

KIRKLEES COUNCIL

STATEMENT OF ACCOUNTS 2008/2009

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Introduction

I am pleased to introduce the Council's Statement of Accounts for 2008/09. These accounts demonstrate the Council's financial performance for the year ended 31 March 2009. The accounts of such a large and diverse organisation are by their nature complex and technical, and the purpose of this explanatory foreword is to offer interested parties a more understandable guide to the most significant matters reported.

The Statement of Accounts contains five core accounting statements:

- **Income and Expenditure Account**
- **Statement of Movement on the General Fund Balance**
- **Statement of Total Recognised Gains and Losses (STRGL)**
- **Balance Sheet**
- **Cash Flow**

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

This main section is followed by three supplementary statements:

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

These too are preceded by notes explaining their purpose and each is 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 Finance for the accounts.
- **The Corporate Governance Statement** - sets out a framework within which overall governance and internal control are managed and reviewed.
- **The Statement of Accounting Policies** - explains the basis of the figures in the financial statements, and the concepts and policies underpinning the accounts.

Wherever possible, technical accounting terms have been explained either in the main text or in the glossary at the back of this publication. The Council also produces a Summary Statement of Accounts which, whilst having no formal legal standing, aims to remove many of the technicalities of this publication and provide a much simplified version of the Council's financial position. These are available at www.kirklees.gov.uk/news/SummaryOfAccounts.pdf. In addition, extracts are published in the Council's autumn edition of the civic newspaper which is circulated to each household in the district.

Accounting Changes

This year sees the following changes in accounting practices:

- New requirements see the replacement of deferred charges with a new category of expenditure – Revenue Expenditure Funded from Capital Under Statute (REFCUS). The move to this has no impact on the authority's "bottom line", that is Council Tax is unaffected by the change. However, the revised accounting requirements mean that this type of expenditure is no longer taken via the Balance Sheet before being charged to the appropriate revenue account. Similarly, where such expenditure is funded by capital grant or contributions, these are recognised directly in revenue rather than being initially credited to the Grants Deferred Account.

The introduction of REFCUS is a change in accounting policy and, as such, certain figures for 2007/08 have had to be restated, particularly in the Cash Flow Statement and the detail of the Statement of Movement on the General Fund Balance.

- A new grant regime called Area Based Grant has been introduced from 2008/09.
- The revaluation of fixed assets on disposal is prohibited from 2008/09 onwards.

- The accounting requirement for FRS17 Retirement Benefits has been brought into line with the international accounting standard on “Employee Benefits”. There are significant changes in the disclosures required, as well as a change to the basis on which the value of quoted securities is measured (current bid price, rather than mid-market price, is taken as fair value). The latter is deemed to be a change in accounting policy and, as such, certain figures for 2007/08 have been restated.
- The Council has adopted a less detailed analysis of revenue activities in the Cash Flow Statement, which is now permissible within the accounting rules applicable to local authorities.
- Accounting guidelines for 2008/09 allow an alternative balance sheet presentation for accrued interest on loans and investments. For 2007/08, interest had to be shown as part of the carrying value of the loan or investment, but there is now the option of showing the interest under current assets or liabilities. The Council believes the latter is a more meaningful method of presentation and has therefore adopted this from 2008/09 onwards. Notes in the accounts further explain the effect of this.
- A line has been added to the Income and Expenditure Account to reflect the fact that income defined by statute as a capital receipt does not always arise from the disposal of a fixed asset. An example of this is monies associated with mortgage repayments.
- To help facilitate the early closure of accounts, the Council has from 2008/09 calculated depreciation on the opening balance sheet values for fixed assets, rather than mid point balance sheet values. There has been a similar change in how grants held in the Grants Deferred Account are written down, because the method of write down has to be in line with depreciation on the asset funded by grant. This is deemed to be a change in estimation technique, the net effect for 2008/09 being a lower charge on income and expenditure of £3.3 million (£4.0 million depreciation less £0.7 million grant).

In addition to the above, the Council has made a prior year adjustment relating to an historic balance of grant on the Grants Deferred Account, which could not be matched with particular assets.

Financial Performance of the Council

Revenue Budget

The Revenue Budget for 2008/09 was approved on 27 February 2008, following an extensive planning process which began in the summer of 2007. The Budget was set at £313.7 million (including parish precepts), after the planned use of General Fund balances of £4.6 million, delivering a Council Tax increase of 3.0%. The Budget was set as part of the Medium Term Financial Plan (MTFP), which was prepared in the context of nine Corporate Improvement Priorities. These priorities are derived from the ambitions of the Council, the related Local Area Agreement priority investment areas and the change programmes that cut across the ambition themes.

During the year, the Budget was increased by £7.0 million to take account of additional budgets agreed as part of the 2007/08 “Rollover” process. Subject to certain conditions, this is a process where unspent budgets in one year can be carried forward into following years. The net revenue budget was therefore increased to £325.4 million (including parish precepts), before the use of balances of £11.7 million. In addition, as part of the 2009/10 Budget process, earmarked reserves were reviewed and £2.8 million was transferred to general balances to support the next three year MTFP.

Actual Revenue Expenditure

The Council's revenue expenditure is summarised in two of the core statements. The first is the Income and Expenditure Account, 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 second statement, the Statement of Movement on the General Fund Balance, adjusts the surplus/deficit on the Income and Expenditure Account for statutory overrides and shows how the financial performance for the year has impacted on the Council's general balances.

EXPLANATORY FOREWORD

For 2008/09, the Council's Income and Expenditure Account shows an operating loss of £191.8 million (2007/08 loss of £38.2 million). The increase in the loss from 2007/08 is largely due to an impairment charge (£134.4 million) arising from asset values falling between April 2008 to March 2009. Due to its magnitude, this charge is shown as an exceptional item on the face of the Income and Expenditure Account.

After taking account of the appropriate statutory adjustments (relating to capital financing, payments to the government pool for capital receipts, and accounting for retirement benefits), the Statement of Movement on the General Fund Balance shows a final reported surplus for the Council of £6.2 million (2007/08 £1.9 million deficit). This effectively amounts to an underspending for the year of £15.1 million, after contributions from earmarked reserves:

	Original Estimate	Revised Estimate	Actual Expenditure	Variance from Revised Estimate
	£000s	£000s	£000s	£000s
Kirklees Net Revenue Expenditure	317,864	322,123	310,528	-11,595
Parish Precepts	456	456	456	0
	318,320	322,579	310,984	-11,595
Amounts met from General Government Grant, NNDR and local taxpayers	313,673	313,673	317,207	-3,534
Decrease/ Increase (-) in General Fund Balances	4,647	8,906	-6,223	-15,129

A detailed report on the financial outturn was presented to the full Council meeting on 24 June 2009. This showed that financial management continues to be strong. The Council was able to contain in year cost pressures and also achieve the savings that it had anticipated and planned as part of the budget setting for 2009/10 and beyond. In summary, the major variations were:

- Additional costs within the Children and Young People Service related to safeguarding services and higher number of children requiring care (£4.5 million)
- The impact of the recession with reduced income, most notably from car parking and planning applications (£1.9 million)

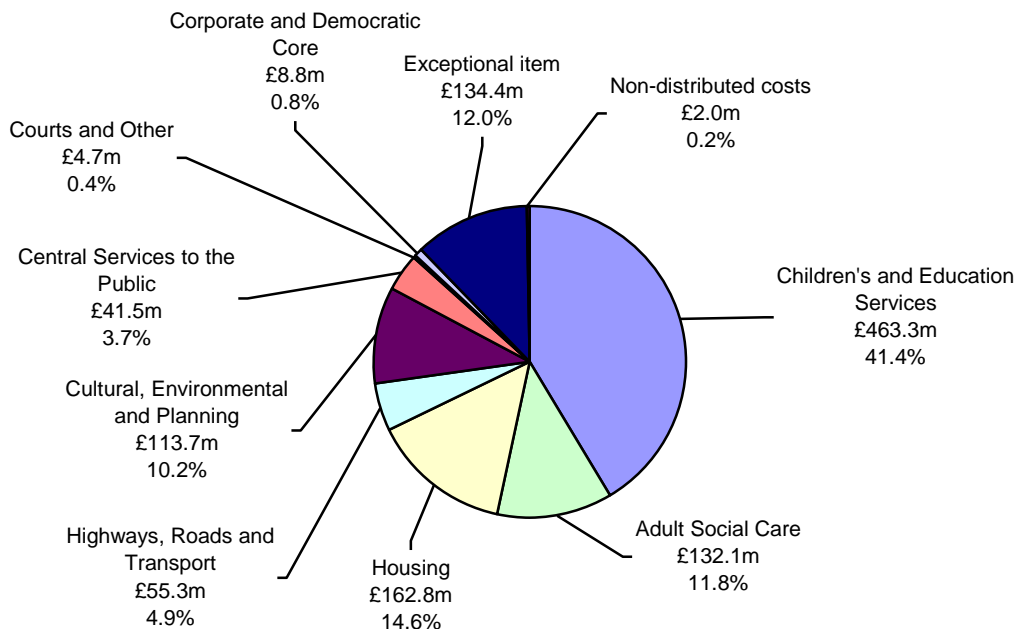
The above overspendings were able to be contained by savings from:

- Treasury Management with lower net interest costs due to interest rate gains and higher than anticipated slippage on the capital programme (£4.2 million)
- Adult Services' underspending primarily due to lower than forecast changes in client numbers (£3.3 million)

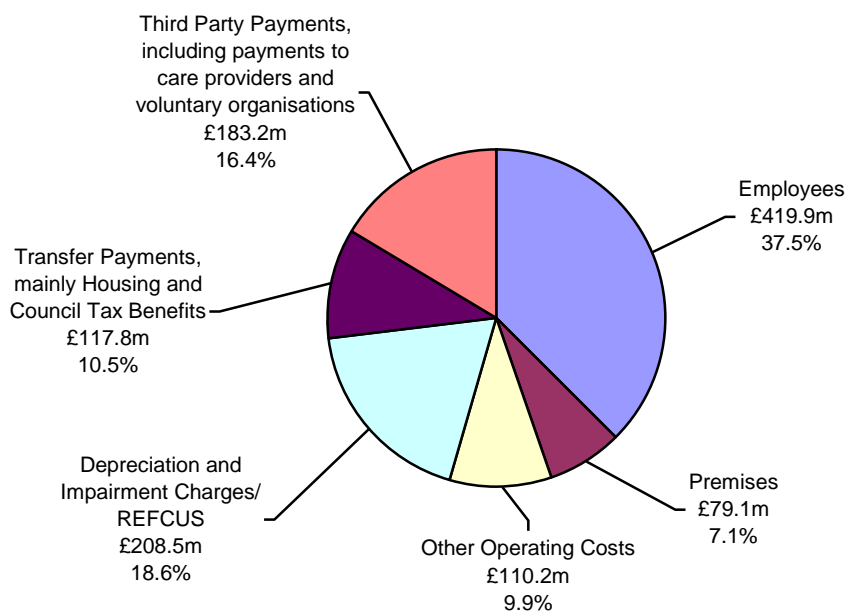
In addition, a range of other underspendings was generated from combinations of earlier recognition of some one-off grants (eg Performance Reward Grant) and service managed underspendings. The latter are largely deferrals of new and one-off developments/ projects, and resources for these are transferred into the new year by the "Rollover" mechanism.

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

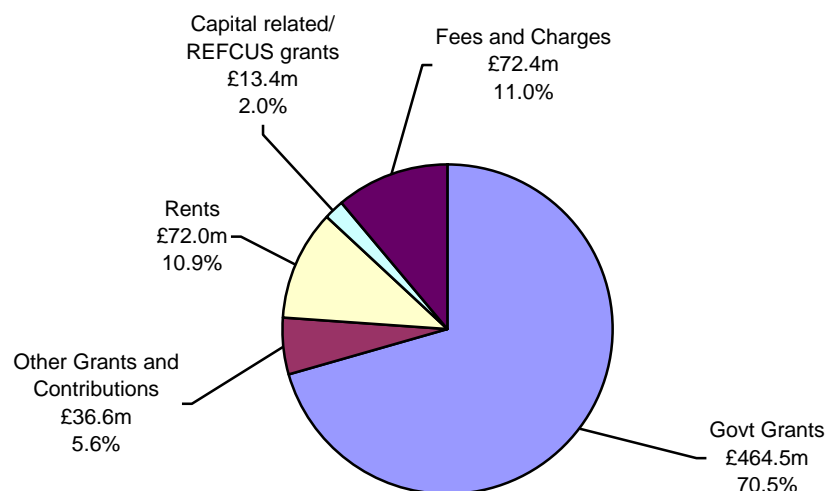
Gross revenue expenditure analysed by service –



Gross revenue expenditure analysed by type -



Income by type -



Efficiency targets were set nationally for Local Government to generate additional efficiency gains of over 3% in 2008/09. This target is likely to rise in future years as settlements respond to the current recession. The Council reported savings in 2008/09 of over £20 million, which was above the 3% national average target. These savings have been reinvested in service improvements and other corporate priorities, as well as contributing to keeping Council Tax rises below those of many other councils.

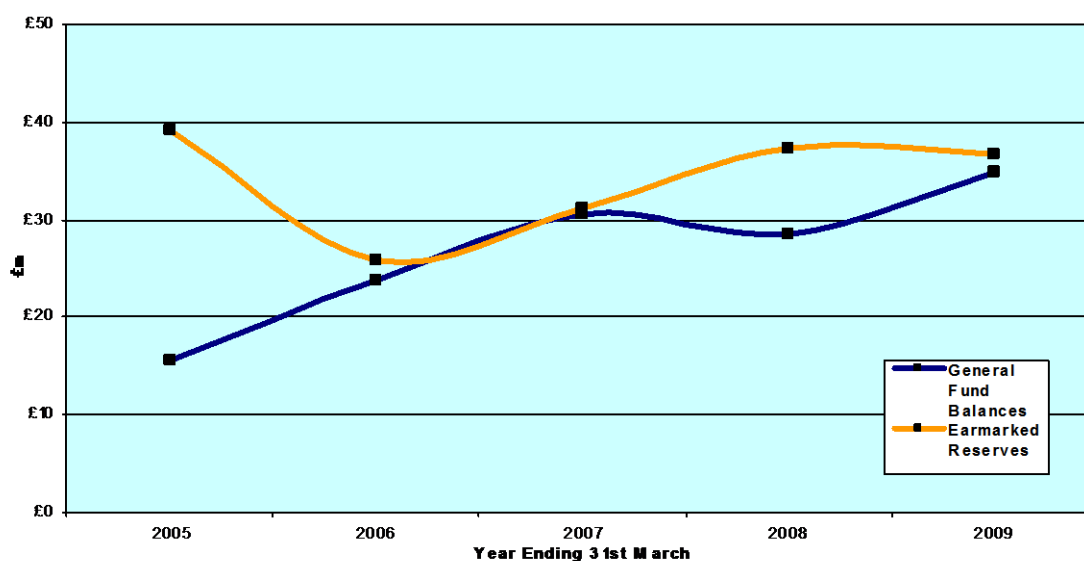
Earmarked Reserves and Balances

The General Fund Balance at 31 March 2009 was £34.8 million, of which £5.0 million is required as the prudent minimum level. Use of balances above this minimum level is determined within the Council's Medium Term Financial Plan, which was updated by Council in February 2009. The current level of balances is provisionally allocated as follows:

- Rollover changes to 2009/10 Budget £10.8 million
- Planned/ phased use in Medium Term Financial Plan £16.6 million
- Set aside for new risks in 2009/10, including replenishing Collection Fund £2.4 million

The Council's earmarked reserves fell by £0.5 million during the year to £36.7 million. These cover specific areas of activity and risk, and include an amount of £12.3 million (2007/08 £13.9 million) relating to schools' balances. The fall in these is consistent with plans to reduce the number of schools with balances above set target levels.

Levels of General Fund Balances and Earmarked Reserves Over 5 Year Period



Housing Revenue Account (HRA)

The HRA Income and Expenditure Account shows an operating deficit for the year of £64.5 million (2007/08 surplus of £0.7 million). The increase in the loss from 2007/08 is largely due to an impairment charge arising from asset values falling between April and March. Due to the significance of the charge, it has been shown as an exceptional item on the face of the HRA Income and Expenditure Account. After taking account of the appropriate statutory adjustments (largely relating to capital financing and accounting), the Statement of Movement on the HRA Balance shows a final reported deficit of £1.8 million (2007/08 £4.5 million), which is funded by balances. This can be compared with the budgeted deficit of £4.1 million.

The HRA Balance stands at £26.0 million as at 31 March 2009, and this, together with the balance on the Major Repairs Reserve (£17.6 million), will be used primarily to support capital expenditure over future years to help meet decent homes targets.

Collection Fund

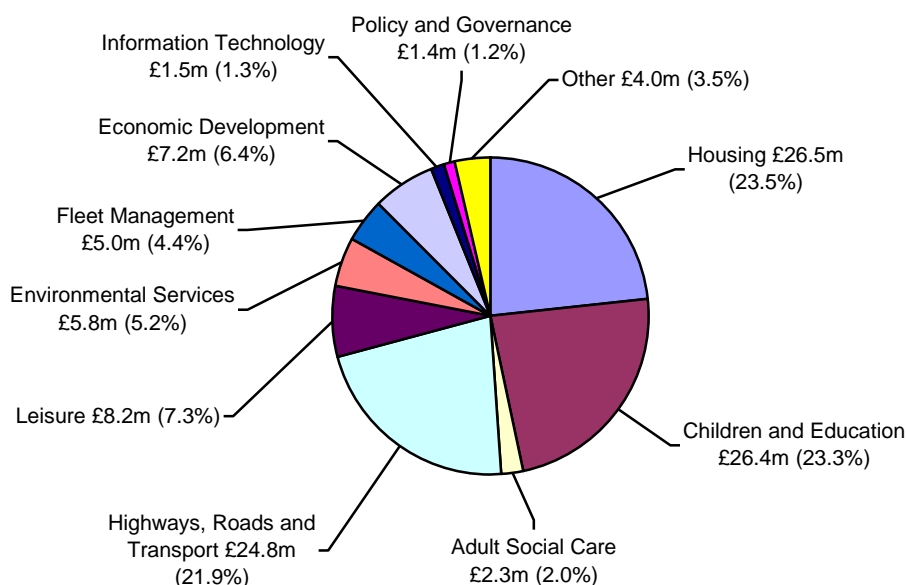
For 2008/09, the Collection Fund showed a deficit of £0.7 million (2007/08 £0.4 million deficit), increasing the negative Collection Fund Balance to £0.9 million. The Balance arises because of differences between estimated and actual amounts raised from total council tax bills. This Balance will be recovered from the Council and precepting authorities in future years. National Non-Domestic Rates do not impact on the Balance as they are paid over to the Government's national pool and redistributed to authorities based on population. The deficit balance is the result of lower than anticipated levels of Council Tax Income arising from recessionary effects, with lower levels of new properties and increasing arrears. This deficit will need to be replenished in future years and balances have been set aside as mentioned above.

The percentage of local taxation bills collected in year remain fell to 95.6% for Council Tax and 95.3% for Non-Domestic Rates, representing decreases of 0.7% and 2.2% respectively from last year. The arrears outstanding as at 31 March 2009 stood at £12.1 million for Council Tax (31 March 2008 £10.6 million) and £6.3 million for Non-Domestic Rates (31 March 2008 £4.1million).

Assets

The value of tangible fixed assets decreased during the year by £130.1 million to £1,703.6 million. The fall in asset values is directly related to the effects of the "Credit Crunch", reducing in particular land and housing values. The fall was in spite of additional capital spending on these assets in the year of £92.4 million. Capital investment in 2008/09 totalled £113.1 million (2007/08 £101.9 million).

Capital Expenditure in 2008/09 by Service Area (£113.1 million)



Capital investment was funded by borrowing (£57.7 million), grants and contributions (£37.2 million), capital receipts (£4.1 million), Major Repairs Reserve (£3.0 million), and revenue (£11.1 million).

Total investments decreased from £135.9 million to £99.5 million. The reduction in total investments reflects the Council's reaction to the perceived increased risk in placing monies with certain financial institutions. The Council has instead chosen to use available balances to either repay existing borrowing or offset new borrowing requirements. Included in the balance is an investment in a failed Icelandic Bank. Current indications from the administrators suggest that the Council will recover between 90% and 100% of the monies, but this depends on an assumption that local authority creditors have preferential status. The value of the investment has been written down by 5% to £950,000.

Liabilities

Creditors and receipts in advance have increased by £11.2 million. Most of the increase is the result of the different accounting treatment for interest accruals, as explained earlier under Accounting Changes.

Total external borrowing during the year decreased from £555.3 million to £537.5 million. No new long-term borrowing was undertaken in the year and £14.7 million was repaid. The average interest rate for external borrowing for 2008/09 was 5.62% (2007/08 5.73%).

As at 31 March 2009, the Council had £23.0 million of provisions (£20.1 million 31 March 2008). These largely cover liabilities relating to insurance claims (£13.1 million) and equal pay claims (£9.7 million). In terms of the latter, statutory arrangements allow settlements to be financed from the General Fund in the year that payments actually take place, not when the provision is established. Part of the provision (£4.7 million) has therefore been balanced by an Equal Pay Back Pay Account that will be debited to the Statement of Movement on the General Fund Balance in future financial years as payments are made.

The Balance Sheet also contains a net pensions liability of £380.1 million (31 March 2008 £407.8 million). This represents the Council's share of the pension fund assets and the underlying commitment of the Council to pay future retirement benefits. The assets of the pension fund are subject to fluctuations in value depending on the state of the stock and other financial markets. Although the net movement is not particularly large, it is made up of a fall in asset values of £179.0 million, offset by a fall in liabilities of £206.7 million, mainly due to increases in assumed rates to discount future liabilities. The deficit is being managed over the long term with full actuarial fund

valuations every three years. A funding strategy is in place including phased increases in employer contributions. 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 and two joint venture companies. The deficit on the Group Income and Expenditure Account for 2008/09 was £192.4 million (£38.5 million). The reason for the increase in deficit is line with reasons given above for the increasing deficit on the Council's Income and Expenditure Account.

Future developments

The Council is committed to a range of major developments including a five year capital programme in excess of £650 million, together with a number of PFI and other partnership initiatives. The latter includes an agreed Housing PFI scheme and a medium term partnership arrangement with the Kirklees Community Association (KCA) charity developing housing on the Fieldhead Estate in Birstall, together with Building Schools for the Future programmes.

Further Information

The preparation of the Statement of Accounts is a statutory requirement and local authorities are required to have them approved by Members by 30 June and published with an Audit Certificate by 30 September following the end of the financial year. This Statement of Accounts was approved by the Corporate Governance and Audit Committee at its meeting on 30 June 2009.

The Council also publishes a number of other useful documents on its website, including the Council's Performance Plan, Comprehensive Performance Assessment, and the Kirklees Local Area Agreement. 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 the Strategic Finance Service and finance staff in other service areas for their hard work and commitment in completing this Statement of Accounts and all the supporting information.

Adrian Lythgo, CPFA
Director of Finance

STATEMENT OF RESPONSIBILITIES AND CERTIFICATE

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 Finance;
- manage its affairs to secure the economic, efficient and effective use of resources and safeguard its assets;
- approve the Statement of Accounts.

The Director of Finance's Responsibilities

The Director of Finance is responsible for the preparation of the Council's Statement of Accounts in accordance with proper practices as set out in the CIPFA Code of Practice on Local Authority Accounting.

In preparing this Statement of Accounts, the Director of Finance has:

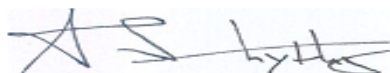
- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with the Code of Practice.

The Director of Finance 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 fairly the financial position of Kirklees Council at 31 March 2009, and its income and expenditure for the year then ended.



Adrian Lythgo, CPFA
Director of Finance

29 September 2009

I certify that this Statement of Accounts was approved by the Corporate Governance and Audit Committee on 30 June 2009.



Ann Raistrick
Chair, Corporate Governance and Audit Committee

30 June 2009

1 Purpose of the Corporate Governance Statement

- 1.1 Kirklees Council has always had a strong commitment to good governance. Public services are essential to the well being of communities and good leadership can shape and transform the places of Kirklees. Resources though are finite. So, representative and accountable leadership that uses all available information to make informed decisions that are transparent and accountable is essential.
- 1.2 The Council is responsible for ensuring that its business is conducted in accordance with the law and proper standard, 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
- 1.3 In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and which includes arrangements for the management of risk.
- 1.4 A further dimension is the increasing importance of partnership working, whether through joint companies to deliver projects and services, or through strategic partnerships such as the Kirklees Partnership (the Local Strategic Partnership in Kirklees). Developments in national policy, such as Local Area Agreements, Area Based Grant, Joint Commissioning and Comprehensive Area Assessment are driving further requirements in strategic partnership working which are testing governance arrangements and pushing up against the boundaries of legal decision-making processes. Kirklees was aware of and anticipated these issues and has been developing its LSP accordingly over the last 4 years
- 1.5 The first annual statement of Corporate Governance was produced in June 2008. That statement provided evidence for the baseline position in Kirklees and set out the governance work programme for 2008-09. This statement in June 2009:
- Reports progress on implementing that work programme, highlighting key outcomes in relation to the Code of Corporate Governance;
 - Identifies areas for continuing improvement and sets out a work programme for 2009-10.
- 1.6 At its Annual Council Meeting on 21 May 2008, the Council established a Corporate Governance and Audit Committee. The Committee is supported by an officer working group led by the three Heads of Service responsible for Legal Services, Policy and Governance, and Internal Audit.
- 1.7 At its first meeting in June 2008, the Committee agreed a Code of Corporate Governance (which is consistent with the principles of the CIPFA/SOLACE Framework and can be obtained from the Policy and Governance Service, Civic Centre III, Huddersfield, phone 01484 221752) and the first annual Statement.
- 1.8 The principles of good corporate governance set out in the Code are:
- Focussing on the purpose of the Authority and on outcomes for the community and creating and implementing a vision for the local area;
 - Members and officers working together to achieve a common purpose with clearly defined functions and roles;
 - Promoting values for the Authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour;

- Taking informed and transparent decisions which are subject to effective scrutiny and managing risk;
- Developing the capacity and capabilities of Members and officers to be effective;
- Engaging with local people and other stakeholders to ensure robust public accountability;

1.9 The Code also sets out 5 aspects through which the principles will be delivered:

- Community Focus
- Service Delivery Arrangements
- Structures and Processes
- Risk management and Internal Control
- Standards of Conduct

1.10 This Statement also takes into account the preliminary findings from a governance survey carried out with councillors and senior managers. Early assessment of the initial returns suggest strengths around the council having clearly defined functions and roles, promoting and demonstrating the values of good governance, and taking informed, transparent decisions and managing risk. There are possible areas of concern in relation to how well the council focuses on outcomes for citizens and service users. The full findings will be assessed when they become available and the work programme will be further developed to address any areas identified for development.

1.11 This statement links to the governance aspects of the new CAA Organisational Assessment. The 'Governing the Business' theme contains 4 key lines of enquiry:

- Does the organisation commission and procure quality services and supplies, tailored to local needs, to deliver sustainable outcomes and value for money?
- Does the organisation produce relevant and reliable data and information to support decision making and manage performance?
- Does the organisation promote and demonstrate the principles and values of good governance?
- Does the organisation manage its risks and maintain a sound system of internal control?

1.12 This Statement also explains how the Council has complied with the principles of the code during 2008/09 and also met the requirements of regulation 4(2) of the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit (Amendment) (England) Regulations 2006 in relation to the undertaking an annual review of and providing assurance about the system of internal control previously included in the statement of internal control.

2 Focussing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area

2.1 The Council has continued to develop its long standing strengths in setting out clear ambitions for Kirklees. This is based on good knowledge of the characteristics of the area and the key challenges in Kirklees and its localities, gained from both data analysis and residents' experiences and priorities; awareness of the national public service targets; and, shaped by political values and objectives. The minority Conservative Cabinet last summer re-confirmed their ambitions and priorities and the Council refreshed its corporate improvement priorities and aligned the resources in the Council Priorities Budget to match. The annual November Picture of Kirklees Partnership Conference updated the evidence base across the Borough and for our localities and the key issues from that have led into the refresh of the Sustainable Communities Strategy that will be signed off by Council in September. These key issues are shared territory across the political divide and across the Partnership.

- 2.2 Over the last year, good leadership has ensured continuity of focus on the things that matter to the people of Kirklees. On the 20th January 2009 there was a change in the administration of the Council after a vote of no confidence in the Leader passed at Council by the required two thirds majority. A partnership Administration of Labour and the Liberal Democrats took control with a Labour Leader of the Council and a Liberal Democrat Deputy Leader. This had been anticipated for some months and the event itself and the follow through was carefully planned to ensure continuity of business. It took place in an orderly and businesslike way even though the matter of principle that was at stake was highly charged. This administration commands majority support in the Council chamber and has the confidence to move forward strongly because of it.
- 2.3 The new administration has come forward with its ambitions and priorities and we are now aligning the resources of the Council and the partnership accordingly. These priorities are largely around narrowing the gaps and reducing inequality across our communities at a time of recession and challenge. They agreed a balanced 3 year Medium Term Financial Plan in February despite the short time since assuming power and have signed off the LAA refresh. A renewed focus on improving overall performance, delivering the LAA and making a difference to the most vulnerable is a clear driving force backed by political conviction.
- 2.4 A new planning process has been established to provide delivery plans for the priorities including the differential action across the localities of Kirklees.
- 2.5 Consultation on the key elements of the Sustainable Community Strategy has taken place through the annual Picture of Kirklees Conference in November 2008; Voluntary Action Network; public consultation; Parish Councils; Youth Council etc. A first draft has been produced and further consultation is taking place. The final sign off by the Kirklees Partnership and Council has been delayed until September to fully include and integrate the priorities of the new administration which have to be agreed with partners and to reflect the necessary actions to implement them.
- 2.6 Performance management of the LAA has been strengthened through the Local Public Service Boards and Kirklees Partnership Executive to ensure challenging targets are met. New arrangements have been developed and are being piloted to strengthen a cross partner integrated approach to managing performance across the LAA, the National Indicator Set and other performance frameworks.
- 2.7 Kirklees participated in the national trial process for Comprehensive Area Assessment and continued to contribute strongly to the national development of CAA. A good relationship has been developed locally with the CAA Lead Officer from the Audit Commission and arrangements established for the first Area Assessment.
- 2.8 Work Programme and Actions
- 2.8.1 Sustainable Community Strategy 2009-12 to be agreed
- 2.8.2 Delivery plans to be agreed for the priorities including differential impact statements for each locality
- 2.8.3 Deliver the second year of the LAA
- 2.8.4 Further develop arrangements to better integrate performance management across partners
- 2.8.5 The Council will review and restate its corporate priorities

3 Members and officers working together to achieve a common purpose with clearly defined functions and roles

- 3.1 Functions and roles are set out in the Council's constitution and role profiles of councillors. The Council gives a high priority to constantly improving its structures and practices. Phase 1 of the Developing Officer/Councillor Knowledge (DOCK) project was successfully completed. Highlights include creating a bespoke intranet page hosting a range of products aimed at improving 'political literacy', raising the profile of councillors, and improving communications and working relationships. Phase 2 has started with work on defining technical competencies on political awareness which will enable managers and their staff to proactively address political competency as part of performance management.
- 3.2 Internal consultation started on the options for new executive structures/ward arrangements/frequency of elections, but was then deferred during the change of administration. Council will now make in principle decisions in the summer to inform wider consultation with stakeholders and the public to enable a final decision by the required deadline of December 2009.
- 3.3 The new arrangements for Council Meetings have created more opportunity to hold the executive to account, to debate key issues and discuss scrutiny reports. The strong views on the Brighter Schools for the Future proposals resulted in there being up to 12 public deputations at 3 separate Council Meetings. Pupils, parents and staff made many impressive presentations and it was a good example of active democratic debate. However, it also significantly impacted on the time available for other council business. As the BSF issues are likely to continue for some time, this will be kept under review and action taken to ensure completion of Council business (eg. The meeting in June is scheduled to start an hour earlier).
- 3.4 The progression of the Youth Council has been positive and much progress has been made since its establishment. The elections returned a cross section of Youth Councillors who meet regularly to debate issues important to young people. They are developing a DVD to submit to a Channel 4 competition.
- 3.5 The arrangements for Councillor Call for Action have been implemented across the district and the Kirklees model has been recognised nationally as an example of good practice and was highlighted in the joint Centre for Public Scrutiny and IDeA best practice guidance published in March.
- 3.6 The review of the Local Strategic Partnership (the Kirklees Partnership) was completed in June and the recommended actions were agreed and implemented. This has resulted in a stronger focus on managing performance and also more time to develop cross agency approaches to the challenges facing Kirklees. Although good improvement has been made, the partnership has recognised that it needs to improve further if it is to make a practical impact on improving the quality of life in Kirklees whilst managing declining resources.
- 3.7 The first phase of the review of the delegation scheme has been completed and the changes incorporated in the constitution in June.
- 3.8 The first and second phases of the Community Governance (Parish Council) Review were completed on schedule and the Corporate Governance and Audit Committee will make recommendations to the July Council.
- 3.9 The Standards Committee agreed new assessment procedures and devised, implemented and introduced training for committee members. Under the new devolved arrangements 20 complaints were put through the process (compared to 6-8 per year previously).
- 3.10 Work Programme and Actions
- 3.10.1 Political competencies piloted, launched and embedded in the PEAK process. Effectiveness to be evaluated after 12 months.

- 3.10.2 External consultation on options for executive arrangements to implement the LG+PIH Act 2007 to inform decision by Council in December for implementation in May 2010.
- 3.10.3 Further develop both Council Meeting and the Youth Council. In particular to strengthen the links between the Youth Council and the other structures of the Council.
- 3.10.4 Further strengthen the leadership of partnership arrangements to enable more effective shared decision making and use of resources. There is the potential to commission peer assessment to support this process.
- 3.10.5 Complete the review of the delegation scheme.
- 3.10.6 Implement the decisions of the Community Governance Review and strengthen relationships with the Parish/Town Councils.
- 3.10.7 Complete a review of local determination of standards complaints (instigated February 09) and implement further training.
- 3.10.8 In considering the constitutional arrangements for the year 2009-10, the Corporate Governance and Audit Committee decided that it was timely to commission and undertake a thorough review, with external support, of the effectiveness of scrutiny in Kirklees.
- 3.10.9 One consequence of the political controversies during the year was that it was not appropriate to review the arrangements for Area Committees and the relationship with Locality Working. There were preliminary discussions with the political groups which will be used to inform further work this year.
- 3.10.10 The Policy and Governance service will establish rigorous customer feedback processes with regards to all governance functions.

4 Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour

- 4.1 The new process for local determination of complaints about breaches of the Member Code of Conduct were publicised with information on how to complain. There has been an increase in the volume of complaints which have been made to the Standards Committee, although the level of increase is not unexpected given the accessibility of the local-based system and is not out of line with the experience of other neighbouring authorities.
- 4.2 Complaints received by the Standards Committee have been progressed in a timely manner in accordance with the time scales recommended by the Standards Board for England. A number of reports have been finalised, and whilst they have not yet been formally dealt with by the Committee, they are recommending generally that there have been no breaches of the Member Code of Conduct.
- 4.3 The Standards Committee has undertaken a review of the first year of the local determination regime. A number of recommendations have been made and implemented, including increased publicity of the system and seeking feedback from those involved with the process with a view to making improvements if required.
- 4.4 Three training sessions were held for Committee members, and the results of a questionnaire asking them about their experience of implementing their role showed that they felt confident in doing so. A formal training plan was agreed by the Committee in June 2009.
- 4.5 The Committee has produced an annual report for the first time, which is being recommended for approval to Council in June 2009.
- 4.6 The Council's whistle blowing policy continues to be clearly publicised and available for use. Changes to the approach to "Whistle blowing", involving the Corporate Customer Standards

Officer, who is now the first point of contact, and assessment jointly between the Director of HR and Development, and the Head of Internal Audit have been effective in identifying actions necessary. In the year April 2008 to March 2009, there were 3 'whistle-blowing' all of which were subject to some investigation, although no formal action was taken as a result of any of these.

4.7 The Council works closely with key partner organisations, Kirklees Neighbourhood Housing and Kirklees Active Leisure in particular, to ensure similar standards.

4.8 Work programme and actions

4.8.1 Continue programme of training and awareness raising for both Standards Committee Members and other Members about the new local determination process.

5 Taking informed and transparent decisions which are subject to effective scrutiny and managing risk

5.1 The structures and processes of the Council ensure that decisions are transparent. From the outset, Kirklees was clear that Scrutiny should have a pro-active and constructive role – the emphasis was on ensuring the best decision is taken first time rather than criticising afterwards. This is built into the Council's constitution and working practices. The outcomes of scrutiny are set out in the Annual Report that will be presented to Council. As mentioned previously a full review of the effectiveness of scrutiny is being commissioned. The Forward Plan provides a key tool for early engagement in forthcoming decisions and this is reinforced by regular meetings between Cabinet Members and the Chairs of the respective scrutiny panels.

5.2 Council Meeting, Cabinet, Scrutiny, and Area Committees all provide opportunities for public engagement and transparency.

5.3 The cross agency group (CORIE) has made good progress to develop an integrated data-hub to make information about the picture of Kirklees more widely available. This will be launched this summer. Co-ordinated work on the Joint Strategic Needs Assessment evidences the better co-ordination of research across organisations.

5.4 Each year the Council carefully considers any risk factors that may affect financial performance, including budgetary provision at service level where it is thought likely that costs will be incurred at any stage within the Medium Term Financial Plan (3 years). The residual – unlikely but possible – financial consequences of risk are provided in a contingency budget. This budget has never been called upon, and it rolls forward as a source for addressing risks in future years.

5.5 Routine reporting of risks led to updated service and corporate registers. No significant risk crystallised during the year, and financial impacts have been identified through monitoring process, and or absorbed within existing resources. Internal audit work during the year recommended some changes to our processes.

5.6 Work Programme and Actions

- Further develop integrated data hub, better co-ordinate research and provide better information about the localities.
- Update Risk Management Strategy and associated procedures.

6 Developing the capacity and capability of members and officers to be effective

6.1 We have a long tradition of excellent working relationships between Councillors, officers and partners based on trust, respect and common goals. The Audit Commission has described

- relations between officers and councillors as “constructive and characterised by mutual respect and a common purpose.”
- 6.2 We are strongly committed to community leadership and accountability; support our Councillors in their many roles, including a quality development programme. We have clear role profiles for Councillors reflecting their responsibilities as a basis for the Members Allowances Scheme and our nationally accredited Quality Councillor Development Programme.
- 6.3 This continues to be a strong priority for the Council as a result of which Kirklees has been requested to pilot a number of the recommendations of the Councillors Commission.
- 6.4 Strong links have been maintained with Huddersfield University to develop new training opportunities for councillors. Highlights include one Councillor gaining the Post Graduate Certificate in Public Sector Modernisation, and two achieved the Diploma level. The short course programme of master classes on community leadership was developed with Huddersfield University and was attended by one quarter of councillors alongside senior officers. A number of Councillor forums were held on a wide range of topics.
- 6.5 Kirklees is leading a regional project to conduct a survey of former councillors about their experiences looking at their motivations for being a councillor, experience whilst in office and reflections on what could and should have been better. The findings will be reported nationally and will be used to develop local and regional support interventions to better equip councillors to carry out their ward role.
- 6.6 The project initiation document and work packages for DOCK phase 2 have been agreed. Technical competencies on political awareness have been prepared.
- 6.7 A full review of Councillor Role profiles and of the Members Allowances Scheme was completed and presented to the Independent Panel at their meetings in October and November. The final report of the panel and associated recommendations were agreed by Council in March. Panel recommendations on better support for ward councillors and for those councillors in employment are being picked up through the work on the Councillors Commission,
- 6.8 It was agreed that Kirklees would be one of the areas nationally to pilot some of the recommendations of the Councillors Commission. A brief for the pilot was developed and agreed. The focus of the pilot involves a comprehensive examination and strengthening of the role of the front line councillor. This includes work to better understand the barriers to becoming a councillor in Kirklees, improve further the support that we provide to elected councillors, and provide better information, and intelligence for our ward councillors. This will build on the work already being done by the new Community Governance team to better support ward councillors.
- 6.9 The change of political administration led to a number of new councillors taking on new senior roles. This was quickly recognised and external agencies have worked with us to develop support and mentoring programmes.
- 6.10 We acknowledge that, alongside our councillors, our staff are an important resource. The development of the two goes hand in hand. We plan succession and encourage our talent to develop as the next generation of managers and leaders. We have an HR reform programme to give managers greater flexibility, opportunities to exercise judgement and take responsibility for shaping their Service. We want managers to lead, inspire and motivate their staff as this is the key to achieving our ambition.
- 6.11 Our framework approach to HR policies encourages managers to focus on the individual with consistency being around judgment rather than rules. To help employees meet the complex demands of work and home we have introduced flexible working, working at home with mobile and touch down working. Flexibility is popular with staff and increases productivity.

- 6.12 The Leadership Framework within the Organisational Development Strategy maintains a focus on leadership development, talent management, succession planning, and personal development plan (PDP) programmes. A 5th cohort of potential leaders has now started in the Leadership academy. The PDP programme for employee networks provides an emphasis on talent management of under-represented groups highlighted in the workforce plan. The leadership framework has increased capacity for development, supported managers to grasp the wider context and adapt quickly, develop trust, improved partnership working, service improvements and economies of scale.
- 6.13 The leadership framework embraces DOCK and a number of forums for joint learning for councilors and officers have been very successful. Particularly successful, and unique to Kirklees, is our master class workshop on political relationships, led by senior councillors.
- 6.14 We are increasingly developing joint leadership training with partner organisations such as West Yorkshire Police and NHS Kirklees. Senior leaders and managers from those organizations also contribute to our range of workshops and events.
- 6.15 Work Programme and Actions
- 6.15.1 Further develop links with Huddersfield University and support more councillors to enrol on and study for the PGC course, and develop further master classes.
- 6.15.2 Implement leadership and mentoring programmes for cabinet members and other senior councillors.
- 6.15.3 Report on and implement findings of the surveys with former councillors.
- 6.15.4 Fully implement DOCK Phase 2, including the development of a range of e-learning products; a political action learning framework; a two-way shadowing framework; political speed-dating sessions; question time session with a cross-section of councillors; promotion of existing events; bespoke training for services; further 'day in the life of' case studies; a programme of democratic events;
- 6.15.5 Implement agreed actions to pilot recommendations of the Councillors Commission, including to develop an exit interview process; improve support to councillors; provide advice and support to local employers who employ councillors or prospective councillors; bring together ward based intelligence, information and analysis in an innovative format accessible for ward councillors with appropriate delivery systems; a programme of health and well being support for councillors.
- 6.15.6 Continue to implement the leadership framework and other activities to ensure that councillors, employees, and managers from different disciplines develop and learn together and learn from good practice.

7 Engaging with local people and other stakeholders to ensure robust accountability

- 7.1 Kirklees has developed many effective ways to communicate with and involve residents and stakeholders. In doing so we have recognised that there are now challenges to better co-ordinate and join up activity with partners. It is important also to develop stronger approaches to engaging with residents about their aspirations for the future and how we can shape places and services.
- 7.2 We completed a successful CAA trial on the theme of community engagement and involvement, including benchmarking against the expectations of the Duty to Involve and an equality impact assessment. The Kirklees Partnership Executive commissioned work to develop a multi-agency framework for community involvement and engagement. Cross-partnership working groups were established to take forward work on drafting the framework and supporting guidance and agreeing mechanisms to co-ordinate and join up activity; embedding the duty to involve into formal processes and decision-making; developing a range

of options to improve how public services in Kirklees develop and sustain more meaningful, regular ongoing dialogue with citizens.

- 7.3 The findings of the Place Survey have been widely shared and work is being done to better understand the views of particular groups of residents.
- 7.4 Relationships with the Parish/Town Councils have continued to develop. Regular liaison meetings with the Parish Council chairs and clerks have addressed a wide range of issues and commissioned subsequent training.
- 7.5 Work Programme and Actions
- 7.5.1 All partners to adopt framework as recommended by the Kirklees Partnership Executive and practical steps taken to co-ordinate and join up communication activity across partners at both Kirklees and locality levels, including piloting approaches to stronger dialogue with residents.
- 7.5.2 As part of implementing the decisions of the Community Governance review, develop a programme of work to improve relationships between council services and parish councils and also with the area committees.

8 Financial Controls and other Assurances

- 8.1 The Accounts and Audit Regulations (Amendments) (England) 2006 requires the Council to “conduct a review at least once a year of the effectiveness of its systems of internal control”, as evidence for this Annual Governance Statement. The Council’s Corporate Governance and Audit Committee has determined on the basis of information and advice from the Council’s Head of Internal Audit that the Council has an adequate and effective control environment (Report to and minutes of Corporate Governance and Audit Committee 30 June 2009).
- 8.2 The Council has a well established process that generates a strategic annual plan to review systems and processes - financial and non-financial – and operational activities, which delivers the plan with prioritised variations, agrees recommendations with service management, and carries out investigations. The outcomes of audit activity are summarised in detailed quarterly reports to the Corporate Governance and Audit Committee.
- 8.3 Internal audit work examined 103 processes and systems, both financial and none financial, and found 13% of them contained weakness, although all of the 29 key financial or organisation or business controls which were examined were found to be at least generally satisfactory. There were 15 investigations into “irregularity” most of which related to the loss of cash or other assets.
- 8.4 More schools have shown they meet the Financial Management Standard for Schools. 21 Secondary schools and 55 Primary Schools have passed .
- 8.5 The financial systems maps have been updated by the systems owners with reviews by Internal Audit as appropriate.
- 8.6 Value for Money statements were produced by Heads of Service and received corporate challenge, which helped inform elements of the Council’s budget strategy.
- 8.7 Assessment of risk management, and risks associated with partnership working were carried out, including joint work with the NHS, and issues of control were identified and addressed.
- 8.8 The Audit Commission’s Annual Audit and Inspection Letter reported an unqualified opinion on the accounts for 2007/08. A number of issues related to accounting were raised and have been discussed with the Audit Commission and addressed as appropriate.

8.9 Work Programme and Actions

Priorities in the Internal Audit Plan for 2009-10 include;

8.9.1 Complete the position with residual secondary schools in relation to FMSIS and re-accredit those which passed prior to March 2007. Continue to assess and accredit primary schools.

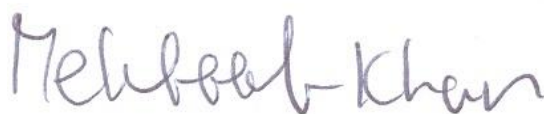
8.9.2 Promoting fraud awareness amongst employees and members

9 Statement of the Leader of the Council and the Chief Executive

9.1 We have been advised on the implications of the result of the review of the effectiveness of the governance framework by the Corporate Governance and Audit Committee and that a plan to address weaknesses and ensure continuous improvement of the system is in place.

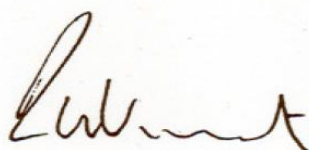
9.2 This statement identifies the programme of work for 2009-10 to improve the governance arrangements of the Council and to implement the requirements of the Local Government and Public Involvement in Health Act 2007. We will ensure that the necessary action is taken to implement the work programme to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified and we will monitor their implementation and operation as part of our next annual review.

Signed:



Cllr Mehboob Khan, Leader of Kirklees Council

Signed:



Rob Vincent, Chief Executive, Kirklees Council

STATEMENT OF ACCOUNTING POLICIES

This section explains the basis of the figures in the financial statements and the concepts and policies underpinning the accounts.

The accounts have been prepared in accordance with the requirements of the Code of Practice on Local Authority Accounting in the United Kingdom 2008 (the Code). The Code has been approved as a Statement of Recommended Practice (SORP). The accounting convention adopted is historical cost, modified by the revaluation of fixed assets and some stock carried at current cost. The following accounting concepts have been applied and policies adopted in preparing the financial accounts:

FUNDAMENTAL ACCOUNTING CONCEPTS

Qualitative characteristics of financial information:

- (i) **Relevance** - the accounts have been prepared with the objective of providing information about the Council's financial performance and position that is useful for assessing the stewardship of public funds and for making economic decisions.
- (ii) **Reliability** - the financial information is reliable as it has been prepared so as to reflect the reality or substance of the transaction and activities underlying them, rather than their legal character (Substance over Form); is free from deliberate or systemic bias; is free from material error; and has been prudently prepared.
- (iii) **Comparability** - in addition to complying with the Code, the accounts also comply with the Best Value Accounting Code of Practice, which establishes proper practice with regard to consistent financial reporting and aids comparability with other local authorities.
- (iv) **Understandability** - these accounts are based on accounting concepts, treatments and terminology which require reasonable knowledge of accounting and local government. However, all reasonable efforts have been made to use plain language and technical terms have been explained in a glossary.
- (v) **Materiality** - the concept of materiality has been used in preparing the accounts, so that items under an acceptable tolerance level may be omitted, provided that in aggregate their exclusion would not be expected to influence assessments of the authority's stewardship, economic decisions, or comparisons with other entities, based upon these financial statements. Whether an item (or items considered in aggregate) is material will depend on the size and nature (including the legality and sensitivity of information, and its effect on other transactions) of the item in question, judged in the circumstances of the case.

Pervasive accounting concepts:

These concepts play a pervasive role in the financial statements, and hence in the selection and application of accounting policies and estimation techniques and the exercise of professional judgement.

- (i) **Accruals** - the financial statements, other than the cash flow information, are prepared on an accruals basis. This means that expenditure and income are recognised in the accounts in the period in which they are incurred or earned, not as money is paid or received.
- (ii) **Going Concern** - the accounts have been prepared on the assumption that the Authority will continue in operational existence for the foreseeable future.
- (iii) **Primacy of legislative requirements** - it is a fundamental principle of local authority accounting that, when specific legislative requirements and accounting principles conflict, legislative requirements shall apply. However, such conflicts are usually dealt with by the SORP by showing the position required by following accounting concepts in the Income and Expenditure Account and showing the effect of the legislative requirements in the Statement of Movement on the General Fund Balance.

ACCOUNTING POLICIES AND ESTIMATION TECHNIQUES

Accounting policies are the principles, bases, conventions, rules and practices that specify how the effects of transactions and other events are reflected in the financial statements of the Council. Consistent accounting policies have been applied both within the year and between years. Where accounting policies have been changed, the reason and effect will have been separately disclosed.

STATEMENT OF ACCOUNTING POLICIES

Estimation techniques are the methods adopted by the Council to arrive at estimated monetary amounts, corresponding to the measurement bases selected for assets, liabilities, gains, losses and changes in reserves. Accounting policies detail any estimation techniques used.

Accruals

Sales, fees, charges and rents are accrued and accounted for in the period to which they relate. Such transactions are only recognised when a right to consideration exists due to the performance of a contractual obligation. Payments received in advance of such performance have been recognised as a liability on the balance sheet. Employee costs are charged to the accounts of the period within which the employees worked. Interest payable on external borrowings and interest income is accrued and accounted for in the accounts of the period to which it relates on a basis which reflects the overall economic effect of the borrowings. Supplies and services are accrued and accounted for in the period during which they were consumed or received. Accruals have been made for all material sums unpaid at the year end for goods and services received or work completed.

Area Based Grant (ABG)

From 2008/09, Local Area Agreement (LAA) Grant and some smaller grants have been replaced by Area Based Grant (ABG). ABG is a non-ringfenced grant, that is there are no conditions imposed on use as part of the grant determination, ensuring full local control over how funding can be used. Also, unlike LAA Grant, ABG is paid directly to the authority that benefits from the grant, rather than being paid to the upper-tier authority for the area in the capacity of "accountable body" for onward distribution. ABG is classified as a general grant and is therefore included in the Income and Expenditure Account with other general sources of income such as income from the Collection Fund.

Contingent Assets and Liabilities

Any contingent assets and liabilities are not included in the accounting statements, but are disclosed by way of notes.

Events after the Balance Sheet Date

Any material events after the balance sheet date which provide additional evidence relating to conditions existing at the balance sheet date, or indicate that application of the going concern concept is not appropriate, have been included in the accounts. Any material events after the balance sheet date which relate to conditions which did not exist at the balance sheet date have been disclosed on a separate note to the accounts.

Events have been considered up to and including 29 September 2009.

Exceptional Items, Extraordinary Items and Prior Year Adjustments

Any exceptional items are included in the cost of service to which they relate or on the face of the Income and Expenditure Account if such a degree of prominence is necessary to give a fair presentation of the accounts. Details of such items are given in the notes to the accounts.

Any extraordinary items are disclosed on the face of the Income and Expenditure Account, after dealing with all the items within the ordinary activities of the Authority, and are explained fully in the notes.

Material prior year adjustments arising from changes in accounting policies or from the correction of fundamental errors have been accounted for by restating the comparative figures in the financial statements and notes. The cumulative effect of any adjustments is noted at the foot of the STRGL, if appropriate.

Financial Instruments

Financial Liabilities

Financial Liabilities are initially measured at fair value and carried at their amortised cost. Annual charges to the Income and Expenditure Account for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. For many of the borrowings of the Council, the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest) and interest charged to the Income and Expenditure Account is the amount payable for the year in the loan agreement.

STATEMENT OF ACCOUNTING POLICIES

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to Net Operating Expenditure in the Income and Expenditure Account 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 Income and Expenditure Account 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 Income and Expenditure Account, regulations allow the impact on the General Fund Balance to be spread over future years. The Council has a policy of spreading losses over the life of the replacement loan and gains over a similar period up to a maximum of ten years. The reconciliation of amounts charged to the Income and Expenditure Account 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 Statement of Movement on the General Fund Balance.

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 initially measured at fair value and carried at their amortised cost. Annual credits to the Income and Expenditure Account for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most loans given and investments, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Income and Expenditure Account is the amount receivable for the year specified in the contract.

When soft loans are made (loans charged at a rate of interest less than market rate), a loss should be recorded in the Income and Expenditure Account 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. Statutory provisions neutralise the impact of soft loans on the General Fund Balance.

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 Income and Expenditure Account.

Any gains/losses that arise on the derecognition of the asset are credited/debited to the Income and Expenditure Account.

Available-for-Sale Assets

These assets are initially measured and carried at fair value. Where the asset has fixed or determinable payments, annual credits to the Income and Expenditure Account for interest receivable are based on the amortised cost of the asset multiplied by the effective interest rate for the instrument. Where there are no fixed or determinable payments, income (for example, dividends) is credited to the Income and Expenditure Account 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 Statement of Total Recognised Gains and Losses. The exception is where impairment losses have been incurred – these are debited to the Income and Expenditure Account, along with any net gain/loss for the asset accumulated in the Reserve.

STATEMENT OF ACCOUNTING POLICIES

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 Income and Expenditure Account.

Any gains/losses that arise on the derecognition of the asset are credited/debited to the Income and Expenditure Account, along with any accumulated gains/losses previously recognised in the STRGL.

Instruments entered into before 1 April 2006

The Council entered into a number of financial guarantees that are not required to be accounted for as financial instruments. These guarantees are covered in the Contingent Liabilities Note.

Grants and Contributions

Revenue grants and contributions are credited to income in the same period in which the related expenditure was charged. Where the acquisition of an asset is financed either wholly or in part by a grant or contribution, the amount is credited initially to the Grants Deferred Account and written off in the service revenue accounts over the useful life of the asset to match the depreciation of the asset to which it relates.

Group Accounts

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 and transactions with companies and other entities are recorded as investments and under related party transactions respectively.

Intangible Assets

These are non-financial fixed assets that do not have physical substance but are identifiable and are controlled by the authority through custody or legal rights. Purchased intangible assets (i.e. software licences) are capitalised, brought onto the balance sheet at cost and amortised over the period benefit is received (between 3 and 10 years). Straight-line amortisation has been adopted and it is assumed that residual value is insignificant or nil. Intangible assets are reviewed annually for impairment.

All services are charged with a provision for amortisation and, where required, any related impairment loss, for all intangible assets used in the provision of the service.

Internally developed intangible assets are only capitalised where there is a readily ascertainable market value, and software development costs that are directly attributable to bringing a computer system into use, are treated as part of the related hardware rather than as a separate intangible asset.

Landfill Allowance Trading Scheme (LATS)

The Council has adopted the accounting treatment in the proposed "Urgent Issues Task Force" Abstract on Emission Rights. Allowances, whether allocated by the Department for Environment, Food and Rural Affairs (DEFRA) or purchased from another Waste Disposal Authority, are recognised as current assets, valued in the balance sheet at lower of cost and net realisable value.

Allowances issued by DEFRA are initially recognised as deferred income in the balance sheet and subsequently recognised as income on a systematic basis over the compliance year for which the allowances were allocated.

As landfill is used, a liability is recognised. This liability is discharged by using allowances, paying a cash penalty to DEFRA or a combination of both. The liability is measured at the market value at the balance sheet date of the number of allowances estimated to be needed to cover actual biodegradable municipal waste disposed to landfill in the year.

Leases

The Council accounts for leases as finance leases when substantially all the risks and rewards relating to the leased items transfer to the Authority. Rental payments are apportioned between the

STATEMENT OF ACCOUNTING POLICIES

finance charge and the reduction of the outstanding lease obligation (deferred liability). Fixed assets recognised under finance leases are accounted for using policies applied to Tangible Fixed Assets.

Leases that do not meet the definition of finance leases are accounted for as operating leases. Rental payments under operating leases are charged to revenue on a straight line basis over the term of the lease.

Any rental income received by the Council acting as a lessor is recognised on a straight line basis over the period of the lease.

Overheads

In accordance with current CIPFA guidelines, the costs of support services are recovered from users either by charges under service level agreements or by cost apportionments (based on time spent or usage). The costs of the Corporate and Democratic Core and of Non Distributed Costs are allocated to discrete headings and are not apportioned to services.

Pensions

Accounting for pensions is carried out in accordance with FRS17. FRS17 requires an authority to look beyond its commitment to pay contributions to pension funds and to determine the full longer-term effect that the award of retirement benefits in any year has had on the authority's financial position. Inclusion of the attributable share of the fund assets and liabilities does not mean that legal title or obligation has passed to the employer. Instead it represents the employer's commitment to increase contributions to make up any shortfall in attributable net assets, or its ability to benefit via reduced contributions from a surplus in the scheme.

FRS17 only applies to defined benefit pension schemes that is those where 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. Defined contribution pension schemes, that is where an employer pays fixed amounts into the scheme and has no obligation to pay further amounts if the scheme does not have sufficient assets to pay employee benefits, are accounted for by charging employer contributions to revenue as they become payable.

The Council participates in two different pension schemes which meet the needs of employees in particular services. Both schemes provide members with defined benefits related to pay and service. The schemes are as follows:

Teachers – This scheme is administered by the Teachers' Pensions Agency (TPA). Although the scheme is unfunded, meaning it has no investment assets, the TPA uses a notional fund as the basis for calculating the employers' contribution rate paid by local education authorities. However, it is not possible for the authority to identify a share of the underlying liabilities in the scheme attributable to its own employees. For this reason the SORP allows this scheme to be accounted for on the basis of a defined contribution scheme. Therefore the pensions cost reported within Net Cost of Services is equal to the contributions payable to the scheme for the accounting period. An asset or liability is recognised only to the extent that there may be prepaid or outstanding contributions at the balance sheet date.

The Council is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the Teachers' scheme. These benefits have been accrued in the pension's liability.

Other Employees - Other employees, subject to certain qualifying criteria, are eligible to join the West Yorkshire Pension Fund, which is part of the national 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 pension's liabilities with investment assets over the long term.

FRS17 requires the following:

- the recognition of the net asset/ liability and a pensions reserve in the Consolidated Balance Sheet;

STATEMENT OF ACCOUNTING POLICIES

- current service (pensions) cost, past service costs, gains and losses on settlements and curtailments to be charged in the Net Cost of Services section of the Income and Expenditure Account;
- interest cost (pensions) and expected return on assets to be charged in the Net Operating Expenditure section of the Income and Expenditure Account;
- reconciling entries in the Statement of Movement on the General Fund Balance which ensures that FRS17 remains neutral in terms of its impact on Council Tax levels;
- actuarial gains and losses between years being recognised in the Statement of Total Recognised Gains and Losses.

The attributable assets of the LGPS have been measured at fair value. These valuations are either objective (requiring reference to published market information) or based on the opinion of an expert valuer. Assets include current assets, such as debtors and cash, as well as the investment portfolio.

Liabilities largely comprise benefits promised under the formal terms of the pension schemes, but also include any discretionary benefits offered. The attributable liabilities of each scheme have been measured on an actuarial basis using the projected unit method. Scheme liabilities have been discounted at a rate that reflects the time value of money and the characteristics of the liability. The discount rate is based on the current rate of return on a high quality corporate bond of equivalent currency and term to scheme liabilities.

Private Finance Initiatives (PFIs)

With the exception of the contract for Special Schools, the Authority accounts for PFI contracts in accordance with Application Note F of FRS5. This specifies that properties used to provide services under PFI contracts, should be recognised as an asset by whichever party has access to the risks and benefits of the property. Having assessed existing contracts, the Authority has concluded that assets in the contracts do not have to be recognised on its balance sheet.

As far as the Special Schools contract is concerned, classification as off-balance sheet was made under Treasury Taskforce Technical Note No1 (TTF TN1), without reference to FRS5 and this represents a departure from the SORP. FRS18 allows departures from relevant accounting standards if the adopted accounting is more appropriate to the reporting organisation's particular circumstance. It is asserted that analysis under TTF TN1 is consistent with practice in the local government sector.

Because assets have been classified as off-balance sheet, all payments made under the contract are charged to the revenue account. Those assets which have been contributed to PFI contracts by the Council are accounted for as deferred consideration, which is charged to the revenue account over the life of the contract.

Those assets which will transfer back to the Authority's ownership at the end of the contracts are accounted for by identifying the element of the contract payments which notionally relates to their acquisition and treating it as a prepayment, creating a long term debtor which is built up over the life of the contract. Application Note F of FRS5 requires that the long term debtor balance should be built up to a value which, at the time that the contract is entered into, the Council expects will be the fair value of the assets at time of transfer. In order to arrive at an estimate of this value, the completed assets are valued in line with the Council's revaluation policy and are depreciated on a straight-line basis over the life of the contract. In order to reflect expected price increases during the life of the contract, the depreciated value is then adjusted for inflation using the Treasury's long term inflation target figure. The resulting expected value for assets is built up as a long term debtor in annual equal amounts over the life of the contract, in accordance with the SORP.

If, during the life of the contract the expected transfer value of the assets falls, this would be treated as an impairment and a provision for the fall in value would be created.

Provisions

Provisions have been made in the accounts for liabilities or losses which are likely to be incurred or certain to be incurred, but uncertain as to the amounts or dates on which they will arise. Provisions

STATEMENT OF ACCOUNTING POLICIES

are charged to the relevant service account and reviewed annually to determine their appropriateness. The biggest provision is for insurance claims. The insurance provision represents most likely liabilities, determined in light of advice from actuaries.

The Council has made provision for the costs of settling claims for back pay arising from discriminatory payments incurred before the implementation of its equal pay strategy. However, statutory arrangements allow settlements to be financed from the General fund in the year that payments actually take place, not when the provision is established. Part of the provision has therefore been balanced by an Equal Pay Back Pay Account that will be debited to the Statement of Movement on the General Fund Balance in future financial years as payments are made.

Provisions for Bad and Doubtful Debts

The carrying amount of debtors is adjusted for provisions for doubtful debts, and known uncollectable debts have been written off in full. The main provisions are for debts relating to Council Tax, Non-Domestic Rates and Housing Rents. 40% of all outstanding debts on Council Tax and Non-Domestic Rates that are less than a year old are provided for, and these factors are increased for every year of outstanding debt until all debts over six years are fully provided for on Council Tax and seven years on Non-Domestic Rates. The Housing Rents' bad debt provision has been calculated on the basis of 20% of all current tenants' arrears and 90% of all former tenants' arrears being provided for.

Reserves

These are amounts set aside for purposes falling outside the definition of provisions. Transfers to and from reserves are shown in the STRGL and not within the Income and Expenditure Account. For each reserve established, the purpose, usage and basis of transactions are clearly identified.

The Council has both Capital and Revenue Reserves, some of which can be used to support expenditure and others which have been established for other purposes. The Usable Capital Receipts Reserve is a reserve established for specific statutory purposes. The Major Repairs Reserve is required by statutory provision, established in relation to the HRA. The Revaluation Reserve and FRS17 Pensions Reserve are kept to manage the accounting processes for tangible fixed assets and retirement benefits, and do not represent usable resources for the Council.

Revenue Expenditure funded from Capital under Statute

Legislation in England and Wales allows some expenditure to be classified as capital for funding purposes when it does not result in the expenditure being carried on the Balance Sheet as a fixed 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 authority, and amounts directed under section 16(2) of part 1 of the Local Government Act 2003. Such expenditure should be charged to the Income and Expenditure Account in accordance with the SORP. Where statutory provision allows capital resources to fund the expenditure, it should be debited to the Capital Adjustment Account and credited to the General Fund Balance, showing as a reconciling item in the Statement of Movement on the General Fund Balance.

Stocks and Work in Progress

Stocks are generally shown in the Balance Sheet at historic cost. The main exception to this is Building Services' stocks which are valued at current replacement cost. Work in progress is shown at current cost, including overheads.

Tangible Fixed Assets

Recognition and Measurement -

All expenditure on the acquisition, creation or enhancement of tangible fixed assets is capitalised provided that the asset yields benefits to the Council for a period of more than one year. This excludes expenditure on routine repairs and maintenance of fixed assets which is charged directly to service revenue accounts.

Assets are initially measured at cost, comprising all expenditure that is directly attributable to bringing the asset into working condition for its intended use. Assets are classified into the groupings required by the Code and are carried in the Balance Sheet on the following measurement bases:

STATEMENT OF ACCOUNTING POLICIES

- Operational assets - the lower of net current replacement cost and net realisable value in existing use.
- Investment properties and assets that are surplus to requirements - the lower of net current replacement cost and net realisable value.
- Fixed assets under construction - historic cost.
- Infrastructure assets - historic cost, net of depreciation.
- Community assets - nominal value.

Property assets, excluding those of the HRA, are revalued by means of a five year rolling programme. HRA properties are valued annually. Valuations are carried out on the basis recommended by CIPFA and in accordance with the Statements of Asset Valuation Principles and Guidance Notes issued by the Royal Institution of Chartered Surveyors (RICS). Notwithstanding the requirement for a formal programme of revaluations, the Council is required to monitor values for unusual upward or downward movements, and liaise with valuers in order to adjust values accordingly.

Assets acquired on terms meeting the definition of a finance lease have been capitalised and included together with a liability to pay future rentals. On the inception of the lease, the amount recorded as both an asset and liability is the present value of the minimum lease payments derived by discounting them at the interest rate implicit in the lease.

Where a fixed asset is included in the Balance Sheet at current value, the increase over the previous carrying amount is credited to the Statement of Total Recognised Gains and Losses (STRGL) and taken to the Revaluation Reserve, except to the extent it reverses revaluation losses. Where on revaluation there has been a decrease over the previous carrying amount, an impairment loss has occurred. If the loss in value is considered to be due to clear consumption of benefits, then it should be recognised in the Income and Expenditure Account. If the loss is not associated with a clear consumption of benefits but primarily a fall in prices, then it should be recognised in the STRGL up to the balance held for the asset on the Revaluation Reserve, and thereafter in the Income and Expenditure Account.

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

Depreciation and Impairment -

Depreciation is provided for on all fixed assets except for freehold land, non-operational investment properties and assets under construction. Assets are depreciated on a straight-line basis over their estimated useful lives. Residual values are taken into account in the calculation of depreciation, where appropriate. Estimated lives for new assets vary but are mainly as follows:

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

Revaluation gains are also depreciated, with an amount equal to the difference between the 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.

Assets have been reviewed for any material impairment loss. Those arising as a result of a consumption of economic benefits have been recognised in service revenue accounts. Accounting for impairments of revalued assets is covered above.

Disposals -

Upon disposal or decommissioning, the value of the asset in the Balance Sheet is written off to the Income and Expenditure Account as part of the gain or loss on disposal. Receipts from disposals are

STATEMENT OF ACCOUNTING POLICIES

credited to the Income and Expenditure Account as part of the gain or loss on disposal. Any revaluation gains in the Revaluation Reserve are transferred to the Capital Adjustment Account. Amounts in excess of £10,000 (the de minimis set by regulation) are classed as capital receipts. A proportion of capital receipts from housing sales is required to be paid over to Central Government. The amount due is charged to the Net Operating Cost section of the Income and Expenditure Account and the same amount appropriated from the Usable Capital Receipts Reserve and the Statement of Movement on the General Fund Balance.

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 Statement of Movement on the General Fund Balance.

Charges to the Income and Expenditure Account and STRGL -

All services are charged with depreciation and where required, any related impairment loss, for all fixed assets used in the provision of the service. This includes surplus assets held for disposal, which is charged to Non Distributed Costs. All expenditure on repairs and maintenance relating to fixed assets are charged to the appropriate service revenue account.

Finance costs, including interest payable, are charged to the Net Operating Costs section of the Income and Expenditure Account. The Council is not required to raise Council Tax to cover depreciation or impairment charges. However, it is required to make annual provision from revenue to contribute towards the reduction in its overall borrowing requirement. The basis for charging finance costs to the HRA is the Item 8 Determination contained within Part 6 of the Local Government and Housing Act 1989.

The Income and Expenditure Account is:

- Credited with any revaluation gains that reverse revaluation losses (after allowing for depreciation) on the same asset that were charged to services.
- Debited with revaluation losses associated with an impairment related to a clear consumption of economic benefit.
- Debited with revaluation losses not associated with a clear consumption of economic benefit in excess of the balance on the Revaluation Reserve in respect of that asset.

The STRGL (and the Revaluation Reserve) is:

- Credited with revaluation gains, except to the extent that they reverse previous revaluation losses (after allowing for depreciation) on the same asset that were charged to the Income and Expenditure Account.
- Debited with revaluation losses not associated with an impairment related to a clear consumption of economic benefit up to the balance on the Revaluation reserve in respect of that asset.

Value Added Tax

Value Added Tax is included in the accounts only to the extent that it is irrecoverable and therefore charged to service expenditure as appropriate.

INCOME AND EXPENDITURE ACCOUNT

This account summarises the resources that have been generated and consumed in providing services and managing the Council for the last year. It includes all day-to-day expenses and related income on an accruals basis, as well as transactions measuring the value of fixed assets actually consumed and the real projected value of retirement benefits earned by employees in the year.

2007/08			2008/09			
Net Expenditure			Gross Expenditure	Income	Net Expenditure	Note
£000s	Restated £000s		£000s	£000s	£000s	1
62,918	62,918	Children's and Education Services	463,316	364,524	98,792	3/18
85,542	85,542	Adult Social Care	132,091	32,526	99,565	3
-10,558	-10,558	Housing	162,784	177,206	-14,422	
36,972	36,972	Highways and Transport	55,349	16,683	38,666	
73,247	73,247	Cultural, Environmental, Regulatory and Planning	113,679	30,586	83,093	3
7,139	7,139	Central Services to the Public	41,532	33,703	7,829	
394	394	Courts	453	0	453	
512	512	Other Services	4,234	3,530	704	
8,152	8,152	Corporate and Democratic Core	8,823	104	8,719	
15,135	15,135	Non-distributed costs	2,025	0	2,025	3
0	0	Exceptional Item	134,379	0	134,379	2
279,453	279,453	Net cost of services	1,118,665	658,862	459,803	
-163	-163	Gains(-)/ Losses on disposal of fixed assets and investments			4,110	4
0	0	Other income defined as capital receipts but not arising from asset disposal			-182	
451	451	Precepts and levies			519	5
362	362	Net deficit on trading operations			2,113	6
-9,112	-9,112	Interest and investment income			-8,980	
35,093	35,093	Interest payable & similar charges			31,113	3
7,871	7,871	Amount payable to the Housing Capital Receipts Pool			3,213	
-2,440	-2,284	Pensions interest cost and expected return on pensions assets			17,267	
311,515	311,671	Net operating expenditure			508,976	
-20,993	-20,993	General grants and contributions			-43,961	17
-139,842	-139,842	Income from the Collection Fund			-144,969	
-112,597	-112,597	Contribution from Non-Domestic Rate Pool			-128,277	
38,083	38,239	Deficit for year			191,769	

STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE

The Income and Expenditure Account shows the Council's actual financial performance for the year, measured in terms of the resources consumed and generated over the last twelve months. The Account is prepared in line with proper accounting practices, but is out of line with the statutory provisions that specify how local authorities are required to raise Council Tax. The main differences are:

- capital investment is accounted for as it is financed, rather than when the fixed assets are consumed.
- the payment of a share of housing capital receipts to the Government scores as a loss in the Income and Expenditure Account, but is met from the usable capital receipts balance rather than Council Tax.
- retirement benefits are charged as amounts become payable to pension funds and pensioners, rather than as future benefits are earned.

The General Fund Balance compares the Council's spending against the Council Tax that it raised for the year, taking into account the use of the reserves built up in the past and contributions to reserves earmarked for future expenditure.

The Statement below reconciles the differences between the outturn on the Income and Expenditure Account and the General Fund Balance.

2007/08			2008/09
£000s	Restated (note 1) £000s		£000s
38,083	38,239	Deficit from Income and Expenditure Account	191,769
-36,167	-36,323	Net additional amount required by statute and non-statutory provisions to be debited or credited to the General Fund Balance for the year	-197,992
1,916	1,916	Increase (-)/decrease in the year in the General Fund Balance	-6,223
-30,474	-30,474	General Fund Balance brought forward	-28,558
-28,558	-28,558	General Fund Balance carried forward	-34,781

A detailed breakdown of the additional amounts required by statute and non-statutory provisions to be debited or credited to the General Fund Balance are shown in note 19.

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES (STRGL)

This statement brings together all gains and losses experienced by the Authority during the year, including those not reflected in the Income and Expenditure Account.

2007/08			2008/09
£000s	Restated (note 1) £000s		£000s
-38,083	-38,239	Deficit on the Income and Expenditure Account for the year	-191,769
175,551	175,551	Surplus/deficit(-) arising from the revaluation of fixed assets	-12,083
398	398	Net movement on available-for-sale financial assets	-562
-180,104	-180,006	Actuarial gains and losses (-) on pension fund assets and liabilities	52,982
		Other gains and losses -	
-417	-417	Movement on Collection Fund Balance	-677
272	272	Exceptional gain arising from the introduction of accounting for financial instruments	0
121	121	Other	-48
-42,262	-42,320	Total recognised gains and losses(-) for the year	-152,157

MAIN FINANCIAL STATEMENTS

BALANCE SHEET

The Balance Sheet summarises the financial position of the whole Council and shows the value of the Council's assets and liabilities at the year-end.

31 March 2008			31 March 2009		Note
£000s	Restated £000s		£000s	£000s	1
1,117	1,117	Intangible Assets		1,374	25
		Tangible Assets			
		<u>Operational</u> -			26
809,265	809,265	Council Dwellings	707,031		
740,698	740,698	Other Land and Buildings	700,897		
15,282	15,282	Vehicles, Plant and Equipment	19,405		
143,265	143,265	Infrastructure Assets	163,866		
998	998	Community Assets	2,638	1,593,837	
		<u>Non-Operational</u> -			27
99,961	99,961	Investment Properties	81,851		
11,691	11,691	Assets Under Construction	11,589		
12,495	12,495	Surplus Assets	16,294	109,734	
67,286	67,286	Deferred Consideration		67,327	11(iv)
22,053	22,053	Long Term Investments		10,338	30
13,882	13,882	Long Term Debtors		16,193	31
1,937,993	1,937,993	Total Long Term Assets		1,798,803	
		Current Assets -			
2,169	2,169	Stocks and Work in Progress	2,596		32
62,275	62,275	Debtors and Payments in Advance	77,095		33
-13,805	-13,805	Less Bad Debt Provision	-16,812		33
376	376	Landfill Allowances	0		34
113,852	113,852	Investments	89,172		35
20,387	20,387	Cash and Bank	8,986	161,037	
2,123,247	2,123,247			1,959,840	
		Current Liabilities -			
-1,840	-1,840	Short Term Borrowing	-9,065		
-84	-84	Landfill Usage	0		34
-90,800	-90,800	Creditors and Receipts in Advance	-101,988		36
-1,970	-1,970	Bank Overdraft	0	-111,053	
2,028,553	2,028,553	Total Assets Less Current Liabilities		1,848,787	
-553,429	-553,429	Long Term Borrowing		-528,401	
-5,540	-5,540	Deferred Liabilities		-5,341	37
-20,077	-20,077	Provisions		-23,045	38
-107,517	-97,869	Grants Deferred Account		-120,201	39
-405,501	-407,793	Net liability related to defined benefit pension scheme		-380,111	45
936,489	943,845	Total Assets Less Liabilities		791,688	

MAIN FINANCIAL STATEMENTS

BALANCE SHEET (continued)

31 March 2008			31 March 2009	
£000s	Restated £000s		£000s	1
1,066,678	1,076,326	Capital Adjustment Account	903,386	40
-3,099	-3,099	Financial Instruments Adjustment Account	-3,081	40
0	0	Unequal Pay Back Pay Account	-4,700	40
171,377	171,377	Revaluation Reserve	155,027	40
398	398	Available-For-Sale Financial Instruments Reserve	-164	40
7,380	7,380	Capital Receipts Reserve	7,000	40
195	195	Deferred Credits	151	
-405,501	-407,793	FRS17 Pensions Reserve	-380,111	40
5,710	5,710	Major Repairs Reserve	17,590	40
37,220	37,220	Earmarked Reserves	36,745	40
28,558	28,558	General Fund Balance	34,781	40
27,801	27,801	Housing Revenue Account Balance	25,970	40
-228	-228	Collection Fund Balance	-906	
<u>936,489</u>	<u>943,845</u>	Net Worth	<u>791,688</u>	

MAIN FINANCIAL STATEMENTS

CASH FLOW STATEMENT

This statement summarises the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes. Note 47 to the Core Financial Statements specifically supports this statement.

2007/08			2008/09	
£000s	£000s		£000s	£000s
	Restated			
		<u>Revenue Activities</u>		
52,122	46,619	Net cash inflow from Revenue Activities		53,969
		<u>Dividends from Joint Ventures and Associates</u>		
0	0	Net cash inflow from dividends received		0
		<u>Returns on Investments and Servicing of Finance</u>		
		Cash Outflows -		
-29,274	-29,274	Interest paid	-30,751	
-29	-29	Interest element of finance lease rentals	-326	
-813	-813	Premiums from early repayment of loans	-24	-31,101
		Cash Inflows -		
7,729	7,729	Interest received	9,096	
33	33	Discounts from early repayment of loans	18	9,114
-22,354	-22,354	Net cash outflow from Investments and Servicing of Finance		-21,987
		<u>Capital Activities</u>		
		Cash Outflows -		
-99,920	-85,605	Purchase of assets	-97,975	
-11,000	-11,000	Long term investments	-5,596	
-499	-499	Other capital cash payments	-820	-104,391
		Cash Inflows -		
15,213	15,213	Sale of fixed assets	6,663	
8,525	8,525	Sale of Airport shares	0	
36,826	28,014	Capital grants received	25,457	
0	0	Long term investments now less than twelve months	17,222	
1,282	1,282	Other capital cash receipts	1,895	51,237
-49,573	-44,070	Net cash outflow from Capital Activities		-53,154

MAIN FINANCIAL STATEMENTS

CASH FLOW STATEMENT (continued)

2007/08 £000s		2008/09 £000s	2008/09 £000s
	<u>Acquisition and disposals of Joint Ventures and Associates</u>		
0	Net cash inflow from acquisition and disposals		0
-19,805	Net cash outflow before financing		-21,172
	<u>Management of Liquid Resources</u>		
-34,250	Net cash inflow/outflow(-) from short term investments		23,178
	<u>Financing</u>		
	Cash Outflows -		
-61,100	Repayments of amounts borrowed (long term)	-14,684	
-10,469	Repayments of amounts borrowed (short term)	-22,008	
-249	Finance Lease Principal	-181	
-224	Repayment of transferred debt	-211	-37,084
	Cash Inflows -		
122,100	New loans raised (long term)	0	
11,303	New loans raised (short term)	25,647	25,647
61,361	Net cash inflow/outflow(-) from Financing		-11,437
7,306	Increase/Decrease(-) in Cash		-9,431

NOTES TO THE CORE FINANCIAL STATEMENTS

1 Prior Period Adjustments

The accounting requirement for FRS17 Retirement Benefits has been brought into line with the international accounting standard on "Employee Benefits". This has required a change to the basis on which the value of quoted securities is measured (current bid price, rather than mid-market price, is taken as fair value). This is deemed to be a change in accounting policy and, as such, certain figures for 2007/08 have been restated.

The introduction of REFCUS is a change in accounting policy and certain figures have had to be restated, particularly in the Cash Flow Statement and on the detail of the Statement of Movement on the General Fund Balance.

In addition, the Council's Balance Sheet shows an adjustment for a balance of grant on the Grants Deferred Account which could not be matched with particular assets. The opening balance for 2007/08 has been written down by £9.6 million, with a corresponding adjustment to the Capital Adjustment Account.

2 Exceptional Item

The Council follows a programme of regular formal asset valuations as detailed in the accounting policies. Asset values normally reflect prices as at 1 April. However, as the current economic climate has caused asset values in many cases to sharply drop, an impairment review of values as at 31 March has been carried out. The exceptional item reflects the fall in asset values during the year, offset against any amounts held for these assets in the Revaluation Reserve. Impairments arising from the formal valuation work are shown within the total expenditure analysis as usual.

3 Major variances in the Income and Expenditure Account

Reasons for unusual decreases and increases in net expenditure between years are largely explained as follows:

- Children's and Education Services – increase due to ABG adjustments (£9.5 million), impairment charges (£6 million), increase in children's safeguarding costs (£5 million), school expenditure above increase in DSG (£4.5 million), provision for equal pay/increased FRS17 charges (£4 million) and increase in the costs of the PFI schemes (£1.5 million).
- Adult Services – increase due to reduced grant income, mainly arising from the ABG adjustment (£12 million).
- Cultural, Environmental, Regulatory and Planning - £2.7 million reduced income on grants and planning fees, £2.1 million extra third party payments particularly on waste disposal, £4 million capital related costs including extra REFCUS of £2.9 million relating to further roll out of the Warmzone Scheme, net of reduced net expenditure on Landfill Allowances (1.8 million) .
- Non-distributed costs – the higher figure in 2007-08 reflects the effect on past service costs as a result of a high number of early retirements in that year.
- Interest payable and similar charges – difference largely arises from adjustments on premiums and discounts in 2007-08 connected to the introduction of accounting for financial instruments in line with FRS 25, 26 and 29.

4 Gains and Losses on disposal of fixed assets and investments

The SORP requires authorities to show gains and losses on asset disposals on the face of the Income and Expenditure Account. The figure for 2008/09 includes the value of council houses demolished as part of housing regeneration projects (£3.3 million) and the value of three schools demolished to allow the building of a new school and a new adult day centre (£2.7 million).

5 Precepts and Levies

This represents the following precepts and levies:

2007/08 £000s		2008/09 £000s
409	Parish Precepts	456
42	Environment Agency	63
451		519

NOTES TO THE CORE FINANCIAL STATEMENTS

6 Trading Operations

The Council carries out the following trading operations. These operations are deemed to function in a competitive environment, that is one in which the user has discretion over whether to procure the service from the in-house provider either as part of a periodic tendering procedure or on a continuous basis.

2007/08		2008/09		
Surplus (-)/ Deficit		Expenditure	Income	Surplus (-)/ Deficit
£000s		£000s	£000s	£000s
164	Cleaning of Buildings	8,219	8,211 (*)	8
208	Building Services	38,695	38,960 (*)	-265
-5	Highways Direct Services	21,319	21,512 (*)	-193
-24	Legal Services	5,287	5,293 (*)	-6
-187	Estates Management	8,721	8,774 (*)	-53
-75	Transport Services	10,561	10,671 (*)	-110
-9	Catering	13,602	13,620 (*)	-18
432	Commercial Estates	6,721	3,061 (**)	3,660
-142	Other Services	7,405	7,875	-470
0	Dividends	0	440	-440
362		120,530	118,417	2,113
In addition the following trading activities are included within the Net Cost of Services -				
-43	Building Control	919	940	-21
-78	Markets	5,005	2,431 (**)	2,574
-121		126,454	121,788	4,666

The Best Value Accounting 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. Figures marked (*) are after the following refunds and additional charges:

Cleaning of Buildings – £1.6 million additional charge to the various services, mainly as a result of equal pay liabilities

Building Services - £1.2 million refund mainly to HRA

Highways Direct Services - £0.3 million refund to Highways

Legal Services - £0.3 million refund to various services

Estates Management - £0.3 million refund to various services

Transport Services - £1.1 million refund to the various services

Catering - £0.9 million additional charge to Children's and Education Services, mainly as the result of equal pay liabilities

(**)The Commercial Estates and Markets Services both had deficits due to respective impairment charges of £4.3 million and £2.6 million as a result of falling property values.

NOTES TO THE CORE FINANCIAL STATEMENTS

7 Building Control Charges Regulations

The Building (Local Authority Charges) Regulations 1998 require the disclosure of information regarding the setting of charges for the administration of the building control function. However, certain activities performed by Building Control cannot be charged for, such as providing general advice and liaising with other statutory authorities. The statement below shows the total cost of operating the Building Control function divided between the chargeable and non-chargeable activities.

2007/08 £000s		2008/09 £000s
	Chargeable	
-990	Income	-940
947	Expenditure	919
-43		-21
	Non Chargeable	
676	Net Expenditure	586
633	Total Deficit	565

8 Section 137 Local Government Act 1972

Section 137, as amended, empowers Local Authorities to make contributions to certain charitable funds, not for profit bodies providing a public service in the United Kingdom and mayoral appeals. There is no specified limit on such expenditure.

The Council had no expenditure under this power in 2008/09 (£31,000 in 2007/08).

9 Section 5 Local Government Act 1986

Section 5 requires expenditure on publicity to be reported. Actual expenditure on publicity was as follows:

2007/08 £000s		2008/09 £000s
776	Recruitment Advertising	839
358	Other Advertising	439
706	Other Publicity	793
1,840		2,071

10 Local Authority (Goods and Services Act) 1970

The Council is empowered by this Act to provide goods and services to other public bodies. Expenditure and income relating to this work were as follows:

2007/08			2008/09	
Expenditure £000s	Income £000s		Expenditure £000s	Income £000s
278	288	Supply of goods and materials	421	427
1,900	1,959	Administrative, professional or technical services	2,510	2,618
8	9	Vehicle and driver hire	3	4
2,117	2,314	Maintenance of buildings or grounds	1,473	1,819
4,303	4,570		4,407	4,868

NOTES TO THE CORE FINANCIAL STATEMENTS

11 Private Finance Initiative (PFI) Transactions

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 incurred costs of £11.7 million under the contract in 2008/09 (2007/08 £10.9 million), of which £0.5 million was outstanding at 31 March 2009 (£0.4 million at 31 March 2008). Total commitments over the remainder of the life of the contract are estimated to be £181.4 million, scheduled as follows:

	£000s
April 2009 – March 2014	62,451
April 2014 – March 2019	66,055
April 2019 – March 2023	52,844

ii) Education

(a) 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.

The Council incurred costs of £11.7 million under the contract in 2008/09 (2007/08 £10.7 million). At 31 March 2009 an amount of £1.0 million was outstanding to the operator (£0.9 million at 31 March 2008). The Council ceased from providing services as a sub-contractor to the operator in 2008/09 (2007/08 £0.4 million). Total payments over the remaining life of the contract are estimated to be £352.3 million, scheduled as follows:

	£000s
April 2009 – March 2014	61,389
April 2014 – March 2019	66,267
April 2019 – March 2024	71,786
April 2024 – March 2029	78,031
April 2029 – September 2033	74,814

(b) 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 Council incurred costs of £2.8 million under the contract in 2008/09 (£2.8 million in 2007/08). At 31 March 2009 there were no payments outstanding to the operator (£0.2 million at 31 March 2008). Total payments over the remaining life of the contract are estimated to be £60.9 million, scheduled as follows:

	£000s
April 2009 – March 2014	13,900
April 2014 – March 2019	13,538
April 2019 – March 2024	13,388
April 2024 – March 2029	13,447
April 2029 – August 2031	6,584

NOTES TO THE CORE FINANCIAL STATEMENTS

iii) Housing

The Council has received endorsement from Central Government to proceed on a scheme to build 550 units of HRA housing, of which approximately 150 will be "extra care" units and 40 will be suitable for tenants with physical disabilities. The scheme is currently in procurement, with Financial Close planned for 2010-11.

iv) Treatment of assets under the PFI Transactions

In i) and ii) above, the Council has leased assets to the operator, with consideration being given through an abatement of contract payments. This abatement is effectively a prepayment (Deferred Consideration) by the Council and is being written down over the period of the contract.

In the case of ii), it is anticipated that at the end of the contract there will be a residual value for the assets and this is being built up as a Long Term Debtor over the life of the contract (see note 31). In the case of the Waste Disposal PFI, it is not known at this stage whether there will be a material residual value at the end of the contract.

12 Pooled Funds

Section 31 of the Health Act 1999 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 development fund 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. Contributions and expenditure for both funds are detailed below:

2007/08 £000s		2008/09 £000s
	<u>Gross Funding</u>	
1,325	Kirklees Council	2,088
451	Kirklees Primary Care Trust	373
0	Other income	9
<u>1,776</u>	<u>Total Funding</u>	<u>2,470</u>
	<u>Expenditure</u>	
1,565	Community Equipment	2,054
211	Learning Disabilities Development Fund	416
<u>1,776</u>	<u>Total Expenditure</u>	<u>2,470</u>

13 Members Allowances

2007/08 £000s		2008/09 £000s
1,311	Total amount of allowances paid, including employers' national insurance and pension contributions	1,350

NOTES TO THE CORE FINANCIAL STATEMENTS

14 Transactions with Related Parties

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

i) Elected Members and Chief Officers

There were no material disclosures to declare for 2008/09 for either Elected Members or Chief Officers, except for one noted below. It should be noted that all members' financial and other interests which could conflict with those of the Council are open to public inspection as required by the code of conduct adopted by the Council in accordance with section 51 of the Local Government Act 2000 and the Local Authorities (Model Code of Conduct) (England) Regulations 2001, made under section 50 of that Act. Members are also required to disclose 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 Elected Member is employed as a Technical Contracts Manager for Connect Housing Association to which the Council paid £802,000 in 2008/09, relating to affordable property schemes.

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			
	2007/08 £000s	2008/09 £000s	Services		Grant	
			2007/08 £000s	2008/09 £000s	2007/08 £000s	2008/09 £000s
Kirklees Community Association	138	176	0	0	0	0
Kirklees Theatre Trust	3	10	0	0	389	278
Kirklees Music School	16	9	721	729	0	0
Calderdale and Kirklees Careers Service Partnership	111	136	331	2,960	0	0
Kirklees Media Centre Ltd	455	50	14	0	0	0
Intruplas Ltd	0	0	0	0	0	0
Kirklees Energy Services	39	13	0	0	904	4,254
Kirklees Active Leisure	450	464	2,662	3,097	0	0

As at 31 March 2009, Kirklees Active Leisure owed the Council £263,600 for services and also for reimbursement of staff salaries paid by the Council on behalf of the company (£1.0 million at March 2008). Intruplas owed the Council £18,200 for rent and insurance for premises at Low Mill Lane (£18,200 as at 31 March 2008).

As at 31 March 2009, the Council owed Kirklees Energy Services £600,500 (£488,400 at March 2008) and Calderdale and Kirklees Careers Service Partnership £74,400 (£48,000 as at 31 March 2008).

The Council has also given loans to certain of the above companies. As at 31 March 2009, Kirklees Media Centre Ltd had an outstanding loan of £217,500 (£217,500 as at 31 March 2008) and Intruplas Ltd £2,000 (£83,600 as at 31 March 2008).

NOTES TO THE CORE FINANCIAL STATEMENTS

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

- Precepting authorities (see the Income and Expenditure Account and the Collection Fund Income and Expenditure Account). The Council also pays Joint Committees for providing services such as Trading Standards and Passenger Transport. Payments in 2008/09 amounted to £18.1 million (2007/08 £17.4 million). Certain Parish Councils have also invested funds with the Council. As at 31 March 2009, £206,000 (£172,000 at 31 March 2008) was invested.
- Local Authority (Goods and Services) Act 1970 (see note 10)
- Pension Fund (see note 45)
- Government Grants (see note 47)
- Subsidiary and joint venture companies (see Group Accounts)
- PFI Transactions (see note 11)

15 Remuneration of Employees

The number of employees whose remuneration was £50,000 or more was as follows:

2007/08 Number of employees	Remuneration Band (£)	2008/09 Number of employees
192	50,000 - 59,999	205
36	60,000 - 69,999	47
16	70,000 - 79,999	29
12	80,000 - 89,999	15
3	90,000 - 99,999	4
3	100,000 - 109,999	1
7	110,000 - 119,999	5
1	120,000 - 129,999	0
1	130,000 - 139,999	1
1	140,000 - 149,999	0
0	150,000 - 159,999	2

The remuneration figures include employee pension contributions.

16 Disclosure of Audit Costs

The fees incurred relating to external audit and inspections were as follows:

2007/08 £000s		2008/09 £000s
*347	Fees payable to the Audit Commission with regard to external audit services carried out by the appointed auditor	360
94	Fees payable to the Audit Commission for Statutory Inspection	32
152	Fees payable to the Audit Commission for the certification of grant claims and returns	130
593		522

*This figure has been restated to separate the fees for Statutory Inspection which were not disclosed in the 2007/08 accounts.

NOTES TO THE CORE FINANCIAL STATEMENTS

17 General Grants and Contributions

These grants are grants and contributions that do not relate to the performance of a specific service.

2007/08 £000s		2008/09 £000s
18,896	Revenue Support (RSG)	17,857
0	Area Based Grant	21,451
0	Performance Reward Grant	3,065
2,097	Local Authority Business Growth Incentives (LABGI)	477
0	Grants and contributions related to capital financing which cannot be identified to particular services or assets.	1,111
20,993		43,961

From 2008/09, a number of grants, and in particular Local Area Agreement (LAA) Grant, have been replaced by Area Based Grant (ABG). ABG is a non-ringfenced grant, that is there are no conditions imposed on its use as part of the grant determination, ensuring full local control over how funding can be used. Also, unlike LAA Grant, ABG is paid directly to the authority that benefits from the grant, rather than being paid to the upper-tier authority for the area in the capacity of "accountable body" for onward distribution. ABG is classified as a general grant.

While there is a link to old funding regimes, the Council has intentionally chosen not to hypothecate resources and is allocating ABG in accordance with local as well as national priorities as part of overall budget planning. The grants that ABG replaced are shown in net cost of services in 2007/08 and amounted to £23.3 million. This explains part of the increase in the net cost of services between the years, particularly on the lines for Children's and Education Services and Adult Social Care (see note 3).

18 Deployment of Dedicated Schools Grant

The Council's expenditure on schools is funded by the Dedicated Schools Grant (DSG) provided by the Department for Children, Schools and Families. DSG is ring fenced and can only be applied to meet expenditure properly included in the Schools Budget. The Schools Budget includes elements for Central Expenditure, which covers educational provision for pupils, including that made out of school, and for early years pupils, and for the Individual Schools Budget (ISB), which is divided into a budget share for each school. Over and underspendings on the two elements are required to be accounted for separately.

Details of the deployment of DSG receivable for 2008/09 are as follows:

	Central Expenditure £000s	ISB £000s	Total £000s
Underspending brought forward from 2007/08	1,741	0	1,741
Original grant allocation to Schools Budget for the current year in the Authority's budget	19,960	221,085	241,045
Adjustment to finalised grant allocation	217	0	217
DSG available for the year	21,918	221,085	243,003
Allocation of school specific contingencies	-2,701	2,701	0
Actual expenditure for the year (*)	-18,268	-225,345	-243,613
Underspending for the year	949	-1,559	-610
Contribution from schools balances	0	1,559	1,559
Underspending carried forward to 2009/10	949	0	949

(*) Excluding FRS 17

NOTES TO THE CORE FINANCIAL STATEMENTS

19 Note to the Statement of Movement on the General Fund Balance (SMGFB)

This note shows a detailed breakdown of the additional amounts required by statute and non-statutory provisions to be debited or credited to the General Fund Balance.

2007/08	2008/09	
£000s	£000s	£000s
	Restated	
	£000s	
		<u>Items required by statute to be excluded when determining the Movement on the General Fund Balance for the year -</u>
-32,091	-32,091	Depreciation (excluding depreciation on HRA assets)
-195	-195	Excess of depreciation charged to HRA over Major Repairs Allowance
-6,197	-6,197	Impairment
15,235	7,124	Grants deferred amortisation
-14,315	0	Deferred Charges
0	-6,204	Revenue expenditure funded from capital under statute, net of grant
-1,082	-1,082	Deferred consideration
38	38	Net gain(-)/ loss on disposal of fixed assets
-597	-597	Financial instruments
-46,445	-46,601	Net charges made for retirement benefits in accordance with FRS17
-463	-463	Other
0	0	Unequal Pay Back Pay
-2,773	-2,773	Exceptional item – Adjusting transaction required by the implementation of the new accounting policies for financial instruments
-88,885	-89,041	
		<u>Items required by statute to be included when determining the Movement on the General Fund Balance for the year -</u>
12,085	12,085	Statutory provision for repayment of debt
13,914	13,914	Capital expenditure charged to the General Fund Balance
-7,871	-7,871	Housing Capital Receipts Pool
30,486	30,486	Employer's contributions payable to pension funds and retirement benefits payable direct to pensioners
48,614	48,614	
		<u>Transfers to or from General Fund Balance -</u>
-4,506	-4,506	Housing Revenue Account
2,440	2,440	Voluntary provision for the repayment of debt
6,170	6,170	Earmarked Reserves
-36,167	-36,323	Net additional amount required to be credited to the General Fund balance for the year

NOTES TO THE CORE FINANCIAL STATEMENTS

20 Summary of Capital Expenditure and Sources of Finance

2007/08 £000s		2008/09 £000s
	<u>Capital Expenditure</u>	
84,158	Tangible Fixed Assets	92,409
642	Intangible Assets	635
14,315	Revenue expenditure funded from capital under statute – REFCUS (see note below)	16,641
0	Loans and investments	596
2,805	Deferred Consideration	2,772
101,920		113,053
	<u>Sources of Finance</u>	
34,721	Borrowing	57,662
15,829	Capital Receipts	4,043
	Grant and Contributions –	
8,111	Grants and contributions associated with REFCUS	7,739
21,171	Other grants and contributions	29,479
8,174	Major Repairs Reserve	3,025
13,914	Revenue	11,105
101,920		113,053

21 Revenue expenditure funded from capital under statute (REFCUS)

New requirements see the replacement of deferred charges with a new category of expenditure – Revenue Expenditure Funded from Capital Under Statute (REFCUS). The move to this has no impact on the authority's "bottom line", that is Council Tax is unaffected by the change. However, the revised accounting requirements mean that this type of expenditure is no longer taken via the Balance Sheet before being charged to the appropriate revenue account. Similarly, where such expenditure is funded by capital grant or contributions, these are recognised directly in revenue rather than being initially credited to the Grants Deferred Account.

2007/08 £000s		2008/09 £000s
	Amounts charged to services	
7,687	Improvement Grants - Housing	7,163
6,628	Other Grants, Church Schools and Software	9,478
0	Adjustment – reclassification of previous year's expenditure as loans/ investments	-1,776
14,315	Amounts written off to Capital Adjustment Account with reconciling item in the SMGFB	14,865

NOTES TO THE CORE FINANCIAL STATEMENTS

22 Capital Commitments

In February 2009, the Council approved a capital programme of £166.4 million for 2009/10 and a further £504.7 million of capital investment in the following four years. Listed below are the significant schemes the Council is committed to or will be committing to shortly:

	Approximate value of investment £000s	Period over which the investment will take place
<u>Contractual</u>		
Almondbury Childrens Centre	808	2007-2011
Hillside Primary School	3,966	2005-2010
Vine Street – Redevelopment of Workshops & Offices	3,944	2006-2010
Highfields School	946	2006-2010
<u>Planned</u>		
Southgate Flats – Maintaining Decency	2,190	2009-2010
Fieldhead Estate - Environmental Improvements	2,349	2009-2010
Primrose Hill – Home Zone Approach	1,311	2009-2010
Whitacre Close – Environmental Works	602	2009-2010
Oxford Grange – Improvement, conversion & refurbishment	1,577	2009-2010
Road reconstruction	550	2009-2011
Cooper River Bridge - Strengthening	618	2009-2010
Cleggford bridge - Strengthening	1,696	2009-2011
Union Bridge - Strengthening	739	2008-2011
Heckmondwike Grammar – Conversion of Sixth Form Block	935	2008-2009
Dewsbury Market - refurbishment	2,151	2006-2011
Greenhead Park	4,619	2005-2011
New Sport Centre Huddersfield	35,700	2006-2013
All Weather Bowling Green and Canopies	680	2009-2010
Ravensthorpe LIC	1,800	2008-2012
Knowle Park House Daycare Development	750	2009-2010
Dewsbury Crematorium	2,800	2009-2011

NOTES TO THE CORE FINANCIAL STATEMENTS

23 Information on Assets

The Council uses the following assets in the provision of its services:

31 March 2008		31 March 2009
	<u>Buildings</u>	
3	Nursery Schools and Annexe	3
95	Primary Schools	95
6	Middle Schools	5
19	High Schools	19
6	Special Schools	6
63	Aided/ Foundation Schools	63
13	Children and Families	11
6	Youth Clubs*	12
15	Leisure Centres and Swimming Pools	15
12	Public Halls/ Town Halls	12
28	Community Centres*	20
15	Cemeteries and Crematoria	15
23	Libraries	25
8	Museums and Galleries	8
12	Adult Services – Service for Older People	11
14	Adult Services – Other Adult Services	14
5	Adult Services – Leased to Other Agencies	5
3	Adult Services – Other	2
10	Market Halls/ Open Markets	10
92	Car Parks	92
19	Public Conveniences	17
23,382	Council Dwellings	23,217
	<u>Land</u>	
810	Acres of Woodland	810
1,881	Allotment Sites	1,881
1,136	Acres of Parkland	1,136
	<u>Infrastructure</u>	
209	Km of Principal Roads	209
1,796	Km of Other Roads	1,799
342	Km of Green Lanes	342

* 6 Community Centres reclassified as Youth Centres

24 Finance and Operating Leases

Finance Leases:

The Council administered a "Home Computer Initiative Scheme" promoted by Central Government up to March 2009. This scheme was considered to be under the terms of a finance lease. The rental payable in 2008/09 was £186,000 (£279,000 in 2007/08), with £5,000 charged to the Income and Expenditure Account as finance costs (£30,000 in 2007/08) and £181,000 charged to the write-down of obligations to the lessor (£249,000 in 2007/08).

NOTES TO THE CORE FINANCIAL STATEMENTS

These computers were being sub-leased to employees. The Scheme was self-financing with any rentals being paid by the Council offset by contributions from employees or from savings on employer's national insurance contributions. Because the assets were sub-leased, the Council did not hold the asset value in its Balance Sheet.

The Council has a lease on Civic Centre 1 which has been classified as a finance lease. The rental payable in 2008/09 was £0.3 million (£0.3 million in 2007/08), which was charged to the Income and Expenditure Account as finance costs except for a minimal amount used to write down the outstanding obligation. The asset was valued in the balance sheet at £6.2 million as at 31 March 2009 (£6.3 million).

Outstanding obligations to make payments under finance leases (excluding finance costs) at 31 March 2009 are as follows:

	Civic Centre 1 £000s
Obligations payable in 2009/10	0
Obligations payable between 2010/11 to 2013/14	0
Obligations payable 2014/15 onwards	1,050
Total liability at 31 March 2009	1,050

Operating Leases:

The Council uses vehicles, wheeled bins, computer and printing equipment financed under the terms of an operating lease. The amount paid under these arrangements in 2008/09 was £0.7 million (£1.3 million in 2007/08).

The Council also leases office accommodation, mainly in Huddersfield Town Centre. The rentals payable in 2008/09 were £0.9 million (£0.8 million in 2007/08).

The Council is committed at 31 March 2009 to making payments of £1.2 million under operating leases in 2009/10, analysed by expiry date as follows:

Lease Expiry	Land & Buildings £000s	Vehicles & Equipment £000s	Total £000s
2009/10	166	83	249
2010/11 – 2013/14	327	120	447
2014/15 onwards	318	199	517
Total	811	402	1,213

The Council also acts as a lessor of commercial property, land, market stalls and industrial units. Lease income received in 2008/09 amounted to £6.3 million (2007/08 £6.3 million). The gross value of assets leased out was £67.8 million at 31 March 2008 (£76.9 million at 31 March 2007), with accumulated depreciation of £1.6 million (£1.8 million at 31 March 2007).

The Council also leases assets under PFI Transactions – see note 11.

NOTES TO THE CORE FINANCIAL STATEMENTS

25 Movement in Intangible Assets 2008/09

	Purchased software licences £000s
<u>Cost or Valuation</u>	
At 1 April 2008	2,632
Additions	634
Disposals	-670
At 31 March 2009	2,596
<u>Amortisation</u>	
At 1 April 2008	-1,515
Written off to revenue in year	-377
Disposals	670
At 31 March 2009	-1,222
Balance at 31 March 2009	1,374
Balance at 1 April 2008	1,117

26 Movement in Tangible Fixed Assets 2008/09: Operational

	Council Dwellings £000s	Other Land and Buildings £000s	Vehicles, Plant and Equipment £000s	Infra- structure Assets £000s	Community Assets £000s	Total Assets £000s
<u>Cost or Valuation</u>						
At 1 April 2008	823,123	786,696	24,684	210,343	998	1,845,844
Additions	17,235	26,699	6,863	30,681	1,640	83,118
Disposals	-5,985	-3,353	-1,311	-607	0	-11,256
Revaluations – upward valuations	0	51,826	0	0	0	51,826
Revaluations - impairments	-127,677	-98,583	0	0	0	-226,260
Reclassifications	335	-2,728	1,205	0	0	-1,188
At 31 March 2009	707,031	760,557	31,441	240,417	2,638	1,742,084
<u>Depreciation and impairments</u>						
At 1 April 2008	-13,858	-45,998	-9,402	-67,078	0	-136,336
Depreciation charge for year	-14,906	-21,274	-3,711	-10,080	0	-49,971
Impairment – asset deterioration	0	-306	0	0	0	-306
Written out - disposals	0	736	1,140	607	0	2,483
Written out - revaluations	28,829	6,119	0	0	0	34,948
Reclassifications	-65	1,063	-63	0	0	935
At 31 March 2009	0	-59,660	-12,036	-76,551	0	-148,247
Balance at 31 March 2009	707,031	700,897	19,405	163,866	2,638	1,593,837
Balance at 1 April 2008	809,265	740,698	15,282	143,265	998	1,709,508

Community Assets include parks and numerous museum exhibits, each of which has been given a nominal value of £1. Any further expenditure is being included at cost.

NOTES TO THE CORE FINANCIAL STATEMENTS

27 Movement in Tangible Fixed Assets 2008/09: Non-Operational

	Investment Properties £000s	Assets Under Construction £000s	Surplus Assets £000s	Total Assets £000s
<u>Cost or Valuation</u>				
At 1 April 2008	99,961	11,691	13,691	125,343
Additions	3,125	6,064	102	9,291
Disposals	-1,025	0	-1,134	-2,159
Revaluations – upward valuations	7,959	0	1,197	9,156
Revaluations - impairments	-26,998	0	-4,659	-31,657
Reclassifications	-1,171	-6,166	8,525	1,188
At 31 March 2009	81,851	11,589	17,722	111,162
<u>Depreciation and Impairments</u>				
At 1 April 2008	0	0	-1,196	-1,196
Charge for year	0	0	0	0
Impairment – asset deterioration	0	0	0	0
Written out - disposals	0	0	53	53
Written out - revaluations	0	0	650	650
Reclassifications	0	0	-935	-935
At 31 March 2009	0	0	-1,428	-1,428
Balance at 31 March 2009	81,851	11,589	16,294	109,734
Balance at 1 April 2008	99,961	11,691	12,495	124,147

28 Fixed Asset Valuation

With the exception of HRA properties, all properties are being revalued on a five year rolling programme. The valuations for non-housing properties for 2008/09 were completed by S D Bell MRICS, Principal Property Management Surveyor, Kirklees Council. The revaluations of council dwellings and other housing assets, which are carried out annually, were completed by the District Valuer. The valuations were in accordance with RICS guidance and are prepared on the following assumptions:

- 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.

Notwithstanding the requirement for a formal programme of revaluations, the Council is required to monitor values for unusual upward or downward movements. After liaising with the above valuers, it was evident that the values of many categories of assets have fallen due to the recessionary effects currently being endured. Accordingly asset values had been adjusted to reflect the general downward drift of property values as at 31 March 2009. Consequently, there has been a large impairment charge to the Income and Expenditure Account (note 2).

NOTES TO THE CORE FINANCIAL STATEMENTS

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.

The following statements show the progress of the Council's rolling programme for the revaluation of fixed operational and non-operational assets. The basis for valuation is set out in the statement of accounting policies on page 27.

	Operational Fixed Assets					
	Council Dwellings	Other Land and Buildings	Vehicles, Plant and Equipment	Infra-structure Assets	Community Assets	Total Assets
	£000s	£000s	£000s	£000s	£000s	£000s
Valued at historical/nominal cost			12,542	133,185	998	146,725
Valued at current value in -						
2008/09	707,031	642,134	6,863	30,681	1,640	1,388,349
2007/08		14,435				14,435
2006/07		24,086				24,086
2005/06		5,239				5,239
Pre 2005/06		15,003				15,003
Total	707,031	700,897	19,405	163,866	2,638	1,593,837

	Non-Operational Fixed Assets			
	Investment Properties	Assets Under Construction	Surplus Assets	Total Assets
	£000s	£000s	£000s	£000s
Valued at historical cost		5,524		5,524
Valued at current value in -				
2008/09	80,845	6,065	16,294	103,204
2007/08	1,006			1,006
Total	81,851	11,589	16,294	109,734

29 Analysis of Net Assets Employed

The net assets of the Council are split between the following categories:

31 March 2008 £000s		31 March 2009 £000s
357,812	General Fund	306,304
618,768	Housing Revenue Account	505,215
-40,091	Trading Undertakings	-19,831
936,489		791,688

NOTES TO THE CORE FINANCIAL STATEMENTS

30 Long Term Investments and Companies

The Council holds the following long term investments:

31 March 2008 £000s		31 March 2009 £000s
331	Kirklees School Services	194
705	Kirklees Henry Boot Partnership	0
112	QED (KMC) Holdings	170
0	Affordable Housing	1,967
20,899	Money Market Investment	8,000
6	Other	7
22,053		10,338

Many of the details of the Council's investments in companies are included in the section on Group Accounts on pages 88 - 98. The investment for Kirklees Henry Boot Partnership is now shown as a short term investment as it is intended to wind the company up within the next twelve months.

The Council has provided funding for the purchase, or part purchase, and renovation of properties via Registered Social Landlords. These properties are then offered as affordable housing, with the Council taking a percentage equity stake. When the property is sold, the Council will receive the same percentage of the sale price, and thus the value of the stake is subject to housing market fluctuations.

The Council has three further notable interests in companies, details of which are included below. Details of any transactions between the Council and these companies are given in disclosure notes 11 or 14.

i) Kirklees Active Leisure

The principal activity of the company is to manage a range of core sports centre and swimming pool facilities. The Company is limited by guarantee with charity status. The board comprises 8 trustees of which the Council has one representative. The latest published information on the Company's financial position is as follows:

year ending 31/03/07 £000s		year ending 31/03/08 £000s
477	Company net liabilities	1,162
274	Net movement in Funds (income over expenditure)	-685

The Council is not committed to meeting the accumulated loss of the company, other than any defaults on pension contributions (see first point in note 41). Copies of the accounts can be obtained from the Company Secretary, Stadium Business and Leisure Complex, Stadium Way, Huddersfield, West Yorkshire, HD1 6PG.

ii) QED (KMC) Holdings Ltd

The principal activity of the company is the provision of services under the Private Finance Initiative (PFI) in respect of three Special Education Needs Schools in Kirklees. The Council holds 32,200 'C' ordinary shares out of a total of 230,000 ordinary shares of £1 each. The latest information (audited for year ending 31/12/08) on the Company's financial position is as follows:

NOTES TO THE CORE FINANCIAL STATEMENTS

year ending 31/12/07 £000s		year ending 31/12/08 £000s
318	Company net assets	338
143	Profit for year before tax	30
88	Profit for year after tax	20
0	Dividend paid	0

Copies of the accounts can be obtained from the Company Secretary, 1st Floor, Tricon House, Old Coffee House Yard, London Road, Sevenoaks, Kent, TN13 1AH.

iii) Kirklees Schools Services Ltd (KSSL)

The principal activity of the company is the development, funding and construction of schools together with the operation of school services. The Council holds 163,140 'C' ordinary shares out of a total of 1,656,870 ordinary shares of £1 each. The latest information (unaudited for the 15 months ending 31/03/09) on the Company's financial position is as follows:

year ending 31/12/07 £000s		15 months ending 31/03/09 £000s
4,925	Company net assets	2,457
4,518	Profit/ Loss(-) for year before tax	-125
3,231	Profit/ Loss(-) for year after tax	-224
0	Dividend paid	2,244

Copies of the accounts can be obtained from the Company Secretary, Semperion Secretariat Services Limited, 140 London Wall, London EC2Y 5DN.

31 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 2008 £000s		31 March 2009 £000s
128	Mortgages	102
11,663	Deferred prepayments - PFI contracts (i)	13,679
453	Waste Management SSA Issue (ii)	377
578	Employee Loans for Cars, Bicycles and Home Computers	647
717	Charges on Property for Residential Care	892
353	Other	512
13,892		16,209
-10	Bad Debt Provision	-16
13,882	Net Long Term Debtors	16,193

- (i) Under the terms of the PFI contracts, the assets provided will revert to the Council's ownership at nil additional cost at the conclusion of the contract. In accordance with the SORP, the element of the annual contract payment which is deemed to relate to the acquisition of these assets has been accounted for as a prepayment, which will accumulate over the life of each contract.

NOTES TO THE CORE FINANCIAL STATEMENTS

- (ii) Amounts owed by Wakefield MDC arising from the Council's contributions to capital costs of the former West Yorkshire Waste Management Joint Committee, for which Wakefield MDC received the Standard Spending Assessment.

32 Stocks and Work in Progress

31 March 2008 £000s		31 March 2009 £000s
	<u>Stocks -</u>	
849	Building Services	807
566	Highways Direct Services	694
147	Catering & Cleaning Services	154
78	Fleet Management	139
197	Other	203
1,837	Total Stocks	1,997
332	Building Services Work in Progress	599
2,169	Total Stocks and Work in Progress	2,596

33 Short Term Debtors, Payment in Advance and Bad Debt Provision

The analysis below shows income due but not received as cash as at 31 March, as well as payments that the Council has made in advance. The Council also makes provision for short term debts which it anticipates may not be recovered.

31 March 2008 £000s		31 March 2009 £000s
	<u>Taxpayer Debtors</u>	
10,597	Council Tax	12,109
4,077	NNDR	6,339
14,674		18,448
	<u>Government Debtors</u>	
6,567	HM Revenue and Customs	7,172
10,068	Other	13,179
16,635		20,351
*0	Interest on Investments	2,647
4,439	Housing Rents Debtors	5,170
22,352	Other Miscellaneous Debtors	23,853
4,175	Payments in Advance	6,626
62,275	Total Short Term Debtors and Payments in Advance	77,095
	<u>Short Term Bad Debt Provision</u>	
-9,223	Taxpayers	-11,333
-2,141	Housing Rents	-2,565
-2,441	Other	-2,914
-13,805	Total Bad Debt Provision	-16,812

*For 2007/08, the accrual for investment interest is shown as part of the carrying value of the investment.

NOTES TO THE CORE FINANCIAL STATEMENTS

34 Landfill Allowances Trading Scheme

The Waste and Emissions Trading Act 2003 places a duty on waste disposal authorities to reduce the amount of biodegradable municipal waste (BMW) disposed to landfill. Consequently, the Landfill Allowances Trading Scheme which was launched on 1 April 2005 requires authorities to hold sufficient allowances to cover the amount of BMW disposed. Where an authority wishes, it can buy and sell allowances, but where insufficient allowances are held an authority is subject to a financial penalty.

Under the terms of the scheme, landfill usage is verified and the resulting liability settled after the year end. Unused landfill allowances are normally held on the balance sheet at the lower of cost and net realisable value. However, authorities are not permitted to carry forward unused allowances into 2009/10 and therefore the value as at 31 March 2009 is nil (31 March 2008 £292,000).

35 Short Term Investments

These represent balances invested by the Council as at 31 March. The investments are not repayable on demand but are repayable within the next twelve months.

36 Creditors and Receipts in Advance

Creditors represent monies owed by the Council at the balance sheet date for services and goods already received. Receipts in advance represent monies which the Council has received for services not yet provided by the Council, or to fund schemes which have not yet taken place.

31 March 2008 £000s		31 March 2009 £000s
	<u>Creditors</u>	
8,538	HM Revenue and Customs	10,012
*0	Interest on Borrowing	7,100
9,469	Grants	7,932
48,553	Other Creditors	49,653
66,560	Total	74,697
	<u>Receipts in Advance</u>	
12,183	Capital Grants and Contributions	12,708
12,057	Other Receipts in Advance	14,583
24,240	Total	27,291
90,800	Total Creditors and Receipts in Advance	101,988

*For 2007/08, the accrual for interest on borrowing is shown as part of the carrying value of the borrowing.

37 Deferred Liabilities

These represent liabilities, payable beyond the next year, on finance leases and former Joint Committees' debt where the responsibility for the loan management has been taken on by other local authorities in West Yorkshire.

31 March 2008 £000s		31 March 2009 £000s
1,063	Finance Lease obligations	1,050
4,477	Former Joint Committees' debt	4,291
5,540		5,341

NOTES TO THE CORE FINANCIAL STATEMENTS

38 Provisions

Provisions have been made for the following issues:

31 March 2008 £000s		Additions/ Reductions £000s	Utilised £000s	31 March 2009 £000s
14,313	Insurance Claims not underwritten	4,525	-5,732	13,106
5,000	Equal Pay Compensation	4,700	0	9,700
654	Section 117 of the Mental Health Act 1983	-636	-18	0
110	Other	163	-34	239
<u>20,077</u>		<u>8,752</u>	<u>-5,784</u>	<u>23,045</u>

The Insurance provision covers Employers Liability, Public Liability, Motor, Fire and Miscellaneous risks. The main risks that have not been insured and where no provision exists are possible claims for third party asbestos, flooding and environmental impairment (pollution).

Provision has been made to meet compensation payments arising from equal pay claims from certain groups of employees. However, statutory arrangements allow settlements to be financed from the General Fund in the year that payments actually take place, not when the provision is established. Part of the provision (£4.7 million) has therefore been balanced by an Equal Pay Back Pay Account that will be debited to the Statement of Movement on the General Fund Balance in future financial years as payments are made.

A provision was set up for possible refunds following the House of Lords ruling in 2001 that local authorities did not have the power to charge for aftercare for persons discharged from compulsory detention under Section 117 of the Mental Health Act 1983. Few new claims are emerging and it has been decided that this provision is no longer necessary.

39 Grants Deferred Account

Grants and contributions relating to assets are credited to a Grants Deferred Account. Grants and contributions relating to fixed assets are released to service revenue accounts over the useful life of the asset; those relating to expenditure on Deferred Charges are written off to service revenue accounts in the year of expenditure; and those related to capital financing which cannot be identified to particular assets or services are credited in the year of receipt to the Income and Expenditure Account below Net Operating Expenditure.

A prior year adjustment has been made to write off an historic balance of grant which could not be matched with particular assets.

2007/08			2008/09
£000s	Restated £000s		£000s
93,470	83,822	Balance at 1 April	97,869
29,282	21,171	Grants and contributions received in year	29,478
		Grants and contributions written off in year -	
-5,977	-5,977	Amounts relating to Fixed assets	-6,035
-9,258	-1,147	Amounts relating to Deferred Charges and Deferred Consideration	0
0	0	Amounts relating to capital expenditure which cannot be identified to particular assets or services	-1,111
<u>107,517</u>	<u>97,869</u>	Balance at 31 March	<u>120,201</u>

NOTES TO THE CORE FINANCIAL STATEMENTS

40 Notes on Reserves

The Council keeps a number of reserves in the Balance Sheet. Some are required to be held for statutory reasons, some are needed to comply with proper accounting practice, and others have been set up voluntarily to earmark resources for future spending plans. Detailed notes on each reserve follow the summary below unless explicitly stated otherwise.

▪ Summary of Movements on Reserves

1 April 2008			Net Movement In Year	31 March 2009	Main Purpose of Reserve
£000s	Restated £000s		£000s	£000s	
1,066,678	1,076,326	Capital Adjustment Account	-172,940	903,386	Store of capital resources set aside to meet past expenditure.
-3,099	-3,099	Financial Instruments Adjustment Account	18	-3,081	Balancing account to allow for differences in statutory requirements and proper accounting practices for borrowing and investments.
0	0	Unequal Pay Back Pay Account	-4,700	-4,700	Holding back pay deferred under statutory regulations
171,377	171,377	Revaluation Reserve	-16,350	155,027	Store of gains on revaluation of fixed assets not yet realised through sales.
398	398	Available-for- Sale Financial Instruments Reserve	-562	-164	Store of gains on revaluation of investments not yet realised through sales.
7,380	7,380	Capital Receipts Reserve	-380	7,000	Proceeds of fixed asset sales available to meet future capital investment.
-405,501	-407,793	FRS17 Pensions Reserve	27,682	-380,111	Balancing account to allow inclusion of Pensions Liability in Balance Sheet.
5,710	5,710	Major Repairs Reserve	11,880	17,590	Resources available to meet capital investment in council housing – note 5 to HRA.
37,220	37,220	Earmarked Reserves	-475	36,745	Various uses.
28,558	28,558	General Fund Balance	6,223	34,781	Resources available to meet future running costs for General Fund services – see Statement of Movement on the General Fund Balance.
27,801	27,801	Housing Revenue Account Balance	-1,831	25,970	Resources primarily available to meet Decent Homes Programme – see Statement of Movement on HRA Balance.
936,522	943,878		-151,435	792,443	

NOTES TO THE CORE FINANCIAL STATEMENTS

▪ Capital Adjustment Account

The Capital Adjustment Account contains the amounts which are required by statute to be set aside from capital receipts for the repayment of external loans, and the amount of capital expenditure financed from revenue, capital receipts and capital grants. It also contains the difference between the amount provided for depreciation and that required to be charged to revenue to repay the principal element of external loans. The CAA is not available to meet revenue or capital expenditure.

2007/08			2008/09
£000s	Restated £000s		£000s
1,087,005	1,096,653	Balance at 1 April	1,076,326
0	0	Adjustment from Revaluation Reserve relating to 2007/08	1,175
-38,287	-38,287	Depreciation and impairment	-184,822
14,526	14,526	Provision for repayment of debt	16,102
15,235	7,124	Grants deferred amortisation	7,147
-1,082	-1,082	Deferred consideration	-714
-14,315	0	Deferred charges	0
0	-6,204	REFCUS, net of grant	-7,125
15,829	15,829	Capital Receipts applied	4,043
13,914	13,914	Direct revenue financing	11,105
-1,087	-1,087	Investments discharged	0
-23,321	-23,321	Disposal of assets	-10,879
2,776	2,776	Writing down of revaluation gains due to asset disposal	749
1,397	1,397	Writing down of revaluation gains due to depreciation	2,343
-5,880	-5,880	Housing Resource Accounting	-12,062
-32	-32	Other	-2
<u>1,066,678</u>	<u>1,076,326</u>	Balance at 31 March	<u>903,386</u>

Figures for 2007/08 have been restated to write off an historic balance of grant on the Grants Deferred Account which could not be matched with particular assets and to adjust for the new accounting requirements of REFUS.

▪ Financial Instruments Adjustment Account

This account provides a balancing mechanism between different rates at which gains and losses (such as premiums on the early repayment of debt and soft loans) are recognised under the SORP and are required by statute to be met from the General Fund. The balance on this account does not represent resources available to the Authority.

2007/08 £000s		2008/09 £000s
0	Balance at 1 April	-3,099
-2,502	Premiums and discounts transferred to this account following the introduction of the new accounting requirements for financial instruments	0
-780	Premiums incurred during the year	0
183	Premiums and discounts written down in the year	189
0	Soft loan	-171
<u>-3,099</u>	Balance at 31 March	<u>-3,081</u>

NOTES TO THE CORE FINANCIAL STATEMENTS

▪ Unequal Pay Back Pay Account

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

2007/08 £000s		2008/09 £000s
0	Balance at 1 April	0
0	Provision made but impact deferred	-4,700
0	Balance at 31 March	-4,700

▪ Revaluation Reserve

This Reserve represents the store of gains on revaluation of fixed assets not yet realised through disposal. The Revaluation Reserve was created on 1 April 2007 with a zero opening balance and therefore the closing position on the Reserve at 31 March 2009 only shows revaluation gains accumulated since 1 April 2007. This reserve is not available to meet revenue or capital expenditure.

2007/08 £000s		2008/09 £000s
0	Balance at 1 April	171,377
0	Adjustment to Capital Adjustment Account relating to 2007/08	-1,175
175,551	Gains/ losses on the revaluation of fixed assets	-12,083
-1,397	Writing down of revaluation gains due to depreciation	-2,343
-2,777	Writing down of revaluation gains on disposal	-749
171,377	Balance at 31 March	155,027

▪ Available-for-Sale Financial Instruments Reserve

This Reserve records unrealised revaluation gains arising from holding available-for-sale investments, plus any unrealised losses that have not arisen from impairment of the assets. This reserve is matched by investments within the Balance Sheet and as such the resources are not available to the Authority.

2007/08 £000s		2008/09 £000s
0	Balance at 1 April	398
8,290	Gains from investment revaluations arising from the introduction of the new accounting requirements for financial instruments	0
-7,892	Writing down due to the realisation of interests in Leeds Bradford International Airport Limited	0
0	Net unrealised losses in year	-562
398	Balance at 31 March	-164

NOTES TO THE CORE FINANCIAL STATEMENTS

▪ Capital Receipts Reserve

The Capital Receipts Reserve represents the capital receipts available to finance capital expenditure in future years, after transferring payments to the Government Housing Receipts Pool.

2007/08 £000s		2008/09 £000s
7,013	Balance at 1 April	7,380
24,067	Capital receipts received	6,876
-7,871	Payments to Government Pool transferred to Income and Expenditure Account	-3,213
23,209		11,043
-15,829	Capital receipts applied in year	-4,043
7,380	Balance at 31 March	7,000

▪ FRS17 Pensions Reserve

2007/08 (Restated – note1)				2008/09		
LGPS £000s	Teachers £000s	Total £000s		LGPS £000s	Teachers £000s	Total £000s
-172,351	-39,321	-211,672	Balance at 1 April	-361,142	-46,651	-407,793
27,470	3,016	30,486	Pension cost payable to Pension Fund	28,635	3,100	31,735
-173,233	-6,773	-180,006	Actuarial gain/ loss (-)	46,624	6,358	52,982
-43,028	-3,573	-46,601	Reversal of FRS17 entries	-53,455	-3,580	-57,035
-361,142	-46,651	-407,793	Balance at 31 March	-339,338	-40,773	-380,111

▪ Earmarked Reserves

The Council has the following earmarked reserves to cover specific areas of expenditure and risk:

31 March 2008 £000s		Net Movement in Year £000s	31 March 2009 £000s
13,867	Local Management of Schools	-1,559	12,308
6,876	Standards Fund	893	7,769
1,079	Education Public Private Partnership (PPP)	-1,079	0
941	Asylum Seekers	-575	366
2,638	Insurance Fund	-1,138	1,500
3,086	Pensions Reserve	2,069	5,155
2,923	Single Status and Equal Pay Reserve	2,054	4,977
292	Landfill Allowance Trading Reserve	-292	0
1,136	Primary Care Trust Joint Working Reserve	0	1,136
1,000	Strategic Office Accommodation Review	-180	820
750	Waste Disposal Reserve	-750	0
2,632	Other	82	2,714
37,220		-475	36,745

- 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 2009 represents 186 schools with cumulative balances of £12.7 million

NOTES TO THE CORE FINANCIAL STATEMENTS

(184 schools and £14.2 million at 31 March 2008) and 6 schools with cumulative deficits amounting to £0.4 million (8 schools and £0.4 million at 31 March 2008).

- The Standards Fund Reserve represents underspendings against Standards Fund allocations for 2008/09 and will be used to supplement future spending on Education.
- The Education PPP Reserve has been set up to pay for future increases in utility and facilities management charges at PFI schools and was fully utilised in 2008/09.
- The Asylum Seekers Reserve has been set up with the aid of government funding to fund future expenditure on Asylum Seekers.
- The Insurance Fund covers risks that have not been insured and provides a reserve for worse case scenarios, over and above the Insurance Provision which is based on likely outcomes.
- The Pensions Reserve has been set up to meet the capitalised costs of unfunded pensions.
- The Single Status and Equal Pay Reserve comprises resources set aside for the initial costs associated with the implementation of single status commencing October 2007.
- The Landfill Allowance Trading Reserve represents the value of unused allowances allocated by DEFRA under the Landfill Allowance Trading Scheme.
- The Primary Care Trust Joint Working Reserve has been set up to allow longer term use of additional resources generated from and for joint working with the PCT.
- The Strategic Office Accommodation Reserve has been established to fund one off costs arising from the Strategic Office Accommodation Review over the next three years.
- The Waste Disposal Reserve was set up to fund possible additional costs of the closure of the Huddersfield Incinerator during 2008. These monies were not required and have been reallocated to General Balances.

41 Contingent Liabilities

- The Council has given guarantees for outstanding contributions to Pension Funds, in the event of default by the following bodies: Calderdale and Kirklees Careers Company Ltd, Fresh Horizons, North Kirklees CAB, Kirklees Active Leisure, and Deighton and Sheepridge Partnership.
- The Council is participating with Huddersfield Sporting Pride Ltd, in the development, construction and running of a sports stadium at Bradley Mills Road, Huddersfield, through Kirklees Stadium Development Ltd (KSDL). The Council originally guaranteed the financing of the construction of the stadium, pending the receipt of funds. The loan has been restructured and the Council has guaranteed the new loan of £7.4 million, to be repaid over twenty years commencing in February 2001. As at 31 March 2009, the balance on the loan was £5.5 million (£5.8 million at 31 March 2008). 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 2009, the balance on the loan was £0.56 million (£0.66 million at 31 March 2008).
- 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 main local government pay settlement in 2004 requires local authorities to implement single status pay and conditions arrangements. As part of this process, the Council has been holding negotiations on backdated equal pay and equal value claims and has reached agreement during 2008/09 in relation to some categories of these. 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.

42 Contingent Asset

The Council has various actual claims lodged for VAT refunds which, if successful, could total £10.3 million, excluding interest. The main one concerns VAT on off street car parking, where the VAT and Duties Tribunal ruled in January 2006 that local authorities should not be required to charge VAT on off street car parking because they operate under a special legal regime. However, HM Revenue & Customs have since lodged an appeal and the legal process is still continuing.

NOTES TO THE CORE FINANCIAL STATEMENTS

43 Events after the Balance Sheet Date

These accounts were authorised for issue on the date the Director of Finance signed the final version – see Statement of Responsibilities and Certificate on page 10. There were no material events occurring between the Balance Sheet date and the date when the accounts were authorised for issue.

44 Trust Funds

The Council administers over fifty funds, with by far the biggest being the Deighton Brackenhall Initiative. This Initiative invests a community dividend, received from a housing regeneration project, to improve the lives of and provide long-term benefits to the residents in the area. Other funds held in trust are for such purposes as grants, scholarships and book prizes, or for the benefit and care of particular client groups. The Council is actively considering options for a number of trust funds (including two that are in deficit) to ensure their future viability. This includes continued financial support by the Council and the exploration of the involvement of external parties.

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

Income and Expenditure Account:

2007/08 Balance £000s		Income £000s	2008/09 Expenditure £000s	Balance £000s
	<u>Trust Funds for which Council is sole trustee -</u>			
3,032	Dewsbury Endowed Schools	33	86	2,979
-	Algernon Firth Trust	215	-	215
86	Kayes School	4	3	87
41	Festival of Britain	1	-	42
15	Wartons Charity	-	-	15
15	Huddersfield Enclosure Act	1	-	16
17	Other (9 separate funds each with a balance less than £10,000)	1	-	18
3,206		255	89	3,372
	<u>Trust Funds for which Council is not sole trustee -</u>			
6,359	Deighton Brackenhall Initiative	910	575	6,694
235	William Henry Coulter	9	5	239
118	Lockwood Mechanics	4	-	122
-170	William Greenwood Homes	-	-	-170
-16	Fletcher Homes	9	18	-25
26	Golcar Township	71	72	25
34	Roebuck Memorial	19	12	41
85	Huddersfield Orphan Homes	6	5	86
19	Batley Enclosure Act	1	-	20
10	Cleckheaton Cemetery	-	-	10
10	Scissett Baths	-	-	10
102	Other (28 separate funds each with a balance less than £10,000)	6	2	106
6,812		1,035	689	7,158
10,018		1,290	778	10,530

NOTES TO THE CORE FINANCIAL STATEMENTS

Balance Sheet:

31 March 2008 £000s		31 March 2009 £000s	£000s
2,494	Fixed Assets		2,494
7,308	Investments		7,357
	Net Current Assets -		
3	Debtors	1	
219	Cash	682	
-6	Less Creditors	-4	679
10,018			10,530
	Represented by -		
9,962	Capital Balances		10,443
56	Revenue Surpluses		87
10,018			10,530

45 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 SORP. In 2008/09, the Council paid £17.0 million (2007/08 £16.4 million) to the Pensions Agency in respect of teachers' retirement benefits, representing 14.1% (2007/08 14.1%) of pensionable pay. A payment of £1.5 million was owing to the Agency as at 31 March 2009 (31 March 2008 £1.5 million). In addition, the Council has granted discretionary additional pensions to some of its former teachers, for which it is directly responsible. These are treated as a defined benefit scheme.

Change of accounting policy

Under the 2008 SORP, the Council has adopted the amendment to FRS 17, *Retirement benefits*. As a result, quoted securities held as assets in the defined benefit pension scheme are now valued at bid price rather than mid market value. The effect of this change is that the value of scheme assets at 31 March 2008 has been restated from £917.7 million to £915.4 million, a decrease of £2.3 million, resulting in an increase of the pension deficit of £2.3 million (31 March 2007 decrease of £2.2 million). Current and prior year surpluses have been unaffected by this change.

NOTES TO THE CORE FINANCIAL STATEMENTS

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 Statement of Movement in the General Fund Balance. The following transactions have been made in the Income and Expenditure Account and Statement of Movement in the General Fund Balance during the year:

2007/08			Income and Expenditure Account	2008/09		
LGPS Restated £000s	Teachers £000s	Total Restated £000s		LGPS £000s	Teachers £000s	Total £000s
			<i>Net Cost of Services:</i>			
-34,359	0	-34,359	Current service cost	-38,252	0	-38,252
-10,942	0	-10,942	Past service cost	0	0	0
-2,053	-1,531	-3,584	Curtailement loss	-687	-829	-1,516
			<i>Net Operating Expenditure:</i>			
-57,651	-2,042	-59,693	Interest cost	-78,188	-2,751	-80,939
61,977	0	61,977	Expected return on assets in the scheme	63,672	0	63,672
-43,028	-3,573	-46,601	Net charge to I&E Account	-53,455	-3,580	-57,035
			<i>Statement of Movement in the General Fund Balance:</i>			
43,028	3,573	46,601	Reversal of net charges made for retirement benefits	53,455	3,580	57,035
			<i>Actual amount charged against General Fund Balance for pensions in the year:</i>			
-27,470		-27,470	Employers' contributions payable to scheme	-28,635		-28,635
	-3,016	-3,016	Retirement benefits payable to pensioners		-3,100	-3,100

In addition to the recognised gains and losses included in the Income and Expenditure Account, actuarial gains of £53.0 million (£180.0 million loss for 2007/08 as restated) were included in the Statement of Total Recognised Gains and Losses. The cumulative amount of actuarial losses recognised in the Statement of Total Recognised Gains & Losses is £51.2 million.

NOTES TO THE CORE FINANCIAL STATEMENTS

Assets and Liabilities in Relation to Retirement Benefits

Reconciliation of present value of the scheme liabilities:

31 March 2008				31 March 2009		
LGPS	Teachers	Total		LGPS	Teachers	Total
£000s	£000s	£000s		£000s	£000s	£000s
-1,063,763	-39,321	-1,103,084	1 April	-1,276,542	-46,651	-1,323,193
-34,359	0	-34,359	Current Service Cost	-38,252	0	-38,252
-57,651	-2,042	-59,693	Interest cost	-78,188	-2,751	-80,939
-11,926	0	-11,926	Contributions by scheme participants	-13,161	0	-13,161
-134,421	-6,773	-141,194	Actuarial gains and losses	290,161	6,358	296,519
38,573	3,016	41,589	Benefits/transfers paid	40,967	3,100	44,067
-10,942	-1,531	-12,473	Past service costs	0	0	0
-2,053	0	-2,053	Curtailments	-687	-829	-1,516
<u>-1,276,542</u>	<u>-46,651</u>	<u>-1,323,193</u>	31 March	<u>-1,075,702</u>	<u>-40,773</u>	<u>-1,116,475</u>

The fall in liability values mainly arise from increases in assumed rates used to discount future liabilities.

Reconciliation of fair value of the scheme assets:

31 March 2008			31 March 2009	
LGPS			LGPS	
(Restated)				
£000s			£000s	
891,412	1 April		915,400	
61,977	Expected rate of return		63,672	
-38,812	Actuarial gains and losses		-243,537	
27,470	Employer contributions		28,635	
11,926	Contributions by scheme participants		13,161	
-38,573	Benefits paid		-40,967	
<u>915,400</u>	31 March		<u>736,364</u>	

There are no assets to cover the liabilities of Teachers' Discretionary Benefits. The fall in asset values on the LGPS reflect poorer investment returns during 2008-09.

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 negative return of £179.9 million (2007/08 negative return of £3.5 million).

NOTES TO THE CORE FINANCIAL STATEMENTS

Scheme history

	2004/05*	2005/06*	2006/07	2007/08	2008/09
	£000s	£000s	Restated £000s	Restated £000s	£000s
Present value of liabilities:					
LGPS Funded	-860,689	-1,019,248	-1,033,809	-1,242,934	-1,047,184
LGPS Unfunded	-30,500	-31,600	-29,954	-33,608	-28,518
Teachers	-34,645	-38,614	-39,321	-46,651	-40,773
Fair value of assets in the LGPS	657,231	828,492	891,412	915,400	736,364
Surplus/ deficit (-) in the scheme:					
LGPS	-233,958	-222,356	-172,351	-361,142	-339,338
Teachers	-34,645	-38,614	-39,321	-46,651	-40,773
Total	-268,603	-260,970	-211,672	-407,793	-380,111

*The Council has elected not to restate fair value of scheme assets for 2004/05 and 2005/06 as permitted by FRS 17 (as revised).

The liabilities show the underlying commitments that the Council has in the long run to pay retirement benefits. The total liability of £380.1 million has a substantial impact on the net worth of the Council as recorded in the balance sheet. However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy:

- The deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary.
- Funding is only required to be raised to cover Teacher's Discretionary 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 2010 is £29.6 million. Expected contributions for the Teachers Pension Scheme in the year to 31 March 2010 are £17.7 million.

NOTES TO THE CORE FINANCIAL STATEMENTS

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit 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 W Mercer, 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 2007.

The principal assumptions used by the actuary have been:

2007/08			2008/09	
LGPS	Teachers		LGPS	Teachers
3.60%	3.60%	Rate of inflation	3.30%	3.30%
5.35%	n/a	Rate of increase in salaries	5.05%	n/a
3.60%	3.60%	Rate of increase in pensions	3.30%	3.30%
6.10%	6.10%	Rate for discounting liabilities	7.10%	7.10%
50.00%	n/a	Take up of option to convert annual pension into retirement grant	50.00%	n/a
<u>Mortality assumptions (years):</u>				
Longevity at 65 for current pensioners:				
20.3	20.3	Men	20.3	20.3
24.0	24.0	Women	24.0	24.0
Longevity at 65 for future pensioners:				
21.3	n/a	Men	21.3	n/a
25.0	n/a	Women	25.0	n/a

Assets in the LGPS are valued at fair value, principally market value for investments, totalling £6,361 million for the Fund as a whole at 31 December 2008 (£7,737 million at 31 December 2007). The Fund's assets consist of the following categories, by proportion of the total assets held by the Fund:

2007/08			2008/09	
Split between categories	Expected rate of return		Split between categories	Expected rate of return
%	%		%	%
71.7	7.5	Equity investments	62.0	7.5
9.3	4.6	Government Bonds	12.3	4.0
4.1	6.1	Other Bonds	6.0	6.0
5.1	6.5	Property	4.2	6.5
3.6	5.25	Cash/ liquidity	5.0	0.5
6.2	7.5	Other	10.5	7.5
100.0			100.0	

NOTES TO THE CORE FINANCIAL STATEMENTS

History of experience Gains and Losses

The actuarial gains/ losses identified as movements on the Pensions Reserve in 2008/09 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2009.

	2004/05	2005/06	2006/07	2007/08	2008/09
	%	%	As restated %	As restated %	%
<u>LGPS</u>					
Difference between the expected and actual return on assets	5.5	14.5	1.1	-4.2	-33.1
Experience gains and losses on liabilities	-2.9	-2.2	0	-6.5	0

	2004/05	2005/06	2006/07	2007/08	2008/09
	%	%	%	%	%
<u>Teachers</u>					
Experience gains and losses on liabilities	-1.3	0	0	-4.1	0

46 Disclosures on Financial Instruments

Financial Instrument Balances

The borrowings and investments disclosed in the Balance Sheet are made up of the following categories of financial instruments:

31 March 2008			31 March 2009	
Long-Term	Current		Long-Term	Current
£000s	£000s		£000s	£000s
		<u>Financial liabilities at amortised cost</u>		
438,936	0	PWLB	414,901	3,618
107,510	0	LOBOs	106,517	0
6,983	0	Loan Stock	6,983	0
4,478	211	Transferred debt	4,291	187
0	1,840	Other borrowing	0	5,448
<u>557,907</u>	<u>2,051</u>		<u>532,692</u>	<u>9,253</u>
		<u>Financial assets</u>		
21,329	113,852	Loans and receivables	8,000	88,950
724	0	Available-for-sale financial assets	2,338	222
<u>22,053</u>	<u>113,852</u>		<u>10,338</u>	<u>89,172</u>

The balances as at 31 March 2008 include interest accrued into the carrying value of the financial liability (£7.0 million) and assets (£2.4 million).

The Council has not pledged any collateral for liabilities or received any pledge of collateral on its investments.

NOTES TO THE CORE FINANCIAL STATEMENTS

Financial Instrument gains and losses

The gains and losses recognised in the Income and Expenditure Account and STRGL in relation to financial instruments are made up as follows:

	Financial Liabilities	Financial Assets		Total
	Liabilities measured at amortised cost £000s	Loans and receivables £000s	Available-for-sale assets £000s	£000s
Interest expense	-30,734	0	0	-30,734
Losses on derecognition	-276	0	0	-276
Impairment losses	0	-1,369	0	-1,369
Interest payable and similar charges	-31,010	-1,369	0	-32,379
Interest income	0	8,271	0	8,271
Deficit arising on revaluation of financial assets	0	0	-562	-562
Net gain /loss(-) for the year	-31,010	6,902	-562	-24,670

Fair Value of assets and liabilities carried at amortised cost

Financial liabilities and assets represented by loans and receivables 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 are as follows:

31 March 2008			31 March 2009	
Carrying amount £000s	Fair value £000s		Carrying amount £000s	Fair value £000s
		<u>Financial liabilities</u>		
438,936	493,575	PWLB	418,519	474,400
107,510	107,189	LOBOs	106,517	92,185
6,983	11,850	Loan Stock	6,983	13,693
4,689	5,538	Transferred debt	4,478	5,037
1,840	1,840	Other borrowing	5,448	5,448
559,958	619,992		541,945	590,763

This calculation is based on interest rates quoted for long term loans at 31 March by the Public Works Loan Board for the early repayment of loans, except for some market loans where current comparable market rates have been indicated by the Council's treasury management consultants. Liabilities, such as short-term trade payables, have been excluded from the table as 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 Authority'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 commitment to pay interest above current market rates increases the amount the Authority would have to pay if the lender requested or agreed to early repayment of the loans.

NOTES TO THE CORE FINANCIAL STATEMENTS

The carrying amount of loans and receivables is deemed to be approximate to fair value because of the relatively short period to maturity.

The Council has provided funding for the purchase, or part purchase, and renovation of properties via Registered Social Landlords. These properties are then offered as affordable housing, with the Council taking a percentage equity stake. When the property is sold, the Council will receive the same percentage of the sale price, and thus the value of the stake is subject to housing market fluctuations. The value of this investment was £2.0 million as at 31 March 2009.

The Council has several equity instruments, which have no quoted market price. The value in the Balance Sheet has been arrived at as follows:

- Kirklees Henry Boot Partnership Ltd – 62,500 shares, including premium, currently valued in the Balance Sheet at £0.2 million. Valuation is based on an in-house assessment of net assets, but included a professional valuation of shares owned by the company. The company is in the process of winding up its operations and the shares owned by the company are expected to transfer to the Council.
- Kirklees School Services Ltd – 163,140 ordinary shares, currently valued in the Balance Sheet at £0.2 million. Valuation is based on discounted cash flow techniques. This company is responsible for running one of the Council's PFI contracts (see note 11ii), and whilst this continues, it is very unlikely the Council would dispose of its interest.
- QED Ltd – 32,200 ordinary shares, currently valued in the Balance Sheet at £0.2 million. Valuation is based on discounted cash flow techniques. This company is responsible for running one of the Council's PFI contracts (see note 11ii), and whilst this continues, it is very unlikely the Council would dispose of its interest.
- Sita Kirklees Ltd – small number of shares, carried at negligible value. Valuation is based on an assessment of share of future cash flows. This company is responsible for running one of the Council's PFI contracts (see note 11i), and whilst this continues, it is very unlikely the Council would dispose of its interest.
- Kirklees Stadium Development Ltd – 40 shares, carried at negligible value. Valuation is based on an assessment of share of future cash flows. The Council has no intention of disposing of its interests in the company.
- Sebel House Great Northern Ltd – 190 shares, carried at negligible value as company is dormant.
- Kirklees Neighbourhood Housing Ltd – subsidiary, carried at nil value. Valuation is based on an assessment of share of future cash flows. The Council has no intention of disposing of its interests in the company.
- Kirklees Metropolitan Development Company Ltd - subsidiary, carried at nil value. Valuation is based on an assessment of share of future cash flows. The Council has no intention of disposing of its interests in the company.

Disclosure of 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 Authority.
- Liquidity risk – the possibility that the Authority might not have funds available to meet its commitments to make payments.
- Market risk – the possibility that financial loss might arise for the Authority 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 Finance manages the function on behalf of the Authority under policies approved by Members in the annual treasury management strategy and the treasury management policy statement and practices.

NOTES TO THE CORE FINANCIAL STATEMENTS

Credit risk

Credit risk arises from deposits with banks and other financial institutions, as well as credit exposures to the authority'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+/F1 (Fitch) and P-1 (Moody's), or were a building society with assets of more than £1 billion. The Council has a policy of not lending more than £10 million of its surplus balances to any counterparty and not more than £3.0 million to any counterparty for investments longer than one year. The Council does not make investment commitments longer than three years.

2008/09 has been a very turbulent year for the economy and in particular for the financial markets. There have been many bank and building society mergers and also bank failures, the most notable of which was four Icelandic banks going to administration. The Council has continually reviewed its investment options within existing policy and has, amongst other things, sought to reduce counterparty limits, impose country limits, reduce investment periods, and decrease investment levels generally.

During the year, investments decreased from £135.9 million to £99.5 million as the Council opted to use available balances to either repay existing borrowing or offset new borrowing requirements. Included in this balance is an investment in a failed Icelandic bank. Indications are that the Council will recover between 90% and 100% of the monies dependent on an assumption that local authority creditors have preferential status. The value of the investment has been written down by 5% in the accounts to £950,000.

The table below shows the value of investments/ cash deposits placed with institutions as at 31 March 2009 by credit rating. The ratings of some institutions have fallen since the date of the investment:

Credit Rating Fitch/Moody	Investment Value £000s
F1+/P1	53,832
F1/P1	26,000
F1/P2	4,000
F2/P1	3,000
F2/P2	7,300
-/P2	1,000
Local authorities – not credit rated	4,000
Unrated building societies (assets in excess of £1 billion)	2,000
Impaired Investment	950
	102,082

The Council has provided funding for the redevelopment of private housing in Ravensthorpe. The funding has been secured by way of a percentage equity stake in the properties. This has been treated as a soft loan in the accounts and accordingly the value of the amount advanced has been written down from £0.4 million to a fair value of £0.2 million.

The Council does not generally allow credit for customers and trade debts are actively pursued after 21 days. As at 31 March 2009, the Council had a balance owing from its customers (mainly services and rent) of £29.0 million.

NOTES TO THE CORE FINANCIAL STATEMENTS

Liquidity risk

As well as keeping some investments in instant access deposits 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 Authority 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 2009 £000s
Less than one year	8,940
Between 1 and 2 years	13,989
Between 2 and 5 years	43,380
Between 5 and 10 years	41,086
Between 10 and 15 years	34,287
More than 15 years	290,785
Variable (LOBOs)	105,000
	<u>537,467</u>

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 Authority. For instance, a rise in interest rates would have the following effects:

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

The Council has a number of strategies for managing interest rate risk. Policy is to keep 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 2009, the Council held few investments at variable rates. In terms of borrowing, the Council holds £105.0 million of debt in the form of LOBOs (Lender Option, Borrower Option), which equates to 20% 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 £105.0 million LOBO debt at 31 March 2009, £55.0 million was exposed to variable rates through lender options. A 1% change in interest rates with all other variables held constant would increase or decrease interest costs by £0.55 million. A further £10 million is held in the form of a Range LOBO whereby if the 6 month LIBOR figure is between 4% and 6% the rate of interest payable is 3.4%. If 6 month LIBOR is outside this range the rate of interest payable is 4.1%.

NOTES TO THE CORE FINANCIAL STATEMENTS

The fair value of fixed rate borrowings would decrease by around £72 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 £0.6 million in a number of joint ventures. The Authority 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 STRGL. However, because of the relatively small overall value, any general shift (positive and negative) in values would not result in a material gain or loss being recognised in the value of shareholdings.

Foreign Exchange Risk

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

47 Notes to the Cash Flow Statement

▪ Reconciliation of Net Movement on the Income and Expenditure Account to Revenue Activities Net Cash Flow

This reconciliation identifies items included within the Income and Expenditure Account that do not result in cash flows under the revenue activities in the statement.

2007/08			2008/09
£000s	£000s		£000s
	Restated		
-38,083	-38,239	Income and Expenditure Account Deficit for the year	-191,769
-417	-417	Movement on the Collection Fund Balance	-678
20,619	20,619	Interest	22,080
0	0	Dividends	-440
		Non-cash transactions -	
15,959	16,115	Movement on Pensions Reserve	25,300
2,096	2,096	Movement on Landfill Allowance Trading Reserve	367
52,761	46,557	Various capital accounting entries	195,701
-9,060	-9,060	Provisions including those for bad debts	2,968
996	996	Accounting for Financial Instruments	171
4,365	4,365	Premiums	54
		Items on an accruals basis -	
-191	-191	Increase in stock	-427
7,678	8,379	Increase(-)/decrease in revenue debtors	-5,596
-4,601	-4,601	Increase/decrease(-) in revenue creditors	6,238
<u>52,122</u>	<u>46,619</u>	Net Cash Inflow from Revenue Activities	<u>53,969</u>

NOTES TO THE CORE FINANCIAL STATEMENTS

▪ Analysis of Net Cashflow to Movement in Net Debt

2007/08 Change £000s		2008/09 Change £000s
7,306	Increase/decrease(-) in cash in period	-9,431
34,250	Cash used to increase liquid resources	-23,178
71,793	Cash used to repay debt	36,692
-133,403	New loans	-25,647
249	Cash used to repay leasing obligations and transferred debt	391
-19,805	Change in net debt	-21,173
-5,408	Adjustments re accounting for Financial Instruments and other non cash adjustments	5,256
-25,213		-15,917
-403,706	Net debt at beginning of period	-428,919
-428,919	Net debt at end of period	-444,836

2007/08 Change £000s		1 April 2008 £000s	31 March 2009 £000s	2008/09 Change £000s
<u>Analysis of changes in net debt</u>				
8,547	Cash in Hand/ Bank	20,387	8,986	-11,401
-1,241	Bank Overdraft	-1,970	0	1,970
-66,829	Long Term Borrowing	-553,429	-528,401	25,028
-865	Short Term Borrowing	-1,840	-9,065	-7,225
-577	Deferred Liabilities, including those due in the next 12 months	-5,919	-5,528	391
35,752	Investments	113,852	89,172	-24,680
-25,213		-428,919	-444,836	-15,917

▪ Analysis of Changes in Management of Liquid Resources

2007/08 Change £000s		1 April 2008 £000s	31 March 2009 £000s	2008/09 Change £000s
-35,752	Short Term Investments	113,852	89,172	24,680
1,502	Adjustments re accounting for Financial Instruments (non cash)			-1,502
-34,250				23,178

The Council's liquid resources consist of Short Term Investments repayable not on demand but within a period of twelve months. These instruments are used to assist in the management of the Council's cash flow.

NOTES TO THE CORE FINANCIAL STATEMENTS

▪ Analysis of Changes in Financing

2007/08 Change £000s		1 April 2008 £000s	31 March 2009 £000s	2008/09 Change £000s
66,829	Long Term Borrowing	-553,429	-528,401	-25,028
865	Short Term Borrowing	-1,840	-9,065	7,225
577	Deferred Liabilities, including those due in the next 12 months	-5,919	-5,528	-391
68,271		-561,188	-542,994	-18,194
-6,910	Adjustments re accounting for Financial Instruments and other non cash adjustments			6,758
61,361				-11,436

▪ Changes in Cash

2007/08 Change £000s		1 April 2008 £000s	31 March 2009 £000s	2008/09 Change £000s
1,560	Cash in Hand	4,229	3,854	-375
-1,241	Bank Overdraft	-1,970	0	1,970
6,987	Deposits repayable on demand	16,158	5,132	-11,026
7,306		18,417	8,986	-9,431

NOTES TO THE CORE FINANCIAL STATEMENTS

▪ Revenue Grants received from the Government

The actual cash received from the Government in respect of revenue activities is detailed below:

2007/08			2008/09
£000s	£000s		£000s
	Restated		
18,896	18,896	Revenue Support Grant	17,857
231,570	231,570	Dedicated Schools Grant	241,262
34,035	34,035	DWP grants for Housing Benefits (non-council tenants)	41,232
67,958	67,958	DWP grants for other benefits	69,296
0	0	Area Based Grant	21,451
22,937	22,937	Local Area Agreement	433
8,308	8,308	Housing Revenue Account Subsidy	8,819
26,767	26,767	Education Standards Fund	32,552
10,788	10,788	Supporting People	10,593
8,816	8,816	Learning and Skills Council Sixth Form Grant	9,583
12,938	12,938	School Standards Grant	13,210
1,845	1,845	Preserved Rights Grant	0
11,801	11,801	Private Finance Initiative	11,359
1,541	1,541	Promoting Independence	0
1,020	1,020	Mental Health	0
3,839	3,839	Building Care Capacity Grant	0
767	767	National Training Strategy	0
2,418	2,418	Asylum Seekers	3,030
0	0	Performance Reward Grant	1,533
784	784	Local Authority Business Growth Incentives	1,790
381	381	Young Peoples Substance Misuse Partnership	0
536	536	General Surestart Grant	12,844
197	197	Job Centre Plus	0
3,567	3,567	Housing Benefit and Council Tax Administration	3,385
706	706	Delayed Discharges	0
896	896	Early Years Development Partnership	0
171	171	Civic Partnership	306
0	0	Social Care Reform Grant	442
317	317	Youth Justice – Effective Practice	324
325	325	Workstep Employment Initiative	319
15,282	15,282	Other	7,495
<u>489,406</u>	<u>489,406</u>		<u>509,115</u>
		<u>Government Grants associated with REFCUS</u>	
	513	Local Area Agreement	0
	1,378	Education Standards Fund	1,099
	820	Disabled Facilities	1,265
	1,104	Dewsbury Housing Market Renewal	82
	3,105	PSRG/SRHP (Housing)	3,260
	154	Children Centres	961
	575	Improving Care Homes	0
	407	Other	395
	<u>497,462</u>		<u>516,177</u>

NOTES TO THE CORE FINANCIAL STATEMENTS

The above note has been re-formatted to include four major grants that were previously presented on the face of the Cash Flow Statement (Revenue Support Grant, Dedicated Schools Grant, DWP Grants for Housing and other benefits). The table has also been adjusted to show revenue grants from Central Government only.

48 JANEs (a Joint Arrangement which is not an Entity)

The Council acknowledges that the SORP requires the single entity accounts to include its share of the assets, liabilities and trading expenses of any JANE it is involved with. West Yorkshire Joint Services Committee is believed to be such an arrangement. The Council reflects its share of its contribution to this arrangement in income and expenditure (£1.3 million for 2008/09 and £1.2 million for 2007/08), but has not included its share of the assets and liabilities on the grounds of materiality.

ADDITIONAL FINANCIAL STATEMENTS

HOUSING REVENUE ACCOUNT (HRA) INCOME AND EXPENDITURE ACCOUNT

This statement fulfils the statutory obligation to account separately for local authority housing provision as defined in particular in Schedule 4 of the Local Government and Housing Act 1989.

2007/08 £000s		2008/09 £000s	Note
	<u>Income</u>		
64,314	Dwelling rents (gross)	65,095	
642	Non-dwelling rents (gross)	643	
372	Charges for services and facilities	1,088	
1,398	Contributions towards expenditure	1,385	
8,224	HRA subsidy receivable (including the Major Repairs Allowance)	8,425	4
74,950	Total Income	76,636	
	<u>Expenditure</u>		
18,918	Repairs and maintenance	20,515	
15,491	Supervision and management	15,603	
3,205	Special services	3,368	
202	Rent, rates, taxes and other charges	147	
651	Increased provision for bad debts	823	
16,288	Depreciation and impairment (net of grant)	15,563	3
86	Debt management costs	28	
54,841	Total Expenditure	56,047	
-20,109	Net Cost of Services as included in whole authority Income and Expenditure Account	-20,589	
373	HRA share of Corporate & Democratic Core	373	
33	HRA share of Non-distributed costs	32	
0	Exceptional Item	72,415	2
-19,703	Net Cost of HRA Services	52,231	
6,379	Loss on disposal of assets	1,224	6
0	Other income defined as capital receipts but not arising from asset disposal	-181	
14,198	Interest payable and similar charges	13,303	
183	Amortisation of premiums and discounts	22	
-1,789	Interest and investment income	-2,090	
-732	Surplus (-)/Deficit for the year on HRA services	64,509	

ADDITIONAL FINANCIAL STATEMENTS

STATEMENT OF MOVEMENT ON THE HRA BALANCE

The Income and Expenditure Account shows the HRA's actual financial performance for the year, measured in terms of the resources consumed and generated over the last twelve months. However, the surplus and deficit for the year on the HRA Balance has to be calculated in accordance with the requirements of the Local Government and Housing Act 1989. The statement below reconciles the outturn on the Income and Expenditure Account and to the movement on the HRA Balance.

2007/08 £000s		2008/09 £000s
-732	Surplus (-)/ Deficit for the year on the HRA Income and Expenditure Account	64,509
5,238	Net additional amount required by statute to be debited/ credited (-) to the HRA Balance for the year (see note below)	-62,678
4,506	Decrease in the HRA Balance	1,831
-32,307	HRA surplus brought forward	-27,801
-27,801	HRA surplus carried forward	-25,970

NOTE TO THE STATEMENT OF MOVEMENT ON THE HRA BALANCE

2007/08 £000s		2008/09 £000s
	<u>Items included in the HRA Income and Expenditure Account but excluded from the movement on the HRA Balance for the year:</u>	
	Difference between amounts charged to Income and Expenditure and the charge for the year determined in accordance with statute:	
313	Amortisation of premiums and discounts	332
-2,289	Impairment	-72,939
-195	Excess of depreciation charged to HRA over Major Repairs Allowance	-181
-6,379	Loss on disposal of fixed assets	-1,224
0	Other income defined as capital receipts but not arising from asset disposal	181
55	Grants deferred amortisation	48
-8,495		-73,783
	<u>Items not included in the HRA Income and Expenditure Account but included in the movement on the HRA Balance for the year:</u>	
13,733	Capital expenditure funded by the HRA	11,105
5,238	Net additional amount required by statute to be debited/ credited (-) to the HRA Balance for the year	-62,678

ADDITIONAL FINANCIAL STATEMENTS

NOTES TO THE HRA

1 The Council acknowledges that it is proper accounting practice to fully recognise the effects of FRS17 in the HRA, but has not included them on the grounds of materiality.

2 **Exceptional Item**

The Council follows a programme of regular formal asset valuations as detailed in the accounting policies. Asset values normally reflect prices as at 1 April. However, as the current economic climate has caused asset values in many cases to sharply drop, an impairment review of values as at 31 March has been carried out. The exceptional item reflects the fall in asset values during the year, and mainly relate to council dwellings, offset against any amounts held for these assets in the Revaluation Reserve. Impairments arising from the formal valuation work are shown within the total expenditure analysis as usual.

3 **Depreciation and impairment**

The Council has adopted the Major Repairs Allowance (MRA) as a measure of depreciation for its dwellings. The MRA equates to the annual cost of maintaining the properties over a thirty year period. There was an impairment charge of £0.524 million in 2008/09 (£2.289 million in 2007/08) relating to downward valuations of land and property, arising from the formal valuation of assets, which could not be offset against amounts held in the Revaluation Reserve.

4 **Breakdown of HRA Subsidy Received**

HRA subsidy is paid by Central Government to meet any shortfall between expenditure and income on a notional HRA. The calculation is based on annual assumptions covering guideline rents, a number of allowances and other specific items of income and expenditure.

2007/08 £000s		2008/09 £000s
12,564	Allowance for Management	12,929
22,491	Allowance for Maintenance	24,145
13,858	Allowance for Major Repairs	14,906
20,051	Charges for Capital	19,496
-60,711	Guideline Rent Income	-63,037
-29	Interest on Receipts	-14
8,224	Total HRA Subsidy	8,425

5 **Major Repairs Reserve**

This reserve records the unspent balance of HRA subsidy paid in the form of major repairs allowance. The main credit to the reserve is an amount equivalent to the charge for depreciation on council dwellings. The reserve can be used to finance capital expenditure on HRA assets or repay HRA debt.

2007/08 £000s		2008/09 £000s
25	Balance at 1 April	5,710
-8,174	Capital Expenditure	-3,025
-195	Depreciation – non-dwellings	-181
14,054	Transfer to the reserve	15,086
5,710	Balance at 31 March	17,590

ADDITIONAL FINANCIAL STATEMENTS

6 Gains and Losses on Asset Disposals

The SORP requires authorities to show gains and losses on asset disposals on the face of the Income and Expenditure Account. The figure for 2008/09 includes the value of council houses demolished as part of housing regeneration projects (£3.287 million), net of differences between the balance sheet value and the actual sale receipts of council houses and land sold.

7 Movement in HRA Fixed Assets

	Council Dwellings £000s	Other Land and Buildings £000s	Non- operational Assets £000s	Total Assets £000s
<u>Cost or Valuation</u>				
At 1 April 2008	823,123	4,345	18,648	846,116
Additions	17,235	0	56	17,291
Disposals	-5,986	0	0	-5,986
Revaluations - impairments	-127,677	641	-908	-127,944
Reclassifications	133	-330	197	0
Adjustments *	202	-263	-10,538	-10,599
At 31 March 2009	707,030	4,393	7,455	718,878
<u>Depreciation and Impairments</u>				
At 1 April 2008	-13,858	-261	0	-14,119
Depreciation charge for year	-14,906	-181	0	-15,087
Written out - disposals	0	0	0	0
Written out - revaluations	28,829	335	15	29,179
Reclassifications	-33	48	-15	0
Adjustments*	-32	59	0	27
At 31 March 2009 **	0	0	0	0
Balance at 31 March 09	707,030	4,393	7,455	718,878
Balance at 1 April 08	809,265	4,084	18,648	831,997

*Following a review of asset ownership, adjustments have been made to transfer various assets, mainly land, to General Fund.

8 Fixed Asset Valuation

A complete revaluation of HRA assets was carried out as at 1 April 2008 by the District Valuer (North). As at that date, the vacant possession value of dwellings was £1,691 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 unusual upward or downward movements. After liaising with the valuer, it was evident that the values of many categories of assets have fallen due to the recessionary effects currently being endured. Accordingly asset values had been adjusted to reflect the general downward drift of property values as at 31 March 2009. Consequently, there has been a large impairment charge to the Income and Expenditure Account, shown as an exceptional item.

ADDITIONAL FINANCIAL STATEMENTS

9 Capital Expenditure and Sources of Finance

2007/08 £000s		2008/09 £000s
	Capital Expenditure:	
24,735	Fixed Assets	17,291
24,735	Total Capital Expenditure	17,291
	Financed by:	
8,174	Major Repairs Reserve	3,025
1,961	Capital Receipts	3,112
867	Capital Grant and Contributions	49
13,733	Revenue	11,105
24,735	Total Sources of Finance	17,291

10 Capital Receipts

2007/08 £000s		2008/09 £000s
	Capital receipts from sales of:	
11,637	Dwellings (net of sale administration fees)	4,730
690	Land	31
212	Capital receipts from mortgage repayments and clawback of legal title on Right to Buy sales	181
12,539		4,942
-7,871	Contribution to Housing Pooled Capital Receipts	-3,213
4,668	Usable capital receipts	1,729

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 2009 is analysed below by size and age:

<u>By Size</u>	1 Bedroom	2 Bedrooms	3 Bedrooms	4+ Bedrooms	Total
Houses/ Bungalows	2,802	5,903	4,802	350	13,857
Flats/ Bedsits and Maisonettes	7,016	2,229	115	0	9,360
	9,818	8,132	4,917	350	23,217
<u>By Age</u>	Pre 1945	1945-64	1965-74	Post 1974	Total
Houses/ Bungalows	6,031	5,625	1,569	632	13,857
Flats/ Bedsits and Maisonettes	164	2,496	4,021	2,679	9,360
	6,195	8,121	5,590	3,311	23,217

ADDITIONAL FINANCIAL STATEMENTS

12 Rent Arrears

Rent arrears have increased over the year, as follows:

31 March 2008 £000s		31 March 2009 £000s
4,439	Rent Arrears	5,170
-2,141	Less Bad Debt Provision	-2,565
<u>2,298</u>	Net Rent Arrears	<u>2,605</u>

13 Private Finance Initiative

The Council has received endorsement from Central Government to proceed to the procurement stage on a scheme to build 550 units of HRA housing, of which approximately 150 will be "extra care" units and 40 will be suitable for tenants with physical disabilities. The scheme is currently in procurement, with Financial Close planned for 2010-11.

ADDITIONAL FINANCIAL STATEMENTS

COLLECTION FUND INCOME AND EXPENDITURE ACCOUNT

The Collection Fund shows the income received from Council Tax and Non-Domestic Rates and the way in which this has been distributed to precepting authorities and the Council's General Fund.

2007/08		2008/09		Note
£000s		£000s	£000s	
	<u>Income</u>			
136,352	Income from Council Tax		142,004	1
	Transfers from General Fund -			
25,001	Council Tax Benefits		26,709	
88,941	Income Collectable from Business Ratepayers		94,720	2
	Contributions -			
1	Adjustment of previous years' Community Charges		1	
250,295	Total Income		263,434	
	<u>Expenditure</u>			
	Precepts and demands -			
14,670	West Yorkshire Police Authority	15,478		
5,969	West Yorkshire Fire Authority	6,249		
139,698	Kirklees Council	144,969	166,696	
	Business Rate -			
88,323	Payment to national pool	94,100		
618	Cost of collection	620	94,720	
1,269	Contribution to bad debts provision		2,696	
165	Distribution of previous year's estimated Collection Fund surplus		0	
250,712	Total Expenditure		264,112	
-417	Movement on Fund Balance		-678	
189	Balance at 1 April		-228	
-228	Balance at 31 March		-906	3

ADDITIONAL FINANCIAL STATEMENTS

NOTES TO THE COLLECTION FUND INCOME AND EXPENDITURE ACCOUNT

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.

Number of Chargeable Dwellings	2007/08		Band	2008/09		Average Council Tax £
	Band D Equivalent Dwellings	Average Council Tax £		Number of Chargeable Dwellings	Band D Equivalent Dwellings	
76	42	716.58	A (5/9)*	75	42	739.69
66,203	44,135	859.90	A (6/9)	66,730	44,487	887.63
27,834	21,648	1,003.22	B (7/9)	28,311	22,020	1,035.56
26,778	23,803	1,146.53	C (8/9)	27,080	24,071	1,183.50
13,538	13,538	1,289.85	D (9/9)	13,930	13,930	1,331.44
9,955	12,167	1,576.48	E (11/9)	10,085	12,326	1,627.32
4,349	6,281	1,863.12	F (13/9)	4,417	6,379	1,923.19
1,821	3,035	2,149.75	G (15/9)	1,828	3,046	2,219.07
78	157	2,579.70	H (18/9)	82	164	2,662.88
	124,806		Total		126,465	
	-499		Adjustments **		-1,265	
	124,307		Council Tax Base		125,200	

* 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 (45.8p in 2008/09) and, subject to the effects of transitional arrangements and other reliefs, 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:

2007/08		2008/09	
£000s		£000s	
n/a	Non-domestic rate income 2008/09 (average rateable value £237,647,332.64)	110,284	
106,659	Non-domestic rate income 2007/08 (average rateable value £238,791,629.30)		n/a
-17,718	Allowance and other adjustments (net)		-15,564
88,941	Net contribution to NNDR pool		94,720

The actual non-domestic rateable value at 31 March 2009 was £238,421,625 (£238,153,609 at 31 March 2008).

ADDITIONAL FINANCIAL STATEMENTS

3 Balances

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

2007/08		2008/09
£000s		£000s
-234	Council Tax	-912
6	Community Charge	6
<u>-228</u>		<u>-906</u>

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 authority. This can result in accounts that do not give a full picture of the services provided and the risks, rewards and costs taken on as a result.

The Group Accounts include:

- **An Explanatory Foreword** - provides a guide to the most significant items reported.
- **The Statement of Accounting Policies** - explains the basis of the figures in the financial statements.
- **Income and Expenditure Account** - shows the income and expenditure relating to the Council and its associated companies and demonstrates how this has been financed.
- **Reconciliation of the Single Entity Surplus or Deficit to the Group Surplus or Deficit** - reconciles the surpluses or deficits on the Income and Expenditure Accounts of the single entity and the Group.
- **Statement of Total Recognised Gains and Losses (Group STRGL)** - brings together all gains and losses experienced by the Group during the year, including those not reflected in the Income and Expenditure Account.
- **Balance Sheet** - summarises the financial position of the Council and its associated companies, and shows their assets and liabilities at the year end.
- **Cash Flow Statement** - summarises the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes.
- **Notes to the Accounts** - adds to and helps the interpretation of the individual statements.

The Council's Group Accounts are made up of the accounts of the Council, two wholly owned subsidiaries (Kirklees Neighbourhood Housing Limited and Kirklees Metropolitan Development Company) where the Council has control over financial and operational decisions, 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. A third joint venture company, Kirklees Schools Services Limited was part of the Group at the beginning of 2007/08 but underwent restructuring of its finances during that year which significantly diluted the Council's interest. Therefore, the Income and Expenditure figures for 2007/08 include part year figures for Kirklees Schools Services Limited.

All of the Council's subsidiaries and joint venture companies are going concerns, except for Kirklees Henry Boot Partnership Limited which is expected to be wound up over the next twelve months. The Council has no commitment to meet any accumulated losses of the companies within the Group.

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 "gross equity method". The consolidation has been prepared in accordance with the SORP and CIPFA's Group Accounts in Local Authorities Practitioners' Workbook. Any divergences from these recommended practices are explained in the Group Accounts' Accounting Policies below.

The Subsidiaries and Joint Ventures 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, including an estimation of pension liabilities.

Kirklees Metropolitan Development Company Limited (Devco)

The main activity of the company is the letting of properties in the Kirklees area. In the financial year 2008/09, company activities comprised managing the lettings of two industrial estates, Silver Court at Moldgreen and Riverside Way at Ravensthorpe.

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

Devco produces its own set of accounts with a year end date of 31 March. Copies of the accounts can be obtained from the Council's Director of Finance.

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

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 Director of Finance.

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

Kirklees Stadium Development Limited (KSDL)

The company was formed to carry out the development, construction and running of the sports stadium in Huddersfield.

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

The SORP specifies that entities in the Group should share the same year end date as the reporting authority. Where this is not practicable it is recommended that accounts prepared in the three months prior to the Authority's are used. Given the nature of KSDL's business the ideal time for preparing accounts is during the football close season, giving the company a year end date of 31 July. In order to

achieve a consolidation consistent with the Council's balance sheet date, the KSDL management have provided management accounts as at 31 March 2009.

STATEMENT OF ACCOUNTING POLICIES

In the 2006 SORP, the introduction of an Income and Expenditure Account and a Statement of Total Recognised Gains and Losses for the single entity accounts means that Group Accounts are no longer required to be prepared according to accounting policies that are a hybrid between those adopted by the Council and those used by the group entities. The single entity Income and Expenditure therefore provides the basis for the Group Income and Expenditure Account without the need for any adjustments, apart from adjustments for intra-group transactions.

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

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

ADJUSTMENTS TO THE AUTHORITY'S ACCOUNTS TO COMPLY WITH GAAP

Pensions

The Council is required to account for its subsidiaries with defined benefit pension schemes using FRS17. The specific accounting treatments of FRS17 are detailed in the single entity's Accounting Policies.

KNH has a defined benefit scheme and must adhere to FRS17. The SORP requires that the FRS17 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 FRS17 debits and credits out of their profit and loss accounts. This means that rather than by an appropriation to/from a pensions reserve they must be accounted for in the Group Income and Expenditure Account, adjusting the results of the Company. Balance Sheet entries follow the same principles as those of the Council.

Tangible Fixed Assets

The SORP requires that the reporting authority and its subsidiaries 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.

The only fixed assets held by the Council's subsidiaries are investment properties owned by Devco. Devco shares the Council's policy of carrying investment properties at the lower of net current replacement cost and net realisable value, so no adjustments to these asset values were required. The SORP does not specifically require the revaluation of the fixed assets of joint ventures in the Group Account reconciliation. As such the stadium owned by KSDL has not been revalued and is included in the "Share of Gross Assets of Joint Venture" line on the balance sheet using the Company's depreciated historical cost valuation. Given the size and unique nature of the stadium any revaluation would be likely to have adverse cost-benefit implications compared with the information it would provide to the users of the accounts.

Prior Year Adjustments

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

The 2007/08 Group Accounts were partly based on unaudited and management accounts. As such last year's audited company accounts have been studied for any material changes from the figures reported. As only minor changes have occurred, the original figures for 2007/08 have been used and adjustments made in the Group Statement of Recognised Gains and Losses.

GROUP INCOME AND EXPENDITURE ACCOUNT

2007/08				2008/09	
Net Expenditure			Gross Expenditure	Income	Net Expenditure
£000s	£000s Restated		£000s	£000s	£000s
63,928	63,928	Children's and Education Services	463,316	363,496	99,820
85,663	85,663	Adult Social Care	132,078	32,434	99,644
-11,325	-11,325	Housing	161,835	177,484	-15,649
37,356	37,356	Highways and Transport	55,349	16,214	39,135
73,400	73,400	Cultural, Environment and Regulatory Planning	113,792	30,593	83,199
7,232	7,232	Central Services to the Public	41,532	33,608	7,924
394	394	Courts	453	0	453
520	520	Other Services	4,234	3,520	714
8,152	8,152	Corporate and Democratic Core	8,823	104	8,719
15,135	15,135	Non-distributed Costs	2,025	0	2,025
0	0	Exceptional Item	134,379	0	134,379
		Share of operating results of joint ventures:			
-3,028	-3,028	Turnover	0	1,134	-1,134
2,155	2,155	Cost of Sales and Operating Expenditure	721	0	721
279,582	279,582	Net cost of services	1,118,537	658,587	459,950
-163	-163	Gains(-)/ Losses on disposal of fixed assets			4,110
0	0	Other income defined as capital receipts but not arising from asset disposal			-182
451	451	Precepts and levies			519
380	380	Net surplus(-)/deficit on trading operations			2,141
35,083	35,083	Interest payable			31,107
1,055	1,055	Share of interest payable by joint ventures			419
-9,165	-9,165	Interest and investment income			-9,024
-558	-558	Share of investment income of joint ventures			-1
7,871	7,871	Amount payable to the Housing Capital Receipts Pool			3,213
-2,904	-2,748	Pensions interest cost and expected return on pensions assets			17,386
10	10	Taxation of Group Entities			0
130	130	Share of Taxation of Joint Ventures			15
311,772	311,928	Net operating expenditure			509,653
-20,993	-20,993	General grants and contributions			-43,961
-139,842	-139,842	Income from the Collection Fund			-144,969
-112,597	-112,597	Contribution from Non-Domestic Rate Pool			-128,277
38,340	38,496	Deficit for the year			192,446

RECONCILIATION OF THE SINGLE ENTITY SURPLUS OR DEFICIT TO THE GROUP SURPLUS OR DEFICIT

2007/08			2008/09
£000s	£000s		£000s
	Restated		
-38,083	-38,239	Deficit on the Authority's single entity Income and Expenditure Account for the year	-191,769
		Surplus/Deficit(-) arising from other entities included in the Group Accounts:	
-504	-504	Subsidiaries	-672
247	247	Joint Ventures	-5
-38,340	-38,496	Group Account Deficit for the year	-192,446

GROUP STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

2007/08			2008/09
£000s	£000s		£000s
	Restated		
-38,340	-38,496	Deficit for the year	-192,446
175,732	175,732	Surplus/deficit(-) arising from the revaluation of fixed assets	-12,083
-182,483	-182,385	Actuarial gains and losses(-) on pension fund assets and liabilities	54,178
-740	-740	KNH - Past service losses(-) on pension fund assets and liabilities	-98
-325	-325	KSSL - Dilution of equity	0
248	248	Net Movement in Available for Sale Financial Instruments	-79
-24	-24	Kirklees Council - Other gains and losses(-)	-725
29	29	Changes to previous year's Group Account figures	56
-45,903	-45,961	Total recognised losses(-) for the year	-151,197

GROUP BALANCE SHEET

31 March 2008			31 March 2009	
£000s	Restated £000s		£000s	£000s
1,117	1,117	Intangible Assets		1,374
		Tangible Assets		
		<u>Operational</u> -		
809,265	809,265	Council Dwellings	707,031	
740,698	740,698	Other Land and Buildings	700,897	
15,282	15,282	Vehicles, Plant and Equipment	19,405	
143,265	143,265	Infrastructure Assets	163,866	
998	998	Community Assets	2,638	1,593,837
		<u>Non-Operational</u> -		
102,386	102,386	Investment Properties	84,276	
11,691	11,691	Assets Under Construction	11,589	
12,495	12,495	Surplus Assets	16,294	112,159
67,286	67,286	Deferred Consideration		67,327
21,348	21,348	Long Term Investments		10,116
11,870	11,870	Share in the Assets of Joint Ventures		11,426
-6,722	-6,722	Share in the Liabilities of Joint Ventures		-6,326
13,882	13,882	Long Term Debtors		16,193
1,944,861	1,944,861	Total Long Term Assets		1,806,106
		Current Assets -		
2,169	2,169	Stocks and Work in Progress	2,596	
48,066	48,066	Debtors	60,126	
376	376	Landfill Allowances	0	
113,852	113,852	Investments	89,172	
22,609	22,609	Cash and Bank	9,138	161,032
2,131,933	2,131,933			
		Current Liabilities -		
-1,840	-1,840	Short Term Borrowing	-9,065	
-84	-84	Landfill Usage	0	
-91,321	-91,321	Creditors	-100,557	
-1,970	-1,970	Bank Overdraft	0	-109,622
2,036,718	2,036,718	Total Assets Less Current Liabilities		1,857,516
-553,429	-553,429	Long Term Borrowing		-528,401
-5,540	-5,540	Deferred Liabilities		-5,341
-20,190	-20,190	Provisions		-23,147
-107,517	-97,869	Grants-Deferred Account		-120,201
-411,289	-413,581	Net liability relating to defined benefit pension scheme		-385,514
938,753	946,109	Total Assets Less Liabilities		794,912

GROUP BALANCE SHEET (Continued)

31 March 2008			31 March 2009	
£000s	Restated £000s		£000s	Notes
1,071,451	1,081,099	Capital Adjustment Account	908,159	1
-3,099	-3,099	Financial Instruments Adjustment Account	-3,081	
0	0	Unequal Pay Back Pay Account	-4,700	
172,550	172,550	Revaluation Reserve	156,200	
248	248	Available-For-Sale Financial Instruments Reserve	169	
7,380	7,380	Usable Capital Receipts Reserve	7,000	
195	195	Deferred Credits	151	
-405,501	-407,793	FRS17 Pensions Reserve	-380,111	
5,710	5,710	Major Repairs Reserve	17,590	
37,220	37,220	Earmarked Reserves	36,745	
25,026	25,026	General Fund Balance	31,726	
27,801	27,801	Housing Revenue Account Balance	25,970	
-228	-228	Collection Fund Balance	-906	
<u>938,753</u>	<u>946,109</u>	Total Net Worth	<u>794,912</u>	

GROUP CASH FLOW STATEMENT

This statement summarises the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes. Note 47 to the Core Financial Statements specifically supports this statement.

2007/08			2008/09	
£000s	£000s		£000s	£000s
	Restated			
		<u>Revenue Activities</u>		
50,673	45,170	Net cash inflow from Revenue Activities		51,871
		<u>Dividends from Joint Ventures and Associates</u>		
0	0	Net cash inflow from dividends received		0
		<u>Returns on Investments and Servicing of Finance</u>		
		Cash Outflows -		
-29,274	-29,274	Interest paid	-30,751	
-29	-29	Interest element of finance lease rentals	-326	
-813	-813	Premiums from early repayment of loans	-24	-31,101
		Cash Inflows -		
7,784	7,784	Interest received	9,150	
33	33	Discounts from early repayment of loans	18	9,168
-22,299	-22,299	Net cash outflow from Investments and Servicing of Finance		-21,933
		Taxation		-15
		<u>Capital Activities</u>		
		Cash Outflows -		
-99,920	-85,605	Purchase of assets	-97,975	
-11,000	-11,000	Long term investments	-5,596	
-499	-499	Other capital cash payments	-820	-104,391
		Cash Inflows -		
15,213	15,213	Sale of fixed assets	6,663	
8,525	8,525	Sale of Airport shares	0	
36,826	28,014	Capital grants received	25,457	
0	0	Long term investments now less than twelve months	17,222	
1,259	1,259	Other capital cash receipts	1,884	51,226
-49,596	-44,093	Net cash outflow from Capital Activities		-53,165

GROUP CASH FLOW STATEMENT (Continued)

2007/08 £000s		2008/09 £000s	2008/09 £000s
	<u>Acquisition and disposals of Joint Ventures and Associates</u>		
0	Net cash inflow from acquisition and disposals		0
-21,222	Net cash outflow before financing		-23,242
	<u>Management of Liquid Resources</u>		
-34,250	Net cash inflow/outflow(-) from short term investments		23,178
	<u>Financing</u>		
	Cash Outflows -		
-61,100	Repayments of amounts borrowed (long term)	-14,684	
-10,469	Repayments of amounts borrowed (short term)	-22,008	
-249	Finance Lease Principal	-181	
-224	Repayment of transferred debt	-211	-37,084
	Cash Inflows -		
122,100	New loans raised (long term)	0	
11,303	New loans raised (short term)	25,647	25,647
61,361	Net cash inflow/outflow(-) from Financing		-11,437
5,889	Increase/Decrease(-) in Cash		-11,501

NOTES TO THE GROUP ACCOUNTS

1 Capital Adjustment Account

The Group Capital Adjustment Account consolidates the following along with the Council balance:

- £0.6 million in relation to Devco's Capital Funding Account.
- £4.2 million as the Council's share of £10.4 million set aside by KSDL as Capital Funding.

2 Cash Flow Statement

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

KNH - The Company has a Net Revenue Activities outflow of £2.2 million and a return on investment inflow of £48,000, resulting in a reduction in the cash figure of £2.1 million.

Devco - The Company has a Net Revenue Activities inflow of £43,000, an inflow on returns on investment of £6,000 and an outflow on capital of £11,000. The cash figure is therefore increased by £38,000.

No notes to the Group Cash Flow Statement have been prepared due to the lack of materiality of these flows on the single entity Cash Flow Statement.

3 Related Party Transactions

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

Kirklees Neighbourhood Housing Limited

During 2008/09, KNH incurred costs of £2.3 million (2007/08 £2.2 million) for Council services including insurance and office accommodation. At 31 March 2009, £0.2 million was outstanding (£0.3 million at 31 March 2008).

The Council incurred costs of £14.0 million (2007/08 £13.9 million) in relation to KNH's management fee. At 31 March 2009, £1.7 million was outstanding (£0.5 million at 31 March 2008).

Kirklees Metropolitan Development Company Limited

Devco paid the Council £94,000 for service provision in 2008/09 (2007/08 £83,000). At 31 March 2009 a balance of £61,000 was owing to the Council (£56,000 at 31 March 2008).

During the same period the Council incurred rent and service charges of £40,000 (2007/08 £46,000) in relation to Devco properties.

Kirklees Henry Boot Partnership Limited

At the Balance Sheet date of KHBP, the Council's investment (including that of Devco) was reflected in equity of £250,000 and secured loans of £4.2 million. Interest of £259,000 (2007/08 £299,000) was incurred in the year on the outstanding loans. The Council charged the Company £22,000 (2007/08 £51,000) 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 (2007/08 £250,000). At the Balance Sheet date £177,000 (2007/08 £170,000) was due from Henry Boot Group to KHBP in respect of an overpayment in relation to a land transfer.

At the Council's Balance Sheet date, £0.5 million (2007/08 £0.3 million) was due to the Council in respect of interest accrued and £0.5 million (2007/08 £0.5 million) in respect of the transfer of land at Healds Road, Dewsbury.

It is anticipated that the company will be wound up during the next twelve months.

Kirklees Stadium Development Limited

The company occupies land owned by the Council under leases for which a premium of £0.9 million is payable.

The Council pays the company a rental for the use of office space at the stadium. In the year ended 31 March 2009, the Council paid rent of £70,000 (2007/08 £70,000). The Council also provided funding of £275,000 (2007/08 £275,000). The Council paid the company a further £48,000 in various rents and maintenance in year ending 31 March 2009 (2007/08 £273,000). In 2008/09, the company paid the Council £5,000 for Legal Services (2007/08 £20,000).

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

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 on revaluation of fixed assets not yet realised through sales.

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 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 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 income received from non-domestic rates and Council Tax, and the way in which these have been distributed to precepting authorities and the General Fund.

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 authority.

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.

Depreciation

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

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.

Government Grants Deferred Account

This represents the balance of grants applied to the financing of fixed assets, awaiting amortisation to service revenue accounts to match depreciation on the relevant assets.

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.

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.

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.

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 authority 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 an authority 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

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 authority.

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 authority making a concession. The SORP requires the discounted interest rate to be recognised as a reduction in the fair value of the asset when measured for the first time.

Unequal Pay Back Pay Account

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

Independent auditor's report to the Members of Kirklees Council

Opinion on the financial statements

I have audited the Authority and Group accounting statements and related notes of Kirklees Council for the year ended 31 March 2009 under the Audit Commission Act 1998. The Authority and Group accounting statements comprise the Kirklees Council and Group Income and Expenditure Account, the Authority Statement of Movement on the General Fund Balance, the Authority and Group Balance Sheet, the Authority and Group Statement of Total Recognised Gains and Losses, the Authority and Group Cash Flow Statement, the Housing Revenue Account, the Statement of Movement on the Housing Revenue Account, the Collection Fund and the related notes. These accounting statements have been prepared under the accounting policies set out in the Statement of Accounting Policies.

This report is made solely to the members of Kirklees Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 49 of the Statement of Responsibilities of Auditors and of Audited Bodies prepared by the Audit Commission.

Respective responsibilities of the Director of Finance and auditor

The Director of Finance's responsibilities for preparing the financial statements in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008 are set out in the Statement of Responsibilities for the Statement of Accounts.

My responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the Authority and Group accounting statements present fairly, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008:

- the financial position of the Authority and its income and expenditure for the year; and
- the financial position of the Group and its income and expenditure for the year.

I review whether the governance statement reflects compliance with 'Delivering Good Governance in Local Government: A Framework' published by CIPFA/SOLACE in June 2007. I report if it does not comply with proper practices specified by CIPFA/SOLACE or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider, nor have I considered, whether the governance statement covers all risks and controls. Neither am I required to form an opinion on the effectiveness of the Authority's corporate governance procedures or its risk and control procedures

I read other information published with the Authority and Group accounting statements, and consider whether it is consistent with the audited Authority and Group accounting statements. This other information comprises the Explanatory Foreword¹. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the Authority and Group accounting statements. My responsibilities do not extend to any other information.

Audit Commission, Kernel House, Killingbeck Drive, Killingbeck, Leeds, LS14 6UF
T 0113 251 7130 F 0113 251 7131 www.audit-commission.gov.uk

I conducted my audit in accordance with the Audit Commission Act 1998, the Code of Audit Practice issued by the Audit Commission and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the Authority and Group accounting statements and related notes. It also includes an assessment of the significant estimates and judgments made by the Authority in the preparation of the Authority and Group accounting statements and related notes, and of whether the accounting policies are appropriate to the Authority's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the Authority and Group accounting statements and related notes are free from material misstatement, whether caused by fraud or other irregularity or error. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the Authority and Group accounting statements and related notes.

Opinion

In my opinion:

- The Authority's financial statements present fairly, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008, the financial position of the Authority as at 31 March 2009 and its income and expenditure for the year then ended; and
- The Group financial statements present fairly, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008, the financial position of the Authority as at 31 March 2009 and its income and expenditure for the year then ended.

Conclusion on arrangements for securing economy, efficiency and effectiveness in the use of resources

Authority's Responsibilities

The Authority 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 regularly to review the adequacy and effectiveness of these arrangements.

Auditor's Responsibilities

I am required by the Audit Commission Act 1998 to be satisfied that proper arrangements have been made by the Authority for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires me to report to you my conclusion in relation to proper arrangements, having regard to relevant criteria specified by the Audit Commission for principal local authorities. I report if significant matters have come to my attention which prevent me from concluding that the Authority has made such proper arrangements. I am not required to consider, nor have I considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Conclusion

I have undertaken my audit in accordance with the Code of Audit Practice and having regard to the criteria for principal local authorities specified by the Audit Commission and published in May 2008 and updated in February 2009, and the supporting guidance, I am satisfied that, in all significant respects, Kirklees Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2009.



Delay in certification of completion of the audit

The audit cannot be formally completed and an audit certificate issued, until I have completed my consideration of matters brought to my attention by local authority electors in respect of the 2007/08 accounts. I am satisfied that these matters do not have a material effect on the financial statements.

A handwritten signature in blue ink, appearing to read 'P Lundy'.

Paul Lundy
District Auditor
Audit Commission
Kernel House
Killingbeck Drive
Killingbeck
Leeds LS14 6UF

30 September 2009



AUDITOR'S CERTIFICATE ON THE AUDIT OF KIRKLEES COUNCIL

Issue of audit opinion on the accounting statements

In my audit report for the year ended 31 March 2009 issued on 30 September 2009 I reported that, in my opinion, the accounting statements:

- gave a true and fair view of the state of Kirklees Council's affairs as at 31 March 2009 and of its income and expenditure for the year then ended;
- gave a true and fair view of the state of the group's affairs as at 31 March 2009 and of its income and expenditure for the year then ended; and
- had been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom.

Issue of value for money conclusion

In my audit report for the year ended 31 March 2009 issued on 30 September 2009 I reported that, in my opinion, in all significant respects, Kirklees Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2009.

Certificate

In my report dated 30 September 2009, I explained that the audit could not be formally concluded on that date until consideration of matters brought to my attention by local authority electors had been completed. These matters have now been dealt with.

No other matters have come to my attention since that date that would have a material impact on the financial statements on which I gave an unqualified opinion and value for money conclusion.

I certify that I have completed the audit of the accounts of Kirklees Council in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Paul Lundy
District Auditor

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

9th May 2012