

# Summary Accounts

2011 - 2012



**Welcome to Kirklees Council's Summary Accounts, which aims to put the formal set of accounts into a format which is concise and more easily understood.**

### Statement of Accounts

The Council produces a full set of accounts. These can be viewed on the Council's website:

<http://www.kirklees.gov.uk/you-kmc/kmcbudget/accounts.shtml>

The Council's audited Statement of Accounts complies with the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Local Authority Accounting, which is based on International Financial Reporting Standards, as well as proper accounting practice defined under statute.

The Statement of Accounts was signed by the Director of Resources on 26 September 2012 after the Council's Corporate Governance and Audit Committee approved the accounts following their audit by the Audit Commission.

### Summary Accounts

The size and scale of Kirklees as an organisation gives rise to a Statement of Accounts that is both a large and complex document. The purpose of this summary is to give interested parties a broad view of the Council's accounts, in a simplified and more understandable format. A reader of this report should gain a better understanding of both the Council's financial performance and available resources.

All the figures behind this summary were compiled having regard to proper accounting practices. In order to provide simplified, meaningful, summary information some figures have been combined.

It is important to note that although the Summary Accounts is based on our fully audited Statement of Accounts, the summary itself has not been audited.

### Revenue Expenditure

Revenue expenditure is day to day expenditure incurred in the running of Council services, including expenses such as salaries and wages, routine maintenance, heating and lighting etc.

Revenue expenditure cannot be funded from borrowing and each year the Council is required by law to set a balanced revenue budget.

### How does this relate to you?

The Council provides a wide variety of services through revenue expenditure including schools, roads, leisure facilities, and refuse collection. The following table illustrates how much was spent on some of these services per head of population, pupil or household, as appropriate.

Schools	<b>£5,960 per pupil</b>
Waste Collection & Disposal	<b>£87 per household</b>
Highways, Roads & Transport	<b>£72 per head</b>
Housing (excluding council housing)	<b>£48 per head</b>
Library Service	<b>£27 per head</b>

### Where the money was spent

The Council's Income and Expenditure Statement shows the cost in the year of providing council services. In the private sector the equivalent statement is often called the Profit and Loss Account.

In order to aid comparability between different local authorities, councils are required to group services into headings defined by Central Government.

**Breakdown of income and expenditure by service**

	Expenditure	Income	Net cost of services
Service	£ million	£ million	£ million
Children's and Education Services	470.7	332.4	138.3
Adult Social Care	139.2	42.5	96.7
Cultural	43.0	7.5	35.5
Environment	36.3	6.8	29.5
Regulatory and Planning	29.3	9.9	19.4
Highways and Transport	56.9	13.8	43.1
Housing – Council Housing	78.0	71.7	6.3
Housing – Other	133.9	116.6	17.3
Central Services and other costs	55.0	39.8	15.2
<b>Net cost of services</b>	<b>1,042.3</b>	<b>641.0</b>	<b>401.3</b>
<b>Funding</b>			
General Grants and Contributions			-150.2
Business Rates			-121.6
Council Tax			-153.8
<b>Total available</b>			<b>-425.6</b>
Financing and Investment Income and Expenditure – Mainly Interest			32.4
Other Operating Income and Expenditure – Mainly Value of Assets transferred to Academies			108.2
<b>Deficit on Provision of Services</b>			<b>116.3</b>
Accounting Adjustments - not charged to Council Tax (1)			-127.7
<b>Contribution to General Fund Balance(2)</b>			<b>-11.4</b>

(1) Various accounting charges involving employee pensions and the Council's assets, by law should not be funded by Council Tax. These items need to be excluded before money is charged to/from the Council's General Fund Reserve. Also some statutory charges to Council Tax are not proper accounting charges so need to be added back in before determining the contribution to/from the General Fund Balance. A much more detailed analysis of reserve movements is explained in the Council's Movement in Reserve Statement in the full Statement of Accounts.

(2) A negative figure represents a surplus on the Council's General Fund which is transferred to the General Fund Balance at year end.

**How our services are funded**

The net cost of providing services to Kirklees residents needs to be funded. There are several funding streams the Council uses to do this:

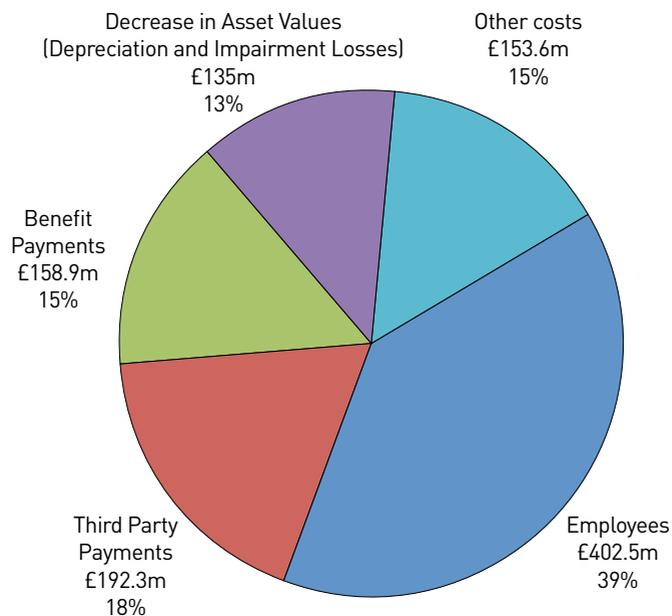
- It receives general grants from Government which are used to support all services, in contrast to service specific grants such as the Dedicated Schools Grants which must be spent on education.
- The Council is given a share of the national business rates pool by Government.
- Council Tax - a tax that the Council raises on local homes to support its services.

**Breakdown of income and expenditure by type**

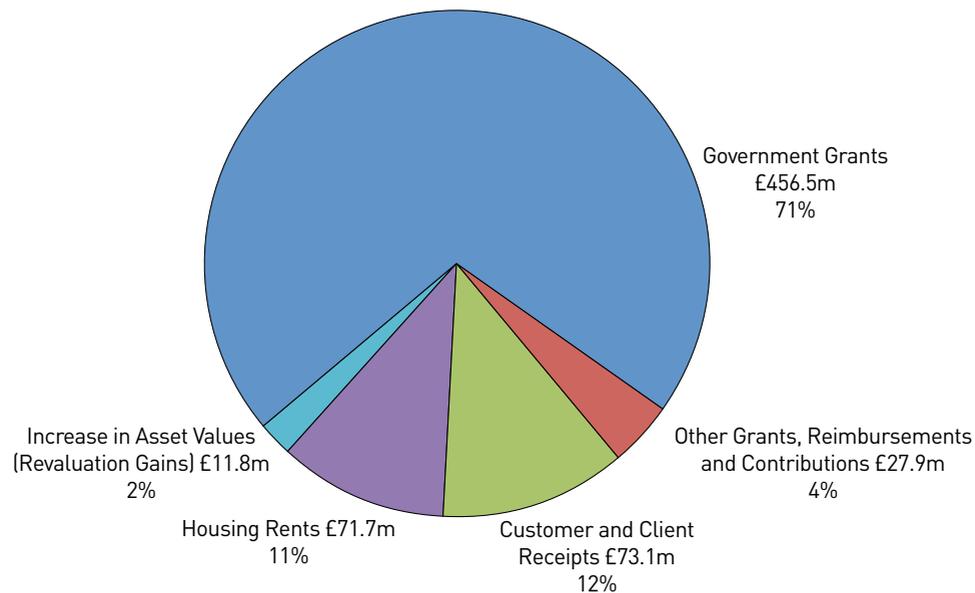
It is also useful to know the type of expenditure incurred as well as which service has spent it. The following graphs break down income and expenditure into categories relating to the nature of the income and expenditure. It should be noted that these graphs show the income and expenditure relating to service expenditure.

**Income and Expenditure**

**Breakdown of expenditure by type £1,042.3 million**



**Breakdown of Income by type £641.0 million**



**Capital Expenditure**

**Capital Expenditure**

Capital expenditure generally represents money spent by the Council on purchasing, upgrading and improving assets such as buildings and roads. The Council and the community as a whole benefits from capital expenditure over a long period of time. Capital expenditure is shown on the Balance Sheet as Long Term Assets. Over the lifetime of an asset its cost is charged to revenue as its value decreases through use. This cost will be represented in the Income and Expenditure Statement as depreciation.

Capital Expenditure by Service	£ million
Children's and Education Services	29.9
Housing	27.9
Highways	14.9
Planning and Regulatory	7.5
Support and Trading	6.4
Cultural	3.0
Environment	1.7
Redundancy costs	1.3
Adults	0.2
<b>Total Capital Expenditure</b>	<b>92.8</b>

Capital expenditure is funded by grants, borrowing, receipts from the sale of assets, as well as revenue contributions. Kirklees is allowed to borrow to invest in assets as long as any borrowing does not breach the Council's prudential borrowing limits.

Sources of Finance	£ million
Government Grants and Other Contributions	38.8
Borrowing	27.5
Revenue Contributions and Reserves	23.6
Capital Receipts	2.9
<b>Total Capital Expenditure</b>	<b>92.8</b>

**Financial Position (Balance Sheet)****Financial Position of the Council**

The Balance Sheet presents the financial position of the Council at 31 March 2012. It shows what the Council owns (assets) and what it owes (liabilities) as well as the amount held in reserves (equal to assets less liabilities).

	£ million
<b>Assets – What Kirklees Owns</b>	
Property & Equipment	1,836.5
Other long term assets	6.0
Monies owed to the Council	93.0
Cash, investments & stocks	29.5
	1,965.0
<b>Liabilities – What Kirklees Owes</b>	
Borrowing	582.5
Monies owed by the Council	102.1
Pension scheme (1)	628.1
	1,312.7
<b>Net Worth of the Council</b>	<b>652.3</b>
<b>Financed by usable reserves:</b>	
General Fund Balance	30.1
Housing Revenue Account (HRA) Balance	33.2
Capital Receipts (used to pay off debt or acquire new assets)	3.6
Major Repairs (used to support HRA capital expenditure)	10.2
Capital Grants Unapplied	16.3
Earmarked Reserves (2)	79.2
	172.6
<b>Unusable reserves (3)</b>	<b>479.7</b>
<b>Total Council Reserves</b>	<b>652.3</b>

- (1) This represents the Council's net liabilities from its share of the pension fund assets and the commitment of the Council to pay future retirement benefits.
- (2) Earmarked reserves are kept to cover specific areas of activity and risk. They are also used to carry forward surpluses and deficits to following years for very specific areas, e.g. schools balances and grants.
- (3) Unusable reserves support fixed assets and pensions on the balance sheet and are therefore not available for use.

**Cash Flow****Cash Flow**

All organisations require cash to be able to function. The following statement shows how the Council's cash balance (including very short term financial assets) changed in the financial year 2011/12.

	£ million
Net Deficit on the Provision of Services	116.3
Adjustments for non cash movements (1)	-196.6
Adjustment for items in Net Deficit that are investing or financing activities	33.6
<b>Net cash flow from Operating Activities</b>	<b>-46.7</b>
Investing Activities (mainly from purchase and sale of fixed assets)	33.8
Financing Activities (mainly from taking out new and paying off existing borrowing)	28.5
<b>Net decrease in Cash and Cash Equivalents</b>	<b>15.6</b>
<b>Cash and Cash Equivalents at 1 April 2011</b>	<b>27.5</b>
<b>Cash and Cash Equivalents at 31 March 2012</b>	<b>11.9</b>

- (1) Some items are reversed out of the cash flow statement as they have no cash effect in 2011/12. For example a building on the Balance Sheet is recognised as an expense though depreciation when the economic benefit is received rather than the year in which the asset is purchased.

**Housing Revenue Account****Housing Revenue Account (HRA)**

The Council owns over 23,000 dwellings. The Housing Revenue Account by law must be kept separate from the Council's General Fund Reserve and be accounted for as a separate fund. This prevents Council Tax being used to subsidise council housing or visa versa.

Housing Revenue Account	£ million
<b>Income</b>	
Council House Rents	70.2
Other Income	1.7
	<b>71.9</b>
<b>Expenditure</b>	
Repairs & Maintenance	16.6
Supervision & Management	15.5
Depreciation & Revaluation/Impairment Losses	37.7
Payment to Government for Negative Subsidy	3.3
Other Costs	5.5
	<b>78.6</b>
<b>Deficit for the year</b>	<b>6.7</b>
Capital Charges and other Adjustments	-8.6
Contribution to HRA balance	<b>-1.9</b>

The increase in housing rent in 2011/12 was 5.9% (2010/11 1.0%), in line with the Government's recommended rent rise.

The level of housing rent arrears were:

31st March 2011 - £5.0m

31st March 2012 - £4.5m

The HRA Balance (£33.2 million) will be used to help sustain a balanced HRA revenue position over the medium to longer term.

**Collection Fund****Collection Fund**

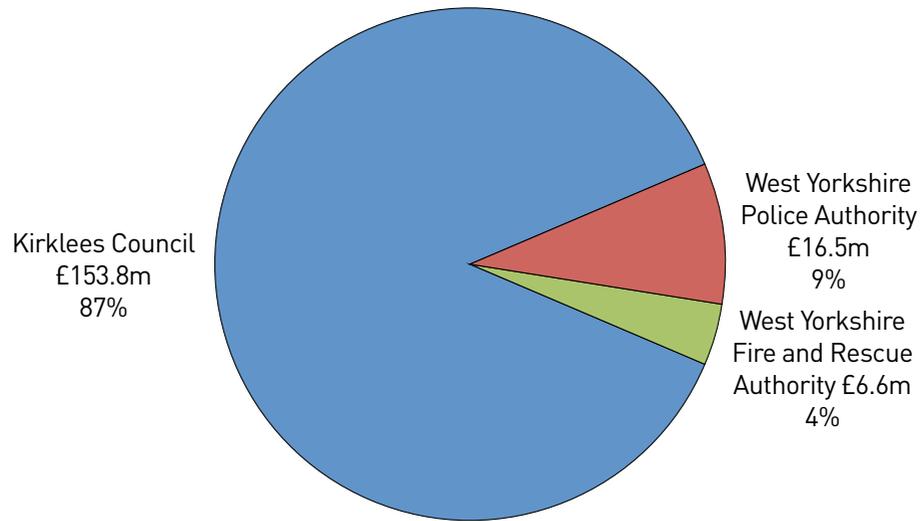
Kirklees Council collects Council Tax on behalf of other precepting authorities (West Yorkshire Police and West Yorkshire Fire and Rescue Authority) as well as itself. Council Tax is a residential property tax based on a series of property valuation bandings. In order to manage this arrangement the Council operates a Collection Fund.

The Collection Fund also collects National Non Domestic Rates (NNDR) on behalf of Central Government. The amount that local businesses pay is calculated by applying the multiplier set by Central Government to their rateable value. NNDR is redistributed to local authorities based on local need.

This year the Collection Fund showed income collected from Council Tax and Benefits at £178.9m and National Non-Domestic Rates at £99.3m.

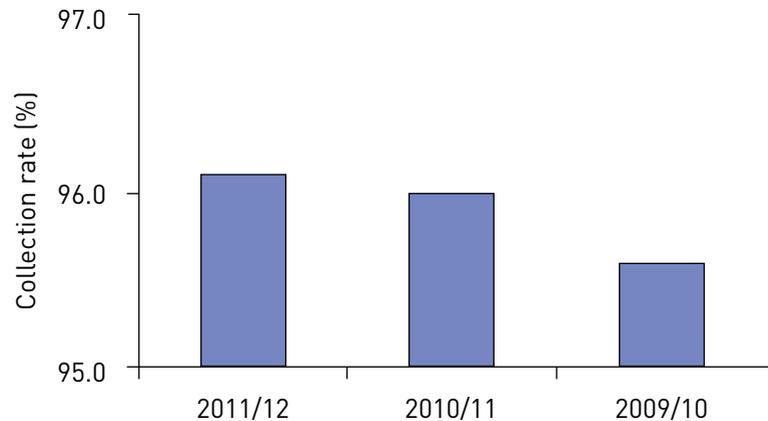
Council Tax was distributed from the Collection Fund to the Council £153.8m, West Yorkshire Police Authority £16.5m and West Yorkshire Fire and Rescue Authority £6.6m in accordance with their budget demands. There was no Council Tax increase in 2011/12.

**Collection Fund Distribution of Council Tax**



The level of arrears for Council Tax as at 31 March 2012 was £12.4 million, compared with £12.8 million as at 31 March 2011.

**Collection Rates for Council Tax**



**Further Information**

The focus of this document is to make our accounts more accessible to all our key stakeholders - including:

- Service Users
- Council Tax payers
- Council Tenants
- Business Rates payers
- Employees
- Suppliers
- Anyone who has a general interest in our financial position and performance

As such we would like to hear from you. If you have any further comments or queries regarding this document please contact Finance Risk and Performance on **01484 221171** or by email to **tim.mitchell@kirklees.gov.uk**

Our Statement of Accounts can be found on our website along with other useful financial documents, such as our budget, capital plan and previous years Summary Accounts:

<http://www.kirklees.gov.uk/you-kmc/kmcbudget/budget.shtml>

**Capital Expenditure**

Expenditure on the acquisition of assets or expenditure that adds to and not merely maintains the value of assets.

**Collection Fund**

A separate statutory account under the provisions of the Local Government Finance Act 1988, showing the transactions in relation to National Non-Domestic Rates (NNDR) and Council Tax.

**Depreciation**

This represents the consumption of an asset over its useful life. If the cash cost of acquiring an asset was charged to revenue in one go, it would distort the year on year figures, and ignore the fact that the organisation has an asset which is generating service potential for the Authority.

**General Fund Reserve**

A reserve funded by Council Tax. The minimum level is set so that unforeseen risks can be dealt with, without additional outside resources. Some balances are also used to fund future year expenditure through the Council's Medium Term Financial Plan. Most costs will eventually be met by the General Fund through various statutory mechanisms, but are not chargeable to Council Tax in the current year. A full analysis of what has been charged to the General Fund can be seen in the Council's full Statement of Accounts. By law the Council is required to set a balanced budget for the General Fund and can not fund it through borrowing.

**International Financial Reporting Standards (IFRS)**

A set of standards developed globally to ensure that accounts compiled in one country will be comparable to those compiled in another. Most countries across the world now use IFRS, including the UK public sector which uses European Union Adopted IFRS adapted for use in the public sector.

**Reserve**

A reserve represents resources available to the Authority. Most reserves are unusable and support items on the Balance Sheet such as physical assets (e.g. Buildings) and future pension payments. Other usable reserves can be used and are separated out on the Balance Sheet. The total value of reserves equals the Council's total net worth to cover future expenditure and specific areas of risk.

**Revaluation Loss or Impairment**

The value of an asset may be revised down due to changes in market value, or due to an impairment resulting in a loss of service potential from the asset. Flood or fire damage are good examples of impairment. When this happens, depreciation would not fully reflect the loss, so an additional charge is put through the Income and Expenditure Statement.

**Revaluation Gains/Reversal of Impairment**

If a revaluation loss/impairment has been charged as expenditure, we are required to put any subsequent reversal to income. If the revaluation is not reversing a previous loss this amount is charged instead to the Revaluation Reserve as an unrealised gain.

**Third Party Payments**

Some council services are contracted out to third parties. Payments to these providers are classified as Third Party Payments.

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