

KIRKLEES METROPOLITAN COUNCIL

STATEMENT OF ACCOUNTS 2005/2006

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Introduction

I am pleased to introduce the Council's Statement of Accounts for 2005/06. These accounts demonstrate the Council's financial performance for the year ended 31 March 2006, and have been prepared in accordance with the accounting principles specified in the Code of Practice on Local Authority Accounting in the United Kingdom published by the Chartered Institute of Public Finance and Accountancy (CIPFA), which is a Statement of Recommended Practice (SORP).

The Statement of Accounts comprises:

- **An Explanatory Foreword** - provides a guide to the most significant matters reported in the accounts.
- **Statement of Responsibilities for the Statement of Accounts** - sets out the respective responsibilities of the Council and the Director of Finance for the accounts.
- **A Statement of Internal Control** - sets out a framework within which internal control is managed and reviewed, and the main components of the system, including the arrangements for internal audit.
- **The Statement of Accounting Policies** - explains the basis of the figures in the financial statements and the concepts and policies followed which underpin the accounts.
- **The Financial Statements** - explained below
- **Notes to the Accounts** - adds to and aids the interpretation of the individual statements.

The Financial Statements included are:

- **Consolidated Revenue Account** - shows the net cost for the year of the functions for which the Council is responsible and demonstrates how the cost has been financed from government grants and income from local taxpayers.
- **Consolidated Balance Sheet** - summarises the financial position of the whole Council and shows the value of the Council's assets and liabilities at the year-end.
- **Cash Flow** - summarises the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes.
- **Statement of Total Movements in Reserves** - brings together all the recognised gains and losses of the Council during the period.
- **Housing Revenue Account** - fulfils the statutory obligation to account separately for local authority housing provision as defined in particular in Schedule 4 of the Local Government and Housing Act 1989.
- **Collection Fund** - shows the income received from Council Tax and Non-Domestic Rates and the way in which this has been distributed to precepting authorities and the Council's General Fund.
- **Group Accounts** – consolidates accounting information to provide a complete picture of the Council's control over other entities.

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

There was no significant impact on these accounts from changes to the 2005 SORP with the exception of the introduction of the Landfill Allowances Trading Scheme. This scheme places a duty on waste disposal authorities to reduce the amount of biodegradable municipal waste disposed to landfill. Entries in the accounts in respect of this scheme are further explained in Note 8 of the notes to the Main Financial Statements.

There has been a material change in terms of the estimation technique used to calculate depreciation. In previous years, assets did not attract depreciation in the year of acquisition and the year of disposal. Similarly, depreciation was not recalculated on revalued assets until the year following revaluation. From 1 April 2005, depreciation is charged in the year of the asset's acquisition and disposal, and takes account of any effects of revaluation in the year. It is estimated

EXPLANATORY FOREWORD

that these changes have led to an additional depreciation charge in 2005/06 of £2.8 million (including £0.056 million for intangible assets). Also as a consequence, capital grant written down in line with the depreciation has increased in the year by an estimated £0.631 million.

There has also been a change in the discount factor used in the valuation of HRA properties which has resulted in a material fall in the opening balance sheet value of council dwellings. This is detailed in Note 7 on the HRA.

A number of prior year adjustments have been made to the Balance Sheet to correct omissions, fundamental errors and reclassifications of items from previous years. These are detailed in Note 10 to the notes to the Main Financial Statements.

Financial Performance

The Revenue Budget for 2005/06 was approved on 23 February 2005, following an extensive planning process which began in the summer of 2004. The Budget was set at £469.4 million (excluding parish precepts), after the planned use of General Fund balances of £0.2 million, delivering a Council Tax increase of 4.9%. The Budget priorities were a continued drive to invest in Education, increased spending on library books and investment in the Council Improvement Programme, a corporate initiative to secure change in a number of priority areas.

During the year, the Budget was increased by £3.0 million to take account of additional budgets agreed as part of the 2004/05 "Rollover" process. Subject to certain conditions, this is a process where unspent budgets in one year can be carried forward into following years.

Actual net revenue expenditure in 2005/06, totalled £446.9 million (including parish precepts of £0.383 million), allowing £8.1 million to be added to General Fund Balances, as detailed below:

	Original Estimate	Revised Estimate	Actual Expenditure	Variance from Revised Estimate
	£'000s	£'000s	£'000s	£'000s
Net cost of General Fund services	453,062	456,103	446,467	-9,636
Parish Precepts	383	383	383	0
	453,445	456,486	446,850	-9,636
Balances used (-)/ added to	-170	-3,211	8,145	11,356
Amounts met from government grants and local taxpayers	453,275	453,275	454,995	1,720

The underspending in the year was primarily due to the Education Service underspending on independent school fees, the teachers' insurance scheme for sickness absence and the release of resources from the Special Educational Needs and Local Management of Schools contingencies; savings on the cost of borrowing through lower than expected interest rates and delays in capital expenditure in 2004/05; and underspendings on central contingencies. The Council also received £1.7 million Local Authority Business Growth Incentives (LABGI) grant for which it had not budgeted. Although the Council has incurred unbudgeted expenditure of £11.0 million in the year relating to equal pay issues, this was effectively offset by transferring balances from certain earmarked reserves.

EXPLANATORY FOREWORD

The main areas of service revenue expenditure were:

	£'000s	%
Education	256,852	52.2
Social Services	121,215	24.7
Highways, Roads and Transport	27,155	5.5
Cultural, Environmental and Planning	67,309	13.7

Expenditure was financed by Revenue Support Grant (43.4%), Council Tax (27.7%), and National Non-Domestic Rates Pool (28.7%). The General Fund Balance at 31 March 2006 was £23.8 million, of which £5.0 million is required as the prudent minimum level. In addition, the Council has earmarked reserves of £24.3 million to cover specific areas of activity and risk. The balance on the Housing Revenue Account (HRA) increased during the year by £7.1 million to £32.3 million at 31 March 2006. This balance will be used in future years to support the decent homes programme.

Capital expenditure for 2005/06 totalled £158.5 million, which was £4.9 million less than the planned budget. The monies were spent in the following service areas:

	£'000s	%
Housing	78,755	49.7
Education	26,674	16.8
Social Services	11,359	7.2
Highways	17,087	10.8
Leisure	4,287	2.7
Environmental Services	2,568	1.6
Fleet Management	4,471	2.8
Economic Development	3,359	2.1
Information Technology	2,169	1.4
Other	7,815	4.9
	<u>158,544</u>	

The capital programme was financed by borrowing (68.1%), grants and contributions (16.4%), capital receipts (5.8%), and the Major Repairs Reserve (8.5%). Largely due to the need to finance this capital expenditure, external borrowing for the year increased by £100.9 million to £430.1 million.

Further Information

The preparation of a Statement of Accounts is a statutory requirement and local authorities are required to have them approved by Members by 30 June and published with an Audit Certificate by 30 September following the end of the financial year. This Statement of Accounts was approved by the Council Business Committee at its meeting on 23 June 2006.

Acknowledgements

I wish to thank colleagues in the Strategic Finance Service and finance staff in other service areas for their hard work and commitment in completing this Statement of Accounts and all the supporting information.

R Hewitson, CPFA
Director of Finance

STATEMENT OF RESPONSIBILITIES AND CERTIFICATE

The Council's Responsibilities

The Council is required to:

- make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this council, that officer is the Director of Finance;
- manage its affairs to secure the economic, efficient and effective use of resources and safeguard its assets;
- approve the Statement of Accounts.

The Director of Finance's Responsibilities

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

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

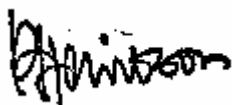
- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with the Code of Practice.

The Director of Finance has also:

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

Certificate

I certify that this Statement of Accounts presents fairly the financial position of Kirklees Metropolitan Council at 31 March 2006, and its income and expenditure for the year then ended.



R Hewitson, CPFA
Director of Finance

20 June 2006

I certify that this Statement of Accounts was approved by the Council Business Committee on 23 June 2006.



Chair, Council Business Committee

23 June 2006

STATEMENT ON THE SYSTEM OF INTERNAL CONTROL

Scope of Responsibility

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

In discharging this overall responsibility, the Council is also responsible for ensuring that there is a sound system of internal control, including internal audit, which facilitates the effective exercise of the Authority's functions and which includes arrangements for the management of risk.

The Purpose of the System of Internal Control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The system of internal control has been in place for the year ended 31 March 2006 and up to the date of approval of the Annual Report and Accounts.

The Internal Control Environment

The key elements of the internal control environment include:

- Corporate objectives and policies set by the Council and delivered by the Cabinet and Officers under delegated authority, in accordance with the Council's Constitution.
- Operational policies and statements, at Council-wide and Service level, including Financial Procedure Rules, Contract Procedure Rules, an Anti Fraud and Corruption Strategy, a Whistleblowing Policy, a Complaints Policy, Human Resource Management policies on, for example, recruitment & selection, absence management and equality and diversity. The Financial and Contract Procedure Rules are reviewed annually.
- Service Plan preparation, approval and monitoring, risk and business planning controls related to major developments and changes to activity, and target setting and performance monitoring, linked to the revenue budget process and in most Service areas to individual performance appraisal and assessment.
- A comprehensive methodology to identify and manage both corporate and Service specific risks.
- Systems for recording transactions.

Review of Effectiveness

The Council has responsibility for conducting, at least annually, a review of the effectiveness of the system of internal control and internal audit and for reporting the findings. The review of the effectiveness of the system of internal control is informed by the work of internal auditors and executive managers within the Authority who have responsibility for the development and maintenance of the internal control environment, and also by comments made by the external auditors and other review agencies and inspectorates. The review of the effectiveness of internal audit and the wider control environment is informed by the work of the external auditors and the Audit Committee.

The Cabinet also has responsibility for the Risk Management Strategy, as prepared and promoted by the Director of Finance and for reviewing the effectiveness of the overall arrangements. Last year's Statement identified the development and embedding of the Strategy and process as a "significant" issue for the Council to address. In the interim, a process has been implemented that is intended to identify potential business risk and appropriate control measures, both at Service and corporate level with named managers responsible for risk control and reporting on changes to corporate risk on a regular basis. Understanding of, and adherence to, the process has risen, although it still needs to be embedded further into operational and particularly project management.

STATEMENT ON THE SYSTEM OF INTERNAL CONTROL

The Cabinet and directors are responsible for effective performance management of the Council and for achieving compliance with financial and other targets and objectives set by the Council.

The Council's Internal Audit function reports to the Audit Committee which oversees its work. Internal Audit comments directly to Service Managers, Directors and the Cabinet on its findings. Other internal review and inspection agencies also monitor performance, policy and legislative compliance.

The Cabinet considers the advice of the external auditor and other review agencies.

Whilst no material issues were raised as part of the review of Internal Control in the Use of Resources section of the Comprehensive Performance Assessment (CPA) in 2005, the Council welcomed the further challenge of CPA2 as a means of continuing to measure its performance and identifying areas where performance could be improved. Whilst the Authority achieved an overall three star classification, the Review identified areas of weakness which the Council will address as part of its overall improvement plan.

We have been advised on the implications of the result of the annual review of the effectiveness of the system of internal control and internal audit, both by the corporate group that has formulated this Statement and by the Overview and Scrutiny Management Committee (acting as the Audit Committee), and a plan is in place to address weaknesses described in the Section below and to ensure continuous improvement of the systems.

Significant Internal Control Issues

Last year the Council reported a number of areas where it believed improvement was necessary to create a more robust internal control framework so as to help ensure its overall objectives and priorities are achieved and outlined how it planned to do so. The major issue was to address the overspending on Social Services and to revise the Medium Term Financial Plan (MTFP). This was developed during the autumn of 2005, culminating in the Council agreeing a new and robust MTFP in February 2006.

Considerable progress has been made in developing, improving and embedding the remainder of these priority areas, particularly risk management, to the extent that they are no longer viewed to be "significant" issues. However, further work is required to resolve the gaps identified in outstanding areas as follows:

- Whilst the Council's corporate governance arrangements are largely robust and continue to operate effectively, **a formal local Code of Corporate Governance** has yet to be adopted as planned. We are confident that all the pre-requisites of such a Code are encompassed in other documents, principally the Constitution but recognise the need shortly to codify and exemplify the Council's commitment to good governance and embed it into the culture of the organisation.
- The need for the development, implementation and monitoring of an integrated and comprehensive **Asset Management Strategy and Policy** has been recognised but as yet has not been realised. Increasing priority has been attached to this issue in the secondment of an Assistant Director to lead the project together with dedication of appropriate resources.
- The Council has refreshed its approach to **performance management** in response to the latest CPA in 2005. Performance Excellence across Kirklees (PEAK) will take time to become embedded within the organisation as a whole and it is too soon to obtain sufficient assurance on the amount of progress made, though monitoring and evaluation mechanisms are being put in place to do this across PEAK, building on the previous approach in this area. Performance monitoring has also been improved, with greater focus on those BVPI targets which may not be met.
- Whilst the additional priority and resources devoted to ensuring **the timeliness of submission of claims for government grant** have resulted in an improvement, the position will be monitored regularly by the Director of Finance, and systems and procedures are in place to ensure the improvement is maintained.

During the period covered by this Statement, specific concerns have been raised about the following new issues, and action taken as appropriate. More detail on some of the issues is included in the Council Performance Plan.

STATEMENT ON THE SYSTEM OF INTERNAL CONTROL

- Whilst improvements have been made in addressing budgetary pressures and financial control in the former Social Services specifically, and despite being robust in many respects, **the Council's overall processes for budgetary control do not at present adequately link performance, output and outcome data with financial information.** An approach to test how this may be done has already been undertaken and is being evaluated. The effectiveness of revised financial control procedures in Adult Services are being reviewed as a separate piece of work by Internal Audit.
- The Council's **Delegation Scheme**, that authorises officer decision making, is not currently underpinned sufficiently by clear, consistent, complete and accurate record keeping by all Heads of Service to account for many of the decisions taken. A review of this issue has commenced and its significance has been endorsed and emphasised by the Chief Executive.
- The reporting regime envisaged when **Contract Procedure Rules** were framed has not been introduced. Heads of Service were given greater autonomy in procurement decisions on the premise that this organisational risk would be mitigated by retrospective reporting to Members, to enhance both accountability and transparency concerning instances where discretion was exercised and exceptions to the normal methods were applied, as well as details of all procurements greater than £50,000.
- The Council's plans for improving its Information and Knowledge Management arrangements have been affected by budgetary pressures that have meant **the postponement of the proposed Kirklees Information Management System (KIMS).** Whilst it is believed that the current arrangements are largely robust, the failure to reap the benefits from KIMS to date may have had an impact upon the Council's aim of securing continuous improvement.
- The Council has an ambitious agenda for modernising and reforming many aspects of its human resources arrangements which is accompanied by a series of risks impacting upon its capacity and ability to maintain service delivery:
 - (i) A new **Recruitment and Selection Code of Practice** was introduced in the autumn to address both procedural and value for money issues with the previous system. As yet it is too soon to obtain reliable assurance on whether or not the planned benefits are being delivered and the controls are sufficiently robust to safeguard probity and fairness, although such a review is planned before the end of 2006.
 - (ii) In 2004 the Council agreed to establish a single pay scale and terms and conditions for most employees, excluding teachers, by April 2007. The **Pay and Reward Project** aims to ensure each job is properly and consistently evaluated so that all employees receive equal pay for work of equal value. Such a process of potentially fundamental change incorporates risks and challenges, and plans are being formulated to manage the change across the Council to maintain business continuity.
- The changing face of service delivery with greater emphasis on **partnership working** with a plethora of organisations and in a variety of settings has raised issues concerning governance and financial accountability and control which have yet to be resolved fully and will require further consideration to ensure the Council's position and reputation are protected as much as possible.

Overall, we are satisfied that all the Council's arrangements for internal control are at least adequate for their purpose. The improvements identified in this Statement will make our arrangements stronger.



R Vincent
Chief Executive



R Light
Leader of the Council

STATEMENT OF ACCOUNTING POLICIES

The accounts have been prepared in accordance with the requirements of the Code of Practice on Local Authority Accounting in the United Kingdom 2005. The Code has been approved as a Statement of Recommended Practice (SORP). The accounting convention adopted is historical cost, modified by the revaluation of certain categories of tangible fixed assets.

The accounts also comply with the Best Value Accounting Code of Practice (BVACoP). This Code establishes proper practice with regard to consistent financial reporting.

The following accounting concepts have been applied and policies adopted in preparing the financial accounts:

FUNDAMENTAL ACCOUNTING CONCEPTS

- (i) The financial statements, other than cash flow information, are prepared on an accruals basis. This means that revenue and capital expenditure and income are recognised in the accounts in the period in which they are incurred or earned, not as money is paid or received.
- (ii) Consistent accounting policies have been applied both within the year and between years unless otherwise identified.
- (iii) The accounts have been prepared on a going concern basis, that is on the assumption that the authority will continue in operational existence for the foreseeable future.
- (iv) The concept of materiality has been used such that insignificant items and fluctuations under an acceptable level of tolerance are permitted, provided in aggregate they would not affect the interpretation of the accounts.
- (v) Where specific legislative requirements and accounting principles conflict, legislative requirements are applied.

ACCOUNTING POLICIES

Capital Instruments

The accounts include narrative and numerical disclosures relating to its loan stock, in line with FRS13.

Contingent Assets and Liabilities

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

Deferred Charges

Deferred charges represent expenditure which may properly be capitalised, but which does not represent fixed assets. Deferred charges are written off to revenue in the year the expenditure is incurred. Examples of deferred charges include payments of improvement grants, internally developed computer software, and expenditure on schools not owned by the Council, principally Aided Schools.

Events after the Balance Sheet Date

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

Events after the balance sheet date are reflected up to the date when the Statement of Accounts were authorised for issue.

STATEMENT OF ACCOUNTING POLICIES

Exceptional Items, Extraordinary Items and Prior Year Adjustments

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

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

Material prior year adjustments arising from changes in accounting policies or from the correction of fundamental errors have been accounted for by restating the comparative figures in the financial statements and notes.

Grants and Contributions

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

Group Accounts

The Council has material interests in companies and other entities that require it to prepare group accounts. In the Council's own single-entity accounts, the interests in and transactions with companies and other entities are recorded as investments and under related party transactions respectively.

Intangible Assets

Expenditure on the acquisition of the intangible assets (software licences) are capitalised, brought onto the balance sheet at cost and are being amortised over the period benefit is received (between 3 and 10 years). Straight-line amortisation has been adopted and it is assumed that residual value is insignificant or nil. Intangible assets are reviewed annually for impairment.

All services are charged with a provision for amortisation and, where required, any related impairment loss, for all intangible assets used in the provision of the service. An amount equal to the amortisation charges and relevant impairment losses included in revenue accounts is credited to the Asset Management Revenue Account. Charges to HRA are amounts determined by statutory provision.

Investments

Investments are shown in the Consolidated Balance Sheet at cost or estimated value, if less, except that investments acquired for no consideration are shown at their nominal value.

Leases

The Council accounts for leases as finance leases when substantially all the risks and rewards relating to the leased items transfer to the authority. Rental payments are apportioned between the finance charge and the reduction of the outstanding lease obligation (deferred liability). Fixed assets recognised under finance leases are accounted for using policies applied to Tangible Fixed Assets.

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

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

Overheads

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

STATEMENT OF ACCOUNTING POLICIES

Pensions

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

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

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

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

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

Other Employees - Other employees, subject to certain qualifying criteria, are eligible to join the West Yorkshire Pension Fund, which is part of the national Local Government Pension Scheme (LGPS). This is a funded scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets over the long term.

FRS17 requires the following:

- the recognition of the net asset/ liability and a pensions reserve in the Consolidated Balance Sheet;
- current service (pensions) cost, past service costs, gains and losses on settlements and curtailments to be charged in the Net Cost of Services section of the Consolidated Revenue Account;
- interest cost (pensions) and expected return on assets to be charged in the Net Operating Expenditure section of the Consolidated Revenue Account;
- reconciling entries in the Consolidated Revenue Account (contributions to or from the Pensions Reserve) which ensures that FRS17 remains neutral in terms of its impact on Council Tax levels;
- actuarial gains and losses between years being recognised in the Statement of Total Movement in Reserves.

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

Liabilities largely comprise benefits promised under the formal terms of the pension schemes, but also include any discretionary benefits offered. The attributable liabilities of each scheme have been measured on an actuarial basis using the projected unit method. This method examines all the benefits for pensioners and deferred pensioners, and their dependents and the accrued benefits for current members of the scheme, making allowance for projected scheme member earnings. The valuation has been carried out by an actuary, in accordance with Guidance Note GN26 issued by the Faculty and Institute of Actuaries. Scheme liabilities have been discounted at a rate that reflects the time value of money and the characteristics of the

STATEMENT OF ACCOUNTING POLICIES

liability. For the 2005/06 accounts, a rate of 4.9% has been used, based on the current rate of return on a high quality corporate bond of equivalent currency and term to scheme liabilities.

The actuarial gains and losses, arising where actual events have not coincided with the actuarial assumptions made for the last valuation or where the actuarial assumptions have been changed, have been taken into account in the pensions liability.

The current service cost has been based on the most recent actuarial valuation at the beginning of the period, with the financial assumptions updated to reflect conditions at that date. Employee contributions during the period have been set off against the current service cost. Discretionary benefits, particularly added years, awarded on early retirement have been treated as past service costs. Where settlements or curtailments have arisen, a calculation has been carried out of the net pension asset/ liability before and after the event to determine the net movement attributable to the changes arising from the settlement or curtailment.

Interest cost was based on the discount rate mentioned above and the present value of scheme liabilities at the beginning of the period, reflecting any changes in the liabilities during the year. Actuarial advice was sought in setting expected rates of return on assets.

Explanations of many of the above terms can be found in the glossary.

Private Finance Initiatives (PFIs)

The authority accounts for Private Finance Initiative contracts in accordance with Application Note F of FRS5, which specifies that properties used to provide services under PFI contracts, should be recognised as an asset by whichever party has access to the risks and benefits of the property. Having assessed existing contracts, the authority has concluded that assets in the contracts do not have to be recognised on its balance sheet. All payments made under the contract are therefore charged to the revenue account.

Those assets which have been contributed to PFI contracts by the Council are accounted for as deferred consideration, which is charged to the revenue account over the life of the contract.

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

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

Provisions

Provisions have been made in the accounts for liabilities or losses which are likely to be incurred or certain to be incurred, but uncertain as to the amounts or dates on which they will arise. Provisions are charged to the relevant service account and reviewed annually to determine their appropriateness. The main provision is for insurance claims. The insurance provision represents most likely liabilities, determined in light of advice from actuaries.

Provisions for Bad and Doubtful Debts

The carrying amount of debtors is adjusted for provisions for doubtful debts, and known uncollectable debts have been written off in full. The main provisions are for debts relating to Council Tax, Non-Domestic Rates and Housing Rents. At least 44% of all outstanding debts on Council Tax and Non-Domestic Rates that are less than a year old is provided for, and this factor is increased for every year of outstanding debt until all debts over seven years are fully provided for. The Housing Rents' bad debt provision has been calculated on the basis of 20% of all current tenants' arrears and 90% of all former tenants' arrears being provided for.

STATEMENT OF ACCOUNTING POLICIES

Repurchase of Borrowing

As the repurchase of borrowing has been coupled with a restructuring of borrowing with substantially the same overall economic effect, gains or losses are recognised in the Consolidated Revenue Account over the life of the replacement borrowing.

Reserves

These are amounts set aside for purposes falling outside the definition of provisions. The Council has both Capital and Revenue Reserves, some of which can be used to support expenditure and others which have been established for other purposes. The Landfill Allowance Trading Reserve and the FRS17 Pensions Reserve cannot be called upon to support spending. The Usable Capital Receipts Reserve is a reserve established for specific statutory purposes. The Major Repairs Reserve is required by statutory provision, established in relation to the HRA. The Earmarked Reserves have been set up to support specific items of capital and revenue expenditure. The General Fund Balance can be used to meet both capital and revenue expenditure.

Stocks and Work in Progress

Stocks are shown in the Consolidated Balance Sheet at historic cost, except for Building Services' stocks which are valued at current replacement cost. Work in progress is shown at current cost, including overheads.

Tangible Fixed Assets

Recognition and Measurement -

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

Property assets, excluding those of the HRA, are revalued by means of a five year rolling programme which was last completed, with the exception of a few properties, in 2004/05. HRA properties are valued annually. Valuations are carried out on the basis recommended by CIPFA and in accordance with the Statements of Asset Valuation Principles and Guidance Notes issued by the Royal Institution of Chartered Surveyors (RICS). Assets are classified into the groupings required by the Code and are valued in the Balance Sheet on the following bases:

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

Depreciation and Impairment -

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

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

There has been a material change in terms of the estimation technique used to calculate depreciation. In previous years, assets did not attract depreciation in the year of acquisition and the year of disposal. Similarly, depreciation was not recalculated on revalued assets until the year following revaluation. From 1 April 2005, depreciation is charged in the year of the asset's acquisition and disposal, and takes account of any revaluation in the year. It is estimated that these changes have led to an additional depreciation charge on tangible fixed assets of £2.7 million in 2005/06.

STATEMENT OF ACCOUNTING POLICIES

Assets have been reviewed for any material impairment loss. Those arising as a result of a consumption of economic benefits have been recognised in service revenue accounts and the Asset Management Revenue Account. Other impairments reflecting a general movement in prices are recognised in the Fixed Asset Restatement Account.

Disposals -

Any income (capital receipts), above the de minimis set by regulation (currently £10,000), from the disposal of fixed assets is credited to the Usable Capital Receipts Reserve. A proportion of capital receipts from housing sales is required to be paid over to Central Government. The amount due is charged to the Net Operating Cost section of the Consolidated Revenue Account and the same amount appropriated from the Usable Capital Receipts Reserve and credited to the Appropriations section of the Consolidated Revenue Account.

Upon disposal, the net book value of the asset disposed of is written off against the Fixed Asset Restatement Account.

Charges to Revenue for the Use of Fixed Assets -

All services are charged with a capital charge and where required, any related impairment loss, for all fixed assets used in the provision of services. The total charge covers the annual provision for depreciation plus a capital financing charge determined by applying a specified notional rate of interest to net asset values. The notional rate of interest for 2005/06 was 3.5% for assets valued at current value and 4.95% for assets carried at historic cost. The net charge made to the HRA is an amount equivalent to the statutory capital financing charges.

External interest payable and the provision for depreciation are charged to the Asset Management Revenue Account, which is credited with capital and impairment charges to services. Capital charges therefore have a neutral impact on the amounts required to be raised from local taxation.

In accordance with FRS4, interest costs of debt have been allocated to financial years over the term of the debt at a constant rate. Any interest accrued has been added to the carrying amount of the loan.

Amounts set aside from revenue for the repayment of external loans and to finance capital expenditure are disclosed separately as appropriations, on the face of the Consolidated Revenue Account, below net operating expenditure.

Value Added Tax

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

CONSOLIDATED REVENUE ACCOUNT

2004/05		2005/06	
Net Expenditure		Net Expenditure	Note
£'000s		£'000s	
233,474	Education	256,852	
108,841	Social Services	121,215	
17,209	Housing	17,252	
22,129	Highways, Roads and Transport	27,155	
62,704	Cultural, Environmental and Planning	67,309	
6,606	Central Services to the Public	6,384	
1,008	Courts	357	
340	Other Services	448	
6,941	Corporate and Democratic Core	7,622	
2,010	Non-distributed Costs	-12,913	2(ii)/6
461,262	Net Cost of Services	491,681	1/2(i)
10,997	Precepts and Levies	12,404	3
229	Net Surplus (-)/ Deficit of Trading Operations	16	4
-3,820	Interest and Investment Income	-3,812	
1,353	Non-operational Assets	2,031	
-29,908	Asset Management Revenue Account	-33,194	5
704	Losses on the repurchase of borrowing	647	
15,115	Contribution of Housing Capital Receipts to Pool	11,931	
3,391	Pensions interest cost and expected return on pensions assets	5,370	6
459,323	Net Operating Expenditure	487,074	
10,285	Transfer to HRA balances	7,147	
10,696	Transfers to /from (-) Earmarked Reserves	-14,761	
-117	Transfer from Major Repairs Reserve	-179	
-16,528	Transfer from Capital Financing Account	-20,906	7
-15,115	Transfer from Usable Capital Receipts	-11,931	
-12,695	Movement on the Pensions Reserve	-1,101	6/2(ii)
0	Transfer to Landfill Allowances Reserve	1,507	8
435,849	Amounts to be met from government grants and local taxpayers	446,850	
-199,430	General Government Grants	-197,543	9
-117,258	Demand on the Collection Fund	-125,988	
-108,802	Contribution from Non-Domestic Rate Pool	-130,416	
-854	Transfers from the Collection Fund	-1,048	
-9,505	Net General Fund Surplus/ Deficit (-) for Year	8,145	
25,163	Balance on General Fund at 1 April	15,658	
15,658	Balance on General Fund at 31 March	23,803	

MAIN FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEET

31 March 2005			31 March 2006		Note
Original £'000s	Restated (note 10) £'000s		£'000s	£'000s	
		Fixed Assets			11-15
887	887	Intangible		1,006	
1,281,066	1,281,066	Tangible		1,429,853	
0	0	Deferred Charges		0	16
56,862	56,862	Deferred Consideration		59,907	
1,836	1,836	Long Term Investments		3,825	17
10,065	10,065	Long Term Debtors		11,449	18
1,350,716	1,350,716	Total Long Term Assets		1,506,040	
		Current Assets: -			
1,739	1,739	Stocks and Work in Progress	1,980		
58,352	58,352	Debtors	57,058		19
0	0	Landfill Allowances	2,662		8
47,600	47,600	Investments	44,775		
11,305	11,305	Cash and Bank	11,641	118,116	
1,469,712	1,469,712			1,624,156	
		Current Liabilities: -			
-37,385	-2,385	Short Term Borrowing	-4,420		21
0	0	Landfill Usage	-1,155		8
-82,887	-84,680	Creditors	-81,983	-87,558	
1,349,440	1,382,647	Total Assets Less Current Liabilities		1,536,598	
-291,779	-326,779	Long Term Borrowing		-425,653	21
0	-4,924	Deferred Liabilities		-5,089	23
-19,890	-19,890	Provisions		-21,428	20
-268,603	-268,603	Net liability related to defined benefit pension scheme		-260,970	24
769,168	762,451	Total Assets Less Liabilities		823,458	25
789,284	790,396	Fixed Asset Restatement Account		843,773	27
82,674	77,519	Capital Financing Account		68,061	26
7,000	7,000	Usable Capital Receipts Reserve		7,000	28
270	270	Deferred Credits		240	
69,611	69,611	Grants-Deferred Account		80,912	29
8,628	8,628	Capital Grants Unapplied		6,847	
-5,069	-5,069	Deferred Premiums		-6,154	30
0	0	Landfill Allowance Trading Reserve		1,507	8
-268,603	-268,603	FRS17 Pensions Reserve		-260,970	31
0	0	Major Repairs Reserve		0	
41,017	39,090	Earmarked Reserves		24,329	32
15,658	15,658	General Fund Balance		23,803	
25,941	25,194	Housing Revenue Account Balance		32,341	
2,757	2,757	Collection Fund Balance		1,769	
769,168	762,451	Net Worth		823,458	

MAIN FINANCIAL STATEMENTS

CASH FLOW STATEMENT

2004/05 £'000s		2005/06 £'000s	2005/06 £'000s	Note
	Revenue Activities			
	Cash Outflows: -			
395,010	Cash paid to and on behalf of employees	433,122		
238,494	Other operating cash payments	243,134		
28,278	Housing benefit paid out	28,484		
11,730	Payments to Capital Receipts Pool	12,175		
17,154	Precepts and Collection Fund surplus paid to non-billing authorities	18,423		
81,382	NNDR payments to national pool	81,239	816,577	
772,048	Total Payments			
	Cash Inflows: -			
33,528	Rents (after rebates)	33,344		
117,806	Council Tax receipts	123,097		
74,840	Non-domestic rate receipts	68,269		
108,720	NNDR receipts from national pool	130,222		
199,431	Revenue Support Grant	194,272		
97,995	DWP grants for benefits	77,321		
112,220	Government and other grants	135,352		33
62,728	Cash received for goods and services	65,781		
22,983	Other operating cash receipts	23,058	850,716	
830,251	Total Receipts			
58,203	Net cash inflow from Revenue Activities		34,139	34
	Returns on Investments and Servicing of Finance			
	Cash Outflows: -			
21,747	Interest paid	24,469		
1	Interest element of finance lease rentals	25		
	Cash Inflows: -		24,494	
3,620	Interest and dividends received		3,851	
18,128	Net cash outflow from Investments and Servicing of Finance		20,643	

MAIN FINANCIAL STATEMENTS

CASH FLOW STATEMENT (continued)

2004/05 £'000s		2005/06 £'000s	2005/06 £'000s	Note
	Capital Activities			
	Cash Outflows: -			
117,701	Purchase of fixed assets	136,234		
13,905	Deferred charges	16,083		
0	Deferred consideration	5,084		
0	Premium on early repayment	1,732		
0	Long term investments	2,000	161,133	
	Cash Inflows: -			
29,115	Sale of fixed assets	22,012		
28,473	Capital grants received	23,037		
610	Other capital cash receipts	377	45,426	
73,408	Net cash outflow from Capital Activities		115,707	
-33,333	Net cash outflow(-) before Financing		-102,211	35
	Management of Liquid Resources			
7,450	Net cash inflow from short term investments		2,825	36
	Financing			
	Cash Outflows: -			
17,500	Repayments of amounts borrowed (long term)	30,098		
72,878	Repayments of amounts borrowed (short term)	146,228		
0	Finance Lease Principal	67		
0	Repayment of transferred debt	230	176,623	
	Cash Inflows: -			
47,500	New loans raised (long term)	128,081		
74,044	New loans raised (short term)	148,263	276,344	
31,166	Net cash inflow from Financing		99,721	37
5,283	Increase in Cash		335	38

STATEMENT OF TOTAL MOVEMENTS IN RESERVES

31 March 2005			31 March 2006		Note
Original £'000s	Restated £'000s		£'000s	£'000s	
-9,505	-9,505	General Fund Surplus	8,145		
10,285	10,285	Housing Revenue Account Surplus	7,147		
1,873	1,873	Collection Fund	-988		
10,695	10,695	Movement on Earmarked Reserves	-14,761		32
-12,695	-12,695	Appropriation from Pensions Reserve	-1,101		6
-148,865	-148,865	Actuarial gains and losses relating to pensions	8,734		31
0	0	Landfill Allowances – creation of reserve	1,507		
-148,212	-148,212	Total increase/decrease(-) in revenue resources		8,683	
894	894	Increase in Usable Capital Receipts	0		28
651	651	Increase/decrease(-) in Unapplied Capital Grants	-1,781		
-433	-433	Deferred Credits	-30		
704	704	Deferred Premiums	-1,085		
1,816	1,816	Total increase/decrease(-) in realised capital resources		-2,896	
184,913	184,913	Gains on revaluation and adjustments of fixed assets	67,288		27
184,913	184,913	Total unrealised increase in fixed assets		67,288	
-16,099	-16,099	Value of assets sold, decommissioned and realised		-13,911	27
5,556	5,776	Movement on Capital Financing Account	-9,458		26
13,454	13,454	Movement on Grants Deferred Account	11,301		29
-4,786	-4,786	Movement on Major Repairs Reserve	0		
14,224	14,444	Total increase in amounts set aside to finance capital investment		1,843	
36,642	36,862	Total Movements in Reserves		61,007	

NOTES TO THE MAIN FINANCIAL STATEMENTS

1 Net Cost of Services

This note provides further analysis of the net cost of services, analysing net expenditure into gross expenditure and income, as required by the SORP.

	2005/06		
	Gross Expenditure	Income	Net Expenditure
	£'000s	£'000s	£'000s
Education	349,026	92,174	256,852
Social Services	165,557	44,342	121,215
Housing	172,634	155,382	17,252
Highways, Roads and Transport	38,967	11,812	27,155
Cultural, Environmental and Planning	105,171	37,862	67,309
Central Services to the Public	36,769	30,385	6,384
Courts	357	0	357
Other Services	3,625	3,177	448
Corporate and Democratic Core	7,639	17	7,622
Non-distributed Costs	0	12,913	-12,913
	879,745	388,064	491,681

Other Services represent support services which aim to achieve a breakeven position or a non-material surplus/ deficit.

2 Exceptional Items

- (i) The Council has incurred £11.0 million in 2005/06 (2004/05 £7.1 million) relating to equal pay issues. This includes a provision of £8.9 million to meet possible claims for compensation.
- (ii) Changes to the Local Government Pension Scheme due to take effect on 1 April 2006 have been taken into account as an adjusting post Balance Sheet Event (the changes were known before the Balance Sheet date). The changes allow members to take a higher lump sum than the standard basis by commuting part of their pension. The actuary has assumed that 50% of members will take up the option to increase their lump sum to the maximum. This assumption is purely an estimate, but it is consistent with the basis on which potential cost savings have been so far estimated. The effect of the change in 2005/06 is a £16.9 million credit to Non-distributed Costs and a compensating debit to Movement on the Pensions Reserve.

3 Precepts and Levies

The following precepts and levies fall within the Council's net operating expenditure:

2004/05		2005/06
£'000s		£'000s
349	Parish Precepts	383
10,582	West Yorkshire Passenger Transport Authority	11,994
66	Environment Agency	27
10,997		12,404

NOTES TO THE MAIN FINANCIAL STATEMENTS

4 Trading Accounts

The Council carries out the following trading operations:

2004/05 Surplus (-)/ Deficit £'000s		Expenditure £'000s	2005/06 Income £'000s	Surplus (-) /Deficit £'000s
72	Cleaning of Buildings	6,378	6,225	(*) 153
144	Building Services	48,767	48,618	(*) 149
-54	Highways Direct Services	16,548	16,556	(*) -8
56	Legal Services	4,504	4,468	36
91	Estates Management	9,308	9,334	(*) -26
-130	Transport Services	11,184	11,476	-292
0	School & Welfare Catering	12,914	12,702	(*) 212
50	Other Services	4,193	4,401	-208
229		113,796	113,780	16
In addition the following trading activities are included within the net operating expenditure: -				
-53	Building Control	1,079	1,156	-77
-174	Commercial Estates	2,365	2,491	-126
-245	Markets	2,794	2,892	-98
-472		6,238	6,539	-301

(*) these figures are shown after the following refunds and additional charges:

Highways Direct Services - £0.600 million refund to Highways

Building Services - £0.183 million additional charge to the HRA

Estates Management - £0.375 million refund to various services

Cleaning of Buildings - £0.581 million additional charges to various services

School & Welfare Catering - £2.737 million additional charges to Education

The additional charges made by Cleaning of Buildings and School & Welfare Catering reflect the effects on these trading services of the equal pay issue.

5 Asset Management Revenue Account

Service accounts are charged with a capital charge and, where required, any related impairment loss, for all fixed assets used. The total charge covers the annual provision for depreciation plus a capital financing charge determined by applying the appropriate notional rate of interest to net asset values. For 2005/06, the rates are 3.5% for assets at current cost and 4.95% for assets at historical cost. The purpose of the Asset Management Revenue Account is to ensure that capital charges made to service revenue accounts do not impact on the level of Council Tax or Housing Rents, and that the Council's accounts are charged only with true capital financing costs.

2004/05 £'000s		2005/06 £'000s
	Income	
42,499	Capital Charges – General Fund	55,014
39,658	Housing Revenue Account	40,916
4,017	Transfer from Grants (Deferred) Account	4,702
86,174		100,632
	Expenditure	
34,376	Provision for Depreciation and Impairment	41,202
21,888	External Interest Charges	26,211
2	Finance Lease Interest	25
-29,908	Net Income	-33,194

NOTES TO THE MAIN FINANCIAL STATEMENTS

6 Pensions

As part of the terms and conditions of employment of its employees, the Council offers retirement benefits. Although these 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.

Teachers employed by the Council are members of the Teachers' Pension Scheme, administered by the Teachers' Pensions Agency. It provides teachers with defined benefits upon their retirement, and the authority contributes towards the costs by making contributions based on a percentage of members' pensionable salaries. In 2005/06, the Council paid £15.0 million (2004/05 £14.3 million) to the Pensions Agency in respect of teachers' retirement benefits, representing 13.5% (2004/05 13.5%) of pensionable pay.

Under FRS17, the Council is required to make certain disclosures regarding the following defined benefit pension schemes it is involved in:-

- The Local Government Pension Scheme (LGPS) – a funded scheme administered by the West Yorkshire Pension Fund whereby the Council and employees pay contributions into a fund, calculated at a level intended to balance the pensions' liabilities with investment assets in the long term.
- Teachers' Discretionary Benefits (Teachers) – unfunded payments made by the Council in respect of added years awarded to teachers who have already retired.

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 of the Consolidated Revenue Account after Net Operating Expenditure. The following transactions have been made in the Consolidated Revenue Account during the year:

2004/05				2005/06		
LGPS £'000s	Teachers £'000s	Total £'000s		LGPS £'000s	Teachers £'000s	Total £'000s
27,900	0	27,900	Current service cost	32,379	0	32,379
364	1,694	2,058	Past service cost	-16,479	3,236	-13,243
42,821	1,767	44,588	Interest cost	48,601	1,797	50,398
-41,197	0	-41,197	Expected return on assets in the scheme	-45,028	0	-45,028
-11,822	-873	-12,695	Movement on pensions reserve	1,207	-2,308	-1,101
18,066	2,588	20,654	Actual amount charged against council tax for pensions in the year	20,680	2,725	23,405

Note 24 details the assumptions made in estimating the figures included in this note. Note 31 details the estimates made in preparing figures for previous years that have had to be revised (e.g. the expected return on investments).

The figures for past service cost should equate to figures in the Consolidated Revenue Account for Non-distributed Cost. However, because of differences arising between actual current service costs charged in the accounts and the actuary's calculations of current service costs based on estimates, a resulting balancing figure is also put to this line.

NOTES TO THE MAIN FINANCIAL STATEMENTS

7 Transfer from Capital Financing Account

As with the Asset Management Revenue Account, certain transfers are required from the Capital Financing Account in order that the Council's Consolidated Revenue Account is charged only with the real cost of capital financing. Included in this is an amount required by statute to be set aside for the redemption of external debt (the Minimum Revenue Provision).

2004/05 £'000s		2005/06 £'000s
8,132	Minimum Revenue Provision (MRP)	8,937
321	Voluntary set aside from revenue in excess of MRP	1,227
-20,910	Amount charged as depreciation and impairment	-27,518
-12,457		-17,354
-7,896	Write down of Deferred Charges (net of grants)	-8,631
4,017	Write down of Capital Grants	4,702
-192	Write down of Deferred Consideration	-867
0	Direct Revenue Financing	1,244
-16,528	Transfer from Capital Financing Account	-20,906

8 Landfill Allowances Trading Scheme

The Waste and Emissions Trading Act 2003 places a duty on waste disposal authorities to reduce the amount of biodegradable municipal waste (BMW) disposed to landfill. Consequently, the Landfill Allowances Trading Scheme which was launched on 1 April 2005 requires authorities to hold sufficient allowances to cover the amount of BMW disposed. Where an authority wishes, it can buy and sell allowances, but where insufficient allowances are held an authority is subject to a £150 per tonne penalty. The Council was allocated 131,787 tonnes allowances for the year 2005/06 and it is estimated that it has only landfilled 57,192 tonnes in the year. The authority has not traded any allowances in the year. The value of the allowances has been based on the weighted average value of allowances traded in the year (as defined by the Department of Environment Food and Rural Affairs) as £20.20 per tonne. The balance, an amount of £1.5 million, has been transferred to a Landfill Allowances Trading Reserve.

9 General Government Grants

These grants are revenue government grants that do not relate to the performance of a specific service.

2004/05 £'000s		2005/06 £'000s
199,430	Revenue Support (RSG)	194,799
0	Revenue Support – Amending Report adjustment	-527
0	Local Public Service Agreement (LPSA) Performance Reward	1,620
0	Local Authority Business Growth Incentives (LABGI)	1,651
199,430		197,543

NOTES TO THE MAIN FINANCIAL STATEMENTS

10 Prior Period Adjustments

The following prior year adjustments have been made to the opening Balance Sheet Figures:

- When West Yorkshire Metropolitan County Council was abolished in March 1986, the Council was given shares and a debenture relating to Leeds/Bradford Airport. These were brought into the accounts as investments, with a corresponding credit entry in Earmarked Reserves. This has now been corrected by crediting Fixed Asset Restatement Account by £1.1 million and correspondingly reducing Earmarked Reserves.
- On the abolition of, and transfer of responsibility for, certain West Yorkshire Joint Committees dating from March 2000, outstanding debt liabilities should have been recognised in the Council's accounts but unfortunately were omitted. This has been corrected by crediting Deferred Liabilities and Creditors with a total of £5.2 million and debiting the Capital Financing Account.
- In line with FRS4, it is now considered more appropriate to class Lender Option Borrower Option loans (LOBOs) which are in their variable period, as long-term rather than short-term borrowing. This has required a restatement of £35.0 million from short-term to long-term borrowing.
- SORP guidelines state that developers' contributions for a revenue-type agreement should be held as receipts in advance until used. £0.8 million of these contributions held in Earmarked Reserves in the 2004/05 accounts have been moved to Creditors (receipts in advance) in line with this guidance.
- £0.7 million has been transferred from HRA Balances to Creditors. This relates to rent rebates subsidy income incorrectly accrued by HRA before the responsibility for rent rebates was transferred to the General Fund in 2004/05.

11 Movement in Intangible Assets 2005/06

<u>Cost or Valuation</u>	Purchased software licences £'000s
1 April 2005	1,463
Adjustments	0
Additions	454
31 March 2006	1,917
<u>Depreciation and Impairment</u>	
1 April 2005	576
Adjustments	0
Charge for Year	335
31 March 2006	911
<u>Net Book Value</u>	
1 April 2005	887
31 March 2006	1,006

NOTES TO THE MAIN FINANCIAL STATEMENTS

12 Movement in Tangible Fixed Assets 2005/06: Operational

	Council Dwellings £'000s	Other Land and Buildings £'000s	Vehicles, Plant and Equipment £'000s	Infra-structure Assets £'000s	Community Assets £'000s	Total Assets £'000s
<u>Cost or Valuation</u>						
1 April 2005	681,495	464,444	8,457	149,154	1,125	1,304,675
Additions	72,454	24,833	7,969	17,158	565	122,979
Revaluations and Adjustments	-15,548	39,378	321	-162	-692	23,297
Disposals	-10,794	-431	-24	0	0	-11,249
Assets sub-let	0	0	-658	0	0	-658
31 March 2006	727,607	528,224	16,065	166,150	998	1,439,044
<u>Depreciation and Impairment</u>						
1 April 2005	15,354	35,341	1,007	41,647	127	93,476
Revaluations and Adjustments	-15,354	-7,847	321	0	-127	-23,007
Charge for Year	14,752	16,281	2,008	7,698	0	40,739
Disposals	0	-56	-22	0	0	-78
31 March 2006	14,752	43,719	3,314	49,345	0	111,130
<u>Net Book Value</u>						
1 April 2005	666,141	429,103	7,450	107,507	998	1,211,199
31 March 2006	712,855	484,505	12,751	116,805	998	1,327,914

Community Assets include parks and numerous museum exhibits, each of which has been given a nominal value of £1.

13 Movement in Tangible Fixed Assets 2005/06: Non-Operational

	Investment Properties £'000s	Assets Under Construction £'000s	Surplus Assets £'000s	Total Assets £'000s
<u>Cost or Valuation</u>				
1 April 2005	59,670	6,635	3,562	69,867
Additions	2,062	11,806	75	13,943
Revaluations and Adjustments	23,723	-6,167	3,427	20,983
Disposals	-1,252	0	-1,476	-2,728
31 March 2006	84,203	12,274	5,588	102,065
<u>Depreciation and Impairment</u>				
1 April 2005	0	0	0	,0
Charge for Year	0	0	126	126
31 March 2006	0	0	126	126
<u>Net Book Value</u>				
1 April 2005	59,670	6,635	3,562	69,867
31 March 2006	84,203	12,274	5,462	101,939

NOTES TO THE MAIN FINANCIAL STATEMENTS

14 Summary of Capital Expenditure and Sources of Finance

2004/05 £'000s		2005/06 £'000s
	<u>Capital Expenditure</u>	
118,406	Tangible Fixed Assets	136,923
159	Intangible Assets	454
13,889	Deferred Charges	16,083
0	Deferred Consideration	5,084
<u>132,454</u>		<u>158,544</u>
	<u>Sources of Finance</u>	
74,498	Borrowing	108,047
12,084	Capital Receipts	9,124
28,804	Capital Grant	25,966
18,135	Major Repairs Reserve	13,504
0	Revenue	1,244
0	Finance Leases	659
-1,067	Other	0
<u>132,454</u>		<u>158,544</u>

15 Fixed Asset Valuation

With the exception of HRA properties, all properties are being revalued on a five year rolling programme. The valuations for non-housing properties for 2005/06 were completed by S D Bell MRICS, Principal Property Management Surveyor, Kirklees Metropolitan Council. The revaluations of council dwellings and other housing assets for 2005/06 were completed by the District Valuer. The valuations were in accordance with RICS guidance and are prepared on the following assumptions:

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

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

NOTES TO THE MAIN FINANCIAL STATEMENTS

The following statements show the progress of the Council's rolling programme for the revaluation of fixed operational and non-operational assets. The basis for valuation is set out in the statement of accounting policies on pages 13.

	Operational Fixed Assets					
	Council Dwellings	Other Land and Buildings	Vehicles, Plant and Equipment	Infra-structure Assets	Community Assets	Total Assets
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
Valued at historical/nominal cost			5,440	99,647	998	106,085
Valued at current value in: -						
2005/06	712,855	122,380	7,311	17,158		859,704
2004/05		109,636				109,636
2003/04		36,722				36,722
2002/03		96,260				96,260
Pre 2002/03		119,507				119,507
Total	712,855	484,505	12,751	116,805	998	1,327,914

	Non-Operational Fixed Assets			
	Investment Properties	Assets Under Construction	Surplus Assets	Total Assets
	£'000s	£'000s	£'000s	£'000s
Valued at historical cost		12,274		12,274
Valued at current value in: -				
2005/06	29,731		2,393	32,124
2004/05	8,013		2,034	10,047
2003/04	19,529		19	19,548
2002/03	9,745		102	9,847
Pre 2002/03	17,185		914	18,099
Total	84,203	12,274	5,462	101,939

NOTES TO THE MAIN FINANCIAL STATEMENTS

16 Deferred Charges

In line with the current SORP, all deferred charges are written off in the year in which they are incurred. The following were written off in the financial year 2005/06.

2004/05		2005/06
£'000s		£'000s
0	Balance at 1 April	0
	Expenditure: -	
5,961	Improvement Grants	4,885
7,928	Other Grants, Aided/ PFI Schools and Software	11,198
-13,889	Amounts written off to Capital Financing Account	-16,083
0	Balance at 31 March	0

17 Long Term Investments and Companies

The Council holds the following long term investments:

31 March 2005		31 March 2006
£'000s		£'000s
1,112	Leeds Bradford International Airport	1,100
163	Kirklees School Services	163
555	Kirklees Henry Boot Partnership	555
0	Money Market investment	2,000
6	Other	7
1,836		3,825

Many of the details of the Council's investments in companies are included in the section on Group Accounts on pages 60 - 73. However, the Council has two further material interests, details of which are included below. Details of any transactions between the Council and these companies are given in additional disclosure note H.

i) Leeds Bradford International Airport Limited

The principal activity of the Company is that of operating a regional and international airport. The Council holds 1 million of ordinary shares out of a total shareholding of 15 million shares of £1 each. In addition the Council holds £100,280 of 10.25% Loan Stock. The latest published information on the company's financial position is as follows:

year ending 31/03/04	Information from published accounts: -	year ending 31/03/05
£'000s		£'000s
35,862	Company net assets	36,540
2,628	Profit for year before tax	1,267
1,792	Profit for year after tax	873
420	Dividend paid	195

Copies of the accounts of the Company can be obtained from The Company Secretary, Leeds Bradford International Airport Ltd, Leeds, LS19 7TU.

NOTES TO THE MAIN FINANCIAL STATEMENTS

ii) Kirklees Active Leisure

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

year ending 31/03/04 £'000s		year ending 31/03/05 £'000s
168	Company net assets	163
168	Net movement in Funds (income over expenditure)	163

Copies of the accounts can be obtained from the Company Secretary, Stadium Business and Leisure Complex, Stadium Way, Huddersfield, West Yorkshire, HD1 6PG.

18 Long Term Debtors

31 March 2005 £'000s		31 March 2006 £'000s
302	Mortgages	250
7,365	PFI transactions residual value - see note L(iv)	8,537
680	Waste Management SSA Issue	604
752	Car Purchase Loans	637
22	Home Computer Initiative	395
357	Charges on Property for Residential Care	382
798	Other	854
10,276		11,659
211	Less Bad Debt Provision	210
10,065	Net Provision for Long Term Debtors	11,449

NOTES TO THE MAIN FINANCIAL STATEMENTS

19 Short Term Debtors

31 March 2005* £'000s		31 March 2006 £'000s
	<u>Collection Fund</u>	
20,798	Debtors	26,117
14,198	Less Bad Debt Provision	13,888
6,600		12,229
	<u>Housing Rents</u>	
4,334	Debtors	3,951
1,650	Less Bad Debt Provision	1,672
2,684		2,279
	<u>Other</u>	
5,827	Government Grants	5,204
5,755	VAT	5,619
45,403	Miscellaneous Debtors	38,396
7,917	Less Bad Debt Provision	6,669
49,068		42,550
	<u>Total</u>	
82,117	Debtors	79,287
23,765	Less Bad Debt Provision	22,229
58,352	Net Provision for Short Term Debtors	57,058

*The Collection Fund figures have been restated from the 2004/05 published accounts to include debtors of £4.627 million and bad debt provision of £2.862 million relating to National Non-Domestic Rates. Correspondingly, the equivalent figures for Miscellaneous Debtors have been reduced.

20 Provisions

Provisions have been made for the following issues:

31 March 2005 £'000s		Additions in Year £'000s	Utilised £'000s	31 March 2006 £'000s
11,935	Insurance Claims, not insured	1,301	-1,397	11,839
7,100	Equal Pay Compensation	8,880	-7,100	8,880
649	Section 117 of the Mental Health Act 1983	10	-19	640
206	Other	42	-179	69
19,890		10,233	-8,695	21,428

The Insurance provision covers Employers Liability, Public Liability, Motor, Fire and Miscellaneous risks. The main risks that have not been insured and where no provision exists are possible claims for Third Party Asbestos and Environmental Impairment (Pollution).

Provision has been made to meet compensation payments arising from equal pay claims from certain groups of employees.

The House of Lords ruled in 2001 that local authorities do not have the power to charge for aftercare for persons discharged from compulsory detention under Section 117 of the Mental Health Act 1983. The provision relates to likely refunds for care charges dating back to the original legal ruling.

NOTES TO THE MAIN FINANCIAL STATEMENTS

21 Borrowing

The analysis below shows the Council's borrowing by type and by maturity period:

31 March 2005 £'000s		31 March 2006 £'000s
Analysis of loans by type		
254,796	Public Works Loan Board	322,779
6,983	Stock	6,983
67,385	Banks and other financial institutions	100,311
329,164	Total Borrowing	430,073
Analysis of loans by maturity		
<u>Short term borrowing</u>		
21	Long term loans maturing within one year	21
2,364	Temporary loans	4,399
2,385		4,420
<u>Long term borrowing</u>		
0	Between 1 and 2 years	0
24,098	Between 2 and 5 years	23,000
68,593	Between 5 and 10 years	64,593
30,000	Between 10 and 15 years	32,000
139,088	More than 15 years	210,169
65,000	LOBOs	95,891
326,779		425,653
329,164	Total Borrowing	430,073

The Council has £95.9 million of debt outstanding in the form of Lender Option Borrower Option loans (LOBOs), which includes £0.9 million of accrued interest as a result of accounting for stepped interest LOBOs at a constant rate. Of the remaining total, £35.0 million is currently exposed to variable rates through lender options, and £60.0 million in a fixed period before lender options become effective. Of those currently in a fixed period, £10 million will become variable in 2006/07, £10 million in 2008/09, £10 million in 2009/10, £10 million in 2010/11 and £20 million in 2015/16. If lenders exercise their option to raise interest rates, then the Council has the option to agree to the new rate or repay the loan (at no extra cost). One LOBO of £10 million has a maximum maturity date of 7 years, one of £5 million 13 years, and the rest in excess of 15 years.

22 Capital Instruments

The Council has £6.983 million of redeemable loan stock issued in 1982 with the purpose of financing capital expenditure. The stock is actively traded on the Stock Exchange but has a fixed rate of interest of 11.6%. The stock will be redeemed at par on 1 December 2031, unless previously cancelled by its purchase in the open market or by agreement with stockholders.

The stock and interest thereon is secured on the revenues of the Council and ranks equally with existing and future debt.

NOTES TO THE MAIN FINANCIAL STATEMENTS

23 Deferred Liabilities

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

31 March 2005			31 March 2006
Original £'000s	Restated £'000s		£'000s
0	0	Finance Lease obligations	388
0	4,924	Former Joint Committees' debt	4,701
0	4,924		5,089

24 Disclosure of Net Pensions Liability

Note 6 details the Council's participation in the Local Government Pensions Scheme (LGPS) (administered by the West Yorkshire Pension Fund) and the Teachers Discretionary Benefits Scheme in providing employees with retirement benefits. The underlying assets and liabilities for retirement benefits attributable to the Council are as follows:

31 March 2005				31 March 2006		
LGPS £'000s	Teachers £'000s	Total £'000s		LGPS £'000s	Teachers £'000s	Total £'000s
-891,189	-34,645	-925,834	Estimated liabilities in scheme	-1,050,848	-38,614	-1,089,462
657,231	0	657,231	Estimated assets in scheme	828,492	0	828,492
-233,958	-34,645	-268,603	Net pensions liability	-222,356	-38,614	-260,970

Liabilities have been assessed for the LGPS following the approach set out by CIPFA. The assumptions are based on those adopted during the latest full actuarial valuation of the West Yorkshire Pension Fund at 31 March 2006. W Mercer, an independent firm of actuaries, has undertaken this work, plus the assessment of the liabilities relating to the Teachers' Unfunded Discretionary Benefits. The value of the unfunded liabilities relating to the LGPS is £31.6 million (2004/05 £30.5 million).

The main assumptions used in the calculations are:

2004/05			2005/06	
LGPS %	Teachers %		LGPS %	Teachers %
2.90	2.90	Rate of inflation	2.90	2.90
4.65	n/a	Rate of increase in salaries	4.65	n/a
2.90	2.90	Rate of increase in pensions	2.90	2.90
5.40	5.40	Rate for discounting scheme liabilities	4.90	4.90

There are no assets to cover the liabilities of Teachers' Discretionary Benefits. Assets in the LGPS are valued at fair value and consist of the following categories by proportion:

NOTES TO THE MAIN FINANCIAL STATEMENTS

2004/05			2005/06		
Split between categories %	Expected rate of return %		Split between categories %	Expected rate of return %	
74.9	7.5	Equity investments	73.9	7.0	
10.6	4.7	Government Bonds	6.9	4.3	
2.0	5.4	Other Bonds	4.8	4.9	
5.3	6.5	Property	5.1	6.0	
7.2	4.8	Cash/ liquidity	6.2	4.5	
0.0	n/a	Other	3.1	7.0	
<u>100.0</u>			<u>100.0</u>		

25 Analysis of Net Assets Employed

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

31 March 2005			31 March 2006
Original £'000s	Restated £'000s		£'000s
422,395	418,260	General Fund	393,409
389,092	386,524	Housing Revenue Account	480,252
-42,319	-42,333	Trading Undertakings	-50,203
<u>769,168</u>	<u>762,451</u>		<u>823,458</u>

26 Capital Financing Account

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

2004/05			2005/06
Original £'000s	Restated £'000s		£'000s
77,118	71,743	Balance at 1 April	77,519
0	220	Adjustment	0
-16,528	-16,528	Appropriations	-20,906
12,084	12,084	Capital Receipts applied	9,124
5,340	5,340	Write down of capital grants	2,511
-9	-9	Write down of long term debtors	-8
4,669	4,669	Housing Resource Accounting	-179
<u>82,674</u>	<u>77,519</u>	Balance at 31 March	<u>68,061</u>

NOTES TO THE MAIN FINANCIAL STATEMENTS

27 Fixed Asset Restatement Account

The Fixed Asset Restatement Account principally represents the difference between the valuation of assets under the previous system of capital accounting and subsequent revaluations. The Account will be increased and decreased by the surpluses or deficits arising on future valuations, and written down by the book value of assets as they are disposed of. The Fixed Asset Restatement Account is not available to meet revenue or capital expenditure.

2004/05			2005/06
Original	Restated		
£'000s	£'000s		£'000s
620,470	621,593	Balance at 1 April	790,396
184,913	184,913	Revaluations and Adjustments	67,288
-16,099	-16,110	Disposals	-13,911
<u>789,284</u>	<u>790,396</u>	Balance at 31 March	<u>843,773</u>

28 Usable Capital Receipts Reserve

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

2004/05			2005/06
£'000s			£'000s
6,106		Balance at 1 April	7,000
28,093		Capital receipts received	21,055
-15,115		Payments to Government Pool transferred to Consolidated Revenue Account	-11,931
<u>19,084</u>			<u>16,124</u>
-12,084		Capital receipts applied in year	-9,124
<u>7,000</u>		Balance at 31 March	<u>7,000</u>

29 Grants-Deferred Account

Grants relating to fixed assets are credited to a Grants-Deferred Account and released to the Asset Management Revenue Account over the useful life of the asset. Grants relating to expenditure on Deferred Charges are written off to the Capital Financing Account.

2004/05			2005/06
£'000s			£'000s
56,157		Balance at 1 April	69,611
28,804		Grants received in year	25,966
		Amounts written off: -	0
-4,017		Asset Management Revenue Account	-4,702
-11,333		Capital Financing Account	-9,963
<u>69,611</u>		Balance at 31 March	<u>80,912</u>

30 Deferred Premiums

Certain long term loans have been replaced prematurely and replaced in order to improve the Council's debt portfolio. In accordance with the SORP, premiums and discounts arising on the early settlement of borrowing, coupled with a refinancing with substantially the same overall economic effect, are being written off to revenue over the life of the replacement borrowing. Premiums are shown net of discounts.

NOTES TO THE MAIN FINANCIAL STATEMENTS

31 FRS17 Pensions Reserve

The movement in the pensions reserve for the year is as follows:

2004/05				2005/06		
LGPS	Teachers	Total		LGPS	Teachers	Total
£'000s	£'000s	£'000s		£'000s	£'000s	£'000s
-77,419	-29,624	-107,043	Balance at 1 April	-233,958	-34,645	-268,603
18,066	2,588	20,654	Pension cost payable to Pension Fund	20,680	2,725	23,405
-144,717	-4,148	-148,865	Actuarial gain/ loss (-)	10,395	-1,661	8,734
-29,888	-3,461	-33,349	Reversal of FRS17 entries	-19,473	-5,033	-24,506
<u>-233,958</u>	<u>-34,645</u>	<u>-268,603</u>	Balance at 31 March	<u>-222,356</u>	<u>-38,614</u>	<u>-260,970</u>

The actuarial gains/ losses can be analysed into the following categories, measured as absolute amounts and as a percentage of assets or liabilities:

	31 March 2003		31 March 2004		31 March 2005		31 March 2006	
	LGPS		LGPS		LGPS		LGPS	
	£'000s	%	£'000s	%	£'000s	%	£'000s	%
Difference between the expected and actual return on assets	-168,011	-34.4	78,745	13.2	36,187	5.5	120,259	14.5
Differences between actuarial assumptions about liabilities and actual experience	0	0	0	0	-25,533	-2.9	-23,600	-2.2
Changes in assumptions underlying the present value of pension liabilities	0	0	0	0	-155,371	-17.4	-86,264	-8.2
	<u>-168,011</u>	<u>-34.4</u>	<u>78,745</u>	<u>13.2</u>	<u>-144,717</u>	<u>-16.2</u>	<u>10,395</u>	<u>1.0</u>

	31 March 2003		31 March 2004		31 March 2005		31 March 2006	
	Teachers		Teachers		Teachers		Teachers	
	£'000s	%	£'000s	%	£'000s	%	£'000s	%
Differences between actuarial assumptions about liabilities and actual experience	-799	-2.9	-831	-2.8	-436	-1.3	0	0
Changes in assumptions underlying the present value of pension liabilities	0	0	0	0	-3,712	-10.7	-1,661	-4.3
	<u>-799</u>	<u>-2.9</u>	<u>-831</u>	<u>-2.8</u>	<u>-4,148</u>	<u>-12.0</u>	<u>-1,661</u>	<u>-4.3</u>

It should be noted that actuarial calculations involve estimates based on assumptions about events and circumstances in the future, which may mean that the result of actuarial calculations will be affected by uncertainties within a range of possible values.

NOTES TO THE MAIN FINANCIAL STATEMENTS

32 Earmarked Reserves

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

31 March 2005			31 March 2006
Original £'000s	Restated £'000s		£'000s
10,202	10,202	Local Management of Schools	9,212
5,271	5,271	Standards Fund	5,976
6,048	6,048	Education Public Private Partnership (PPP)	0
1,264	1,264	Asylum Seekers	561
815	0	Public Open Spaces	0
2,640	2,640	Capital Fund	0
1,784	1,784	Insurance Fund	2,301
6,218	6,218	Pensions Reserve	1,724
325	325	Books Reserve	24
809	809	Gulleys Reserve	0
2,200	2,200	Local Public Service Agreement (LPSA) Reserve	1,815
608	608	Planning Delivery Reserve	684
527	527	Revenue Support Grant Reserve	0
0	0	Equal Pay	923
2,306	1,194	Other	1,109
41,017	39,090		24,329

- The Local Management of Schools Reserve relates to individual school balances/deficits carried forward to following years under the terms of the Education Reform Act 1988. The balance at 31 March 2006 represents 171 schools with cumulative balances of £10.423 million (176 schools and £11.394 million at 31 March 2005) and 23 schools with cumulative deficits amounting to £1.211 million (19 schools and £1.192 million at 31 March 2005).
- The Standards Fund Reserve represents underspendings against Standards Fund allocations for 2005/06 and will be used to supplement future spending on Education.
- The Education PPP Reserve was established to equalise the flow of central government grant support to the schools refurbishment project over the life of the contract. The mechanism for paying the grant was changed recently which has meant that this reserve is no longer required.
- The Asylum Seekers Reserve has been set up with the aid of government funding to fund future expenditure on Asylum Seekers.
- The Public Open Spaces Reserve has been re-classified as Receipts in Advance (Creditors).
- The Capital Fund represents monies set aside to finance future capital expenditure.
- The Insurance Fund covers risks that have not been insured and provides a reserve for worse case scenarios, over and above the Insurance Provision which is based on likely outcomes.
- The Pensions Reserve has been set up to meet the capitalised costs of unfunded pensions.
- The Books Reserve is to be used for investment in the libraries' book stock.
- The Gulleys Reserve represents monies set aside for a programme of gully repairs and to reduce the risks of flooding and longer-term damage to highways structures.
- The LPSA Reserve represents partner organisations' share of Performance Reward Grant which is to be reinvested to achieve further improved performance by both the Council and the partners.
- The Planning Delivery Reserve has been set up to introduce new systems to deliver high quality cost effective planning services.
- The Equal Pay Reserve has been established to cover further costs arising from the settlement of equal pay claims, including legal and personnel costs.

NOTES TO THE MAIN FINANCIAL STATEMENTS

33 Government and Other Grants Received

The actual cash received in respect of Government and other grants is detailed below:

2004/05 £'000s		2005/06 £'000s
6,745	Housing Revenue Account Subsidy	10,418
17,955	Education Standards Fund	21,794
11,282	Supporting People	10,650
7,697	Learning and Skills Council Sixth Form Grant	7,727
7,426	Teachers Pay Reform	8,514
7,340	School Standards Grant	7,682
116	Mandatory Student Awards	89
3,002	Preserved Rights Grant	2,299
1,091	Children's Social Services Grant	1,345
1,511	Single Regeneration Budget	391
1,502	European Community Grants	1,044
11,304	Private Finance Initiative	9,135
2,802	Magistrates' Courts	0
900	Promoting Independence	1,326
2,996	Neighbourhood Renewal Fund	2,992
3,251	Building Care Capacity Grant	4,120
2,843	Residential Allowance	1,471
2,051	Digital TV/ E-innovations	2,927
1,831	Asylum Seekers	1,731
1,358	Neighbourhood Nursery Initiative	715
0	Performance Reward Grant	1,620
0	Local Authority Business Growth Incentives	1,651
400	Young Peoples Substance Misuse Partnership	430
2,944	General Surestart Grant	5,795
806	Job Centre Plus	1,572
2,496	Housing Benefit and Council Tax Administration	3,139
562	Neighbourhood Management Pathfinder	599
10,009	Other Grants	24,176
112,220		135,352

NOTES TO THE MAIN FINANCIAL STATEMENTS

34 Reconciliation of Net Movement on Consolidated Revenue Account to Revenue Activities Cash Flow

This reconciliation identifies items included within the revenue accounts that do not result in cash flows under the revenue activities in the statement.

2004/05 £'000s		2005/06 £'000s
	Surplus/ deficit (-) for the year: -	
-9,505	General Fund	8,145
10,285	Housing Revenue Account	7,147
1,873	Collection Fund	-988
10,696	Earmarked Reserves	-14,761
18,128	Interest	21,533
-15,115	Capital Receipts paid to Consolidated Revenue Account	-11,931
	Non-cash transactions: -	
0	Direct Revenue Financing	1,244
13,349	Major Repairs Reserve	13,504
8,453	Amounts set aside to repay debt	10,164
7,682	Provisions including those for bad debts	48
0	Waste Management SSA Issue	75
0	Accounting for LOBOs in line with FRS4	891
704	Premiums	647
	Items on an accruals basis: -	
27	Increase(-)/decrease in stock	-241
-4,421	Increase(-)/decrease in revenue debtors	2,810
16,047	Increase/decrease(-) in revenue creditors	-4,148
58,203	Net Cash Inflow from Revenue Activities	34,139

35 Analysis of Net Cashflow to Movement in Net Debt

2004/05 Change £'000s		1 April 2005 £'000s	31 March 2006 £'000s	2005/06 Change £'000s
5,283	Increase in cash in period			335
-7,450	Cash used decrease(-) liquid resources			-2,825
90,378	Cash used to repay debt			176,556
-121,544	New loans			-276,344
0	Cash used to repay leasing obligations			67
-33,333	Change in net debt			-102,211
0	Increase in finance leasing obligation			-658
-33,333				-102,869
-242,079	Net debt at beginning of period			-275,412
-275,412	Net debt at end of period			-378,281

NOTES TO THE MAIN FINANCIAL STATEMENTS

2004/05 Change £'000s		1 April 2005 £'000s	31 March 2006 £'000s	2005/06 Change £'000s
	Analysis of changes in net debt			
5,283	Cash in Hand/ Bank	11,306	11,641	335
-30,000	Long Term Borrowing	-326,779	-425,653	-98,874
0	FRS4 adjustment	0	891	891
-1,166	Short Term Borrowing	-2,385	-4,420	-2,035
0	Deferred Liabilities, including those due in the next 12 months	-5,154	-5,515	-361
-7,450	Investments	47,600	44,775	-2,825
<u>-33,333</u>		<u>-275,412</u>	<u>-378,281</u>	<u>-102,869</u>

36 Analysis of Changes in Management of Liquid Resources

2004/05 Change £'000s		1 April 2005 £'000s	31 March 2006 £'000s	2005/06 Change £'000s
	Short Term Investments: -			
7,450	Repayable within 12 months	47,600	44,775	2,825

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

37 Analysis of Changes in Financing

2004/05 Change £'000s		1 April 2005 £'000s	31 March 2006 £'000s	2005/06 Change £'000s
30,000	Long Term Borrowing	-326,779	-425,653	98,874
0	FRS4 adjustment	0	891	-891
1,166	Short Term Borrowing	-2,385	-4,420	2,035
0	Deferred Liabilities, including those due in the next 12 months	-5,154	-5,515	361
0	New finance lease obligation	0	658	-658
<u>31,166</u>		<u>-334,318</u>	<u>-434,039</u>	<u>99,721</u>

38 Changes in Cash

2004/05 Change £'000s		1 April 2005 £'000s	31 March 2006 £'000s	2005/06 Change £'000s
2,344	Cash in Hand	2,996	6,784	3,788
6,006	Bank Overdraft	0	0	0
-3,067	Deposits repayable on demand	8,310	4,857	-3,453
<u>5,283</u>		<u>11,306</u>	<u>11,641</u>	<u>335</u>

ADDITIONAL FINANCIAL STATEMENTS

HOUSING REVENUE ACCOUNT

Original 2004/05 £'000s	Restated 2004/05 £'000s		2005/06 £'000s	Note
		Income		
59,379	59,379	Dwelling rents (gross)	59,676	
651	651	Non-dwelling rents (gross)	618	
292	292	Charges for services and facilities	209	
1,328	1,328	Contributions towards expenditure	978	
7,180	7,180	HRA subsidy receivable (including MRA)	10,939	2
68,830	68,830	Total Income	72,420	
		Expenditure		
17,436	17,436	Repairs and maintenance	19,173	
13,979	13,979	Supervision and management	15,379	
3,030	3,030	Special services	2,861	
408	408	Rent, rates, taxes and other charges	132	
0	0	Rent rebates	302	
499	499	Increased provision for bad debts	439	
24,342	24,342	Cost of capital charge	25,985	3
15,315	15,315	Depreciation and impairment	14,931	4
54	54	Debt management costs	92	
75,063	75,063	Total Expenditure	79,294	
6,233	6,233	Net Cost of Services	6,874	
-15,683	-15,683	Net income on Asset Management Revenue Account	-14,003	3
411	411	Amortised premiums and discounts	346	
-1,129	-1,129	Interest and investment income	-1,429	
-10,168	-10,168	Net Operating Expenditure	-8,212	
0	0	Revenue Contribution to capital expenditure	1,244	
-117	-117	Transfer from Major Repairs Reserve	-179	5
10,285	10,285	Net surplus	7,147	
15,656	14,909	Balance at 1 April	25,194	
25,941	25,194	Balance at 31 March	32,341	

ADDITIONAL FINANCIAL STATEMENTS

NOTES TO THE HOUSING REVENUE ACCOUNT

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

2 Breakdown of HRA Subsidy Received

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

2004/05 £'000s		2005/06 £'000s
9,761	Allowance for Management	11,339
18,805	Allowance for Maintenance	20,478
13,349	Allowance for Major Repairs	13,504
20,417	Charges for Capital	20,571
-137	Rent Rebates	0
-54,949	Guideline Rent Income	-54,903
-66	Interest on Receipts	-50
7,180	Total HRA Subsidy	10,939

3 Resource Accounting

The net cost of the HRA is charged with a capital charge determined by applying a notional rate interest of 3.5% to the value of operational assets and where required, any related impairment loss for the use of fixed assets used in the provision of the service.

However, because there is an overriding requirement for the HRA to have capital charges determined in accordance with statute, the cost of capital charge and any impairment charge are reversed out within the Asset Management Revenue Account below the net cost of services and replaced by a statutorily calculated Item 8 Debit. The Item 8 Debit comprises interest payable on debt. For 2005/06, the interest charge was £13.2 million (2004/05 £10.5 million).

4 Depreciation and Impairment

The Council has adopted the Major Repairs Allowance (MRA) as a measure of depreciation for its dwellings. The MRA equates to the annual cost of maintaining the properties over a thirty year period.

An impairment charge of £1.2 million (£1.8 million 2004/05) is included within the HRA in respect of housing stock demolished for the purpose of regeneration.

5 Major Repairs Reserve

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

2004/05 £'000s		2005/06 £'000s
4,786	Balance at 1 April	0
-18,135	Capital Expenditure	-13,504
-117	Depreciation – non-dwellings	-179
13,466	Transfer to the reserve	13,683
0	Balance at 31 March	0

ADDITIONAL FINANCIAL STATEMENTS

6 Movement in HRA Fixed Assets

	Council Dwellings £'000s	Other Land and Buildings £'000s	Non- operational Assets £'000s	Total Assets £'000s
<u>Cost or Valuation</u>				
1 April 2005	681,495	3,123	8,820	693,438
Additions	72,454	0	0	72,454
Revaluations and Adjustments	-15,548	1,152	11,532	-2,864
Disposals	-10,794	0	-38	-10,832
31 March 2006	727,607	4,275	20,314	752,196
<u>Depreciation and Impairment</u>				
1 April 2005	15,354	117	0	15,471
Revaluations and Adjustments	-15,354	-82	0	-15,436
Charge for Year	14,752	179	0	14,931
Disposals	0	0	0	0
31 March 2006	14,752	214	0	14,966
<u>Net Book Value</u>				
1 April 2005	666,141	3,006	8,820	677,967
31 March 2006	712,855	4,061	20,314	737,230

7 Fixed Asset Valuation

A complete revaluation of HRA assets was carried out as at 1 April 2005 by the District Valuer. As at that date, the vacant possession value of dwellings was £1,540.2 million compared with the balance sheet value of £723.9 million. The difference reflects the economic cost to the Government of providing council housing at less than open market rents.

There has been a change in the adjustment factor used in the valuation of HRA properties. This change in estimation technique has resulted in the opening balance sheet value being £123.2 million less than under the previous method.

8 Capital Expenditure and Sources of Finance

2004/05 £'000s		2005/06 £'000s
	Capital Expenditure:-	
69,542	Fixed Assets	72,454
69,542	Total Capital Expenditure	72,454
	Financed by: -	
50,000	Borrowing	50,000
18,135	Major Repairs Reserve	13,504
1,784	Capital Receipts	7,670
31	Capital Grant	36
0	Revenue	1,244
-408	Other	0
69,542	Total Sources of Finance	72,454

ADDITIONAL FINANCIAL STATEMENTS

9 Capital Receipts

2004/05 £'000s		2005/06 £'000s
	Capital receipts from sales of: -	
21,343	Dwellings (net of sale administration fees)	16,213
1,457	Land	350
508	Other	523
<u>23,308</u>		<u>17,086</u>
15,115	Contribution to Housing Pooled Capital Receipts	11,931
<u>8,193</u>	Usable capital receipts	<u>5,155</u>

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

10 Housing Stock

The Council's housing stock at 31 March 2006 is analysed below by size and age:

<u>By Size</u>	1 Bedroom	2 Bedrooms	3 Bedrooms	4+ Bedrooms	Total
Houses/ Bungalows	2,823	6,122	5,085	363	14,393
Flats/ Bedsits and Maisonettes	7,274	2,296	87	0	9,657
	<u>10,097</u>	<u>8,418</u>	<u>5,172</u>	<u>363</u>	<u>24,050</u>
<u>By Age</u>	Pre 1945	1945-64	1965-74	Post 1974	Total
Houses/ Bungalows	6,262	5,848	1,638	645	14,393
Flats/ Bedsits and Maisonettes	231	2,569	4,156	2,701	9,657
	<u>6,493</u>	<u>8,417</u>	<u>5,794</u>	<u>3,346</u>	<u>24,050</u>

11 Rent Arrears

Rent arrears have fallen over the year, as follows:

31 March 2005 £'000s		31 March 2006 £'000s
4,334	Rent Arrears	3,951
1,650	Less Bad Debt Provision	1,672
<u>2,684</u>		<u>2,279</u>

12 Private Finance Initiative

The Council has received endorsement from central government to proceed to the procurement stage on a scheme to build 550 units of HRA housing, of which approximately 150 will be "extra care" units and 40 will be suitable for tenants with physical disabilities. The scheme is due to go out to tender in summer 2006, with an anticipated start-on-site date of 2008.

ADDITIONAL FINANCIAL STATEMENTS

COLLECTION FUND INCOME AND EXPENDITURE ACCOUNT

2004/05		2005/06		Note
£'000s		£'000s	£'000s	
	Income			
117,577	Income from Council Tax		122,989	1
	Transfers from General Fund: -			
21,361	Council Tax Benefits		23,095	
80,316	Income Collectable from Business Ratepayers		80,868	2
	Contributions: -			
2	Adjustment of previous years' Community Charges		1	
<u>219,256</u>	Total Income		<u>226,953</u>	
	Expenditure			
	Precepts and demands: -			
12,086	West Yorkshire Police Authority	12,977		
4,928	West Yorkshire Fire Authority	5,294		
117,258	Kirklees Metropolitan Council	<u>125,988</u>	144,259	
	Business Rate: -			
79,686	Payment to national pool	80,246		
630	Cost of collection	<u>622</u>	80,868	
1,801	Contribution to bad debts provision		1,614	
994	Distribution of previous year's estimated Collection Fund surplus		<u>1,200</u>	
<u>217,383</u>	Total Expenditure		<u>227,941</u>	
1,873	Surplus/ Deficit (-) for year		-988	
884	Balance at 1 April		<u>2,757</u>	
<u>2,757</u>	Balance at 31 March		<u>1,769</u>	3

ADDITIONAL FINANCIAL STATEMENTS

NOTES TO THE COLLECTION FUND INCOME AND EXPENDITURE ACCOUNT

1 Council Tax

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

Number of Chargeable Dwellings	2004/05		Band	2005/06		
	Band D Equivalent Dwellings	Average Council Tax £		Number of Chargeable Dwellings	Band D Equivalent Dwellings	Average Council Tax £
65	36	629.95	A (5/9)*	74	41	661.12
63,992	42,661	755.94	A (6/9)	65,970	43,980	793.34
26,822	20,861	881.93	B (7/9)	27,488	21,380	925.56
26,156	23,249	1,007.92	C (8/9)	26,416	23,481	1,057.79
12,832	12,832	1,133.91	D (9/9)	13,085	13,085	1,190.01
9,532	11,650	1,385.89	E (11/9)	9,731	11,894	1,454.46
4,118	5,949	1,637.87	F (13/9)	4,250	6,139	1,718.90
1,691	2,819	1,889.85	G (15/9)	1,751	2,919	1,983.35
81	163	2,267.82	H (18/9)	77	153	2,380.02
	120,220		Total		123,072	
	-1,803		Adjustments **		-1,846	
	118,417		Council Tax Base		121,226	

* Band A disabled ** Estimated losses on collection

2 National Non-Domestic Rates (NNDR)

NNDR is organised on a national basis. The Government specifies a multiplier (41.5p in 2005/06) and, subject to the effects of transitional arrangements and other reliefs, local businesses pay rates calculated by applying the multiplier to their rateable value. The Council is responsible for collecting rates due from the ratepayers in its area but pays the proceeds into an NNDR pool administered by the Government. The Government redistributes the sums paid into the pool back to local authorities' General Funds on the basis of a fixed amount per head of population. The amounts included in the Collection Fund can be analysed as follows:

2004/05		2005/06	
£'000s		£'000s	
n/a	Non-domestic rate income 2005/06 (average rateable value £240,458,213)	98,818	
93,119	Non-domestic rate income 2004/05 (average rateable value £204,442,751)		n/a
-12,803	Allowance and other adjustments (net)		-17,950
80,316	Net contribution to NNDR pool		80,868

The actual non-domestic rateable value at 31 March 2006 was £240,325,627 (£207,222,633 at 31 March 2005).

ADDITIONAL FINANCIAL STATEMENTS

3 Balances

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

2004/05		2005/06
£'000s		£'000s
2,753	Council Tax	1,764
4	Community Charge	5
<u>2,757</u>		<u>1,769</u>

ADDITIONAL DISCLOSURE NOTES

A Building Control Charges Regulations

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

2004/05 £'000s		2005/06 £'000s
	Chargeable	
1,025	Income	1,156
972	Expenditure	1,079
-53		-77
	Non Chargeable	
771	Net Expenditure	675
718	Total Deficit	598

B Finance and Operating Leases

Finance Leases:

The Council acquired £0.658 million of computer equipment in 2005/06 for a "Home Computer Initiative Scheme" promoted by central government. This was considered to be under the terms of a finance lease. The rental payable in 2005/06 was £0.090 million, charged to the Consolidated Revenue Account as £0.023 million finance costs (debited to the Asset Management Revenue Account) and £0.067 million relating to the write-down of obligations to the lessor (debited as part of the appropriation to Capital Financing Account).

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

Outstanding obligations to make payments under finance leases (excluding finance costs) at 31 March 2006 are as follows:

	£'000s
Obligations payable in 2006/07	204
Obligations payable between 2007/08 to 2010/11	388
Total liability at 31 March 2006	592

Operating Leases:

The Council uses vehicles, wheeled bins, computer and printing equipment financed under terms of an operating lease. The amount paid under these arrangements in 2005/06 was £3.378 million (£4.083 million in 2004/05).

The Council also leases office accommodation, mainly in Huddersfield Town Centre. The rentals payable in 2005/06 were £1.032 million (£0.712 million in 2004/05).

The Council is committed at 31 March 2006 to making payments of £3.380 million under operating leases in 2005/06, comprising the following elements:

ADDITIONAL DISCLOSURE NOTES

Lease Expiry	Land & Buildings £'000s	Vehicles & Equipment £'000s	Total £'000s
2006/07	4	1,009	1,013
2007/08 – 2010/11	335	1,343	1,678
2011/12 onwards	689	0	689
Total	1,028	2,352	3,380

The Council also acts as a lessor of commercial property, land, market stalls and industrial units. Leased income received in 2005/06 amounted to £6.082 million (2004/05 £5.527 million). The gross value of assets leased out was £58.897 million at 31 March 2006, with accumulated depreciation of £1.199 million.

The Council also leases assets under PFI Transactions – see note L (iv).

C Section 137 Local Government Act 1972

Section 137, as amended, empowers Local Authorities to make contributions to certain charitable funds, not for profit bodies providing a public service in the United Kingdom and mayoral appeals.

The Council was permitted to spend £2.092 million under this power in 2005/06 (£2.023 million in 2004/05). Actual expenditure was as follows:

2004/05 £'000s	2005/06 £'000s
32 Grants	26

D Section 5 Local Government Act 1986

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

2004/05 £'000s	2005/06 £'000s
1,390 Recruitment Advertising	1,031
404 Other Advertising	487
549 Other Publicity	659
2,343	2,177

E Local Authority (Goods and Services Act) 1970

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

2004/05		2005/06	
Expenditure £'000s	Income £'000s	Expenditure £'000s	Income £'000s
203	163	290	299
912	963	1,789	2,048
29	32	33	37
416	460	831	972
1,560	1,618	2,943	3,356

ADDITIONAL DISCLOSURE NOTES

F Remuneration of Employees

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

2004/05		2005/06
Number of employees	Remuneration Band (£)	Number of employees
32	50,000 - 59,999	67
20	60,000 - 69,999	18
8	70,000 - 79,999	17
2	80,000 - 89,999	3
1	90,000 - 99,999	0
1	100,000 - 109,999	1
0	110,000 - 119,999	0
0	120,000 - 129,999	1

G Members Allowances

2004/05		2005/06
£'000s		£'000s
1,145	Total amount of allowances paid, including employers' national insurance and pension contributions	1,139

H Transactions with Related Parties

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

The Council is aware of the following transactions with related parties in 2005/06 not disclosed elsewhere in the Statement of Accounts.

i) Elected Members and Chief Officers

There were no material disclosures to declare for 2005/06 for either Elected Members or Chief Officers. It should be noted that all members' financial and other interests which could conflict with those of the Council are open to public inspection as required by the code of conduct adopted by the Council in accordance with section 51 of the Local Government Act 2000 and the Local Authorities (Model Code of Conduct) (England) Regulations 2001, made under section 50 of that Act. Members are also required to disclose personal and prejudicial interests in matters being considered at meetings at which they are present. Officers also have a duty to declare any interests which could conflict with those of the Council.

ii) Parish Councils

Precepts made by Parish Councils were as follows:

2004/05		2005/06
£'000s		£'000s
79	Denby Dale Parish Council	82
115	Holme Valley Parish Council	125
82	Kirkburton Parish Council	96
34	Meltham Town Council	38
39	Mirfield Town Council	42
349		383

ADDITIONAL DISCLOSURE NOTES

The Council currently provides office accommodation for Parish Councils free of charge.

Certain Parish Councils have invested funds with the Council. The amounts held were as follows:

31 March 2005 £'000s		31 March 2006 £'000s
25	Denby Dale Parish Council	35
45	Holme Valley Parish Council	80
236	Meltham Town Council	82
0	Mirfield Town Council	50
306		247

Denby Dale Parish Council paid £25,000 (2004/05 £24,000) to the Council in respect of the shared costs of the Denby Dale Parish Countryside Project, and received £3,000 (2004/05 £3,000) from the Council in respect of administrative support for the Project.

Holme Valley Parish Council paid £7,200 (2004/05 £27,200) to the Council largely for the provision of playground improvements, office services and equipment, Christmas trees and election services.

Kirkburton Parish Council paid £8,700 (2004/05 £6,000) to the Council for goods and services, including hanging baskets, Christmas trees and election services.

Meltham Town Council agreed with the Council that following the sale of an area of land, in 1999/2000, £185,000 would be deposited with the Council to fund jointly agreed projects. The balance of this sum (£46,800) is included in the investment detailed above. The Town Council paid the Council £21,600 (2004/05 £20,200) for various services, mainly grounds maintenance, and £19,100 was owed to the Council at 31 March 2006.

Mirfield Town Council paid £6,700 (2004/05 £5,200) to the Council for hanging baskets, Christmas trees and election services.

iii) West Yorkshire Fire Authority

The Council's Director of Finance, Richard Hewitson, was also Director of Finance of the West Yorkshire Fire Authority up to 24 June 2005.

The Council has received the following payments from the Authority:

2004/05 £'000s		2005/06 £'000s
202	Financial support services	196
70	Cleaning services	67
29	Other	68

As at 31 March 2006, £39,000 was owing to the Council (nil at 31 March 2005).

iv) Companies

Kirklees Community Association

The Council manages the Association's properties under a management contract. Services were provided to the amount of £76,600 (2004/05 £81,200). The Council also provided administrative services to the Association for which it was paid £34,000 (2004/05 £29,900).

ADDITIONAL DISCLOSURE NOTES

Kirklees Theatre Trust

The Council makes annual grants to the Trust, which amounted to £428,400 in 2005/06 (2004/05 £475,600).

The Trust occupies premises leased to it by the Council at a peppercorn rent. The Council leased part of the refurbished North Wing of the Theatre from the Trust on a short term lease of 12 months for a rent of £11,100.

Kirklees Music School

The Council paid contract fees of £716,000 (2004/05 £719,900) to the Music School.

Huddersfield Pride Ltd

Due to the winding up of the Company, no payments were made in 2005/06 (2004/05 £242,000). Nothing was outstanding at 31 March 2006 (£37,000 at 31 March 2005). The Council received £217,000 (2004/05 £280,000) in reimbursement of expenditure on behalf of the Company of which £217,000 was outstanding at 31 March 2006 (£77,000 at 31 March 2005).

Calderdale and Kirklees Careers Service Partnership Ltd

The Council paid £219,900 to the Company, mainly for providing adult learning services, (2004/05 £235,800) and received £111,800 for providing telephone, IT services and training facilities (2004/05 £150,500) from the Company. At 31 March 2006, £39,500 was due from the Council to the Company (£9,000 at 31 March 2005).

Kirklees Media Centre Ltd

The Company leases its premises from the Council at a rent of £10,000 per annum. At 31 March 2006, £10,438 was outstanding. The Council leased premises from the Company, for rent and service charges totalling £18,400 (2004/05 £18,200).

The Council has agreed to provide an interest free loan of up to £300,000 to the Company. At 31 March 2006, £237,500 was outstanding (£237,500 at 31 March 2005).

Into Business Scheme

The Council made payments and grants totalling £2,200 (2004/05 £163,900) to the Company.

Intruplas Ltd

The Council agreed to lend up to £400,000 to the Company, pending receipt of funding. The amount outstanding at 31 March 2006 was £74,400 (£70,200 at 31 March 2005).

The Company ceased to lease premises from the Council in 2005/06 (2004/05 £36,000). There was £17,200 outstanding from previous years.

Kirklees Energy Services Ltd

The Council made grants and payments to the Company totalling £88,300 (2004/05 £48,300).

The Company leased premises from the Council at a cost of £12,400 (2004/05 £14,600).

Kirklees Active Leisure

The Council provided funding of £2.28 million to the Company (£2.21 million in 2004/05). In addition, the Company was paid £144,200 for providing swimming facilities for the Council's Education Service (2004/05 £138,100).

The Council provided services for the Company to the value of £414,400 (2004/05 £399,000).

ADDITIONAL DISCLOSURE NOTES

I Disclosure of Audit Costs

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

2004/05 £'000s		2005/06 £'000s
235	Fees payable to the Audit Commission with regard to external audit services carried out by the appointed auditor	279
164	Fees payable to the Audit Commission for the certification of grant claims and returns	211
399		490

J Introduction of the Euro

Until a decision is made as to whether the United Kingdom should adopt the Euro, any expenditure on Euro activities is absorbed, together with expenditure incurred on other strategic planning analyses, within existing budgetary provision.

K Pooled Funds

Section 31 of the Health Act 1999 and the NHS Bodies and Local Authorities Partnership Arrangements Regulations 2000 enable the establishment of joint working arrangements between NHS bodies and local authorities. Pooled funds allow health bodies and local authorities to work collaboratively to address specific local health issues.

During 2002/03 the Council, in association with the local Primary Care Trusts, established a development fund for People with Learning Disabilities. In 2003/04 the same partners established an Integrated Community Equipment Service. Contributions and expenditure in 2005/06 are detailed below:

2004/05 £'000s		2005/06 £'000s
65	Balance at 1 April	115
	<u>Gross Funding</u>	
1,307	Kirklees MC	1,334
289	North Kirklees Primary Care Trust	342
136	Huddersfield Central Primary Care Trust	196
77	South Huddersfield Primary Care Trust	110
0	Other income	11
1,809	Total Funding	1,993
	<u>Expenditure</u>	
1,562	Community Equipment	1,605
65	Learning Disabilities - Choice and control over their lives	59
132	Learning Disabilities - Full and purposeful lives	24
0	Learning Disabilities - Promotion of holistic services	7
1,759	Total Expenditure	1,695
115	Balance at 31 March	413

L Private Finance Initiative (PFI) Transactions

i) Waste Disposal Services

In April 1998, the Council entered into a twenty five year contract for waste disposal services, with Kirklees Waste Services Ltd (now Sita Kirklees Ltd). The Council paid £9.9 million to the operator for waste disposal services under the contract in 2005/06 (2004/05 £9.0 million), of which £0.3 million was outstanding at 31 March 2006. Total commitments over the remainder of the life of the contract are estimated to be £186.8 million, scheduled as follows:

	£'000s
2006 - 2011	53,525
2012 - 2016	55,525
2017 - 2021	55,525
2022 - 2023	22,210

ii) Education

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

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

The Council paid the operator £9.8 million in 2005/06 (2004/05 £9.1 million). At 31 March 2006 an amount of £0.7 million was outstanding to the operator (£0.7 million at 31 March 2005). The Council provided services as a sub-contractor to the operator to the value of £0.7 million (2004/05 £0.7 million). Total payments over the remaining life of the contract are estimated to be £349.5 million, scheduled as follows:

	£'000s
2006 - 2011	53,649
2012 - 2016	57,510
2017 - 2021	61,878
2022 - 2026	66,820
2027 - 2031	72,411
2032 - 2034	37,250

(b) Commercial close was achieved in March 2005 on a PFI contract 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 the third.
- Maintenance of the buildings over the contract period.
- Provision of caretaking, cleaning and other premises management functions over the term of the contract.

Total payments over the life of the contract are estimated at £68.9 million, scheduled as follows:

ADDITIONAL DISCLOSURE NOTES

	£'000s
2006 - 2011	13,127
2012 - 2016	13,837
2017 - 2021	13,574
2022 - 2026	13,523
2027 - 2031	13,685
2031 - 2032	1,157

iii) Housing

The Council has received endorsement from central government to proceed to the procurement stage on a scheme to build 550 units of HRA housing, of which approximately 150 will be "extra care" units and 40 will be suitable for tenants with physical disabilities. The scheme is due to go out to tender in summer 2006, with an anticipated start-on-site date of 2008.

iv) Treatment of assets under the PFI Transactions

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

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

M Capital Commitments

Significant commitments for future capital expenditure at 31 March 2006 include the following:

	£'000s
<u>Contractual</u>	
Birkby Junior School internal alterations	1,250
Adult Services – new build residential care homes	863
Adult Services residential child care unit, Bradley	853
Paddock Junior, Infants and Nursery School - children's centre	699
Field Lane Junior, Infants and Nursery School - children's centre	634
Manorfield Junior, Infants and Nursery School – children's centre	629
<u>Planned</u>	
Moorlands Primary School – new build	8,000
Decent Homes Programme – six storey block, Huddersfield	5,715
Whitcliffe Road First School – new build	5,000
Vine Street Depot and Offices - remodelling	4,300
Adult Services – new build ESMI home	3,140
Bradley CE Junior School - remodelling	2,720
Thornhill Community Science College – new sports hall	2,100
Huddersfield Media Centre phase III	2,016
Deighton Centre – refurbishment of former HTC block	1,408

ADDITIONAL DISCLOSURE NOTES

N Information on Assets

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

31 March 2005		31 March 2006
	<u>Buildings</u>	
3	Nursery Schools and Annexe	3
96	Primary Schools	95
6	Middle Schools	6
20	High Schools	20
8	Special Schools	8
62	Aided/ Foundation Schools	62
6	Youth Clubs	6
15	Leisure Centres and Swimming Pools	15
12	Public Halls/ Town Halls	12
27	Community Centres	26
15	Cemeteries and Crematoria	15
23	Libraries	23
8	Museums and Galleries	8
13	Social Services – Children and Families	12
16	Social Services – Service for Older People	13
17	Social Services – Other Adult Services	16
5	Social Services – Leased to Other Agencies	5
4	Social Services – Other	3
10	Market Halls/ Open Markets	10
93	Car Parks	92
31	Public Conveniences	29
24,484	Council Dwellings	24,050
	<u>Land</u>	
810	Acres of Woodland	810
1,881	Allotment Sites	1,881
1,136	Acres of Parkland	1,136
	<u>Infrastructure</u>	
209	Km of Principal Roads	209
1,752	Km of Other Roads	1,784
342	Km of Green Lanes	342

O Contingent Liabilities

- The Council has given guarantees in respect of a number of bodies that outstanding contributions will be paid to Pension Funds, in the event of default by those bodies.
- The Kirklees Theatre Trust is a charitable company, limited by guarantee, established for the promotion of education through the arts, and in particular, theatre. The Council has guaranteed a loan of £3.0 million to the Trust which the Trust is repaying over a period of 10 years commencing in August 1998. As at 31 March 2006, the balance on the loan was £0.8 million (£1.1 million at 31 March 2005).
- The Council is participating with Huddersfield Town Association Football Club Ltd and Huddersfield Rugby League Football Club Ltd, in the development, construction and running of a sports stadium at Bradley Mills Road, Huddersfield, through Kirklees Stadium Development Ltd (KSDL). The Council originally guaranteed the financing of the construction of the stadium, pending the receipt of funds. The loan has been restructured and the Council has guaranteed the new loan of £7.4 million, to be repaid over twenty years commencing in February 2001. As at 31 March 2006, the balance on the loan was £6.3 million (£6.6 million at 31 March 2005). The Council has also agreed to guarantee English Partnership's investment of £1.7 million in the North Stand development of the project and a loan of £0.9 million to the Company in respect of the construction of an indoor sports facility at Leeds Road Playing Fields. As at 31 March 2006, the balance on the loan was £0.8 million (£0.9 million at 31 March 2005).
- The Council has given an indemnity for direct loss and economic loss up to £2.0 million plus inflation to date to the lessee of a reclaimed site in respect of pollution arising from contaminants on the site at the date of the lease.
- The House of Lords has ruled that claims can be brought to Employment Tribunals for pension rights for part time employees who worked for less than fifteen hours per week, provided that this is done within six months of leaving employment. It is not possible to quantify the financial implications for the Council.
- The Council has guaranteed a loan of up to £600,000 to Kirklees Media Centre Ltd to be repaid over fifteen years, commencing in February 2001.
- Municipal Mutual Insurance is running down its business, whilst paying agreed claims in full. It has, however, entered into a Scheme of Arrangement, in case of insolvency, which would involve a levy against claims paid and future payments. The Directors of the Company remain of the opinion that a solvent run-off can be achieved, but in the unlikely event that the Scheme comes into effect, the Council may be liable to clawback of up to £6.0 million, plus an additional £1.0 million for claims still outstanding.
- Independent Insurance, which provided liability cover, ceased trading in 2001. Provision has been made, but it is not yet possible to confirm that this will meet the full financial implications for the Council.
- Claims, which are not covered by insurance, have been made against predecessor authorities of the Council. Provision has been made, but it is not yet possible to confirm that this will meet the full financial implications for the Council.
- The House of Lords ruled in 2001 that local authorities do not have the power to charge for aftercare for persons discharged from compulsory detention under Section 117 of the Mental Health Act 1983. The Council has made provision (note 20) for refunds of care charges dating back to the original ruling, but there is conflicting legal opinion as to whether refunds should also be given for residential charges. If it is ruled that residential charges also have to be refunded, the Council may have to make further payments of up to £0.5 million.

ADDITIONAL DISCLOSURE NOTES

- The main local government pay settlement in 2004 requires local authorities to implement single status pay and conditions arrangements by April 2007. As part of this process, the Council has been holding negotiations on equal pay claims and has also made some payments during 2005/06. Although a provision of £8.9 million has been made for future settlements, it is not known at this time, whether this will be sufficient to meet all payments.

P Contingent Asset

The VAT and Duties Tribunal ruled in February 2006 that local authorities should not be required to charge VAT on off street car parking because they operate under a special legal regime. However, HM Revenue & Customs have since lodged an appeal and the case is awaiting a further hearing.

The Council has lodged a protective claim pending the outcome of the appeal. Although the refund could be in excess of £3.0 million, the Council would be required to demonstrate that it had not unjustly benefited in financial terms.

Q Events after the Balance Sheet Date

These accounts were authorised for issue on the date the Director of Finance signed the final version – see Statement of Responsibilities and Certificate on page 5. There were no material events occurring between the Balance sheet date and the date when the accounts were authorised for issue except for those noted on page 20, Note 2(ii).

ADDITIONAL DISCLOSURE NOTES

R Trust Funds

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

Trust funds do not represent assets of the Council and are not included in the Consolidated Revenue Account and Balance Sheet.

Trust Funds Income and Expenditure:

2004/05 Balance £'000s		Income £'000s	2005/06 Expenditure £'000s	Balance £'000s
	<u>Trust Funds for which Council is sole trustee</u>			
612	Dewsbury Endowed Schools	79	122	569
82	Kayes School	4	3	83
46	Huddersfield Scholarship	1	0	47
36	Festival of Britain	1	0	37
13	Wartons Charity	1	0	14
12	Huddersfield Enclosure Act*	1	0	13
21	Other (8 separate funds each with a balance less than £10,000)	1	3	19
	<u>Trust Funds for which Council is not sole trustee</u>			
1,179	Deighton Brackenhall Initiative	2,238	64	3,353
235	William Henry Coulter	23	30	228
103	Lockwood Mechanics	5	0	108
-152	William Greenwood Homes	0	1	-153
-26	Fletcher Homes	4	4	-26
39	Gilder Hall	2	1	40
26	Golcar Township	1	1	26
19	Roebuck Memorial	21	6	34
17	Huddersfield Orphan Homes	3	2	18
16	Batley Enclosure Act	1	0	17
10	Cleckheaton Cemetery	1	1	10
10	Scissett Baths	1	1	10
99	Other (27 separate funds each with a balance less than £10,000)	8	5	102
2,397		2,396	244	4,549

* Reclassified in 2004/05 figures as sole trustee.

ADDITIONAL DISCLOSURE NOTES

Trust Funds Consolidated Balance Sheet:

31 March 2005 £'000s		31 March 2006 £'000s	£'000s
16	Fixed Assets		11
819	Investments		778
	Net Current Assets:-		
6	Debtors	3	
1,570	Cash	3,763	
-14	Less Creditors	-6	3,760
<u>2,397</u>			<u>4,549</u>
	Represented by: -		
2,290	Capital Balances		4,348
107	Revenue Surpluses		201
<u>2,397</u>			<u>4,549</u>

Previous year's figures have been restated in both the above statements to include the funds of the Deighton Brackenhall Initiative which were omitted. In the Balance Sheet, this required an increase to the Cash figure of £1.179 million, and in the Capital Balances and Revenue Surpluses of £1.130 million and £0.050 million respectively. The Initiative invests a community dividend, received from a housing regeneration project, to improve the lives of and provide long-term benefits to the residents in the area.

GROUP ACCOUNTS

EXPLANATORY FOREWORD

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

The Group Accounts include:

- **An Explanatory Foreword** - provides a guide to the most significant items reported.
- **The Statement of Accounting Policies** – explains the basis of the figures in the financial statements.
- **Income and Expenditure Account** – shows the income and expenditure relating to the Council and its associated companies and demonstrates how this has been financed.
- **Balance Sheet** – summarises the financial position of the Council and its associated companies, and shows their assets and liabilities at the year end.
- **Cash Flow Statement** - summarises the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes.
- **Statement of Total Movements in Reserves** - brings together all the recognised gains and losses of the Group during the period.
- **Notes to the Accounts** – adds to and helps the interpretation of the individual statements.

Kirklees Metropolitan Council's Group Accounts are made up of the accounts of the Council, two wholly owned subsidiaries (Kirklees Neighbourhood Housing Limited and Kirklees Metropolitan Development Company) where the Council has control over financial and operational decisions, and three joint ventures (Kirklees Henry Boot Partnership Limited, Kirklees Schools Services Limited and Kirklees Stadium Development Limited). The interest in and level of control over the joint ventures is so significant that omission from the Group Accounts would not give the whole picture of the Council's interests and services.

All of Kirklees Metropolitan Council's subsidiaries and joint venture companies are going concerns.

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

The Subsidiaries and Joint Ventures of Kirklees Metropolitan Council -

SUBSIDIARIES

Kirklees Neighbourhood Housing Limited (KNH)

The principal activity of KNH is to manage, maintain and improve the housing stock owned by the Council.

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

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

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

Kirklees Metropolitan Development Company Limited (Devco)

The main activity of the company is the letting of properties in the Kirklees area. In the financial year 2005/06, company activities comprised of managing the lettings of two industrial estates, Silver Court at Moldgreen and Riverside Way at Ravensthorpe.

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

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

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

JOINT VENTURES

Kirklees Henry Boot Partnership Limited (KHBP)

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

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

The Company's accounting year ends 31 December. Copies are available from the Council's Director of Finance.

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

Kirklees Schools Services Limited (KSSL)

The principal activity of the Company is the development, funding, construction of schools and operation of school services.

At the balance sheet date the Council had a shareholding of 163,140 ordinary shares of £1 each out of a total of 543,800 shares. This gives the Council a holding of 30%. Due to major restructuring over the last two years the remaining share capital of the company has changed hands on a number of occasions. At the KSSL balance sheet date, PFI Investments Limited owned 35% of share capital with IFGP Limited owning the remaining 35%. Both of these companies are ultimately controlled by Starsmif Investments Luxembourg Sàrl.

Draft accounts as at 31 December 2005 have been produced and are used in this consolidation.

Kirklees Stadium Development Limited (KSDL)

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

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

The SORP specifies that entities in the Group should share the same year end date as the reporting authority. Where this is not practicable it is recommended that accounts prepared in the three months prior to the Authority's are used. Given the nature of KSDL's business the ideal time for preparing accounts is during the football close season, giving the company a year end date of 31 July. This year, in order to achieve a consolidation consistent with KMC's balance sheet date the KSDL management have provided management accounts as at 31 March 2006.

STATEMENT OF ACCOUNTING POLICIES

The Accounting Policies for the consolidated Group Accounts vary in a number of ways from those used in the single entity accounts of the Council. Differences in accounting policy are due to the requirement for the Group Accounts to be UK GAAP compliant, whereas local authority accounts diverge from GAAP in certain areas.

As well as the changes to Accounting Policies, adjustments must be made to the company figures and policies in order to bring them into line with the reporting authority's. These adjustments are detailed in the notes below.

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

ADJUSTMENTS TO THE AUTHORITY'S ACCOUNTS TO COMPLY WITH GAAP

The SORP requires a number of adjustments to the reporting authority's accounts in order to be more consistent with UK GAAP. Specific requirements are:

- **Profits/ Losses on the Disposal of Fixed Assets**
The SORP requires any profit or loss on the disposal of fixed assets to be recognised in the Group Accounts. These are likely to arise where the Council sells land to a development company at more than best consideration or where an uninsured building is destroyed. The Council recognised no such profits or losses in the year, so no adjustment was required.
- **Writing out Notional Interest Charges on Fixed Assets from Net Cost of Services**
To comply with UK GAAP, notional interest charges made to the services in the single entity accounts must be written out. This has been done by crediting the service accounts with the notional interest amount. Where a credit has been made to a support service, this has been reapportioned to the services based on their proportion of net expenditure in the single entity Consolidated Revenue Account.
- **Government Grants Deferred Amortisations**
UK GAAP requires that these amounts are credited to the relevant individual service accounts in Net Cost of Services. This has been achieved by apportioning the credits based on the proportion of depreciation charged to the service accounts.
- **Removal of the Asset Management Revenue Account (AMRA)**
The AMRA is not recognised in private sector accounts and must be written out to comply with UK GAAP. The adjustments described above result in the Council's external interest payable being left in the AMRA. This has therefore been renamed as such in the Group Accounts.

The effects of these adjustments on the AMRA and Service Accounts are detailed in Note 2 of the Group Accounts.

Investments

In the single entity balance sheet, investments are shown at cost, estimated or nominal value. Investments that are included as joint ventures in the Group Accounts are deducted from the investments line on the Group Balance Sheet. The value is then shown as the reporting authority's share of the joint ventures' gross assets, liabilities and profit and loss reserve, giving a truer reflection of the value of the investment to the authority. This treatment has been applied to KSSL and KHBP.

Pensions

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

KNH has a defined benefit scheme and must adhere to FRS17. The SORP requires that the FRS17 entries are consolidated in the Group Accounts. This has an impact on the revenue of the Company as unlike local authorities, companies are not allowed to reverse the effect of FRS17 debits and credits out of their profit and loss accounts. This means that rather than by an appropriation to/ from a pensions reserve they must

be accounted for in the Group Income and Expenditure Account, adjusting the results of the Company. Balance Sheet entries follow the same principles as those of the Council.

At the time of preparing these accounts a delay in receipt of the pensions information from KNH's actuary meant that estimates of the Company's FRS17 entries had to be used. For the purposes of consolidation it has been assumed that the FRS17 movements are the same as for 2004/05.

Tangible Fixed Assets

The SORP requires that the reporting authority and its subsidiaries share the same Accounting Policies in relation to measurement, recognition, valuation and depreciation of fixed assets. These policies are detailed in the single entity Accounting Policies.

The only fixed assets held by the Council's subsidiaries are investment properties owned by Devco. Devco shares the Council's policy of carrying investment properties at the lower of net current replacement cost and net realisable value, so no adjustments to these asset values were required.

The SORP does not specifically require the revaluation of the fixed assets of joint ventures in the Group Account reconciliation. As such the stadium owned by KSDL has not been revalued and is included in the share of gross assets of joint venture line on the balance sheet using the Company's depreciated historical cost valuation. Given the size and unique nature of the stadium any revaluation would be likely to have adverse cost-benefit implications compared to the information it would provide to the users of the accounts.

Prior Year Adjustments

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

The 2004/05 Group Accounts were partly based on unaudited and management accounts. As such last year's audited company accounts have been studied for any material changes from the figures reported. This has resulted in restatements to the Group Income and Expenditure Account and Balance Sheet regarding KNH's FRS17 figures:

The net cost of services was understated by £0.342 million and the pensions interest cost and expected return on pensions assets were understated by £0.022 million. On the balance sheet, the net liability to defined benefit pension scheme was overstated by £3.275 million, resulting in the General Fund Balance being understated by the same amount.

GROUP INCOME AND EXPENDITURE ACCOUNT

2004/05			2005/06	
Net Expenditure			Net Expenditure	
Original	Restated			
£'000s	£'000s		£'000s	
222,148	222,148	Education	243,249	
108,110	108,110	Social Services	119,928	
-8,992	-8,650	Housing	-10,267	
16,428	16,428	Highways, Roads and Transport	20,487	
57,181	57,752	Cultural, Environmental and Planning	61,920	
6,573	6,573	Central Services to the Public	6,340	
1,011	1,011	Courts	356	
341	341	Other Services	447	
6,963	6,963	Corporate and Democratic Core	7,655	
2,010	2,010	Non-distributed Costs	-12,913	
		Share of operating results of joint ventures		
-3,341	-3,341	- Turnover	-4,522	
3,107	3,107	- Cost of Sales and Operating Expenditure	3,541	
411,539	412,452	Net Cost of Services	436,221	1
10,997	10,997	Precepts and Levies	12,404	
48	48	Net Surplus (-)/ Deficit of Trading Operations	-447	
21,890	21,890	Interest payable	26,237	2
1,317	1,317	Share of interest payable by joint ventures	1,154	
-3,838	-3,838	Interest and investment income	-3,833	
-1,321	-1,321	Share of investment income of joint ventures	-905	
0	-571	Non-Operational Assets	-1,088	
704	704	Losses on repurchase of borrowing	647	
15,115	15,115	Contribution of Housing Capital Receipts to Government Pool	11,931	
3,306	3,328	Pensions interest cost and expected return on pensions assets	5,307	
459,757	460,121	Net Expenditure before Movements on Reserves	487,628	

GROUP INCOME AND EXPENDITURE ACCOUNT (continued)

2004/05			2005/06
Original	Restated		
£'000s	£'000s		£'000s
10,285	10,285	Transfer to HRA balances	7,147
10,696	10,696	Transfers to Earmarked Reserves	-14,761
-117	-117	Transfer from Major Repairs Reserve	-179
-16,528	-16,528	Transfer from Capital Financing Account	-20,906
-15,115	-15,115	Transfer from Usable Capital Receipts (contribution to Housing Pooled Capital Receipts)	-11,931
-12,695	-12,695	Transfer from Pensions Reserve	-1,101
0	0	Transfer to Landfill Allowances Reserve	1,507
-672	-1,036	Transfers in respect of Subsidiaries	-1,286
238	238	Transfers in respect of Joint Ventures	732
435,849	435,849	Amounts to be met from government grants and local taxpayers	446,850
-199,430	-199,430	Revenue Support Grant	-197,543
-117,258	-117,258	Demand on the Collection Fund	-125,988
-108,802	-108,802	Contribution from Non-Domestic Rate Pool	-130,416
-854	-854	Transfers from the Collection Fund	-1,048
-9,505	-9,505	Net General Fund Surplus/ Deficit (-) for Year	8,145
25,163	25,163	Balance on General Fund at 1 April	15,658
15,658	15,658	Balance on General Fund at 31 March	23,803

GROUP BALANCE SHEET

31 March 2005			31 March 2006	
Original	Restated		£'000s	£'000s
£'000s	£'000s			
		Fixed Assets		
887	887	Intangible Assets		1,006
1,283,061	1,283,061	Tangible Assets		1,431,998
56,862	56,862	Deferred Consideration		59,907
1,118	1,118	Long Term Investments		3,107
32,714	32,714	Share in the Assets of Joint Ventures		32,521
-27,610	-27,610	Share in the Liabilities of Joint Ventures		-27,026
10,065	10,065	Long Term Debtors		11,449
1,357,097	1,357,097	Total Long Term Assets		1,512,962
		Current Assets: -		
2,281	2,281	Stocks and Work in Progress	1,980	
58,288	58,288	Debtors	56,573	
0	0	Landfill Allowances	2,662	
47,600	47,600	Investments	44,775	
11,785	11,785	Cash and Bank	11,496	117,486
1,477,051	1,477,051			1,630,448
		Current Liabilities: -		
-37,385	-2,385	Short Term Borrowing	-4,420	
0	0	Landfill Usage	-1,155	
-83,347	-85,140	Creditors	-80,987	
0	0	Bank Overdraft	0	-86,562
1,356,319	1,389,526	Total Assets Less Current Liabilities		1,543,886
-291,679	-326,679	Long Term Borrowing		-425,553
0	-4,924	Deferred Liabilities		-5,089
-20,012	-20,012	Provisions		-21,551
-274,286	-271,011	Net liability relating to defined benefit pension scheme		-263,162
770,342	766,900	Total Assets Less Liabilities		828,531

GROUP BALANCE SHEET (Continued)

31 March 2005			31 March 2006	
Original	Restated		£'000s	
£'000s	£'000s			
790,027	791,139	Fixed Asset Restatement Account	844,666	3
87,447	82,292	Capital Financing Account	72,834	4
7,000	7,000	Usable Capital Receipts Reserve	7,000	
270	270	Deferred Credits	240	
69,611	69,611	Grants Deferred Account	80,912	
8,628	8,628	Capital Grants Unapplied	6,847	
-5,069	-5,069	Deferred Premiums	-6,154	
0	0	Landfill Allowances	1,507	
-268,603	-268,603	FRS17 Pensions Reserve	-260,970	
41,017	39,090	Earmarked Reserves	24,329	
11,316	14,591	General Fund Balance	23,210	
25,941	25,194	Housing Revenue Account Balance	32,341	
2,757	2,757	Collection Fund Balance	1,769	
<u>770,342</u>	<u>766,900</u>	Total Net Worth	<u>828,531</u>	

GROUP CASH FLOW STATEMENT

2004/05 £'000s		2005/06 £'000s	2005/06 £'000s	Note 5
	Revenue Activities			
58,322	Net cash inflow from Revenue Activities		34,169	
	Returns on Investments and Servicing of Finance			
	Cash Outflows: -			
21,747	Interest paid	24,469		
1	Interest element of finance lease rentals	25	24,494	
	Cash Inflows: -			
3,638	Interest and dividends received		3,860	
18,110	Net cash outflow from Investments and Servicing of Finance		20,634	
	Capital Activities			
	Cash Outflows: -			
117,701	Purchase of fixed assets	136,234		
13,905	Deferred charges	16,083		
0	Deferred Consideration	5,084		
0	Premium on early repayment	1,732		
0	Long term investments	2,000		
12	Other capital payments	0	161,133	
	Cash Inflows: -			
29,115	Sale of fixed assets	22,012		
28,473	Capital grants received	23,037		
670	Other capital cash receipts	377	45,426	
73,360	Net cash outflow from Capital Activities		115,707	
-33,148	Net cash outflow before Financing		-102,172	

GROUP CASH FLOW STATEMENT (Continued)

2004/05 £'000s		2005/06	
		£'000s	£'000s
	Management of Liquid Resources		
7,450	Net cash inflow from short term investments		2,825
	Financing		
	Cash Outflows: -		
17,500	Repayments of amounts borrowed (long term)	30,098	
72,878	Repayments of amounts borrowed (short term)	146,228	
0	Finance Lease Principal	67	
0	Repayment of transferred debt	230	176,623
	Cash Inflows: -		
47,500	New loans raised (long term)	128,081	
74,044	New loans raised (short term)	148,263	276,344
31,166	Net cash inflow from Financing		99,721
5,468	Increase in Cash		374

GROUP STATEMENT OF TOTAL MOVEMENTS IN RESERVES

31 March 2005			31 March 2006	
Original	Restated		£'000s	£'000s
£'000s	£'000s			
		General Fund Surplus:		
-9,505	-9,505	KMC	8,145	
-675	300	KNH	61	
3	3	Devco	22	
238	238	Joint Ventures	391	
10,285	10,285	Housing Revenue Account Surplus	7,147	
1,873	1,873	Collection Fund	-988	
10,695	10,695	Movement on Earmarked Reserves	-14,761	
-12,695	-12,695	Appropriation from Pensions Reserve	-1,101	
		Actuarial gains and losses relating to pensions:		
-148,865	-148,865	KMC	8,734	
-2,301	0	KNH	0	
0	0	Landfill Allowances - creation of reserve	1,507	
-150,947	-147,671	Total increase/decrease(-) in revenue resources		9,157
894	894	Increase in Usable Capital Receipts	0	
651	651	Increase/decrease(-) in Unapplied Capital Grants	-1,781	
-433	-433	Deferred Credits	-30	
704	704	Deferred Premiums	-1,085	
1,816	1,816	Total increase/decrease(-) in realised capital resources		-2,896
		Gains on revaluation and adjustments of fixed assets:		
184,913	184,913	KMC	67,288	
100	100	Devco	150	
185,013	185,013	Total unrealised increase in fixed assets		67,438
-16,099	-16,099	Value of assets sold, decommissioned and realised		-13,911
5,556	5,776	Movement on Capital Financing Account	-9,458	
13,454	13,454	Movement on Grants Deferred Account	11,301	
-4,786	-4,786	Movement on Major Repairs Reserve	0	
14,224	14,444	Total increase in amounts set aside to finance capital investment		1,843
34,007	37,503	Total Movements in Reserves		61,631

NOTES TO THE GROUP ACCOUNTS

1 Net Cost of Services

	Gross Expenditure £'000s	2005/06	
		Income £'000s	Net Expenditure £'000s
Education	346,775	103,526	243,249
Social Services	164,176	44,248	119,928
Housing	148,481	158,748	-10,267
Highways, Roads and Transport	51,899	31,412	20,487
Cultural, Environmental and Planning	124,925	63,005	61,920
Central Services to the Public	36,837	30,497	6,340
Courts	356	0	356
Other Services	20,800	20,353	447
Corporate and Democratic Core	7,655	0	7,655
Non-distributed Costs	-12,913	0	-12,913
Share of Turnover of joint ventures	0	4,522	-4,522
Share of Cost of Sales of joint ventures	3,541	0	3,541
	892,532	456,311	436,221

2 Reconciliation of Asset Management Revenue Account Adjustments

This note reconciles the adjustments made to remove the AMRA from the single entity Consolidated Revenue Account. The first table shows the removal of the AMRA whilst the second table shows the distribution of these credits to the Service Accounts.

2004/05 £'000s		2005/06 £'000s
-29,908	Asset Management Revenue Account in Consolidated Revenue Account	-33,194
47,781	Notional Interest credited to Services	54,729
4,017	Deferred Grants Amortised credited to Services	4,702
21,890	Interest payable in the Income and Expenditure Account	26,237

	2005/06		Total Adjustments £'000s
	Notional Interest £'000s	Deferred Grant £'000s	
Education	13,244	1,653	14,897
Social Services	1,287	623	1,910
Housing	26,116	20	26,136
Highways, Roads and Transport	5,698	1,292	6,990
Cultural, Environmental and Planning	4,923	877	5,800
Central Services to the Public	20	49	69
Courts	1	0	1
Other Services	1	0	1
Corporate and Democratic Core	14	4	18
Trading Operations	306	184	490
Non-Operational Assets	3,119	0	3,119
Total Credit to Services	54,729	4,702	59,431

3 Fixed Asset Restatement Account

The Account contains £0.89 million in relation to the revaluation reserve of Devco.

4 Capital Financing Account

The Group Capital Financing Account consolidates the following along with the KMC balance:

- £0.60 million in relation to Devco's Capital Funding Account.
- £4.17 million as the Council's share of £10.43 million set aside by KSDL as Capital Funding.

5 Cash Flow Statement

The Group Cash Flow Statement is not substantially different to the single entity's statement, apart from some simplification of presentation (the SORP does not require a break down of Revenue Activity cash flows). The cash flows of KNH and Devco are consolidated into the statement -

KNH - Revenue Activities inflow of £0.853 million resulting in an equivalent increase in the change of cash figure.

Devco - The company has a net Revenue Activities outflow of £0.055 million and a returns on investment inflow of £0.009 million. The increase in cash figure is therefore reduced by this £0.046 million.

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

6 Related Party Transactions

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

Kirklees Neighbourhood Housing Limited

During 2005/06, KNH paid £2.80 million (2004/05 £2.69 million) to the Council for services including insurance and office accommodation. At 31 March 2006, £0.84 million was outstanding (£0.38 million at 31 March 2005).

The Council paid £14.87 million (2004/05 £13.48 million) to KNH in relation to its management fee and provision of services. At 31 March 2006, £1.98 million was outstanding (£0.33 million at 31 March 2005).

Kirklees Metropolitan Development Company Limited

Devco paid the Council £0.11 million for service provision in 2005/06 (2004/05 £0.08 million). At 31 March 2006 a balance of £0.03 million was owing to the Council (£0.09 million at 31 March 2005).

During the same period the Council paid rent and service charges of £0.04 million (2004/05 £0.04 million) to Devco. There was an outstanding balance of £0.02m at the year end (nil at 31 March 2005).

Kirklees Henry Boot Partnership Limited

At the balance sheet date of KHBP, the Council's investment (including that of Devco) was reflected in equity of £0.25 million and secured loans of £4.2 million. Interest of £0.26 million (2004/05 £0.25 million) was incurred in the year on the outstanding loans. The Council charged the Company £0.13 million (2004/05 £0.11 million) in respect of freeholds transferred and various services. At the balance sheet date £0.26 million (£0.47 million at 31 March 2005) was due from KHBP to the Council in respect of interest accrued. Costs of £2.2 million relating to the acquisition of properties on the Kingsgate site incurred by Kirklees Metropolitan Council were also outstanding from the company (£3.2 million at 31 March 2005).

At the end of the year Henry Boot Plc's investment through certain of its wholly owned subsidiaries was reflected in equity of £0.25 million and secured loans of £1.83 million. At the balance sheet date £0.01 million was due from KHBP to Henry Boot Group in respect of interest accrued (£0.01 million at 31 March 2005).

Kirklees Schools Service Limited

The Council pays the company an annual Unitary Charge to cover the company's costs. The amount payable in 2005/06 was £9.800 million.

Kirklees Stadium Development Limited

The company occupies land owned by the Council under leases for which a premium of £0.900 million is payable.

The Council pays the company a rental for the use of office space at the stadium. In the year ended 31 July 2005 the Council paid rent of £0.07 million (2003/04 £0.07 million). The Council provided funding of £0.304 million (2003/04 £0.280 million). The Council paid the company a further £0.219 million in various rents and maintenance in year ending 31 July 2005.

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

Accruals

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

Asset Management Revenue Account

The revenue accounts of the Council are charged with capital charges for all fixed assets used in the delivery of services. So that these charges do not impact upon the level of Council Tax or Housing rents, they are reversed out of the Consolidated Revenue Account, by way of a credit to the Asset Management Revenue Account. The account is charged with actual financing costs incurred during the year.

Capital Charge

A charge to service revenue accounts to reflect the cost of fixed assets used in the provision of services. The charge covers an annual provision for depreciation plus a capital financing charge determined by applying a specified rate of interest to net asset values.

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 Financing Account

This account provides a balancing mechanism between the different rates at which assets are depreciated and financed.

Capital Receipts

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

The Collection Fund

The Collection Fund is a separate statutory fund under the provisions of the Local Government Finance Act 1988. It shows the income received from non-domestic rates, Council Tax and any residual Community Charge, and the way in which these have been distributed to precepting Authorities and the General Fund.

Community Assets

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

Contingent Asset

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

Contingent Liability

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

Corporate and Democratic Core

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

Current Service (Pensions) Cost

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

Deferred Charges

Deferred charges represent expenditure funded from capital resources, which does not represent tangible or intangible fixed assets. An example is grants given for capital works on properties not owned by the Council. Deferred charges are written off to revenue in the year that expenditure is incurred.

Deferred Credits

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

Deferred Liabilities

These consist of liabilities which by arrangement are payable beyond next year at some point in the future or paid off by an annual sum over a period of time. Examples include outstanding finance lease obligations and debt taken over from former bodies where the loan management rests with another authority.

Defined Benefit Pension Scheme

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

Depreciation

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

Expected Rate of Return on Assets (Pensions)

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

Fixed Asset Restatement Account

This provides the matching entry when fixed assets are restated, either through revaluation or disposal.

General Fund

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

Government Grants Deferred Account

This represents the balance of grants applied to the financing of fixed assets, awaiting amortisation to the Asset Management Revenue Account to match depreciation on the relevant assets.

Housing Revenue Account (HRA)

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

Infrastructure Assets

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

Intangible Assets

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

Interest Cost (Pensions)

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

Leasing

A method of financing capital expenditure which allows the Council to use, but not own an asset. A third party (the lessor) purchases the asset on behalf of the Council (the lessee) which then pays the lessor a rental over the life of the asset.

A finance lease substantially transfers the risks and rewards of ownership of a fixed asset to the lessee. An operating lease is any lease other than a finance lease.

Net Current Replacement Cost

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

Net Realisable Value

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

Non-distributed Costs

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

Non-Operational Assets

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

Operational Assets

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

Past Service (Pensions) Costs

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

Precept

This is a charge levied by a local authority which is collected on its behalf by another authority. It does this by adding the precept to its own Council Tax and paying over the appropriate cash collected.

Premiums and Discounts

Premiums and discounts are incurred on certain loans that have been repaid prematurely. The premium or discount is equal to the present value of the difference between the remaining payments, which would have been made on the repaid loan, and the amount that could be received if the sum prematurely repaid was re-advanced at the current rate on a new loan for a period equal to the unexpired term of the original loan.

Provisions

These are liabilities of uncertain timing or amount.

Related Parties

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

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

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

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.

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.

Independent auditor's report to Kirklees Metropolitan Council

Opinion on the financial statements

I have audited the financial statements of Kirklees Metropolitan Council for the year ended 31 March 2006 under the Audit Commission Act 1998, which comprise the Consolidated Revenue Account, the Housing Revenue Account, the Collection Fund, the Consolidated Balance Sheet, the Statement of Total Movements in Reserves, the Cash Flow Statement, the Group Accounts and the related notes. These financial statements have been prepared under the accounting policies set out within them.

This report is made solely to Kirklees Metropolitan Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 36 of the Statement of Responsibilities of Auditors and of Audited Bodies prepared by the Audit Commission.

Respective responsibilities of the Chief Finance Officer and auditors

The Chief Finance Officer's responsibilities for preparing the financial statements in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2005 are set out in the Statement of Responsibilities.

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

I report to you my opinion as to whether the financial statements presents fairly the financial position of the Council in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2005.

I review whether the statement on internal control reflects compliance with CIPFA's guidance. I report if it does not comply with proper practices specified by CIPFA or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider, nor have I considered, whether the statement on internal control covers all risks and controls. I am also not required to form an opinion on the effectiveness of the Council's corporate governance procedures or its risk and control procedures.

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

Basis of audit opinion

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

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

Opinion

In my opinion the financial statements present fairly, in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2005, the financial position of the Council as at 31 March 2006 and its income and expenditure for the year then ended.



Ivan McConnell

Audit Commission
Kernel House
Killingbeck Drive
Killingbeck
Leeds LS14 6UF

29 September 2006

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

Council's Responsibilities

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

Under the Local Government Act 1999, the Council is required to prepare and publish a best value performance plan summarising the Council's assessment of its performance and position in relation to its statutory duty to make arrangements to ensure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

Auditor's Responsibilities

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

I am required by section 7 of the Local Government Act 1999 to carry out an audit of the Council's best value performance plan and issue a report:

- certifying that I have done so;
- stating whether I believe that the plan has been prepared and published in accordance with statutory requirements set out in section 6 of the Local Government Act 1999 and statutory guidance; and
- where relevant, making any recommendations under section 7 of the Local Government Act 1999.

Conclusion

I have undertaken my audit in accordance with the Code of Audit Practice and I am satisfied that, having regard to the criteria for principal local authorities specified by the Audit Commission and published in July 2005, in all significant respects, Kirklees Metropolitan Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2006.



Ivan McConnell

Audit Commission
Kernel House
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Killingbeck
Leeds LS14 6UF

29 September 2006

Best Value Performance Plan

I issued my statutory report on the audit of the Council's best value performance plan for the financial year 2005/06 in December 2005. I did not identify any matters to be reported to the Council and did not make any recommendations on procedures in relation to the plan.

Certificate

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

A handwritten signature in black ink that reads 'Ivan McConnell'.

Ivan McConnell

Audit Commission
Kernel House
Killingbeck Drive
Killingbeck
Leeds LS14 6UF

29 September 2006