KIRKLEES COUNCIL

AUDITED
STATEMENT OF ACCOUNTS
2020/2021

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Foreword

I am pleased to introduce the Council's Statement of Accounts for the year ended 31 March 2021.

The preparation of the Statement of Accounts is a statutory requirement and local authorities are normally required to have them signed by the section 151 Officer by 31 May and published with an Audit Certificate by 31 July, following the end of the financial year. However, having considered the impact of Covid-19 is having on Local Authorities, the Ministry of Housing, Communities & Local Government extended the statutory deadlines for local authorities to approve and publish their accounts for the 2020/21 and 2021/22 financial years. The revised deadlines applicable to local authorities are to have them signed by the section 151 Officer by 31 July and published with an Audit Certificate by 30 September.

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

The annual statement of accounts is a very important document because it provides assurance to the public that Council funds have been properly accounted for, and this includes rigorous external validation by appointed auditors.

In the broader financial and economic context within which the Council operates, the annual statement of accounts should be viewed also as a key indicator of the extent of our Council's economic, effective and efficient use of resources, and overall financial health of the organisation.

During the year the Council has been faced with the unprecedented challenges of a global pandemic which has meant significant changes to the way Councillors, Council Officers and partner organisations have had to operate, deliver services to, and work with communities, residents, and businesses, while ensuring continuing support to our most vulnerable residents. The effects of the COVID-19 pandemic have been felt across the district as most of the year has been spent either under national lockdown or Tier 3 restrictions.

The Statement of Accounts give an overview of the Council's finances for 2020/21, a financial year that has been unprecedented. In addition to the essential business as usual activities that continued to be provided, the breadth and range of COVID specific actions and consequential financial impacts are also reflected in the accounts as appropriate.

The financial impact on the Council has been significant with additional costs of response and loss of both tax and service income as a result of national lockdowns, tier restrictions and consequential unprecedented global, national and local economic impacts. The Council has received financial support from Government to address this. During 2020/21, the Council has administered over £140m in Government grant funding to eligible businesses throughout the district, administered in the region of £50m in COVID related Business Rates reliefs and £4.5m of hardship relief to Council Tax Reduction recipients, managed almost £33m of other COVID specific grants as well as £36m of general un-ringfenced grants (£12m of which was received in March 2020).

This additional funding and the continuation of some of it into 2021/22 has been welcomed but it is also recognised that it is temporary financial support rather than permanent funding, and 2021/22 will be a transitional year for the Council and partner organisations with the easing of national social distancing measures.

The Council's updated revenue budget plans for 2021/22 and future years, and updated capital plans 2020-26 roll forward existing approved investment in the Administration's political priorities; namely the delivery of outstanding children's services, tackling climate change and investing in our Places, as well as effective and efficient corporate capacity and capability to support the overall approach and Council ambition for the borough's residents. In addition, they also reflect opportunities for prioritisation of existing budgets to support the Administration's inclusive investment ambition through the COVID-19 recovery plan.

At the same time, this continues to be balanced against medium term budget risks and ensuring the Council can continue to deliver within its means for the foreseeable future. The Council approved budget plans for 2021/22 in particular gives the Council continued financial stability over the next 12 months, in light of continuing COVID-19 impact and volatility on the Council's overall financial position.

The Council has to live within its means not just for today, but for the foreseeable future. The Council's reserves position continues to reflect relatively strong financial resilience over the short to medium term. However, the financial legacy of Covid-19 is expected to be long lasting beyond current temporary Government funding over the 2020-22 period and the Council's Medium-Term Financial Plan (MTFP) will continue to be updated In light of emerging national, regional and local intelligence in what remains a very challenging national and local financial landscape for local government.

Acknowledgements

I wish to thank colleagues in Finance for their hard work, commitment and skill in completing this Statement of Accounts and all the supporting information by 9 July. I also want to thank colleagues across the organisation and partner organisations for their collective commitment to support the finalisation of the draft accounts by 9 July well in advance of this years revised statutory deadlines.

Eamonn Croston
Service Director - Finance

Introduction to Kirklees

Digley Reservoir, Holmfirth

The Council serves one of the larger Districts in England and Wales, both in terms of population and geographical area and this, along with other key characteristics of the Kirklees District, are summarised below:

- Kirklees is home to **439,800 residents**, and this figure is projected to increase by 3% overall to 451,500 by 2029; this includes a 18% projected increase in ages 65 and over to 91,800; included within this is a 27% increase specifically for ages 85 and over.
- **Kirklees ranks twelfth out of 336 districts** in terms of population in England and Wales.
- **Population by ethnic group;** 79%* White, 16% Asian or British Asian, 5% Other (*England & Wales average 85%).
- **3rd largest metropolitan district in area** covering 157 square miles.
- **180,300 households,** of which about 67% are owner occupied, and 12% Council rented. Households are projected to increase 11% by 2043, to 199,500.
- **157,000 employees in Kirklees,** of which 16% relates to Manufacturing, double the Great British average of 8%. Health also provides 14%; with Education accounting for a further 11%.
- **The average median gross weekly earnings for Kirklees residents is £437.10;** lower than the Great Britain average of **£472.20.**
- **Unemployment rates* at April 2021 are 6.7%**; in comparison to the Great Britain average of 6.4% (*unemployment rates relate to the claimant count for Jobseekers' Allowance plus those who claim Universal Credit and are required to seek work and be available for work). 19,700 employments were on furlough as at April 2021.
- **69 Local Councillors serve 23 wards**; since November 2020 there is no overall control in the Council, Labour was the controlling party following the 2018 May local elections and prior to 2018 there had been no overall control in the Council since 1999.
- **79% of residents surveyed are satisfied with the local area as a place to live.**
- **Index of deprivation for Kirklees; 12%* of the district's population live within areas which rank within the worst 10% in England**; (*the average for England is 10%)**.**

The Council

Kirklees' Services

The Workforce

Below is a snapshot of total staff employed across non-schools and schools, as at 31 August 2020 (source Kirklees People Services):

	Full-time	Part-time	Total	Full time equivalent (fte)
Non-schools	3,560	3,595	**7,155**	5,565
Schools	1,948	4,611	**6,559**	4,483
Total	**5,508**	**8,206**	**13,714**	**10,048**

To put the above into perspective, the full time equivalent figure in 2010 was 14,003; this represents an overall reduction of 3,955, approximately 28%, over the period.

Council performance in 2020/21

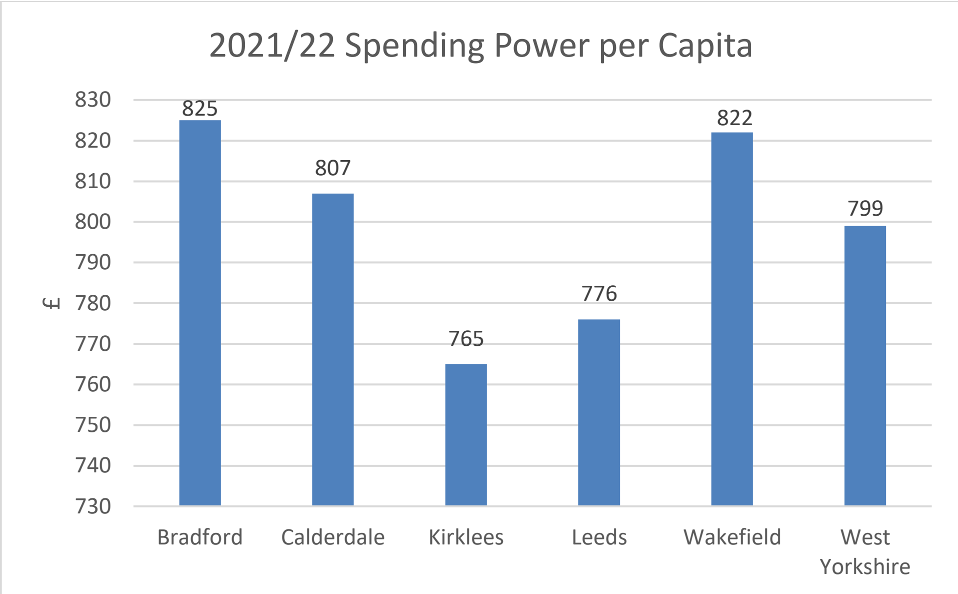
The Council's annual Corporate Plan for 2020-21 sets out a vision for an ambitious Council for the residents and communities of Kirklees:

"a district that combines a strong, sustainable economy with a great quality of life - leading to thriving communities, growing businesses, high prosperity and low inequality where people enjoy better health throughout their lives".

To deliver this vision, the Council is developing into one that focuses on achieving outcomes by working with people rather than doing to them, working with Partners and recognising the importance of local identity and how needs differ in different places. Existing budget plans for 2021-26, whilst acknowledging the continuing financial challenges facing the Council, also include significant new investment, particularly in; children services, adults, regeneration activity, housing growth agenda, transformation capability and corporate capacity to support this approach.

This Council is already a low cost, low spend Council and has always focused on providing value for money for the residents of Kirklees.

The Government's own calculation of funding that each Council has available, expressed as an amount per resident, places Kirklees as the 3rd lowest of the 36 metropolitan authorities in 2021/22, and lowest of the 5 Councils in the West Yorkshire regions (see below):



The Council aims to be outcomes focussed and intelligence driven. The Corporate Plan for 2020/21 continued with a focus on the Council's contribution to the seven shared Kirklees Outcomes, articulating a vision for Kirklees as a district which combines a strong, sustainable economy with a great quality of life - leading to thriving communities, growing businesses, high prosperity and low inequality where people enjoy better health throughout their lives.

Monitoring our impacts and outcomes at a population level ensures that our services are clear about the context within which they are delivering and how well we are meeting the needs of citizens and communities. Monitoring our impacts and outcomes at a service level helps us to understand how much we are doing, how well and what difference we are making to our customers and service users. Progress made across all services is summarised in quarterly performance and outcome reports.

Work is underway to identify and embed improved measures of impact and outcomes across all Council areas of activity including our progress towards reducing inequalities between and within communities in Kirklees.

Below is a summary of achievements in the last 12 months:

Best Start:

- 2,825 families benefitted from 30hrs free childcare and the take-up of free early education for eligible 2 year olds was 64%.
- 77.8% (520 out of 668 children) of Children Looked After were successfully placed in fostering placements.

Well:

- 631 people helped via Community Plus (around half of whom consider themselves to have a disability).
- 929 referrals to the Integrated Wellness Service including referrals for the Healthy Weight Programme (30%), improving mental wellbeing (25%) and improving physical health (22%).

Independent:

- 90% of people in receipt of council funded adult social care feel that the care and support they receive helps them feel safe.
- The council supported over 150 mutual aid groups which formed to provide support to communities during the pandemic. 4,728 people received help via the Council's Community Response helpline and around 1,500 people volunteered their services to help vulnerable people.

Aspire and Achieve:

- Pupil assessments and Ofsted visits were cancelled by national government during the pandemic.
- The Council distributed 6,224 digital devices (such as laptops and iPads) and 351 routers to pupils to support learning from home. These included vulnerable children, asylum seekers, looked after children and children in foster care.
- 4550 people participated in council run employability programmes with 1178 people moving into work or apprenticeships.

Sustainable Economy:

- Over 1,400 grants allocations to SMEs in Kirklees since the inception of the Leeds City Region Local Economic Partnership in 2012 with an accumulated value of £8.92m. In 2020-21, £807,522 of grant support has been provided with the assistance of our Growth Managers via Leeds City Region Local Economic Partnership, helping to create 147 new jobs in the last 12 months as a result of business growth projects.
- The Council has also made a total of £17.5m. worth of Discretionary Grant payments to over 1500 businesses. This is in addition to the £150m. plus of Government COVID Support Grants paid to businesses in Kirklees.

Safe and Cohesive:

- The Council has continued to manage anti-social behaviour and support victims in communities within the boundaries of Covid restrictions including progressing legal interventions where appropriate or within amended legislation.

Clean, Green, High quality environment:

- Delivery of 1,131 new dwellings in 2019-20.
- 82% of street lights now converted to more energy efficient LED (over 43,500 lights in total to date) resulting in savings of energy and carbon generated of 60% and 40% fewer journeys to repair faults.
- A locality based unclassified road programme was approved involving resurfacing of unclassified roads and pavements with over 140 sites prioritised by councillors. This programme also funded the recycling of road surfaces (reducing the amount of materials needed), and a resurfacing 'hotspot' programme which is reducing the need for revisits to undertake small repairs so saving journeys and carbon generated.
- Between 2005/6 and 2019/20 the Council has reduced its carbon emissions by 53.5% which means it achieved its previous 40% reduction target (set in 2010 against a 2005/06 baseline) ahead of the 2020/21 target date. The Council has now set a more ambitious target for 'net zero' carbon emissions by 2038.

Financial Performance in 2020/21

Service developments in year

During the year, there have been 6 schools that have converted to Academy status. Employees have been transferred to the new bodies together with assets valued at £29.7m. These transfers have resulted in a reduction in revenue spending of £4.4m and a corresponding amount of Dedicated Schools Grant.

Revenue – General Fund

The General Fund Net Revenue Budget for 2020/21 was £302.3m, approved at Council on 12 February 2020.

There was a net transfer to reserves from General Fund in-year, totalling £27.6m. The revised budget in 2020/21 was £274.7m.

The Authority's net revenue spend totalled £274.7m in 2020/21.

The overall outturn position was break-even against a £274.7m revenue budget (compared to break-even in 2019/20) and reflects sound overall financial management of budgets in-year.

The 2020/21 revenue budget continued the direction of travel set out in successive recent budget rounds to deliver the Council's ambitions and priorities for the district, within overall reducing resources.

The actual spend to budget is summarised by department below:

	Revised Budget	Outturn	Variance
	£k	£k	£k
Children & Families	87,302	90,869	3,567
Adults & Health	102,979	103,848	869
Growth & Regeneration	15,398	16,691	1,293
Environment & Climate Change	23,283	35,978	12,695
Corporate Services	22,117	28,616	6,499
Central Budgets	30,158	31,001	843
COVID Funding Offset	-6,531	-32,301	-25,770
Grand Total	**274,706**	**274,701**	**-5**

Within the overall break-even position, there were a number of significant underlying service pressures, including £10.7m on Special Educational Needs and Disability (SEND) activity, in excess of the £43.1m resources available to fund this activity through the High Needs funding block allocation within the Dedicated Schools Grant (DSG).
Following CIPFA guidance, this spending pressure must be carried forward on the Balance Sheet in full, as a funding deficit against Dedicated School Grant (DSG). In the 2019/20 accounts, this was held as a 'negative' usable reserve. However, following the introduction of a new Statutory Instrument in

November 2020, the 2021/22 Code has stated this 'deficit' balance should be held in the 'Dedicated Schools Grant Adjustment Account', an unusable reserve. The 'deficit' balance at 31 March 2021 is £25.1m (2019/20 £14.4m).

The aim of the 2020/21 CIPFA code is to ensure that DSG deficits are ringfenced and held separately from General Fund resources so that specific measures can be put in place to address the deficits without placing pressure on resources required for other essential services.

As a result, this balance has not formed part of the overall break-even position for 2020/21. High needs however, remains an area of significant and growing pressure on Council budgets nationally and locally, and officers will continue to review and update current and future year forecasts informed by national and local intelligence. It is the Council's intention to work with the relevant Government departments to bring forward a medium term management plan to address the deficit balance, early in 2021/22.

There was also an overall overspend on Schools Transport of £2.1m relating to volume pressures. As at 31 March 2021, 250 children with Education Health and Care Plans (EHCP's) are using Post 16 Home to School Transport. Approved 2021/22 budget plans include £1.75m base budget uplift to reflect recurrent demand pressures on schools transport service. This includes £250k to establish a permanent team to support families of children with special needs and disabilities; to create travel solutions which will help families, not just in relation to travel but also providing families with other benefits such as life skills and to have more control over their own lives, and save in the longer term.

Within Environment and Climate Change the most significant variances relate to the impacts of COVID-19, with a total full year pressure of £18.5m across both spend and income budgets. There were £9.2m COVID-19 related spend pressures; £6.2m of which related to PPE costs offset in full by Contain Outbreak Management Funding. The balance of costs at £3.0m included additional spend of £1.8m on Waste services associated with traffic management at household waste sites and additional vehicles and hired staff for collections, £0.4m on School Catering, including the provision of 'grab bags' for pupils during school closures, and £0.4m for cremator works and temporary mortuary facilities. There were also substantial income losses of £9.3m; the most significant being £4.3m on Parking Fees and Fines, largely as a result of national lockdown measures on non-essential businesses, home working due to social distancing and local measures to encourage high street footfall through extension of resident free parking in the borough's major towns; plus a further £2.8m on Catering due to school closures. Other losses included £0.7m on Trade Waste, £0.5m on Town Halls and Public Halls, £0.3m on Bereavement Services and £0.3m on Public Protection.

Within Growth and Regeneration there were pressures totalling £3.3m with respect to COVID-19; £2.3m of which related to income losses. £1.8m of the losses sat within Growth and Housing and included £0.9m on Markets, £0.6m on Planning Fees and £0.2m on Building Control Fees. There was also additional spend of £0.9m on temporary accommodation facilities provided during the pandemic; £0.7m of which was offset by specific COVID-19 funding streams

Within Corporate Strategy, Commissioning and Public Health there was a £4m pressure as a result of a payment to Kirklees Active Leisure (KAL) to address the net revenue losses incurred as a result of enforced closure of leisure centres during the pandemic and ensure KAL's financial sustainability and future recovery post-COVID-19. In October 2020, Government announced a £100m funding package aimed at outsourced local authority leisure centres to support the recovery going forward of those services deemed to be most in need. A successful submission was put forwards by the Council with joint sign off from KAL for funding of £1.1m which will be paid across to KAL in 2021/22. There is likely to be a requirement for further financial support in 2021/22.

General Fund reserves and balances have increased through 2020/21 by £69.6m; from £127.8m (restated) at the start of the year to £197.4m as at 31 March 2021.

Covid-19

The Covid-19 financial impact has been significant, adding to the already uncertain financial landscape. During the year the Council has continually assessed its financial impact forecasts as part of the monthly financial impact returns to Government.

Covid-19 Grant Schemes

During the financial year the Council has administered a significant number of Covid-19 grant schemes on behalf of Government to support businesses and residents during the pandemic. The financial impact of these grants is reflected within the Outturn and Statement of Accounts.

These schemes have been a mix of non-discretionary, where schemes and eligibility criteria has been set nationally by Government, and discretionary, where schemes and eligibility criteria have been set locally by the Council. Following the receipt of a grant the Council had to determine whether in administering the grant it was acting as an agent or principal. Accounting standards only require the Council to record transactions in its revenue accounts where it is acting as principal i.e. it has control of the grants awarded.

The table below provides a full summary of all the Covid-19 grant schemes administered by the Council during 2020/21:

Category	Name of Funding	Lead department / organisation	Kirklees Allocation £k	Council Acting as Agent (A)
COVID-19 General Funding	Coronavirus (COVID-19): emergency un-ringfenced funding for local government (4 tranches)	MHCLG	35,857	
	COVID-19 Sales Fees and Charges Income Loss Compensation	MHCLG	8,671	
	COVID -19 Local Tax Income Guarantee Compensation	MHCLG	5,002	
Test & Trace and COMF Funding	Test and Trace Service Support Grant	DHSC	2,531	
	Surge Funding / additional Contain Outbreak Management Fund (COMF)	DHSC	11,058	
Funding for Adult Social Care (For Single and Upper tier authorities only)	Adult Social Care Infection Control Fund (ICF) (Rounds 1 and 2)	DHSC	8,358	
	Clinical Commissioning Group (CCG) funding for additional costs associated with COVID-19 including hospital discharge	NHSE	8,511	
	Rapid Testing Fund	DHSC	1,123	
	Workforce Capacity Fund	DHSC	930	
Funding for Grants to Businesses	Small Business Grant Fund & Retail, Hospitality, Leisure	MHCLG/BEIS	113,650	A
	Business Grant Top Up	MHCLG/BEIS	21,492	A
	LA Discretionary Grant Fund	MHCLG/BEIS	5,232	
	Local Restrictions Support Grant - Closed	MHCLG	31,019	A
	Local Restrictions Support Grant - Open	MHCLG	4,323	
	Local Restrictions Support Grant - Discretionary	MHCLG	12,702	
	Christmas Support - Pubs	BEIS	230	A
Other Government Funding for Local Authorities	Clinically Extremely Vulnerable (CEV) Funding	MHCLG	1,315	
	Compliance and Enforcement Grant	MHCLG	239	
	Reopening High Streets Safely Fund	MCHLG	389	
	Provisional Rough Sleeping emergency funding	MHCLG	12	
	Next Steps Accommodation Programme (NSAP)	MHCLG	162	
	Local Authority Emergency Assistance Grant for Food and Essential Supplies	DEFRA	551	
	Additional Home to School Transport (£m)	DfE (and DfT)	47	
	Emergency Active Travel Fund (Tranche 1 only)	DfT	257	
	Community Champions LA Fund	MHCLG	495	
	Self-Isolation Grant funding (Administrative element only)	DHSC	267	
	Self-Isolation Grant funding (other)	DHSC	1,379	
	COVID Winter Grant Scheme	DWP	2,005	
	Community Testing	DHSC	558	
	New Burdens Funding	MHCLG/BEIS	326	
	Business Improvement Districts Funding	MHCLG	11	
	Leisure Centre Support	DCMS	1,175	
	Hardship Funding	MHCLG	4,957	
		TOTAL	**284,834**	

Revenue – Housing Revenue Account (HRA)

The HRA is a ring-fenced account that holds all income and expenditure in relation to the provision of landlord services to approximately 23,000 tenancies. Landlord services are managed on the Council's behalf by Kirklees Neighbourhood Housing Limited, an arm's length management organisation, wholly owned by the Council.

In 2020/21, the HRA reported a £2.6m deficit against an annual turnover of £82m. This included additional depreciation charges of £1.2m, £0.5m relating to additional Council Tax charges on longer term void properties, and variations totalling £0.9m on income; £0.4m of which relates to the COVID-19 emergency including £0.3m under collection of rent income and £0.1m under collection of service charges.

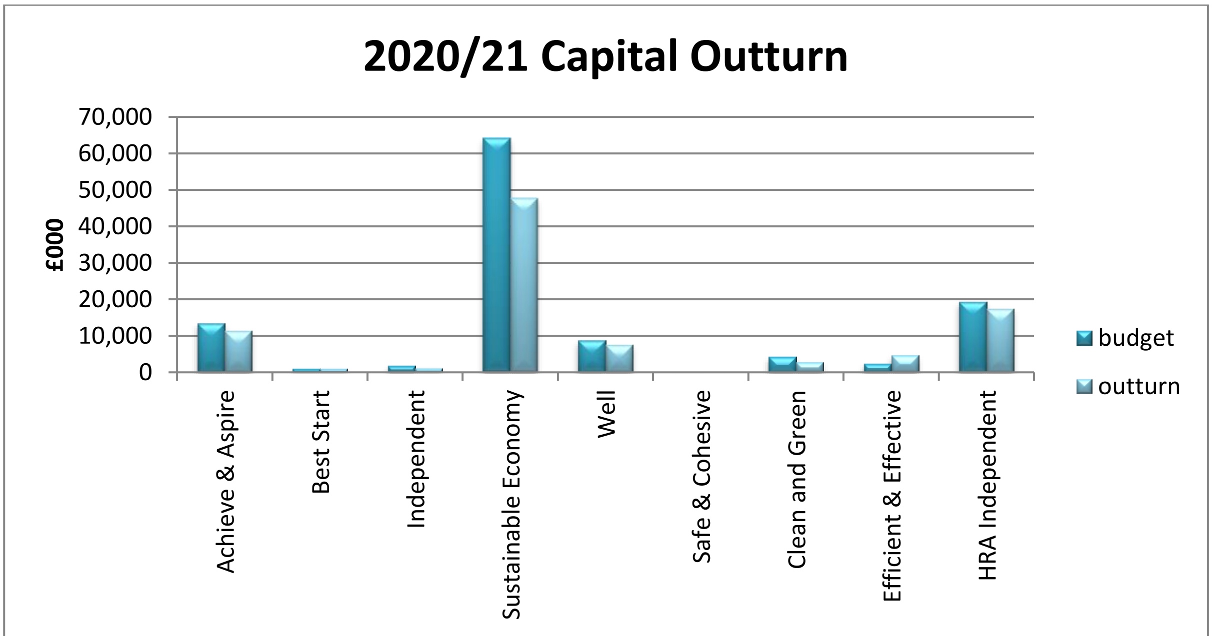
Capital expenditure

The Council's revised capital plan budget was £115.1m in 2020/21.

Capital expenditure in 2020/21 totalled £93.6m; equivalent to 81% against committed investment. Of the total spend, £40m related to strategic priorities, £50.7m related to baseline spend and the balance of £2.9m related to schemes of a one-off nature.

The outturn position relative to budget reflects a number of deferred expenditure commitments rolled forward into future years; examples include slippage on strategic priority capital schemes, including £3.1m on Transforming Cities Fund, £2.8m on the Town Centre Action Plans and £2.4m on West Yorkshire plus Transport schemes. Delays and slippage are also reflected in Baseline schemes, including Highways at £4.1m and Corporate Landlord at £1.8m.

Capital budget and expenditure in 2020/21, is summarised by outcome below:



Capital expenditure in 2020/21 was funded by the following sources of finance; borrowing £40m, grants and contributions £29.9m, capital receipts at £7.6m, Major Repairs Reserve (HRA) at £12.8m, Reserves/Revenue contributions to capital (HRA) at £3.3m and revenue funding on PFI commitments £2.2m.

Collection Fund

The Collection Fund separately accounts for income and expenditure relating to Council Tax by the billing authority. Council Tax and Business Rates are separate accounts held within the Collection Fund and cannot cross-subsidise each other.

Payments are made from the Collection Fund at the start of each year to the various precepting bodies i.e. West Yorkshire Police Authority and West Yorkshire Fire & Rescue Authority in relation to Council Tax, and West Yorkshire Fire & Rescue Authority and Central Government in relation to Business Rates. Payments are based on annual income estimates.

Actual income received in-year can vary from estimates, which normally results in there being either a deficit or surplus on Council Tax and Business Rates at each year end.

Surpluses or deficits roll forward automatically through the Collection Fund, but the intention is that these surpluses or deficits are 'smoothed out' over subsequent financial years, through corresponding payment adjustments, including the relevant precepting authorities and Central Government.

The year-end deficit balance on Business Rates of £30.9m is largely due to the additional reliefs which were awarded to ratepayers in 2020/21 due to the COVID-19 pandemic, primarily the extended Retail Discount and Nursery Relief, with compensating S31 grant of £24m being received. The £24m was moved to reserves in 2020/21 and will be applied against the rolled forward business rates deficit in 2021/22.

The Council's share of overall Collection Fund financial performance in 2020/21 is summarised below.

Collection Fund - Council Share	**Council Tax**	**Business Rates**
	£m	£m
(Surplus)/Deficit at 1 April 2020	**1.2**	**-3.7**
(Surplus)/Deficit transfer to General Fund in 2020/21	0.1	3.4
In-year financial performance 2020/21	3.3	31.2
(Surplus)/Deficit at 31 March 2021	**4.6**	**30.9**

Due to the impact of Covid-19 on the collection of both Council Tax and Business Rates, a change to Collection Fund accounting was introduced for 2020/21, which spreads the impact of COVID related deficits over three financial years (with the exception of the aforementioned £24m Government grant funded Business Rate reliefs), thus smoothing the impact on the revenue budget. The Council's 2021/22 budget and future years budget estimates have been prepared using this new facility.

The percentage of Council Tax collected in year was 95.67% (2019/20 95.41%). The Council's share of the arrears outstanding as at 31 March 2021 was £17.1m (31 March 2020 £14.7m).

The percentage of Business Rates collected in the year was 80.32% (2019/20 97.09%). The Council's share of the arrears outstanding at 31 March 2021 was £7.6m (31 March 2020 £3.3m). In addition, there is a provision for Business Rates appeals outstanding. The Council's share of this provision at 31 March 2021 is £2.6m (31 March 2020 £1.9m).

The Council is also part of a regional business rates pooling arrangement – Leeds City Region and North Yorkshire Business Rates Pool, for 2020/21.

Balance Sheet

The table below summarises the Balance Sheet movements during 2020/21 and indicates that the Council maintains an overall positive Balance Sheet in terms of net assets and usable reserves.

	At March 2020	At March 2021	Movements in-year
	£m	£m	£m
Long Term Assets	1,632	1,683	51
Net Current Assets	-51	-52	-1
Long Term Liabilities	-1,303	-1,474	-171
Net assets	278	157	-121
Represented by :			
Usable Reserves	-226	-312	-86
Unusable Reserves	-52	155	207

Assets

The value of Property, Plant and Equipment has increased during the year by £46.9m to £1,488.0m. The increase is largely due to additions of £73.9m, net valuation gains on Plant, Property and Equipment of £76.5m, offset by assets being reclassified as Held for Sale (£4.3m), the disposals of assets (£43.9m), including schools transferring to academy status, and depreciation (£53.3m). In addition, the Council had Heritage Assets and Investment Property valued at £55.2m and £97.3m respectively as at 31 March 2021 (31 March 2020 £50.0m and £101.1m). Current assets increased by £31.4m to £138.2m.

The Council's policy towards cash flow management is prudent and all deposits/investments in 2020/21 have been placed short-term with a view towards security and liquidity. As at 31 March 2021, the Council held investments of £26.2m within "cash equivalents", that is highly liquid deposits with an insignificant risk of change in value (31 March 2020 £41.4m).

Liabilities

Current liabilities increased by £33.1m to £190.6m and long-term liabilities increased by £170.5m to £1,473.6m. As at 31 March 2021, the Council had total provisions (long term and short term) of £14.7m (31 March 2020 £12.5m).

Total external borrowing during the year decreased from £431.2m to £430.1m. £10m of new long term borrowing was taken from the Public Works Loan Board (PWLB) in the year and short term borrowing decreased by £3.2m.

The average interest rate for long term borrowing in 2020/21 was 4.46% (2019/20 4.67%).

Other long term liabilities contains a net pensions liability of £998.6m (31 March 2020 £824.7m). This represents an actuarial assessment of the Council's share of the pension fund assets and the underlying commitment of the Council to pay future retirement benefits. The increase in net liabilities largely reflects the increase in the pension liability due to actuarial losses due to changes in financial assumptions.

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

- It is not an immediate deficit that needs to be met now. The sum is the current assessment taking a long-term view of the future liabilities for existing pensioners and current employees who are accruing pension entitlement.

- It is not a situation unique to Kirklees Council or Local Authorities generally. There is a national problem for pension funds in both public and private sectors that are similarly in a net liability situation.
- The West Yorkshire Pension Fund is regularly reviewed and provision has been made for additional contribution to address the deficit over a period of years.
- Employee contribution rates may change as may the method of calculating accrued benefits and therefore, liabilities.

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

Balances and Reserves

General Fund Balances at 31 March 2021 was £197.4m (1 April 2020: £127.8m restated), a net increase of £69.6m. These balances include £187.4m that has been earmarked for particular purposes, including £37.1m Financial Resilience Reserves covering a range of potential unfunded risks and pressures (including budget savings risks highlighted in the Council's corporate risk assessment).

The increase mainly relates to Business Rates Section 31 grant (£24m) received by the Council in-year to compensate for the loss of Business Rates income as a result of the extended retail relief given to eligible businesses to support them through the pandemic. These resources are being held in earmarked reserves to offset the Collection Fund deficit created by the reliefs which will be realised in 2021/22. A further £5m reserve has been created containing compensation amounts for tax income losses.

Also, as previously noted, in 2019/20 the DSG deficit reserve was held as a 'negative' earmarked reserve, however, in 2020/21 the accounting treatment for this deficit changed and the deficit is now held separately as an unusable reserve.

The Revenue Grants reserve increased by £10.3m due in the main to the impact of COVID grants being held in reserve at year end, due to timing issues on additional COVID spend rolling over financial years. It is intended that most of this increase will be applied in 2021/22.

A proportion of un-ringfenced Government Covid support grant received in 2020/21 at £17.6m also transferred to an existing £2.4m reserve at year end; set aside to cover a range of ongoing costs of the Council's Covid-19 response continuing into 2021/22. The balance of this reserve as at 31 March 2021 is £20.0m. It is anticipated that the reserve will be fully applied in 2021/22 to help offset significant and unbudgeted Covid-19 pressures in-year.

Council reserves also includes an amount of £13.6m (31 March 2020 £10.0m) relating to schools' balances.

Total usable reserves (excluding ring-fenced Schools Reserves, Public Health and Collection Fund Reserves) as at 1st April 2021 are £153.3m, equivalent to 48.2% of the 2021/22 £317.9m (net) revenue budget. Adjusted for COVID related funding rolled through reserves at year end to cover off ongoing unbudgeted COVID spend commitments, the balance of usable reserves is forecast to be £119.8m; equivalent to 37.7% of net revenue budget.

For comparator purposes, the median percentage across the 36 metropolitan Councils on this particular indicator was 37% as at 31 March 2020. However, as noted above, reserves as at 31 March 2021 have been 'artificially' increased by the roll forward through reserves of various COVID related funding streams that will mostly be applied in 2021/22 due to timing issues on associated spend.

The significance of this indicator is that it features as part of CIPFA's suite of 'financial resilience' performance indicators being developed to support officers, members and other stakeholders as an independent and objective suite of indicators that measure the relative financial sustainability and resilience of Councils, given extensive and ongoing national coverage and concern about financial sustainability across the local government sector. Given the issues noted above, meaningful comparator benchmarking across Councils for 2020/21 will be somewhat distorted by COVID funding and associated spend timing issues rolled forward through Council reserves. This will be a sectoral wide issue, not just limited to a few Councils.

HRA Balances at 31 March 2021 were £58.4m and these will be used to help sustain a balanced revenue position for the HRA over the medium to longer term informed by the 30 year HRA business plan. There was a nil balance on the Major Repairs Reserve as at 31 March 2021 (31 March 2020 nil), which was previously used to support capital expenditure and repay debt within the year.

There are two Capital reserves – grants and receipts – which total £56.9m as at 31 March 2021 (31 March 2020 £51.6m).

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

Group accounts

The Council's Group Accounts are made up of the accounts of the Council, a wholly owned subsidiary - Kirklees Neighbourhood Housing Limited (KNH) and a joint venture - Kirklees Stadium Development Limited (KSDL). The Group Accounts show the full extent of the Council's economic activities by including the Council's involvement with its group companies. The Group Accounts are of equal stature to the Council's single-entity accounts. Based on draft accounts, KNH made an operating deficit of £0.4m in 2020/21 and based on the Council's interest and adjusted in line with the Group's accounting policies, KSDL made an operating deficit of £0.2m.

Council finances – future prospects

Achieving objectives within available resources in the context of the ongoing effects of Covid-19, along with inflationary, demographic and other demand pressures locally continues to be the biggest challenges facing the Council.

Budget plans for 2021/26 were approved at budget Council on 10 February 2021. These are summarised below.

Summary general fund revenue budget plans 2021-26	2021/22	2022/23	2023/24	2024/25	2025/26
	£ı			£m	£m
Budget Gap (MTFP 20-23)	12.1	22.0	24.0	24.0	24.0
Funding and Reserves Changes	(9.7)	2.2	(6.2)	(16.9)	(24.4)
Spending Changes (excluding MRP)	11.3	4.1	12.9	17.2	21.4
Updated Budget Gap before MRP flexibility	**13.7**	**28.3**	**30.7**	**24.3**	**21.0**
Apply MRP Flexibility to Offset Budget Ga|	(13.7)	(13.7)	(13.6)	-	-
Updated Budget Gap (MTFP 21-26)	**-**	**14.6**	**17.1**	**24.3**	**21.0**

The Councils refreshed reserves strategy is directed at strengthening organisational flexibility and financial resilience over the short to medium term in light of the continued funding uncertainty for Council's post 2021/22. General Fund reserves of £37.1m have been set aside specifically for this purpose within 'financial resilience' reserves, for mitigation against future budget and other unfunded risks. This is equivalent to 12.2% of the current year £304.5m (net) controllable revenue budget.

Council updated budget plans reflect a 1.99% general Council Tax uplift in 2021/22 plus a further 3% adult social care precept uplift.; 4.99% in total, and equivalent to £9.3m additional funding. The majority of Kirklees homes are classified as Band A. At this level, a 4.99% Council Tax uplift is equivalent to an increase of £52.22; from £1,046.53 in 2020/21 to £1,098.75 in 2021/22 (before Fire, Police and Parish Council precepts).

High Needs

The issue of high needs pupil pressures on Council budgets has been the subject of significantly increased recent national media coverage, and broader sectoral lobbying. Government has acknowledged the extent of current and growing spend pressures on high needs through the SR2019 announcement which included £700m additional funding for high needs in 2020/21. This was subsequently confirmed through the Local Government Finance Settlement with the Council's share at £6.1m for 2020/21. This includes the minimum £1m annual uplift for Kirklees as part of transitional arrangements to mitigate the £7m baseline 2018/19 under-funding.

As noted previously, following the introduction of a new Statutory Instrument the negative DSG reserve balance as at 31 March 2020 of £14.4m was transferred to the 'Dedicated Schools Grant Adjustment Account', an unusable reserve. The 2020/21 Dedicated Schools Grant (DSG) High Needs funding allocation for Kirklees is £43.1m, inclusive of the £6.1m additional funding noted above. The 2020/21 in-year pressure on High Needs spend in excess of the DSG funding allocation was £10.7m (equivalent to 24.8%) which has been transferred to the reserve, resulting in a balance at 31 March 2021 of £25.1m.

In anticipation of Government confirmation of its consultation on treatment of DSG deficits, the 2020-23 Annual Budget Report included proposals to create a demand reserve from the re-direct of MRP set asides that would previously have been used to at least part offset in year High Needs spend pressures. This will be used to mitigate the impact and volatility of a range of potential demand risks on statutorily provided service activity going forwards. There has been further transfers into the Demand Reserve in year, giving a closing balance of £19.3m as at 31 March 2021.

High Needs remains an area of significant and growing pressure on Council budgets nationally and locally, and officers will continue to review and update current and future year forecasts from 2021/22 onwards, informed by local and national intelligence.

It is anticipated that medium term, growth pressures may be mitigated at least in part through other measures, with the Council currently working on the implementation of a ten point action plan with key educational partners across the district. The budget plans, included in the Annual Budget Report to Council on 10 February 2021, reflect the Council's commitment to SEND investment (both revenue and capital) over the medium term. This is further reflected in a number of SEND proposals elsewhere on this Cabinet agenda as part of the overarching Council SEND transformation agenda. The Council will also continue to engage with DfE, Schools Forum and other key stakeholders, using the framework of the updated operational guidance on schools funding 2021/22, to consider options to manage down the accumulated DSG deficit over time.

Social Care

The Local Government Finance Settlement for 2021/22 confirmed that all existing Social Care specific grants, including Better Care Fund, will roll into 2021/22 baselines at their current levels. These include the existing Social Care grant at £11m and the Improved Better Care Fund (iBCF) totalling £15.4m. There is also funding allocated through the Better Care Fund (BCF) pooled with Health, with the Council share about £19.5m. This (along with the iBCF, and Winter Pressures grant) has national reporting conditions and joint health sign off agreements.

Also confirmed in the 2021/22 Local Government Finance Settlement was a further national increase in the Social Care grant by £300m; albeit only £150m of this is 'new money', with half of the grant being recycled surplus New Homes Bonus funding. This compares with an equivalent national £1 billion additional social care grant funding in 2020/21.

The Council's share of the additional Social Care grant funding for 2021/22 is £2.5m. Updated budget plans assume that this funding will remain in place in future years and that annual funding increases from 2022/23 onwards will revert to 2020/21 levels (£11m overall), reflecting the minimum requirement for Councils with social care responsibilities that continue to face significant upward pressures over the medium to longer term.

The 2020 Spending Review also included provision for Councils with Social Care responsibilities to raise a proportion of their Adult Social Care funding requirement through an Adult Social Care precept up to 3%. Government further stated this this could be flexibly applied over a 2 year period. The additional 3% has been applied in full in updated baseline funding forecasts for 2021/22 to meet forecast adult social care spending needs over the coming financial year.

Demand led volume and cost pressures and demographic trends are having a continuing and significant impact on already stretched Council budgets and this has been well documented both nationally and at a local level over recent years. There is Central Government acknowledgement that beyond 2021/22, increasing Adult Social Care pressures will be beyond the means of existing Council budgets to be able to contain over the longer term, and that a national funding solution is required.

Future service developments

Transfer of Functions – Kirklees Neighbourhood Housing Ltd

At the Kirklees Cabinet meeting on 21st May 2020 a decision in principle was taken to transfer the management of Kirklees Council housing stock back into Kirklees control. Further consultation was carried out with customers and stakeholders and a final decision was taken in October 2020 to transfer the management of Homes and Neighbourhoods service to Kirklees Council with effect from 1st April 2021. Kirklees Council will continue to fund the delivery of housing services from the Housing Revenue Account.

West Yorkshire Mayoral Combined Authority

In the March 2020 budget, Government announced that it had agreed a devolution deal with West Yorkshire to establish a Mayoral Combined Authority and in May 2021 Tracy Brabin became the first directly elected Mayor. Government stated that this deal will provide £1.1 billion of investment for the area over 30 years, as well as devolving significant new decision-making powers on transport, planning and skills. It also underpins the agreement of a long-term intra-city transport settlement for the region starting in 2022/23.

Future Accounting Developments

CIPFA's released the Financial Management Code for Local Government in October 2019. CIPFA intended that the Code (CIPFA FM Code) should be designed and developed to support good practice in financial management and to assist Local Authorities in demonstrating their financial sustainability. The CIPFA FM Code would therefore for the first time set standards of financial management for Local Authorities in the United Kingdom. The FM Code is based on a series of principles supported by specific standards and statements of practice. They are considered necessary to provide the strong foundation within Local Authorities to enable them to:

- financially manage the short, medium and long-term finances;
- manage financial resilience to meet foreseen demands on services;
- financially manage unexpected shocks in their financial circumstances.

The CIPFA FM Code is consistent with other CIPFA codes and statements in that it is based on principles rather than prescription and each local authority must demonstrate that the requirements of the FM Code are being satisfied. Demonstrating this compliance with the CIPFA FM Code is the collective responsibility of elected members, the Service Director Finance and their professional colleagues in the leadership team.

CIPFA had intended that this would be formally implemented at a local level in time for the 2021/22 budget round, but due to the effects of Covid-19 this has now been delayed by 12 months. Officers now intend to undertake a self-assessment review against the code requirements through 2021/22, to be reported to the Corporate Governance and Audit Committee (CGAC) in due course and any subsequent actions arising subsequently incorporated into the Council's Annual Governance Statement, which is reviewed quarterly through CGAC.

Key Risks

The Council Corporate Risk Matrix for 2021/22 was agreed in February 2021. The matrix highlights risk areas, and headline mitigations and management actions.

The areas identified are summarised below:

- The risks associated with the current national emergency as result of the Covid 19 coronavirus.
- The risks associated with the need to deliver budget savings required by the Medium Term Financial Plan.
- Overspending on particular budget heads due to increase in volumes, rising prices, or a failure to properly control projects; concerns about growth in volumes of children, adult social care and educational high needs (and in the longer term the cost of waste disposal) beyond those provided in financial plans.
- Coronavirus has added significant income risks and imposed additional costs (some of which have been met by government funding) which have a current year and likely medium-term continuing impact.
- Risk of infection with a high consequence infectious disease (HCIDs airborne) with the consequent impacts of pressure on services through demand, and a reduced ability to deliver services resultant from staff absences and similar.
- The financial regime set by government causes a further loss of resources or increased and under-funded obligations (e.g. in relation to social care), with impact on the strategic plans.
- The funding impacts of the national "living wage" and other inflationary pressures faced by contractors, and impacts from other legislative changes and the resultant effects on the quality or performance of services.
- Council supplier and market failure.
- Safeguarding risks associated with the care of children and vulnerable adults.
- Workforce management issues (including loss of experienced staff; need for different skills sets and inability to identify/or reach all staff to deliver appropriate training; difficulties recruiting and retraining staff in specific areas).
- Funding shortfall in partner agencies e.g. NHS.
- Failure to address matters of violent extremism and related safer stronger community factors.
- Unforeseen legislative changes.
- Unforeseen significant environmental events e.g. severe weather impact.
- Management of information from loss or inappropriate destruction or retention and the risk of failure to comply with the obligations of General Data Protection Regulations (GDPR), Freedom of Information (FOI) and Data Protection.
- Heightened national attention to Child Sexual Exploitation and historical abuse cases leading to increased demand, higher professional expectations and greater public scrutiny.
- Inadequate health and safety measures leading to harm to employees or customers/possible litigious action.
- Exposure to increased liabilities arising from property ownership and management.
- Financial risks associated with Treasury Management.
- Exposure to material unforeseen costs or uninsured losses and the overall adequacy of Council Reserves.
- The risks associated with the process of the United Kingdom exiting the European Union including: impacts on Business Rates and Council Tax, rising inflation, economic recession, levels of trade and investment, migration and labour markets and community cohesion.
- Unanticipated costs or operational consequences of the Council's own climate change commitments, and or statutory climate change obligations.

Statement of Accounts

The Financial Statements
The Statement of Accounts contains four core accounting statements:

- **Comprehensive Income and Expenditure Statement (CIES)**
- **Movement in Reserves Statement (MiRS)**
- **Balance Sheet at 31 March 2021**
- **Cash Flow Statement**

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

Group Accounts are produced which include companies and similar entities which the Council either controls or significantly influences.

Other Accounting Information
This main section of the Statement of Accounts is followed by supplementary statements:
- **Housing Revenue Account (HRA)**
- **Collection Fund**

The Council is required to keep separate accounts for HRA and Collection Fund by statute. The Group Accounts reflect the presentational changes mentioned above. Each of these supplementary statements is preceded by notes explaining their purpose and followed by explanatory notes.

The accounts also include:
- **The Statement of Responsibilities for the Statement of Accounts** - sets out the respective responsibilities of the Council and the Service Director Finance for the accounts.
- **The Statement of Accounting Policies** - explains the basis of the figures in the financial statements, and the concepts and policies underpinning the accounts.
- **The Annual Governance Statement** - sets out a framework within which overall governance and internal control are managed and reviewed.

Wherever possible, technical accounting terms have been explained either in the main text or in the glossary at the back of this publication.

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

The Service Director Finances' Responsibilities

The Service Director Finance is responsible for the preparation of the Council's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC "Code of Practice on Local Authority Accounting in the United Kingdom" (the Code).

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

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

The Service Director has also:

- kept proper accounting records which were up to date;
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

The Service Director also confirms that to the best of his knowledge:

- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Council and the undertakings included in the consolidation taken as a whole; and;
- the Narrative Statement includes a fair review of the development and performance of the business and the position of the Council and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that it faces.

Certificate

I certify that this Statement of Accounts presents a true and fair view of the financial position of Kirklees Council at the reporting date, and its income and expenditure for the year ended 31 March 2021.

Eamonn Croston
Service Director - Finance
5th November 2021

I certify that this Statement of Accounts was approved by the Corporate Governance and Audit Committee on 5th November 2021.

Yusra Hussain
Chair, Corporate Governance and Audit Committee

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT (CIES)

This Statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation and rents. Authorities raise taxation and rent to cover expenditure in accordance with statutory requirements; this may be different from the accounting cost. The taxation position is shown in both the Movement in Reserves Statement and Expenditure and Funding Analysis shown in Note 8.

			2020/21			2019/20	
	Gross Exp	**Gross Income**	**Net Exp**	Gross Exp	Gross Income	Net Exp	
	£000	**£000**	**£000**	£000	£000	£000	Note
Children & Families	**402,361**	**-296,647**	**105,714**	404,427	-303,147	101,280	
Adults & Health	**224,716**	**-112,651**	**112,065**	198,166	-87,809	110,357	
Growth & Regeneration	**41,455**	**-19,207**	**22,248**	44,525	-19,302	25,223	
Environment & Climate Change	**106,968**	**-41,989**	**64,979**	94,343	-34,192	60,151	
Corporate Strategy, Commissioning & Public Health	**189,517**	**-149,895**	**39,622**	162,292	-116,395	45,897	
Central Budgets	**26,543**	**-4,975**	**21,568**	25,118	-1,513	23,605	
HRA	**75,338**	**-137,258**	**-61,920**	69,431	-154,268	-84,837	
Cost of Services	**1,066,898**	**-762,622**	**304,276**	**998,302**	**-716,626**	**281,676**	
Other operating expenditure			**43,541**			15,294	**12**
Financing and investment income and expenditure			**43,745**			60,718	**13**
Taxation and non-specific grant income			**-370,170**			-340,396	**14**
Deficit on Provision of Services			**21,392**			**17,292**	
Surplus(-)/Deficit on revaluation of Property, Plant and Equipment (PPE) and Heritage assets			**-21,864**			-25,687	**15**
Impairment losses on non-current assets to the Revaluation Reserve			**0**			107	**15**
Surplus(-)/Deficit from investments in equity instruments designated at fair value through other comprehensive income			**-57**			53	
Remeasurements of the net defined benefit liability			**120,958**			34,106	**41**
Other Comprehensive Income and Expenditure			**99,037**			**8,579**	
Total Comprehensive Income and Expenditure			**120,429**			**25,871**	

STATEMENT OF MOVEMENT IN RESERVES

This statement shows the movement in the year on the different reserves held by the Council, analysed into "usable reserves" (i.e. those that can be applied to fund expenditure or reduce local taxation) and other "unusable reserves". The statement shows how the movements in year of the Council's reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and statutory adjustments required to return to the amounts chargeable to Council Tax/Housing Rents for the year. The Net Increase/Decrease line shows the statutory General Fund Balance and Housing Revenue Account Balance movements in the year following those adjustments. Explanations and detailed movements of each reserve can be found in the Glossary and in notes 11 and 28.

	General Fund Balances	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Council Reserves
	£000	£000	£000	£000	£000	£000	£000	£000
2020/21								
Balance at 31 March 2020	**-113,442**	**-61,018**	**-19,913**	**0**	**-31,710**	**-226,083**	**-51,693**	**-277,776**
Reporting of Schools Budget Deficit to new Adjustment Account at 1 April 2020	-14,396	0	0	0	0	-14,396	14,396	0
Restated balance at 1 April 2020	**-127,838**	**-61,018**	**-19,913**	**0**	**-31,710**	**-240,479**	**-37,297**	**-277,776**
Movement in reserves during 2020/21								
Total Comprehensive Income and Expenditure	73,452	-52,060	0	0	0	21,392	99,037	120,429
Adjustments between accounting & funding basis under regulations (Note 10)	-142,967	54,660	2,825	0	-8,091	-93,573	93,573	0
Net Increase(-)/ Decrease	**-69,515**	**2,600**	**2,825**	**0**	**-8,091**	**-72,181**	**192,610**	**120,429**
Balance at 31 March 2021 carried forward	**-197,353**	**-58,418**	**-17,088**	**0**	**-39,801**	**-312,660**	**155,313**	**-157,347**
2019/20								
Balance at 31 March 2019	-104,972	-61,782	-18,050	0	-26,325	-211,129	-92,518	-303,647
Movement in reserves during 2019/20								
Total Comprehensive Income and Expenditure	92,406	-75,114	0	0	0	17,292	8,579	25,871
Adjustments between accounting & funding basis under regulations (Note 10)	-100,876	75,878	-1,863	0	-5,385	-32,246	32,246	0
Net Increase(-)/ Decrease	-8,470	764	-1,863	0	5,385	-14,954	40,825	25,871
Balance at 31 March 2020 carried forward	-113,442	-61,018	-19,913	0	-31,710	-226,083	-51,693	-277,776

BALANCE SHEET

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

	31 March 2021	31 March 2020	
	£000	£000	Note
Property, Plant & Equipment (PPE)	**1,488,017**	1,441,113	**15**
Heritage Assets	**55,166**	49,973	**16**
Investment Property	**97,335**	101,105	**17**
Intangible Assets	**493**	588	**18**
Long Term Investments	**13,477**	13,426	**19**
Long Term Debtors	**28,853**	25,343	**19&20**
Long Term Assets	**1,683,341**	**1,631,548**	
Inventories	**5,086**	2,038	**21**
Short Term Debtors	**100,695**	60,536	**19&22**
Assets Held for Sale	**6,250**	2,888	
Cash and Cash Equivalents	**26,199**	41,365	**19&23**
Current Assets	**138,230**	**106,827**	
Short Term Borrowing	**-54,233**	-57,582	**19**
Short Term Creditors	**-125,551**	-90,262	**19&24**
Other Short Term Liabilities	**-6,191**	-6,148	
Provisions	**-4,600**	-3,487	**25**
Current Liabilities	**-190,575**	**-157,479**	
Long Term Borrowing	**-375,817**	-373,660	**19**
Other Long Term Liabilities	**-1,097,832**	-929,460	**26**
Long Term Liabilities	**-1,473,649**	**-1,303,120**	
Net Assets	**157,347**	**277,776**	
Usable Reserves	**-312,660**	-226,083	**27**
Unusable Reserves	**155,313**	-51,693	**28**
Total Reserves	**-157,347**	**-277,776**	

CASH FLOW STATEMENT

The Cash Flow Statement shows the changes in cash and cash equivalents of the Council during the reporting period. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Council are funded by way of taxation and grant income or from the recipients of services provided by the Council. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Council's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Council.

		2020/21		2019/20	
	£000	£000	£000	£000	Note
Net surplus(-)/deficit on the provision of		21,392		17,292	
Adjustments to net surplus/deficit on the provision of services for non-cash movements		-131,489		-70,027	30
Adjustment for items included in the net surplus/deficit on the provision of services that are investing and financing activities		36,694		33,917	31
Net cash flows from Operating Activities		-73,403		-18,818	
Net cash flows from Investing Activities					
Purchase of property, plant and equipment, investment property and intangible assets	78,738		66,207		
Purchase of short-term and long-term investments	4,470		10,802		
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	-7,485		-11,432		
Proceeds from short-term and long-term investments	-806		-170		
Other receipts from investing activities	-26,863	48,054	-22,631	42,776	
Net cash flows from Financing Activities					
Cash receipts of short and long-term borrowing	-248,334		-64,067		
Other receipts from financing activities	32,752		-1,154		
Cash payments for the reduction for the outstanding liabilities relating to finance leases and PFI contracts	5,899		6,068		
Repayments of short and long-term borrowing	249,527		33,154		
Other payments for financing activities	671	40,515	65	25,934	31
Net decrease in cash and cash equivalents		15,166		-1,976	
Cash and cash equivalents at the beginning of the reporting period		41,365		39,389	
Cash and cash equivalents at the end of the reporting period		26,199		41,365	23

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1 Accounting Policies

General Principles

The Statement of Accounts summarises the Council's transactions for the 2020/21 financial year and its position at the year-end of 31 March 2021. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015, in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2020/21` (the Code), supported by International Financial Reporting Standards (IFRS).

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

Accruals of Income and Expenditure

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

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

Cash and Cash Equivalents

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

Cash and cash equivalents are shown net of bank overdrafts as the use of the latter is considered to be an integral part of cash management.

Charges to Revenue for Non-Current Assets

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

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

- Amortisation of intangible fixed assets attributable to the service.

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

Collection Fund

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

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

Employee Benefits

Benefits Payable During Employment

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

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

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the appropriate service or, where applicable, to

Non Distributed Costs within the Central Budgets line in the CIES when the Council is demonstrably committed to the termination of the employment of an officer or group of officers.

Post Employment Benefits
Employees of the Council are members of three separate pension schemes:

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

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

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

The NHS Pension Scheme -
Public Health staff transferred to the Council on 1 April 2013 have retained access to the NHS Pension Scheme. This scheme is also unfunded and is accounted for on a defined contribution basis. The Corporate Strategy, Commissioning and Public Health line in the CIES is charged with the employer's contributions payable to NHS Pensions in the year.

The Local Government Pension Scheme (LGPS) -
This is a funded scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pensions' liabilities with investment assets over the long term.

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

- The liabilities of the West Yorkshire Pension Fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – that is an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of projected earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate of 2.6% (based on UK AA rated bond prices compiled into a model by the Council's actuary Aon Hewitt Limited).
- The assets attributable to the Council are included in the Balance Sheet at their fair value.

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

- Service cost comprising:
    - Current service cost – the increase in liabilities as a result of years of service earned this year. Allocated in the CIES to the services for which the employees worked.

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

The LGPS permits employees retiring to take an increase in their lump sum payment on retirement in exchange for a reduction in their future annual pension. The figures in this year's Statement of Accounts have been prepared by our actuary, based on the assumption that each member will exchange 75% of the maximum amount permitted of their service pension rights on retirement for additional lump sum.
In relation to retirement benefits, statutory provisions require the General Fund Balance to be charged with the amount payable by the Council to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are transfers to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits earned by employees.

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

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

- Those that provide evidence of conditions that existed at the end of the reporting period. In these cases, the accounting statements are adjusted to reflect such events, if they have a material effect;

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

Fair Value Measurement
The Council measures some of its non-financial assets such as surplus assets and investment properties and some of its financial instruments such as equity shareholdings at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The Council measures the fair value of an asset or liability using the assumptions that market participants would use when pricing the asset or liability, assuming that the market participants act in their economic best interest. When measuring the fair value of a non-financial asset, the Council takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Council uses appropriate valuation techniques for each circumstance and for which sufficient data is available, maximising the use of relevant known data and minimising the use of estimates or unknowns. This takes into account the three levels of categories for inputs to valuations for fair value assets:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that the Council can access at the measurement date.
- Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 – unobservable inputs for the asset or liability.

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

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

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

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

Financial Assets
There are three main classes of financial assets measured at:

- amortised cost,
- fair value through profit or loss (FVPL), and
- fair value through other comprehensive income (FVOCI).

The Council's business model is to hold investments to collect contractual cash flows i.e. payments of interest and principal. Most of the Council's financial assets are therefore classified as amortised cost, except for those whose contractual payments are not solely payment of principal and interest (i.e. where the cash flows do not take the form of a basic debt instrument).

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

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

Financial Assets Measured at Fair Value through Profit of Loss (FVPL)
Financial assets that are measured at FVPL are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they arrive in the Surplus or Deficit on the Provision of Services.

The fair value measurements of the financial assets are based on the following techniques:

- instruments with quoted market prices – the market price
- other instruments with fixed and determinable payments – discounted cash flow analysis.

The inputs to the measurement techniques are categorised in accordance with the accounting policy set out in the accounting policy section on Fair Value Measurement.

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

IFRS 9 Financial Instruments sets out that investments in equity should be classified as fair value through profit and loss unless there is an irrevocable election to recognise changes in fair value through other comprehensive income. The Council will assess each investment on an individual basis and assign an IFRS 9 category. The assessment will be based on the underlying purpose for holding the financial instrument.

Any changes in the fair value of instruments held at fair value through profit or loss will be recognised in the net cost of service in the CIES and will have a General Fund impact.

Financial Assets measured at Fair Value through other Comprehensive Income (FVOCI)
The Council has equity instruments designated at fair value through other Comprehensive Income (FVOCI). These were previously classified as Available for Sale assets at 31 March 2018.
The Council has made an irrevocable election to designate three of its equity instruments as FVOCI on the basis that they are held for non-contractual benefits, they are not held for trading but for strategic purposes. These assets were transferred to the new asset category on 1 April 2018 and are held at fair value. The value is based on the principal that these equity shares have no quoted market prices and are based on an appraisal of the company valuation and forecasted dividends.

Dividend income is credited to Financing and Investment Income and Expenditure in the CIES when it becomes receivable by the Council. Changes in fair value are posted to Other Comprehensive Income and Expenditure and are balanced by an entry in the Financial Instruments Revaluation Reserve.

When the asset is de-recognised, the cumulative gain or loss previously recognised in Other Comprehensive Income and Expenditure is transferred from the Financial Instruments Revaluation Reserve and recognised in the Surplus or Deficit on the Provision of Services.

The same accounting treatment was adopted previously when the asset was classified as Available for Sale, except that accumulated gains and losses on the available for sale asset were previously held in an Available for Sale Financial Instruments Reserve at 31 March 2018. The balance on this reserve was transferred to the new Financial Instruments Revaluation Reserve as at 1 April 2018.

Expected Credit Loss Model
The Council recognises expected credit losses on all of its financial assets held at amortised cost, either on a 12 month or lifetime basis. The expected credit loss model also applies to lease receivables and contract assets. Lifetime losses are recognised for trade receivables (debtors) based on a simplified approach by using default rates driven from own historical credit loss experience and adjusted for forward looking information.

Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12 month expected losses.

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 reflected in the Statement of Accounts to the extent that provisions might be required, or a contingent liability note is needed under the policies set out in the section on Provisions, Contingent Liabilities and Contingent Assets.

Soft loans

For any soft loans that the Council may have made to outside organisations at less than market rates, a loss is recorded in the CIES (debited to the appropriate service) for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal. Interest is credited to the Financing and Investment Income and Expenditure line in the CIES at a marginally higher effective rate of interest than the rate receivable from the organisations, with the difference serving to increase the amortised cost of the loan in the Balance Sheet.

Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year – the reconciliation of amounts debited and credited to the CIES to the net gain required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement

Government Grants and Contributions

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

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

Amounts recognised as due to the Council are not credited to the CIES until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor. The grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non-ringfenced revenue grants and all capital grants) in the CIES.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non-ringfenced revenue grants and all capital grants) in the CIES.

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

Heritage Assets

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

Recognition and Measurement

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

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

- Fine Art Collection
  These items are reported on the Balance Sheet using insurance valuations. Higher value items have been formally valued during the last two years by Bonhams Fine Art Auctioneers and Valuers, whilst lower value items are based on values estimated by the Council's Museum and Gallery staff with reference to recent information from sales at auctions and, occasionally, expert advice. The valuations are reviewed on an annual basis. Acquisitions are occasionally made by purchase or donation. Acquisitions are initially recognised at cost and donations are recognised at valuation in accordance with the policy on valuations of the art collection.
- Museum Exhibits
  Only a small proportion of these items have market values and are reported on the Balance Sheet. The values have been estimated by the Council's Museum and Gallery staff with reference to recent information from sales at auctions and, occasionally, expert advice. The valuations are updated on an annual basis. The collection is relatively static and acquisitions and donations are rare. Where they do occur, acquisitions are initially recognised at cost and donations are recognised at valuation in accordance with the policy on valuations of museum exhibits.
- Other
  The Civic Silver Collection is reported on the Balance Sheet at replacement cost. There is a regular programme of valuations and the items in the collection are valued by an external valuer (Gerard Laurence Collins) who specialises in precious metal craft and design. The Council has a number of structural heritage assets which are not recognised elsewhere on the Balance Sheet. These comprise of two clock towers, a Victorian tower and two park band stands. These items have been valued by internal valuers and are reported in the Balance Sheet at replacement cost. They will be revalued at least every five years.

Where cost information is not available and the cost of obtaining valuations outweighs the benefits to users of the financial statements, the Code does not require that the asset is recognised on the Balance Sheet. Where this approach has been adopted, it is set out in the disclosure note on heritage assets.

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

The Council has had a number of heritage assets kindly donated over the years. The Council has insufficient information as to when such assets were donated and/or what the value of these items would have been when they were donated. The Council therefore has not recognised any heritage assets in the Donated Assets Account on the Balance Sheet prior to 1 April 2010. The Council has no material intangible heritage assets.

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

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

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

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

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

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

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Council can be determined by reference to an active market. In practice, no intangible asset held by the Council meets this criterion, and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life (usually between 5 and 10 years) to the relevant service line in the CIES. Straight-line amortisation has been adopted and it is assumed that residual value is insignificant or nil. An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the relevant service line in the CIES.

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

Interests in Companies and Other Entities
The Council has material interest in entities that require it to prepare Group accounts. In the Council's single-entity accounts the Council's interest in companies and other entities are recorded as financial assets at cost less any impairment. Any gains or losses are recognised in the CIES.

Inventories
Inventories are included in the Balance Sheet at the lower of cost and net realisable value. The cost of inventories is now assigned using the (First In First Out/weighted average) costing formula.

Investment Property
Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.
Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's-length. Properties are not depreciated but are revalued annually. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the CIES. The same treatment is applied to gains and losses on disposal.

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

Joint Operations
Joint operations are joint arrangements whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. If material, the Council recognises on its Balance Sheet the assets that it controls and the liabilities that it incurs, and debits and credits the CIES with the expenditure it incurs and the share of income it earns from the activity of the operation.

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

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

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

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

Lease payments are apportioned between:

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

Property, Plant and Equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the Council at the end of the lease period).
The Council is not required to raise Council Tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

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

<u>The Council as Lessor</u>
Finance Leases:
Where the Council grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the CIES as part of the gain or loss on disposal. A gain, representing the Council's net investment in the lease, is credited to the same line in the CIES also as part of the gain or loss on disposal (that is netted off against the carrying value of the asset at the time of disposal), matched by a lease (Long Term Debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

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

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

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

Operating Leases:
Where the Council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the CIES. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments.

Overheads and Support Services
The costs of overheads and support services are charged to service segments in accordance with the Council's arrangements for accountability and financial performance.

Prior Period Adjustments, Changes in Accounting Policies, Errors and Changes in Accounting Estimates
Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error.

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

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

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

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

The Council has four PFI schemes –

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

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

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

- Fair value of services received during the year – debited to the relevant service in the CIES.

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

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

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

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

<u>Recognition</u>
Expenditure on the acquisition, creation or enhancement of PPE is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (that is repairs and maintenance) is charged as an expense when it is incurred.

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

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

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

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

Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year end, but as a minimum every five years. Council dwellings are valued annually. Assets are carried in the Balance Sheet using the following measurement bases:

- Infrastructure, community assets and assets under construction – depreciated historical cost.

- Dwellings – current value, determined using the basis of existing use value for social housing (EUV-SH).
- Surplus – fair value, estimated at highest and best use from a market participant's perspective.
- All other assets – current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

Where there is no market-based evidence of current value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of current value.

Where non-property assets (vehicles, plant and equipment) have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for current value.

Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. In certain circumstances gains might be credited to the CIES where they arise from the reversal of a previous loss charged to a service, adjusted for depreciation that would have been charged if the loss had not been recognised.

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

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

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

Depreciation

Depreciation is provided for on all PPE assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (that is freehold land and certain Community Assets) and assets under construction. Assets are depreciated on a straight line basis over their estimated useful lives. Depreciation is calculated on the opening Balance Sheet value of the assets, with residual values being taken into account where appropriate. Estimated lives for new assets vary but are typically as follows:

• Buildings	50/60 years
• Infrastructure	20 years
• Vehicles and operational equipment	5 – 10 years
• Computer equipment	7 years

Where an item of PPE has a major component whose cost is significant in relation to the total cost of the item and whose life is significantly different from the life of the asset to which it is attached, the component is separately identified and depreciated. The calculation of depreciation on the Council's housing stock is based on an analysis of the major components of a typical dwelling.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Impairment

Assets are assessed at each year end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for by:

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

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

Disposals and Non-current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the CIES, even if there are accumulated revaluation gains on the asset in the Revaluation Reserve. Gains in fair value are recognised only up to the amount of any previously recognised losses in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

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

When an asset is derecognised, the carrying amount of the asset in the Balance Sheet (whether PPE or Assets Held for Sale) is written off to the Other Operating Expenditure line in the CIES as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the CIES also as part of the gain or loss on disposal (that is netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to HRA housing disposals (net of statutory deductions and allowances) is payable to the Government. The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Council’s underlying need to borrow (the Capital Financing Requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

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

Provisions, Contingent Liabilities and Contingent Assets

Provisions

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

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

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

Contingent Liabilities

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

Contingent Assets

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

Reserves

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

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

Revenue Expenditure Funded from Capital under Statute (REFCUS)

Legislation in England and Wales allows some expenditure to be classified as capital for funding purposes when it does not result in the expenditure being carried on the Balance Sheet as a non-current asset. The purpose of this is to enable it to be funded from capital resources rather than be charged to the General Fund and impact on that year's Council Tax. These items are generally grants and expenditure on property not owned by the Council, and amounts directed under section 16(2) of part 1 of the Local Government Act 2003. Such expenditure is charged to the relevant service in the CIES in the year. Where the Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of Council Tax.

Revenue Recognition
Revenue is defined as income arising as a result of the Council's normal operating activities and where income arises from contracts with service recipients it is recognised when or as the Council has satisfied a performance obligation by transferring a promised good or service to the service recipient.

Revenue is measured as the amount of the transaction price which is allocated to that performance obligation. Where the Council is acting as an agent of another organisation the amounts collected for that organisation are excluded from revenue.

Schools
The Code confirms that the balance of control for local authority maintained schools (ie those categories of school identified in the Schools Standards and Framework Act 1998, as amended) lies with the local authority. The Code stipulates that those schools' assets, liabilities, reserves and cash flows are recognised in the local authority financial statements (and not the Group Accounts). Therefore schools' transactions, cash flows and balances are recognised in each of the financial statements of the Council as if they were the transactions, cash flows and balances of the Council.

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

2 Prior Period Adjustments
No prior period adjustments were required in this year's accounts.

3 Accounting Standards that have been issued but have not yet been adopted
At the balance sheet date, the following new standards and amendments to existing standards have been published but not yet adopted by the Code of Practice of Local Authority Accounting in the United Kingdom:

<u>IFRS16 Leases</u>. This standard will require local authorities that are lessees to recognise most leases on their Balance Sheets as right-of-use assets with corresponding lease liabilities (there is recognition for low-value and short-term leases). CIPFA/LASAAC have deferred implementation of IFRS16 for Local Government to 1 April 2022.

<u>Definition of a Business: Amendment to IFRS3 Business Combinations</u> – provides clarity on the definition of a business. We are not expecting this to affect our accounts when this is implemented from 1st April 2021.

<u>Interest Rate Benchmark Reform phase 1 and phase 2</u>: <u>Amendments to IFRS9, IAS39, IFRS7, IFRS4 and IFRS16</u> – interest rate benchmark reform is expected to affect hedge accounting and therefore we are not expecting this to affect our accounts when this is implemented from 1st April 2021.

4 Critical Judgements

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

- Schools – The Council recognises the land and buildings used by schools in line with the provisions of the Code of Practice. It states that property used by local authority maintained schools should be recognised in accordance with the asset recognition tests relevant to the arrangements that prevail for the property. The Council recognises a school's land and buildings on its Balance Sheet where it owns the assets, the school or the school governing body own the assets or there is evidence that substantive ownership rights of assets have been transferred from another entity. As a result, the Council does not recognise foundation trust, voluntary aided or voluntary controlled schools on its Balance Sheet. Up to the point of schools being transferred to trust or academy status, their valuation on the Balance Sheet is based on continuing service potential.

- Grants – Where grant funding has been received, judgement has been made as to whether any conditions associated with the receipt of grant have been met or not. Where it is judged that conditions have been met, the grant is recognised in the CIES. Note 37 shows the details.

- Provisions – In calculating provisions, judgements have been made as to the certainty of a particular event happening giving rise to a liability and whether a reliable estimate can be made of that liability. Where this is not the case, the Council may disclose the issue as a contingent liability.

- Group Accounts – The Council has considered its relationships with a number of organisations and made a judgement as to its level of control and interest in these bodies. As a result, it has prepared Group Accounts, incorporating a subsidiary and a joint venture.

- Private Finance Initiatives (PFIs) – The Council has evaluated its four PFI schemes under the requirements of the Code and determined, irrespective of legal title, that the assets should be recognised on its Balance Sheet, together with a liability to pay for the assets. Note 40 in the Notes to the Core Financial Statements and Note H10 to the HRA give further details for each scheme.

- Leases – All leases have been assessed to determine whether they should be classified as finance or operating leases. A number of tests have been applied and it has been determined that the Council has a number of finance leases where it is both lessor and lessee. Note 39 gives further details on lease treatment.

5 Assumptions and Major Sources of Estimation Uncertainty

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

The items in the Council's balance sheet at 31 March 2021 for which there is a significant risk of material adjustment within the next financial year are as follows:

Item and Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant and Equipment (Note 15) Assets are depreciated over their useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Council will be able to sustain its current spending on repairs and maintenance in the longer term bringing into doubt the useful lives assigned to assets. Asset valuations are based on market prices and are periodically reviewed to ensure that the Council does not materially mis-state its non-current assets. The Council's external valuers provided valuations for approximately 40% of its operational portfolio. The remaining balance of operational properties were also reviewed to ensure values reflect current values. The outbreak of Covid-19 has impacted global financial markets and as at the valuation date, less weight can be attached to previous market evidence to inform opinions of value. There is an unprecedented set of circumstances on which to base a judgement.	If the useful life of an asset reduces (non HRA), the depreciation increases and the carrying amount of the asset falls. It is estimated that the annual depreciation charge would increase by £5.7 million for every year that the useful lives had reduced.
Pensions Liability (Note 41) Estimation of the net liability to pay pensions depends on a number of complex judgements such as the discount rate used, the rate at which salaries are projected to increase, changes to mortality rates. A firm of qualified Actuaries is employed to provide the Council with expert professional advice about this specialised area. The net liability as at 31 March 2021 was £998.6 million.	The Actuaries provide information in relation to the sensitivity of the results to key assumptions and these are set out in the pensions note.
Fair value measurements When the fair values of financial assets and liabilities cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques. Where observable possible, the inputs to these valuation techniques are based on data, but where this is not possible judgement is required in establishing fair values. These judgements typically include considerations such as uncertainty and risk. However, changes in the assumptions used could affect the fair value of the Council's assets and liabilities.	The methods used to arrive at the fair value of surplus and investment properties are described in Notes 15 and 17. They are based on observable data.

6 Exceptional Items and Material Items of Income and Expense

Where items are not disclosed on the face of the Comprehensive Income and Expenditure Statement (CIES) the Council must set these out in a note.

There were no exceptional items during 2020/21.

7 Events after the reporting period

These accounts were authorised for issue on the date the Service Director Finance signed the accounts – see Statement of Responsibilities and Certificate on page 22.

Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2021, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

There are no non-adjusting events after the Balance Sheet date.

8 Expenditure and Funding Analysis

The objective of the Expenditure and Funding Analysis is to demonstrate to Council Tax and rent payers how the funding available to the Council (ie government grants, rents, Council Tax and Business Rates) for the year has been used in providing service in comparison with those resources consumed or earned by the Council in accordance with generally accepted accounting practices. The Analysis also shows how this expenditure is allocated for decision making purposes between the Council's services.

	Outturn reported to Council	Adjustments between net cost of services and other income and expenditure	**Net Expenditure Chargeable to the General Fund and HRA Balances**	Adjustments between the Funding and Accounting Basis	**Net Expenditure in the CIES**
2020/21	£000	£000	**£000**	£000	**£000**
Children & Families	90,869	4,436	**95,305**	10,409	**105,714**
Adults & Health	103,848	0	**103,848**	8,217	**112,065**
Growth & Regeneration	16,691	1,088	**17,779**	4,469	**22,248**
Environment & Climate Change	35,978	2,881	**38,859**	26,120	**64,979**
Corporate Strategy, Commissioning & Public Health	28,616	0	**28,616**	11,006	**39,622**
Central Budgets	-30,257	53,615	**23,358**	-1,790	**21,568**
HRA	2,601	-11,292	**-8,691**	-53,229	**-61,920**
Net Cost of Services	**248,346**	**50,728**	**299,074**	**5,202**	**304,276**
Other operating expenditure	809	845	**1,654**	41,887	**43,541**
Financing and investment income and expenditure	0	21,835	**21,835**	21,910	**43,745**
Taxation and non-specific grant income	-305,360	-73,408	**-378,768**	8,598	**-370,170**
Net Surplus(-)/Deficit	**-56,205**	**0**	**-56,205**	**77,597**	**21,392**
Opening Balances at 31 March 2020:					
General Fund			-127,838		
HRA			-61,018		
			-188,856		
Add net Surplus in Year			-56,205		
Movement in DSG Unusable Reserve			-10,710		
Closing General Fund and HRA Balance at 31 March 2021			**-255,771**		
General Fund			-197,353		
HRA			-58,418		

	Outturn reported to Council	Adjustments between net cost of services and other income and expenditure	**Net Expenditure Chargeable to the General Fund and HRA Balances**	Adjustments between the Funding and Accounting Basis	**Net Expenditure in the CIES**
2019/20	£000	£000	**£000**	£000	**£000**
Children & Families	91,174	4,048	**95,222**	6,059	**101,281**
Adults & Health	100,977	0	**100,977**	9,380	**110,357**
Growth & Regeneration	17,274	1,311	**18,585**	6,638	**25,223**
Environment & Climate Change	22,860	2,775	**25,635**	34,516	**60,151**
Corporate Strategy, Commissioning & Public Health	36,615	0	**36,615**	9,282	**45,897**
Central Budgets	17,270	6,150	**23,420**	184	**23,604**
HRA	763	-11,564	**-10,801**	-74,036	**-84,837**
Net Cost of Services	**286,933**	**2,720**	**289,653**	**-7,977**	**281,676**
Other operating expenditure	779	1,059	**1,838**	13,456	**15,294**
Financing and investment income and expenditure	0	22,525	**22,525**	38,193	**60,718**
Taxation and non-specific grant income	-295,418	-26,304	**-321,722**	-18,674	**-340,396**
Net Surplus(-)/Deficit	**-7,706**	**0**	**-7,706**	**24,998**	**17,292**
Opening Balances at 31 March 2019:					
General Fund			-104,972		
HRA			-61,782		
			-166,754		
Add net Surplus in Year			-7,706		
Closing General Fund and HRA Balance at 31 March 2020			**-174,460**		
General Fund			-113,442		
HRA			-61,018		

A more detailed breakdown of the adjustments between funding and accounting basis is shown below:

(i) This note details the adjustments from the Net expenditure Chargeable to the General Fund and HRA Balances to arrive at amounts in the CIES.

	Adjustments for Capital Purposes (a)	Net change for the Pensions Adjustments (b)	Other Differences (c)	Total Adjustments
2020/21	£000	£000	£000	£000
Children & Families	-990	11,302	97	10,409
Adults & Health	916	7,151	150	8,217
Growth & Regeneration	1,391	3,039	39	4,469
Environment & Climate Change	18,175	7,731	213	26,119
Corporate Strategy, Commissioning & Public Health	5,478	5,432	96	11,006
Central Budgets	-1,175	-356	-258	-1,789
HRA	-53,264	0	35	-53,229
Net Cost of Services	**-29,469**	**34,299**	**372**	**5,202**
Other operating expenditure	41,887	0	0	41,887
Financing and investment income and expenditure	3,381	18,563	-34	21,910
Taxation and non-specific grant income	-29,747	0	38,345	8,598
Difference between General Fund and HRA Surplus/Deficit and CIES Surplus/Deficit on the Provision of Services	**-13,948**	**52,862**	**38,683**	**77,597**
2019/20	£000	£000	£000	£000
Children & Families	-6,890	12,880	69	6,059
Adults & Health	1,577	7,684	119	9,380
Growth & Regeneration	3,523	3,082	33	6,638
Environment & Climate Change	26,275	8,081	160	34,516
Corporate Strategy, Commissioning & Public Health	3,726	5,483	73	9,282
Central Budgets	2,306	-1,978	-144	184
HRA	-74,036	0	0	-74,036
Net Cost of Services	-43,519	35,232	310	-7,977
Other operating expenditure	13,456	0	0	13,456
Financing and investment income and expenditure	20,015	17,277	901	38,193
Taxation and non-specific grant income	-23,022		4,348	-18,674
Difference between General Fund and HRA Surplus/Deficit and CIES Surplus/Deficit on the Provision of Services	**-33,070**	**52,509**	**5,559**	**24,998**

(a) Adjustments for Capital Purposes

- Adds in capital charges (depreciation, impairment, REFCUS, revaluation gains and losses) and deducts statutory charges for capital financing in the services line;

- Adjusts in the Other Operating Expenditure line for capital disposals with a transfer of income on disposal of PPE assets and amounts written for those assets and for the payment to the Government Housing Capital Receipts Pool;
- The Financing and Investment Income and Expenditure line is adjusted for capital disposals with a transfer of income on disposal of investment property and amounts written off for those assets;
- Adds in capital grants into the Taxation and Non-Specific Grant Income line.

(b) Net Change for the Pensions Adjustments
- For services, this represents the removal of the employer pension contributions made by the Council as allowed by statute and the replacement with current service and past service costs;
- The Financing and Investment Income and Expenditure line is adjusted for the net interest on the defined benefit liability.

(c) Other Differences
- For services, this represents adjustments for premiums and discounts and entries relating to the accrual of compensated absences earned but not taken in the year;
- The Financing and Investment Income and Expenditure line recognises adjustments for soft loans;
- The charge under Taxation and Non-Specific Grant represents the difference between what is chargeable under statutory regulations for Council Tax and Business Rates that was projected to be received at the start of the year and the income recognised under generally accepted accounting practices in the Code.

(ii) This note shows income received on a segmental basis.

	Grants and Contributions	Fees and Charges	Capital Charge and Pension Credits	Total
2020/21	£000	£000	£000	£000
Children & Families	-277,514	-12,246	-6,887	-296,647
Adults & Health	-89,132	-22,992	-527	-112,651
Growth & Regeneration	-9,666	-9,070	-471	-19,207
Environment & Climate Change	-7,456	-23,715	-10,818	-41,989
Corporate Strategy, Commissioning & Public Health	-144,248	-5,588	-59	-149,895
Central Budgets	-548	-973	-3,454	-4,975
HRA	-7,912	-82,118	-47,228	-137,258
Total Income analysed on a segmental basis	**-536,476**	**-156,702**	**-69,444**	**-762,622**
2019/20				
Children & Families	-274,036	-14,452	-14,659	-303,147
Adults & Health	-54,881	-24,235	-8,693	-87,809
Growth & Regeneration	-7,086	-10,338	-1,878	-19,302
Environment & Climate Change	-653	-31,237	-2,302	-34,192
Corporate Strategy, Commissioning & Public Health	-109,510	-6,885	0	-116,395
Central Budgets	-584	-882	-47	-1,513
HRA	-7,929	-82,467	-63,872	-154,268
Total Income analysed on a segmental basis	**-454,679**	**-170,496**	**-91,451**	**-716,626**

9 Expenditure and Income analysed by nature (Subjective Analysis)

	2020/21 £000	2019/20 £000
Expenditure		
Employee Expenses*	**456,552**	445,202
Premises and Transport	**102,617**	100,709
Supplies and Services	**184,555**	156,675
Other Service Expenses	**355,676**	329,401
Support Charges	**16,666**	17,248
Capital Charges	**62,521**	74,457
Precepts and Levies	**1,015**	979
Payments to Housing Capital Receipts Pool	**2,108**	2,456
Losses on the Disposal of PPE and Investment Assets	**40,786**	10,179
Interest Payable and Similar Charges	**25,379**	27,243
Net interest on the defined benefit obligation	**18,563**	17,277
Central Items	**5,539**	-10,635
Total Expenditure	**1,271,977**	**1,171,191**
Income		
Fees, Charges and Other Service Income	**-159,916**	-173,505
Grants, Reimbursements and Contributions	**-710,207**	-549,543
Capital Charges Credits	**-66,496**	-70,479
Internal Recharges	**-99,649**	-97,990
Interest and Investment Income	**-6,520**	-5,492
Income from Council Tax and Business Rates	**-207,797**	-256,890
Total Income	**-1,250,585**	**-1,153,899**
Surplus(-)/Deficit on Provision of Services	**21,392**	**17,292**

*****This includes £43.0 million in 2020/21 (£42.9 million in 2019/20) relating to employees of Voluntary Aided and Trust schools who are not employees of the Council but are required to be consolidated into the Council’s financial statements.

10 Adjustments between accounting basis and funding basis under regulations

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

	Usable Reserves					
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£000	£000	£000	£000	£000	£000
2020/21						
Adjustments involving the Capital Adjustment Account (CAA):						
Charges for depreciation and impairment of non-current assets	-35,593	0	0	-17,757	0	53,350
Amortisation of Intangible Assets	-294	0	0	0	0	294
Revaluation losses on PPE	-9,645	0	0	0	0	9,645
Revaluation gains on PPE	22,217	47,228	0	0	0	-69,445
Movements in the market value of Investment Properties	-2,907	-42	0	0	0	2,949
Revenue expenditure funded from capital under statute (REFCUS)	-14,695	0	0	0	0	14,695
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	-43,507	-4,137	0	0	0	47,644
Capital grants and contributions applied	11,210	209	0	0	0	-11,419
Capital grants and contributions applied (REFCUS)	6,225	0	0	0	0	-6,225
Deferred Income written down - Waste PFI	537	0	0	0	0	-537
Provision for the financing of capital investment	3,914	2,720	0	0	0	-6,634
Capital expenditure charged against balances	2,019	3,316	0	0	0	-5,335
Financial instruments impairment charges	25	0	0	0	0	-25
Adjustments involving the Capital Grants Unapplied Account:						
Capital grants and contributions unapplied and credited to the CIES	20,360	0	0	0	-20,360	0
Application of grants to capital financing transferred to the CAA	0	0	0	0	12,269	-12,269
Adjustments involving the Capital Receipts Reserve:						
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the CIES	1,524	5,450	-6,974	0	0	0
Financing new capital expenditure	0	0	7,669	0	0	-7,669

2020/21 Continued						
Contribution towards administrative costs of asset disposals	-27	-48	75	0	0	0
Contribution to finance the payments to the Government capital receipts pool	-2,108	0	2,108	0	0	0
Cash receipts from the repayment of capital loans given	0	0	-806	0	0	806
Used to repay debt (transfer to CAA)	0	0	753	0	0	-753
Adjustment involving the Deferred Capital Receipts Reserve:						
Finance Leases - Amount by which sale proceeds received in CIES differs from those received in accordance with statutory requirements	-2	0	0	0	0	2
Adjustment involving the Major Repairs Reserve:						
Financing of new capital expenditure (transfer to CAA)	0	0	0	12,750	0	-12,750
Used to repay debt (transfer to CAA)	0	0	0	5,007	0	-5,007
Adjustment involving the Financial Instruments Adjustment Account:						
Amount by which finance costs charged to the CIES are different from those required by statutory regulations	358	-36	0	0	0	-322
Adjustments involving the Pensions Reserve:						
Reversal of items relating to retirement benefits debited or credited to the CIES	-88,310	0	0	0	0	88,310
Employer's pensions contributions and direct payments	35,448	0	0	0	0	-35,448
Adjustments involving the Collection Fund Adjustment Account:						
Amount by which Council Tax and Non-Domestic Rating income credited to the CIES is different from that required by statutory regulations	-38,346	0	0	0	0	38,346
Adjustment involving the Accumulated Absences Account:						
Amount by which officer remuneration charged to the CIES on an accruals basis is different from that required by statutory regulations	-595	0	0	0	0	595
Adjustment involving the Dedicated Schools Grant Adjustment Account						
Amount of schools budget deficit to DSG adjustment accounts	-10,710	0	0	0	0	10,710

2020/21 Continued						
Adjustment involving the Pooled Fund Adjustment Account:						
Charges for fair value movements on the CCLA Property Fund	-65	0	0	0	0	65
Total Adjustments 2020/21	**-142,967**	**54,660**	**2,825**	**0**	**-8,091**	**93,573**
2019/20						
Adjustments involving the Capital Adjustment Account (CAA):						
Charges for depreciation and impairment of non-current assets	-38,956	0	0	-17,176	0	56,132
Amortisation of Intangible Assets	-294	0	0	0	0	294
Revaluation losses on PPE	-17,641	-27	0	0	0	17,668
Revaluation gains on PPE	26,760	63,872	0	0	0	-90,632
Movements in the market value of Investment Properties	-19,617	-1,355	0	0	0	20,972
Revenue expenditure funded from capital under statute (REFCUS)	-13,021	0	0	0	0	13,021
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	-14,935	-6,167	0	0	0	21,102
Capital grants and contributions applied	7,630	125	0	0	0	-7,755
Capital grants and contributions applied (REFCUS)	5,134	0	0	0	0	-5,134
Deferred Income written down - Waste PFI	537	0	0	0	0	-537
Provision for the financing of capital investment	3,525	2,607	0	0	0	-6,132
Capital expenditure charged against balances	2,010	7,691	0	0	0	-9,701
Financial instruments impairment charges	-220	0	0	0	0	220
Adjustments involving the Capital Grants Unapplied Account:						
Capital grants and contributions unapplied and credited to the CIES	16,724	0	0	0	-16,724	0
Application of grants to capital financing transferred to the CAA	0	0	0	0	11,339	-11,339
Adjustments involving the Capital Receipts Reserve:						
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the CIES	1,967	9,307	-11,274	0	0	0
Financing new capital expenditure	0	0	6,933	0	0	-6,933
Contribution towards administrative costs of asset disposals	-61	-69	130	0	0	0
Contribution to finance the payments to the Government capital receipts pool	-2,456	0	2,456	0	0	0

2019/20 Continued						
Cash receipts from the repayment of capital loans given	0	0	-108	0	0	108
Adjustment involving the Deferred Capital Receipts Reserve:						
Finance Leases - Amount by which sale proceeds received in CIES differs from those received in accordance with statutory requirements	-2	0	0	0	0	2
Adjustment involving the Major Repairs Reserve:						
Financing of new capital expenditure (transfer to CAA)	0	0	0	12,593	0	-12,593
Used to repay debt (transfer to CAA)	0	0	0	4,583	0	-4,583
Adjustment involving the Financial Instruments Adjustment Account:						
Amount by which finance costs charged to the CIES are different from those required by statutory regulations	244	-106	0	0	0	-138
Adjustments involving the Pensions Reserve:						
Reversal of items relating to retirement benefits debited or credited to the CIES	-89,207	0	0	0	0	89,207
Employer's pensions contributions and direct payments	36,698	0	0	0	0	-36,698
Adjustments involving the Collection Fund Adjustment Account:						
Amount by which Council Tax and Non-Domestic Rating income credited to the CIES is different from that required by statutory regulations	-4,348	0	0	0	0	4,348
Adjustment involving the Accumulated Absences Account:						
Amount by which officer remuneration charged to the CIES on an accruals basis is different from that required by statutory regulations	-453	0	0	0	0	453
Adjustment involving the Pooled Fund Adjustment Account:						
Charges for fair value movements on the CCLA Property Fund	-894	0	0	0	0	894
Total Adjustments 2019/20	**-100,876**	**75,878**	**-1,863**	**0**	**-5,385**	**32,246**

11 Transfers to/from Earmarked Reserves

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

	Balance at 31 March 2019	Transfers Out 2019/20	Transfers In 2019/20	Balance at 31 March 2020	Transfers Out 2020/21	Transfers In 2020/21	Balance at 31 March 2021
Earmarked Reserves							
Statutory (Schools Reserve)	-9,477	12	-502	-9,967	871	-4,466	-13,562
Statutory (Schools Reserve - DSG/Other)	-268	14,664	0	14,396	0	-14,396	0
Financial Resilience	-32,746	0	-4,400	-37,146	0	0	-37,146
Health and Social Care	-2,496	300	0	-2,196	158	-61	-2,099
Revenue Grants	-15,013	8,368	-3,600	-10,245	3,632	-13,850	-20,463
Strategic Investment Support	-5,400	1,441	-20	-3,979	1,447	-2,422	-4,954
Adverse Weather Reserve	-4,000	1,595	-27	-2,432	2,432	0	0
Property and Other Loans	-3,000	0	0	-3,000	0	0	-3,000
Waste Management	-11,000	1,316	0	-9,684	4,000	0	-5,684
Covid-19 Response	0	1,129	-12,228	-11,099	34,559	-43,454	-19,994
Schools PFI	0	0	-2,184	-2,184	2,949	-2,047	-1,282
Demand	0	0	-11,707	-11,707	0	-7,600	-19,307
Inclusive Investment	0	0	-2,000	-2,000	0	-1,000	-3,000
Extended Business Rate Relief	0	0	0	0	0	-23,955	-23,955
Tax Income Loss Compensation	0	0	0	0	0	-5,002	-5,002
Covid-19 Business Grants	0	0	0	0	0	-7,953	-7,953
Other	-11,358	4,412	-5,255	-12,201	1,533	-9,281	-19,949
Total Earmarked Reserves	**-94,758**	**33,237**	**-41,923**	**-103,444**	**51,581**	**-135,487**	**-187,350**
Unallocated Balances	*-10,214*			*-9,999*			*-10,003*
General Fund Balances	***-104,972***			***-113,443***			***-197,353***

- The Statutory (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 2021 represents 111 schools with cumulative balances of £14.0 million (110 schools and £11.7 million at 31 March 2020) and 9 schools with cumulative deficits amounting to £0.5 million (16 schools and £1.7 million at 31 March 2020).
- The Statutory (Schools Reserve - DSG/Other) relates to Dedicated Schools Grant (DSG) which is statutorily ring-fenced for schools related expenditure. The deficit balance as at 1 April 2020 was transferred to the Dedicated Schools Grant Adjustment Account and is shown in note 28 Unusable

Reserves. This was following new provisions put in place by the School and Early Years Finance (England) Regulations 2020 and Local Authority Finance Regulations.

- The Financial Resilience Reserve covers a range of potential costs highlighted in the Council's corporate risk assessment, including budget risks and those covering certain contingent liabilities. This is linked into the reserves and balances strategy agreed as part of the MTFP.
- The Health and Social Care Reserve had been set up to cover a range of social care expenditure commitments as agreed at Cabinet in August 2018.
- The Revenue Grants Reserve represents grants and contributions recognised in the CIES before expenditure has been incurred.
- The Strategic Investment Support Reserve has been set up to address the scale of development costs required to support the upscaling of capital investment activity and major project activity over the MTFP.
- The Adverse Weather Reserve has been set up to mitigate against budget risk arising from severe weather events in the district.
- The Property and Other Loans Reserve has been set up to set aside in part against the potential risk of future loan defaults and in part to offset potential unfunded technical accounting entries on general fund revenue arising purely from the introduction of a new local government accounting code intended to strengthen Balance Sheet transparency.
- The Waste Management Reserve has been set up to support the implementation of the Council's waste management strategy, including phased release over the MTFP to manage current PFI contract transition in light of the current Council PFI Waste Contract ending in 2022/23.
- The Covid-19 Response Reserve reflects a specific reserve set aside to cover the costs of the Council's Covid-19 response.
- The Schools PFI Reserve has been set aside to cover schools PFI costs pending confirmation from the DfE that such costs can continue to be funded from General Fund under the new regulations. As this confirmation was not received, this reserve will be utilised to cover reduced DSG budget contributions to Council services in 2020/21 and 2021/22.
- The Demand Reserve has been set up to mitigate the impact/volatility of a range of potential demand risks on statutorily provided service activity.
- The Inclusive Investment has been set up for a range of targeted development activity that supports the Council's inclusive investment ambition.
- The Extended Business Rate Relief - During 2020/21, local authorities received approximately £10 billion in Section 31 grants to offset the reliefs given to businesses during lockdown. Under current collection fund accounting rules, the Section 31 grants received this year will not be discharged against the Collection Fund deficit until 2021/22. The full amount of additional Section 31 grants received has therefore been transferred into the extended business rates relief reserve to be drawn down in 2021/22 against the rolled forward collection fund deficit.
- The Tax Income Loss Compensation Reserve - Local authorities are being compensated for the loss of local tax income in 2020/21 as a result of Covid-19. The compensation amount has been transferred into the Tax Income Loss Compensation Reserve to be drawn down in future years against the rolled forward collection fund deficit.
- The Covid-19 Business Grants Reserve reflects the balance of Covid-19 Business Grants received and recognised in 2020/21 before expenditure was incurred.

12 Other Operating Expenditure

	2020/21	2019/20
	£000	£000
Parish council precepts	809	780
Levies	206	200
Payment to Government Housing Capital Receipts Pool	2,108	2,456
Losses on the disposal of non-current assets	39,778	10,999
Revaluation losses on assets held for sale	0	0
De-recognition of Academies' Balances	640	859
Total	**43,541**	**15,294**

Net losses on the disposal of non-current assets includes academy and trust school transfers and assets transferred as part of the Community Asset transfer policy. These totalled £29.2 million in 2020/21 as part of six academy conversions and one community transfer (2019/20 £13.5 million as part of four schools' academy conversions).

13 Financing and Investment Income and Expenditure

	2020/21	2019/20
	£000	£000
Interest payable and similar charges	25,409	26,428
Net interest on the net defined benefit obligation	18,563	17,277
Interest receivable and similar income	-1,703	-707
Income and expenditure in relation to investment property and changes in fair value (Note 17)	1,890	18,016
Dividend Income	-455	-1,410
Other – movements on financial instruments	41	1,114
Total	**43,745**	**60,718**

14 Taxation and Non-Specific Grant Income

	2020/21	2019/20
	£000	£000
Council Tax income	-187,169	-179,239
Non Domestic Rates	-20,628	-77,651
Non-ring fenced government grants	-132,627	-60,484
Capital grants and contributions	-29,746	-23,022
Total	**-370,170**	**-340,396**

More detail on grant income is shown in Note 37 and on Council Tax and Non Domestic Rate income in the section on Collection Fund.

15 Property, Plant and Equipment (PPE)

	Council Dwellings	Other Land and Buildings	Vehicles. Plant Furniture and Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant and Equipment	*PFI Assets Included in PPE*
Movement in 2020/21	£000	£000	£000	£000	£000	£000	£000	£000	*£000*
Cost or Valuation									
At 1 April 2020	679,654	548,025	39,441	438,288	12,002	23,769	2,148	1,743,327	*78,554*
Additions	16,830	9,356	6,420	25,911	471	6,988	7,937	73,913	*1,239*
Revaluation increases/ decreases(-) recognised in the Revaluation Reserve	0	10,562	0	0	0	-1,525	0	9,037	*9,158*
Revaluation increases/ decreases(-) recognised in the Provision of Services	29,665	5,974	0	0	0	1,070	0	36,709	*11,765*
De-recognition – disposals	-1,250	-35,275	-4,062	0	0	-8,157	0	-48,744	*-7,089*
De-recognition – other	0	0	0	0	0	0	0	0	*0*
Assets reclassified to Held for Sale	-4,267	0	0	0	0	0	0	-4,267	*0*
Other movements in cost or valuation	0	-2,880	0	0	0	683	215	-1,982	*0*
At 31 March 2021	**720,632**	**535,762**	**41,799**	**464,199**	**12,473**	**22,828**	**10,300**	**1,807,993**	***93,627***
Accumulated Depreciation and Impairment									
At 1 April 2020	0	-24,738	-19,880	-246,354	-10,994	-248	0	-302,214	*-3,895*
Depreciation charge	-17,562	-9,884	-4,087	-21,311	-300	-201	0	-53,345	*-2,007*
Depreciation written out to the Revaluation Reserve	0	7,495	0	0	0	134	0	7,629	*1,502*
Depreciation written out to the Deficit on the Provision of Services	17,562	5,473	0	0	0	57	0	23,092	*4,108*
Impairment losses recognised in the Revaluation Reserve	0	0	0	0	0	0	0	0	*0*
Impairment losses recognised in the Deficit on the Provision of Services	0	0	0	0	0	0	0	0	*0*
De-recognition – disposals	0	842	3,670	0	0	351	0	4,863	*288*
Other movements in depreciation and impairment	0	139	0	0	0	-139	0	0	*0*
At 31 March 2021	**0**	**-20,673**	**-20,297**	**-267,665**	**-11,294**	**-46**	**0**	**-319,975**	***-4***
Net Book Value									
at 31 March 2021	**720,632**	**515,089**	**21,502**	**196,534**	**1,179**	**22,782**	**10,300**	**1,488,018**	***93,623***
at 31 March 2020	679,654	523,287	19,561	191,934	1,008	23,521	2,148	1,441,113	*74,659*

	Council Dwellings	Other Land and Buildings	Vehicles. Plant Furniture and Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant and Equipment	*PFI Assets Included in PPE*
Movement in 2019/20	£000	£000	£000	£000	£000	£000	£000	£000	*£000*
Cost or Valuation									
At 1 April 2019	617,824	525,113	35,458	413,748	11,812	28,980	0	1,632,935	*76,666*
Additions	21,600	14,748	5,537	24,540	190	2,120	889	69,624	*978*
Revaluation increases/ decreases(-) recognised in the Revaluation Reserve	0	22,702	0	0	0	-6,931	0	15,771	*79*
Revaluation increases/decreases(-) recognised in the Provision of Services	46,870	2,005	0	0	0	-2,342	0	46,533	*831*
De-recognition – disposals	-3,752	-14,254	-1,554	0	0	-668	0	-20,228	*0*
De-recognition – other	0	0	0	0	0	0	0	0	*0*
Assets reclassified to Held for Sale	-2,888	0	0	0	0	0	0	-2,888	*0*
Other movements in cost or valuation	0	-2,289	0	0	0	2,610	1,259	1,580	*0*
At 31 March 2020	**679,654**	**548,025**	**39,441**	**438,288**	**12,002**	**23,769**	**2,148**	**1,743,327**	***78,554***
Accumulated Depreciation and Impairment									
At 1 April 2019	0	-29,517	-17,727	-226,270	-10,715	-113	0	-284,342	*-2,206*
Depreciation charge	-16,985	-14,545	-3,554	-20,084	-279	-157	0	-55,604	*-1,983*
Depreciation written out to the Revaluation Reserve	0	9,754	0	0	0	0	0	9,754	*11*
Depreciation written out to the Deficit on the Provision of Services	16,985	9,624	0	0	0	28	0	26,637	*283*
Impairment losses recognised in the Revaluation Reserve	0	-107	0	0	0	0	0	-107	*0*
Impairment losses recognised in the Deficit on the Provision of Services	0	-523	0	0	0	0	0	-523	*0*
De-recognition – disposals	0	524	1,401	0	0	36	0	1,961	*0*
Other movements in depreciation and impairment	0	52	0	0	0	-42	0	10	*0*
At 31 March 2020	**0**	**-24,738**	**-19,880**	**-246,354**	**-10,994**	**-248**	**0**	**-302,214**	***-3,895***
Net Book Value									
at 31 March 2020	**679,654**	**523,287**	**19,561**	**191,934**	**1,008**	**23,521**	**2,148**	**1,441,113**	***74,659***
at 31 March 2019	617,824	495,596	17,731	187,478	1,097	28,867	0	1,348,593	*74,460*

Fair value measurement of surplus assets

The Council has accounted for surplus assets in accordance with IFRS13 which has been achieved through a fair value hierarchy. Surplus assets have been valued at the highest and best use. The fair value of surplus property has been measured using a market approach, which takes into account quoted prices for similar assets in active markets. The valuers are of the opinion that all surplus assets are at Level 2 on the fair value hierarchy using significant observable inputs.

There have been no transfers between the different levels of hierarchy during the year. There has been no change in the valuation techniques used during the year for surplus assets.

Revaluations

The Council carries out a rolling valuation programme which ensures that all PPE that is required to be measured at current value is revalued at least every three years. All valuations this year were carried out by external valuers - HRA properties by DVS Property Specialists and General Fund properties by Wilks Head & Eve. The valuers hold the appropriate qualification required and belong to the Royal Institution of Chartered Surveyors (RICS). Both valuations were carried out on 31 December 2020 in accordance with the methodologies and bases for estimation set out in the professional standards of the RICS.

There was a net gain in the PPE values of £76.5 million as the result of revaluations. The effect of any gains and losses have been split between the revaluation reserve and the provision of services in the CIES.

Assets not revalued in year have been assessed for accurate valuation at 31 March 2021. Specialised operational assets valued at Depreciated Replacement Cost have been assessed by using BCIS indices as a reference for construction costs. Assets valued at Exiting Use Value have been assessed to ensure ongoing remaining service potential and by looking at comparable market evidence.

The table below shows current values of assets, whether valued at historical cost or at revalued amounts, identifying the year they were last revalued.

	Council Dwellings	Other Land & Buildings	Vehicles, Plant, Furniture and Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Carried at historical cost	0	7,117	21,502	196,534	1,179	0	10,300	236,632
Carried at current value as at:								
2020/21	720,632	232,250	0	0	0	14,509	0	967,391
2019/20	0	272,791	0	0	0	8,273	0	281,064
2018/19	0	0	0	0	0	0	0	0
2017/18	0	0	0	0	0	0	0	0
2016/17	0	2,931	0	0	0	0	0	2,931
Total	**720,632**	**515,089**	**21,502**	**196,534**	**1,179**	**22,782**	**10,300**	**1,488,018**

Capital Commitments

In February 2021, the Council approved a capital programme of £211.9 million for 2021/22. A further £624.2 million of capital investment was also approved for the following four years. This covers expenditure on PPE, investment properties, intangible assets and revenue expenditure funded from capital under statute. The Council has capital commitments of £34.8 million at 31 March 2021 (£46.4 million at 31 March 2020) for schemes under progress.

16 Heritage Assets

	Fine Art Collection	Museums and Galleries Exhibits	Other	Total Assets
Movement in 2020/21	£000	£000	£000	£000
Cost or Valuation				
At 1 April 2020	44,368	3,302	2,303	49,973
Additions	0	0	0	0
Revaluation increases/decreases(-) recognised in the Revaluation Reserve	5,198	0	0	5,198
Revaluations recognised in the Provision of Services	0	0	0	0
At 31 March 2021	**49,566**	**3,302**	**2,303**	**55,171**
Accumulated Depreciation				
At 1 April 2020	0	0	0	0
Depreciation charge	0	0	-5	-5
Depreciation written out to the Revaluation Reserve	0	0	0	0
Depreciation written out to the Provision of Services	0	0	0	0
At 31 March 2021	**0**	**0**	**-5**	**-5**
Movement in 2019/20				
Cost or Valuation				
At 1 April 2019	44,368	3,302	2,368	50,038
Additions	0	0	0	0
Revaluation increases/decreases(-) recognised in the Revaluation Reserve	0	0	-24	-24
Revaluations recognised in the Provision of Services	0	0	-41	-41
At 31 March 2020	**44,368**	**3,302**	**2,303**	**49,973**
Accumulated Depreciation				
At 1 April 2019	0	0	-13	-13
Depreciation charge	0	0	-6	-6
Depreciation written out to the Revaluation Reserve	0	0	8	8
Depreciation written out to the Provision of Services	0	0	11	11
At 31 March 2020	**0**	**0**	**0**	**0**
Net Book Value				
at 31 March 2021	**49,566**	**3,302**	**2,298**	**55,166**
at 31 March 2020	44,368	3,302	2,303	49,973

Fine Art and Museum Exhibits Collections

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

Some items have been purchased through the national purchase grant fund administered by the Victoria and Albert Museum and the Museums, Libraries and Archives Council. The collection has also benefited from continued membership of the Contemporary Art Society. The majority of items acquired in this way have covenants covering terms of use and restrictions on sale.

Like most museums and galleries services, much of the collection is in store. The Council showcases the best of the collections and includes wide ranging collections from the dawn of time to present day of local, regional, national and international significance. The Council has a "Collections Development Policy" which gives details on how the collections are managed through review, rationalisation, acquisition, disposal, care, conservation and documentation. The Policy is approved by Council and is reviewed at least once every five years.

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

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

The most significant exhibit in the collection is the "Figure Study II" by Francis Bacon. It was acquired as a gift from the Contemporary Art Society. The painting has a value of £20.0 million (£20.0 million at 31 March 2020) and was last valued externally by Bonhams. Being a donated asset the painting has conditions placed upon it. Other notable pieces include two paintings by L S Lowry, the "Huddersfield Canvas" and "Level Crossing Canvas", with a combined value of £6.7 million (£6.7 million 31 March 2020) and the "Falling Warrior" sculpture by Henry Moore valued at £6.0 million (£5.0 million 31 March 2020. The total value of donated artwork items as at 31 March 2021 is £26.6 million (£24.4 million 31 March 2020).

<u>Museum Exhibits</u>
The collection consists of around 750,000 items relating to archaeology, arts and crafts (ceramics, furniture etc), industry, natural sciences, social history and world cultures which have been collected during the nineteenth and twentieth centuries. At any time 4% of the collection is on display across the museum sites. Some of the more significant items include the Skelmanthorpe Flag; the Porritt Collection (British butterflies and moths); a collection linked to Bamforth and Company (publishers of comic postcards); a collection of Mesolithic material; and a photographic archive of over 250,000 images on glass plate and celluloid negatives, lantern slides and original prints.

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

The Civic Silver Collection consists of 387 items, mainly comprising of chains and pendants of office, maces and silverware. Its value as at 31 March 2021 is £1.6 million (£1.6 million 31 March 2020). Many of the pieces have been donated over the years to mark historic occasions or events and the current value of donated civic silver items recognised as Long Term Assets is £0.9 million (£0.9 million 31 March 2020).

The Council has a number of structural heritage assets which are not recognised elsewhere on the Balance Sheet. These comprise of two clock towers, a Victorian tower and two park band stands. Of particular note is the Victorian Tower on Castle Hill, Huddersfield which was completed in 1899 to celebrate the 60th anniversary of Queen Victoria's reign. The value of structural assets as at 31 March 2021 is £0.3 million (£0.3 million 31 March 2020).

Heritage Assets not recognised on the Balance Sheet

The Council also holds a number of heritage assets which are not recognised on the Balance Sheet, notably Castle Hill, war memorials, the local studies collection and a number of museum exhibits, including the British Archaeology, Natural Sciences (bird's eggs) and the Ethnography Collections. Castle Hill, Huddersfield is a Scheduled Ancient Monument and a Regionally Important Geological Site. The Victorian Tower mentioned above is built on Castle Hill. The land and the Tower were transferred into the Council's ownership from the Ramsden Estate in 1920.

Heritage Assets recognised under other asset categories

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

17 Investment Property

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

	2020/21	2019/20
	£000	£000
Rental income from investment property	**-2,958**	-3,282
Direct operating expenses arising from investment property	**1,441**	1,524
Net gain	**-1,517**	-1,758
Net gains (-)/loss from fair value adjustments	**2,949**	20,972
Net gains (-)/loss on disposals of assets	**457**	-1,198
Net income (-)/expenditure in relation to investment property and changes in fair value	**1,889**	**18,016**

There are no restrictions on the Council's ability to realise the value inherent in its investment property or on the Council's right to the remittance of income and the proceeds of disposal. The Council has no contractual obligations to purchase, construct or develop investment property or repair, maintain or enhance such property.

The movement in the fair value of investment property over the year is as follows:

	2020/21	2019/20
	£000	£000
Balance at 1 April	**101,105**	124,087
Additions	**55**	1
Disposals	**-876**	-420
Net gains (-)/loss from fair value adjustments	**-2,949**	-20,972
Transfers to Property, Plant and Equipment	**0**	-1,591
Balance at 31 March	**97,335**	**101,105**

Fair Value Measurement

The Authority has accounted for investment property in accordance with IFRS13 which has been achieved through a fair value hierarchy. The fair value of investment property has been measured using a market approach, which takes into account quoted prices for similar assets in active markets, existing lease terms and rental, research into market evidence including market rentals and yields, the covenant strength for existing tenants, and data and market knowledge gained in managing the Council's investment asset portfolio. Market conditions are such that similar properties are actively purchased and sold and the level of observable are significant, leading to the properties being categorised as level 2 on the fair value hierarchy.

There have been no transfers between the different levels of hierarchy during the year.

Investment property has been valued at highest and best use. There have been some changes in valuation technique from income based approach to market value approach. This is not always the current use of the asset – in some cases, agricultural holdings which are being used for grazing land are in residential areas and could be used for development. Similarly pieces of undeveloped land previously valued without development have now been valued this time with development potential. This market value approach has resulted in a gain of £0 million (31 March 2020 £0.4 million).

Revaluations

The fair value of the authority's investment property is measured annually at each reporting date. Valuations are carried out by external valuers – Wilks Head and Eve – in accordance with the methodologies and bases for estimation set out in the professional standards of RICS.

18 Intangible Assets

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

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

Amortisation of £0.3 million was charged to CIES in 2020/21 (£0.3 million in 2019/20).

	2020/21	2019/20
	£000	£000
Balance at 1 April		
Gross carrying amounts	**6,896**	6,896
Accumulated amortisation	**-6,308**	-6,014
Net carrying amount at 1 April	**588**	882
Additions – Purchases	**199**	0
Amortisation for the period	**-294**	-294
Net carrying amount at 31 March	**493**	**588**
Comprising:		
Gross carrying amounts	**7,095**	6,896
Accumulated amortisation	**-6,602**	-6,308
	493	**588**

There are no significant contractual commitments relating to intangible assets for 2020/21.

19 Financial Instruments

A financial instrument is a contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Non-exchange transactions, such as those relating to taxes (Council Tax, Non-Domestic Rates) and government grants, do not give rise to financial instruments.

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

Financial Assets

	Non-Current				Current			
	Investments		Debtors		Investments		Debtors	
	31 March		31 March		31 March		31 March	
	2021	2020	**2021**	2020	**2021**	2020	**2021**	2020
	£000	£000	**£000**	£000	**£000**	£000	**£000**	£000
Amortised cost								
Investment principal	**0**	0	**6,813**	2,415	**0**	0	**41,138**	35,382
Soft loans principal	**0**	0	**16,063**	16,601	**0**	0	**0**	0
Soft loans accrued interest	**0**	0	**0**	0	**7**	0	**0**	0
Cash and cash equivalents	**0**	0	**0**	0	**4,602**	14,350	**0**	0
Cash and cash equivalents accrued interest	**0**	0	**0**	0	**2**	4	**0**	0
Total Amortised cost	**0**	**0**	**22,876**	**19,016**	**4,611**	**14,354**	**41,138**	**35,382**
Fair value through profit and loss	**9,041**	9,106	**0**	0	**21,588**	27,011	**0**	0
Fair value through other comprehensive income – designated equity instruments	**4,436**	4,320	**0**	0	**0**	0	**0**	0
Total Financial Assets	**13,477**	**13,426**	**22,876**	**19,016**	**26,199**	**41,365**	**41,138**	**35,382**
Non-Financial Assets	**0**	0	**5,977**	6,327	**0**	0	**59,557**	25,154
Total	**13,477**	**13,426**	**28,853**	**25,453**	**26,199**	**41,365**	**100,695**	**60,536**

Financial Liabilities

	Non-Current				Current			
	Borrowings		Creditors		Borrowings		Creditors	
	31 March		31 March		31 March		31 March	
	2021	2020	**2021**	2020	**2021**	2020	**2021**	2020
	£000	£000	**£000**	£000	**£000**	£000	**£000**	£000
Amortised cost								
Principal	**-374,298**	-372,111	**0**	0	**-50,025**	-53,207	**-99,748**	-
Loans accrued interest	**0**	0	**0**	0	**-4,208**	-4,375	**0**	0
Market loans EIR adjustment	**-1,519**	-1,549	**0**	0	**0**	0	**0**	0
PFI, finance lease and transferred debt	**-88,107**	-94,050	**0**	0	**-6,191**	-6,148	**0**	0

Total Financial Liabilities	**-463,924**	**-467,710**	**0**	**0**	**-60,424**	**-63,730**	**-99,748**	**-55,042**
Non-Financial Liabilities	**0**	0	**0**	0	**0**	0	**-25,803**	-35,220
Total	**-463,924**	**-467,710**	**0**	**0**	**-60,424**	**-63,730**	**-125,551**	**-**

Borrowings	**Non-Current**	**Current**	Non-Current	Current
	31 March 2021		31 March 2020	
	£000	**£000**	£000	£000
PWLB	**-263,793**	**-10,431**	-261,501	-14,651
LOBOs	**-61,519**	**-648**	-61,549	-648
Other market debt	**-43,522**	**-42,885**	-43,627	-42,013
Stock	**-6,983**	**-269**	-6,983	-270
Total	**-375,817**	**-54,233**	**-373,660**	**-57,582**

Material Soft Loans made by the Council

The Council provided support in 2009/10 to Kirklees College's Waterfront Development with a loan. The loan is secured against the assets of the College and the loan is charged at the cost of the borrowing to the Council plus a small margin to cover administration. The fair value of the loan at initial recognition was arrived at by adding a margin of 1.75% to reflect risk. The loan is being repaid on an annuity basis. The College requested a repayment holiday for one year from August 2019 to July 2020. This was approved by the Strategic Director Economy and Infrastructure on the 28 September 2018 so the College will now repay the full amount advanced by 2035/36. The Council has also provided interest free loans to Kirklees' householders in respect of renewable energy works. The loans are secured as a fixed charge on the householder's properties (that is the loans are recoverable when the householder sells the property). The fair value of the renewable energy loans at initial recognition were arrived at by taking the cost to the Council of taking a ten year loan and adding an allowance of 2% for risk.

Movements on material soft loans are detailed as follows:

	College	**Renewable Energy**	**Total**
	£000	**£000**	**£000**
Balance at 1 April 2019	15,272	1,799	17,071
Loans repaid	0	-71	-71
Change in impairment loss allowance	-217	-3	-220
Unwinding of discount	0	146	146
Balance at 31 March 2020	15,055	1,871	16,926
Loans repaid	-753	-28	-781
Change in impairment loss allowance	27	-3	24
Unwinding of discount	177	81	258
Balance at 31 March 2021	**14,506**	**1,921**	**16,427**
Nominal value at 31 March 2020	18,030	2,060	20,090
Nominal value at 31 March 2021	**17,276**	**2,031**	**19,307**

Equity Instruments Designated at Fair Value Through Other Comprehensive Income

The Council has elected to account for the following investments in equity instruments at fair value through other comprehensive income because they are long-term strategic holdings and changes in their fair value are not considered to be part of the Council's annual financial performance.

	Fair value	
	31 March 2021	31 March 2020
	£000	£000
LCR Revolving Investment Fund	**3,050**	3,054
Kirklees Schools Services Ltd	**979**	927
QED (KMC) Holdings Ltd	**222**	214
Kirklees Henry Boot Partnership Ltd	**125**	125
Kirklees Stadium Development Ltd	**60**	0
Total	**4,436**	**4,320**

Offsetting Financial Assets and Liabilities

The Council has legal right of offset on its current account banking arrangements and as at 31 March 2021 had a credit balance of £1.7 million at the bank (£0.8 million 31 March 2020) offset by a debit balance of £1.7 million (£0.8 million 31 March 2020).

Income, Expense, Gains and Losses

The gains and losses recognised in the Comprehensive Income and Expenditure Statement in relation to financial instruments are detailed as follows:

	Financial Liabilities	**Financial Assets**			**2020/21**	**2019/20**
	Amortised cost	Amortised cost	Fair value through OCI	Fair value through profit and loss	**Total**	Total
	£000	£000	£000	£000	**£000**	£000
Interest expense	25,437	0	0	0	**25,437**	26,428
Losses on de-recognition	36	0	0	0	**36**	54
Impairment losses	0	986	0	0	**986**	1,343
Interest payable and similar charges	**25,473**	**986**	**0**	**0**	**26,459**	**27,825**
Interest income	0	-1,667	0	-36	**-1,703**	-429
Dividend income	0	0	0	-387	**-387**	-183
Gains on de-recognition	-35	0	0	0	**-35**	-30
Interest and investment income	**-35**	**-1,667**	**0**	**-423**	**-2,125**	**-642**
Net impact on Surplus/Deficit on the Provision of Service	**25,438**	**-681**	**0**	**-423**	**24,334**	**27,183**
Gains on revaluation	0	0	-61	0	**-61**	-59
Losses on revaluation	0	0	4	0	**4**	112
Impact on other comprehensive income	**0**	**0**	**-57**	**0**	**-57**	**53**
Net gain(-)/loss for the year	**25,438**	**-681**	**-57**	**-423**	**24,277**	**27,236**

Fair Value of Financial Instruments

Some of the Council's financial assets are measured at fair value in the Balance Sheet on a recurring basis and are described in the following table, including the valuation techniques used to measure them.

			31 March 2021	31 March 2020
Recurring fair value measurements	Input level in fair value hierarchy	Valuation technique used to measure fair value	**Fair value**	Fair value
			£000	£000
Fair value through profit and loss				
CCLA Property Fund	Level 1	Unadjusted quoted prices in active markets for identical shares	**9,041**	9,106
Money Market Funds	Level 1	Unadjusted quoted prices in active markets for identical shares	**21,588**	27,011
Fair value through other comprehensive income				
LCR Revolving Investment Fund	Level 3	Discounted cash flow techniques	**3,050**	3,054
Kirklees Henry Boot Partnership Ltd Kirklees Schools Services Ltd Kirklees Stadium Development Ltd QED (KMC) Holdings Ltd	Level 3	Discounted cash flow techniques or historic cost of the original investment	**1,387**	1,266

Property funds have been moved from level 2 to level 1 of the hierarchy for 2020/21 reflecting the resumption of an active market in these instruments.

In addition, the fair value of short-term instruments, including investments, borrowing, cash, trade payables and receivables, is assumed to approximate to the carrying amount. However, there are a number of financial assets and liabilities which are carried in the Balance Sheet at amortised cost. Their fair values are shown in the tables below:

Financial Assets

		31 March 2021		31 March 2020	
	Fair value level	**Carrying amount**	**Fair value**	Carrying amount	Fair value
		£000	**£000**	£000	£000
Long-term debtors	2	**22,876**	**27,689**	19,016	22,943
Short-term debtors		**41,138**	**41,138**	35,382	35,382
Cash and cash equivalents		**26,199**	**26,199**	41,365	41,365
Total		**90,213**	**95,026**	**95,763**	**99,690**

The fair value of financial assets held at amortised cost is higher than their Balance Sheet carrying amount because the interest rate on similar investments is now lower than that obtained when the investment was originally made.

Financial Liabilities

		31 March 2021		31 March 2020	
	Fair value level	**Carrying amount**	**Fair value**	Carrying amount	Fair value
		£000	**£000**	£000	£000
Borrowings					
PWLB	2	**-274,224**	**-391,563**	-276,152	-393,338
LOBOs	2	**-62,167**	**-96,934**	-62,197	-97,672
Other market debt	2	**-86,407**	**-106,404**	-85,640	-105,192
Loan stock	2	**-7,252**	**-13,969**	-7,253	-14,473
PFI, transferred debt & finance lease liabilities	2	**-94,298**	**-137,787**	-100,198	-138,243
Short-term creditors		**-99,748**	**-99,748**	-55,042	-55,042
Total		**-624,096**	**-846,405**	-586,482	-803,960

The fair values have been estimated by calculating the net present value of the remaining contractual cash flows at 31 March 2021, using the following methods and assumptions:

- Loans from the Public Works Loan Board (PWLB) have been valued by discounting the contractual cash flows over the life of the instrument at the appropriate market rate for local authority loans.
- The value of "Lender's Option Borrower's Option" (LOBO) loans have been increased by the value of the embedded options. Lenders' options to propose an increase to the interest rate on the loan have been valued according to a proprietary model for Bermudan cancellable swaps. Borrower's contingent options to accept the increased rate or repay the loan have been valued at zero, on the assumption that lenders will only exercise their options when market rates have risen above the contractual loan rate.
- The fair values of other market debt, loan stock and investments have been discounted at the market rates for similar instruments with similar remaining terms to maturity on 31 March 2021.
- The fair values of finance lease assets and liabilities and of PFI scheme liabilities have been calculated by discounting the contractual cash flows at the appropriate AA-rated corporate bond yield.
- No early repayment or impairment is recognised for any financial instrument.

The above fair values are judged to be Level 2 in the fair value hierarchy, using significant observable inputs.

The fair value of liabilities is more than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the rates available for similar loans at the Balance Sheet date. This shows a notional future loss (based on economic conditions at 31 March 2021) arising from a commitment to pay interest to lenders above current market rates.

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

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

The Council's overall risk management programme focuses on minimising any potential adverse effects on the resources available to fund services. Procedures for risk management on treasury management are set out in the Local Government Act 2003 and associated regulations. As directed by the Act, the Council has formerly adopted the CIPFA Treasury Management Code of Practice and complies with the CIPFA Prudential Code. As part of the adoption of the Treasury Management Code, the Council approves a Treasury Management Strategy before the commencement of the year to which it relates and sets out the parameters for the management risks associated with financial instruments. The Service Director Finance manages the function on behalf of the Council under policies approved by Members in the annual treasury management strategy and the treasury management policy statement and practices.

Full details of the Council's Treasury Management Strategy for 2020/21 can be found on the Council's website.

The strategy also includes an Annual Investment Strategy for the forthcoming year, setting out the Council's criteria for both investing and selecting investment counterparties in compliance with Government guidelines together with guidance from Arlingclose Limited, its Treasury Management advisor.

Credit risk
Credit risk arises from deposits with banks and other financial institutions, as well as credit exposures to the Council's customers. The risk is minimised through the Annual Investment Strategy which requires that deposits are not made with counterparties unless they meet the minimum criteria set out in the strategy and also considers the maximum time and amounts of investments with each institution.

The full Investment Strategy for 2020/21 was approved by the Council on 12 February 2020 and is available on the Council's website.

The table below summarises the credit risk exposures of the Council's treasury investment portfolio by credit rating and remaining time to maturity:

	31 March 2021	31 March 2020
Credit rating	**Short-term**	Short-term
	£000	£000
AAA	**21,501**	26,935
AA-	**0**	15,030
A+	**5,640**	0
Total	**27,141**	**41,965**

The investments detailed above are for cash flow purposes, made up entirely of cash equivalents with no short-term investments. Cash equivalents by definition are highly liquid deposits with an insignificant risk of change in value. The Council did not make any investments of a treasury management nature longer than two months in 2020/21.

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

The Council does not generally allow credit for customers and trade debts are actively pursued. As at 31 March 2021, the Council had a balance owing from its customers (mainly services and rent) of £43.2 million (£37.5 million 31 March 2020). The exposure to default has been assessed and is reflected in an impairment provision of £3.4 million (£3.1 million 31 March 2020). Of the trade debtors outstanding as at 31 March 2021 (£14.6 million), 69% (79% 2019/20) relate to outstanding debt due within 3 months of the Balance Sheet date, 8% (8% 2019/20) within 3 to 6 months, 7% (3% 2019/20) within 6 to 12 months and 16% (10% 2019/20) more than 12 months.

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

	31 March 2021			31 March 2020		
Time to maturity (years)	**Liabilities**	**Assets**	**Net**	Liabilities	Assets	Net
	£000	**£000**	**£000**	£000	£000	£000
Less than one year	**-153,981**	**67,337**	**-86,644**	-112,624	76,747	-35,877
Between 1 and 2 years	**-2,297**	**1,915**	**-382**	-8,093	1,796	-6,297
Between 2 and 5 years	**-16,213**	**4,451**	**-11,762**	-14,627	4,289	-10,338
Between 5 and 10 years	**-7,873**	**18,980**	**11,107**	-5,317	14,394	9,077
Between 10 and 20 years	**-54,175**	**6,664**	**-47,511**	-45,728	7,727	-38,001
More than 20 years	**-293,740**	**4,343**	**-289,397**	-298,346	4,236	-294,110
	-528,279	**103,690**	**-424,589**	**-484,735**	**109,189**	**-375,546**

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

The Council has a general target of paying all trade and other payables within 30 days, although due to the current Covid 19 pandemic, payments are being made immediately once the payment has been processed and approved.

Market risk

Interest Rate Risk

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

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

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

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

As at 31 March 2021, investments held by the Council for cash flow purposes were at both fixed and variable rates, with 82% being at variable rate for instant access. In terms of borrowing, the Council held £61.5 million debt in the form of LOBOs. 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. In July 2019, the Council negotiated with a lender not to exercise its options to increase interest rates on its LOBO loan held by the Council. This effectively made the loan a fixed rate maturity loan and brings the total of LOBO loans held as at 31 March 2021 to £61.5 million, which equates to 14% of its total borrowing. All LOBO debt is 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 £0.4 million.

Price Risk

The Council does not generally invest in equity shares but does have shareholdings to the value of £1.4 million in a number of joint ventures. The Council is consequently exposed to losses arising from movements in the values of the shares. As the shareholdings have arisen in the acquisition of specific interests, the Council is not in a position to limit its exposure to price movements by diversifying its portfolio.

The equity shares are classified as “fair value through other comprehensive income – designated equity instruments”, meaning that any movements in fair value will not be recognised in the CIES, instead movements will be shown in the Financial Instruments Revaluation Reserve.

The Council holds investment units with the CCLA Property Fund which is subject to the risk of falling commercial property prices. The fund has been classified as fair value through profit and loss, however the Council has chosen to use the 5 year override as allowed by CIPFA to allocate to fair value through other comprehensive income, therefore any gains or losses on prices will be charged to Financing and Investment Income and Expenditure line in the CIES which is then transferred to the Pooled Fund Adjustment Account.

Foreign Exchange Risk

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

20 Long Term Debtors

This note identifies amounts owing to the Council which are being repaid over various periods longer than one year.

	31 March 2021 £000	31 March 2020 £000
Kirklees College	14,488	15,103
PFI Prepayments (i)	2,573	2,921
Finance Leases (ii)	3,404	3,407
Charges on Property for Residential Care	1,229	1,029
Renewable Energy	2,022	1,969
103 New Street	5,155	802
Other	881	1,032
	29,752	26,263
Impairment Provision	-899	-920
Net Long Term Debtors	**28,853**	**25,343**

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

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

21 Inventories

	Consumable Stores and Maintenance Materials	Construction Costs	**Total**
	£000	£000	**£000**
Balance at 1 April 2020	2,119	0	**2,119**
Purchases	2,704	3,443	**6,147**
Recognised as an expense in the year	-3,165	0	**-3,165**
Written-off balances	0	0	**0**
Reversals of write-offs in previous years	-15	0	**-15**
Balance at 31 March 2021	**1,643**	**3,443**	**5,086**

At 31 March 2021, the Council held total inventories of £5.1 million. This consisted of £1.6 million outstanding in consumable stores and maintenance materials and the cost to date (£3.5 million) of the construction of a new primary school, Brambles Academy, which on completion will be transferred to South Pennines Academies Trust on a long-term lease for a nominal sum.

22 Short Term Debtors

	31 March 2021	31 March 2020
	£000	£000
Central government bodies	**56,502**	12,085
Other local authorities	**7,025**	5,899
NHS bodies	**4,787**	7,219
Public Corporations & Trading Funds	**18**	
Other entities and individuals	**57,565**	55,820
	125,897	81,023
Bad Debt Provision – Other entities and individuals	**-25,202**	-20,487
Net Short Term Debtors	**100,695**	**60,536**

23 Cash and Cash Equivalents

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

	31 March 2021	31 March 2020
	£000	£000
Cash held by the Council	**21**	26
Bank current accounts	**4,007**	2,299
Instant access deposit accounts/investments that mature within 90 days or less	**27,237**	42,045
	31,265	44,370
Cash in transit	**1,016**	1,041
BACs payments and cheques not yet cleared	**-6,082**	-4,046
Total Cash and Cash Equivalents	**26,199**	**41,365**

24 Short Term Creditors

	31 March 2021 £000	31 March 2020 £000
Central government bodies	**-57,371**	-19,115
Other local authorities	**-2,029**	-1,707
NHS bodies	**-1,331**	-1,225
Other entities and individuals	**-64,820**	-68,215
Total	**-125,551**	**-90,262**

The increase in the Central government bodies short term creditors figure of £38.3 million was mainly due to the overpayment of S31 Business Rates grant £23.7 million and Covid-19 Support grant £11.6 million.

25 Provisions

	Insurance £000	Business Rate Appeals £000	Other £000	Total £000
Balance at 1 April 2020	**-10,583**	**-1,908**	**-44**	**-12,535**
Additional provision made in 2020/21	-3,760	-675	-500	-4,935
Amounts used in 2020/21	2,745	0	44	2,789
Amounts reversed in 2020/21	0	0	0	0
Balance at 31 March 2021	**-11,598**	**-2,583**	**-500**	**-14,681**

The insurance provision covers obligations arising from claims relating to Employer's Liability, Public Liability, Motor, Fire and miscellaneous risks. The nature of insurance claims, particularly liability claims, means that there can be significant lead in times as claimants do not need to lodge claims for some time after the event occurred. For each insurance claim received an expected value is calculated based on best known estimates at the time. The figures are derived from those calculated during the latest three-yearly actuarial valuation (2020/21). The short term element of this provision is estimated based on the percentage of claims paid out in the previous year.

Amounts have been set aside on the Council's Financial Resilience Reserve to cover uninsured and unexpected losses which may arise from possible claims for third party asbestos, flooding and environmental impairment (pollution). It is not possible to state with any certainty the amount or timing of the likely use of the reserve due to the nature of the risks covered.

Councils are liable for a share of any repayments to ratepayers as a result of reductions in Rateable Value (RV) arising from successful appeals against rates charged. Appeals are determined by the Valuation Office Agency and can go back a number of years.

The split between long term and short term provisions is as follows:

	Short Term Provisions £000	Long Term Provisions £000	Total Provisions £000
Balance at 31 March 2021	**-4,600**	**-10,081**	**-14,681**
Balance at 1 April 2020	-3,487	-9,048	-12,535

26 Other Long Term Liabilities

	31 March 2021 £000	31 March 2020 £000
Deferred Liabilities (mainly outstanding PFI finance lease obligations)	**-88,107**	-94,050
Net Liability Related to Defined Benefit Pension Scheme	**-998,570**	-824,749
Long Term Provisions	**-10,081**	-9,048
PFI Deferred Income	**-1,074**	-1,612
Total	**-1,097,832**	**-929,460**

27 Usable Reserves

Movement in the Council's usable reserves are detailed in the Statement of Movement in Reserves, Note 10 Adjustments between accounting basis and funding basis under regulations and Note 11 Transfers to and from Earmarked Reserves.

28 Unusable Reserves

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

	31 March 2021 £000	31 March 2020 £000
Capital Adjustment Account	**-722,259**	-695,084
Revaluation Reserve	**-192,942**	-189,568
Pensions Reserve	**998,570**	824,749
Financial Instruments Revaluation Reserve	**-1,296**	-1,239
Financial Instruments Adjustment Account	**2,838**	3,161
Pooled Fund Adjustment Account	**959**	894
Deferred Capital Receipts Reserve	**-3,406**	-3,408
Collection Fund Adjustment Account	**35,617**	-2,729
Accumulated Absences Account	**12,126**	11,531
Dedicated Schools Grant Adjustment Account	**25,106**	0
Total Unusable Reserves	**155,313**	**-51,693**

The Dedicated Schools Grant Adjustment Account was created on 1 April 2020 following new provisions put in place by the School and Early Years Finance (England) Regulations 2020 and Local Authority Finance Regulations. These regulations require the Council to carry forward a deficit on the Dedicated Schools Grant (DSG) from the current and previous years to be dealt with from future DSG income up to 2022/23. The Council must record the deficit in an unusable reserve created solely for the purpose of recording deficits relating to its school's budget.

The Dedicated Schools Grant Adjustment Account negative balance as at 31 March 2021 includes a £23.4 million High Needs deficit carried forward on the Balance Sheet to be funded by future DSG income as per updated statutory guidance. The remaining deficit of £1.7m includes costs arising from the closure of Almondbury Community School and unfunded school PFI costs which are partially offset by savings on Early Years and Central School Services in 2020/21, this will be funded through release of the balance of the Schools PFI reserve in 2021/22 and future DSG income.

Details of the movements on the Capital Adjustment Account, Revaluation Reserve and Pensions Reserve are detailed below.

The purpose of the other reserves is explained in the Glossary and the movements of the larger ones are detailed in Note 10.

Capital Adjustment Account

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

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

	2020/21	2019/20
	£000	£000
Balance at 1 April	**-695,084**	-663,874
Capital financing applied in the year:		
Use of Capital Receipts Reserve to finance new capital expenditure	**-7,669**	-6,933
Use of Capital Receipts Reserve to repay debt	**-753**	0
Use of the Major Repairs Reserve to finance new capital expenditure	**-12,750**	-12,593
Capital grants and contributions credited to the CIES that have been applied to capital financing	**-17,644**	-12,889
Application of grants to capital financing from the Capital Grants Unapplied Account	**-12,269**	-11,340
Statutory provision for the financing of capital investment charged against the General Fund, HRA Balances and Major Repairs Reserve	**-11,641**	-10,715
Capital expenditure charged against the General Fund and HRA Balances	**-5,335**	-9,702
	-763,145	-728,046
Charges for depreciation and impairment of non-current assets	**53,350**	56,133
Amortisation of intangible assets	**294**	294
Revaluation losses on PPE	**9,645**	17,668
Revaluation gains on PPE	**-69,446**	-90,632
Movements in the market value of Investment Property	**2,949**	20,972
Revenue expenditure funded from capital under statute (REFCUS)	**14,695**	13,021
Amounts of non-current assets written off on disposal or sale	**47,645**	21,102
Adjusting amounts written out of the Revaluation Reserve	**-18,491**	-5,388
Deferred Income written down - Waste PFI	**-537**	-537
Long-term debtors written down	**806**	109
Financial Instruments impairment charge	**-24**	220
Balance at 31 March	**-722,259**	**-695,084**

Revaluation Reserve

The Revaluation Reserve contains the gains made by the Council arising from increases in the value of its Property, Plant and Equipment. The balance is reduced when assets with accumulated gains are:

- revalued downwards or impaired and the gains are lost
- used in the provision of services and the gains are consumed through depreciation, or
- disposed of and the gains are realised.

The Reserve contains only revaluation gains accumulated since 1 April 2007, the date the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

	2020/21	2019/20
	£000	£000
Balance at 1 April	**-189,568**	-169,375
Upward revaluation of assets	**-34,986**	-44,129
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	**13,122**	18,549
Difference between fair value depreciation and historical cost depreciation	**1,471**	2,310
Accumulated gains on assets sold or scrapped	**17,019**	3,077
Balance at 31 March	**-192,942**	**-189,568**

Pensions Reserve

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

			2020/21			2019/20
	LGPS	Teachers	Total	LGPS	Teachers	Total
	£000	£000	£000	£000	£000	£000
Balance at 1 April	775,564	49,185	824,749	681,877	56,257	738,134
Pension cost payable to Pension Fund	**-31,983**	**-3,465**	**-35,448**	-33,195	-3,503	-36,698
Actuarial gain/loss (-)	**118,035**	**2,923**	**120,958**	38,983	-4,877	34,106
Reversal of IAS19 entries	**87,218**	**1,092**	**88,310**	87,899	1,308	89,207
Balance at 31 March	**948,834**	**49,735**	**998,570**	**775,564**	**49,185**	**824,749**

29 Cash Flow - Operating Activities

The cash flows for operating activities include the following items:

	2020/21	2019/20
	£000	£000
Interest received	-1,451	-578
Interest paid	25,235	26,342
Dividend received	-454	-764

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

	2020/21	2019/20
	£000	£000
Pension adjustments	-52,862	-52,509
Depreciation, impairment and amortisation	-51,074	-54,433
Revaluation gains/losses	56,851	51,991
Carrying amount of non-current assets sold or de-recognised	-47,645	-21,102
Movements on -		
Provisions	-2,145	2,267
Inventories	3,048	-333
Revenue debtors (including bad debt provision)	37,785	5,019
Revenue creditors	-75,315	405
Other non-cash items	-132	-1,332
Total non-cash movements	**-131,489**	**-70,027**

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

	2020/21	2019/20
	£000	£000
Capital grants	29,209	22,485
Proceeds from the sale of property, plant and equipment (PPE), investment property and intangible assets.	7,485	11,432
Total	**36,694**	**33,917**

Cash Flow - Reconciliation of Liabilities arising from Financing Activities

	2020/21				2019/20			
	At 1 April	Financing cashflows	Non cash changes	At 31 March	At 1 April	Financing cashflows	Non cash changes	At 31 March
	£000	£000	£000	£000	£000	£000	£000	£000
Long term borrowing	373,660	2,156	1	375,817	384,116	-10,458	2	373,660
Short term borrowing	57,582	-3,349	0	54,233	16,190	41,371	21	57,582
PFI & finance lease liabiliites	100,197	-5,899	0	94,298	106,265	-6,068	0	100,197
Total liabilities from financing activities	531,439	-7,092	1	524,348	506,571	24,845	23	531,439

32 External Audit Costs

Grant Thornton is the Council's appointed Auditor for the audit of the Statement of Accounts. The fees payable were as follows:

	2020/21	2019/20
	£000	£000
Grant Thornton:		
External audit services – scale fee	122	122
External audit services – additional charges	74	30
Non audit services	9	12
	205	164
Mazars:		
Certification of grant claims and returns	30	46*
Total	235	210

*Amount paid to Grant Thornton for grant work in 19/20

33 Pooled Funds

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

Integrated Community Equipment Service

In 2003/04, the Council in association with the local Clinical Commissioning Groups (CCGs) (formerly Primary Care Trusts) established an Integrated Community Equipment Service. The partners contribute funds to the agreed budget and there is no fixed split of contributions. These are negotiated and agreed between the parties each year. The pooled budget is hosted by the Council on behalf of the partners to the arrangement.

	2020/21	2019/20
	£000	£000
Funding provided to the pooled budget		
Kirklees Council	-2,313	-2,167
Greater Huddersfield CCG	-930	-1,052
North Kirklees CCG	-724	-841
Total Funding	**-3,967**	**-4,060**
Expenditure met from the pooled budget		
Kirklees Council	1,552	1,629
Greater Huddersfield CCG	873	917
North Kirklees Clinical CCG	678	712
Total Expenditure	**3,103**	**3,258**
Net surplus arising on pooled budget during the year	-864	-802
Council share of the net surplus arising on the pooled budget	-761	-539

Better Care Fund

Introduced with effect from the 2015/16 financial year, the Better Care Fund was established by the Government to drive closer integration with health services and improve outcomes for patients and service users. The Council in association with the local CCGs established a pooled budget to deliver the aims of the Better Care Fund in Kirklees. The pooled budget is hosted by the Council on behalf of the partners to the arrangement.

	2020/21	2019/20
	£000	£000
Funding provided to the pooled budget		
Kirklees Council	-26,901	-26,471
Greater Huddersfield CCG	-16,958	-15,988
North Kirklees CCG	-13,673	-12,894
Total Funding	**-57,532**	**-55,353**
Expenditure met from the pooled budget		
Kirklees Council	45,799	44,433
Greater Huddersfield CCG	6,681	6,220
North Kirklees CCG	5,052	4,700
Total Expenditure	**57,352**	**55,353**
Net surplus arising on pooled budget during the year	0	0
Council share of the net surplus arising on the pooled budget	0	0

34 Officers' Remuneration

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

	2020/21		2019/20	
Remuneration Band (£)	Teachers	Other	Teachers	Other
50,000 - 54,999	112	48	89	37
55,000 - 59,999	60	16	61	9
60,000 - 64,999	42	18	36	20
65,000 - 69,999	28	11	23	4
70,000 - 74,999	23	4	19	7
75,000 - 79,999	10	5	10	5
80,000 - 84,999	8	4	7	4
85,000 - 89,999	3	2	3	1
90,000 - 94,999	1	0	0	1
95,000 - 99,999	0	2	0	0
100,000 - 104,999	1	7	1	6
105,000 - 109,999	1	0	2	1
110,000 - 114,999	1	0	2	0
115,000 - 119,999	1	1	0	0
120,000 - 124,999	0	1	0	1
125,000 - 129,999	0	1	0	2
130,000 - 134,999	0	2	0	1
135,000 - 139,999	0	0	0	0
140,000 - 144,999	0	0	0	0
145,000 - 149,999	0	0	0	0
150,000 - 154,999	0	0	0	0
155,000 - 159,999	0	0	0	0
160,000 - 169,999	0	1	0	0
170,000 - 174,999	0	0	0	1
Total	**291**	**123**	**253**	**100**

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

It should be noted that 0 employees received redundancy payments in 2020/21 (2019/20 3 employees) and exceeded the £50,000 remuneration band, who would not normally have done so.

The note excludes employees of Voluntary Aided and Trust Schools as they are employed by the School Governors, not the Council, even though payments are made by the Council.

The following table sets out the remuneration disclosures for the Council's Senior Officers (Directors' Group and Monitoring Officer), whose full time equivalent salary is equal to or more than £50,000 per year. The definition of Senior Officers are those officers who have statutory responsibilities and/or are responsible for strategic decisions in the Council. In line with statutory regulations, officers with a salary of £150,000 or more per year are named.

Senior Officers' emoluments

Post holder information (Post title)	Salary including fees and allowances	Compensation for loss of office	Total Remuneration Excluding pension contributions	Employers pension contributions (4)	Total Remuneration including pension contributions
	£	£	£	£	£
2020/21					
Chief Executive – Jacqui Gedman	168,903	0	168,903	26,855	195,758
Strategic Director Adults & Health	133,451	0	133,451	21,219	154,670
Strategic Director Children & Families	130,417	0	130,417	20,736	151,153
Strategic Director Economy & Infrastructure (1)	77,352	0	77,352	12,299	89,651
Strategic Director Corporate Strategy, Commissioning & Public Health	128,539	0	128,539	20,438	148,977
Strategic Director Environment & Climate Change (2)	68,808	0	68,808	10,940	79,748
Strategic Director Growth & Regeneration (3)	61,711	0	61,711	9,812	71,523
Service Director Governance & Commissioning (Monitoring Officer)	101,743	0	101,743	16,177	117,920
Service Director Finance (s151 Officer)	98,825	0	98,825	15,713	114,538
2019/20					
Chief Executive – Jacqui Gedman	171,775	0	171,775	27,650	199,425
Strategic Director Adults & Health	131,630	0	131,630	21,188	152,818
Strategic Director Children & Families	126,681	0	126,681	20,391	147,072
Strategic Director Economy & Infrastructure	129,177	0	129,177	20,793	149,970
Strategic Director Corporate Strategy, Commissioning & Public Health	123,979	0	123,979	19,924	143,903
Service Director Governance & Commissioning (Monitoring Officer)	100,355	0	100,355	16,153	116,508
Service Director Finance (s151 Officer)	90,976	0	90,976	14,637	105,613

(1) The Strategic Director for Economy & Infrastructure left the authority on the 31st of October 2020.
(2) The Strategic Director for Environment & Climate Change commenced on the 10th of September 2020, the annualised salary is £143,389.
(3) The Strategic Director for Growth & Regeneration commenced on the 21st of September 2020, the annualised salary is £143,389
(4) No added years pensions were provided for Senior Officers.

It should be noted that the 2019/20 figures for senior officer's emoluments only relate to individuals who continued to be employed in 2020/21 and will exclude those who left the Council in 2019/20. This is because the requirements of this note are specific to employees qualifying for the current year, not for persons who left the authority in the prior year.

Exit Packages and Termination Benefits

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

Exit package cost band	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band	Total cost of exit packages in each band	Split of exit packages (Termination Benefit)	Split of exit packages (Pension Strain)
2020/21				£000	£000	£000
£0 - £20,000	0	3	3	15	9	6
£20,001 - £40,000	0	3	3	93	93	0
£40,001 - £60,000	0	0	0	0	0	0
£60,001 - £80,000	0	0	0	0	0	0
£80,001 - £100,000	0	0	0	0	0	0
£100,001 - £150,000	0	0	0	0	0	0
Total	**0**	**6**	**6**	108	102	6
2019/20						
£0 - £20,000	0	1	1	19	19	0
£20,001 - £40,000	0	4	4	123	97	26
£40,001 - £60,000	0	3	3	149	15	134
£60,001 - £80,000	0	0	0	0	0	0
£80,001 - £100,000	0	0	0	0	0	0
£100,001 - £150,000	0	0	0	0	0	0
Total	**0**	**8**	**8**	**291**	**131**	**160**

35 Deployment of Dedicated Schools Grant

The Council's expenditure on schools is funded primarily by grant monies provided by the Education Funding Agency, the Dedicated Schools Grant (DSG). DSG is ring fenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the School Finance and Early Years (England) Regulations 2015. The Schools Budget includes elements for a range of educational services provided on a Council-wide basis and for the Individual Schools Budget (ISB), which is divided into a budget share for each maintained school.

Details of the deployment of DSG receivable are as follows:

	Central Expenditure	ISB	Total
	£000	£000	£000
Final DSG for 2020/21 before Academy recoupment			-378,014
Academy figure recouped for 2020/21			143,572
Total DSG after Academy recoupment for 2020/21			-234,442
Plus brought forward from 2019/20			14,396
Less carry forward to 2021/22 agreed in advance			0
Agreed budgeted distribution for 2020/21	-29,256	-190,790	-220,046
In year adjustments	1,380	-1,331	49
Final budgeted distribution for 2020/21	-27,876	-192,121	-219,997
Less actual central expenditure	52,982		52,982
Less actual ISB deployed to schools		192,121	192,121
Plus Council contribution for 2020/21	0	0	0
Total carry forward to 2021/22	**25,106**	**0**	**25,106**

36 Related Party Transactions

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

i) Elected Members and Chief Officers

There were 4 material disclosures to declare for 2020/21, 3 relating to Elected Members and a chief officer. The material disclosures are mentioned below. It should be noted that all members' financial and other interests which could conflict with those of the Council are open to public inspection as required by regulation. 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.

A Councillor was a trustee and chair of Yorkshire Water Community Trust. During 2020/21, the Council made no payments to the trust and received no income from it.

A Councillor's partner was the manager of an independently run local Community Centre. In 2020/21, the Council made payments of £0.081 million to the Centre and received no income from it.

A Councillor was a director of Media Centre Network Ltd. The Council has given a loan to Media Centre Network Ltd. As at 31 March 2021, £0.191 million was outstanding (£0.198 million as at 31 March 2020).

A Service Director was a Director for a Social Enterprise delivering a range of local Services and facilities for the benefit of residents in a local ward of Huddersfield. In 2020/21 the Council made payments of £0.328 million to the enterprise and received £0.001 million from the enterprise.

i) Companies

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

	Receipts from the companies		Payments to the companies		Net amounts owed to/by(-) the Council	
	2020/21	2019/20	**2020/21**	2019/20	**31 March 2021**	31 March 2020
	£000	£000	**£000**	£000	**£000**	£000
Kirklees Henry Boot Partnership Limited	**-3**	-3	**0**	0	**0**	**0**
Calderdale and Kirklees Careers Service	**-35**	-59	**2,259**	2,289	**-4**	**-59**
Kirklees Active Leisure	**-616**	-1,261	**7,148**	2,342	**96**	**578**
Kirklees Community Association	**-79**	-92	**0**	1	**29**	**0**
Kirklees Theatre Trust	**-15**	-9	**217**	225	**1**	**0**
Kirklees Music School	**-1**	-8	**8**	5	**0**	**0**
North Huddersfield Trust	**-116**	-101	**0**	0	**21**	**0**
Yorkshire Energy Services	**-22**	-29	**0**	3	**2**	**4**
Locala Community Partnerships	**-835**	-834	**15,801**	15,195	**535**	**340**
Spenborough Co-operative Trust	**0**	-4	**0**	1	**0**	**1**

<u>The following related party transactions are disclosed elsewhere in the accounts:</u>

- The UK Central Government exerts significant influence through legislation and grant funding (see Note 37).
- NHS Bodies (see Notes 33 and 37).
- Precepting authorities (see the CIES and the Collection Fund Income and Expenditure Statement). The Council also pays Joint Committees for providing services such as Trading Standards and West Yorkshire Combined Authority. Payments in 2020/21 amounted to £19.1 million (2019/20 £19.3 million). Certain Parish Councils have also invested funds with the Council. As at 31 March 2021, £0.421 million (£0.431 million at 31 March 2020) was invested.
- Pension Fund (see Note 41).
- Subsidiary (Kirklees Neighbourhood Housing Limited) and joint venture company (Kirklees Stadium Development Limited) included in Group Accounts.
- PFI Transactions with Suez Recycling and Recovery Kirklees Ltd, Kirklees School Services Ltd and QED (KMC) Holdings Ltd (see Note 40).

37 Grant Income

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

	2020/21 £000	2019/20 £000
Credited to Taxation and Non Specific Grant Income		
Revenue Support Grant (RSG)	**-13,033**	0
NNDR Top up Grant	**-28,808**	-14,098
PFI Grants	**-11,359**	-11,359
New Homes Grant	**-3,438**	-3,863
Business Rates Relief	**-35,790**	-15,472
Covid19 Support Grant	**-23,630**	-12,228
COVID SFC Compensation	**-8,671**	0
Tax Loss Compensation	**-5,002**	0
Other Non-Specific Grants (under £2 million)	**-2,897**	-3,464
	-132,628	-60,484
Grants and Contributions related to capital financing which cannot be identified to particular services or assets		
Standards Fund	**-3,133**	-4,712
Local Transport Plan (LTP)	**-7,906**	-7,334
Other Capital Grants and Contributions (under £2 million)	**-18,707**	-10,976
Total	**-162,374**	**-83,506**
Credited to Services		
Revenue		
Dedicated Schools Grant	**-234,393**	-236,485
DWP – Rent Allowance	**-39,748**	-42,639
DWP – Rent Rebate	**-33,372**	-35,824
Department of Health Grant (Public Health)	**-26,055**	-25,305
Clinical Commissioning Groups (CCGs)	**-18,869**	-18,203
Pupil Premium Grant	**-12,356**	-13,139
PFI Grant (ring fenced to HRA)	**-7,912**	-7,912
Universal Infant Free School Meals Grant	**-3,937**	-4,253
Teachers Pension Grant	**-6,229**	-3,729
Social Care Support Grant	**-11,031**	-3,177
Improved Better Care Fund (IBCF)	**-17,298**	-12,810
Additional Better Care Fund (ABCF)	**0**	-2,628
COVID 19 Grants	**-57,299**	0
Other Revenue Grants and Contributions (under £2 million)	**-42,561**	-27,432
Capital (REFCUS)		
Standards Fund	**-3,563**	-3,114
Disabled Facilities Grant	**-3,624**	-3,194
Various Capital Grants and Contributions (under £2 million)	**-1,608**	-820
Total	**-519,855**	**-440,664**
Total Grants in CIES	**-682,229**	**-524,170**

38 Capital Expenditure and Capital Financing

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

	2020/21	2019/20
	£000	£000
Opening Capital Financing Requirement	733,203	714,118
Capital Investment		
Property, Plant and Equipment	73,913	69,620
Investment Property	55	1
Intangible Assets	199	0
Revenue Expenditure Funded from Capital under Statute	14,868	13,021
Loans and Investments	4,180	802
Inventories	3,443	0
Sources of Finance		
Capital Receipts	-8,512	-6,933
Government Grants and Other Contributions	-29,913	-24,229
Major Repairs Reserve	-12,750	-12,593
Direct Revenue Contributions	-5,335	-9,706
To repay debt:		
Minimum Revenue Provision	-6,634	-6,315
Major Repairs Reserve	-5,007	-4,583
Capital Receipts	-753	0
Closing Capital Financing Requirement	760,957	733,203
Explanation of movements in year		
Increase in underlying need to borrow:		
PFI Finance Lease Liability	248	219
Other	39,900	29,764
Provision for Repayment of Debt	-12,394	-10,898
Increase in Capital Financing Requirement	27,754	19,085

39 Leases

Council as Lessee

Finance Leases

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

	31 March 2021	31 March 2020
Cost or valuation	**£000**	£000
At 1 April	**12,232**	12,559
Additions & Transfers	**335**	254
Revaluation increases recognised in the Revaluation Reserve	**0**	642
Revaluation decreases recognised in the provision of services	**-450**	-1,223
At 31 March	**12,117**	**12,232**
Depreciation and impairments		
At 1 April	**-157**	-627
Depreciation charge	**-227**	-263
Depreciation written out to the Revaluation Reserve	**0**	420
Depreciation written out to the provision of services	**242**	313
At 31 March	**-142**	**-157**
Net Book Value	**11,975**	**12,075**

The Council is committed to making minimum payments under these leases comprising settlement of the long-term liability for the interest in the property acquired by the Council and finance cost that will be payable by the Council in future years while the liability remains outstanding. The minimum lease payments are made up of the following amounts:

	31 March 2021	31 March 2020
	£000	£000
Finance lease liabilities (net present value of minimum lease payments):		
Non-current	**1,049**	1,049
Finance costs payable in future years	**6,151**	6,241
Minimum lease payments	**7,200**	**7,290**

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

	Minimum Lease Payments		Finance Lease Liabilities	
	31 March 2021	31 March 2020	**31 March 2021**	31 March 2020
	£000	£000	**£000**	£000
Not later than one year	**90**	90	**0**	0
Later than one year and not later than five years	**360**	360	**0**	0
Later than five years	**6,750**	6,840	**1,049**	1,049
	7,200	**7,290**	**1,049**	**1,049**

Council as Lessor

Finance Leases:
The Council leases out large numbers of long land leases on 999 year terms and various ground leases on varying terms, mainly between 99 and 150 years. In addition, schools that have been transferred to academy status are on long-term leases. However, these are at peppercorn rentals and therefore there is no value in the leases.

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

	31 March 2021	31 March 2020
	£000	£000
Finance lease debtor (net present of value of minimum lease payments):		
Non-current	**3,406**	3,409
Unearned finance income	**14,563**	14,835
Gross investment in the lease	**17,969**	**18,244**

The gross investment in the lease and the minimum lease payments will be received over the following periods:

	Gross Investment in the Lease		Minimum Lease Payments	
	31 March 2021	31 March 2020	**31 March 2021**	31 March 2020
	£000	£000	**£000**	£000
Not later than one year	**275**	275	**275**	275
Later than one year and not later than five years	**1,100**	1,100	**1,100**	1,100
Later than five years	**16,594**	16,869	**16,594**	16,869
	17,969	**18,244**	**17,969**	**18,244**

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

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

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

The value of the assets leased out is as follows:

	31 March 2021 £000	31 March 2020 £000
Cost or valuation		
At 1 April	**165,448**	160,688
Additions	**875**	501
Revaluation increases/decreases(-) recognised in the Revaluation Reserve	**98**	3,360
Revaluation increases/decreases(-) recognised in provision of services	**-1,562**	3,189
De-recognition - disposals	**-645**	-255
De-recognition - other	**0**	0
Other movements in cost or valuation (re-classifications)	**353**	-2,035
At 31 March	**164,567**	**165,448**
Depreciation and impairments		
At 1 April	**-8,104**	-8,834
Depreciation and impairment charge for year	**-1,556**	-5,612
Depreciation written out to the Revaluation Reserve	**47**	3,299
Depreciation written out to the Surplus/Deficit to Services	**212**	3,040
De-recognition - disposals	**58**	0
De-recognition - other	**0**	3
At 31 March	**-9,343**	**-8,104**
Net Book Value	**155,224**	**157,344**

The Council received £4.7 million in rent on operating leases in 2020/21 (£4.5 million 2019/20).

The following table shows the future minimum lease payments under non-cancellable operating leases for each of the following periods:

	31 March 2021 £000	31 March 2020 £000
Not later than one year	**1,592**	1,664
Later than one year and not later than five years	**2,598**	2,705
Later than five years	**1,962**	1,896
	6,152	**6,265**

40 Private Finance Initiative (PFI) Transactions

The Council has four PFI schemes – two school, one waste disposal and one housing scheme. A summary of all scheme future payments, asset values and liability values are shown below. This is followed by the details on each scheme with the exception of the Housing PFI, which is covered in Note H10 for the HRA.

Estimated payments on all schemes are as follows:

	Service Charges £000	Interest Charges £000	Repayments Of Liability £000	Other £000	Total £000
In 2021/22	23,653	6,589	6,134	1,677	38,053
Between 2022/23 to 2025/26	71,127	22,124	22,279	7,315	122,845
Between 2026/27 to 2030/31	83,203	17,877	38,810	8,344	148,234
Between 2031/32 to 2035/36	41,108	2,987	28,348	3,415	75,858
	219,091	**49,577**	**95,571**	**20,751**	**384,990**

The value of assets held under all schemes:

	2020/21 £000	2019/20 £000
Net Book Value at 1 April	**74,659**	74,460
Additions	**1,239**	979
Revaluations net of depreciation written back	**26,533**	1,189
Disposals	**-6,801**	0
Depreciation	**-2,007**	-1,969
Net Book Value at 31 March	**93,623**	**74,659**

The value of liabilities for all schemes:

	2020/21 £000	2019/20 £000
At 1 April	**-96,375**	-102,270
Movement in the year	**5,788**	5,895
At 31 March	**-90,587**	**-96,375**

a) Waste Disposal Services

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

The Council incurred costs of £12.9 million under the contract in 2020/21 (2019/20 £12.5 million) and received £3.2 million in PFI Grant (2019/20 £3.2 million). Details of estimated payments due to be made are as follows:

	Service Charges £000	Interest Charges £000	Repayments of Liability £000	Total £000
In 2021/22	9,385	244	1,571	11,200
Between 2022/23 to 2023/24	9,367	127	1,706	11,200
	18,752	**371**	**3,277**	**22,400**

The estimated payments for service charges are based on expected tonnages and 2020/21 price base. The estimates do not include extra charges arising from changes in statutory regulations.

Under this contract, the operator receives a significant part of their income from third parties, either from gate fees, sale of energy production or recycled materials. A proportion of the assets are effectively financed with third party revenues rather than with fixed payments from the Council. A balancing credit, pro rata to the proportion of fixed payments from the Council and expected third party payments, has been created in the form of a Deferred Income balance. This balance is released to income and expenditure over the life of the contract, with a corresponding appropriation from the Capital Adjustment Account to the Movement in Reserves Statement. The balance as at 31 March 2021 was £1.1 million (31 March 2020 £1.6 million).

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

	2020/21 £000	2019/20 £000
Net Book Value at 1 April	**14,727**	15,361
Additions	**0**	4
Revaluations net of depreciation written back	**14,903**	102
Depreciation	**-740**	-740
Net Book Value at 31 March	**28,890**	**14,727**

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

	2020/21 £000	2019/20 £000
At 1 April	**-4,722**	-6,131
Movement in the year	**1,443**	1,409
At 31 March	**-3,279**	**-4,722**

b) Schools 1

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

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

At the start of the contract, existing school buildings were leased to the operator. At the end of the contract, the operator is obliged to hand over the schools to the Council in a specified condition for no incremental consideration. Some of the schools have transferred to academy/trust status during the contract and therefore hold no Balance Sheet value for the Council.

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

The Council incurred costs of £15.9 million under the contract in 2020/21 (2019/20 £15.7 million) and received £5.9 million in PFI Grant (2019/20 £5.9 million). Details of estimated payments due to be made are as follows:

	Service Charges £000	Interest Charges £000	Repayments Of Liability £000	Other £000	Total £000
In 2021/22	10,557	2,348	918	1,460	15,283
Between 2022/23 to 2025/26	42,854	8,341	6,916	5,697	63,808
Between 2026/27 to 2030/31	57,255	6,901	14,840	7,304	86,300
Between 2031/32 to 2035/36	28,230	1,007	9,633	3,401	42,271
	138,896	**18,597**	**32,307**	**17,862**	**207,662**

Estimated payments assume annual inflation of 2.5%, where appropriate. Other costs largely relate to lifecycle replacement costs.

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

	2020/21 £000	2019/20 £000
Net Book Value at 1 April	**42,896**	43,113
Additions	**809**	673
Revaluations	**10,282**	0
Disposals	**-6,801**	0
Depreciation	**-905**	-890
Net Book Value at 31 March	**46,281**	**42,896**

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

	2020/21 £000	2019/20 £000
At 1 April	**-33,689**	-35,431
Movement in the year	**1,379**	1,742
At 31 March	**-32,310**	**-33,689**

c) Schools 2

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

- New build schools at two sites, and major extensions to and full refurbishment of existing buildings at a third.

- Maintenance of the buildings over the contract period.
- Provision of caretaking, cleaning and other premises management functions over the term of the contract.

The operator is obliged to hand over the schools to the Council in a specified condition at the end of the contract for no incremental consideration. Some of the schools have transferred to academy/trust status during the contract and therefore hold no Balance Sheet value for the Council.

The Council incurred costs of £2.8 million under the contract in 2020/21 (£2.8 million in 2019/20) and received £2.2 million in PFI Grant (2019/20 £2.2 million). Details of estimated payments due to be made are as follows:

	Service Charges £000	Interest Charges £000	Repayments Of Liability £000	Other £000	Total £000
In 2021/22	1,311	571	618	217	2,717
Between 2022/23 to 2025/26	5,481	1,848	1,940	1,618	10,887
Between 2026/27 to 2030/31	7,710	1,115	3,910	1,040	13,775
Between 2031/32 to 2033/34	688	13	452	14	1,167
	15,190	**3,547**	**6,920**	**2,889**	**28,546**

Part of the contract payment deflates at 2.5% annually, whilst the other part is indexed annually in line with "All items RPI". The estimated payments above assume future annual inflation of 2.5%, where appropriate. Other costs largely relate to lifecycle replacement costs.

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

	2020/21 £000	2019/20 £000
Net Book Value at 1 April	**3,564**	3,555
Additions	**182**	82
Revaluations	**282**	0
Disposals	**0**	0
Depreciation	**-74**	-73
Net Book Value at 31 March	**3,954**	**3,564**

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

	2020/21 £000	2019/20 £000
At 1 April	**-7,414**	-7,772
Movement in the year	**494**	358
At 31 March	**-6,920**	**-7,414**

41 Pensions Disclosures

Participation in Pension Schemes

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

The Council participates in three pension schemes:

- The Local Government Pension Scheme (LGPS) – a funded defined benefit final salary scheme administered by the West Yorkshire Pension Fund (WYPF) whereby the Council and employees pay contributions into a fund, calculated at a level intended to balance the pension's liabilities with investment assets in the long term. Employee benefits earned up to 31 March 2014 are linked to final salary, after 31 March 2014 benefits are based on a Career Average Revalued Earnings Scheme.
- Teachers employed by the Council are members of the Teachers' Pension Scheme, administered by Capita Business Services Limited on behalf of the Department for Education. Under the Code, this scheme is classed as a multi-employer defined benefit scheme for which liabilities of individual employers cannot be separated. The scheme is therefore treated as a defined contribution scheme under the Code. In 2020/21, the Council paid £17.5 million (2019/20 £16.5 million) in respect of teachers' retirement benefits, representing 23.5% (2019/20 20.0%) of pensionable pay. Payments of £1.6 million were owing to the scheme as at 31 March 2021 (31 March 2020 £0.6 million). As a proportion of the total contributions to the scheme during the year ending 31 March 2021, the Council's contribution equated to approximately 0.23% (2019/20 0.23%).
- Employees transferred across from Kirklees PCT (Public Health) are members of the NHS Pension Scheme, administered by the NHS Business Services Authority (NHSBSA). Similar to the Teachers' Pension Scheme, this scheme is classed as a multi-employer defined benefit scheme and is treated as a defined contribution scheme under the Code. In 2020/21, the Council paid £0.1 million (2019/20 £0.1 million) to the NHSBSA, representing 14.4% (2019/20 14.4%) of pensionable pay. As a proportion of the total contributions to the Scheme during the year ending 31 March 2021, the Council's contribution equated to approximately 0.001% (2019/20 0.001%).

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

Transactions Relating to Retirement Benefits

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

	LGPS		Teachers	Total
	Funded	Unfunded		
	£000	£000	£000	£000
2020/21				
Comprehensive Income and Expenditure Statement				
Cost of Services:				
Current service cost	69,540	0	0	69,540
Past service cost	207	0	0	207
Financing and Investment income and expenditure:				
Net interest expense	16,949	522	1,092	18,563
Total Post-employment Benefits charged to the Surplus/Deficit on the Provision of Services	86,696	522	1,092	88,310
Remeasurement of the net defined benefit liability comprising:				
Return on plan assets (excluding the amount included in the net interest expense)	-330,788	0	0	-330,788
Actuarial gains and losses arising on changes in demographic assumptions	0	0	0	0
Actuarial gains and losses arising on changes in financial assumptions	477,101	1,592	3,611	482,304
Actuarial gains and losses due to liability experience	-29,543	-327	-688	-30,558
Total Post Employment Benefit charged to the CIES	**203,466**	**1,787**	**4,015**	**209,268**
Movement in Reserves Statement				
Reversal of net charges made to the Surplus/Deficit on the Provision of Services for retirement benefits	-86,696	-522	-1,092	-88,310
Actual amount charged against General Fund Balance for pensions in the year:				
Employers’ contributions payable to scheme	29,945	2,038	0	31,983
Retirement benefits payable to pensioners	0	0	3,465	3,465

	LGPS		Teachers	Total
	Funded	Unfunded		
2019/20	£000	£000	£000	£000
Comprehensive Income and Expenditure Statement				
Cost of Services:	71,633	0	0	71,633
Current service cost	297	0	0	297
Past service cost				
Financing and Investment income and expenditure:	15,307	662	1,308	17,277
Net interest expense				
Total Post-employment Benefits charged to the Surplus/Deficit on the Provision of Services	87,237	662	1,308	89,207
Remeasurement of the net defined benefit liability comprising:				
Return on plan assets (excluding the amount included in the net interest expense)	178,275	0	0	178,275
Actuarial gains and losses arising on changes in demographic assumptions	-82,648	-1,975	-3,301	-87,924
Actuarial gains and losses arising on changes in financial assumptions	-43,864	-214	-513	-44,591
Actuarial gains and losses due to liability experience	-9,277	-1,314	-1,063	-11,654
Total Post Employment Benefit charged to the CIES	**129,723**	**-2,841**	**-3,569**	**123,313**
Movement in Reserves Statement				
Reversal of net charges made to the Surplus /Deficit on the Provision of Services for retirement benefits	-87,237	-662	-1,308	-89,207
Actual amount charged against General Fund Balance for pensions in the year:				
Employers' contributions payable to scheme	31,143	2,052	0	33,195
Retirement benefits payable to pensioners	0	0	3,503	3,503

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

	LGPS		Teachers	Total
	Funded	Unfunded		
2020/21	£000	£000	£000	£000
Opening balance 1 April 2020	-2,347,810	-23,726	-49,185	-2,420,721
Current Service Cost	-69,540	0	0	-69,540
Interest cost	-53,402	-522	-1,092	-55,016
Contributions by scheme participants	-12,588	0	0	-12,588
Remeasurement gain/loss(-):				
Arising on changes in demographic assumptions	0	0	0	0
Arising on changes in financial assumptions	-477,100	-1,592	-3,611	-482,303
Due to liability experience	29,543	327	688	30,558
Benefits/transfers paid	65,111	2,038	3,465	70,614
Past service costs	-207	0	0	-207
Net increase in liabilities from disposals/acquisitions	0	0	0	0
Closing balance 31 March 2021	**-2,865,993**	**-23,475**	**-49,735**	**-2,939,203**
2019/20				
Opening balance 1 April 2019	-2,413,147	-28,619	-56,257	-2,498,023
Current Service Cost	-71,633	0	0	-71,633
Interest cost	-57,226	-662	-1,308	-59,196
Contributions by scheme participants	-12,025	0	0	-12,025
Remeasurement gain/loss(-):				
Arising on changes in demographic assumptions	82,648	1,975	3,301	87,924
Arising on changes in financial assumptions	43,864	214	513	44,591
Due to liability experience	9,277	1,314	1,063	11,654
Benefits/transfers paid	70,729	2,052	3,503	76,284
Past service costs	-297	0	0	-297
Net increase in liabilities from disposals/acquisitions	0	0	0	0
Closing balance 31 March 2020	**-2,347,810**	**-23,726**	**-49,185**	**-2,420,721**

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

	31 March 2021	31 March 2020
	£000	£000
Opening balance 1 April	1,595,972	1,759,889
Interest income on assets	36,453	41,919
Remeasurement gains and losses	330,789	-178,275
Employer contributions	29,945	31,143
Contributions by scheme participants	12,588	12,025
Benefits paid	-65,111	-70,729
Net increase in assets from disposals/acquisitions	0	0
Closing balance 31 March	1,940,636	1,595,972

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

The actual return on scheme assets in the year showed a return of £367.2 million (2019/20 return of £136.4 million). WYPF does not hold any of the Council's transferable financial instruments as plan assets.

Assets in the LGPS are valued at fair value, principally market value for investments, totalling £16.2 billion for the Fund as a whole at 31 March 2021 (£13.2 billion at 31 March 2020). The approximate split of assets for the Fund as a whole is shown in the table below. The assets allocated to each employer in the Fund are notional and the assets are assumed to be invested in line with the investments of the total Fund. The Fund is largely liquid and as a consequence there would be no significant restriction on realising assets if a large payment is required to be paid (e.g. bulk transfer payment).

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

The percentage breakdown of Fund assets is as follows:

			2020/21	2019/20
	Quoted	Unquoted	Total	Total
	%	%	%	%
Equity investments	69.7	10.0	79.7	77.5
Government Bonds	8.3	0.0	8.3	9.6
Other Bonds	4.6	0.0	4.6	5.1
Property	1.6	2.2	3.8	4.5
Cash/ liquidity	0.0	2.0	2.0	1.9
Other	0.0	1.6	1.6	1.4
	84.2	15.8	100.0	100.0

A more detailed breakdown of assets and associated risks are published in the accounts for the West Yorkshire Pension Fund. These form part of Bradford MDC Statement of Accounts and can be found on Bradford Councils website at - Bradford.gov.uk/your-council/council-budgets-and spending.

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc. Both the LGPS and Teachers' Unfunded Discretionary Benefits liabilities have been assessed by Aon Hewitt Limited, an independent firm of actuaries, estimates for the LGPS being based on the latest full valuation of the West Yorkshire Pension Fund carried out as at 31 March 2021.

The principal assumptions used by the actuary have been:

	2020/21			2019/20		
	LGPS		**Teachers**	LGPS		Teachers
	Funded	**Unfunded**		Funded	Unfunded	
Rate of inflation – CPI	**2.70%**	**2.70%**	**2.70%**	2.00%	2.00%	2.00%
Rate of increase in salaries	**3.95%**	**n/a**	**n/a**	3.25%	n/a	n/a
Rate of increase in pensions	**2.70%**	**2.70%**	**2.70%**	2.00%	2.00%	2.00%
Rate for discounting liabilities	**2.10%**	**2.10%**	**2.10%**	2.30%	2.30%	2.30%
Take up of option to convert annual pension into retirement grant	**75%**	**n/a**	**n/a**	75%	n/a	n/a
Mortality assumptions (years):						
Longevity at 65 for current pensioners:						
Men	**21.9**	**21.9**	**21.9**	21.8	21.8	21.8
Women	**24.7**	**24.7**	**24.7**	24.6	24.6	24.6
Longevity at 65 for future pensioners:						
Men	**22.6**	**n/a**	**n/a**	22.5	n/a	n/a
Women	**25.8**	**n/a**	**n/a**	25.7	n/a	n/a

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes that for each change only the assumption being analysed changes, whilst all other assumptions remain constant. The analysis only applies to Funded LGPS benefits – the sensitivity of unfunded benefits is not included on materiality grounds. The base figure for the liabilities is £2,866.0 million and for projected service cost is £99.1 million.

	2020/21		2019/20	
Discount rate assumption				
Adjustment to discount rate	**+0.1% p.a.**	**-0.1% p.a.**	+0.1% p.a.	-0.1% p.a.
Present value of total obligation £k	**2,808,673**	**2,923,313**	2,301,573	2,394,976
% change in present value of total obligation	**-2.0%**	**+2.0%**	-2.0%	+2.0%
Projected service cost £k	**95,783**	**102,420**	68,381	73,274
Approximate % change in projected service cost	**-3.3%**	**+3.4%**	-3.4%	+3.5%
Rate of general increase in salaries				
Adjustment to salary increase rate p.a	**+0.1%**	**-0.1%**	+0.1%	-0.1%
Present value of total obligation £k	**2,874,591**	**2,860,261**	2,353,435	2,342,247
% change in present value of total obligation	**+0.3%**	**-0.2%**	+0.2%	-0.2%
Projected service cost £k	**99,052**	**99,052**	70,791	70,791
Approximate % change in projected service cost	**0.0%**	**0.0%**	0.0%	0.0%
Rate of increase to pensions in payment and deferred pensions assumptions, and rate of revaluation of pension accounts assumption				
Adjustment to pension increase rate	**+0.1% p.a.**	**-0.1% p.a.**	+0.1% p.a.	-0.1% p.a.
Present value of total obligation £k	**2,914,715**	**2,817,271**	2,390,980	2,305,559
% change in present value of total obligation	**+1.7%**	**-1.7%**	+1.8%	-1.8%
Projected service cost £k	**102,420**	**95,783**	73,274	68,381
Approximate % change in projected service cost	**+3.4%**	**-3.3%**	+3.5%	-3.4%
Post retirement mortality assumption*				
Adjustment to longevity	**-1 Year**	**+1 Year**	-1 Year	+1 Year
Present value of total obligation £k	**2,972,035**	**2,762,817**	2,424,774	2,271,642
% change in present value of total obligation	**+3.7%**	**-3.6%**	+3.3%	-3.2%
Projected service cost £k	**103,212**	**94,991**	73,527	68,083
Approximate % change in projected service cost	**+4.2%**	**-4.1%**	+3.9%	-3.8%

*A rating of +1 year means that members are assumed to follow the mortality pattern of the base table for an individual that is 1 year older than them.

Asset and Liability Matching Strategy

	2020/21	2019/20	2018/19	2017/18	2016/17
	£000	£000	£000	£000	£000
Present value of liabilities:					
LGPS Funded	**-2,865,993**	-2,347,810	-2,413,147	-2,213,824	-2,114,440
LGPS Unfunded	**-23,475**	-23,726	-28,619	-29,181	-30,064
Teachers	**-49,735**	-49,185	-56,257	-56,604	-57,663
Fair value of assets in the LGPS	**1,940,636**	1,595,972	1,759,889	1,687,827	1,645,821
Deficit in the scheme:					
LGPS Funded	**-925,360**	-751,838	-653,258	-525,997	-468,619
LGPS Unfunded	**-23,475**	-23,726	-28,619	-29,181	-30,064
Teachers	**-49,735**	-49,185	-56,257	-56,604	-57,663
Total	**-998,570**	**-824,749**	**-738,134**	**-611,782**	**-556,346**

The net liabilities show the underlying commitments that the Council has in the long run to pay retirement benefits. The total liability of £998.6 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 Pension Scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary.
- Funding is only required to be raised to cover the unfunded benefits when the pensions are actually paid.

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

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

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

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

WYPF aim to reach 100% funding over a period of time and therefore the assets built up will be able to meet all present and future liabilities. The way in which WYPF seeks to achieve this is set out in their Funding Strategy Statement (FSS), which in turn also refers to the Statement of Investment Principles (SIP) governing the asset mix which WYPF would seek to hold at any time.

Both the Funding Strategy Statement and Statement of Investment Principles can be found on WYPFs website.

The total contributions expected to be made to the LGPS by the Council in the year to 31 March 2021 is £33.5 million. Additional contributions may also become due in respect of any employer discretions to enhance members' benefits in the Fund over the next accounting period.

GROUP ACCOUNTS

INTRODUCTION

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

The Group Accounts include:

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

The Council's Group Accounts for 2020/21 are made up of the accounts of the Council, a wholly owned subsidiary (Kirklees Neighbourhood Housing Limited) and a joint venture (Kirklees Stadium Development Limited). The Group Accounts have been prepared on the basis of a full consolidation of the financial transactions and balances of the subsidiary aforementioned. The subsidiary is consolidated using "the line by line method". KSDL is consolidated on the Equity method. The consolidation has been prepared in accordance with the IFRS Code and CIPFA's Group Accounts in Local Authorities Practitioners' Workbook. Any divergences from these recommended practices are explained in the notes to the Group Accounts.

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 yearend date of 31 March. Copies of the accounts can be obtained from Kirklees Neighbourhood Housing, 2nd Floor, Perseverance House, St Andrews Road, Aspley, Huddersfield, HD1 6RY. Due to the timing of the requirement to produce the Group Accounts, draft KNH accounts have been used for this consolidation.

In 2020/21, the Company made an operating deficit of £0.4 million (operating deficit £11.6 million 2019/20). As at 31 March 2021, the Company had net liabilities of £62.0 million (£61.5 million at 31 March 2020).

The Council brought the activity of KNH back into the Council on 1 April 2021.

Kirklees Stadium Development Limited (KSDL)
The company was formed to carry out the development, construction and running of the sports stadium in Huddersfield. At the Company's Balance Sheet date, the Council had a shareholding of 40%, with

Huddersfield Sporting Pride Limited holding 20% and Huddersfield Town Association Football Club Limited holding 40%.

Given the nature of KSDL's business, the ideal time for preparing accounts is during the football close season, giving the company a year end date of 31 July. In order to achieve a consolidation consistent with the Council's Balance Sheet date, KSDL management have provided management accounts as at 31 March 2021.

In 2020/21, based on the Council's interest and after adjusting for the valuation of the stadium, in line with the Group's accounting policies, the Company made an operating deficit of £0.2 million, (operating surplus £12.3 million 2019/20). Similarly, as at 31 March 2021, the Company had net assets of £17.3 million (£17.6 million at 31 March 2020).

GROUP COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT (CIES)

This Statement sets out the accounting cost of the Group providing services in accordance with generally accepted accounting practices. This may be different from the accounting cost.

		2020/21			2019/20	
	Gross Exp £000	**Gross Income £000**	**Net Exp £000**	Gross Exp £000	Gross Income £000	Net Exp £000
Children & Families	**402,361**	**-296,647**	**105,714**	404,427	-303,147	101,280
Adults & Health	**224,716**	**-112,134**	**112,582**	198,166	-87,809	110,357
Growth & Regeneration	**41,455**	**-17,757**	**23,698**	44,525	-19,302	25,223
Environment & Climate Change	**88,477**	**-39,778**	**48,699**	71,661	-32,016	39,645
Corporate Strategy, Commissioning & Public Health	**189,517**	**-149,895**	**39,622**	162,292	-116,395	45,897
Central Budgets	**26,543**	**-4,975**	**21,568**	25,118	-1,513	23,605
HRA	**30,980**	**-130,974**	**-99,994**	28,574	-146,382	-117,808
Subsidiary (KNH)	**60,112**	**-2,112**	**58,000**	66,543	-2,492	64,051
Cost of Services	**1,064,161**	**-754,272**	**309,889**	**1001,306**	**-709,056**	**292,250**
Other operating expenditure			**43,541**			15,294
Financing and investment income and expenditure			**45,189**			61,780
Taxation and non-specific grant income			**-370,170**			-340,396
Surplus(-)/Deficit on Provision of Services			**28,449**			**28,928**
Joint venture accounted for on an equity basis			**261**			172
Tax expenses of subsidiary and joint venture			**8**			3
Group Surplus(-)/Deficit			**28,718**			**29,103**
Surplus(-)/Deficit on revaluation of PPE and Heritage assets			**-21,864**			-25,687
Impairment losses on non-current assets to the Revaluation Reserve			**0**			107
Surplus on revaluation of available for sale financial assets			**-57**			53
Re measurements of the net defined benefit liability			**149,709**			43,598
Share of other comprehensive income and expenditure of joint venture			**0**			-12,592
Other Comprehensive Income and Expenditure			**127,788**			**5,479**
Total Comprehensive Income and Expenditure			**156,506**			**34,582**

GROUP STATEMENT OF MOVEMENT IN RESERVES

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

	General Fund Balances £000	Housing Revenue Account £000	Useable Capital Reserves £000	Total Council Usable Reserves £000	Total Council Unusable Reserves £000	Total Council Reserves £000	Group Entities Usable Reserve £000	Group Entities Unusable Reserves £000	Total Group Reserves £000
2020/21									
Balance at 31 March 2020	-113,442	-61,018	-51,623	-226,083	-51,693	-277,776	59,740	-16,765	-234,801
Reporting of Schools Budget Deficit to new DSG Adjustment Account at 1 April 2020	-14,396	0	0	-14,396	14,396	0	0	0	0
Restated balance at 1 April 2020	**-127,838**	**-61,018**	**-51,623**	**-240,479**	**-37,297**	**-277,776**	**59,740**	**-16,765**	**-234,801**
Movement in reserves during 2020/21									
Total Comprehensive Income and Expenditure	59,139	-90,134	0	-30,995	99,037	68,042	88,464	0	156,506
Adjustments between group and authority accounts	14,313	38,074	0	52,387	0	52,387	-52,286	-101	0
Adjustments between accounting & funding basis under regulations	-142,967	54,660	-5,266	-93,573	93,573	0	0	0	0
Net Increase(-)/Decrease	-69,515	2,600	-5,266	-72,181	192,610	120,429	36,178	-101	156,506
Balance at 31 March 2021 carried forward	**-197,353**	**-58,418**	**-56,889**	**-312,660**	**155,313**	**-157,347**	**95,918**	**-16,866**	**-78,295**
2019/20									
Balance at 31 March 2019	-104,972	-61,782	-44,375	-211,129	-92,518	-303,647	38,437	-4,173	-269,383
Movement in reserves during 2019/20									
Total Comprehensive Income and Expenditure	71,900	-108,085	0	-36,185	8,579	-27,606	74,780	-12,592	34,582
Adjustments between group and authority accounts	20,506	32,971	0	53,477	0	53,477	-53,477	0	0
Adjustments between accounting & funding basis under regulations	-100,876	75,878	-7,248	-32,246	32,246	0	0	0	0
Net Increase(-)/Decrease	-8,470	764	-7,248	-14,954	40,825	25,871	21,303	-12,592	34,582
Balance at 31 March 2020 carried forward	-113,442	-61,018	-51,623	-226,083	-51,693	-277,776	59,740	-16,765	-234,801

GROUP BALANCE SHEET

This Group Balance Sheet summarises the financial position of the Group. It shows the value of the Group assets and liabilities at the end of the financial year.

	31 March 2021 £000	31 March 2020 £000	Note
Property, Plant & Equipment	1,488,017	1,441,113	
Heritage Assets	55,166	49,973	
Investment Property	97,335	101,105	
Intangible Assets	493	588	
Long Term Investments	13,477	13,426	
Investments in Joint Venture	17,317	17,578	
Long Term Debtors	28,853	25,343	
Long Term Assets	**1,700,658**	**1,649,126**	
Inventories	9,424	7,872	
Short Term Debtors	100,070	59,375	
Assets Held for Sale	6,250	2,888	
Cash and Cash Equivalents	27,527	42,193	G3
Current Assets	**143,271**	**112,328**	
Short Term Borrowing	-54,233	-57,582	
Short Term Creditors	-127,514	-92,252	
Other Short Term Liabilities	-6,191	-6,148	
Provisions	-4,600	-3,487	
Current Liabilities	**-192,538**	**-159,469**	
Long Term Borrowing	-375,817	-373,660	
Other Long Term Liabilities	-1,197,279	-993,524	G4
Long Term Liabilities	**-1,573,096**	**-1,367,184**	
Net Assets	**78,295**	**234,801**	
Usable Reserves	-216,742	-166,343	
Unusable Reserves	138,447	-68,458	G5
Total Reserves	**-78,295**	**-234,801**	

GROUP CASH FLOW STATEMENT

This Group Cash Flow Statement summarises the cash flows of the Group during the year.

		2020/21		2019/20	Note
	£000	£000	£000	£000	
Net surplus(-)/deficit on the provision of services		28,449		28,929	
Adjustments to net surplus/deficit on the provision of services for non-cash movements		-139,188		-78,665	
Adjustment for items included in the net surplus/deficit on the provision of services that are investing and financing activities		36,694		33,917	
Net cash flows from Operating Activities		-74,045		-15,819	
Net cash flows from Investing Activities					
Purchase of PPE, investment property and intangible assets	78,873		66,325		
Purchase of short-term and long-term investments	4,470		10,802		
Proceeds from the sale of PPE, investment property and intangible assets	-7,487		-11,437		
Proceeds from short-term and long-term investments	-806		-170		
Other receipts from investing activities	-26,864	48,186	-22,652	42,868	
Net cash flows from Financing Activities					
Cash receipts of short and long-term borrowing	-248,334		-64,067		
Other receipts from financing activities	32,752		-1,154		
Cash payments for the reduction for the outstanding liabilities relating to finance leases and PFI contracts	5,899		6,068		
Repayments of short and long-term borrowing	249,527		33,154		
Other payments for financing activities	680	40,524	68	-25,931	
Net increase(-)/decrease in cash and cash equivalents		14,665		1,118	
Cash and cash equivalents at the beginning of the reporting period		42,193		43,311	G3
Cash and cash equivalents at the end of the reporting period		27,528		42,193	G3

Notes to the Group Accounts

The Council has only included notes which are materially different from the single entity disclosure notes.

G1 Accounting Policies

The main accounting policies to which the Council now complies with under IFRS for Group Accounts are IFRS10 Consolidated Financial Statements and IFRS11 Joint Arrangements.

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

Pensions

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

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

Tangible Fixed Assets

The Code requires that the reporting authority and its companies 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 stadium has been revalued to a Depreciated Replacement Cost basis for the purpose of consolidation to the group on a consistent basis with the Council's accounting policy. Using the Equity method for joint venture consolidation, this is reported in the "Investments in Joint Venture" row in the Group Balance Sheet.

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

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

	General Fund Balances	Housing Revenue Account	Useable Capital Reserves	Total Council Usable Reserves	Total Council Unusable Reserves	Total Council Reserves	Group Entities Usable Reserves	Group Entities Unusable Reserves	Total Group Reserves
2020/21	£000	£000	£000	£000	£000	£000	£000	£000	£000
Purchase of goods and services from subsidiary less income received from subsidiary	14,313	38,074	0	52,387	0	52,387	-52,286	-101	0
Total adjustments between group accounts and authority accounts	**14,313**	**38,074**	**0**	**52,387**	**0**	**52,387**	**-52,286**	**-101**	**0**
2019/20									
Purchase of goods and services from subsidiary less income received from subsidiary	20,506	32,971	0	53,477	0	53,477	-53,477	0	0
Total adjustments between group accounts and authority accounts	**20,506**	**32,971**	**0**	**53,477**	**0**	**53,477**	**-53,477**	**0**	**0**

G3 Cash and Cash Equivalents

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

	KNH	Council	Total
	£000	£000	£000
Cash held	1	21	22
Bank current accounts	62	4,007	4,069
Instant access deposit accounts/investments that mature within 90 days of less	1,782	27,237	29,019
	1,845	31,265	33,110
Cash in transit	0	1,016	1,016
BACs payments and cheques not yet cleared	-516	-6,082	-6,598
Total Cash and Cash Equivalents as at 31 March 2021	**1,329**	**26,199**	**27,528**
Cash held	1	26	27
Bank current accounts	473	2,299	2,772
Instant access interest accounts	1,098	42,045	43,143
	1,572	44,370	45,942
Cash in transit	0	1,041	1,041
BACs payments and cheques not yet cleared	-744	-4,046	-4,790
Total Cash and Cash Equivalents as at 31 March 2020	**828**	**41,365**	**42,193**

G4 Other Long Term Liabilities

			2020/21	2019/20
	KNH	Council	Total	Total
	£000	£000	£000	£000
Deferred Liabilities (mainly outstanding PFI finance lease obligations)	0	-88,107	-88,107	-94,050
Net Liability Related to Defined Benefit Pension	-99,447	-998,570	-1,098,017	-888,814
Long Term Provisions	0	-10,081	-10,081	-9,048
PFI Deferred Income	0	-1,074	-1,074	-1,612
Total	**-99,447**	**-1,097,832**	**-1,197,279**	**-993,524**

G5 Unusable Reserves

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

	KSDL	Council	Total
	£000	£000	£000
Capital Adjustment Account	0	-722,259	-722,259
Revaluation Reserve	-12,593	-192,942	-205,535
Pensions Reserve	0	998,570	998,570
Other	-4,273	71,944	67,671
Balance at 31 March 2021	**-16,866**	**155,313**	**138,447**
Capital Adjustment Account	0	-695,084	-695,084
Revaluation Reserve	-12,592	-189,568	-202,160
Pensions Reserve	0	824,749	824,749
Other	-4,173	8,210	4,037
Balance at 31 March 2020	**-16,765**	**-51,693**	**-68,458**

G6 Related Party Transactions

The notes below disclose the related party transactions between the Council and KNH and KSDL.

Kirklees Neighbourhood Housing Limited

During 2020/21, KNH incurred costs of £10.5 million (2019/20 £9.7 million) for Council services including insurance and office accommodation.

The Council incurred costs of £44.4 million (2019/20 £40.9 million) in relation to KNH’s management fee. Costs of £18.2 million (2019/20 £22.6 million) in relation to property services charges, at 31 March 2021 £2.2 million was outstanding (31 March 2020 £3.3 million).

Kirklees Stadium Development Limited

The Council made no grant payments in 2020/21 to KSDL (2019/20 nil).

G7 Notes to the Cash Flow Statement

The cash flows of KNH are consolidated into the statement -

KNH - The Company has a Net Cash outflow of Operating Activities of £0.6 million (2019/20 £3.0 million Net Cash inflow).

G8 Pensions Disclosures

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

	Council	KNH	Total
	£000	£000	£000
Opening balance 1 April 2020	-2,420,721	-216,428	-2,637,149
Current Service Cost	-69,540	-8,500	-78,040
Interest cost	-55,016	-4,958	-59,974
Contributions by scheme participants	-12,588	-1,663	-14,251
Remeasurement gain/loss (-):			
Arising on changes in demographic assumptions	0	0	0
Arising on changes in financial assumptions	-482,303	-62,064	-482,303
Due to liability experience	30,558	2,339	-29,167
Benefits/transfers paid	70,614	4,278	74,892
Past service costs	-207	0	-207
Closing balance 31 March 2021	**-2,939,202**	**-286,996**	**-3,226,198**

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

	Council	KNH	Total
	£000	£000	£000
Opening balance 1 April 2020	1,595,972	152,364	1,748,336
Interest income on assets	36,453	3,514	39,967
Remeasurement gains and losses	330,789	30,974	361,763
Employer contributions	29,945	3,312	33,257
Contributions by scheme participants	12,588	1,663	14,251
Benefits paid	-65,111	-4,278	-69,389
Closing balance 31 March 2021	**1,940,636**	**187,549**	**2,128,185**

HOUSING REVENUE ACCOUNT (HRA) INCOME AND EXPENDITURE STATEMENT

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

	2020/21	2019/20	Notes
	£000	£000	
Expenditure			
Repairs and maintenance	26,992	24,077	
Supervision and management	27,413	25,583	
Special services	1,644	1,565	
Rent, rates, taxes and other charges	772	306	
Depreciation of non-current assets	17,757	17,176	H1
Debt management costs	25	14	
Movement in the allowance for bad debts	735	683	
Revaluation losses on Property, Plant and Equipment	0	27	H1
Total Expenditure	**75,338**	**69,431**	
Income			
Dwelling rents	-79,333	-79,541	
Non-dwelling rents	-226	-231	
Charges for services and facilities	-2,559	-2,695	
Grants and contributions	-7,912	-7,929	H10
Revaluation gains on Property, Plant and Equipment	-47,228	-63,872	H1
Total Income	-137,258	-154,268	
Net Income of HRA Services as included in the CIES	-61,920	-84,837	
HRA share of Corporate & Democratic Core	154	416	
HRA share of Non-distributed costs	26	29	
Net Income of HRA Services	**-61,740**	**-84,392**	
HRA share of operating income and expenditure included in the CIES:			
Gain on sale of HRA non-current assets	-1,264	-3,070	H4
Interest payable and similar charges	11,636	12,047	
Interest and investment income	-97	-481	H1
Income and expenditure in relation to investment properties and changes in fair value	-386	908	
Capital grants and contributions receivable	-209	-126	
Surplus for the year on HRA services	**-52,060**	**-75,114**	

MOVEMENT ON THE HRA STATEMENT

This statement takes the outturn on the HRA Income and Expenditure Statement and reconciles it to the surplus or deficit for the year on the HRA Balance, calculated in accordance with the requirements of the Local Government and Housing Act 1989.

	2020/21		2019/20		Notes
	£000	£000	£000	£000	
Balance on the HRA at the end of the previous year		-61,018		-61,782	
Surplus for the year on the HRA Income and Expenditure Statement		-52,060		-75,114	
Adjustments involving the Capital Adjustment Account:					
Net revaluation gains on PPE	47,226		63,844		H1
Movements in the market value of Investment Property	-41		-1,354		
Capital grants and contributions applied	209		126		
Amounts of non-current assets written off on disposal or sale	-4,138		-6,167		H4
Capital expenditure charged against balances	3,317		7,691		
Provision for the financing of capital investment	2,720	49,293	2,607	66,747	
Adjustments involving the Capital Receipts Reserve:					
Transfer of cash sale proceeds credited as part of the gain/loss on disposal	5,450		9,307		H4
Contribution towards administrative costs of asset disposals	-48	5,402	-70	9,237	
Adjustments involving the Financial Instruments Adjustment Account:					
Amount by which finance costs charged to the HRA Income and Expenditure Account are different from those required by statutory regulations		-35		-106	
Increase(-)/decrease in the year on the HRA		2,600		764	
Balance at the end of the current year		-58,418		-61,018	

NOTES TO THE HRA

H1 Depreciation and revaluation gains

The depreciation charge for council dwellings in 2020/21 is £17.6 million (2019/20 £17.0 million).

The revaluation of the HRA was carried out on the 31 December 2020 by the DVS Valuation Office Agency.

Revaluations of council dwellings during the year resulted in a £47.2 million gain (2019/20 £63.9 million gain). The value is obtained by taking the cost of buying a vacant dwelling of a similar type, and applying an adjustment factor according to the type of tenancy and regional factors to reflect that the property is used for social housing. The Stock Valuation guidance, which was updated in November 2016, provides the adjustment factor for Yorkshire and Humber as 41% (2019/20 38% as adjusted by the valuer).

There was a revaluation loss on investment properties of £0.043 million in 2020/21 (2019/20 £1.4 million loss).

H2 Movement in HRA Fixed Assets

	PPE Council Dwellings	Council Dwellings Held For Sale	Other Land and Buildings	Assets Under Construction	Investment Properties	Total Assets
	£000	£000	£000	£000	£000	£000
Cost or Valuation						
At 1 April 2020	**679,654**	**2,888**	**3,545**	**0**	**7,890**	**693,977**
Additions	16,830	0	0	698	0	17,528
Revaluation increases/decreases(-) recognised in the Revaluation	0	0	1,037	0	0	1,037
Revaluation increases/decreases(-) Revaluation recognised in Surplus on the Provision of Services	29,665	0	0	0	-43	29,622
De-recognition - disposals	-1,250	-2,888	0	0	0	-4,138
Assets reclassified to(-)/ from Held for Sale	-4,267	4,267	0	0	0	0
Other movements	0	0	-115	115	0	0
At 31 March 2021	**720,632**	**4,267**	**4,467**	**813**	**7,847**	**738,026**
Accumulated Depreciation and Impairment						
At 1 April 2020	**0**	**0**	**-429**	**0**	**0**	**-429**
Depreciation charge	-17,562	0	-195	0	0	-17,757
Depreciation written out to the Revaluation Reserve	0	0	622	0	0	622
Depreciation written out to Surplus on the Provision of Services	17,562	0	2	0	0	17,564
At 31 March 2021	**0**	**0**	**0**	**0**	**0**	**0**
Net Book Value						
at 31 March 2021	**720,632**	**4,267**	**4,467**	**813**	**7,847**	**738,026**
at 1 April 2020	**679,654**	**2,888**	**3,116**	**0**	**7,890**	**693,548**

H3 Fixed Asset Valuation

A revaluation of HRA dwellings was carried out as at 31 December 2020 by DVS Property Specialists, who are RICS qualified. As at that date, the vacant possession value of dwellings was £1,745 million. The difference between this and the Balance Sheet value reflects the economic cost of providing council housing at less than open market rents.

H4 Gains and Losses on Asset Disposals

Gains and losses on asset disposals are shown on the face of the HRA Income and Expenditure Statement. The gain on disposal in 2020/21 was £1.3 million (2019/20 gain £3.1 million).

H5 Major Repairs Reserve

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

	2020/21	2019/20
	£000	£000
Balance at 1 April	0	0
Amount equivalent to depreciation	-17,757	-17,176
	-17,757	-17,176
Financing of new capital expenditure	12,750	12,593
Used to repay debt	5,007	4,583
Balance at 31 March	0	0

H6 Capital Expenditure and Sources of Finance

	2020/21	2019/20
	£000	£000
Capital Expenditure:		
Fixed Assets (including PFI)	17,675	21,599
Total Capital Expenditure	17,675	21,599
Financed by:		
Finance Lease (PFI)	-248	-220
Major Repairs Reserve	-12,750	-12,593
Capital Receipts	-1,151	-969
Capital Grant and Contributions	-209	-126
HRA RCCO/Reserves	-3,317	-7,691
Total Sources of Finance	-17,675	-21,599

H7 Capital Receipts

	2020/21	2019/20
	£000	£000
Capital receipts from sales of:		
Dwellings	-5,385	-9,226
Land	0	-51
Clawback of legal title on Right to Buy sales	-65	-30
Capital receipts from mortgage repayments	0	0
	-5,450	-9,307
Contribution to Housing Pooled Capital Receipts	2,108	2,456
Disposal costs	48	70
Usable capital receipts	-3,294	-6,781

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

H8 Housing Stock

The Council's housing stock at 31 March 2021 is analysed below by size and age:

By Size	1 Bedroom	2 Bedrooms	3 Bedrooms	4+ Bedrooms	Total
Houses/ Bungalows	2,778	5,335	4,252	322	12,687
Flats/ Bedsits and Maisonettes	6,980	2,370	100	0	9,450
	9,758	7,705	4,352	322	22,137

By Age	Pre 1945	1945-64	1965-74	Post 1974	Total
Houses/ Bungalows	5,420	5,110	1,511	646	12,687
Flats/ Bedsits and Maisonettes	189	2,331	3,827	3,103	9,450
	5,609	7,441	5,338	3,749	22,137

H9 Rent Arrears

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

	2020/21	2019/20
	£000	£000
Rent Arrears	**4,754**	4,466
Less Bad Debt Provision	**-1,503**	-1,382
Net Rent Arrears	**3,251**	**3,084**

H10 Housing PFI

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

The Council incurred costs of £9.3 million under the contract in 2020/21 (2019/20 £9.2 million) and received £7.9 million in PFI Grant (2019/20 £7.9 million). Details of estimated payments due to be made are as follows:

	Service Charges	**Interest Charges**	**Repayments of Liability**	**Total**
	£000	£000	£000	£000
In 2021/22	2,400	3,426	3,027	8,853
Between 2022/23 and 2025/26	13,425	11,808	11,717	36,950
Between 2026/27 and 2030/31	18,238	9,861	20,060	48,159
Between 2031/32 and 2035/36	12,190	1,967	18,263	32,420
Total	**46,253**	**27,062**	**53,067**	**126,382**

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

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

	2020/21	2019/20
	£000	£000
Net Book Value at 1 April	13,472	12,431
Additions	248	220
Revaluations net of depreciation written back	1,066	1,101
Depreciation	-288	-280
Net Book Value at 31 March	**14,498**	**13,472**

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

	2020/21	2019/20
	£000	£000
At 1 April	-50,549	-52,936
Movement in the year	2,472	2,387
At 31 March	**-48,077**	**-50,549**

COLLECTION FUND STATEMENT

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

	2020/21			2019/20			
	Business Rates	Council Tax	Total	Business Rates	Council Tax	Total	Note
	£000	£000	£000	£000	£000	£000	
Income							
Income from Council Tax		-217,471	-217,471		-214,488	-214,488	C1
Income Collectable from Business Ratepayers	-54,951		-54,951	-105,741		-105,741	C2
Contributions towards previous years' Collection Fund deficit	0	0	0	0	-1,360	-1,360	
Hardship fund Contribution for discretionary discounts		-4,548	-4,548				
Total Income	-54,951	-222,019	-276,970	-105,741	-215,848	-321,589	
Expenditure							
Precepts and demands -							
Central Government	52,599		52,599	25,516		25,516	
Kirklees Council	51,547	190,484	242,031	75,728	179,977	255,505	
West Yorkshire Fire and Rescue	1,052	7,958	9,010	1,021	7,668	8,689	
West Yorkshire Police		23,716	23,716		22,193	22,193	
Allowance for impairment of debt	8,380	3,729	12,109	1,886	5,511	7,397	
Provision for Appeals	2,692		2,692	-2,221		-2,221	
Cost of collection	586		586	590		590	
Transitional Protection Payment	1,696		1,696	601		601	
Designated Areas	157		157	241		241	
Distribution of previous year's Collection Fund surplus	3,957	68	4,025	6,999	0	6,999	
Total Expenditure	122,666	225,955	348,621	110,161	215,349	325,510	
Surplus(-)/Deficit	67,715	3,936	71,651	4,420	-499	3,921	
Balance at 1 April	-4,374	1,367	-3,007	-8,794	1,866	-6,928	
Balance at 31 March	63,341	5,303	68,644	-4,374	1,367	-3,007	C3

NOTES TO THE COLLECTION FUND STATEMENT

C1 Council Tax

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

Estimated at the start of the year

2020/21 Number of Chargeable Dwellings	2020/21 Band D Equivalent Dwellings	2020/21 Average Council Tax	Band	2019/20 Number of Chargeable Dwellings	2019/20 Band D Equivalent Dwellings	2019/20 Average Council Tax
		£				£
70	**39**	**1,021.47**	A (5/9)	78	43	982.04
54,518	**36,345**	**1,225.76**	A (6/9)	53,798	35,865	1,178.45
28,189	**21,925**	**1,430.05**	B (7/9)	27,763	21,593	1,374.85
27,802	**24,713**	**1,634.35**	C (8/9)	27,261	24,232	1,571.26
15,210	**15,210**	**1,838.64**	D (9/9)	14,941	14,941	1,767.67
11,046	**13,501**	**2,247.23**	E (11/9)	10,814	13,217	2,160.49
5,017	**7,247**	**2,655.81**	F (13/9)	4,884	7,054	2,553.30
2,034	**3,389**	**3,064.40**	G (15/9)	2,006	3,344	2,946.12
109	**218**	**3,677.28**	H (18/9)	99	198	3,535.34
	122,586		Total		**120,487**	
	-1,758		Estimated losses on collection		-1,778	
	120,828		Council Tax Base		**118,709**	

C2 Non-Domestic (Business) Rates

The Government specifies a multiplier and, subject to the effects of transitional arrangements and other reliefs, local businesses pay rates calculated by applying the multiplier to their rateable value. There are two multipliers – the national non-domestic rating multiplier of 51.2p (2019/20 50.4p) and the small business non-domestic rating multiplier of 49.9p (2019/20 49.1p) which is applicable to those that qualify for small business rate relief. The Council is responsible for collection rates due from ratepayers in its area and pays 50% of the proceeds to Central Government and 1% to West Yorkshire Fire and Rescue Authority.

	2020/21 £000	2019/20 £000
Non-domestic rate income 2020/21 (average rateable value £286,732,293)	**-143,079**	
Non-domestic rate income 2019/20 (average rateable value £287,740,454)		-141,281
Allowance and other adjustments (net)	**88,128**	
	-54,951	**-105,741**

The actual non-domestic rateable value at 31 March 2021 was £286,230,899 (£286,136,598 at 31 March 2020).

Kirklees has been part of a Leeds City Region (LCR) business rates pool since April 2013. It pools the business rates income of member authorities, which includes Kirklees, Bradford, Wakefield & Calderdale (top up authorities), and Leeds, Harrogate and York (tariff authorities). Leeds are the lead authority for the administration of the LCR Pool. For 2019/20 and 2020/21 the pool was expanded, with a combined LCR and North Yorkshire pool being approved by Government. The pool has previously piloted 100% rates retention (2018/19) and 75% rates retention (2019/20) but for 2020/21, the Pool returned to a 50% retention scheme.

The pool is established for one year at a time and thus the existing pool will cease at the end of 2020/21. As part of the 2021/22 Local Government Finance Settlement, Government confirmed a further 50% pool application for 2021/22 was successful. This returns the pool back to its original LCR membership of West Yorkshire Authorities plus Harrogate and York.

The pooling proposals offer suitable groups of authorities (where there is a mixture of top-ups and tariffs) the opportunity to avoid or significantly reduce government levies for which their tariff authorities would otherwise be liable if they grow their business rates income by more than inflation. The overall pool position for 2020/21 has yet to be determined, but as in previous years any gain will be utilised for the benefit of all pool members.

C3 Movement on Balances

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

	1 April 2020	Share of 2020/21 Surplus (-)/ Deficit	**31 March 2021**
	£000	£000	**£000**
Council Tax and Community Charge			
Kirklees Council: Community Charge	-10	0	**-10**
Council Tax	1,180	3,374	**4,554**
Collection Fund Adjustment Account - Council Tax	1,170	3,374	**4,544**
West Yorkshire Police Authority - Council Tax	148	422	**570**
West Yorkshire Fire and Rescue Authority - Council Tax	49	140	**189**
	1,367	3,936	**5,303**
Business Rates			
Kirklees Council - Business Rates	-3,685	34,618	**30,933**
Collection Fund Adjustment Account - Business Rates	-3,685	34,618	**30,933**
Central Government - Business Rates	-645	32,420	**31,775**
West Yorkshire Fire and Rescue Authority - Business Rates	-44	677	**633**
	-4,374	67,715	**63,341**

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

The Collection Fund deficit for 2020/21 is much larger than in previous years, especially in relation to Business Rates. This is primarily as a result of businesses being awarded expanded retail and nursery reliefs in 2020/21 totalling around £50m, as part of the Governments response to the Covid-19 pandemic. These reliefs were not anticipated on the 2020/21 NNDR1 Government return submitted to Central Government in January 2020. This Government return informed the Council's Budget setting for 2020/21.

The reliefs effectively reduce the net amount the Council can collect from businesses, and as the precept amounts cannot be changed the result is a considerable deficit. However, these reliefs are funded by MHCLG through Section 31 Grants. These grants have been received in 2020/21 and have been transferred to the Council's earmarked reserve. This reserve will be used to offset the Collection Fund deficit when it is charged to the Council's General Fund in 2021/22.

Another change which has taken place in 2020/21 relates to the phasing of Collection Fund deficits. The intention to implement the three year local tax collection fund deficit phasing was announced by the Secretary of State in July 2020. The Local Authorities (Collection Fund: Surplus and Deficit) (Coronavirus) (England) Regulations 2020 came into force on 1 December 2020. The regulations amend the rules governing the apportionment of Collection Fund surpluses and deficits for Council Tax and Business Rates set out in the Local Authorities (Funds) (England) Regulations 1992 and the Non-Domestic Rating (Rates Retention) Regulations 2013. The phasing of deficits relates only to the 'exceptional amount' (i.e relating to Covid-19), therefore does not include any amount brought forward into the Collection Fund, relating to previous years surpluses or deficits.

Glossary of Terms

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

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

Capital Receipts
These are the proceeds from the sale of capital assets.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Impairment
A reduction in the value of a fixed asset below its carrying amount on the Balance Sheet.

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

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

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

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

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

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

Non-Domestic Rates (also known as Business Rates)
This is the levy on business property, based on a national rate in the pound applied to the rateable value of the property. The Government determines national rate poundage each year.

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

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

Precept
This is a charge levied by a local 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
Individuals or bodies who have the potential to influence or control the Council or to be influenced or controlled by the Council.

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

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

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

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

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

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

- Capital Grants Unapplied – Capital grants and contributions received by the Council are credited to this reserve when there is an expectation that any conditions related to the grants will be met. These grants and contributions are then used to fund related capital expenditure when it is incurred.

Unusable Reserves

- Capital Adjustment Account **-** This account reflects the difference between the cost of fixed assets consumed and the capital financing set aside to pay for them.
- Revaluation Reserve **-** This account records the net gain from fixed asset revaluations made after 1 April 2007.
- Accumulated Absences Account – This account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year, e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.
- The Collection Fund Adjustment Account – This account manages the differences arising from the recognition of Council Tax income in the CIES as it falls due from Council Tax payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.
- The Deferred Capital Receipts Reserve – This reserve holds the gains recognised on the disposal of non-current assets but for which cash settlement has yet to take place. Under statutory arrangements, the Council does not treat these gains as usable for financing new Capital expenditure until they are backed by cash receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the Capital Receipts Reserve.
- Financial Instruments Adjustment Account – This account provides a balancing mechanism between different rates at which gains and losses (such as premiums on the early repayment of debt and soft loans) are recognised under the Code and are required by statute to be met from the General Fund.
- Available for Sale Financial Instruments Reserve - This Reserve records gains made by the Council arising from increases in the value of its investments that have quoted market prices or otherwise do not have fixed or determinable payments. The balance is reduced when investments with accumulated gains are revalued downwards or impaired and the gains are lost or disposed of and the gains are realised.
- Dedicated School Grant Adjustment Account - A temporary ringfenced reserve established by the 2020/21 Code to hold any DSG deficit separately from the Council's General Fund Earmarked reserves.

Kirklees Council

Annual Governance Statement 2020/21

September 2021

Coronavirus Response

The impact of the global pandemic in Kirklees and on the Council from March 2020 was sudden, dramatic and unprecedented and has challenged the entire organisation and its governance arrangements. Significant organisational disruption, new emergency responsibilities, staff shielding and self-isolating and also working from home has impacted on addressing issues raised last year and created a multitude of potential new ones. So much so, that the issues raised so far and likely to occur during 2021/22 have been compiled into an additional separate part of this Statement together with a separate conclusion.

Nevertheless, the Council has continued to deliver key services and provide support throughout this period in large measure due to the hard work and commitment of all of its staff.

We would like to take this opportunity to thank all colleagues, councillors, partners and volunteers for their contributions so far which have placed the Council and the people and businesses of Kirklees in a much better place to move forward.

Overall Conclusion & Opinion

We have been advised on the extent and implications of the annual review of effectiveness of the governance framework by the Corporate Governance and Audit Committee, and although we have less assurance than would normally be the case, we are satisfied that overall the arrangements continue to be regarded as fit for purpose in accordance with our governance framework and Code of Corporate Governance.

We have begun to take steps on a priority risk basis to address the issues raised both by the pandemic and which form part of our ongoing response, as well as those that occurred prior to it, in order to further enhance our governance arrangements as contained in the Action Plan that underpins this Statement. We are satisfied that these steps will address the need for improvements that were identified in our review and will monitor their implementation and operation during 2021/22 in conjunction with the Corporate Governance & Audit Committee ahead of next year's review.

Signed:

Cllr. Shabir Pandor, Leader of the Council

Jacqui Gedman, Chief Executive

Coronavirus Conclusion

The response to Coronavirus focussed on a number of key priorities – promoting public safety and saving lives, managing business continuity, maintaining support and safeguarding the most vulnerable and providing a resilient response within the region.

Since March 2020, the way the Council operates, and its governance arrangements have changed significantly but its key objectives and commitment to the principles in the Local Code of Corporate Governance have remained the unwavering cornerstone to its activities and as such have remained fit for purpose in these unprecedented times.

Business continuity plans helped manage the initial phase of the response immediately prior to and following the first lockdown in March 2020 to ensure key public services and business critical activities continued in accordance with current and quickly changing Public Health England and Government advice. The local Resilience Forum provided guidance and a lead on such matters too during this period, enabling the Council as with other member bodies to determine their preferred course of action with Cabinet and the Executive Team providing strategic leadership and support.

The Coronavirus (Flexibility of Local Authority and Police and Crime Panel Meetings) Regulations 2020 came into force on 4 April 2020. This put in place the ability for Councils to hold meetings virtually, so long as they meet certain criteria specified in the Regulations. The first virtual meeting of the Cabinet took place on 1 May 2020 at which the Chief Executive reported back on the decisions she had taken in the interim, as required by the Constitution. The Regulations also enabled deferment of the 2020 Annual General Meeting. The Regulations and virtual meetings applied up until 6 May 2021, thereafter meetings have been held in person.

As with all other organisations, the coronavirus outbreak represents a unique and unprecedented set of challenges to the Council as a service provider, community leader, partner and an employer. The fundamental challenge to established ways of working and global nature of the pandemic has necessarily raised a number of Issues for the Council but to date we have successfully delivered upon our key objectives within the principles of our governance arrangements.

Coronavirus related Significant Governance Issues

At some future point a full review including recovery will be conducted of the Council's response and learning points for the future but because of the protracted nature of the pandemic it remains too early to say with sufficient confidence which, if any, particular Issues would merit inclusion in this Statement because of their impact on the Council's key objectives, as it will require a significant period of time to assess the impact overall. That being the case, debriefs on elements of the response have been undertaken, including business continuity (first wave), excess deaths, surge testing and PPE procurement.

The pandemic has changed the working life of almost everyone and the way we learn to live and work in the future will lead to some fundamental changes which create significant risks, most notably a skill and knowledge gap from the accelerated retirement of those that decide permanent working from home is not their preference. This applies equally to our partners and contractors too.

More specifically the diversion of key staff to managing the pandemic has already impacted upon the delivery of some important areas of responsibility, food hygiene inspection being a notable case in point, leading to a backlog in meeting statutory responsibilities and keeping residents safe and healthy.

Wider Significant Governance Issues during 2020/21

The annual review process that has been possible has identified and evaluated both ongoing and new Issues and if any of these meets one or more of the following criteria suggested by CIPFA / SOLACE it is regarded as Significant and included in this Statement:

- it undermines / threatens the achievement of organisational objectives (A)
- it is a significant failure to meet the principles (and sub-principles) of good Governance (B)
- it is an area of significant concern to an inspector, external audit or regulator (C)
- the head of internal audit, one of the statutory officers or the corporate governance & audit committee has recommended it be included (D)
- it is an issue of public or stakeholder concern (E)
- it is an issue that cuts across the organisation and requires cooperation to address it (F)

Progress with the Issues in last year's Statement

The 2019/20 Statement unusually covered the period up to January 2021 due to the elongation of the time afforded to the external auditor to complete their work before the Accounts were signed off. Added to the focus of corporate managers being to address the issues arising due to the pandemic, this timing has understandably resulted in somewhat of a pause in the planned response to addressing the majority of the Issues raised last year.

We have noted in previous Statements that many Issues are of a complex nature, sometimes not solely entirely under the Council's direct control, and these often take longer than one year to address and embed. Indeed a core are likely to feature in one form or another for a longer period, albeit that various parts of each Issue can be resolved during the year and where appropriate this has been reflected in what remains to be done, as shown in the table over the page.

Issue / Inclusion Criteria	Progress in 2020/21	Further Action in 2021/22
Further strengthen the Corporate Plan with improved linkages to both revenue and capital resource allocation and performance measures. (A, B, F)	The new Corporate Plan, *Our Council Plan 2020/21*, is intended as a roadmap for recovery in Kirklees. At its heart is a determination to build a fairer and more equal borough for people to live, work and grow up in. The Plan retains its focus on outcomes for people but elevates our ambition and puts an extra focus on breaking down the barriers that have previously prevented people from sharing in the benefits of plans like this. Overseen by a new Inclusion Commission, we will make sure our focus on tackling inequalities delivers for everyone in Kirklees. Both the Medium-Term Financial Plan 2020-23 (revenue) and Capital Plan (2020-25) are well aligned to Corporate Plan ambition and priorities. Reviewing budget setting arrangements for 2019/20 and beyond regarding outcome-based budgeting was acknowledged to be a work in progress as regards the most recent budget round. A revised quarterly performance monitoring system has been introduced and is being embedded.	The corporate planning process is likely to include a substantial revision to reflect the impact on the organisation and its finances consequent to Coronavirus. To develop a more robust, intelligence-led performance management mechanism across the organisation aligned with the annual planning cycle to drive resource allocation decisions that are better aligned to priority outcomes and to monitor their delivery. The performance monitoring system needs embedding for both business-critical indicators and other service measures used, including the development of more relevant qualitative indicators alongside quantitative ones to better measure outcomes and impacts. Consideration is also being given to how service planning can be more closely aligned with this mechanism. The next Corporate Plan also needs to take account of developmental issues included in the Peer Review Action Plan from 2019/20 with an aligned Communications Strategy and engagement of all members, the development of both of which has been impacted by other organisation priorities in responding to the pandemic.

Issue / Inclusion Criteria	Progress in 2020/21	Further Action in 2021/22
Manage delivery of the Council's Transformation Activities. (A, F)	The Transformation Team clarified and enhanced its offer to respond to changing demands for a mix of robust project management, innovative business change skills and the ability to challenge and offer new insights. Transformation is now focused on the ongoing development and sustainability of public services, which means continuing change and innovation. It is less driven by the savings targets that will come through services and overall budget monitoring.	The Council's priority transformation programmes, to which transformation resources are allocated, have been updated to reflect known areas of need and will be checked and adjusted where necessary year by year, and in no priority are: 1. Waste Transformation 2. Climate Change 3. Assets Transformation 4. SEND Transformation 5. The ongoing development of a Modern Organisation (i.e. ensuring all services reflect the priorities of the organisation and are 'fit for purpose' during the long-term recovery of the district beyond Covid, supported by effective enabling functions) 6. Tackling Inequalities 7. Place Based Working 8. Health and Social Care Integration 9. Residential Care Market 10. Access to Services The focus is now on ensuring these priorities are further shaped and delivered over the coming years. They may be further amended as a consequence of learning from coronavirus.
Strengthen and develop Partnership Governance and new relationships (A, B, F)	A light touch governance review has been completed and is leading to more solid governance structures for the Partnership Executive: a revised executive arrangement is in place with themed meetings throughout the year that draw the partner together on a topic basis. During the pandemic, partnership	Even prior to the pandemic there was still scope to increase the effectiveness of some partnership arrangements and for changes made recently to become embedded. This need now has a sharpened focus than ever before because of the heightened risks faced with associated parties/partnerships - Kirklees Stadium Development

Issue / Inclusion Criteria	Progress in 2020/21	Further Action in 2021/22
	governance has been strengthened through more frequent executive meetings, focusing on response and recovery. KNH has returned to Council control and a transition period began. The Children's Partnership Board arrangements have been re-launched. Uncertainties have arisen associated with changed ways of working with newly emerging/re-shaped anchor /strategic partnerships and our influence in helping shape these from a strategic partnership/influencing /integration perspective, especially regional funders and partners, including the West Yorkshire Mayor and Combined Authority Competitive bidding is one such case and also the impact on Integrated Care Plans and the role of the Health & Wellbeing Board.	Limited and KAL. Also, Kirklees Community Association is now in view for governance reasons. The transition period will help ensure KNH is fully aligned with the Council's priorities and plans and its new governance arrangements are well embedded over the next twelve months. Develop strong working relationships with the West Yorkshire Mayor and others, apply best practice and iterative learning, aligned to clear and consistent communications.
Continue to Strengthen Risk Management (A, B, D, F)	A new Strategy & a Risk Panel was established. The Corporate Matrix has been regularly updated along with an emerging risk report, and this has been discussed by the Executive Team and Leadership Management Team. The CGAC has commented positively on the Corporate Matrix but expressed concerns about the quality and consistency of the directorate-based risk management processes.	This still needs more work, as the quality of directorate-based risk arrangements requires improvement, as does risk elevation.

Issue / Inclusion Criteria	Progress in 2020/21	Further Action in 2021/22
Continue to improve the manager skill base and capacity. (A, F)	The People Strategy programme of work has been refreshed and now focuses on 4 clear outcomes: Healthy and Well People; An Inclusive Employer of Choice; Highly Skilled, Flexible and Engaged People; and Effective and Compassionate Leadership. As part of this programme of work, there is a focus on improving manager capacity and skill base through effective workforce planning and a programme of learning and development. In 2020, a new leadership and management pathway was launched with targeted development for BAME colleagues at levels 3 and 5. Governance of the programme is through Modern Organisation Board, with 'check and challenge' via a cross-organisational steering group.	As part of the programme of work, the leadership and management pathway will be further developed to encompass level 7 learning and development, including targeted development for under-represented groups. Working in collaboration with the LGA, there is also a project underway to improve workforce planning, in particular to build resilience in the organisation and improve career pathways through the organisation. We will also be further embedding our restorative approach to leadership and continue to promote coaching and mentoring to improve manager skill base. The pandemic has helped create key skill shortages in a number of areas nationally that are becoming apparent across Service areas, such as HGV & LGV drivers. The impact of this will require careful monitoring and an appropriate response as the situation develops
School Governance arrangements need review and improvement. (D, E)	A Schools Causing Concern Group chaired by the Service Director identifies and shares issues for remediation.	Look to understand what is causing a (historically) large number of complaints about governance and management in schools, and look to identify potential solutions.
Governance arrangements need developing to identify and manage issues arising from historically	Work has commenced to develop a corporate approach that satisfies initial management of such issues as they emerge through the corporate risk management process via the Risk Panel and	To embed and disseminate the learning following the identification and response of such issues on a corporate basis to consolidate overall resilience.

Issue / Inclusion Criteria	Progress in 2020/21	Further Action in 2021/22
different service delivery. To learn from the lessons arising and make sure the issues are addressed.	these are flagged up to ET and enable organisational reflection and learning with a view to being less insular and to draw upon wider external assurances and develop an assurance backed culture. Where issues such as historically poor safeguarding, health and safety or HR practices are identified, checking will be undertaken to ensure that the same practices are not still in operation and to take appropriate action.	
Continue to develop and strengthen the governance arrangements for decision-making and place-based working, including greater clarity to the roles and responsibilities of Members and officers, including greater congruence between officer and member structures (as per Peer Review). (A, B & C)	Built upon the progress achieved since the Peer Review. Developed new proposals around governance and decision-making arrangements. Used the re-designed profile of the councillor role as a basis for: - the full review of the Members' Allowances Scheme in the summer of 2021; and - how we improve support for councillors to facilitate more effective working with officers in the context of putting councillors at the heart of what we do.	Ongoing consolidation of governance arrangements identified last year to enhance the Constitution, in particular working with Members to look at some of the issues that came from the consultation and make any changes that may be required to the current Standards process. The Council is also, alongside that, considering the adoption of the LGA Model Code of Conduct. Consideration of proposals to review options around committee structures. Implementation of the reviews.

Issue / Inclusion Criteria	Progress in 2020/21	Further Action in 2021/22
Address the health and safety issues raised in connection with housing properties and the complete buildings portfolio, ensuring that management and operational arrangements provide for the health and safety of all Council tenants, employees and residents. (C, D, E)	Began implementation of the recommendations in the agreed Action Plan as monitored by the Service Director and Cabinet. Established an Assurance Board in connection with all such issues affecting the complete Council buildings portfolio. However, the pandemic has worsened the overall environment such that ensuring compliance in a timely manner from technically competent staff has become considerably more difficult due to national issues in the employment market in this sector.	Continue to deliver the agreed recommendations begun last year.
Ensure sufficient organisational resilience to resist the type of failings experienced in the local authority sector and beyond, by the formulation of a corporate Assurance Framework and culture in connection with all key and emerging business risks. (All)	The impact of the pandemic and necessary input of key staff into other corporate priorities has meant planned progress in this area has had to be deferred. One example of this is the review of good and sustainable financial management in the Council that Internal Audit were commissioned to undertake based upon best practice in CIPFA’s Financial Management Code and report back to CGAC for initial assessment. ET has given initial consideration to lessons to be learned from corporate failures elsewhere, as described in various auditor public interest reports.	Compile all the various sources of assurance and determine how they inter-relate to one another. Manage any areas about which there are gaps or where assurance needs strengthening. Ensure issues are responded to appropriately and actions are delivered. Complete the financial sustainability review as per the revised timescale. Enhance the corporate governance framework as described above.

Issue / Inclusion Criteria	Progress in 2020/21	Further Action in 2021/22
Accelerate the response to the Climate Change Emergency Declaration. (A, E, F)	The Council declared a climate emergency in 2019 because we all must take urgent action to improve and protect our environment. Our vision is to make Kirklees completely carbon neutral by 2038. The Climate Change Working Party oversees Phase 1 actions including • Setting a carbon budget • Free parking for low emission vehicles Considering the environmental impact in decision making Creating a Climate Commission and Green Charter • Developing a detailed and ambitious action plan for Phase 2 to achieve the 2038 target.	Continue to work towards the Phase 1 Actions, acknowledging the 2021 report of the UN Intergovernmental Panel on Climate Change, including development of an electric vehicle fleet, widening the availability of vehicle charging points.
Develop a more strategic corporate management of the investigation and treatment of cases of suspected fraud & corruption. (D)	This is another area where progress has been impaired by resourcing corporate priorities.	Refresh the Corporate Strategy engaging Members and CGAC in particular and focus management and resources on key risk areas.

New Issues

The annual review of the effectiveness of our governance arrangements has identified areas of heightened concern, risk, or significant uncertainty that require a corporate response. Where appropriate, these matters have been incorporated into existing or slightly refocussed Issues brought forward from last year's Statement. Organisational resilience is such a cross cutting theme of note. One area where appropriate distinct focus is required though is described below.

Issue	Planned Action
Staff wellbeing The wellbeing of all staff is a vital part of being able to deliver the planned outcomes for the Council. Building and maintaining a healthy and well employee base is a key part of the existing People Strategy. However, the pandemic impact has been such that almost everyone has been affected personally, physically and emotionally, in addition to experiencing the effects arising from the effort and commitment that has been necessary to continue to deliver front-line services in very difficult circumstances, and the consequences of practical changes from adapting flexibly to new roles and tasks and to working from home in different ways. One particular aspect, given the demographic profile of the workforce, is a potential knowledge and skills gap arising from the likelihood of accelerated retirement amongst those who decide new ways of working are not for them, together with a recognition of the need for staff recuperation and recovery.	Recovery planning is underway including various sources of support, coupled with clear expectations and effective leadership and management. Implementation of the relevant parts of the People Strategy as described above.

A detailed Action Plan sits behind this summary and the Executive Team and Corporate Governance & Audit Committee will monitor progress quarterly during 2021/22.

Statement Scope

Kirklees Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded, 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.

Kirklees Council has a Local Code of Corporate Governance, which is consistent with the principles of the CIPFA / SOLACE framework *Delivering Good Governance in Local Government 2016.* A copy of the Code is available from the Monitoring Officer. The current version following annual review can be found at https://www.kirklees.gov.uk/beta/council-and-democracy.aspx#your-council

This Statement explains how the Council has complied with the Code during 2020/21 and up to the date that the Statement of Accounts was approved and thus meets the requirements of the Accounts and Audit Regulations 2015, as revised by the Accounts and Audit (Amendment) Regulations 2020. It provides assurance about the Council's governance framework, including the other entities in the Group Accounts, a wholly owned subsidiary during 2020/21, which has since been returned to Council control, Kirklees Neighbourhood Housing Limited and a joint venture, Kirklees Stadium Development Limited, to enable readers of the consolidated Accounts to be satisfied that proper arrangements are in place to govern spending and safeguard assets. Where specific improvements and/ actions are ongoing or needed, brief information is provided about the key issues and the main areas of work that have been progressed during 2020/21. A more detailed Action Plan sits behind this summary.

The purpose of the governance framework

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

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness.

The key parts of the governance framework

- a Local Code of Corporate Governance overseen by the Service Director Legal, Governance & Commissioning and the Corporate Governance and Audit Committee, to assess operational practice and behaviour, and prepare this Statement.
- a Council Constitution.
- a Leader and Cabinet model of governance, supplemented by decisions of the Chief Executive March – May 2020 under the emergency powers of Part 3.7 of the Constitution and Strategic Directors under the Officer Scheme of Delegation. Cabinet meetings have been held virtually since 1 May in accordance with new legislation. Virtual meetings were rolled out to enable other Committees to meet similarly as soon as was possible.
- a corporate governance, audit and scrutiny process as set out in the Constitution,
- statutory officer roles performed by the Chief Executive as Head of Paid Service, the Service Director Legal, Governance & Commissioning as Monitoring Officer and the Service Director Finance as Section 151 Officer. The S151 Officer is a professionally qualified accountant and reports directly on financial matters to the Chief Executive as a member of the Executive Team (ET).
- a Corporate Plan that outlines how officers will seek to run the Council to meet our community commitments and objectives
- oversight and delivery of the Council Transformation Programme, including a number of officer boards as described in the Constitution, notably the Children's Board
- a Monitoring Officer who has responsibility for the Constitution and ensuring the legality of Council actions and decision making.
- a S151 Officer who has responsibility for ensuring that the financial management arrangements conform with all of the governance requirements of the five principles that define the core activities and behaviours that belong to the role in the CIPFA *Statement on The Role of the Chief Financial Officer in Local Authorities (2014*).
- codes of conduct defining the standards of behaviour for Members and employees
- an Anti-Fraud & Anti-Corruption Policy
- a Risk Management Strategy
- systems of financial and business internal control
- an internal audit section, that is compliant with the Public Sector Internal Audit Standards and Code of Ethics
- whistle blowing arrangements
- a complaints system for residents and service users
- business continuity arrangements
- a senior manager to act as the ***Caldicott Guardian*** to protect the confidentiality of patient and service-user information
- a Data Protection Officer reporting directly to the Chief Executive and a Senior Information Risk Officer

- arrangements to manage other parts of the Council's Group. The S151 Officer monitors and reports on the financial effectiveness of the subsidiary and joint venture companies, whose accounts are subject to external audit.
- A Covid Recovery Framework using the strong foundations established during lockdown to help the Council come back stronger across a themed recovery programme supported by an Outbreak Control Plan approved by the local Health Protection Board.

2020/21 Review of effectiveness

Kirklees Council has a legal responsibility for conducting, at least annually, a review of the effectiveness of its governance framework. The review is informed by a number of sources including the work of the executive managers, the Head of Audit & Risk's annual report, the external auditor and other review agencies and inspectorates and Member Committees. The Council has four bodies / committees jointly responsible for monitoring and reviewing governance. These are:

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

The main parts of the review process are described below, although due to the timing of the Coronavirus outbreak some sources of assurance used are in interim or draft version pending return to more normal working. A further assessment will be made later in the year before finalising the Statement.

1. <u>Annual Review of effectiveness of the system of internal control</u>
   In accordance with the requirements of the Accounts and Audit Regulations 2015 and Public Sector Internal Audit Standards (PSIAS), the CGAC approved the annual review of
   the effectiveness of its system of internal control and internal audit. The Head of Audit & Risk's self-assessment of current compliance with the Public Sector Internal Audit Standards & Code of Ethics and revised CIPFA Local Government Application Note 2019, concluded that overall Internal Audit does conform to these Standards and an Action Plan has been agreed to further improve compliance and monitor progress with this objective, and this will be monitored by the CGAC.

2. <u>Head of Audit and Risk's Annual Assurance Opinion</u>

   The unique circumstances faced during the year necessarily reduced both the planned programme of internal audit work and the scope of that which could be undertaken give that all staff were working at home during this entire time. Nevertheless, a revised plan of key areas from which assurance was required was devised mid-year and approved by CGAC. In addition, Directors were asked to provide confirmation from their viewpoint via completion of Assurance Statements that key operations and controls remained intact.
   Both the conclusions as expressed in the opinion set produced from the audits

undertaken and the returns received from Directors were sufficient to conclude than other than in respect of a small number of significant control issues that have arisen during the year, the Head of Audit and Risk has provided assurance that overall the Council's systems of governance, risk management and internal control are generally sound and operate reasonably consistently across Services.

3. External Auditor's Review

During the year the External Auditor's Annual Report included
• an unqualified opinion on the Council's 2019/20 financial statements; and
• an unqualified value for money conclusion, stating that we have made proper arrangements to secure economy, efficiency and effectiveness in our use of resources.

4. Corporate Governance & Audit Committee (CGAC)

The Committee considered and approved an updated Local Code of Corporate Governance at its meeting in March 2020.

During 2020/21 the CGAC reviewed a number of aspects of the Council's governance arrangements and noted or approved revisions or made recommendations to Council as appropriate, arguably most notably concerning the new West Yorkshire Mayoralty.
CGAC also received assurance from various 2019/20 annual reports such as health and safety, emergency planning and business continuity, information governance and customer corporate standards on complaint handling, and a review of the Ombudsman and Third Stage Complaints received, together with details of the Whistleblowing Complaints that have been received.
Recognising the need to ensure that both new and existing members of the Committee have the appropriate support and skills to carry out their role, training sessions are provided at various intervals and this year included treasury management.

5 Overview & Scrutiny Management Committee

During 2020/21 the Committee and its four Panels reviewed a number of aspects of the Council's governance arrangements and key issues faced and strategies and responses to manage these, including devolution in West Yorkshire, Our Council Plan, Cohesion, Climate Change, Domestic Violence Strategy Update and Place Partnerships working, in addition to the response to Covid-19.

6. Standards Committee

During the year the Committee reviewed various aspects of Member conduct, and received an update on progress in implementing the recommendations locally in the report of the Committee on Standards in Public Life. The Committee considered the CSPL recommendations in 2019 and concluded that on the whole the Council met with the recommendations. At the beginning of this calendar year the Council consulted about the standards process and had an excellent response. As a result of the response the Council will be working with members to look at some of the issues that came from the consultation and make any changes that may be required to the current Standards process. The Council is also, alongside that, considering the adoption of the LGA Model Code of Conduct.

7 Role of the Chief Financial Officer

The role of the Chief Financial Officer (CFO) continues to reflect the governance arrangements set out in the CIPFA Statement, which are required to ensure the CFO is able to operate effectively and perform their core duties as part of the review of the Constitution. The Council's financial management arrangements continue to fully conform to those set out in the Statement.

The Council and CFO is working towards compliance with the CIPFA Financial Management Code and has commissioned Internal Audit to assess the body of evidence that exists to document this and confirm what further progress is needed.

8 External Inspections & Peer Reviews

Action Plan from Local Government Association Corporate Peer Review Challenge

The Challenge took place during July 2019 and the outcome was largely positive. It did provide a series of key recommendations and an Action Plan was compiled to manage the response, which includes development issues being managed through the new Corporate Plan and governance ones through the Action Plan for this Statement, for example those linked to the Democracy Commission have been completed.

9 Officer Governance

Officer Boards as prescribed in the Constitution have continued to drive forward the Transformation Programme within the context of the Medium-Term Financial Plan with strategic oversight from the Executive Team and escalation of appropriate issues. These arrangements are subject to both Cabinet and Scrutiny oversight.

10 Significant Partnerships

Partnerships range from joint venture partnerships, thematic partnerships and their subsidiaries to key contractual agreements managing substantial amounts of public money. The main contact officer for each Partnership is responsible for assessment of the governance arrangements and providing details of any significant changes to the membership and circumstances of the partnership. This information is used by senior officers of the Council to assess the potential risk that the partnership presents to the reputation or financial standing of the Council. The Council is continuing to work on a number of areas where arrangements need to be revised to strengthen and embed the governance framework, as identified in the Action Plan for this Statement.

11 Director of Public Health / Emergency Planning

As the coronavirus outbreak escalated during March 2020, the risk and potential impact on the Council and the whole of Kirklees was assessed and the scale and magnitude of the issues raised came into focus. Advice and guidance building on that from Public Health England has continued apace ever since. Well-established multi-agency relationships prior to the pandemic enabled the timely activation of command and control structures and the Kirklees response with the sharing of plans and arrangements was well received regionally. Government departments have recognised the Council as an excellent partner as an enhanced response area.

12 Monitoring Officer / Senior Information Risk Owner

Reviewed information governance and security matters as Chair of the Information Governance Board within the context of an internal review of the Board’s terms of reference and increasing focus on an enabling and supportive role, as well as wider assurance concerning organisational governance and compliance with the Constitution.

Independent auditor's report to the members of Kirklees Council

Report on the Audit of the Financial Statements

Opinion on financial statements

Our opinion on the financial statements is unmodified

We have audited the financial statements of Kirklees Council (the 'Authority') and its subsidiary and joint venture (the 'group') for the year ended 31 March 2021 which comprise the Comprehensive Income and Expenditure Statement, the Statement of Movement in Reserves, the Balance Sheet, the Cash Flow Statement, the Group Comprehensive Income and Expenditure Statement, the Group Statement of Movement in Reserves, the Group Balance Sheet, the Group Cash Flow Statement, the Housing Revenue Account Income and Expenditure Statement, the Movement on the HRA Statement, the Collection Fund Statement and notes to the financial statements, including a summary of significant accounting policies. The notes to the financial statements include the Notes to the Main Financial Statements, Notes to the Group Accounts, Notes to the HRA and Notes to the Collection Fund Statement. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21.

In our opinion, the financial statements:

• give a true and fair view of the financial position of the group and of the Authority as at 31 March 2021 and of the group's expenditure and income and the Authority's expenditure and income for the year then ended;

• have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21; and

• have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law, as required by the Code of Audit Practice (2020) ("the Code of Audit Practice") approved by the Comptroller and Auditor General. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the group and the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the Service Director - Finance's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Authority or group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Authority or the group to cease to continue as a going concern.

Our evaluation of the Service Director - Finance's assessment of the Authority's and the group's ability to continue to adopt the going concern basis of accounting included a review of the reasons and evidence provided to support the Service Director – Finance's assessment regarding the future continuation of services.

In our evaluation of the Service Director - Finance's conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom

2020/21 that the Authority and group's financial statements shall be prepared on a going concern basis, we considered the inherent risks associated with the continuation of services provided by the group and the Authority. In doing so we had regard to the guidance provided in Practice Note 10 Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2020) on the application of ISA (UK) 570 Going Concern to public sector entities. We assessed the reasonableness of the basis of preparation used by the group and Authority and the group and Authority's disclosures over the going concern period.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Authority's or the group's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the Service Director - Finance's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

The responsibilities of the Service Director - Finance with respect to going concern are described in the 'Responsibilities of the Authority, the Service Director - Finance and Those Charged with Governance for the financial statements' section of this report.

Our approach to the audit

Overview of our audit approach

Financial statements audit

Overall materiality

Group: £13,500,000 which represents 1.27% of the group's gross expenditure on cost of services;

Authority: £13,400,000 which represents 1.26% of the Authority's gross expenditure on cost of services;

Key audit matters were identified as:

- Valuation of land, buildings, council dwellings and investment property (Authority and Group).
- Valuation of the net liability related to the defined benefit pension scheme (Authority and Group).

These key audit matters are the same as for the audit of the prior year's financial statements, other than that the valuation of the pension fund net liability related to the defined benefit pension scheme was only a key audit matter for the Authority.

Our scoping for other significant areas has been modified in 2020/21 as follows:

- Increased risk assessment given to non-pay revenue expenditure in the final quarter of 2020/21
- Increased risk assessment given to the accounting for covid-19 related grants.

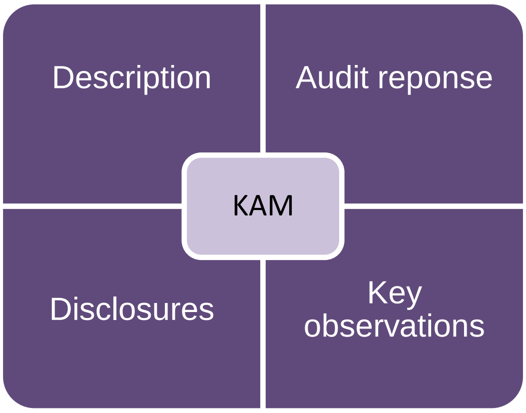
Value for money arrangements

We are required to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2021. Our approach to this work is set out in the 'Report on other

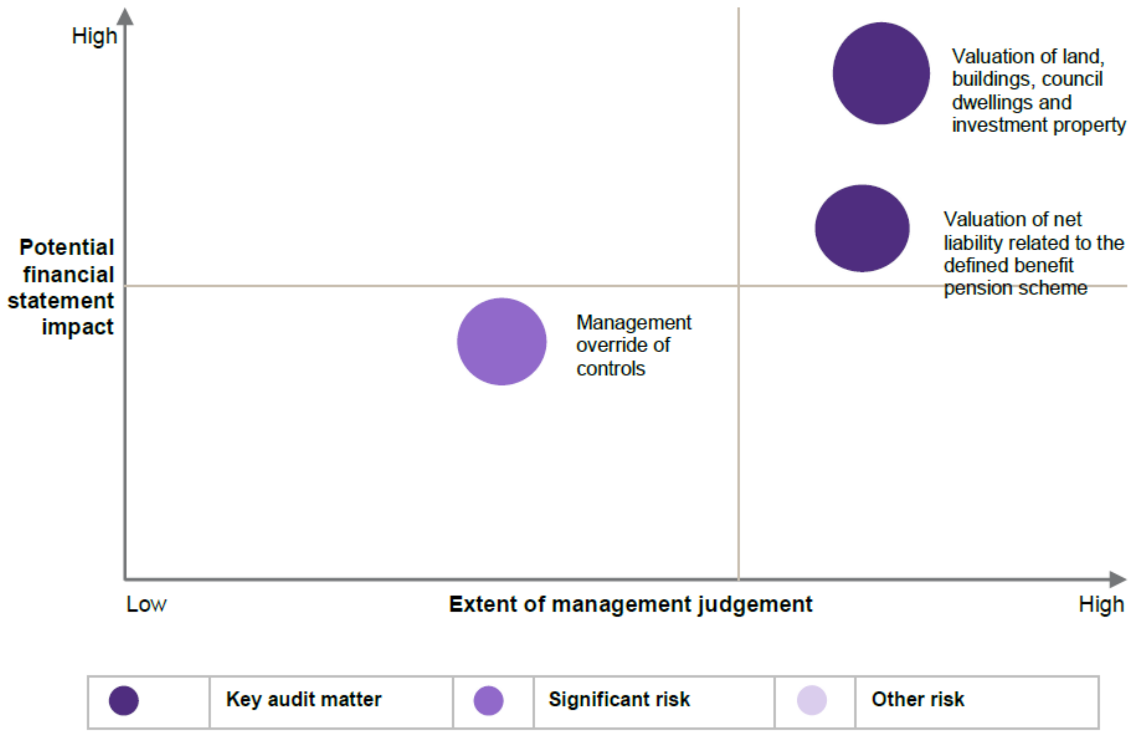
	legal and regulatory requirements –the Authority's arrangements for securing economy, efficiency, and effectiveness in its use of resources' section of this report.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the group and Authority's financial statements of the current year and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those that had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



In the graph below, we have presented the key audit matters, significant risks and other risks relevant to the audit.



Key Audit Matters (Authority and Group)	How our scope addressed the matter
Risk 1 Valuation of land, buildings, council dwellings and investment property We identified valuation of land, buildings, council dwellings and investment property as one of the most significant assessed risks of material misstatement due to the value of the assets and the extent of estimation involved in valuing them,	In responding to the key audit matter, we have performed the following audit procedures: • evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to the valuation experts and the scope of their work

The Authority re-values its land and buildings on a rolling three-yearly basis to ensure that the carrying value is not materially different from the current value. The Authority values its council dwellings annually. These valuations represent a significant estimate by management in the financial statements due to:

- The size of the numbers involved (£515 million for the Authority's other land and buildings and £720 million for the Authority's council dwellings), which forms 100% of the balances of the group; and
- The sensitivity of these estimates to changes in key assumptions.

Additionally, council dwelling valuations are based on Existing Use Value, discounted by a factor to reflect that the assets are used for social housing. The social housing adjustment factor is prescribed in Government guidance. There is a risk that the Authority's application of the valuer's assumptions is not in line with the statutory requirements and that the valuation is not supported by detailed evidence indicating that the standard social housing factor is not appropriate to use.

Investment property is revalued annually at fair value by the Authority's external valuer and is reported at £97 million in the Authority's financial statements at 31 March 2021.

Relevant disclosures in the Statement of Accounts for the year ended 31 March 2021

The Authority's accounting policy on valuation of land and buildings, and dwellings, which also applies to the group, is shown in note 1 (Property, Plant and Equipment) to the main financial statements and related disclosures are included in note 15.

The Authority's accounting policy on valuation of investment property, which also applies to the group, is shown in note 1 (Investment Property) to the main financial statements and related disclosures are included in note 17.

Commentary on the valuation of property assets is also included in the Narrative Report.

- evaluated the competence, capabilities and objectivity of the valuation experts
- written to the valuer to confirm the basis on which the valuations were carried out
- challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding
- engaged an independent auditor's expert valuer to provide a further review of the reasonableness of the assumptions and approach taken by the Authority's valuers
- tested a sample of valuations at 31 March 2021 to understand the information and assumptions used in arriving at any revised valuations
- tested revaluations made during the year to see if they had been input correctly into the Authority's asset register
- considered the application of the social housing discount factor in the valuation of council dwellings
- assessed whether the expert valuer had reported any material uncertainty in relation to property valuations as at 31 March 2021 arising from the Covid-19 pandemic

Our results

We obtained sufficient audit assurance to conclude that:

- the basis of the valuation of land, buildings, dwellings and investment property was acceptable;
- the assumptions and processes used by management in determining the estimate of valuation of property were balanced and reasonable.

Risk 2 Valuation of the net liability related to the defined benefit pension scheme

We identified the valuation of the net liability related to the defined benefit pension scheme as one of the most significant assessed risks of material misstatement due to the value of the liability, which amounts to £998 million for the Authority and £1,098 million for the Group, and the sensitivity of the estimate to changes in key assumptions.

The group net pension liability of £1,098 million comprises £998.6 million for the Authority and £99.4 million for Kirklees Neighbourhood Housing Limited (the "subsidiary".

Relevant disclosures in the Statement of Accounts for the year ended 31 March 2021

The Authority's accounting policy on valuation of the net liability related to the defined benefit pension

In responding to the key audit matter, we have performed the following audit procedures:

Authority and subsidiary pension liability:

- updated our understanding of the processes and controls put in place by management to ensure that the pension fund net liability is not materially misstated and evaluated the design of the associated controls
- evaluated the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work
- assessed the competence, capabilities and objectivity of the actuary who carried out the share of the pension fund valuation

scheme is shown in note 1 (Employee Benefits) to the main financial statements and related disclosures are included in note 41.

The group's accounting policy on valuation of the net liability related to the defined benefit pension scheme is shown in note G1 to the group accounts and related disclosures are at note G4.

Commentary on the net liability related to the defined benefit pension scheme is also included in the Narrative Report.

- assessed the accuracy and completeness of the information provided to the actuary to estimate the liability
- undertaken procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing additional procedures suggested within the report
- assessed whether the pension fund has reported any material uncertainty in relation to investment property valuations as at 31 March 2021 arising from the Covid-19 pandemic
- tested the consolidation process followed by management to construct the group accounts

Authority pension liability only:

- tested the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary
- obtained assurances from the auditor of the West Yorkshire Pension Fund as to the controls surrounding the validity and accuracy of membership data; contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements

Subsidiary pension liability only:

- tested the actuarial assumptions made by the actuary relating to the net pension liability of Kirklees Neighbourhood Housing Ltd to ensure they are reasonable and consistent with the ranges set by the auditor's expert
- performed analytical procedures on the source data to ensure it is reasonable and in line with our expectations

Our results

We obtained sufficient audit assurance to conclude that:

- the basis of the valuation of the net pension fund liability was acceptable, and
- the assumptions and processes used by management in determining the estimate were balanced and reasonable.

Our application of materiality

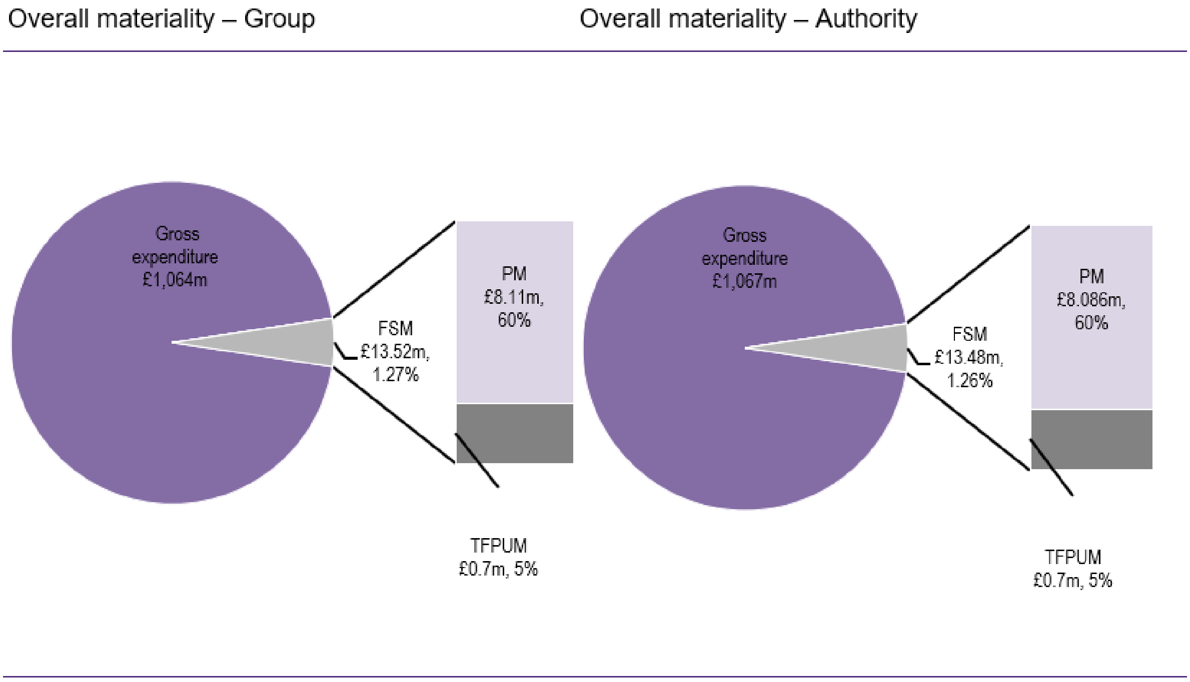
We apply the concept of materiality both in planning and performing the audit, and in evaluating the effect of identified misstatements on the audit and of uncorrected misstatements, if any, on the financial statements and in forming the opinion in the auditor's report.

Materiality was determined as follows:

Materiality measure	Group	Authority
Materiality for financial statements as a whole	We define materiality as the magnitude of misstatement in the financial statements that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of these financial statements. We use materiality in determining the nature, timing and extent of our audit work.	
Materiality threshold	Overall materiality has been set at £13.52 million which represents 1.27% of the group's gross expenditure on cost of services.	Overall materiality has been set at £13.48 million which represents 1.26% of the Authority's gross expenditure on cost of services.
Significant judgements made by auditor in determining the materiality	The determination of materiality involves the exercise of professional judgement. In determining materiality, we made the following significant judgements: - Total expenditure is seen to be the most appropriate benchmark because stakeholders and residents are interested in the level of expenditure incurred as this is considered public money largely arising from taxation, together with determining the provision of public services within the borough - A percentage of 1.27% was selected to apply to the benchmark based upon our risk assessment and the level we considered would be relevant to the users of the financial statements Materiality for the current year is higher than the level that we determined for the year ended 31 March 2020 to reflect the increased expenditure relating to the effects of the pandemic on the group's operations.	The determination of materiality involves the exercise of professional judgement. In determining materiality, we made the following significant judgements: - Total expenditure is seen to be the most appropriate benchmark because stakeholders and residents are interested in the level of expenditure incurred as this is considered public money largely arising from taxation, together with determining the provision of public services within the borough - A percentage of 1.26% was selected to apply to the benchmark based upon our risk assessment and the level we considered would be relevant to the users of the financial statements. Materiality for the current year is higher than the level that we determined for the year ended 31 March 2020 to reflect the increased expenditure relating to the effects of the pandemic on the Authority's operations.
Performance materiality used to drive the extent of our testing	We set performance materiality at an amount less than materiality for the financial statements as a whole to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole.	
Performance materiality threshold	Performance materiality for the year has been set at £8.11 million which is 60% of financial statement materiality.	Performance materiality for the year has been set at £8.08 million which is 60% of financial statement materiality.
Significant judgements made by auditor in determining the performance materiality	The determination of performance materiality involves the exercise of professional judgement. In determining performance materiality,	The determination of performance materiality involves the exercise of professional judgement. In determining performance materiality, we made the following significant judgements:

Materiality measure	Group	Authority
	we made the following significant judgements: - Based upon or risk assessment and experience of auditing the financial statements of the group we have determined performance materiality to be 60% of our headline materiality figure. This is a 5% reduction from the prior year. This is largely due to the number of misstatements identified in the prior period, which we consider increases the likelihood of errors occurring in the current period.	- Based upon or risk assessment and experience of auditing the financial statements of the Authority we have determined performance materiality to be 60% of our headline materiality figure. This is a 5% reduction from the prior year. This is largely due to the number of misstatements identified in the prior period, which we consider increases the likelihood of errors occurring in the current period.
Specific materiality	We determine specific materiality for one or more particular classes of transactions, account balances or disclosures for which misstatements of lesser amounts than materiality for the financial statements as a whole could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.	
Specific materiality	We did not determine a lower level of specific materiality in any area.	We determined a lower level of specific materiality for senior officers' emoluments.
Communication of misstatements to the Corporate Governance and Audit Committee	We determine a threshold for reporting unadjusted differences to the Corporate Governance and Audit Committee.	
Threshold for communication	£700,000 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.	£700,000 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.

The graph below illustrates how performance materiality interacts with our overall materiality and the tolerance for potential uncorrected misstatements.



FSM: Financial statements materiality, PM: Performance materiality, TFPUM: Tolerance for potential uncorrected misstatements

An overview of the scope of our audit

We performed a risk-based audit that requires an understanding of the group's and the Authority's business and in particular matters related to:

Understanding the group, the Authority, and its other components, and their environments, including group-wide controls

- The engagement team obtained an understanding of the Authority, the group and its environment, including group-wide controls, and assessed the risks of material misstatement at the group and Authority only level;

- The group organizational structure did not significantly influence the scope of the audit as the Authority's finance team was in control of the production of the financial statements, which was not a complex process.

Identifying significant components

- Evaluation by the group audit team of identified components to assess the significance of that component and to determine the planned audit response based on a measure of materiality and significance of the component as a percentage of the group's current assets, total assets, current liabilities, total liabilities, reserves, income and expenditure;

Work to be performed on financial information of Authority and other components (including how it addressed the key audit matters)

- Full scope audit procedures were applied to the Authority, which represents 99% of the group's total income, 99% of its total expenditure, 99% of its net assets and 94% of its liabilities;

- Specified audit procedures were applied to the net pension fund liability and related disclosures of the subsidiary Kirklees Neighbourhood Housing Limited and to the group's investment in the joint venture;

Performance of our audit

- Obtaining an understanding of and evaluating the Authority's internal control environment, including its financial and IT systems and controls;

- Obtaining an understanding of the consolidation process and testing the consolidation, including the alignment of accounting policies, and the significant consolidation adjustments.

Changes in approach from previous period

- There have been no changes in the overview of the scope of the current year audit from the scope of that of the prior year.

Other information

The Service Director - Finance is responsible for the other information. The other information comprises the information included in the Statement of Accounts other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Other information we are required to report on by exception under the Code of Audit Practice

Under the Code of Audit Practice published by the National Audit Office in April 2020 on behalf of the Comptroller and Auditor General (the Code of Audit Practice) we are required to consider whether the Annual Governance Statement does not comply with 'delivering good governance in Local Government Framework 2016 Edition' published by CIPFA and SOLACE or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.

Our opinion on other matters required by the Code of Audit Practice is unmodified

In our opinion, based on the work undertaken in the course of the audit of the financial statements and our knowledge of the Authority, the other information published together with the financial statements in the Statement of Accounts for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

Under the Code of Audit Practice, we are required to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

We have nothing to report in respect of the above matters.

Responsibilities of the Authority, the Service Director - Finance and Those Charged with Governance for the financial statements

As explained in the Statement of Responsibilities and Certificate [set out on page 22], the Authority 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 authority, that officer is the Service Director - Finance. The Service Director - Finance is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21, for being satisfied that they give a true and fair view, and for such internal control as the Service Director - Finance determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Service Director - Finance is responsible for assessing the Authority's and the group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention by government that the services provided by the Authority and the group will no longer be provided.

The Corporate Governance and Audit Committee is Those Charged with Governance. Those Charged with Governance are responsible for overseeing the Authority's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the group and Authority and determined that the most significant, which are directly relevant to specific assertions in the financial statements, are those related to the reporting frameworks (international accounting standards as interpreted and adapted by the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21, the Local Audit and Accountability Act 2014, the Accounts and Audit Regulations 2015, the Local Government Act 1972, the Local Government Act 2003, the Local Government and Housing Act 1989, the Local Government Finance Act 1988 (as amended by the Local Government Finance Act 1992) and the Local Government Finance Act 2012.
- We enquired of senior officers and the Corporate Governance and Audit Committee, concerning the group and Authority's policies and procedures relating to:
  - the identification, evaluation and compliance with laws and regulations;
  - the detection and response to the risks of fraud; and

  - the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations.
- We enquired of senior officers and the Corporate Governance and Audit Committee, whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud.
- We assessed the susceptibility of the group and Authority's financial statements to material misstatement, including how fraud might occur, by evaluating officers' incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls identified for the audit. We determined that the principal risks were in relation to:
  - Material year end journals posted by senior and other central finance staff to potentially manipulate the surplus/deficit position; and
  - Potential management bias in accounting estimates.
- Our audit procedures involved:
  - evaluation of the design effectiveness of controls that the Service Director - Finance has in place to prevent and detect fraud;
  - journal entry testing, with a focus on material entries posted by senior and other central finance staff around and after the year end;
  - challenging assumptions and judgements made by management in its significant accounting estimates in respect of land and buildings, council dwellings, investment property and defined benefit pension scheme liability valuations;
  - assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item.
- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. However, detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as those irregularities that result from fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.
- The team communications in respect of potential non-compliance with relevant laws and regulations, including the potential for fraud in revenue and expenditure recognition, and the significant accounting estimates related to land and buildings, council dwellings investment property and defined benefit pension scheme liability valuations.
- Assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's:
  - understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation
  - knowledge of the local government sector
  - understanding of the legal and regulatory requirements specific to the Authority including:
    - the provisions of the applicable legislation
    - guidance issued by CIPFA, LASAAC and SOLACE
    - the applicable statutory provisions.
- In assessing the potential risks of material misstatement, we obtained an understanding of:
  - the Authority and group's operations, including the nature of its income and expenditure and its services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement.

- the Authority and group's control environment, including the policies and procedures implemented by the Authority and group to ensure compliance with the requirements of the financial reporting framework.

Other matters which we are required to address

We were appointed by Public Sector Audit Appointments Limited in December 2017 to audit the financial statements for the year ending 31 March 2019 and subsequent financial periods. The period of total uninterrupted engagement is three years, covering the years ending 31 March 2019 to 31 March 2021.

The following services, in addition to the audit, were provided by the firm to the Authority since 1 April 2020 and have not been disclosed in the financial statements or elsewhere in the Statement of Accounts:

- Certification of Housing Benefits 2019/20
- Certification of Teachers' Pension return 2019/20
- Certification of Housing Pooled Capital Receipts grant 2019/20
- Certification of NCTL teacher training bursary grant 2019/20
- CFO Insights subscription (to December 2020)

Our audit opinion is consistent with the additional report to the Corporate Governance and Audit Committee.

Report on other legal and regulatory requirements – the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

Matter on which we are required to report by exception – the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

Under the Code of Audit Practice, we are required to report to you if, in our opinion, we have not been able to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2021.

Our work on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources is not yet complete. The outcome of our work will be reported in our commentary on the Authority's arrangements in our Auditor's Annual Report. If we identify any significant weaknesses in these arrangements, these will be reported by exception in a further auditor's report. We are satisfied that this work does not have a material effect on our opinion on the financial statements for the year ended 31 March 2021.

Responsibilities of the Authority

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

Auditor's responsibilities for the review of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to be satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We undertake our review in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in April 2021. This guidance sets out the arrangements that fall within the scope of 'proper arrangements'. When reporting on these arrangements, the Code of Audit Practice requires auditors to structure their commentary on arrangements under three specified reporting criteria:

- Financial sustainability: how the Authority plans and manages its resources to ensure it can continue to deliver its services;

- Governance: how the Authority ensures that it makes informed decisions and properly manages its risks; and
- Improving economy, efficiency and effectiveness: how the Authority uses information about its costs and performance to improve the way it manages and delivers its services.

We document our understanding of the arrangements the Authority has in place for each of these three specified reporting criteria, gathering sufficient evidence to support our risk assessment and commentary in our Auditor's Annual Report. In undertaking our work, we consider whether there is evidence to suggest that there are significant weaknesses in arrangements.

Report on other legal and regulatory requirements – Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate for Kirklees Council for the year ended 31 March 2021 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until we have completed:

- our work on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources and issued our Auditor's Annual Report; and
- the work necessary to issue our Whole of Government Accounts (WGA) Component Assurance statement for the Authority for the year ended 31 March 2021.

We are satisfied that this work does not have a material effect on the financial statements for the year ended 31 March 2021.

Use of our report

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

JD Roberts

Jon Roberts, Key Audit Partner

for and on behalf of Grant Thornton UK LLP, Local Auditor

Bristol

5 November 2021