due to be made are as follows:

	Service Charges £000	Interest Charges £000	Repayments Of Liability £000	Other £000	Total £000
In 2013/14	1,103	899	494	282	2,778
Between 2014/15 to 2017/18	4,643	3,160	2,088	1,104	10,995
Between 2018/19 to 2022/23	6,345	3,044	2,369	1,844	13,602
Between 2023/24 to 2027/28	7,128	1,964	2,859	1,695	13,646
Between 2028/29 to 2031/32	5,422	492	2,909	640	9,463
	24,641	9,559	10,719	5,565	50,484

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 £000	2011/12 £000
Net Book Value at 1 April	**17,963**	18,028
Additions	**189**	257
Disposals	**-6,081**	0
Depreciation	**-327**	-322
Net Book Value at 31 March	**11,744**	17,963

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

	2012/13 £000	2011/12 £000
At 1 April	**11,273**	11,862
Movement in the year	**-554**	-589
At 31 March	**10,719**	11,273

27 Impairment Losses

During 2012/13 the Council began demolition of one surplus building, Woodwell House in Batley. An impairment loss was charged to the Deficit on the Provision of Services - £0.2 million gross less accumulated depreciation of £0.1 million, resulting in a net loss £0.1 million. Impairment losses in 2011/12 totalled £1.4 million.

28 Pensions Disclosures

Participation in Pension Schemes

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

The Council participates in two pension schemes:

- The Local Government Pension Scheme (LGPS) – a funded defined benefit final salary scheme administered by the West Yorkshire Pension Fund whereby the Council and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets in the long term.
- Teachers employed by the Council are members of the Teachers' Pension Scheme, administered by the Teachers' Pensions Agency. Under the Code, this scheme is classed as a multi-employer defined benefit scheme for which liabilities of individual employers cannot be separated. The scheme is therefore treated as a defined contribution scheme under the Code. In 2012/13, the Council paid £15.9 million (2011/12 £17.6 million) to the Pensions Agency in respect of teachers' retirement benefits, representing 14.1% (2011/12 14.1%) of pensionable pay. A payment of £1.3 million was owing to the Agency as at 31 March 2013 (31 March 2012 £1.4 million).

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

Transactions Relating to Retirement Benefits

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

2012/13	LGPS		Teachers	Total
	Funded	Unfunded		
	£000	£000	£000	£000
Comprehensive Income and Expenditure Statement				
Cost of Services:				
Current service cost	41,141	0	0	41,141
Past service cost	1,328	0	2,233	3,561
Settlements and Curtailments	-2,505	0	0	-2,505
Financing and Investment income and Expenditure:				
Interest cost	80,099	1,417	2,430	83,946
Expected return on assets in the scheme	-78,129	0	0	-78,129
Total Post Employment Benefit charged to the Deficit on the Provision of Services	41,934	1,417	4,663	48,014
Other Post Employment Benefit charged to the CIES:				
Actuarial gains and losses	62,513	2,045	3,966	68,524
Total Post Employment Benefit charged to the CIES	**104,447**	**3,462**	**8,629**	**116,538**
Movement in Reserves Statement				
Reversal of actuarial gains and losses	-62,513	-2,045	-3,966	-68,524
Reversal of net charges made to the Deficit on the Provision of Services for retirement benefits	-11,411	923	-849	-11,337
Total Movement in Pension Reserve	**-73,924**	**-1,122**	**-4,815**	**-79,861**
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**

The cumulative amount of actuarial gains and losses recognised in the CIES to 31 March 2013 is a loss of £505.1 million.

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

Assets and Liabilities in Relation to Retirement Benefits

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

	LGPS		Teachers	Total
	Funded	Unfunded		
	£000	£000	£000	£000
Opening balance 1 April 2011	-1,469,426	-30,226	-48,761	-1,548,413
Current Service Cost	-37,008	0	0	-37,008
Interest cost	-78,944	-1,602	-2,623	-83,169
Contributions by scheme participants	-12,611	0	0	-12,611
Actuarial gains and losses	-128,358	-2,375	-4,225	-134,958
Benefits/transfers paid	47,255	2,236	3,473	52,964
Past service costs	-2,230	0	-1,482	-3,712
Settlements	13,079	0	0	13,079
Opening balance 1 April 2012	-1,668,243	-31,967	-53,618	-1,753,828
Current Service Cost	-41,141	0	0	-41,141
Interest cost	-80,099	-1,417	-2,430	-83,946
Contributions by scheme participants	-12,075	0	0	-12,075
Actuarial gains and losses	-140,180	-2,045	-3,966	-146,191
Benefits/transfers paid	46,971	2,340	3,814	53,125
Past service costs	-1,328	0	-2,233	-3,561
Settlements	7,100	0	0	7,100
Closing balance 31 March 2013	**-1,888,995**	**-33,089**	**-58,433**	**-1,980,517**

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

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

	31 March 2013 £000	31 March 2012 £000
Opening balance 1 April	**1,125,742**	1,119,192
Expected rate of return	**78,129**	84,029
Actuarial gains and losses	**77,667**	-64,704
Employer contributions	**30,523**	30,820
Contributions by scheme participants	**12,075**	12,611
Benefits paid	**-46,971**	-47,255
Settlements	**-4,595**	-8,951
Closing balance 31 March	**1,272,570**	1,125,742

There was an actuarial gain on assets of around 6.1%. This represents the difference between the actual return on the fund assets and the expected return at the start of the financial year.

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

The actual return on scheme assets in the year showed a return of £155.8 million (2011/12 return of £19.3 million).

Scheme history

	2012/13	2011/12	2010/11	2009/10	2008/09
	£000	£000	£000	£000	£000
Present value of liabilities:					
LGPS Funded	**-1,888,995**	-1,668,243	-1,469,426	-1,728,632	-1,047,184
LGPS Unfunded	**-33,089**	-31,967	-30,226	-35,624	-28,518
Teachers	**-58,433**	-53,618	-48,761	-53,377	-40,773
Fair value of assets in the LGPS	**1,272,570**	1,125,742	1,119,192	1,012,729	736,364
Deficit in the scheme:					
LGPS Funded	**-616,425**	-542,501	-350,234	-715,903	-310,820
LGPS Unfunded	**-33,089**	-31,967	-30,226	-35,624	-28,518
Teachers	**-58,433**	-53,618	-48,761	-53,377	-40,773
Total	**-707,947**	-628,086	-429,221	-804,904	-380,111

The liabilities show the underlying commitments that the Council has in the long run to pay retirement benefits. The total liability of £707.9 million has a substantial impact on the net worth of the Council as recorded in the Balance Sheet. However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy:

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

The total contributions expected to be made to the LGPS by the Council in the year to 31 March 2014 is £35.4 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.

Basis for Estimating Assets and Liabilities

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

The principal assumptions used by the actuary have been:

	2012/13			2011/12		
	LGPS		**Teachers**	LGPS		Teachers
	Funded	**Unfunded**		Funded	Unfunded	
Rate of inflation – RPI	**3.70%**	**3.50%**	**3.50%**	3.60%	3.40%	3.40%
Rate of inflation – CPI	**2.80%**	**2.60%**	**2.60%**	2.60%	2.40%	2.40%
Rate of increase in salaries	**4.70%**	**n/a**	**n/a**	5.10%	n/a	n/a
Rate of increase in pensions	**2.80%**	**2.60%**	**2.60%**	2.60%	2.40%	2.40%
Rate for discounting liabilities	**4.40%**	**4.10%**	**4.10%**	4.80%	4.60%	4.60%
Take up of option to convert annual pension into retirement grant	**62%**	**n/a**	**n/a**	62%	n/a	n/a
Mortality assumptions (years):						
Longevity at 65 for current pensioners:						
Men	**22.1**	**22.1**	**22.1**	22.0	22.0	22.0
Women	**24.3**	**24.3**	**24.3**	24.1	24.1	24.1
Longevity at 65 for future pensioners:						
Men	**23.9**	**23.9**	**23.9**	23.8	23.8	23.8
Women	**26.2**	**26.2**	**26.2**	26.1	26.1	26.1

Assets in the LGPS are valued at fair value, principally market value for investments, totalling £9.9 billion for the Fund as a whole at 31 March 2013 (£8.7 billion at 31 March 2012). The Fund's assets consist of the following categories, by proportion of the total assets held by the Fund:

	2012/13		2011/12	
	Split between categories	**Expected rate of return**	Split between categories	Expected rate of return
	%	**%**	%	%
Equity investments	**72.5**	**7.8**	71.1	8.1
Government Bonds	**11.9**	**2.8**	12.6	3.1
Other Bonds	**5.7**	**3.8**	5.4	3.7
Property	**3.1**	**7.3**	3.6	7.6
Cash/ liquidity	**3.6**	**0.9**	2.8	1.8
Other	**3.2**	**7.8**	4.5	8.1
	100		100	

History of experience Gains and Losses

The actuarial gains/losses identified as movements on the Pensions Reserve in 2012/13 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2013. Note that the split for experience gains and losses on liabilities between LGPS funded and unfunded is not available for 2008/09.

	2012/13	2011/12	2010/11	2009/10	2008/09
	%	%	%	%	%
LGPS – funded and unfunded					
Experience gains and losses on liabilities	**-**	-	-	-	0.0
LGPS - funded					
Difference between the expected and actual return on assets	**6.1**	-5.7	3.2	21.3	-33.1
Experience gains and losses on liabilities	**0.1**	-0.7	4.3	0.6	-
LGPS - unfunded					
Experience gains and losses on liabilities	**0.2**	-2.3	2.0	2.5	-
Teachers					
Experience gains and losses on liabilities	**0.2**	-2.2	-4.9	2.5	0.0

29 Contingent Liabilities

The Council has the following contingent liabilities, each with a potential value of over £1.0 million:

- The Council has given guarantees for outstanding contributions to Pension Funds, in the event of default by the following bodies: Calderdale and Kirklees Careers Company Ltd, Fresh Horizons, North Kirklees CAB, Kirklees Active Leisure, and Deighton and Sheepridge Partnership.
- The Council is participating with Huddersfield Sporting Pride Ltd, in the development, construction and running of a sports stadium at Bradley Mills Road, Huddersfield, through Kirklees Stadium Development Ltd (KSDL). The Council originally guaranteed the financing of the construction of the stadium, pending the receipt of funds. The loan has been restructured and the Council has guaranteed the new loan of £7.4 million, to be repaid over twenty years commencing in February 2001. As at 31 March 2013, the balance on the loan was £4.0 million (£4.4 million at 31 March 2012). 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 2013, the balance on the loan was £0.12 million (£0.23 million at 31 March 2012).
- The Council has given an indemnity for direct loss and economic loss up to £2.0 million plus inflation to date to the lessee of a reclaimed site in respect of pollution arising from contaminants on the site at the date of the lease.
- The Council has been making backdated equal pay and equal value settlements to current and former employees who demonstrate an entitlement. A contingent liability exists in relation to the risk that the provision made for equal pay claims is insufficient, and for the emerging risk of claims facing all Councils under equal value legislation.
- The Council has given an unlimited guarantee in perpetuity to the Homes & Communities Agency (HCA) in the event of default by Kirklees Community Association (KCA) of the conditions of their grant agreement with HCA for the redevelopment of the Fieldhead Estate. The guarantee contains two elements: that KCA will complete the development required by HCA; and that KCA will discharge the clawback obligations due to the HCA whenever there is a disposal of the land – either under the right to acquire legislation or to a 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.
- Many local authorities, including Kirklees Council, entered into a scheme of arrangement with Municipal Mutual Insurance (MMI) when the company got into financial difficulties towards the end of 1992. A review of the assets and liabilities of MMI by the scheme administrator (Ernst and Young) has concluded that the company will have a shortfall on meeting claims. An initial levy

has been set at 15% of total claims paid for each authority (the Council has a creditor of £1.2 million to meet this). However, the 15% is based on a mid-point estimate of remaining liabilities and investment returns. It is estimated that to achieve a solvent run-off for the company in the case of the worst case scenario, the levy might rise to 28%.

- The Council is 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. In the current litigation the Council faces a claim of £0.2 million plus interest and costs. A second group of Property Search 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 £0.5 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 against the Council. It is possible that additional claimants may come forward to submit claims for refunds, but none have been intimated at present.

  The Council has made a provision to cover the cost of refunding the fees for known claims (£0.7 million).

- 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.

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

30 Contingent Asset

The Council has one claim lodged for a VAT refund which, if successful, could total £11.1 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 is waiting to be reviewed by the Upper Tier Tax Tribunal.

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

31 Trust Funds

The Council administers over fifty funds which are held in trust for such purposes as grants, scholarships and book prizes, or for the benefit and care of particular client groups. The Council is actively considering options for a number of trust funds (including one that is in deficit) to ensure their future viability. This includes financial support by the Council and the exploration of the involvement of external parties.

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

Income and Expenditure Account:

	Income £000	Expenditure £000	2012/13 Balance £000	2011/12 Balance £000
Trust Funds for which Council is sole trustee				
Dewsbury Endowed Schools	**53**	**8**	**1,577**	1,532
Algernon Firth Trust	**1**	**0**	**219**	218
Kayes School	**1**	**1**	**87**	87
Broadlands	**0**	**0**	**47**	47
Festival of Britain	**0**	**0**	**42**	42
Wartons Charity	**0**	**7**	**8**	15
Huddersfield Enclosure Act	**1**	**0**	**18**	17
Other (8 separate funds each with a balance less than £10,000)	**8**	**0**	**26**	18
	64	**16**	**2,024**	1,976
Trust Funds for which Council is not sole trustee				
Scissett Baths	**2**	**0**	**592**	590
William Henry Coulter	**9**	**3**	**256**	250
Lockwood Mechanics	**0**	**0**	**123**	123
William Greenwood Homes	**0**	**0**	**-170**	-170
Fletcher Homes	**54**	**13**	**33**	-8
Golcar Township	**24**	**4**	**103**	83
Huddersfield Orphan Homes	**6**	**4**	**90**	88
Roebuck Memorial	**25**	**12**	**41**	28
Batley Enclosure Act	**0**	**0**	**20**	20
Cleckheaton Cemetery	**0**	**0**	**10**	10
Other (26 separate funds each with a balance less than £10,000)	**5**	**6**	**111**	112
	125	**42**	**1,209**	1,126
	189	**58**	**3,233**	3,102

Trust Fund Balance Sheet:

	31 March 2013 £000	31 March 2012 £000
Fixed Assets	**1,014**	974
Investments	**985**	1,068
Debtors	**1**	1
Cash	**1,234**	1,060
Less Creditors	**-1**	-1
	3,233	3,102
Represented by -		
Capital Balances	**2,998**	2,941
Revenue Surpluses	**235**	161
	3,233	3,102

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	2011/12 £000	Notes
Expenditure			
Repairs and maintenance	**18,465**	16,646	
Supervision and management	**18,295**	15,524	
Special services	**3,043**	4,194	
Rent, rates, taxes and other charges	**108**	102	
Negative HRA subsidy payable	**-68**	3,258	4
Depreciation and impairment of non-current assets	**15,165**	14,921	3
Debt management costs	**10**	11	
Movement in the allowance for bad debts	**1,842**	674	
Revaluation losses on property, plant and equipment	**29,008**	22,800	3
Total Expenditure	**85,868**	78,130	
Income			
Dwelling rents	**75,628**	70,234	
Non-dwelling rents	**172**	167	
Charges for services and facilities	**1,590**	1,303	
Contributions towards expenditure	**156**	158	
PFI Grants	**4,288**	0	13
Revaluation gains on property, plant and equipment	**6**	3	3
Total Income	**81,840**	71,865	
Net Cost of HRA Services as included in the CIES	**4,028**	6,265	
HRA share of Corporate & Democratic Core	**362**	353	
HRA share of Non-distributed costs	**30**	32	
Net Cost of HRA Services	**4,420**	6,650	
HRA share of operating income and expenditure included in the CIES:			
Gain on sale of HRA non-current assets	**-2,331**	-235	6
Interest payable and similar charges:			
General	**11,253**	10,492	
Exceptional item	**0**	7,670	1
Interest and investment income	**-219**	-314	
Income and expenditure in relation to investment properties and changes in fair value	**-1,029**	-422	
Capital grants and contributions receivable:			
General	**-824**	-182	
Exceptional item	**0**	-39,065	1
(Surplus)/Deficit for the year on HRA services	**11,270**	-15,406	

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	2011/12
	£000	**£000**	£000
Balance on the HRA at the end of the previous year		**-33,177**	-31,293
Surplus(-)/deficit for the year on the HRA Income and Expenditure Statement		**11,270**	-15,406
Adjustments involving the Capital Adjustment Account:			
Revaluation losses on council dwellings	**-28,993**		-22,798
Net revaluation gains on non-dwellings	**628**		1
Capital grants and contributions applied	**824**		182
Amounts of non-current assets written off on disposal or sale	**-2,505**		-1,623
Capital expenditure charged against balances	**15,411**		4,696
Provision for the financing of capital investment	**-313**	**-14,948**	17
Adjustments involving the Capital Receipts Reserve:			
Transfer of cash sale proceeds credited as part of the gain/ loss on disposal	**4,889**		1,894
HRA Self financing - payment by Secretary of State	**0**		39,065
HRA Self financing - application of payment	**0**		-7,670
Contribution towards administrative costs of asset disposals	**-53**	**4,836**	-36
Adjustments involving the Major Repairs Reserve:			
Reversal of Major Repairs Allowance credited to the HRA		**0**	-165
Adjustments involving the Financial Instruments Adjustment Account:			
Amount by which finance costs charged to the HRA Income and Expenditure Account are different from those required by statutory regulations		**-3**	-41
Increase(-)/decrease in the year on the HRA		**1,155**	-1,884
Balance at the end of the current year		**-32,022**	-33,177

NOTES TO THE HRA

1 The Localism Act 2011 introduced reforms which effectively ended the Housing Subsidy system from 1 April 2012 and replaced it with a more self-sustaining financial regime going forward, whereby Council HRAs retain all future rental income generated locally. In readiness for the reform, the DCLG repaid £31.4 million of the Council's housing debt on its behalf at the end of March 2012, together with a £7.7 million premium. This transaction was treated as an exceptional item in the accounts for 2011/12.

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

3 Depreciation, impairment and revaluation gains/losses

The calculation of depreciation must follow proper accounting practices. However, as part of the new self financing regime mentioned in Note 1 above, transitional arrangements are in place for five years, under statutory regulations, permitting authorities to make a credit transfer from the HRA to the Major Repairs Reserve for housing dwelling depreciation in excess of a "notional" Major Repairs Allowance (MRA). The MRA equates to the annual cost of maintaining the properties over a thirty year period.

Up to this year, the Council had adopted the MRA as a measure of depreciation for its dwellings. The charge in 2011/12 was £14.7 million. The "notional" MRA for 2012/13 has been calculated at £20.2 million. From 1 April 2012, the Council has adopted what it believes to be a more appropriate depreciation calculation based on an analysis of the major components of a typical dwelling. The charge for 2012/13 is £15.0 million. The transitional arrangements do not come into consideration because the MRA is higher than the actual depreciation being charged. If this methodology had been used for 2011/12, the charge would have been £15.1 million. This would have increased the deficit on HRA services for 2011/12 by £0.4 million, but the effect would have been reversed out in the Movement on the HRA Statement to leave the HRA Balance unaffected.

Transitional arrangements also permit impairment and revaluation gains/losses on housing stock to be reversed out in the Movement on the HRA Statement. Revaluation losses totalled £29.0 million in 2012/13 and the transitional arrangements have been adopted.

Non-dwelling depreciation totalled £0.2 million in 2012/13 (2011/12 £0.2 million). Net revaluation gains on non-dwellings were £0.6 million in 2012/13. The transitional arrangements do not permit a reversal of impairment or revaluation gains/losses on HRA non-dwellings. However, the Council has not complied with the regulations on the grounds that when the accounting entries are followed through, the ultimate result is not logical as the Capital Financing Requirement for the General Fund increases. Thus, the revaluation gains/losses have been reversed in the Movement on the HRA Statement. If the regulations had been complied with the decrease in the year in the Movement on the HRA Statement would have been £0.6 million less, thus making the HRA Balance £0.6 million greater. The Council will review this treatment next year, hoping that the regulations may be amended or further explained in terms of what they are trying to achieve.

4 Breakdown of HRA Subsidy Received/Paid

The HRA subsidy system effectively ended when the new self financing regime was introduced on 1 April 2012. The calculation was based on annual assumptions covering guideline rents, a number of allowances and other specific items of income and expenditure. The abatement of expenditure in 2012/13 was an adjustment on the previous year's payment to Central Government.

	2012/13	2011/12
	£000	£000
Allowance for Management	**1**	14,030
Allowance for Maintenance	**0**	25,144
Allowance for Major Repairs	**0**	14,756
Charges for Capital	**83**	11,845
Guideline Rent Income	**0**	-69,029
Interest on Receipts	**0**	-4
Self financing interest payments	**-16**	0
Total HRA Subsidy	**68**	-3,258

5 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	2011/12
	£000	£000
Balance at 1 April	**10,175**	13,183
Amount equivalent to depreciation	**15,165**	14,921
	25,340	28,104
Financing of new capital expenditure	**-10,681**	-17,764
Used to repay debt	**-6,259**	0
Depreciation – non-dwellings	**0**	-165
Balance at 31 March	**8,400**	10,175

6 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 £2.3 million in 2012/13 (2011/12 gain £0.2million) includes the value of council dwellings demolished as part of housing regeneration projects of £0.2 million (2011/12 £0.9 million).

7 Movement in HRA Fixed Assets

	PPE Council Dwellings £000	Council Dwellings Held For Sale £000	Other Land and Buildings £000	Assets Under Construction £000	Investment Properties £000	Total Assets £000
Cost or Valuation						
At 1 April 2012	498,431	289	3,509	0	12,834	515,063
Additions	44,028	0	0	0	34	44,062
Revaluation increases/ decreases(-) recognised in the Revaluation Reserve	-205	0	46	0	0	-159
Revaluation increases/ decreases(-) recognised in Deficit on the Provision of Services	-44,009	0	-11	0	635	-43,385
De-recognition - disposals	-2,341	-164	0	0	-370	-2,875
Assets reclassified to(-)/from Held for Sale	-637	637	0	0	0	0
Other movement in cost or valuation	1,765	0	30	1,665	-3,460	0
At 31 March 2013	**497,032**	**762**	**3,574**	**1,665**	**9,673**	**512,706**
Accumulated Depreciation and Impairment						
At 1 April 2012	0	0	0	0	0	0
Depreciation charge	-15,016	0	-149	0	0	-15,165
Depreciation written out to the Revaluation Reserve	0	0	145	0	0	145
Depreciation written out to Deficit on the Provision of Services	15,016	0	4	0	0	15,020
At 31 March 2013	**0**	**0**	**0**	**0**	**0**	**0**
Net Book Value						
at 31 March 2013	**497,032**	**762**	**3,574**	**1,665**	**9,673**	**512,706**
at 1 April 2012	498,431	289	3,509	0	12,834	515,063

8 Fixed Asset Valuation

A complete revaluation of HRA assets was carried out as at 1 April 2012 by the District Valuer (North), who is RICS qualified. As at that date, the vacant possession value of dwellings was £1,494 million. The difference between this and the Balance Sheet value reflects the economic cost to the Government of providing council housing at less than open market rents.

Notwithstanding the requirement for a formal programme of revaluations, the Council is required to monitor values for material in year movements. After liaising with the Valuer, there were no unusual or material movements and asset values reflected in the accounts are as at 1 April 2012.

9 Capital Expenditure and Sources of Finance

	2012/13 £000	2011/12 £000
Capital Expenditure:		
Fixed Assets	**27,082**	23,273
Fixed Assets - PFI	**16,980**	0
Total Capital Expenditure	**44,062**	23,273
Financed by:		
Borrowing	**0**	600
Finance Lease (PFI)	**16,980**	0
Major Repairs Reserve	**10,681**	17,764
Capital Receipts	**166**	31
Capital Grant and Contributions	**824**	182
Revenue	**15,411**	4,696
Total Sources of Finance	**44,062**	23,273

10 Capital Receipts

	2012/13 £000	2011/12 £000
Capital receipts from sales of:		
Dwellings	**4,536**	1,824
Land	**333**	61
Clawback of legal title on Right to Buy sales	**20**	9
Capital receipts from mortgage repayments	**19**	32
HRA Self Financing Reform (see note 1)	**0**	39,065
	4,908	40,991
Contribution to Housing Pooled Capital Receipts	**-1,415**	-1,342
Disposal costs	**-53**	-36
Usable capital receipts	**3,440**	39,613

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

11 Housing Stock

The Council's housing stock at 31 March 2013 is analysed below by size and age:

By Size	1 Bedroom	2 Bedrooms	3 Bedrooms	4+ Bedrooms	Total
Houses/ Bungalows	2,795	5,808	4,742	350	13,695
Flats/ Bedsits and Maisonettes	6,978	2,266	113	0	9,357
	9,773	8,074	4,855	350	23,052
By Age	Pre 1945	1945-64	1965-74	Post 1974	Total
Houses/ Bungalows	5,930	5,541	1,562	662	13,695
Flats/ Bedsits and Maisonettes	164	2,423	3,930	2,840	9,357
	6,094	7,964	5,492	3,502	23,052

12 Rent Arrears

Rent arrears have reduced over the year, as follows:

	2012/13	2011/12
	£000	£000
Rent Arrears	**4,328**	4,520
Less Bad Debt Provision	**-2,818**	-2,603
Net Rent Arrears	**1,510**	1,917

13 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 £0.3 million under the contract in 2012/13 (2011/12 £0) and received £4.3 million in PFI Grant (2011/12 £0). Details of estimated payments due to be made are as follows:

	Service Charges	Interest Charges	Repayments of Liability	Total
	£000	£000	£000	£000
In 2013/14	1,355	2,317	1,109	4,781
Between 2014/15 and 2017/18	8,187	18,367	7,862	34,416
Between 2018/19 and 2022/23	12,620	19,555	12,565	44,740
Between 2023/24 and 2027/28	17,918	14,732	14,916	47,566
Between 2028/29 and 2032/33	17,940	8,009	23,381	49,330
Between 2033/34 and 2034/35	5,114	444	7,303	12,861
Total	63,134	63,424	67,136	193,694

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	2011/12
	£000	£000
Net Book Value at 1 April	**0**	0
Additions	**19,814**	0
Revaluations	**-18,131**	0
Transfer of land from Investment Properties	**1,764**	0
Net Book Value at 31 March	**3,447**	0

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

	2012/13	2011/12
	£000	£000
At 1 April	**0**	0
Movement in the year	**17,292**	0
At 31 March	**17,292**	0

14 The Capital Asset Charges Accounting Adjustment

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

	2012/13 £000	2011/12 £000
Interest costs (calculated in line with item 8 Determination)	**11,247**	10,448
Less Impairments/Revaluation gains and losses/REFCUS charges	**-29,001**	-22,797
The Capital Asset Charges Accounting Adjustment	**-17,754**	-12,349

COLLECTION FUND STATEMENT

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

		2012/13	2011/12	Note
	£000	£000	£000	
Income				
Income from Council Tax		148,493	147,618	1
Transfers from General Fund -				
Council Tax Benefits		31,573	31,299	
Locally Defined Discount Pensioner Reduction		-2	-16	
Income Collectable from Business Ratepayers		101,660	99,339	2
Contributions -				
Towards previous years' Collection Fund deficit		3,076	0	
Adjustment of previous years' Community Charges		0	2	
Total Income		**284,800**	278,242	
Expenditure				
Precepts and demands -				
Kirklees Council	156,843		155,939	
West Yorkshire Police	16,748		16,652	
West Yorkshire Fire	6,726	180,317	6,687	
Business Rate -				
Payment to national pool	101,045		98,723	
Cost of collection	615	101,660	616	
Allowance for impairment of debt		1,972	2,083	
Total Expenditure		**283,949**	280,700	
Movement on Fund Balance		**851**	-2,458	
Balance at 1 April		-4,170	-1,712	
Balance at 31 March		**-3,319**	-4,170	3

NOTES TO THE COLLECTION FUND STATEMENT

1 Council Tax

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

Estimated at the start of the year

2012/13 Number of Chargeable Dwellings	2012/13 Band D Equivalent Dwellings	2012/13 Average Council Tax	Band	2011/12 Number of Chargeable Dwellings	2011/12 Band D Equivalent Dwellings	2011/12 Average Council Tax
		£				£
93	**51**	**781.11**	A (5/9)*	92	51	780.56
67,953	**45,302**	**937.33**	A (6/9)	67,641	45,094	936.67
29,338	**22,818**	**1,093.56**	B (7/9)	29,228	22,733	1,092.78
27,814	**24,723**	**1,249.78**	C (8/9)	27,668	24,594	1,248.89
14,543	**14,543**	**1,406.00**	D (9/9)	14,447	14,447	1,405.00
10,275	**12,558**	**1,718.44**	E (11/9)	10,266	12,547	1,717.22
4,520	**6,529**	**2,030.89**	F (13/9)	4,512	6,517	2,029.44
1,845	**3,075**	**2,343.33**	G (15/9)	1,836	3,060	2,341.67
89	**177**	**2,812.00**	H (18/9)	86	172	2,810.00
	129,776		Total		129,215	
	-1,440		Adjustments **		-1,615	
	128,336		Council Tax Base		127,600	

* Band A disabled ** Estimated losses on collection

2 National Non-Domestic Rates (NNDR)

NNDR is organised on a national basis. The Government specifies a multiplier (45.0p in 2012/13) and, subject to the effects of transitional arrangements and other relief's, local businesses pay rates calculated by applying the multiplier to their rateable value. The Council is responsible for collecting rates due from the ratepayers in its area but pays the proceeds into an NNDR pool administered by the Government. The Government redistributes the sums paid into the pool back to local authorities' General Funds on the basis of a fixed amount per head of population. The amounts included in the Collection Fund can be analysed as follows:

	2012/13	2011/12
	£000	£000
Non-domestic rate income 2012/13 (average rateable value £284,325,914.07)	**130,244**	123,997
Non-domestic rate income 2011/12 (average rateable value £284,843,541.50)	**n/**a	n/a
Allowance and other adjustments (net)	**-28,584**	-24,658
	101,660	99,339

The actual non-domestic rateable value at 31 March 2013 was £285,630,424 (£285,756,966 at 31 March 2012).

3 Precepts and Demands

The balance on the Collection Fund relates to both Council Tax and Community Charge. That part of the balance which relates to Community Charge will be paid to the Council in subsequent financial years. That part of the balance which relates to Council Tax will be shared between the Council, the West Yorkshire Police Authority, and the West Yorkshire Fire and Rescue Authority in proportion to their precepts and demand on the Fund, again in subsequent financial years. The balance is split as follows:

	1 April 2012	Share of 2012/13 Surplus	**31 March 2013**
	£000	£000	**£000**
Kirklees Council Community Charge Surplus	9	1	**10**
Kirklees Council – Council Tax Deficit	-3,635	748	**-2,887**
Collection Fund Adjustment Account	-3,626	749	**-2,877**
West Yorkshire Police Authority – Council Tax Deficit	-389	76	**-313**
West Yorkshire Fire and Rescue Authority – Council Tax Deficit	-155	26	**-129**
	-4,170	851	**-3,319**

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 WD Huddersfield, the owner of a shopping centre in Huddersfield.

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

The Subsidiaries, Joint Ventures and Associates of Kirklees Council

SUBSIDIARIES

Kirklees Neighbourhood Housing Limited (KNH)
The principal activity of KNH is to manage, maintain and improve the housing stock owned by the Council.

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

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

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

In 2012/13, the Company made an operating deficit of £0.4 million (operating deficit £0.7 million 2011/12). The figures including the effects of IAS19 are an operating deficit of £0.8 million (operating deficit £1.0 million 2011/12).

As at 31 March 2013, the Company had net assets of £1.7 million (£2.1 million at 31 March 2012). The figures including the effects of IAS19 are net liabilities of £10.2 million (£9.1 million at 31 March 2012).

Kirklees Metropolitan Development Company Limited (Devco)
The main activity of the Company is the letting of properties in the Kirklees area. The company lets units on two industrial estates, Silver Court at Moldgreen and Riverside Way at Ravensthorpe.

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

Devco produces its own set of accounts with a year end date of 31 March. Copies of the accounts can be obtained from the Council’s Assistant Director of Financial Management, Risk, IT & Performance.

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

In 2012/13, the Company made an operating loss of £12,000 (£36,000 operating loss in 2011/12).

As at 31 March 2013, the Company had net assets of £1.9 million (£1.9 million at 31 March 2012).

JOINT VENTURES

Kirklees Henry Boot Partnership Limited (KHBP)
KHBP was formed to complete development projects throughout the Kirklees area. Its main schemes include the completion of the Kingsgate Shopping Centre and the disposal of the Yards’ buildings. Although construction of the former is complete, the company still has an interest in terms of equity participation.

The Company has been controlled, since commencement of trade in 1989, by the Council and Henry Boot Plc, on a 50/50 basis. The Council owns 25% of shares in the company directly and holds 25% indirectly through the subsidiary Kirklees Metropolitan Development Company.

The Company’s accounting year ends 31 December. Copies are available from the Council’s Assistant Director of Financial Management, Risk, IT & Performance.

At the time of consolidation of the Group Accounts, the KHBP accounts for 2012 were still being audited.

Kirklees Stadium Development Limited (KSDL)
The Company was formed to carry out the development, construction and running of the sports stadium in Huddersfield.

At the Company's Balance Sheet date, the Council had a shareholding of 40%, with Huddersfield Sporting Pride Limited holding the other 60%.

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 2013.

Financial performance of joint ventures
These figures are based on the Council's interest in each company and not the full results.

	2012/13		2011/12	
	KHBP	**KSDL**	KHBP	KSDL
	£000	**£000**	£000	£000
Income	**8**	**1,354**	9	733
Expenses	**-12**	**-1,000**	-15	-911
Fixed Assets	**1,072**	**8,183**	1,072	8,775
Current Assets	**190**	**887**	195	844
Liabilities < 1 year	**-554**	**-432**	-554	-906
Liabilities > 1 year	**-2,116**	**-1,652**	-2,116	-2,232
Provision for liabilities	**0**	**-81**	0	0
Accruals & Deferred Income	**0**	**-388**	0	-261

ASSOCIATES

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

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

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

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

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

Kirklees Active Leisure (KAL)
The principal activity of KAL is to operate community recreation facilities on behalf of the Council.

The body is a charitable company limited by Guarantee. The Council has a significant influence within the company of 17% (increased from 10% in 2011/12). 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 (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”.

KCA have set up a separate company, Kirklees Housing Association (KHA) in September 2012 and KCA has 100% control.

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

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

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

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

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

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

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

Financial Performance of associates

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

2012/13	CKC	KAL	KCA	KMS	KTT
	£000	£000	£000	£000	£000
Assets	374	786	5,988	398	1,202
Liabilities	-1,953	-1,277	-2,188	-133	-99
Revenues	896	2,100	533	984	297
Profit or Loss (-)	-29	0	112	22	-52

2011/12	CKC	*CKC*	KAL	KCA	*KCA*	KMS	*KMS*	KTT
	£000	*£000*	£000	£000	*£000*	£000	*£000*	£000
Assets	367	*366*	399	5,845	*5,845*	253	*257*	1,245
Liabilities	-1,832	*-1,825*	-742	-1,914	*-1,908*	-20	*-20*	-90
Revenues	870	*871*	1,152	747	*747*	962	*962*	297
Profit or Loss (-)	-17	*-11*	15	528	*534*	-14	*-14*	-36

The figures in italics for CKC, KCA and KMS represent the final audited figures for 2011/12. 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 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	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Council Reserves £000	Group Usable Reserves £000	Group Unusable Reserves £000	Total Group Reserves £000
	Restated						Restated	Restated	Restated			Restated
Balance at 31 March 2011 carried forward	18,680	76,321	31,293	3,618	13,183	22,171	165,266	776,405	941,671	1,424	6,855	949,950
Movement in reserves during 2011/12												
Surplus or deficit(-) on the provision of services	-134,146	0	29,887	0	0	0	-104,259	0	-104,259	-12,877	0	-117,136
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	-168,953	-168,953	-5,172	-1,740	-175,865
Total Comprehensive Income and Expenditure	-134,146	0	29,887	0	0	0	-104,259	-168,953	-273,212	-18,049	-1,740	-293,001
Adjustments between group accounts and authority accounts (Note 2)	2,339	0	-14,481	0	0	0	-12,142	0	-12,142	12,142	0	0
Net Increase/ Decrease before Transfers (group accounts only)	-131,807	0	15,406	0	0	0	-116,401	-168,953	-285,354	-5,907	-1,740	-293,001
Adjustments between accounting & funding basis under regulations	146,040	0	-13,522	0	-3,008	-5,836	123,674	-123,674	0	0	0	0
Net Increase/ Decrease before Transfers to Earmarked Reserves	14,233	0	1,884	0	-3,008	-5,836	7,273	-292,627	-285,354	-5,907	-1,740	-293,001
Transfers to/from Earmarked Reserves	-2,860	2,860	0	0	0	0	0	0	0	0	0	0
Increase/ Decrease in Year	11,373	2,860	1,884	0	-3,008	-5,836	7,273	-292,627	-285,354	-5,907	-1,740	-293,001
Balance at 31 March 2012 carried forward	30,053	79,181	33,177	3,618	10,175	16,335	172,539	483,778	656,317	-4,483	5,115	656,949

	General Fund Balances	Earmarked General Fund Reserves	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Council Reserves	Group Usable Reserves	Group Unusable Reserves	Total Group Reserves
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
								Restated	Restated			Restated
Balance at 31 March 2012 carried forward	30,053	79,181	33,177	3,618	10,175	16,335	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	-90,942	0	2,800	0	0	0	-88,142	0	-88,142	-12,324	0	-100,466
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	-59,533	-59,533	-363	-241	-60,137
Total Comprehensive Income and Expenditure	-90,942	0	2,800	0	0	0	-88,142	-59,533	-147,675	-12,687	-241	-160,603
Adjustments between group accounts and authority accounts (Note 2)	2,366	0	-14,070	0	0	0	-11,704	0	-11,704	11,704	0	0
Net Increase/ Decrease before Transfers (group accounts only)	-88,576	0	-11,270	0	0	0	-99,846	-59,533	-159,379	-983	-241	-160,603
Adjustments between accounting & funding basis under regulations	102,025	0	10,115	4,094	-1,775	-553	113,906	-113,906	0	0	0	0
Net Increase/ Decrease before Transfers to Earmarked Reserves	13,449	0	-1,155	4,094	-1,775	-553	14,060	-173,439	-159,379	-983	-241	-160,603
Transfers to/from Earmarked Reserves	-3,801	3,801	0	0	0	0	0	0	0	0	0	0
Increase/ Decrease in Year	9,648	3,801	-1,155	4,094	-1,775	-553	14,060	-173,439	-159,379	-983	-241	-160,603
Balance at 31 March 2013 carried forward	39,701	82,982	32,022	7,712	8,400	15,782	186,599	310,339	496,938	-5,466	4,874	496,346

GROUP COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

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			2011/12
	Gross Exp	**Gross Income**	**Net Exp**	Gross Exp Restated	Gross Income Restated	Net Exp Restated
	£000	**£000**	**£000**	£000	£000	£000
Children's and Education Services	**428,711**	**309,974**	**118,737**	470,971	332,402	138,569
Adults Social Care	**133,296**	**41,856**	**91,440**	139,209	42,461	96,748
Housing (HRA)	**84,680**	**82,362**	**2,318**	77,461	72,738	4,723
Housing (Non HRA)	**140,854**	**124,397**	**16,457**	133,882	116,566	17,316
Highways and Transport Services	**57,087**	**11,099**	**45,988**	56,918	13,372	43,546
Cultural	**36,761**	**3,252**	**33,509**	43,070	7,542	35,528
Environmental and Regulatory	**33,734**	**6,333**	**27,401**	36,388	6,834	29,554
Planning	**25,752**	**12,880**	**12,872**	29,283	9,901	19,382
Central services to the public	**41,777**	**35,303**	**6,474**	41,476	35,860	5,616
Corporate and democratic core	**7,622**	**0**	**7,622**	8,171	0	8,171
Non distributed costs	**1,625**	**134**	**1,491**	1,225	309	916
Cost of Services	**991,899**	**627,590**	**364,309**	1,038,054	637,985	400,069
Other operating expenditure			**75,910**			108,263
Financing and investment income and expenditure:						
General			**43,499**			27,052
Exceptional			**0**			7,670
Taxation and non-specific grant income:						
General			**-383,072**			-386,556
Exceptional			**0**			-39,066
Deficit on Provision of Services			**100,646**			117,432
Associates and joint ventures accounted for on an equity basis			**-173**			-293
Tax expenses of subsidiaries			**-7**			-3
Tax expenses of associates and joint ventures			**0**			0
Group Deficit			**100,466**			117,136
Surplus on revaluation of PPE			**-9,140**			-30,472
Impairment losses on non current assets to the Revaluation Reserve			**147**			0
Surplus(-)/Deficit on revaluation of available for sale financial assets			**2**			-73
Actuarial losses on pension asset/liabilities			**68,825**			204,153
Share of other comprehensive income and expenditure of associates and joint ventures			**303**			2,257
Other Comprehensive Income and Expenditure			**60,137**			175,865
Total Comprehensive Income and Expenditure			**160,603**			293,001

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.

	31 March 2013	31 March 2012	1 April 2011	Note
	£000	£000 Restated	£000 Restated	
Property, Plant & Equipment	**1,636,752**	1,719,399	1,856,165	
Heritage Assets	**36,333**	34,701	27,629	
Investment Property	**76,054**	87,709	81,076	
Intangible Assets	**3,819**	2,062	2,650	
Long Term Investments	**3,500**	3,465	3,369	
Investments in Associates and Joint Ventures	**10,280**	10,136	11,470	
Long Term Debtors	**28,871**	32,405	32,155	
Long Term Assets	**1,795,609**	1,889,877	2,014,514	
Short Term Investments	**509**	5,906	15,773	
Inventories	**2,605**	2,514	2,470	
Short Term Debtors	**56,603**	59,024	59,737	
Assets Held for Sale	**1,089**	450	1,040	
Cash and Cash Equivalents	**39,853**	25,031	41,588	3
Current Assets	**100,659**	92,925	120,608	
Cash and Cash Equivalents	**-9,116**	-9,161	-10,339	3
Short Term Borrowing	**-27,334**	-30,622	-33,208	
Short Term Creditors	**-79,080**	-72,369	-71,653	
Other Short Term Liabilities	**-3,726**	-2,812	-2,563	
Provisions	**-5,400**	-7,352	-23,024	
Current Liabilities	**-124,656**	-122,316	-140,787	
Liabilities in Associates and Joint Ventures	**-2,071**	-1,808	-1,161	
Long Term borrowing	**-452,145**	-471,494	-527,133	
Other Long Term Liabilities	**-821,050**	-730,235	-516,091	
Long Term Liabilities	**-1,275,266**	-1,203,537	-1,044,385	
Net Assets	**496,346**	656,949	949,950	
Usable Reserves	**181,133**	168,056	166,690	
Unusable Reserves	**315,213**	488,893	783,260	4
Total Reserves	**496,346**	656,949	949,950	

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		2011/12
	£000	**£000**	£000	£000 Restated
Net deficit on the provision of services		**100,646**		117,432
Adjustments to net deficit on the provision of services for non-cash movements		**-200,041**		-197,914
Adjustment for items included in the net deficit on the provision of services that are investing and financing activities		**33,734**		33,544
Net cash flows from Operating Activities		**-65,661**		-46,938
Net cash flows from Investing Activities				
Purchase of PPE, investment property and intangible assets	**70,051**		74,516	
Purchase of short-term and long-term investments	**5,700**		9,431	
Proceeds from the sale of assets	**-9,781**		-4,278	
Proceeds from short-term and long-term investments	**-14,391**		-14,987	
Other receipts from investing activities	**-27,005**	**24,574**	-30,877	33,805
Net cash flows from Financing Activities				
Cash receipts of short and long-term borrowing	**-35,754**		-15,084	
Other receipts from financing activities	**-9**		-1,290	
Cash payments for the reduction for the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	**2,529**		2,534	
Repayments of short and long-term borrowing	**58,423**		42,032	
Other payments for financing activities	**1,031**	**26,220**	320	28,512
Net increase(-) or decrease in cash and cash equivalents		**-14,867**		15,379
Cash and cash equivalents at the beginning of the reporting period (Note 3)		**15,870**		31,249
Cash and cash equivalents at the end of the reporting period (Note 3)		**30,737**		15,870

1 Accounting Policies

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

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

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

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

KNH has a defined benefit pension scheme and must adhere to IAS19. The code requires that IAS19 entries are consolidated in the Group Accounts. This has an impact on the revenue of the Company as unlike local authorities, companies are not allowed to reverse the effect of IAS19 debits and credits out of their profit and loss accounts. This means that rather than by an appropriation to/from a pensions reserve they must be accounted for in the Group Income and Expenditure Statement, adjusting the results of the Company. Balance Sheet entries follow the same principles as those of the Council.

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

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. These properties are valued on an annual basis at market value.

Prior Year Adjustments
All prior year adjustments from the single entity accounts are also presented in the Group Accounts. The 2011/12 Group Accounts were partly based on unaudited and management accounts. There have been no significant changes in the audited accounts which merit amendment to last year's Group figures.

2 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.

2012/13	General Fund Balances	Housing Revenue Account	Total Usable Reserves	Unusable Reserves	Total Council Reserves	Group Usable Reserves	Group Unusable Reserves	Total Group Reserves
	£000	£000	£000	£000	£000	£000	£000	£000
Purchase of goods and services from subsidiaries	2,366	-14,070	-11,704	0	-11,704	11,704	0	0
Total adjustments between Group Accounts and authority accounts	**2,366**	**-14,070**	**-11,704**	**0**	**-11,704**	**11,704**	**0**	**0**

2011/12	General Fund Balances	Housing Revenue Account	Total Usable Reserves	Unusable Reserves	Total Council Reserves	Group Usable Reserves	Group Unusable Reserves	Total Group Reserves
	£000	£000	£000	£000	£000	£000	£000	£000
Purchase of goods and services from subsidiaries	2,339	-14,481	-12,142	0	-12,142	12,142	0	0
Total adjustments between Group Accounts and authority accounts	2,339	-14,481	-12,142	0	-12,142	12,142	0	0

3 Cash and Cash Equivalents

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

	Devco	**KNH**	**Council**	**Total**
	£000	**£000**	**£000**	**£000**
Cash held	186	1,374	98	1,658
Bank current accounts	0	0	8,500	8,500
Instant access interest accounts	0	0	29,695	29,695
	186	1,374	38,293	39,853
Bank overdraft	0	0	-9,116	-9,116
Total Cash and Cash Equivalents as at 31 March 2013	**186**	**1,374**	**29,177**	**30,737**

	Devco	KNH	Council	Total
	£000	£000	£000	£000
Cash held	78	3,851	108	4,037
Bank current accounts	0	0	4,482	4,482
Instant access interest accounts	0	0	16,512	16,512
	78	3,851	21,102	25,031
Bank overdraft	0	0	-9,161	-9,161
Total Cash and Cash Equivalents as at 31 March 2012	78	3,851	11,941	15,870

4 Unusable Reserves

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

	Devco	**KHBP**	**KSDL**	**KCA**	**KMS**	**Council**	**Total**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Revaluation Reserve	559	0	0	-231	0	239,027	239,355
Available for Sale Financial Instruments Reserve	0	69	0	0	0	125	194
Capital Adjustment Account	600	-305	4,173	0	0	797,376	801,844
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**	**-231**	**8**	**310,339**	**315,212**

	Devco	KHBP	KSDL	KCA	KMS	Council	Total
	£000	£000	£000	£000	£000	£000	£000
						Restated	Restated
Revaluation Reserve	559	0	0	19	0	252,963	253,541
Available for Sale Financial Instruments Reserve	0	69	0	0	0	127	196
Capital Adjustment Account	600	-305	4,173	0	0	877,427	881,895
Pensions Reserve	0	0	0	0	0	-628,086	-628,086
Other	0	0	0	0	0	-18,653	-18,653
Balance at 31 March 2012	1,159	-236	4,173	19	0	483,778	488,893

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 2012/13, KNH incurred costs of £2.3 million (2011/12 £2.2 million) for Council services including insurance and office accommodation. At 31 March 2013, £0.5 million was outstanding (£1.7 million at 31 March 2012).

The Council incurred costs of £13.4 million (2011/12 £13.9 million) in relation to KNH's management fee. At 31 March 2013, £0.9 million was outstanding (£0.7million at 31 March 2012).

Kirklees Metropolitan Development Company Limited
Devco paid the Council £108,000 for service provision in 2012/13 (2011/12 £149,000). At 31 March 2013, a balance of £43,000 was owing to the Council (£83,000 at 31 March 2012).

During the same period, the Council incurred rent and service charges of £44,000 (2011/12 £37,000) in relation to Devco properties.

Kirklees Henry Boot Partnership Limited
At the Balance Sheet date of KHBP, the Council's investment (including that of Devco) was reflected in equity of £250,000 and a secured loan of £4.2 million. No interest was incurred in the year on the outstanding loans (2011/12 nil). The Council charged the Company £19,000 (2011/12 £20,000) in respect of freeholds transferred and various services.

At the Balance Sheet date of KHBP, Henry Boot Plc's investment through certain of its wholly owned subsidiaries was reflected in equity of £250,000 (2011/12 £250,000). At the Balance Sheet date £0.2 million (2011/12 £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 (2011/12 £0.6 million) was due to the Council in respect of interest accrued and £0.5 million (2011/12 £0.5 million) in respect of the transfer of land at Healds Road, Dewsbury.

Kirklees Stadium Development Limited
The Council made grant payments totalling £0.3 million to KSDL (2011/12 £1.3 million). This included a capital grant of £0.2 million (2011/12 £1.1 million) reflecting the revised financial arrangements between the parties agreed in 2011 which will mean that the revenue support provided by the Council to KSDL will cease in May 2013. 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 2012/13, CKC incurred costs of £0.2 million (2011/12 £0.2 million) for Council services. At 31 March 2013, £11,000 was outstanding (£5,000 at 31 March 2012).

The Council incurred costs of £2.8 million in 2012/13 (2011/12 £2.7 million) in relation to the contract agreement and other services in place. At 31 March 2013, £0.3 million was outstanding (£0.3 million at 31 March 2012).

Kirklees Active Leisure
During 2012/13, KAL incurred costs of £0.3 million (2011/12 £0.4 million) for Council services.

The Council incurred costs of £3.2 million in 2012/13 (2011/12 £3.2 million) in relation to services carried out on behalf of the Council.

Kirklees Community Association
During 2012/13, KCA incurred costs of £0.1 million (2011/12 £0.1 million) for Council services. At 31 March 2013, £14,000 was outstanding (£46,000 at 31 March 2012).

The Council provided an overdraft facility to KCA in relation to the Fieldhead project. At 31 March 2013, the facility had been repaid (£3.2 million at 31 March 2012).

Kirklees Music School
During 2012/13, KMS incurred costs of £13,000 (2011/12 £18,000) for Council services.

The Council provided funding of £0.5 million in 2012/13 (2011/12 £0.7 million).

Kirklees Theatre Trust
During 2012/13, KTT received funding of £0.3 million (2011/12 £0.2 million) from the Council.

5 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 Outflow of Operating Activities of £2.5 million.

Devco - The Company has a Net Cash Inflow of Operating Activities of £108,000.

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

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

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

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

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

The Collection Fund
The Collection Fund is a separate statutory fund under the provisions of the Local Government Finance Act 1988. It shows the transactions in relation to National Non-Domestic Rates (NNDR) and Council Tax.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Fair Value
Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's-length transaction. Usually the best evidence of fair value of a financial instrument on initial recognition is the transaction price; that is the consideration given or received.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

National Non-Domestic Rates (NNDR)
The standard rate in the pound set by the Government on the assessed rateable value of properties used for business purposes.

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

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

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

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

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

Provisions
These are liabilities of uncertain timing or amount.

Related Parties
Two or more parties are related parties when at any time during a financial period:

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

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

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

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

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

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

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

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.

KPMG

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 2013 on pages 11 to 125. 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 2012/13.

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 the Director of Resources' Responsibilities, the Director of Resources is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, and for being satisfied that they give a true and fair view. 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. 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 2013 and of the Council's and the Group's expenditure and income for the year then ended; and

- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.

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 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 November 2012, 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 2013.

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 November 2012, 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 2013.

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

27 September 2013

KIRKLEES COUNCIL

ANNUAL GOVERNANCE STATEMENT 2012-13

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 2012/13 and are being developed going forward in 2013/14.

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 2013 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
- 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 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. Three key pieces of legislation have impacted upon the Council's arrangements during 2012/13 as follows:

  <u>Police Reform and Social Responsibility Act 2011</u>

  Implementation of the Act has implications for the Council's governance arrangements, not least the establishment of a new joint committee, the Police & Crime Panel (PCC). There continue to be two elected members for Kirklees. A shadow Panel ran alongside the West Yorkshire Police Authority until November 2012. In order to ensure the partnership was fully prepared for the introduction of the Panel, the Safer Stronger Communities Partnership Executive addressed the following key points:

  1. Identifying the potential funding streams impacted both directly and indirectly by the PCC.
  2. Assessing the robustness of the existing performance management arrangements and collate evidence to demonstrate the effectiveness of partnership activity.
  3. Refreshing the partnership intelligence assessment and develop a partnership refreshed plan.
  4. Identifying potential growth areas and projects which we would seek funding from the PCC.
  5. Ensuring that the existing community safety partnerships are fit for purpose to enable strong links to be forged between the PCC and the CSP at the local level.
  6. Working with West Yorkshire partners to understand the role of local scrutiny arrangements and how these will link into and inform the work of the Police and Crime Panel.

Localism Act 2011

Following the abolition of the national standards regime the Council's own Code of Conduct (for Councillors and Voting Co-optees) was adopted by Full Council on 24 October 2012, including arrangements by which misconduct complaints will be reviewed. A Standards Committee was retained to oversee the operation of the new regime comprising 6 councillors; a Sub-Committee with a membership of 3 councillors was also established. No group is entitled to more than one place on the Sub-Committee and the apportionment of the Chairperson shall be determined by the members of the Sub-Committee on each occasion that it meets. Authority was delegated to the Monitoring Officer to administer the new regime and to determine and resolve allegations of non-compliance with the new Code and to grant dispensations where appropriate.

Health and Social Care Act 2012

Health and Wellbeing Boards have been established across the country to enable local authorities to take a strategic approach to providing integrated health and local government services. The boards bring together local councillors, the NHS, public health, adult social care, children's services and HealthWatch, to jointly plan how best to meet local health and social care needs. The Kirklees Board (HWB) was established as a Committee of the Council with effect from 1 April 2013.

- 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;
- 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 2012/13 review (to be) approved by the CGAC 28 June 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 is preparing an action plan to address the outstanding issues for the delivery of audit work – this will be monitored by the CGAC. KPMG, our external auditors, confirmed that, where required, they take assurance over the quality and extent of internal audit work done in 2012/13, including assurance over the core financial systems activity.

Head of Internal Audit and Risk Annual Assurance Opinion 2012/13

The Head of Internal 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 Internal 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, is 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.

<u>External Auditor's Review of the Effectiveness of our Governance Arrangements</u>

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.

<u>Corporate Governance & Audit Committee</u>

The Terms of Reference included agreeing and updating regularly the Council's Code of Corporate Governance, monitoring its operation and compliance with it.

During 2012/13 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, Council Procedure Rules, Overview & Scrutiny Procedure Rules and the Scheme of Delegation to officers were approved and subsequently passed at Annual Council 23 May 2012. A similar process has been undertaken for the current municipal year 2013/14.
- Petition Scheme – although the legislation requiring the Council to adopt a Scheme has been repealed, the Council retained an amended scheme to help support its proactive approach to involving communities
- New Standards Regime and Code of Conduct (for councillors)
- Risk Management Strategy
- Other corporate sources of assurance in Annual Reports regarding
    - Performance Management
    - Corporate Customer Standards - Kirklees did not receive a formal Ombudsman Report during 2011-12 and the numbers of investigations remained broadly static. There was an increase in the number of third stage complaints investigated. Complaints received were varied and no broad patterns were determined.
    - 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.
    - Information Access - despite a significant increase in requests under the Data Protection Act, performance in terms of compliance with the legislative timescales improved from the previous year. In March 2012 the Data Protection General Policy Statement was approved by Directors Group and published on both the intranet and

website. Guidance on dealing with requests for access to personal information has also been shared with key colleagues dealing with requests.
    - Treasury Management – the Council has adopted the CIPFA Code of Practice and operates its treasury management service in compliance with this Code and various statutory requirements.
- West Yorkshire Police & Crime Panel and the implications for Safer, Stronger Communities Partnership Board of the Police Reform and Social Responsibility Act 2011
- Exercise of Emergency Powers by the Chief Executive
- Review of Members' Allowances
- Kirklees Partnership (Health & Wellbeing Board) governance arrangements.

Annual Review of the Chief Finance 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. 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 during 2012/13.

The Care Quality Commission (CCQ)

The Care Quality Commission (CCQ) is the regulatory body responsible for the quality of health, mental health and adult social care in England. The CQC's produces an annual assessment of how each local authority has commissioned services for people in their local area. However, in future, Councils will be required to instead produce 'local accounts'. 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 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. Ofsted concluded that 77% of schools inspected were good or better for overall effectiveness. All school inspection reports are published on the Ofsted website.

Health & Safety Executive (HSE)

The HSE has enquired about several of our reportable incidents and an in depth audit was undertaken by the HSE into the health and safety management arrangements in Cleansing Services. No formal action has been instigated against the Council this year.

Information Commissioner

The Council signed an Undertaking with the Information Commissioner's Office in July 2011 in respect of a breach of data protection by a contracted care agency. There were no further matters concerning breaches reported during 2012/13.

We have been advised on the implications of the results of the 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 below.

Progress on significant governance issues identified from last year's (2011/12) Annual Governance Statement

This section summarises the activity against each of the governance issues from the 2011/12 Statement.

1 The primary issue facing the Council continues to be the fundamental impact the national economic situation is having on the Local Government Finance Settlement as Central Government seeks to rebalance public expenditure in response to the rapid increase in borrowing following the need to support the banking sector. The Council faces significant reductions in revenue support grant over the next three years.

> A balanced budget for 2012/13 was agreed as part of the Medium Term Financial Plan (MTFP) but a number of difficult decisions remain to be taken to determine priorities within the overall plan. The Council's strategy continues to be encompassed in a programme of organisational change to mitigate the impact of these financial reductions on front line services. The MTFP continues to assume that these initiatives will deliver significant savings to address the financial reductions, particularly during 2014/15 and 2015/16. A Change Delivery Panel will assist and advise directors and members on the strategy to be followed.

2 There is an inherent risk in the current economic climate and during a period of downsizing that there could be a diminution of internal control. To manage this risk, Internal Audit devised its audit plan to help management ensure they stay focussed on the need for proper controls to remain in place.

> The 2012/13 Audit Plan was delivered as described in the Annual Report of Internal Audit. No significant control issues were identified.

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

The links in the reporting process are being developed further in 2012-13, including specific focus in the areas of supporting and driving Service review savings, to be overseen by the Change Delivery Panel, and the introduction of a revised and robust Value for Money framework. All of these actions will tighten the management of performance governance risks. In addition to the issue of Service Reviews, the new arrangements have highlighted that Capital Plan delivery has not achieved its target, particularly the disposal of some of our assets which has been due in the main to external factors e.g. the economy and investor confidence.
We continue to see increasing national demands for social care provision and this has been true locally, especially in relation to rate of increase in the numbers of children being received into care. There have also been additional pressures placed on social care by new research and guidance, inspectorate regimes or changes to legislation including Adoption procedures.

> Additional demand pressures continue to impact on the Council. The system for reporting of performance management and linking this with financial data continues, although risk management reporting has not fully integrated into this process to date.

4 Meeting all stakeholder aspirations, especially those of the trades unions, in the context of the Council's agenda for modernising and reforming many aspects of its operations.

> Positive progress was made in many areas during 2012/13, although a number of core challenges related to changes in service provision still require resolution.

5 Application of the annual rent rise by KNH is implemented correctly.

> A follow up audit confirmed that management's agreed action had addressed the reasons for the original error. The last two increases have been calculated and applied correctly.

6 A more coordinated and proactive approach to anti-fraud and corruption, including applying Corporate mechanisms for the report, recording and investigation of suspected cases leading to a consistent, independent, recorded and more robust approach.

> Some progress has been made but there remains scope for further improvement, as described in the Annual Report of Internal Audit.

7 Transfer of Public Health responsibilities to the Council.

> Substantial work was undertaken with the NHS during 2012/13 which resulted in a successful transfer on 1 April 2013. Work is ongoing to fully integrate the public health activity into the Council's operations, business systems and governance arrangements.

Significant governance issues identified during 2012/13

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 2013/14.

1. We need to ensure we have robust governance arrangements in place for new responsibilities highlighted in national changes in policy and legislation described above.

   Work is on-going to complete and embed 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.

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.

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".

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 Director of Resources will progress a review of the Code and ensure a report is considered by the Corporate Governance & Audit Committee.

5. Various welfare reform changes are in the process of being introduced by the Government that will impact upon the Council and its future financial position.

   Steps are being taken by the Director of Resources to evaluate, monitor and manage the implications of this situation and incorporate the outcomes into the Medium Term Financial Plan.

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:

M Khan	A Lythgo
Leader of the Council	Chief Executive