# Statement of Accounts for the year ended

March 31

# 2018

## Calderdale MBC

# CONTENTS

# The Narrative Report

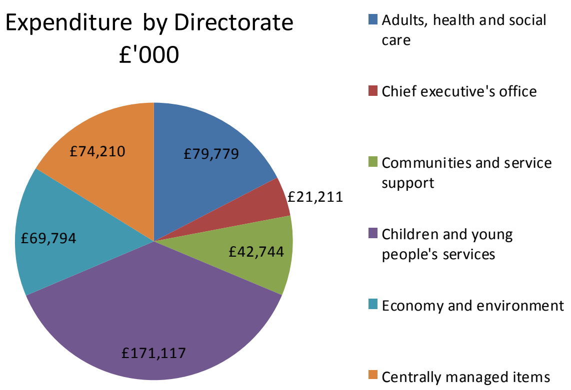
Calderdale is a metropolitan district in West Yorkshire, centred around the town of Halifax. It is part of the Leeds City Region. Although one of the smallest metropolitan districts in terms of population (209,000), it is one of the largest in terms of area (140 square miles), with over 80% being rural. Three quarters of the population live in urban areas.

The river Calder runs through the district from the eastern slopes of the Pennines in the west and passes through the upper valley townships of Todmorden, Hebden Bridge and Sowerby Bridge, and down to the lower valley towns of Elland and Brighouse and on to Kirklees in the east.

Traditionally, Calderdale was a manufacturing district based around textiles. Although in decline, manufacturing still employs around 12% of the local population. The largest sector is financial and business (Halifax is, of course, synonymous with the former building society of that name). Other sectors include retail, hospitality, tourism, and a burgeoning creative/digital sector.

Forecast population growth to 2024 is 4%, with a noticeable increase in the over 65's taking this group to 20% of the total population. Under 25's are expected to be static at 29% of the population, with a small fall to 51% in the 25 to 65 bracket. 87% of the population identify as white british; 8% as Asian/Asian british, and 5% as other.

The Council recognises that "everyone is different, and everyone matters" and spends over £450m supporting residents, businesses and visitors. This includes £100m on schools; over £100m on social care costs (adults and children); £57m on housing benefits and nearly £200m on a very diverse set of services from early years provision to adult learning; public health to cemeteries and crematorium facilities; highways to open spaces; libraries and museums to sport and entertainment. Some of these services are provided directly by the Council, some are provided in partnership with other bodies such as the NHS, and some are bought in. They are funded by a mixture of grants, fees and charges, council tax and business rates.




Day care, home care and residential care services for older people and funding for clients' own care service packages.

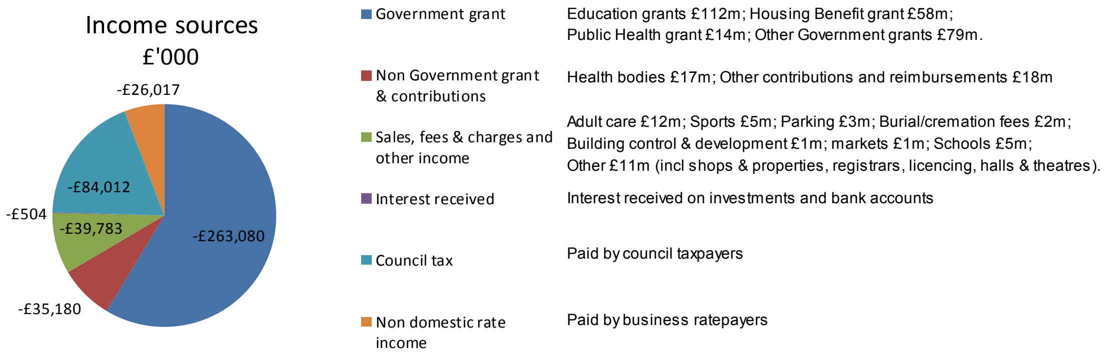
Public Health; elections and registration costs; committee administration, finance, legal, and mayoral support;

Sport, museums, theatre, libraries, parks & open spaces, tourism, crematorium & cemeteries, licensing, community safety, administration of council tax, business rates and benefits; ICT and HR support.

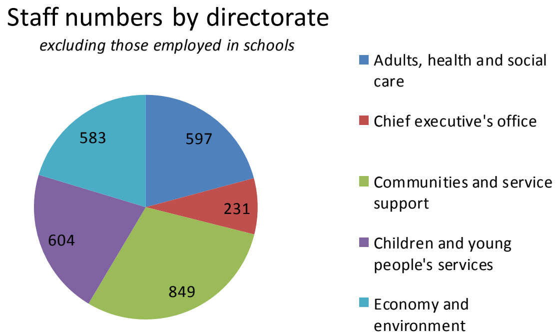
Early years, schools, youth & adult learning; looked after children social care (fostering and children's homes); family support and youth justice.

Road maintenance, lighting, safety, parking; refuse, flooding, public conveniences, recycling, building control, planning, economic development; housing advice and homelessness, food standards.

Housing Benefit, interest payment, levies.




Services are delivered or commissioned by a workforce of full and part time staff and contracted workers, grouped under directorates.




During the year, there has been a management review and a new structure of 4 directorates has been implemented – Adult & Children's Services; Regeneration & Strategy; Public Services; Chief Executives (although these accounting statements are based on the previous structure which was in place for most of the year and on which budget setting and monitoring throughout the year was based).

In 2024, the Council will be 50 years old. Through widespread consultation, it is developing a "Vision for Calderdale 2024". The Council's role will be driven by ambition for place; coherent resident-focussed services which maximise the use of technology, and person centred ways of reducing demand and supporting those with complex needs.

Decision making in the Council is by elected councillors on the recommendations and advice of Council officers. The main decision making body is the Cabinet (a group of 8 councillors drawn from the largest elected party, including the leader and deputy leader) which, within the broad policies and budgets determined by full Council (a meeting of all 51 elected councillors), is responsible for political oversight and detailed decision making. Cabinet decisions can be called in for scrutiny by one of the 3 scrutiny boards. These boards look at the work of the Council and partner agencies and other organisations and service providers, offering advice, recommendations and challenge to Cabinet.

The boards are: -

- *"People"* (looking at people related services such as older people's services; children's services and education; public health services);
- *"Place"* (looking at issues such as highways; environmental issues; street cleaning; housing);
- *"Strategy and Performance"* (focusing on corporate performance; budget monitoring; commercialisation).

In addition to representing and helping local citizens, councillors establish budgets, policies and targets for the delivery of services, and monitor performance. Minutes and agenda papers for all these meetings are available on the Council's website.

Alongside developing a collaborative Vision for Calderdale 2024, the Council is on a mission – “To be the Best Borough in the North”! This focusses on three priorities. For each priority, there is a small subset of measures for which targets are set, monitored and reported regularly. These super key performance indicators (SKPI’s) are published at dataworks.calderdale.gov.uk. The priorities are: -

- Grow the economy, (for which measures include employment rates and pay; business and digital skills; educational achievement)
- reduce inequalities (life expectancy; independence; early years; active lifestyles and safety)
- build a sustainable future (environment; air quality; housing; transport).

These priorities give a strong emphasis on growth that is sustainable, supporting jobs and opportunities for our residents. We focus on inequality and attainment, and recognise that the Council needs to transform the way it works by becoming more agile and adaptive to delivery models, making full use of technology and the skills and ideas of our workforce.

Performance in 80% of the SKPI’s has either improved or been maintained during the year with the result that the Council’s ranking among northern boroughs has risen to 5th (out of 20).

The year has seen the re-opening of the historic Piece Hall (visited in February by HRH the Prince of Wales, and recently the starting point for the final day of the Tour de Yorkshire) and a new central library. These have increased visitor footfall in the town centre by 11%.

As a delivery pilot for Sport England, the Council is aiming to become the most active borough in the north by 2021. Schools’ key stage attainment is improving at twice the national rate. Child adoption times are improving and we now have one of the lowest rates of care home placements for older people.

Future challenging targets include addressing crime and anti-social behaviour, and integrated approaches to care aimed at minimising hospital admissions and stays.

The 2018 budget round provided funding for these. The Council’s budgets are being aligned to priorities as part of the continuing approach to outcome based budgeting which will support the drive towards best borough status.

Risk is an inherent part of business. It embraces all those things which can impede our ambition “To be the Best Borough in the North”. Risks come both from the external environment in which we operate, and internally from the changes necessary in the pursuit of best borough status, through maximising opportunities for enhanced service delivery and income generation. Risks have been identified as strategic, operational, and financial.

*Strategic risks*

Local Authorities are political bodies and operate in a political environment. This means that they are very much affected by the overarching political views, aspirations and policies of central government. There is a clear risk here that central government priorities can change either because of events (Brexit; Grenfell Tower) or as a result of general elections (either by a change in governing party, or by results giving a steer for future political direction). Since 2010, the national political agenda has been focussed on eliminating the national budget deficit through a series of austerity measures which have very much impacted the level of grant funding available to local authorities. The original target date of 2015/16 has been deferred and, following some shift in attitude towards austerity as citizens are more and more feeling the impact, there is now no specified timescale. Balance is not now expected to happen until at least the middle of the next decade.

The provision of education services is a significant part of Council business. Currently around one third of all schools have become academies. These schools act independently of the council other than buying in services if they so wish. The Government's intention that all schools should become academies by 2022 would have had a major impact on service provision and the level of support offered to schools by the Council. However, whilst schools still pursue academy status, the Government's commitment to the original aim seems to have subsided.

Local authorities currently retain 49% of collected business rates. As part of the Government's "fair funding review" (where local authorities would become fully dependent on their own sources of income rather than on central government grants), the intention was for this to rise to 100% by 2020, although this has now been reduced to 75%. However, the Council is part of an approved pilot scheme in the Leeds City region which will allow it to retain 100% of business rates in 2018/19. In the future, business rates will rise by CPI rather than RPI. This will adversely affect the income which councils can generate. These changes make financial planning with any certainty difficult.

Brexit negotiations are ongoing and we do not yet know what impact these will have on national finances (and therefore available grant funding) or what the fiscal response might be. Nor do we know what might be the effect on service costs e.g. commercial contracts and employment costs.

*Operational risks*

Like all business, the Council is heavily dependent on secure, reliable IT systems to operate smoothly. A key risk here would be a malicious attack. The Council has in place many defences and operating protocols to mitigate against such an attack. These provided an effective response against the extensive malware attack on systems in partner NHS organisations in May 2017.

The Council takes very seriously its responsibilities in relation to personal data held on its systems and is currently working hard to document and ensure compliance with protocols emerging as part of the GDPR regulations which come into force in May 2018. Having clearly identified protocols should ensure that personal data is only held as appropriate and so mitigate against any breaches.

Through the diversity of its service provision models, the Council is exposed to risk should any partner organisations or major suppliers fail. This risk may grow as the Council seeks new ways of working as part of its commercialisation agenda. To mitigate against this, there is detailed scrutiny of proposed business cases; due diligence of partner organisations; clear reporting structures and governance. Even so, because of the longer term nature of service and construction contracts, this remains a risk which needs constant monitoring. For example, although not affecting this Council, there was the recent high profile liquidation of Carillion PLC.

Partly due to its topography, the Borough has been hit by several floods in recent years – most notably on Boxing Day 2015. This caused extensive damage to property and infrastructure in all of the townships along the course of the river Calder. The floods affected over 3,000 homes and businesses. The Council has made flood recovery and prevention a key priority and is contributing towards a £108m programme of flood management and flood defences as a response to reduce the risk that such devastation is repeated. In total, grants and tax discounts of £13.2m have been made to households and businesses in affected areas, providing financial help to cope with the costs of cleaning up and safeguarding premises for the future.

*Financial risks*

As a major employer, influences on pay pose a major risk. Nationally agreed pay awards are not always fully funded by the Government. A pay settlement has been agreed nationally which will increase the Council's pay costs by 2.5%. This is the highest pay rise in over 10 years. Average rates of pay have increased by less than 8% in total since 2010. Pay inflation is also affected by the new national living wage, which impacts on the Council through its contracted services (especially on our care contracts).

The Council's defined benefit pension scheme is a statutory scheme. Although operated locally (by Bradford Council) the terms of the scheme (including pension benefits payable) are determined nationally. Volatility in the fund assets held could cause a significant increase in the size of the pension deficit. A larger pension deficit would result in additional funding being required, diverting resources away from services. Employer pension contributions are considered annually by an external firm of actuaries to reflect known changes since the latest formal triennial review of the pension fund in March 2016.

The Council has, in recent years, faced growing demand for social care. These costs are expected to increase in line with demographic changes, especially in the numbers of adults with learning difficulties, and increases in life expectancy.

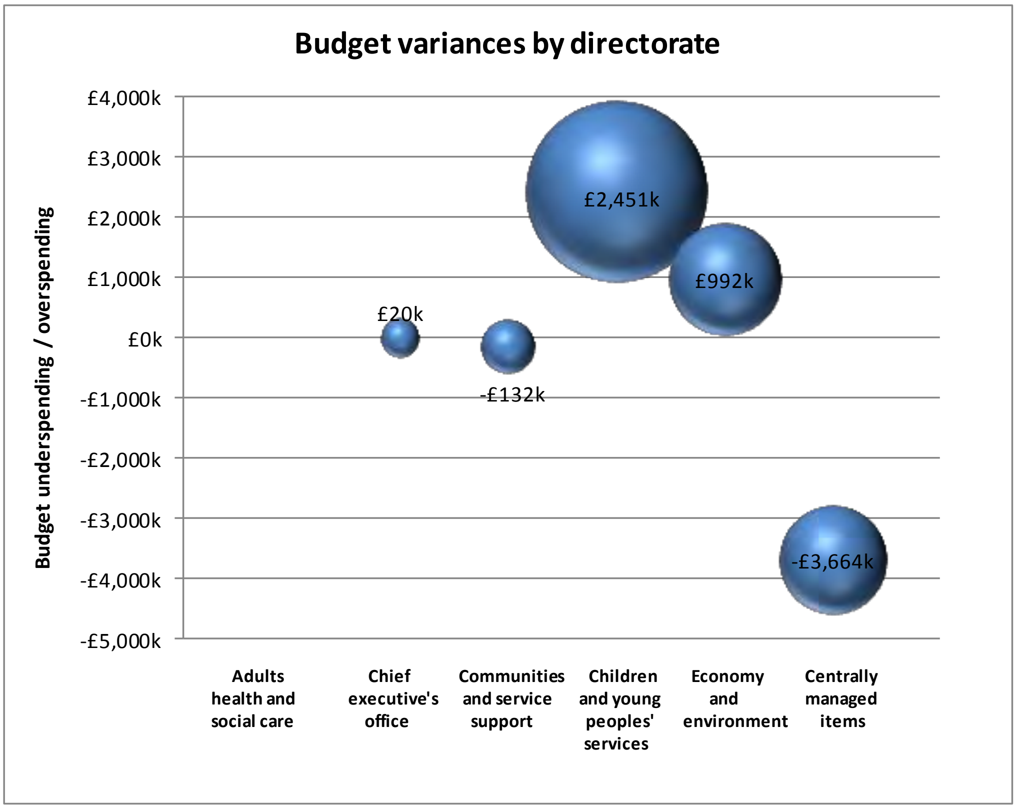
There are still strong Government checks on council tax levels and centrally provided funding such as revenue support grant and new homes bonus, with uncertainty as to what these levels will be in the future. The move towards greater self-funding is largely welcomed, although dependence on key drivers such as economic growth and residential development potential still gives rise to uncertainty.

## *Financial performance during the year.*

### *Revenue spending*

The Council spends £0.5bn annually to deliver services. This is partly funded by service charges and specific grants. The resulting net funding requirement (£0.2bn) is met by general Government grants, council tax, retained business rates and general balances. The Council sets its budget each February to determine council tax levels for the coming year and the extent to which it intends to use balances and reserves to support current operations.

Performance against budgets is monitored regularly, and formally reported quarterly to Cabinet. The performance and strategy scrutiny board monitors individual directorate performance against budgets in more detail. Reports highlight pressure areas and responses to manage those pressures, and give Members updated information of forecast available balances and reserves going forward. Progress against savings targets is monitored on a quarterly basis through review meetings. Final year end outturn reports are presented to Cabinet in June.




The above graphic shows the year end variance on service budgets, with the size of the sphere expressing this as a percent of the overall budget for the service (the larger the sphere, the greater the percentage variance). The Communities and Service Support directorate's underspending of £0.132m has been carried forward in reserves to be used next year. The Adults, Health and Social Care directorate used £0.2m of reserves to balance its budget. Remaining directorate overspendings of £3.4m were balanced in year by using central reserves (reflected in the figure above for centrally managed items). Further underspendings of £0.2m on miscellaneous centrally managed items improved general balances at the year-end compared to budget.

There are a number of costs reflecting consumption of resources (e.g. depreciation) and commitments (e.g. pensions) which are excluded from the above management cost figures but which are brought into the financial statements to show the true accounting cost at the year end. These costs are included in the Comprehensive Income and Expenditure Statement. As they are not required to be funded from the above sources of income, they are stripped out in the Movement in Reserves Statement which balances the accounting cost back to the statutory cost to taxpayers. These accounting costs therefore balance to nil across the Council and do not affect the cost of services to local taxpayers.

| Reconciliation of the actual management costs to those disclosed in the financial statements | Actual management costs £'000 | Accounting Adjustments £'000 | Comprehensive income and expenditure statement £'000 |
|---|---|---|---|
| Net cost of services | 165,897 | 25,531 | 191,428 |
| Other operating expenditure | - | 19,308 | 19,308 |
| Funding | - 154,675 | - 25,295 | - 179,970 |
| **(Surplus)/Deficit on the provision of services** | **11,222** | **19,544** | **30,766** |
| Use of reserves | - 8,252 | - | - 8,252 |
| Removal of accounting adjustments | - | - 19,544 | - 19,544 |
| **Effect on General Fund Balances (MIRS)** | **2,970** | **-** | **2,970** |

The table below compares the original budget, the final budget and the actual outturn, and shows how these figures are reflected in the financial statements.

| | | Decrease / (Increase) in general fund balances | Net expenditure to be funded | Total funding |
|---|---|---|---|---|
| OUTTURN COMPARED TO COUNCIL BUDGETS | | £'000 | £'000 | £'000 |
| | Original Budget | 3,027 | 152,214 | -149,187 |
| | Final Budget | 3,171 | 157,287 | -154,116 |
| | **Actual Outturn** | **2,970** | **157,645** | **-154,675** |
| OUTTURN AS SHOWN IN MOVEMENT IN RESERVES STATEMENT | Surplus/Deficit on provision of services | 30,766 | 210,736 | -179,970 |
| | Adjustment for accounting entries not chargeable to general fund balances | -19,544 | -44,840 | 25,296 |
| | Movement on reserves | -8,252 | -8,252 | 0 |
| | **Movement in general fund balances** | **2,970** | **157,645** | **-154,675** |

The main accounting statements are inter-related. Total comprehensive income and expenditure is broken down in the Movement in Reserves Statement between usable and non-usable reserves. These constitute the net worth of the Council in the Balance Sheet. The reasons for movements during the year in cash (and cash equivalent) balances held on the Balance Sheet are shown in the Cash Flow Statement. These inter-relationships are shown below.

| **Comprehensive Income and Expenditure Statement (£'000)** | |
|---|---|
| (Surplus)/ Deficit on the Provision of Services | 30,766 |
| Other Comprehensive (Income)/Expenditure | -53,397 |
| **Total Comprehensive (Income) and Expenditure** | **-22,631** |

| **Movement in Reserves statement** | |
|---|---|
| -17,340 | Effect on usable reserves |
| 39,971 | Effect on unusable reserves |
| **22,631** | **Change in Total Net Worth** |

| **Balance Sheet (Change in Assets less Liabilities)** | |
|---|---|
| Change in net assets (excl cash) | 20,326 |
| Change in cash and cash equivalents | 2,305 |
| **Change in net worth** | **22,631** |

**Cashflow Statement**

Net increase / (decrease) in cash and cash equivalents

### *Capital spending and financing*

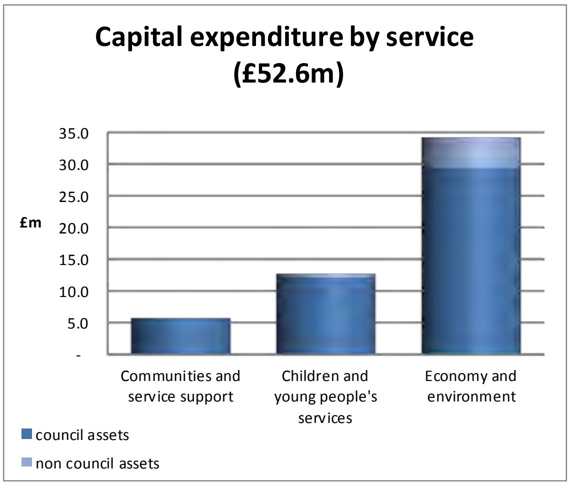
Capital expenditure is distinct from the everyday revenue expenditure required to run services. It represents investment in items of property, plant and equipment (such as buildings, roads, land, and vehicles), the benefits of which last for more than one year. There is a total capital programme, spread over a number of years, of over £146m.

During the year there was spending on rolling programmes for highways (£6.5m) and private housing grant and loans (£2.0m) in addition to major investment on:-

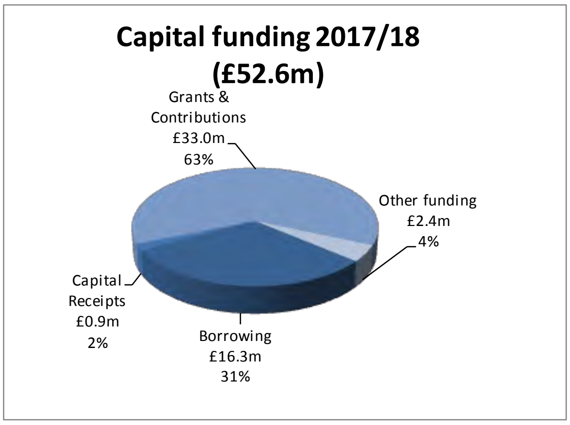
- Redevelopment of the historic Piece Hall.
- Construction of a new central library within Halifax town centre.
- Refurbishment of Princess Buildings as part of the Town Centre Office Strategy.
- Ongoing significant repairs to the road and bridge infrastructure as a result of the 2015 Boxing Day flood damage.
- The first stages of major road improvements in the borough funded by allocations from the West Yorkshire Combined Authority through its transport fund.
- Remodeling and creation of a number of existing schools.
- Replacement of the Council's transport fleet.

In addition to work on its own assets, the Council also spent £5.4m on 3rd party assets, (mainly grants for private housing adaptations; spending on certain types of school e.g. church schools owned by the diocese rather than the Council; and business infrastructure support, including superfast broadband).

The Communities directorate is responsible for the Piece Hall development on which spending in the year was over £5m. The Economy and Environment directorate oversees all road schemes; flood recovery programmes; the town centre office strategy and central library developments. Spending on these items was over £25m. The Children and Young People's directorate is responsible for school based schemes of over £12m.




The capital programme is mainly funded by grant allocations from Central Government. These have largely been directed by the Council towards specific work programmes for schools, roads, flooding and housing schemes. Additional funding to support the capital programme comes from a combination of earmarked reserves and revenue contributions, and capital receipts from asset disposals. Some capital expenditure is financed in future years (borrowing). This has been paid for out of a mixture of working capital and external borrowing.




In addition to funding the capital programme, borrowing also takes place to repay maturing loans. The Council's treasury management policy, which addresses both short term cashflow and longer term asset funding requirements, seeks to minimise external debt costs by taking account of available internal resources, prevailing interest rates and debt maturity profiles. Longer term debt is provided principally through the Government's Public Works Loans Board (PWLB), with shorter term cashflow issues being managed by loans taken out with financial institutions and other local authorities via the UK money markets.

Total borrowing liabilities at the 31st March 2018 amounted to £125.7m against long term assets valued at £533.4m.

## The Statement of Accounts and other links

Many of the tables and disclosure notes within this document are prescribed by the code of practice which local authorities are obliged to follow. For ease of reference, the disclosure notes have been grouped under six headings relating to:

- Key governance issues;
- Expenditure Funding Analysis;
- Balance Sheet;
- Comprehensive Income and Expenditure Statement;
- Technical and other disclosures.
- Accounting policies

A much shorter summarised set of accounts is made available on the website, presenting the main statements and financial messages in a more accessible way.

Councils are large, multi-functional organisations. The processes for determining objectives and the systems in place to deliver these are conducted within an overall framework to promote efficiency and effectiveness. This framework is set out in the Annual Governance Statement which serves as an annual review of effectiveness and demonstrates the management of identified risks.

Copies of both the summary accounts and annual governance statement are available on the Council's website: https://www.calderdale.gov.uk/v2/council/budgets-and-spending/statement-accounts

The website also contains a number of other plans and strategies, such as the medium term financial strategy, detailing what the Council plans to do to achieve its ambitions, what resources it needs to deploy and how it prioritises the resources it has available.

N BROADBENT CPFA

HEAD OF FINANCE

# The Comprehensive Income and Expenditure Statement

| | 2016/17 | Net | | | 2017/18 | Net | |
|---|---|---|---|---|---|---|---|
| Expenditure | Income | Expenditure | Service | Expenditure | Income | Expenditure | Note |
| £'000 | £'000 | £'000 | | £'000 | £'000 | £'000 | |
| | | | *Continuing operations* | | | | |
| 76,620 | -28,910 | 47,710 | Adults, health and social care | 79,779 | -33,712 | 46,067 | |
| 22,154 | -15,140 | 7,014 | Chief executive's office | 21,211 | -14,850 | 6,361 | |
| 39,458 | -13,882 | 25,576 | Communities and service support | 42,744 | -13,014 | 29,730 | |
| 175,439 | -134,272 | 41,167 | Children and young people's services | 171,117 | -130,231 | 40,886 | |
| 63,638 | -21,642 | 41,996 | Economy and environment | 69,794 | -15,434 | 54,360 | |
| 82,300 | -67,546 | 14,754 | Centrally managed items | 74,210 | -60,186 | 14,024 | |
| **459,609** | **-281,392** | **178,217** | **Net Cost of Services** | **458,855** | **-267,427** | **191,428** | 5 |
| | | | *Other operating expenditure* | | | | |
| | | 486 | Parish Precepts | | | 497 | |
| | | 439 | Changes in fair value of held for sale assets | | | 0 | |
| | | 2,978 | (Gain)/loss on disposal of Fixed Assets & Investments | | | 6,375 | 24 |
| | | | *Financing and Investment Income and Expenditure* | | | | |
| | | -792 | Interest and Investment Income | | | -504 | |
| | | 6,980 | Interest Payable and similar charges | | | 6,689 | |
| | | 7,867 | Interest on the net defined benefit pensions liability | | | 6,412 | |
| | | -549 | Income & expenditure in relation to investment properties, and changes in fair value | | | -161 | |
| | | | *Taxation and non specific grant income* | | | | |
| | | -79,156 | Council Tax income | | | -84,011 | |
| | | -27,267 | Non domestic rates income | | | -26,017 | |
| | | -48,618 | Government Grant not attributable to specific services | | | -47,788 | 20 |
| | | -8,021 | Capital Grants | | | -22,154 | |
| | | **32,564** | **(Surplus) or deficit on the provision of services** | | | **30,766** | |
| | | | **Other comprehensive income and expenditure** | | | | |
| | | | ***Reclassifiable*** | | | | |
| | | -19 | (Gains)/losses on the revaluation/disposal of available for sale financial assets | | | -61 | |
| | | | ***Non reclassifiable*** | | | | |
| | | -3,222 | (Surplus) / Deficit arising on the revaluation of non current assets | | | -49,549 | |
| | | 14,163 | Remeasurement of the net defined benefit pension liability | | | -3,787 | 30 |
| | | **10,922** | **Total other comprehensive (income) and expenditure** | | | **-53,397** | |
| | | **43,486** | **Total comprehensive (income) and expenditure** | | | **-22,631** | |

# The Movement in Reserves Statement

| year ended 31st March 2018 | General Fund Balance £'000 | Earmarked GF Reserves £'000 | Capital Grants Reserve £'000 | Capital Receipts Reserve £'000 | **Total Usable Reserves** £'000 | **Unusable Reserves** £'000 | **Total Net Worth** £'000 |
|---|---|---|---|---|---|---|---|
| **Balance at 1st April 2017** | **9,957** | **50,906** | **33,474** | **0** | **94,337** | **16,789** | **111,126** |
| Total Comprehensive Income and Expenditure | -30,766 | 0 | 0 | 0 | **-30,766** | **53,397** | **22,631** |
| Adjustments between accounting basis & funding basis under statutory provisions (note 26) | 19,544 | 0 | -6,118 | 0 | **13,426** | **-13,426** | **0** |
| Transfers to / from Earmarked Reserves (note 17) | 8,252 | -8,252 | 0 | 0 | **0** | **0** | **0** |
| **Increase / (Decrease) in Year** | **-2,970** | **-8,252** | **-6,118** | **0** | **-17,340** | **39,971** | **22,631** |
| **Balance at 31 March 2018** | **6,987** | **42,654** | **27,356** | **0** | **76,997** | **56,760** | **133,757** |

| year ended 31st March 2017 restated | General Fund Balance £'000 | Earmarked GF Reserves £'000 | Capital Grants Reserve £'000 | Capital Receipts Reserve £'000 | **Total Usable Reserves** £'000 | **Unusable Reserves** £'000 | **Total Net Worth** £'000 |
|---|---|---|---|---|---|---|---|
| **Balance at 1st April 2016** | **11,157** | **71,470** | **46,062** | **853** | **129,542** | **25,070** | **154,612** |
| Total Comprehensive Income and Expenditure | -32,564 | 0 | 0 | 0 | **-32,564** | **-10,922** | **-43,486** |
| Adjustments between accounting basis & funding basis under statutory provisions (note 26) | 10,800 | 0 | -12,588 | -853 | **-2,641** | **2,641** | **0** |
| Transfers to / from Earmarked Reserves (note 17) | 20,564 | -20,564 | 0 | 0 | **0** | **0** | **0** |
| **Increase / (Decrease) in Year** | **-1,200** | **-20,564** | **-12,588** | **-853** | **-35,205** | **-8,281** | **-43,486** |
| **Balance at 31 March 2017** | **9,957** | **50,906** | **33,474** | **0** | **94,337** | **16,789** | **111,126** |

# The Balance Sheet at 31st March 2018

| restated 31st March 2017 £'000 | | 31st March 2018 £'000 | Note |
|---|---|---|---|
| | **Long Term Assets** | | |
| 454,840 | Property, Plant & Equipment | 517,456 | 6 |
| 3,773 | Heritage Assets | 3,693 | 7 |
| 8,361 | Investment Property | 7,970 | 8 |
| 261 | Intangible Assets | 174 | |
| 1,512 | Long term investments | 2,027 | 29 |
| 1,467 | Long term debtors | 2,075 | 29 |
| **470,214** | **TOTAL LONG TERM ASSETS** | **533,395** | |
| | **Current Assets** | | |
| 40,700 | Short term investments | 18,400 | 13 |
| 519 | Inventories | 298 | |
| 28,223 | Short term debtors | 32,476 | 12 |
| 8,489 | Cash and cash equivalents | 10,555 | 14 |
| 947 | Assets held for sale | 285 | |
| 78,878 | | 62,014 | |
| | **Current Liabilities** | | |
| -239 | Cash and cash equivalents - bank overdraft | 0 | 14 |
| -9,821 | Short term borrowing | -2,806 | 29 |
| -44,139 | Short term creditors | -50,803 | 15 |
| -4,693 | Short term provisions | -7,277 | 16 |
| -1,649 | Other short term liabilities | -1,786 | 29 |
| -60,541 | | -62,672 | |
| **488,551** | **TOTAL ASSETS LESS CURRENT LIABILITIES** | **532,737** | |
| | **Other Liabilities** | | |
| -1,082 | Long term creditors | -1,085 | |
| -907 | Provisions | -1,048 | 16 |
| -74,615 | Long term borrowing | -86,625 | 29 |
| -264,566 | Net pension liabilities | -275,753 | 30 |
| -36,255 | Other long term liabilities | -34,469 | 29 |
| -377,425 | | -398,980 | |
| **111,126** | **TOTAL ASSETS LESS LIABILITIES** | **133,757** | |
| | **Financed By:-** | | |
| | ***Usable Reserves*** | | |
| 0 | Usable Capital Receipts Reserve | 0 | 17 |
| 33,474 | Capital Grants Unapplied Reserve | 27,356 | 17 |
| 50,906 | Earmarked Reserves | 42,654 | 17 |
| 9,957 | General Fund Balance | 6,987 | 18 |
| **94,337** | **TOTAL USABLE RESERVES** | **76,997** | |
| | ***Unusable reserves*** | | |
| 159,330 | Capital Adjustment Account | 165,171 | 27 |
| 126,034 | Revaluation Reserve | 168,297 | 27 |
| 124 | Collection Fund Adjustment Account | 3,266 | 27 |
| -21 | Available for Sale reserve | 40 | |
| -4,112 | Accumulated Absences Account | -4,261 | 27 |
| -264,566 | Pensions Reserve | -275,753 | 27/30 |
| **16,789** | **TOTAL UNUSABLE RESERVES** | **56,760** | |
| **111,126** | **TOTAL RESERVES** | **133,757** | |

These financial statements, authorised for issue on 30th July 2018, replace the unaudited ones certified by the head of Finance on 23rd May 2018.

# The Cash Flow Statement

| 2016/17 £'000 | 2016/17 £'000 | | 2017/18 £'000 | 2017/18 £'000 | Note |
|---|---|---|---|---|---|
| | 32,564 | Net (surplus) or deficit on the provision of services | | 30,766 | |
| | | Adjustments for:- | | | |
| -32,500 | | non cash movements | -46,764 | | 28 |
| 8,851 | -23,649 | items that are investing and financing activities | 23,035 | -23,729 | 28 |
| | 8,915 | Net cash flows from Operating Activities | | 7,037 | |
| | | *Investing Activities* | | | |
| 42,947 | | Expenditure on property, plant and equipment, heritage assets and investment properties. | 43,178 | | |
| 669 | | Payments for long term investments and other investing activities | 708 | | |
| -1,006 | | Proceeds from the sale of property, plant and equipment, heritage assets and investment properties. | -999 | | |
| -80 | | Proceeds from the sale of long term investments and other investing activities | -20 | | |
| -7,370 | | Other receipts for investing activites (capital grants and contributions) | -22,710 | | |
| -41,600 | | Net movement in short term investments | -22,300 | | |
| | -6,440 | | | -2,143 | |
| | | *Financing Activities* | | | |
| -5,600 | | Net short term borrowing cash payments/(receipts) | 5,650 | | |
| 0 | | Other receipts from financing activities | -3,789 | | |
| 1,457 | | Cash payments for the reduction of the outstanding liability relating to on balance sheet PFI contracts | 1,585 | | |
| 0 | | Long term loans raised | -14,645 | | |
| 4,000 | | Long term loans repayed | 4,000 | | |
| 83 | | Other payments for financing activities | 0 | | |
| | -60 | | | -7,199 | |
| | **2,415** | **Net (increase) / decrease in cash and cash equivalents** | | **-2,305** | |
| | **10,665** | **Cash and cash equivalents at 1st April** | | **8,250** | |
| | **8,250** | **Cash and cash equivalents at 31st March** | | **10,555** | 14 |

# Notes to the Core Financial Statements

These disclosure notes are grouped under six main headings: -

- Key governance issues
- Expenditure Funding Analysis
- Comprehensive Income and Expenditure Statement and related items
- Balance Sheet and related items
- Technical and other disclosures
- Accounting Policies

These accounting statements are produced on a going concern basis. All financial transactions are recorded based on applying accounting policies. These are determined by the code of practice on local authority accounting in the united kingdom 2017/18 (the Code) and are based on a set of internationally recognised accounting standards known as international financial reporting standards (IFRS). The Audit Committee approves these policies annually. The main accounting policies are listed in section F of these disclosure notes.

In preparing these statements, judgements have to be made in deciding the most appropriate policies to apply. Once a policy is chosen, assumptions and estimates have to be made to determine the figures to be included for assets, liabilities, revenues and expenses. Although using best knowledge at the time, the nature of estimation means that actual results may ultimately differ from those estimates. The main estimates and judgements made are disclosed alongside the relevant notes in this section.

In the following section, YELLOW boxes explain the purpose of the disclosure note.

BLUE boxes provide details of any critical assumptions or judgements made where actual results may be different from those recognised.

In addition to "the Code", the following abbreviations are used throughout.

- MIRS – the movement in reserves statement (this statement shows movement in the year on the different reserves held by the Council, analysed into usable and unusable reserves. Usable reserves can be applied to fund expenditure and manage local taxation levels).
- SDOPS – the surplus/deficit on the provision of services (this statement shows the accounting cost of providing Council services during the year).
- OCI – other comprehensive income and expenditure(this statement shows other recognised gains and losses during the year due to valuation changes in assets and liabilities rather than to economic performance in service delivery)
- CIES – the comprehensive income and expenditure statement (this statement brings together all the gains and losses in the SDOPS and OCI which together account for the movement during the year in the Council's net worth).

## A *Key governance issues*

This section includes disclosures relating to the way the Council operates, payments made to, and interests held by councillors and key officers.

### 1 How the Council works and the role of Councillors

The Council is made up of 51 elected Councillors, 3 representing each of 17 wards. Councillors are elected by the people in their ward to serve for four years. Duties include representing local citizens; establishing policies for the delivery of services and monitoring performance; and making sure the Council complies with the law. Councillors are not salaried but receive allowances. This note discloses the allowances received.

Full Council is made up of 51 elected councillors. During 2017/18, these 51 councillors represented the following political parties: -

| | |
|---|---|
| Conservative and Unionist | 21 councillors |
| Independent | 2 councillors |
| Labour | 23 councillors |
| Liberal Democrat | 5 councillors |

Councillors also serve on Cabinet, Scrutiny boards and other committees dealing with specific issues such as flooding; markets; legal responsibilities for planning and licensing; ward forums; economy and investment.

Councillors receive a basic annual allowance of £10k for time spent on official Council business. About half also receive extra allowances reflecting additional special responsibilities. Total members' allowances and expenses of £744k were paid during the year (£744k in 2016/17).

### 2 How the Council works and the role of officers

Council services are delivered or commissioned by a workforce of 2,900 full-time, part-time and contracted staff, with a similar number working in the schools service. During the year, services were delivered through a structure of service directorates, each headed by a director. Within the budgets and policies set by the Council and Cabinet, officers have delegated authority to progress the hundreds of individual services which the Council provides.

This note covers the required disclosures for remuneration and other payments to staff.

There are reporting requirements under both regulations and the Code for remuneration and other payments to staff as follows: -

- *Employees earning over £50k.* Disclosure in bands of £5k of the number of employees (including schools based staff) whose remuneration during the period covered by the accounts exceeds £50k. Remuneration means all amounts paid to or receivable by an employee, and expense allowances chargeable to UK tax. These figures include termination settlements as appropriate, but exclude all senior employees listed separately in that specific disclosure. For completeness, the figures include 32 teaching staff whose costs are included in service expenditure but who are technically employed by school governing bodies and not directly by the Council.

- *Exit packages*. The number of exit packages agreed (grouped in rising bands of £20k up to £100k, and bands of £50k thereafter), analysed between compulsory redundancies and other departures, together with the total cost of packages agreed in each band. Exit packages include compulsory and voluntary redundancies; the cost of early pension entitlement; ex gratia payments and any other departure costs. This table includes any exit packages made available to senior officers.
- *Remuneration of senior employees*. Disclosure of the remuneration of senior employees. There are seven senior employees defined as holders of specific statutory posts, and those identified as having responsibility for the management of the Council.

*Employees earning over £50k*

| No. of staff 2016/17 Teaching staff | Non teaching staff | Officers' and Teachers' Remuneration £ | No. of staff 2017/18 Teaching staff | Non teaching staff |
|---|---|---|---|---|
| 33 | 19 | 50,000 - 54,999 | 29 | 19 |
| 31 | 9 | 55,000 - 59,999 | 19 | 10 |
| 18 | 2 | 60,000 - 64,999 | 23 | 2 |
| 12 | 1 | 65,000 - 69,999 | 9 | |
| 3 | | 70,000 - 74,999 | 5 | 1 |
| 3 | 2 | 75,000 - 79,999 | 4 | 4 |
| 2 | 5 | 80,000 - 84,999 | 2 | |
| | 1 | 85,000 - 89,999 | | 2 |
| 1 | 1 | 90,000 - 94,999 | | 3 |
| 1 | | 100,000 - 104,999 | | |
| 2 | | 105,000 - 109,999 | 1 | |
| | | 125,000 - 130,000 | 1 | |
| **106** | **40** | | **93** | **41** |

*Exit packages*

| 2016/17 Voluntary no. of staff | Total value £'000 | Compulsory no. of staff | Total value £'000 | Officers' and Packages including Redundancy and associated Pension Entitlement £ | 2017/18 Voluntary no. of staff | Total value £'000 | Compulsory no. of staff | Total value £'000 |
|---|---|---|---|---|---|---|---|---|
| 53 | 424 | 24 | 158 | 0 - 19,999 | 43 | 340 | 34 | 177 |
| 5 | 124 | 1 | 23 | 20,000 - 39,999 | 10 | 236 | 4 | 111 |
| 7 | 328 | | | 40,000 - 59,999 | 4 | 204 | 1 | 44 |
| 1 | 78 | | | 60,000 - 79,999 | 2 | 125 | | |
| | | 1 | 80 | 80,000 - 99,999 | 1 | 91 | | |
| | | | | 100,000 - 149,999 | 1 | 103 | | |
| **66** | **954** | **26** | **261** | | **61** | **1099** | **39** | **332** |

These figures include redundancy costs which are paid in year on exit (£717k), and consolidated early pension entitlement costs which are borne by the Council, but where the benefit is paid over the lifetime of the pensioner (£714k).

*Remuneration of senior employees*

| Current Senior Officers | | Salary, fees & allowances £'000 | Expenses £'000 | Pension contributions £'000 | Total remuneration £'000 |
|---|---|---|---|---|---|
| Chief executive [1] | 2017/18 | 110 | | 19 | 129 |
| | 2016/17 | 0 | | 0 | 0 |
| Head of finance | 2017/18 | 85 | | 15 | 100 |
| | 2016/17 | 84 | | 12 | 96 |
| Head of democratic & partnership services | 2017/18 | 86 | | 14 | 100 |
| | 2016/17 | 84 | | 11 | 95 |
| Director of adult and children's services | 2017/18 | 127 | | 0 | 127 |
| | 2016/17 | 124 | | 0 | 124 |
| Director of economy and environment | 2017/18 | 123 | | 22 | 145 |
| | 2016/17 | 122 | | 18 | 140 |
| Director of Public Services [2] | 2017/18 | 13 | | 2 | 15 |
| | 2016/17 | 0 | | 0 | 0 |
| Director of public health | 2017/18 | 102 | | 15 | 117 |
| | 2016/17 | 101 | | 14 | 115 |
| *Interim senior officers* | | | | | |
| Acting director of communities and support services [3] | 2017/18 | 70 | | 12 | 82 |
| | 2016/17 | 0 | | 0 | 0 |
| *Former senior officers* | | | | | |
| Chief executive (M McRae) [4] | 2017/18 | 41 | | 7 | 48 |
| | 2016/17 | 152 | | 22 | 174 |
| Director of adults, health and social care [5] | 2017/18 | 0 | | 0 | 0 |
| | 2016/17 | 62 | | 7 | 69 |
| Director of communities and support services [6] | 2017/18 | 26 | | 4 | 30 |
| | 2016/17 | 117 | 1 | 17 | 135 |

[1] Appointed June 2017.
[2] Appointed February 2018
[3] July 2017 to February 2018
[4] Left in June 2017. Includes £10k as returning officer for local/general elections.
[5] Left in September 2016 and post merged with Director of Children and Young People's Services
[6] Became Chief Executive June 2017

## 3. Related party transactions

A lot of activity is undertaken by the Council in connection with other bodies and agencies. Related parties is a term applied where the relationship is such that there is the possibility of restriction of independent, commercial activity. Related parties are entities or persons with significant influence over the financial and operating policy decisions of the Council, and any separate entities controlled or jointly controlled by such persons or close family members. Councils are required to disclose transactions with these related parties. The purpose of the disclosure is to enable consideration of areas of potential conflict, and the safeguards taken to prevent it.

The following related parties have been identified for the purposes of this disclosure:-

- Central Government
- Pension Fund
- Other public bodies
- Members and senior officers (including close family and any organisations in which they or their close family have a controlling interest).

- Central Government

The UK Government specifies the statutory framework within which local authorities operate. It also prescribes the terms of many transactions undertaken and its main sources of funding. The main grants receivable are detailed in note 20. Year end debtor and creditor balances with Central Government are shown in notes 12 and 15 respectively. Non domestic rate income paid to the Government is disclosed in the collection fund note.

- Pension Funds

Payments in respect of post employment benefit plans are detailed in note 30. Pension fund creditors are included in note 15.

- Other Public Bodies

The Council collects and then pays over council tax and non domestic rate income on behalf of other precepting authorities and the Government. Precepts paid to parish councils are shown in SDOPS. Precepts paid to West Yorkshire Fire and Rescue Authority and the Police and Crime Commissioner for West Yorkshire are shown in the collection fund. Payments are also made to other public bodies providing services within Calderdale including other local authorities and health bodies. A levy of £9.1m (£9.2m in 16/17) was paid to the West Yorkshire Combined Authority for public transport provision, which includes a contribution towards the West Yorkshire Transport Fund for major regional transport infrastructure projects.

- Members and Senior Officers

All Members of the Council and senior officers (members of the corporate leadership team) are in positions of significant influence over the Council's financial and operating policies. Related parties include all such persons and close family members. Employees are required by the officers' code of conduct to declare any financial or non financial interests which could conflict with those of the Council. Such declarations are registered with the Head of Democratic and Partnership Services. There are no circumstances or material transactions requiring disclosure.

Members are under a statutory duty to disclose specific personal financial interests. These are registered and available for public inspection on the Council's website. Members are also required to disclose financial and other interests in matters being considered at meetings at which they are present. The purpose of such disclosure is to prevent them from taking part in discussions and decisions where there is any potential conflict of interest.

Councillors often represent the Council on many local boards and interest groups. These appointments are in an advisory capacity and enabling role rather than as a vehicle for personal gain, and appointees are unlikely to be appointed to positions of control. Where councillors are, in their own right, involved in, members of, employed by or in ownership of businesses or organisations providing services to, or in receipt of funding from the Council, all such bodies are assessed for potential control or influence and transactions identified. One councillor has a spot contract with the Council for the provision of learning and physical disability services. £23k was drawn down against this during the year. One councillor is a partner in a marketing solutions company. Transactions in the year with the Council amounted to £1k. One councillor was a partner in a taxi business which secured £35k of custom from the Council. One councillor owns a newsagent business, supplying £1k of newspapers to libraries.

## 4. External audit assurance

The figures included in these accounts give a true and fair view of the financial position of the Council at the year end, and its financial performance during the year. This is a technical document which receives considerable audit scrutiny to give all stakeholders the confidence that public money has been properly accounted for. Our appointed auditor, Ernst & Young LLP, acts independently to give this assurance. This table shows how much the Council pays for this, and for any other audit services provided by them.

| 2016/17 £'000 | APPOINTED AUDITOR FEES | 2017/18 £'000 |
|---|---|---|
| 123 | External audit services fee specified by the Public Sector Audit Appointment (PSAA) | 123 |
| 20 | Certification of grant claims and returns | 29 |
| **143** | **Total Fees** | **152** |

## B. Expenditure Funding Analysis

5. The Council raises funding through local taxation to cover the net cost of the services it provides. This net cost does not include all the accounting costs of the resources consumed in providing those services. There is therefore a difference between those costs chargeable under statute, and those chargeable under accounting practice. The Expenditure Funding Analysis demonstrates how the funding available to the Authority (government grants, council tax and business rates) has been used in providing services in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. It shows the breakdown of net expenditure by Council directorate. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the CIES.

| EXPENDITURE FUNDING ANALYSIS 2017/18 | Reported Service net expenditure £'000 | Adjustments to reflect the CIES format £'000 | Adjust funding basis to accounting basis £'000 | Net Expenditure in the Comprehensive Income & Expenditure Statement £'000 |
|---|---|---|---|---|
| *Directorate* | | | | |
| Adults, Health & Social Care | 43,967 | 0 | 2,100 | 46,067 |
| Chief Executive's Office | 5,746 | 0 | 615 | 6,361 |
| Communities & Service Support | 20,012 | 0 | 9,718 | 29,730 |
| Children & Young People's Services | 34,567 | 12 | 6,307 | 40,886 |
| Economy & Environment | 35,649 | 555 | 18,156 | 54,360 |
| Centrally Controlled Expenditure | 25,956 | -6,703 | -5,229 | 14,024 |
| **Net Cost of Services** | **165,897** | **-6,136** | **31,667** | **191,428** |
| Other income and expenditure | 0 | 6,136 | 13,172 | 19,308 |
| Funding | -154,675 | 0 | -25,295 | -179,970 |
| **(Surplus)/Deficit on the provision of services** | **11,222** | **-** | **19,544** | **30,766** |
| Opening General Fund Balances and Reserves | -60,863 | | | |
| **Closing General Fund Balances and Reserves** | **-49,641** | | | |

| EXPENDITURE FUNDING ANALYSIS 2016/17 | Reported Service net expenditure £'000 | Adjustments to reflect the CIES format £'000 | Adjust funding basis to accounting basis £'000 | Net Expenditure in the Comprehensive Income & Expenditure Statement £'000 |
|---|---|---|---|---|
| *Directorate* | | | | |
| Adults, Health & Social Care | 44,856 | 0 | 2,854 | 47,710 |
| Chief Executive's Office | 6,606 | 0 | 408 | 7,014 |
| Communities & Service Support | 19,966 | 0 | 5,610 | 25,576 |
| Children & Young People's Services | 33,638 | 18 | 7,511 | 41,167 |
| Economy & Environment | 33,149 | 586 | 8,261 | 41,996 |
| Centrally Controlled Items | 39,593 | -6,702 | -18,137 | 14,754 |
| **Net Cost of Services** | **177,808** | **-6,098** | **6,507** | **178,217** |
| Other income and expenditure | 0 | 6,098 | 11,311 | 17,409 |
| Funding | -156,044 | 0 | -7,018 | -163,062 |
| **(Surplus)/Deficit on the provision of services** | **21,764** | **0** | **10,800** | **32,564** |
| Opening General Fund Balances and Reserves | -82,627 | | | |
| **Closing General Fund Balances and Reserves** | **-60,863** | | | |

Reported service net expenditure has been adjusted to reflect the reporting format requirements of the CIES. These adjustments separate out costs incurred in providing services from other operating income and expenditure not directly related to providing services such as those arising from investment properties, interest payments and receipts.

The adjustments to reflect the full accounting costs of services relate mainly to adjustments for capital purposes and pensions. These are summarised below and analysed in fuller detail in note 26.

| ANALYSIS OF ACCOUNTING ADJUSTMENTS 2017/18 | Adjustments relating to capital items £'000 | Adjustments relating to pensions £'000 | Other adjustments £'000 | Total Accounting Adjustments £'000 |
|---|---|---|---|---|
| *Directorate* | | | | |
| Adults, Health & Social Care | 600 | 1,493 | 7 | 2,100 |
| Chief Executive's Office | 8 | 593 | 14 | 615 |
| Communities & Service Support | 7,447 | 2,256 | 15 | 9,718 |
| Children & Young People's Services | 1,704 | 4,533 | 70 | 6,307 |
| Economy & Environment | 16,670 | 1,443 | 43 | 18,156 |
| Centrally Controlled Expenditure | -3,473 | -1,756 | 0 | -5,229 |
| Other income and expenditure | 6,760 | 6,412 | 0 | 13,172 |
| Funding | -22,153 | 0 | -3,142 | -25,295 |
| **(Surplus)/Deficit on the provision of services** | **7,563** | **14,974** | **-2,993** | **19,544** |

| ANALYSIS OF ACCOUNTING ADJUSTMENTS 2016/17 | Adjustments relating to capital items £'000 | Adjustments relating to pensions £'000 | Other adjustments £'000 | Total Accounting Adjustments £'000 |
|---|---|---|---|---|
| *Directorate* | | | | |
| Adults, Health & Social Care | 1,795 | 1,001 | 58 | 2,854 |
| Chief Executive's Office | -11 | 383 | 36 | 408 |
| Communities & Service Support | 3,986 | 1,514 | 110 | 5,610 |
| Children & Young People's Services | 3,877 | 2,725 | 909 | 7,511 |
| Economy & Environment | 7,244 | 941 | 76 | 8,261 |
| Centrally Controlled Expenditure | -15,175 | -2,962 | 0 | -18,137 |
| Other income and expenditure | 3,442 | 7,869 | 0 | 11,311 |
| Funding | -8,023 | 0 | 1,005 | -7,018 |
| **(Surplus)/Deficit on the provision of services** | **-2,865** | **11,471** | **2,194** | **10,800** |

## Adjustments relating to capital items.

These adjustments reflect charges for depreciation; changes in asset valuations; capital expenditure and associated funding of 3rd party assets; revenue contributions towards capital expenditure; provisions for the repayment of debt; capital grants recognised in the year (received unconditionally, or where conditions have been satisfied); net profit or loss on asset disposals.

## Adjustments relating to pensions.

These adjustments recognise pension benefit charges in line with accounting standard IAS 19 rather than statutory funding requirements. Employer costs are removed and replaced with current service costs, past service costs, and a charge for interest on the net defined benefit liability.

## Other adjustments

These adjustments reflect accruals for holiday pay and similar absences (where employees have earned the right to paid leave but not yet taken it); and the difference between council tax and non domestic rates levied at the start of the year and the income to be recognised under generally accepted accounting principles.

## Expenditure and Income analysed by nature.

Expenditure and income in the CIES are analysed as follows: -

| Analysis of income and expenditure in the comprehensive income and expenditure statement | 2017/18 £'000 | 2016/17 £'000 |
|---|---|---|
| **Expenditure** | | |
| Employees | 169,828 | 170,028 |
| Other operating expenses | 80,973 | 84,750 |
| Third party payments | 102,670 | 102,647 |
| Transfer Payments | 79,039 | 84,390 |
| Depreciation, impairment & revaluations | 27,356 | 18,867 |
| Interest Paid | 6,689 | 6,980 |
| Gain/loss on disposal of fixed assets | 6,375 | 2,978 |
| Pension interest costs | 6,412 | 7,867 |
| **Total expenditure** | **479,342** | **478,507** |
| | | |
| **Income** | | |
| Government grant | -263,080 | -264,947 |
| Non Government grant & contributions | -35,180 | -34,289 |
| Sales, fees & charges and other income | -39,783 | -39,978 |
| Interest received | -504 | -792 |
| Council tax | -84,012 | -78,670 |
| Non domestic rate income | -26,017 | -27,267 |
| **Total income** | **-448,576** | **-445,943** |
| | | |
| **Net expenditure** | **30,766** | **32,564** |

Employees covers all contracted full time, part time, casual, sessional and agency staff, and includes all on costs and related taxes.

Other operating expenses include premises costs, transport and supplies and services.

Third party payments are payments made in respect of contracts for some significant functions of the Council including waste collection and disposal, highways maintenance, social care and public health.

Transfer payments are the payments made for housing benefit and personal budgets for social care.

| Analysis by operating segment of those items of income and expenditure required by the Code (£'000) | Adults, Health & Social Care | Chief Executive's Office | Communities & Service support | Children & Young People | Economy & Environment | Centrally Managed Expenditure | **Total** |
|---|---|---|---|---|---|---|---|
| *Depreciation, impairment and revaluations* | | | | | | | |
| 2017/18 | 600 | 8 | 7,663 | 2,250 | 16,835 | 0 | 27,356 |
| 2016/17 | 2,025 | 8 | 4,241 | 4,539 | 8,054 | 0 | 18,867 |
| *Sales, fees, charges and other income* | | | | | | | |
| 2017/18 | -12,438 | -255 | -10,728 | -6,178 | -10,184 | 0 | -39,783 |
| 2016/17 | -12,617 | -316 | -10,729 | -6,194 | -10,111 | -11 | -39,978 |

## *C Balance Sheet and related items*

### 6 Property, plant and equipment

Property plant and equipment are the fixed assets which are held to provide services or for administrative purposes. It is a significant part of the balance sheet and includes major classes of buildings such as schools; sports centres, libraries; day centres; halls and community centres, as well as roads.

This note shows the valuation of these assets, and the movements during the year. Movements include additions, disposals, revaluations, and depreciation. Most assets are revalued so that the figures reflect valuations at the balance sheet date.

The Council's property portfolio includes
1,100km of roads;
6 sports facilities;
21 libraries;
10 halls & community centres;
10 day centres and
48 schools.

*Valuations*

Property valuations have been undertaken during the year by Wilks Head & Eve LLP, an external firm of property valuation professionals. A small number of properties have been valued internally by an in house qualified valuer.

For the purpose of these disclosure notes, only material classes of assets have been separately identified, and all other classes have been grouped together as other operational assets. The different classes are valued as follows.

| | |
|---|---|
| Schools and sports facilities | Current value on a depreciated replacement cost (DRC) basis based on a modern equivalent asset (MEA) using the instant build approach. |
| Other operational assets | This includes all other classes of operational assets valued on a mixture of bases such as existing use for car parks and depots (20%); DRC for children's centres, libraries and the theatre (73%) and depreciated historical cost (7%) for short life assets such as plant, vehicles and equipment, and difficult to value assets such as community assets (e.g. parks). |
| Infrastructure assets and assets under construction | Infrastructure assets (e.g. highways and bridges), and assets under construction are measured at historical cost and depreciated or impaired as appropriate. |
| Surplus assets | Surplus assets are carried at fair value, being an exit price based on highest and best use. |

*Depreciation*
With the exceptions of land (unless it has a finite life), buildings under construction, and community assets (unless specifically appropriate), all items of property, plant and equipment are depreciated over their useful economic lives. For example: -

- Buildings have been depreciated on a straight line basis over periods calculated on an individual basis ranging from 10 to 50 years.
- Infrastructure assets have been depreciated on a straight line basis over 25 years.
- Plant, vehicles and equipment have been depreciated on a straight line basis over periods of between 5 and 15 years.

There are different types of school. Some schools are owned by the Council, some by school governing bodies and some by church diocese or trusts. The Council's balance sheet includes all the schools which it owns or which, through arrangements with school governing bodies, it effectively controls (even though legal ownership may be vested elsewhere).

There are 48 schools owned or controlled either by the Council or the school governing body, and valued at £174.3m. Not included are 16 voluntary aided, 3 voluntary controlled and 1 foundation schools where ownership is vested in the church trust. These schools are legally owned by the diocese, and there is no controlling interest held by the Council to use these properties. Continuing access to the assets relies on the extended goodwill of the diocese which could take back the asset at any time. It is the diocese which bears the risks and benefits associated with ownership (e.g. responsibility for maintenance and insurance, sale proceeds etc.) It is only the buildings themselves which are currently excluded from these accounting statements. All running costs associated with service provision and schools' grant funding are included in the accounting statements, and these schools' balances (£1.4m) are included in the Balance Sheet as part of overall school balances.

Until such time as academy schools convert, they are treated like any other school and carried on the balance sheet at a value reflecting the service embodied in the asset. As the schools have to be transferred to the new academy trusts at nil consideration, any loss on disposal is reflected in the CIES at that date. Three schools are pursuing academy conversion in 2018/19. The net book value of these schools is £37m and this sum will be written out on conversion.

Three schools provided under the PFI agreement are accounted for as Council schools (even though legal ownership rests elsewhere) as it is considered that the Council effectively controls them through contractual arrangements. The other two schools included in the agreement have now converted to academies and been written out, although the Council retains the ongoing contractual liability to make payments for the building of the schools until the end of the contract.

| Movement on property, plant & equipment year ended 31st March 2018 | OPERATIONAL PROPERTY, PLANT & EQUIPMENT | | | | NON OPERATIONAL | | TOTAL PPE |
|---|---|---|---|---|---|---|---|
| | Schools | Sports facilities | Infrastructure | Other operational assets | Surplus Assets | Assets under Construction | |
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | **£'000** |
| Cost and valuation at 1st April 2017 | 166,075 | 46,692 | 163,200 | 156,022 | 466 | 9,296 | **541,751** |
| Accumulated depreciation | -4,166 | -1,504 | -69,376 | -11,862 | -3 | 0 | **-86,911** |
| **Net Book Value at 1st April 2017** | **161,909** | **45,188** | **93,824** | **144,160** | **463** | **9,296** | **454,840** |
| | | | | | | | |
| *Movements during the year* | | | | | | | |
| Additions | 9,599 | 636 | 14,047 | 16,451 | | 5,701 | **46,434** |
| Disposals | -6,159 | -58 | | -843 | | | **-7,060** |
| Change in Provision | | | | | | | **0** |
| Revaluations | | | | | | | |
| - to revaluation reserve | 10,031 | 7,471 | | 31,407 | | | **48,909** |
| - to surplus/deficit on provision of services | 2,351 | 833 | | 6,385 | | | **9,569** |
| Impairments | | | | | | | |
| - to revaluation reserve | -5,691 | | | -6,300 | -87 | | **-12,078** |
| - to surplus/deficit on provision of services | -1,251 | -884 | | -19,612 | -67 | | **-21,814** |
| Reclassifications | -525 | | | 12,494 | 447 | -12,294 | **122** |
| | | | | | | | |
| *Depreciation during the year* | | | | | | | |
| Depreciation charged | -4,241 | -1,442 | -6,528 | -5,254 | -10 | | **-17,475** |
| Disposals | 294 | 58 | | 32 | | | **384** |
| Revaluations | | | | | | | |
| - to revaluation reserve | 6,467 | 2,406 | | 2,053 | | | **10,926** |
| - to surplus/deficit on provision of services | 1,104 | 465 | | 339 | | | **1,908** |
| Impairments | | | | | | | |
| - to revaluation reserve | 187 | | | 1,590 | | | **1,777** |
| - to surplus/deficit on provision of services | 270 | | | 739 | | | **1,009** |
| Reclassifications | | | | | 5 | | **5** |
| **Net Book Value at 31st March 2018** | **174,345** | **54,673** | **101,343** | **183,641** | **751** | **2,703** | **517,456** |
| | | | | | | | |
| Cost and valuation at 31/3/18 | 174,430 | 54,690 | 177,247 | 196,004 | 759 | 2,703 | **605,833** |
| Accumulated depreciation | -85 | -17 | -75,904 | -12,363 | -8 | 0 | **-88,377** |
| **Net Book Value at 31st March 2018** | **174,345** | **54,673** | **101,343** | **183,641** | **751** | **2,703** | **517,456** |
| | | | | | | | |
| ***Nature of asset holding*** | | | | | | | |
| Owned | 136,555 | 54,673 | 101,343 | 183,641 | 751 | 2,703 | **479,666** |
| PFI | 37,790 | | | | | | **37,790** |
| | **174,345** | **54,673** | **101,343** | **183,641** | **751** | **2,703** | **517,456** |

| Movement on property, plant & equipment year ended 31st March 2017 | OPERATIONAL PROPERTY, PLANT & EQUIPMENT | | | | NON OPERATIONAL | | TOTAL PPE |
|---|---|---|---|---|---|---|---|
| | Schools | Sports facilities | Infrastructure | Other operational assets | Surplus Assets | Assets under Construction | |
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | **£'000** |
| Cost and valuation at 1st April 2016 | 166,816 | 46,464 | 147,268 | 140,117 | 428 | 3,524 | **504,617** |
| Accumulated depreciation | -80 | -9 | -63,485 | -9,497 | 0 | 0 | **-73,071** |
| **Net Book Value at 1st April 2016** | **166,736** | **46,455** | **83,783** | **130,620** | **428** | **3,524** | **431,546** |
| | | | | | | | |
| *Movements during the year* | | | | | | | |
| Additions | 2,685 | 228 | 15,932 | 18,802 | | 5,772 | **43,419** |
| Disposals | -3,501 | | | -248 | -49 | | **-3,798** |
| Change in Provision | | | | -35 | | | **-35** |
| Revaluations | | | | | | | |
| - to revaluation reserve | 150 | | | 2,688 | 36 | | **2,874** |
| - to surplus/deficit on provision of services | | | | 931 | | | **931** |
| Impairments | | | | | | | |
| - to revaluation reserve | -75 | | | -2,034 | | | **-2,109** |
| - to surplus/deficit on provision of services | | | | -3,099 | -14 | | **-3,113** |
| Reclassifications | | | | -1,100 | 65 | | **-1,035** |
| | | | | | | | |
| *Depreciation during the year* | | | | | | | |
| Depreciation charged | -4,221 | -1,495 | -5,891 | -4,941 | -5 | | **-16,553** |
| Disposals | 88 | | | 57 | 2 | | **147** |
| Revaluations | | | | | | | |
| - to revaluation reserve | 47 | | | 1,694 | 10 | | **1,751** |
| - to surplus/deficit on provision of services | | | | 110 | | | **110** |
| Impairments | | | | | | | |
| - to revaluation reserve | | | | 405 | | | **405** |
| - to surplus/deficit on provision of services | | | | 300 | | | **300** |
| Reclassifications | | | | 10 | -10 | | **0** |
| **Net Book Value at 31st March 2017** | **161,909** | **45,188** | **93,824** | **144,160** | **463** | **9,296** | **454,840** |
| | | | | | | | |
| Cost and valuation | 166,075 | 46,692 | 163,200 | 156,022 | 466 | 9,296 | **541,751** |
| Accumulated depreciation | -4,166 | -1,504 | -69,376 | -11,862 | -3 | 0 | **-86,911** |
| **Net Book Value at 31st March 2017** | **161,909** | **45,188** | **93,824** | **144,160** | **463** | **9,296** | **454,840** |
| | | | | | | | |
| ***Nature of asset holding*** | | | | | | | |
| Owned | 127,397 | 45,188 | 93,824 | 144,160 | 463 | 9,296 | **420,328** |
| PFI | 34,512 | | | | | | **34,512** |
| | **161,909** | **45,188** | **93,824** | **144,160** | **463** | **9,296** | **454,840** |

The Council has identified sufficient capital resources to fund its approved capital programme of £146m, including £53m on road improvement schemes funded through the West Yorkshire Transport Fund; £27m on the creation of a new sixth form college and replacement and major remodelling of four primary schools, and a further £11m for other specific smaller school schemes; £21m on replacing and upgrading street lighting; £8m for building maintenance and rationalisation programmes and improvements including greener energy schemes; and rolling programmes of highways work and housing grants costing approximately £6m p.a.

Outstanding contractual commitments at the balance sheet date for the above capital schemes include:-

- New building at Copley School - £2.6m.
- New building at Moorside School - £2.0m
- New building at Ferney Lee School – £3.4m

*Depreciation:* Assets are depreciated over their useful lives which are dependent on assumptions about the level of repairs and maintenance. Asset lives are reviewed as part of the annual revaluation programme. The Council is already rationalising its property portfolio and in view of funding cuts, it is possible that future investment in properties which don't feature within the Council's long term property solution will fall. A reduction in asset life of one year for 20% of the asset holding would result in accelerated depreciation, and a reduction in total asset values of approximately £0.1m.

*Valuations:* The Council continues to rationalise service delivery and the buildings from which services are provided. Asset valuations are based on service potential, and fair value for surplus and investment properties. Where a service is to be terminated, any unrecovered service potential is recognised at the point of termination. Where an asset is permanently underutilised, valuation methods reflect this.

*Componentisation:* Building components of significant value or with a life significantly different from the rest of the building, have been considered and identified as separate assets where there is likely to be a material effect on the amount charged for depreciation. As a result, we have identified the cremators as separate components.

## 7 Heritage Assets

Heritage assets are held primarily for cultural and historic reasons rather than for operational reasons. They include paintings, war memorials, a dovecote, statues, fountains, and a gibbet!

Heritage assets are accounted for generally in accordance with the accounting policy for property, plant and equipment, although some heritage buildings and structures have not been valued due to the lack of comparable market values and the difficult valuation issues surrounding such items. The Balance Sheet includes collections of artwork £2.8m, civic regalia £0.5m, furniture £0.2m, and other artefacts £0.2m. In total, there are approximately 200 such items. These have indeterminate lives and residual values commensurate with carrying values and hence depreciation is not considered necessary.

70,000 items of little or no value, museum collections and artwork are carried on the Balance Sheet at insurance value. These were valued in 2002, but the expense of revaluing these is not considered worthwhile in view of the amounts involved. There is one painting with a value over £300k, and this valuation was refreshed in 2011.

Much of the artwork transferred to the Council on local government reorganisation in 1974. Collections are fairly static and acquisitions, sales and donations are infrequent. Council policy in relation to acquisitions and disposals can be found on the website. Some items are on permanent display, others are included in temporary exhibitions. Items in storage can be viewed by appointment through the museum service, and access is given through the use of loans to other museums, and via the internet (e.g. all the oil paintings can be viewed online).

| 2016/17 | Movement on Heritage Assets | 2017/18 |
|---|---|---|
| £'000 | | £'000 |
| **3,472** | **Cost and valuation at 1st April** | **3,773** |
| | *Movements during the year* | |
| | Revaluations | |
| 301 | - to revaluation reserve | |
| | Impairments | |
| | - to surplus/deficit on provision of services | -80 |
| **3,773** | **Net Book Value at 31st March** | **3,693** |
| | ***Nature of asset holding*** | |
| 3,773 | Owned | 3,693 |
| **3,773** | | **3,693** |

## 8 Investment properties

Investment properties are those assets held solely to earn rentals or for capital appreciation, and are not used to provide services or for administrative purposes.

Investment properties comprise industrial, retail, residential and office units; development and grazing land. Rental income of £0.7m (£0.7m in 16/17) was earned in the year, mainly from shop lettings. Operating costs were £0.1m.

IFRS13 requires that investment properties are valued at highest and best value, comparing current use to alternative possible uses. The main considerations in valuing investment properties are rental yields and sale values; size, location, configuration and access; condition and covenants. All investment property valuations are based on such observable inputs.

After initial recognition, gains and losses on revaluation are recognised in SDOPS. Investment properties are not depreciated.

| 2016/17 | Movement on Investment Properties | 2017/18 |
|---|---|---|
| £'000 | | £'000 |
| **8,726** | **Cost and valuation at 1st April** | **8,361** |
| | *Movements during the year* | |
| 10 | Additions | 5 |
| -67 | Disposals | -10 |
| | Revaluations | |
| 46 | - to surplus/deficit on provision of services | 592 |
| | Impairments | |
| -70 | - to surplus/deficit on provision of services | -978 |
| -284 | Reclassifications | |
| **8,361** | **Net Book Value at 31st March** | **7,970** |
| | ***Nature of asset holding*** | |
| 8,361 | Owned | 7,970 |
| **8,361** | | **7,970** |

## 9 Valuation of Tangible Fixed Assets

Fixed assets are revalued broadly on a 5 year rolling programme. This table identifies when disclosed categories of property, plant and equipment assets were revalued.

All assets within a particular class are revalued in one financial year, within a 5 year rolling programme. Classes of assets are spread out over the 5 year cycle to create an even annual valuation programme. This year, all day centres, halls and community centres were revalued, and a total of £43m of assets were valued by our external valuer GSC Harbord MA MRICS IRRV (Hons), of Wilks Head & Eve LLP.

In addition, where external valuations show evidence of valuation changes of more than 10%, assets within major classes are revalued internally, using the appropriate rates identified. All schools, libraries and sports centres were revalued on this basis. In total, £282m of property, plant and equipment assets were valued internally.

Where there is impairment of or enhancement to a specific asset, these are revalued in isolation, rather than an entire class being revalued.

This table shows when items of property, plant and equipment assets were formally revalued. Investment properties and Held for Sale assets are assessed annually to reflect values at the balance sheet date. £8m of these assets were valued internally.

**Year of revaluation of Property, Plant and Equipment by Net Book Value**

| Date valued | 2017/18 | 2016/17 | 2015/16 | 2014/15 | 2013/14 | Historical cost/ other | Net book value |
|---|---|---|---|---|---|---|---|
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Schools | 173,732 | | | 439 | | 174 | 174,345 |
| Sports Centres | 54,640 | | | | | 33 | 54,673 |
| Other | 103,516 | 18,501 | 30,976 | 15,936 | 2,511 | 12,201 | 183,641 |
| Infrastructure | | | | | | 101,343 | 101,343 |
| Surplus Assets | 603 | 135 | 13 | | | | 751 |
| Assets under Construction | | | | | | 2,703 | 2,703 |
| Total | 332,491 | 18,636 | 30,989 | 16,375 | 2,511 | 116,454 | 517,456 |

The majority of the higher value assets are valued at depreciated replacement cost (DRC). These are valued using appropriate average building cost information indices reflecting property type and locality and, in echoing broader measures, they typically differ from simple market values. Land values are determined within the overall constraints of the Council's unitary development plan (UDP) or, within DRC valuations, calculated as a percentage of the build cost.

Valuations reflect asset inspections, but these are not full building surveys. Unless evidence to the contrary is known (in which case it is reflected in the valuation), valuations assume that: there are no issues caused by hazardous materials or other contamination; services are connected and working soundly; inaccessible parts are in good condition; sites are stable; there are no planning proposals which would impact on the valuation; and that all buildings are lawfully used in line with planning consents and free from encumbrances.

## 10 Financing of capital expenditure

Capital expenditure is expenditure on a fixed asset adding to (rather than merely maintaining) its value. This type of expenditure is not met in year by council taxpayers, but by a mixture of grants, borrowing and capital receipts (the sale proceeds from the disposal of other fixed assets). This table shows how the Council's total capital expenditure in the year has been financed.

Some expenditure is permitted to be met from capital resources, but which is in itself not expenditure on fixed assets owned by the Council. Such expenditure, (known by the acronym refcus) comprises spend mainly on housing related grants and advances; business support and regeneration, and voluntary aided schools. This is treated as revenue expenditure and is included with any associated grant funding in net service costs within SDOPS. Adjustments are then made to these entries in the MIRS so that the net cost can be met through capital resources and does not fall on council taxpayers.

| 2016/17 | Capital Financing | 2017/18 |
|---|---|---|
| £'000 | | £'000 |
| | **Capital expenditure** | |
| 43,419 | Property, plant and equipment | 46,434 |
| 10 | Investment properties | 5 |
| 67 | Held for sale assets | 20 |
| 23 | Intangible assets | 0 |
| 654 | Investments | 453 |
| 15 | Long Term Debtors | 255 |
| 11,154 | Revenue expenditure financed by capital (refcus) | 5,385 |
| **55,342** | | **52,552** |
| | **Financed by** | |
| 10,183 | Borrowing | 16,280 |
| 1,683 | Capital Receipts | 881 |
| 31,111 | Grants & Contributions | 32,976 |
| 0 | Change of funding from provision | 0 |
| 12,365 | Revenue & Reserves | 2,415 |
| **55,342** | | **52,552** |

Capital expenditure that is to be paid for in future years (borrowing) increases the Council's capital financing requirement (CFR) i.e. capital expenditure historically incurred which still has to be financed. This is written down annually, in accordance with Council policy, by charges to council tax or other capital resources. Repayments of £2.3m were made to offset the in-year borrowing requirement of £16.3m. The overall CFR at the year- end stood at £199.1m (£185.1m in 16/17).

## 11 Finance and Operating Leases

The Council holds a small number of properties on long-term finance leases mainly exceeding 100 years. The net book value of these properties is £7.3m. Premium payments were made at the time of entering into the leases, so there are no outstanding liabilities for future lease rental payments for these properties.

Operating lease arrangements for a small number of buildings and equipment are immaterial for separate disclosure. All costs and income are included in the net cost of services.

## 12 Short term debtors

This is an analysis of sums owing to the Council and not received by the 31st March, but which are due within one year.

Debtors have been raised for grants and contributions from Central Government and Health Bodies and monies outstanding from business ratepayers and council taxpayers. Other operational debtors include sums still to be paid for goods and services delivered. Prepayments are payments made in advance of receiving goods and services.

All figures are shown net of allowances for debts which are considered to be unrecoverable.

| 2017 | ANALYSIS OF DEBTORS AT 31st MARCH | 2018 |
|---|---|---|
| £'000 | | £'000 |
| 7,376 | Central government | 8,178 |
| 3,316 | Health bodies | 3,965 |
| 9,991 | Other operational debtors | 12,757 |
| 4,063 | Council tax payers | 4,479 |
| 1,094 | Business rate payers | 1,143 |
| 2,383 | Prepayments | 1,954 |
| **28,223** | **Total Debtors** | **32,476** |

To mitigate against the risk of non payment of debts, the main categories of debtor have been reviewed for impairment both individually and collectively, and appropriate provision made for monies due which it is anticipated may not be recovered. Charges during the year for impairment of debtors of £0.6m have been made to the net cost of services in the CIES, and £0.989m to the collection fund for council tax and business rate debts.

Approximately one third of the debtors outstanding are public bodies from whom payment is fairly certain. The remainder have been assessed for credit losses – i.e. the chance that payment will not be made and that the asset should be impaired accordingly. Rates of non-payment are based on historical collection rates for council tax, non domestic rates and other operational debtors. If collection rates were to worsen by 5%, the Council would need to make extra provision of £0.3m for its share of collection fund debts, and £0.1m for other types of debt.

## 13 Short Term Investments

Short term investments are short term deposits with financial institutions or other local authorities. They are surplus cash balances temporarily lent out over the year end for periods of up to 12 months.

Investments were £13.3m (£30.1m) with financial institutions, and £5.1m (£10.6m) to other local authorities. The balances invested are distinct from cash equivalents as the liquidity of the investments is for a fixed period and the investments cannot be cashed in other than at the arranged date without the consent of the counterparty and potential penalties.

An assumption that all counterparties will be able to repay these in full on the due dates has been made. The Council has had no defaults on any of its investments, and no counterparties have suffered an adverse change in credit rating since the investments were made. Consequently, impairment of outstanding amounts is not considered necessary.

## 14 Cash and cash equivalents

Cash and cash equivalents include cash held by schools in their bank accounts, the Council's own reconciled bank balance, and cash in hand.

| 2,017 | Cash and cash equivalents - cash held at | 2018 |
|---|---|---|
| £'000 | 31st March | £'000 |
| 8,365 | Cash held in school bank accounts | 9,123 |
| - | Cash held in Council bank accounts | 1,226 |
| 124 | Cash held by the Council | 206 |
| **8,489** | | **10,555** |
| **- 239** | **Cash and cash equivalents - bank overdraft** | **-** |
| **8,250** | **Total cash and cash equivalents** | **10,555** |

## 15 Short term creditors

This is an analysis of sums owed by the Council which have not been paid by the 31st March, but which are due for settlement within one year.

Creditors have been raised for PWLB interest, benefit grant repayment, business rate shares and payroll taxes due to Central Government, and for refunds of overpayments by business ratepayers and council taxpayers. Pension fund creditors are outstanding amounts from the March payroll due to pension providers. Other operational creditors include sums still to be paid for goods and services received. Other accruals and deferred income includes monies received in advance of services being provided or grant conditions being fulfilled, and which will be recognised as income once services have been provided or grant conditions met. Untaken holiday entitlement and other absences are reflected in the figure for accumulated absences.

| 2017 £'000 | ANALYSIS OF CREDITORS AT 31st MARCH | 2018 £'000 |
|---|---|---|
| -8,007 | Central government | -12,449 |
| -25,522 | Other operational creditors | -25,882 |
| -4,112 | Accumulated absences | -4,261 |
| -2,866 | Pension Funds | -2,833 |
| -526 | Council tax payers | -645 |
| -482 | Business rate payers | -458 |
| -2,624 | Other accruals and deferred income | -4,275 |
| **-44,139** | **Total Creditors** | **-50,803** |

An accrual has been made in the accounts for the cost of untaken annual leave, lieu time and flexi time at the year end (accumulated absences). Lieu time and flexi time are based on a mixture of current data and representative sampling undertaken in previous years across employees, grades and directorates. This figure is not very sensitive with a change of 25% in the estimate of lieu time and flexi time resulting in a change of only £50k in the accrual.

## 16 Provisions

Provisions are sums set aside for events which have occurred and for which the Council has an obligation, but where the timing and amounts are uncertain. This disclosure shows the provisions made, the reasons why and when we expect the matters to be resolved.

The main provisions are: -

(i) Insurance claims (£2.4m)
The Council is self-insured up to specific limits for various categories of risk (principally employer's and public liability, vehicles and property). Any claims beyond these specific limits are insured externally. There are a number of claim years for which cover was provided by an underwriter which has gone into liquidation. In compliance with issued levy notices, the Council has covered 25% of costs (£0.9m) which would previously have been covered by the underwriter. Provision has been made for insurance claims based on an independent assessment of liability. Claims can take a number of years to resolve with, on average, annual settlements of around £1.25m to £1.75m being made. Settlements of £0.7m were made during 2017/18.

The level of provision made is adequate to meet the Council's estimated known liabilities. All insurance categories, other than public liability claims, have been provided for in full. Public liability claims have been provided for at 50%. This is considered reasonable on the basis of past claims experience.

(ii) Business rate appeals (£3.6m)
Following the introduction of the Business Rates Retention Scheme in 2013, councils are now partly liable for successful appeals against rates charged. These appeals can go back several years. The Government and precepting fire authority also have a proportionate share of this cost. Appeals are determined by an independent body - the Valuation Office Agency.

A provision for returnable rates income of £0.626m has been charged to the collection fund. The Council's share of this cost is £0.307m.

The level of provision is usually based on details of outstanding appeals provided by the Valuation Office at the end of the year, known "hot topic" appeals by specific businesses, and an analysis of past successful appeals.

However, the pattern for businesses submitting appeals tends to be towards the end of a revaluation cycle. Business rateable values were last revalued in 2017 and are due to be revalued next in 2021. There are currently few appeals lodged with the Valuation Office. The provision is therefore based on the pattern of appeals submitted in previous revaluation cycles.

(iii) Other (£2.4m)
This includes provisions made in respect of negotiations around outstanding issues on some of the Council's major contracts.

All material provisions are listed below:

| **ANALYSIS OF MOVEMENT IN PROVISIONS 2017/18** | **Insurance claims** | **Business rate appeals** | **Other** | **Total** |
|---|---|---|---|---|
| | **£'000** | **£'000** | **£'000** | **£'000** |
| Opening balance 1st April 2017 | -2,337 | -3,244 | -19 | -5,600 |
| Additional provision made | -716 | -2,103 | -2,412 | -5,231 |
| Settlements made | 691 | 1,796 | 19 | 2,506 |
| Reversal of amounts not used | 0 | 0 | 0 | 0 |
| **Closing balance 2017/18** | **-2,362** | **-3,551** | **-2,412** | **-8,325** |
| *of which expected to be settled within 12 months* | *-1,314* | *-3,551* | *-2,412* | *-7,277* |
| **ANALYSIS OF MOVEMENT IN PROVISIONS 2016/17** | | | | |
| Opening balance 1st April 2016 | -3,206 | -2,223 | -144 | -5,573 |
| Additional provision made | -1,012 | -2,241 | -19 | -3,272 |
| Settlements made | 1,881 | 1,220 | 78 | 3,179 |
| Reversal of amounts not used | 0 | 0 | 66 | 66 |
| **Closing balance 2016/17** | **-2,337** | **-3,244** | **-19** | **-5,600** |
| *of which expected to be settled within 12 months* | *-1,430* | *-3,244* | *-19* | *-4,693* |

## 17 Reserves

Reserves are sums set aside for specific purposes to meet items of future expenditure.

General fund reserves are created either by service directorates under delegated powers, or by specific Council resolution. They are a charge to taxpayers at the point they are set up.

Capital reserves are earmarked to finance projects within the capital programme. They arise from the sale of assets or the receipt of capital grants, and so do not affect levels of local taxation.

*General Fund Reserves*

This note sets out the main earmarked reserves held at the year end. During the year, a net £8.252m was drawn down from reserves.

| Balance b/f 1/4/2016 £'000 | Added to Reserves £'000 | Taken from Reserves £'000 | Balance c/f 31/3/2017 £'000 | Reserves at 1st April | Balance b/f 1/4/2017 £'000 | Added to Reserves £'000 | Taken from Reserves £'000 | Balance c/f 31/3/2018 £'000 |
|---|---|---|---|---|---|---|---|---|
| 2,605 | 448 | -727 | 2,326 | Public Health grant | 2,326 | 590 | -81 | 2,835 |
| 6,653 | 2,134 | -4,805 | 3,982 | Budget support | 3,982 | 5,583 | -7,604 | 1,961 |
| 1,728 | 1,375 | -1,728 | 1,375 | Commissioning | 1,375 | 548 | -1,376 | 547 |
| 1,815 | 272 | | 2,087 | IT reserves | 2,087 | 60 | -300 | 1,847 |
| 786 | | -184 | 602 | s106 Planning Agreements | 602 | | -262 | 340 |
| 7,153 | 308 | -130 | 7,331 | Contingent Liabilities | 7,331 | 1,473 | -1,444 | 7,360 |
| 15,710 | 750 | -10,802 | 5,658 | Investment reserve | 5,658 | 870 | -1,576 | 4,952 |
| 1,983 | 205 | | 2,188 | Early retirement | 2,188 | | -536 | 1,652 |
| 1,158 | 255 | -395 | 1,018 | Economic investment fund | 1,018 | | -888 | 130 |
| 541 | 824 | -541 | 824 | Policy reserves - carry forwards | 824 | 132 | -824 | 132 |
| 4,890 | 3,000 | -4,860 | 3,030 | Flooding reserve | 3,030 | | -832 | 2,198 |
| - | | | - | MRP | - | 2,130 | | 2,130 |
| - | | | - | service pressures | - | 1,160 | | 1,160 |
| 1,339 | | -385 | 954 | Reablement | 954 | | -184 | 770 |
| 1,195 | | -1,015 | 180 | Better care fund | 180 | | | 180 |
| 9,340 | 1,742 | -3,224 | 7,858 | Other Earmarked Reserves | 7,858 | 2,092 | -5,509 | 4,441 |
| **56,896** | **11,313** | **-28,796** | **39,413** | **Total non schools reserves** | **39,413** | **14,638** | **-21,416** | **32,635** |
| 1,506 | | -180 | 1,326 | Schools staff absences | 1,326 | | -60 | 1,266 |
| 5,907 | | -1,805 | 4,102 | School contingencies | 4,102 | 254 | -1,331 | 3,025 |
| 7,161 | 56 | -1,152 | 6,065 | Statutory schools reserves | 6,065 | 144 | -481 | 5,728 |
| **14,574** | **56** | **-3,137** | **11,493** | **Total school reserves** | **11,493** | **398** | **-1,872** | **10,019** |
| **71,470** | **11,369** | **-31,933** | **50,906** | **Reserves at 31st March** | **50,906** | **15,036** | **-23,288** | **42,654** |

| Reserve | Purpose of Reserve |
|---|---|
| Public Health grant | Upfront and one-off project grant funding for public health services |
| Budget support | To help support future year budgets and manage council tax levels |
| Commissioning | Grant funding support for looked after children and SEN services |
| IT reserves | Replace IT equipment such as servers and other hardware |
| s106 Planning Agreements | Developer contributions for specific schemes or purposes |
| Contingent Liabilities | Cover for insurance and other potential liability claims |
| Investment reserve | Funding for capital schemes and for invest to save initiatives |
| Early retirement | Funding for pension increases due to fund revaluations and workforce development costs |
| Economic investment fund | Funding to promote economic growth |
| Policy reserves - carry forwards | Service underspends carried forward into 2018/19 |
| Flooding reserve | Grant funding towards flood repair costs |
| MRP | Towards reprofiling debt repayments |
| Service pressures | To meet high needs pressures in children's services |
| Reablement | Funding to enable people to maintain independent living |
| Better care fund | Funding for health related schemes in conjunction with the NHS |
| Other Earmarked Reserves | Miscellaneous service reserves |
| | |
| Schools staff absences | Schools' funding to provide cover for staff absences |
| School contingencies | Other funding sources held for schools |
| Statutory schools reserves | School reserves |

Statutory school reserves are held in accordance with the Council's framework following statutory guidance. This provides for school surpluses to be carried forward into the following year. These reserves are earmarked only to schools and are committed to be spent on education services. The total level of schools reserves at 31 March 2018 is £5.728m, which is 5.9% of school spend. Four schools had deficits totalling £1.652m.

*Capital Reserves*

The following reserves are earmarked to finance projects within the capital programme. The usable capital receipts reserve is the unapplied balance of sums received from the sale of fixed assets. All available capital receipts were used in year to finance capital programme expenditure. The capital grants unapplied reserve is the balance of grants recognised where the relevant expenditure has not yet been incurred. £20m of this is schools related capital grants, and £3m is for works related to flooding.

| 2016/17 £'000 | Usable capital receipts reserve | 2017/18 £'000 |
|---|---|---|
| 853 | Balance at 1st April | 0 |
| 830 | Capital receipts received | 881 |
| -1,683 | Used to fund capital expenditure | -881 |
| **0** | **Balance at 31st March** | **0** |

| 2016/17 £'000 | Capital grants unapplied reserve | 2017/18 £'000 |
|---|---|---|
| 46,062 | Balance at 1st April | 33,474 |
| 6,678 | Grants recognised but not applied | 9,841 |
| -19,266 | Grants used for capital financing | -15,959 |
| **33,474** | **Balance at 31st March** | **27,356** |

## 18 General Fund Balance

The total cost of services provided by the Council is met from the General Fund. This is paid for by council tax, non domestic rates and general government grants. The balance is the sum held to deal with unexpected costs, and to manage council tax levels in future years. The Council aims to keep a minimum general fund balance of £5m.

Of the General Fund balance of £6.987m, £1.7m has already been earmarked to support future years' budgets. Total balances at the year-end are 1.6% of gross expenditure. Excluding expenditure on schools (which have their own specific reserves), balances are 2.1%.

## 19 Contingent Liabilities

Contingent liabilities are potential losses existing at the balance sheet date which may arise in the future depending on some future event not wholly in the control of the Council, and where a judgement has therefore been made that the outcome cannot be predicted and the costs cannot be estimated with reasonable accuracy. This may be because, for example, claims may or may not be made; cases may or may not be pursued through the courts or other means of arbitration; defaults may or may not occur.

Losses (costs) which are foreseeable and can be estimated with a degree of certainty have been accrued into the financial statements either as provisions or creditors.

The main contingent items are for matters arising under: -

- Insured events. Contingent liabilities exist for some outstanding claims at the balance sheet date, and claims not yet received in respect of events occurring in earlier years, including further possible sums due under the scheme of administration for claims in years for which the underwriter has gone into liquidation. Appropriate provision has been made where claims have been received.

- The Council acts as guarantor for a small number of staff across 15 separate bodies that have been admitted to the pension fund. On cessation of the body's participation in the fund, any shortfalls are initially claimed from the admitted body. If they cannot be recovered from that source, the pension fund would look at the guarantee arrangements and draw down from bonds that are in place and, if still insufficient, from the guarantor. Several schemes have bonds in place and only one scheme is currently in deficit. This is the Calderdale and Kirklees Careers Service Partnership where exposure, which is shared, could in the event be in the region of £1m.
- The Council also provides a bank overdraft guarantee for the Calderdale and Kirklees Careers Service Partnership up to a limit of £150k, although the partnership currently has no overdraft facility in place.
- The Council has assessed the impact of the EU Working Time directive which requires that overtime should be reflected in holiday pay. In the majority of cases the Council already complies with this. As a result of a recent test case, the Council is working with unions to assess any possible further liability (in the event, likely to be less than £100k).
- There are a small number of claims relating to outstanding contractual matters for some of the major contracts across the Council. These include claims relating to work volumes, schedules of rates, and time extensions on capital projects. These are being largely refuted by the Council. Other than expenditure already recognised in the accounts, the Council does not accept liability and may issue counter claims should matters proceed.

Because of the uncertainty surrounding them, these events have not been accrued into the accounts.

## D Comprehensive Income and Expenditure Statement and related items

### 20 Government Grants

Over 60% of Council expenditure is funded by grants and contributions. These are recognised as income when any conditions have been met and there is no outstanding repayment obligation. Some grants are service specific, but many are used to support general fund expenditure generally. This note analyses the grants from central government which have been recognised in SDOPS.

Service specific grants are given for specific service initiatives and are analysed as service income in the net cost of services. The main ones are as follows:

| Government grant credited to the Net Cost of Services | 2017/18 £m | 2016/17 £m |
|---|---|---|
| Education Grants | | |
| *Dedicated Schools' Grant* | 99.0 | 100.0 |
| *Pupil Premium Grant* | 6.0 | 6.6 |
| *Other Education Grants* | 7.4 | 11.2 |
| Housing Benefit Grant | 58.3 | 65.7 |
| Public Health Grant | 13.6 | 14.0 |
| Other Government Grants | 10.4 | 3.0 |
| Government Grants to fund REFCUS | 4.5 | 10.3 |
| **Total** | **199.2** | **210.8** |

Grants which are non specific, (which are given to support council spending generally rather than specific services) are included under "Government Grant not attributable to specific services". Non specific grants include:-

| Government grant credited to Non specific grant income | 2017/18 £m | 2016/17 £m |
|---|---|---|
| Revenue Support Grant | 17.5 | 25.3 |
| Top Up Grant | 12.7 | 9.6 |
| Other non ringfenced government grants | 17.6 | 13.7 |
| Total Government revenue grants | 47.8 | 48.6 |
| Government capital grants | 16.0 | 8.0 |

Grants towards capital expenditure have to be recognised initially in SDOPS, and are then transferred in the MIRS to the capital adjustment account or the capital grants unapplied reserve if the related expenditure has not been incurred. These grants are now recognised separately within SDOPS and last year's figures have been adjusted to show this split. Government capital grants are included in the above tables.

Where grant funding has been received, judgement has been made as to whether any conditions associated with the receipt of that grant have been met or not. Grants with unmet conditions are included within creditors (£3.7m). Government grants have been recognised in SDOPS as shown above where conditions have been met with any unspent grant monies being appropriated into reserves.

## 21 Dedicated Schools Grant

The Council's expenditure on schools is funded primarily by Dedicated Schools Grant (DSG) monies provided by the Department for Education. An element of the grant is recouped by the Department to fund academy schools in the Council's area. DSG is ring fenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the School Finance and Early Years (England) regulations 2017. The Schools Budget includes two elements; a restricted range of educational services provided on an authority-wide basis (central expenditure), and the Individual Schools Budget (ISB) which is divided into a budget share for each school and early years' setting. Over and under spends on the two elements are required to be accounted for separately. £1.6m of the £2.8m balance on ISB carried forward into 2018/19 relates to early years funding which will be deployed to early years' settings in future years.

Details of the deployment of DSG receivable for 2017/18 are as follows:

| SCHOOLS BUDGET FUNDED BY DEDICATED SCHOOLS GRANT | CENTRAL EXPENDITURE | INDIVIDUAL SCHOOLS BUDGET | TOTAL |
|---|---|---|---|
| | £000s | £000s | £000s |
| **2017/18** | | | |
| Final DSG for 2017/18 before academy recoupment | 19,130 | 154,890 | 174,020 |
| Academy figure recouped for 2017/18 | | -75,050 | -75,050 |
| Total DSG after Academy recoupment for 2017/18 | 19,130 | 79,840 | 98,970 |
| Brought forward from 2016/17 | 0 | 4,103 | 4,103 |
| Final budgeted distribution for 2017/18 | 19,130 | 83,943 | 103,073 |
| Less actual central expenditure | -19,130 | | -19,130 |
| Less actual ISB deployed to schools | | -81,172 | -81,172 |
| **Carry forward to 2018/19** | **0** | **2,771** | **2,771** |
| | | | |
| **2016/17** | | | |
| Final DSG for 2016/17 before academy recoupment | 19,006 | 152,216 | 171,222 |
| Academy figure recouped for 2016/17 | | -71,214 | -71,214 |
| Total DSG after Academy recoupment for 2016/17 | 19,006 | 81,002 | 100,008 |
| Brought forward from 2015/16 | 2,306 | 3,328 | 5,634 |
| Final budgeted distribution for 2016/17 | 21,312 | 84,330 | 105,642 |
| Less actual central expenditure | -21,312 | | -21,312 |
| Less actual ISB deployed to schools | | -80,227 | -80,227 |
| **Carry forward to 2017/18** | **0** | **4,103** | **4,103** |

## 22 Other Long Term Commitments

Sometimes the Council enters into agreements committing it to making payments for a number of years into the future. In June 2003, the Council entered into a contract with a private sector partner to provide and manage 5 new build/refurbished schools (4 secondary, 1 primary) through a private finance initiative scheme (a Government initiative enabling local authorities to carry out capital projects with a private sector partner which would typically build, operate and maintain the premises in return for an annual "unitary charge" payment). The unitary charge covers the financing costs of construction as well as the operating costs. This note shows the future payments to which the Council is committed.

The contract is for a period of 28 years (13 remaining), and the annual unitary charge is broken down into three notional elements – a service charge (including provision for lifecycle replacement costs which are expensed in line with the original PFI operator model agreement); and the lease costs associated with the construction - repayment of the liability, and associated interest charges. The scheme attracts annual Government grant funding with the net cost being met by Council contributions, and contributions from the schools.

The schools are included on the balance sheet like other property assets, together with a liability to pay future lease rentals. Two of the secondary schools have now become academies and have been taken off the balance sheet. The three remaining schools (two secondary schools and one primary) are valued at £37.8m at the year end. Two of these schools are seeking academy status and if granted, these schools will be written off the balance sheet.

Commitments to future payments under the schools PFI scheme are as follows:-

| Year ended 31st March 2018 | Service Charges | Repayment of liability | Interest costs | Total unitary charge |
|---|---|---|---|---|
| | £m | £m | £m | £m |
| Less than one year | 2.8 | 1.7 | 2.9 | 7.4 |
| Between two and five years | 11.6 | 8.6 | 9.9 | 30.1 |
| Between six and ten years | 16.0 | 15.7 | 7.3 | 39.0 |
| Between eleven and fifteen years | 7.1 | 8.8 | 0.8 | 16.7 |
| | **37.5** | **34.8** | **20.9** | **93.2** |

| | 2017/18 |
|---|---|
| | £m |
| Liability outstanding at start of year | 36.3 |
| Payments made during the year | -1.5 |
| Liability outstanding at end of year | **34.8** |

These commitments are based on the original model and are index linked at an assumed 2% p.a. An actual annual inflation rate is applied based on specified factors. This rate has, on average, proved to be slightly higher than that assumed in the model (increasing the total unitary charge by £0.4m p.a). This increase (known as contingent rent) forms part of the service charge. The Council will receive grant of £63m towards the annual contract charges over the remaining life of the contract.

## 23 Pooled Budget

The Council is a partner with the Calderdale Clinical Commissioning Group (CCG) in the Calderdale Better Care Fund (BCF). This is a section 75 agreement as permitted under regulations by the secretary of state. It involves the pooling of funding from NHS England and the Department of Health of £16.24m. The BCF programme board, consisting of officers from the Council and the CCG, agrees how these monies are to be spent. The agreed programme covers a range of intervention and prevention measures across the Borough, and schemes to promote independence, recovery, reablement, rehabilitiation, discharge from hospital and end of life support. Each partner progresses its own schemes. During the year, the CCG spent £4.57m and  Calderdale Council spent £11.67m.

## 24 Material items of income and expense

Significant losses on the disposal of fixed assets are usually due to the requirement to hand over school premises to academy trusts on conversion. The loss of £6m was due primarily to the transfer during the year of Dean Field and West Vale primary schools.

Following a revaluation of all major asset classes, significant impairments (£10m) have been charged to SDOPS, largely due to downwards revaluation on completion of two major building schemes. Downwards revaluations are charged in the first instance to any previously recognised gains in the revaluation reserve and failing that, to SDOPS. Upwards revaluations reverse any previous charges to SDOPS and thereafter are shown in OCI as being credited to the revaluation reserve. Following increases in build cost rates, revaluation increases (£50m) for a number of assets are reflected in OCI.

## *E. Technical and other disclosures*

## 25 Changes in accounting policies

*Changes in 2017/18*
In 2015/16 a revised MRP policy was implemented. This policy is used to determine a prudent minimum amount chargeable each year to the Council's revenue account to provide for the repayment of loans used to finance capital expenditure. The revision determined that, from 1/4/15, an assumed asset life / repayment period of 50 years was appropriate. Prior to this, the Council had applied a 4% rate which had been prescribed in law until 31/3/08. On reflection, we consider that it would have been appropriate to implement this from the date of change from the prescriptive 4% p.a. MRP charge (i.e. 1/4/08), and that is what we have now done.

On this basis, MRP charges have been higher than they would otherwise have been. (charges were still on a 4% basis rather than over 50 years). In the interests of equity, this overpayment will be recovered as quickly as possible (subject to the constraint of the MRP charge remaining positive).

Implementing a policy of 50 year repayment from 1/4/08 means that the total charge will be repaid 7 years earlier than previously planned. Going forward, the annual MRP charge will be greater than it currently is, (although abated in the early years by recovery of the overpayment). The outstanding debt will be reduced more quickly. Within 22 years, the level of outstanding debt will be lower than it would otherwise have been. In the current year, the charge was £2.1m lower than it would otherwise have been, and this sum has been put into reserves to compensate for higher MRP charges in the future.

*Proposed changes in later years*
IFRS 9 is a standard brought in as a result of the global financial crisis, giving more transparency to gains and losses on financial instruments, and making impairments forward looking. The key issues are the classification of financial assets and the calculation of impairment. Valuation changes in some assets which were previously charged to OCI, will in future be charged to SDOPS and thus a charge against General Fund balances. The Council does not currently hold any investments which would need to be accounted for in this way.

Impairments of financial assets which have previously been recognised after some triggering event will, in future, be calculated by looking forward to a lifetime estimated credit loss. This is not expected to have any significant impact on the carrying value of financial assets on the balance sheet, or impairments charged to SDOPS.

IFRS 15 is a new standard covering revenue from contracts with service recipients. It sets out when it is appropriate to recognise revenue streams from contracts when the delivery of goods and services is staged. The Council does not have any contracts of this nature.

IFRS 16 is a new accounting standard for lease transactions for lessees. This will require recognition on the balance sheet of a right to use an asset and the associated liability for all leases in excess of 12 months. The current distinction between finance leases (which are recognised on balance sheet) and operating leases (which are not) will be lost. Right of use assets will be valued at current value and treated like other operational assets. The effects of the standard will be on the balance sheet (more assets and liabilities); through SDOPS (depreciation and interest charges for all assets previously classed as operating leases); and presentationally on the cash flow (with less in operating costs, and more in financing costs). There will also be more extensive disclosure requirements.

Currently there are statutory overrides meaning that accounting charges for finance leases are replaced by the payments actually made under the terms of the lease. Unless such provisions are extended to cover Right of Use assets, there are potential charges against General Fund arising from the introduction of this standard.

IFRS 9 and 15 apply from 1st April 2018. IFRS 16 applies from 1st April 2019.

## 26 Adjustment between accounting basis and funding basis under regulations

This note shows all the accounting charges which have been made to produce IFRS compliant accounts but which do not have to be met from funding sources such as grants, council tax and non domestic rates.

As tax raising bodies, there are specific rules as to how tax rates are to be set in relation to the income and expenses of the authority. These rules differ substantially from proper accounting practices. Adjustments are therefore needed for those accounting charges which are not required under statutory provisions to be met from council tax (notably capital related items and pension costs). This note details the adjustments made and the reserves to which these entries have been moved before calculating the actual effect on general fund balances and future capital financing resources.

| 2017/18 | General fund balance £'000 | Usable capital receipts reserve £'000 | Capital grants unapplied reserve £'000 | Movement in unusable reserves £'000 |
|---|---|---|---|---|
| **Adjustments relating to capital items** | | | | |
| *Reversal of items charged to the CIES* | | | | |
| Charges for depreciation and amortisation of non current assets | 17,562 | | | -17,562 |
| Valuation changes of non current assets | 9,794 | | | -9,794 |
| Capital grants and contributions | -26,858 | | -6,118 | 32,976 |
| Revenue expenditure funded from capital under statute | 5,385 | | | -5,385 |
| Amounts of non current assets written off on disposal or sale | 7,256 | | | -7,256 |
| Sale proceeds and other capital receipts | -881 | 881 | | 0 |
| Use of the capital receipts reserve to finance new capital expenditure | | -881 | | 881 |
| *Insertion of items not charged to the CIES* | | | | |
| Minimum revenue provision for repayment of debt | -2,280 | | | 2,280 |
| Capital expenditure funded from revenue | -2,415 | | | 2,415 |
| **Total adjustments relating to capital items** | 7,563 | 0 | -6,118 | -1,445 |
| **Adjustments relating to pensions** | | | | |
| Reversal of IAS19 pension charges | 31,261 | | | -31,261 |
| Employers' pension contributions | -16,287 | | | 16,287 |
| **Total adjustments relating to pensions** | 14,974 | 0 | 0 | -14,974 |
| **Other adjustments** | | | | |
| Collection fund income recognised in the CIES | -110,028 | | | 110,028 |
| Collection fund income recognised under statute | 106,886 | | | -106,886 |
| Accrual for holiday pay and similar items | 149 | | | -149 |
| **Total other adjustments** | -2,993 | 0 | 0 | 2,993 |
| **Total adjustments** | **19,544** | **0** | **-6,118** | **-13,426** |

| 2016/17 | General fund balance £'000 | Usable capital receipts reserve £'000 | Capital grants unapplied reserve £'000 | Movement in unusable reserves £'000 |
|---|---|---|---|---|
| **Adjustments relating to capital items** | | | | |
| *Reversal of items charged to the CIES* | | | | |
| Charges for depreciation and amortisation of non current assets | 16,632 | | | -16,632 |
| Valuation changes in non current assets | 2,235 | | | -2,235 |
| Capital grants and contributions | -18,523 | | -12,588 | 31,111 |
| Revenue expenditure funded from capital under statute | 11,154 | | | -11,154 |
| Amounts of non current assets written off on disposal or sale | 3,808 | | | -3,808 |
| Sale proceeds and other capital receipts | -830 | 830 | | 0 |
| Use of the capital receipts reserve to finance new capital expenditure | | -1,683 | | 1,683 |
| *Insertion of items not charged to the CIES* | | | | |
| Minimum revenue provision | -4,376 | | | 4,376 |
| Voluntary provision for repayment of debt | -600 | | | 600 |
| Captal expenditure funded from revenue | -12,365 | | | 12,365 |
| **Total adjustments relating to capital items** | -2,865 | -853 | -12,588 | 16,306 |
| **Adjustments relating to pensions** | | | | |
| Reversal of IAS19 pension charges | 26,913 | | | -26,913 |
| Employers' pension contributions | -15,442 | | | 15,442 |
| **Total adjustments relating to pensions** | 11,471 | 0 | 0 | -11,471 |
| **Other adjustments** | | | | |
| Collection fund income recognised in the CIES | -106,423 | | | 106,423 |
| Collection fund income recognised under statute | 107,428 | | | -107,428 |
| Accrual for holiday pay and similar items | 1,189 | | | -1,189 |
| **Total other adjustments** | 2,194 | 0 | 0 | -2,194 |
| **Total adjustments** | **10,800** | **-853** | **-12,588** | **2,641** |

## 27 Unusable reserves

Unusable reserves are held on the balance sheet and are not available to be spent. They arise as a result of specific revaluations and accounting adjustments and cannot be used to subsidise council tax levels. There is no discretion over how these reserves can be deployed.

Unusable reserves are those reserves arising from: -

- specific asset and liability revaluations (e.g. fixed asset revaluations and pension fund actuarial gains and losses). These gains and losses are not reflected in SDOPS as they do not arise from operating performance but are as yet unrealised gains and losses arising from revaluations. They are included, however, in OCI and so are part of the CIES which brings together all the gains and losses for the period.
- accounting adjustments reconciling costs identified in line with accounting requirements to those required by statute (e.g. transfers to the accumulated absences account). Transfers between reserves are summarised in note 26 which shows all the adjustments between accounting basis and funding basis under regulations. They are explained in more detail below.

Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The accounting charges to the CIES for depreciation; asset valuations; disposals; and expenditure funded by capital resources are reversed through the MIRS and charged to the capital adjustment account. There are also movements from the revaluation reserve to convert current and fair value figures to a historical cost basis. The account is credited with amounts set aside by the Council to repay debt, or as finance for the costs of acquisition, construction and enhancement of fixed assets.

The account contains accumulated gains and losses on investment properties, heritage assets and held for sale assets. The account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

| 2016/17 £'000 | Capital adjustment account | 2017/18 £'000 |
|---|---|---|
| **138,128** | **Balance at 1st April** | **159,330** |
| -16,632 | Charges for depreciation and amortisation of non current assets | -17,562 |
| -2,235 | Valuation changes in non current assets | -9,794 |
| 18,523 | Capital grants and contributions recognised | 26,858 |
| -11,154 | Revenue expenditure funded from capital under statute | -5,385 |
| -3,808 | Amounts of non current assets written off on disposal or sale | -7,256 |
| 4,976 | Provision for the financing of capital investment charged against the General Fund | 2,280 |
| 12,365 | Capital expenditure charged against the General Fund | 2,415 |
| 2,035 | *Reversal of items charged to the Comprehensive Income and Expenditure Statement:* | -8,444 |
| 1,683 | Funding of capital expenditure from the capital receipts reserve | 881 |
| 4,896 | Adjusting amounts written out of the Revaluation Reserve | 7,286 |
| 12,588 | Adjusting amounts written out of the Capital Grants Unapplied Reserve | 6,118 |
| 19,167 | *Total movements from other reserves* | 14,285 |
| **159,330** | **Balance at 31st March** | **165,171** |

## Revaluation Reserve

The Revaluation Reserve contains the gains made by the Council arising from increases in the value of its land and property holdings. The balance is reduced when assets with accumulated gains are: -

- revalued downwards or impaired and the gains are lost
- depreciated, with the reserve being written down by that part of the depreciation charge incurred only because assets have been revalued
- disposed of and the gains are realised

The reserve contains only revaluation gains accumulated since 1 April 2007, the date that the reserve was created. Accumulated gains arising before that date have been consolidated into the balance on the capital adjustment account.

| 2016/17 £'000 | Revaluation reserve | 2017/18 £'000 |
|---|---|---|
| **127,708** | **Balance at 1st April** | **126,034** |
| 4,926 | Upward revaluation of assets | 59,850 |
| -1,704 | Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services | -10,301 |
| *3,222* | *Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services* | *49,549* |
| -4,030 | Difference between fair value depreciation and historical cost depreciation | -4,190 |
| -866 | Accumulated gains on assets sold or scrapped | -3,096 |
| *-4,896* | *Amount written off to the Capital Adjustment Account* | *-7,286* |
| **126,034** | **Balance at 31st March** | **168,297** |

## Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The Council accounts for post-employment benefits in the CIES as the benefits are earned by employees accruing years of service. Liabilities are updated to recognise the effect of inflation, and assumptions are amended for investment returns and any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed both by employee contributions, and by the Council making employer contributions to pension funds, or paying any pensions for which it is directly responsible. The debit balance on the Pensions Reserve shows a shortfall between the benefits earned by past and current employees, and the resources the Council has set aside to meet them. It therefore represents the beneficial impact on the General Fund of funding retirement benefits on cash flows rather than on the basis of benefits earned in accordance with accounting requirements. Statutory arrangements ensure that funding should have been set aside by the time the benefits come to be paid.

| 2016/17 £'000 | Pensions reserve | 2017/18 £'000 |
|---|---|---|
| **-238,932** | **Balance at 1st April** | **-264,566** |
| -14,163 | Actuarial gains or losses on pensions assets and liabilities | 3,787 |
| -26,913 | Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement | -31,261 |
| 15,442 | Employer's pensions contributions and direct payments to pensioners payable in the year | 16,287 |
| **-264,566** | **Balance at 31 March** | **-275,753** |

## Collection fund adjustment account

The collection fund adjustment account shows the difference between recognising council tax and business rates due in the CIES, and the amounts payable into the CIES from the collection fund under statutory provisions. The balance is the Council's share of the surplus or deficit on the collection fund at the year end. Deficits have to be addressed when setting future council tax charges. Surpluses are available to the Council in future years in line with prescribed regulations. It is because of this regulatory control over the timing of the application of any surpluses that this reserve has now been reclassified from usable reserves. Last year's MIRS and balance sheet have been restated to show this account as an unusable reserve.

| 2016/17 £'000 | Collection fund adjustment account | 2017/18 £'000 |
|---|---|---|
| 1,129 | Surplus at 1st April | 124 |
| 106,423 | Collection fund income recognised in the CIES | 110,028 |
| -107,428 | Collection fund income recognised under statute | -106,886 |
| **124** | **Surplus at 31st March** | **3,266** |

## Accumulated Absences Account

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

| 2016/17 £'000 | Accumulated absences account | 2017/18 £'000 |
|---|---|---|
| **-2,923** | **Balance at 1st April** | **-4,112** |
| 2,923 | Settlement or cancellation of accrual made at the end of the preceding year | 4,112 |
| -4,112 | Amounts accrued at the end of the current year | -4,261 |
| -1,189 | Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements | -149 |
| **-4,112** | **Balance at 31st March** | **-4,261** |

## 28 Cash Flow

The cashflow statement analyses the changes in cash and cash equivalents during the period held by the Council. This disclosure note provides specific details about some of the figures within that statement.

The SDOPS has been adjusted for the following non cash movements.

| 2016/17 £'000 | | 2017/18 £'000 |
|---|---|---|
| | **Non cash movements** | |
| -16,632 | Depreciation and amortisation | -17,562 |
| -2,235 | Impairments/downward revaluation through the revenue a/c | -9,794 |
| -62 | Change in provisions | -2,725 |
| 1,748 | Change in debtors/creditors | 5,768 |
| -40 | Change in inventories | -221 |
| -11,471 | Change in pension liability | -14,974 |
| -3,808 | Non current assets sold | -7,256 |
| -32,500 | | -46,764 |

The SDOPS has been adjusted for the following that are investing and financing activities.

| 2016/17 £'000 | | 2017/18 £'000 |
|---|---|---|
| | **Items that are investing and financing activities** | |
| 830 | Proceeds from the sale of PPE, Investment Property and held for sale assets | 881 |
| 8,021 | Capital grants recognised in year as financing cash flows | 22,154 |
| 8,851 | | 23,035 |

The cash flows from operating activities include the following items: -

| 2016/17 £'000 | | 2017/18 £'000 |
|---|---|---|
| -340 | Dividends Received | -345 |
| -466 | Interest Received | -216 |
| 7,072 | Interest Paid | 6,425 |

## 29 Financial Instruments

A financial instrument is a contract giving rise to a financial asset in one entity, and a financial liability in another. Financial assets include bank deposits, investments, loan receivables and debtors. Financial liabilities include bank overdraft, borrowings and creditors. Most of these assets and liabilities are carried at amortised cost – a measure reflecting transactional cashflows. This note gives details about the Council's financial assets and liabilities, and the fair value of these at the balance sheet date (this can differ from the carrying amount).

Financial instruments included in the Balance Sheet are analysed below.

| Financial Instruments | 31st March 2018 Carrying Amount £'000 | 31st March 2018 Fair Value £'000 | 31st March 2017 Carrying Amount £'000 | 31st March 2017 Fair Value £'000 |
|---|---|---|---|---|
| *Financial Assets* | | | | |
| Available for Sale | | | | |
| Investments | 2,027 | 2,027 | 1,512 | 1,512 |
| Loans and Receivables | | | | |
| Long term debtors | 2,075 | 1,591 | 1,467 | 1,467 |
| Current debtors | 24,900 | 24,900 | 20,683 | 20,683 |
| Short term investments | 18,400 | 18,400 | 40,700 | 40,700 |
| Cash and cash equivalents | 10,555 | 10,555 | 8,489 | 8,489 |
| **Total financial assets** | **57,957** | **57,473** | **72,851** | **72,851** |
| *Financial Liabilities* | | | | |
| Financial liabilities at amortised cost | | | | |
| Borrowings | 89,431 | 123,196 | 84,436 | 117,700 |
| PFI and other long term liabilities | 36,255 | 50,686 | 37,904 | 54,498 |
| Current creditors | 38,331 | 38,331 | 33,529 | 33,529 |
| Bank overdraft | - | - | 239 | 239 |
| **Total financial liabilities** | **164,017** | **212,213** | **156,108** | **205,966** |

### Financial assets

### Available for sale assets (£2.0m)

Available for sale assets are shown on the balance sheet at fair value.

- Equity homebuy scheme (£0.9m)

To facilitate the decanting of householders from sites which are being redeveloped for social housing, loans may be offered under the homebuy scheme to enable those affected to buy properties elsewhere so that the proposed development sites can be vacated. These loans are repayable and legal charges have been put on the properties to ensure repayment on sale. Cash loans are shown below as loans and receivables. Equity loans represent a share of equity in the purchased property, and are treated as available for sale investments.

- Revolving Investment Fund (£1.1m)

The Council has a share in a limited partnership set up to have oversight of the Revolving Investment Fund (RIF) and to establish and determine the authority of a company wholly owned by Leeds CC to control it. The RIF is designed to support viable projects within the region which lever in private sector funding. The focus is on asset based construction projects (including housing) within the geographical areas of the founder members.

Changes in fair values of available for sale assets are taken to the Available-for-Sale reserve. Negative balances would be written down to the CIES if there were a prolonged decline in fair values, or other clear evidence of impairment.

## Loans and Receivables (£55.9m)

Loans and receivables are shown on the Balance Sheet at amortised cost. Unless otherwise stated, all balances shown are an adequate approximation of fair value in view of the amounts involved.

| | |
|---|---|
| • Long term debtors | £2.1m |
| • Current debtors | £24.9m |
| • Short term investments | £18.4m |
| • Cash and cash equivalents | £10.5m |
| | £55.9m |

- Long Term Debtors (£2.1m)

The Council has a small number of debtors being repaid over various periods longer than one year. These are shown in the Balance Sheet at principal outstanding. Cash homebuy scheme loans are loans advanced as detailed above. Repayments are determinable as their value is not linked to the value of the property. Loans to Academy schools are sums previously advanced by the Council for building work at schools which have subsequently converted to academies and which the schools are continuing to repay with interest in accordance with an agreed timetable. The sums due have been recognised on transfer as capital receipts. The Piece Hall is being run by an independent trust. The Council has loan agreements in place (of up to £3.5m) to cover some residual building work and to facilitate initial operations. The first tranche has been drawn down. The loans have been offered on deferred repayment terms at favourable rates of interest. The fair value of these advances is therefore lower than the carrying amount included on the balance sheet.

| 2015/16 £'000 | 2016/17 £'000 | ANALYSIS OF LONG TERM DEBTORS | 2017/18 £'000 |
|---|---|---|---|
| 694 | 669 | Cash homebuy / improvement schemes | 669 |
| 893 | 638 | Loans to Academy schools | 520 |
| | | Loans to Piece Hall Trust | 805 |
| 201 | 160 | Other | 81 |
| **1,788** | **1,467** | | **2,075** |

- Current Debtors (£24.9m)

The sum of £24.900m (other operational debtors and public body debtors net of allowance for credit losses) has been included in current financial assets. Council tax and business rate arrears are statutory debts and do not arise from contracts and so do not class as financial assets, and prepayments are not included as financial assets as they are not contracts giving rise to financial assets and liabilities.

- Short term investments (£18.4m)

The Council holds a number of short term investments at the 31st March. These relate to surplus cash balances held over the year end and lent out temporarily as part of treasury management operations to financial institutions and local authorities. To mitigate against the risk of loss, the Council places investment limits (approved annually) on each financial organisation depending on its credit rating and asset base. The current maximum investment of £20m at any one time is reserved for clearing banks with maximum Fitch and Moody's credit ratings of F1+ and P1 respectively, combined with assets over £400bn (Fitch and Moody's are global credit rating agencies). There are other levels in place which range from £15m to £1.5m depending on an organisation's rating or asset base. For rated counterparties, the minimum credit rating used is F2 (Fitch) and P2 (Moody's) which signify a strong capacity to make timely settlement of commitments. The Council can also lend to unrated Building

Societies (classed as unspecified) but they must have assets over £1bn. The maximum lending for these would be £1.5m per institution. At present, only four building societies qualify.

The Council can also lend money to the Bank of England, the UK Government and other local authorities. Although the Council does not have a maximum investment limit with the Bank of England and UK Government, a limit of £20m per individual authority is in place. All of the Council's counterparties operate in the UK.

The Council has not suffered any counterparty defaults during the year. The deposits invested at the year end have been assessed for impairment by looking at each institution's credit rating and general standing. It has not been considered necessary to write off or impair any of the investments held at the balance sheet date.

Investment income from all financial assets (principally short term investments) is credited to SDOPS and shown as part of financing and investment income and expenditure. It varies with interest rate fluctuations and the level of cash balances available to the Council. It is monitored regularly, and prudent forecasts of anticipated future market conditions in the coming year are made as part of the annual budget setting process.

- Cash and cash equivalents (£10.5m)

This is cash balances held in individual school bank accounts as part of the delegated financial management of schools (£9.1m); cash held in the Council's bank accounts (£1.2m), and other temporary cash holdings by the Council.

The Council's bank figure is the reconciled position on the Council's bank accounts at 31st March. The cash position is monitored daily and managed to ensure that, through a combination of active investment management, short term borrowing on the money markets and agreed overdraft facilities with the bank, the Council has sufficient funds with which to meet its commitments, and can earn interest on any surplus balances.

## Financial liabilities

| | |
|---|---|
| • Borrowings | £89.4m |
| • Other liabilities | £36.3m |
| • Current creditors | £38.3m |
| | £164.0m |

Financial liabilities are shown on the Balance Sheet at amortised cost. Fair values are disclosed below for each type of financial liability where the carrying value on the Balance Sheet is not an adequate approximation.

- Borrowings (£89.4m)

All borrowings are shown at amortised cost which for these loans is the same as principal outstanding. Of the total borrowings £86.6m has been borrowed from the PWLB, with £2.8m being borrowed from other sources such as other financial institutions, local authorities and other bodies. Contractual obligations (both principal repayments and associated interest charges) arising from Council borrowings are detailed below.

| 2016/17 | | | 2017/18 | |
|---|---|---|---|---|
| Principal | Interest due to maturity | ANALYSIS OF LOANS BY MATURITY AT 31st MARCH | Principal | Interest due to maturity |
| £'000 | £'000 | | £'000 | £'000 |
| 9,821 | 102 | Maturing within one year | 2,806 | 64 |
| 2,500 | 188 | Maturing within 1 - 2 years | 1,799 | 133 |
| 8,707 | 1,901 | Maturing within 2 - 5 years | 12,612 | 2,158 |
| 19,808 | 7,372 | Maturing within 5 - 10 years | 21,614 | 8,007 |
| 43,600 | 44,473 | Maturing in more than 10 years | 50,600 | 53,170 |
| **84,436** | **54,036** | **Total borrowing** | **89,431** | **63,532** |

As the Council has ready access to borrowings from the PWLB, there is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. The main risk is that the Council will need to replace a significant proportion of its borrowings at a time of unfavourable interest rates. The main treasury management strategy to deal with this is to manage the Council's debt maturity profile so that it is as smooth as possible taking account of historic debt and available interest rates.

All PWLB borrowings are at fixed rates and therefore unaffected by interest rate movements (though these would affect any maturing debt which needed to be re-financed). Changes in interest rates will affect the fair value of debt. Interest payable is charged to the CIES and shown as part of financing and investment income and expenditure.

There is a range of possible fair values for these borrowings at the balance sheet date. A fair value of £107.0m is based on the economic effect of the terms agreed with the PWLB compared with estimates of the terms that would be offered for market transactions undertaken at the balance sheet date. The difference between the carrying amount and the fair value measures the additional interest that the Council will pay over the remaining terms of the loans under the agreements with the PWLB, against what would be paid if the loans were at prevailing market rates.

However, the Council has a continuing ability to borrow at concessionary rates from the PWLB rather than from the markets. A supplementary measure of the additional interest that the Council will pay as a result of its PWLB commitments for fixed rate loans is to compare the terms of these loans with the new borrowing rates available from the PWLB. The fair value on this basis would be £103.7m.

If the Council were to seek to repay all PWLB debt at the balance sheet date, the sum required would be £120.6m. This amount is greater than the carrying amount as the portfolio of borrowings is all at fixed rates where the interest rates payable are greater than the rates available at the balance sheet date for similar loans. This commitment to pay above current market rates would be reflected in an early redemption penalty (a premium) charged by the PWLB, increasing the amount that the Council would have to pay. It is this calculation of fair value which is therefore deemed to be most appropriate.

Other borrowings (£2.8m) have been secured on favourable terms to support green energy initiatives. The fair value of these is £2.6m.

- Other liabilities (£36.3m)

This reflects long term commitments by the Council relating to future rentals required under the schools PFI scheme, and to the repayment of other loan debt administered by Wakefield, Bradford and Leeds Councils in relation to transferred assets as part of statutory reorganisations of functions.

These liabilities are carried at amortised cost which for these items is the same as principal outstanding. The fair value of these liabilities is £50.7m based on discounting future cash flows at prevailing interest rates.

| 2017 £'000 | ANALYSIS OF OTHER LIABILITIES BY MATURITY AT 31st MARCH | 2018 £'000 |
|---|---|---|
| 1,649 | Maturing within one year | 1,786 |
| 1,786 | Maturing within 1 - 2 years | 1,936 |
| 6,310 | Maturing within 2 - 5 years | 6,861 |
| 14,658 | Maturing within 5 - 10 years | 15,940 |
| 13,501 | Maturing in more than 10 years | 9,732 |
| **37,904** | **Total borrowing** | **36,255** |

- Current creditors (£38.3m)

The total of £38.331m for operational creditors and public body creditors has been included in financial liabilities. All other categories of creditor arise from statutory debts (council tax and business rates), are governed by more specific reporting standards (pension fund and accumulated absences), or are not contracts giving rise to financial assets and liabilities (deferred income).

## 30 Pension Costs

The Council makes payment into three pension schemes – the Local Government Pension Scheme; the Teachers' Pension Scheme, and the NHS staff pension scheme. These provide members with index linked pensions based on final salaries and length of service (although from April 2014 the local government scheme has been based on career average from that date rather than final salary). This note gives details about each of these schemes and how they are accounted for in these financial statements.

An important distinction is drawn between defined contribution schemes (where the employer has a liability to make payments into the fund during an employee's period of employment, but has no liability to make payments after that period if the scheme has insufficient funds to meet its pension payment obligations), and defined benefit schemes (where benefits paid out are not related to contributions paid in or assets held, and the employer has a liability to make good any funding shortfall).

*Local Government Pension Scheme (LGPS).*
The LGPS is a statutory scheme and the benefits are paid under the provisions of LGPS Regulations. This is a funded scheme meaning that members and the employer pay contributions into a fund, with these contributions being calculated at a level to balance pension liabilities and investment assets over the expected lifetime of the membership. These calculations are revised every 3 years as part of a full actuarial valuation. Following the latest valuation in March 2016, employer rates were raised from 14.4% to 17.5%. Employer contributions charged in 2017/18 were £14.5m and are forecast to be £14.8m in 2018/19.

The West Yorkshire Pension Fund (WYPF) is part of the LGPS. The City of Bradford Metropolitan District Council is the administering authority for WYPF and therefore has overall legal and strategic responsibility for it. Bradford Council's administering authority responsibilities are met by WYPF's in-house pension's administration and investment teams.

The fund is advised by three boards - the WYPF Investment Advisory Panel, the WYPF Joint Advisory Group and the WYPF board. The Investment Advisory Panel, which establishes the investment principles of the scheme, has 19 members, with two from Calderdale MBC. The Joint Advisory Group, which oversees the administration of the fund and responds to legislative changes, has 20 members with three Calderdale representatives. The WYPF pension board aims to ensure effective governance and regulatory compliance. There are eight board members, none of which are from Calderdale.

The Council has about 5,000 active members, 6,000 pensioners and dependants and 6,500 deferred pensioners in the scheme. Total scheme membership is over 280,000 and there are over 400 individual bodies participating in the scheme. Total contributions into the fund are approximately £380m.

Although it is a multi-employer defined benefit plan, there is no cross subsidy, and individual employer contributions are determined with reference to the contributing Authority's membership, funding profiles, and particular circumstances. The employer contribution rate of 17.5% is the rate needed, together with employee contributions, to cover the cost of service being earned by current active members and address past funding deficits with the aim of recovering such deficits over 22 years. The rate will be subject to annual review in the light of any significant shift in the underlying fund valuation assumptions (particularly returns on investments as a result of market uncertainty and volatility following Brexit) in order to ensure that the deficit is recovered over the proposed period. The Council builds these increases into its Medium Term Financial Strategy.

Based on a prudent assessment of the amount of assets to be set aside to meet forecast future pension commitments, discounted back to the valuation date using a rate which takes into account future expected investment returns, the latest formal fund valuation showed that assets were sufficient to cover 94% of the estimated liability for pension benefit payments at that date. The increase in employer contributions is part of the plan to address this deficit. The risks to this position are that investment performance may be lower than forecast, or that assets held (in the expectation of greater returns) do not match expected benefit payments. Liabilities, on the other hand, increase as members live longer and as pay and inflation rates rise, increasing the amount of pensions which have to be paid out in the future. Liabilities extend many years into the future. The weighted average period over which benefits fall due is 17 years.

The Council also pays to meet the unfunded costs of discretionary pension benefits as they become due. Added pensions are no longer given, but sometimes the Council will meet the cost of allowing employees to retire and draw their pensions earlier than usual where this generates longer term savings. Discretionary benefits are accounted for as defined benefit schemes. They are unfunded but the liabilities can be identified to the Council. The on-going cost of such contributions during the year was £1.0m. A similar amount is expected to be paid in 2018/19.

Both funded and unfunded LGPS schemes are accounted for as defined benefit schemes.

*The Teachers' Pension Scheme (TPS)*
The TPS is a defined benefit scheme covering teachers. It is "notionally funded". This means that, although there are no investment assets built up to meet pension liabilities, periodic valuations are carried out as though there was a fund. Contributions are set on the basis of these valuations. The current employer rate is 16.5%. As at 31 March 2017 (the date of the latest published accounts) the pension liabilities of the TPS were valued at £347.2bn. Contributions from members and employers are paid to the Exchequer, and the Exchequer effectively meets the cost of all benefits.

The scheme is not run in a way that enables the Council to identify its share of the underlying liabilities. As these cannot be estimated on a consistent and reasonable basis, the scheme is accounted for as a defined contribution scheme, with funding being generated to meet pension payments as they become due. The cost to the Council of participating in the scheme is therefore taken to be the contributions payable to the scheme for the accounting period.

The Council has approximately 1,400 employees paying into the TPS scheme (which has a total membership of over 1.9m from over 8,500 participating employers and is administered by Capita Teachers' Pensions on behalf of the DfE). The total paid in nationally is £6.3bn.

Total employer contributions to the TPS were £5.7m (£6.1m in 2016/17). Expected contributions to the Teachers' Pension Scheme in the year to 31st March 2019 are £5.7m, but this depends on the number of schools converting to academies.

As with the LGPS scheme, the Council is responsible for the costs of any additional benefits awarded to staff at its discretion outside the scheme. These on-going costs (£0.8m per annum) are met as they become due and are accounted for on a defined benefit basis and included in the figures reported for such schemes.

*The NHS Staff Pension Scheme (NHS scheme)*
The NHS scheme is a defined benefit scheme covering a very small number of public health employees (29) who transferred across from the NHS on the transfer to the Council of the public health function. Total NHS scheme membership is 3m from nearly 9,000 participating employers. Council employer/employee contributions totalled £0.2m from a national total contribution of £10bn. Expected contributions in 2018/19 are £0.2m.

Contribution rates to the NHS scheme are set by the Secretary of State for Health, with the consent of HM Treasury, after consideration of the advice of the scheme actuary and employee and employer representatives as deemed appropriate. The current employer rate is 14.3%. At 31 March 2017 (the date of the latest published accounts) the pension liabilities of the Scheme were valued at £509.4 billion. As the NHS Pension Scheme is an unfunded scheme, these liabilities are underwritten by the Exchequer. In year deficits (where contributions paid out exceed contributions paid in), are met by the Exchequer, and in year surpluses (where contributions paid in exceed contributions paid out), are paid to the Exchequer.

It is not possible to identify the Council's share of the underlying liabilities on a consistent and reasonable basis, and so the NHS scheme is accounted for as a defined contribution scheme, with funding being generated to meet pension payments as they become due. The cost to the Council of participating in the Scheme is therefore taken to be the contributions payable to the Scheme for the accounting period.

**Accounting charges and asset and liability valuations under IAS 19**

This section details the amounts recognised in these financial statements in relation to our pension schemes. It shows the financial and demographic assumptions made in estimating the net pension liability, and analyses the movement during the year over its component elements. The net pension liability recognised on the balance sheet is the current cost of meeting future pension liabilities offset by the assets held to meet those liabilities for all defined benefit schemes. The cost over the year of providing pension benefits is recognised in SDOPS. Actuarial gains and losses (due to changes in assumptions, or revisions to assumptions in the light of experience) are recognised in OCI.

IAS 19, the International Accounting Standard on employee benefits, requires the financial position of defined benefit pension schemes to be reassessed at each balance sheet reporting date following a prescribed methodology. The expected liabilities are calculated using a number of financial and demographic assumptions by AON Hewitt Limited, a firm of actuaries. Assets are held at fair value.

All the principal financial and demographic assumptions used by the actuary are shown below.

| *Financial assumptions* | 2017/18 | 2016/17 |
|---|---|---|
| RPI price inflation | 3.2% | 3.1% |
| CPI price inflation | 2.1% | 2.0% |
| Rate of Increase in salaries | 3.35% | 3.25% |
| Rate of increase in pensions | 2.1% | 2.0% |
| Rate for discounting scheme liabilities | 2.6% | 2.5% |
| Take-up option for pension conversion to lump sum | 75% | 75% |
| | | |
| *Mortality Assumptions:* | | |
| Longevity at 65 for current pensioners: | | |
| men | 22.1 | 22.1 |
| women | 25.3 | 25.2 |
| Longevity at 65 for future pensioners: | | |
| men | 23.1 | 23.0 |
| women | 27.1 | 27.0 |

The net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rates at which salaries and pensions paid are projected to increase, changes in retirement ages and mortality rates. The approximate impact on the net liability of changing key assumptions is shown below. In each case, only the assumption mentioned is changed (although in reality many of the assumptions are interrelated).

Specific judgements and risks include: -

- Changes in the discount rate used: Pension liabilities extend many years into the future. They are discounted back to a present value at the balance sheet date using a rate based on high quality AA corporate bond yields of an appropriate term at that date. A reduction in the discount rate used to value pension liabilities will lead to a higher present value being placed on future pension payments and so will increase the deficit.
- Changes in pay and price inflation: Scheme benefit obligations are strongly linked to salary expectations and inflation. Increases in these measures will lead to higher pension liabilities, and so will increase the deficit.
- Changes in life expectancy: An increase in life expectancy means that pensions are expected to be paid for a longer period, so increasing the liability and the scheme's deficit.

The effect on the overall pension fund deficit of marginal changes in these factors is shown below.

| | Effect on liability | |
|---|---|---|
| | £m | % |
| 0.1% change in discount rate | 17 | 1.7 |
| 0.1% change in salary increases | 3 | 0.3 |
| 0.1% change in pension increases | 14 | 1.4 |
| 1 year change in member life expectancy | 30 | 3.0 |

Only the LGPS has pension fund assets. These were valued at 31st March 2018 at £751.1m (2017: £737.3m) and the accounting liabilities for this scheme were calculated to be £1,003.4m (2017: £977.4m). Including the unfunded LGPS and TPS pension enhancements (for which the pension liabilities were £14.8m and £8.7m respectively), total IAS 19 pension fund deficits of £1,026.9m (2017: £1,001.8m) have been recorded. The overall net pension liability for all defined benefit schemes has risen by £11.2m (4.2%) over the year.

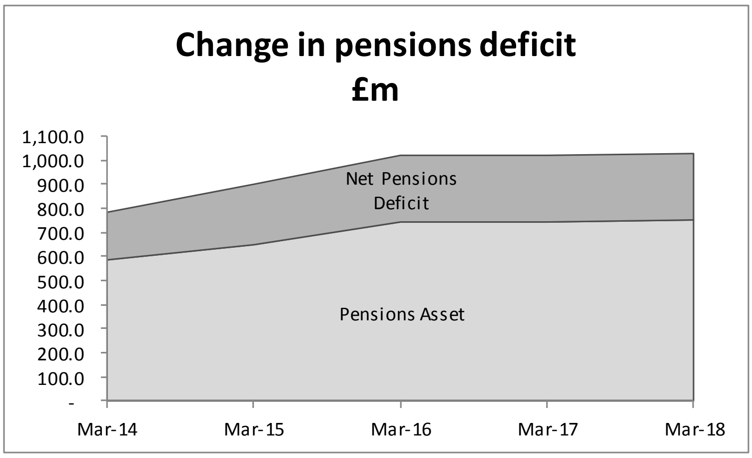
The Council's asset share of £751.1m is invested as follows: -

| | % split of pension fund assets | | | | | |
|---|---|---|---|---|---|---|
| | 31st March 2018 % | | | 31st March 2017 % | | |
| | Quoted | Unquoted | Total | Quoted | Unquoted | Total |
| Equity investments | 70.1 | 7.2 | 77.3 | 70.3 | 6.9 | 77.2 |
| Government Bonds | 9.4 | 0 | 9.4 | 10.1 | 0 | 10.1 |
| Other Bonds | 3.7 | 0 | 3.7 | 3.9 | 0 | 3.9 |
| Property | 4.5 | 0 | 4.5 | 4.3 | 0 | 4.3 |
| Cash liquidity | 1.8 | 0 | 1.8 | 1.2 | 0 | 1.2 |
| Other assets | 1.5 | 1.8 | 3.3 | 1.4 | 1.9 | 3.3 |
| **Total** | **91.0** | **9.0** | **100** | **91.2** | **8.8** | **100** |

Fuller details of fund asset holdings and maturity profiles can be found within the West Yorkshire pension fund valuation report.

**Movement in assets & liabilities and the impact on the surplus or deficit on the provision of services, and other comprehensive income and expenditure.**

Pension benefits are earned by employees as part of their contracts. Although the pensions are not payable until the employees retire, the commitment which the Council has as the employer is recognised during the working lifetime of the employee. Pension contributions are invested in assets intended to provide funding at a future date when the pensions become due. Where the asset holdings fall short of expected commitments, there is said to be a net pension liability. Where asset holdings exceed expected commitments, there is said to be a net pension asset. The pension deficit is being addressed by revisions to the local government pension scheme introduced in April 2014 to reduce future benefits and increase contributions by the employer and employee, and by regular reviews of the fund and contribution levels.




Pension accounting charges included within SDOPS were £31.3m. However, the statutory charge against council tax is based on the amounts payable by the Council to the pension fund in the year (£16.3m). Appropriations from a pensions reserve are made within the MIRS to replace the real cost of retirement benefits with the statutory charge so that the additional costs of providing for retirement benefits in accordance with IAS19 do not impact on levels of local taxation.

The total pension liability (or defined benefit obligation) represents the current cost of meeting the future benefits forecast to be paid out by the scheme. The net defined benefit pension liability is the difference between the total pension liability and scheme assets. The following table shows the pensions costs and income charged during the year into the accounts in accordance with IAS 19 and the effect of these on the net pension liability.

- Current service cost is the value of pension benefits earned in year by current employees, net of the contributions paid by the employees themselves in respect of those benefits.
- Past service costs are those scheme liabilities relating to service rendered in previous periods arising in the current period as a result of changes to retirement benefits.
- Net interest on the net defined benefit liability is a charge based on the net pension liability multiplied by the discount rate at the start of the period. Future pension obligations are stated at present value. A discount rate is used to calculate this current value of the future liability. The net interest on pensions liabilities is the unwinding of this discount rate as benefits move one period closer to settlement, partly offset by an amount earned on fund assets.
- Remeasurements arise from the uncertainty in making assumptions about future events when calculating the liability. These may be due to changes in assumptions, or to actual experience differing from previous actuarial assumptions made. Remeasurement gains and losses are recognised in OCI.
- Contributions are paid into the scheme by employers and participating members. These contributions reduce the value of the net pension liability.
- Net benefits paid out reduce the defined benefit obligation.
- Changes in assets and liabilities due to business elements being transferred into or out of the fund are shown as disposals/acquisitions.

| **IAS 19 pensions accounting charges (£'000)** | **Assets** | **Liabilities** | **Net pension liability** | **Expenses recognised in SDOPS** | **Total (gains)/losses recognised in OCIE** |
|---|---|---|---|---|---|
| **Value as at 1st April 2017** | **737,282** | **-1,001,848** | **-264,566** | | |
| Current service costs | | -24,216 | **-24,216** | 24,216 | |
| Past service cost | | -633 | **-633** | 633 | |
| Net interest on the net defined benefit liability | | | **-6,412** | 6,412 | |
| Of which: - interest on the defined benefit obligation | | -24,716 | | | |
| - interest income on plan assets | 18,304 | | | | |
| Remeasurement of the net defined benefit liability | | | | | |
| - on plan assets | 6,743 | | **6,743** | | -6,743 |
| - on liabilities - financial assumptions | | 928 | **928** | | -928 |
| - on liabilities - demographic assumptions | | 0 | **0** | | 0 |
| - on liabilities - experience | | -3,884 | **-3,884** | | 3,884 |
| Employer contributions | 16,287 | | **16,287** | | |
| Contributions by plan participants | 4,913 | -4,913 | **0** | | |
| Net benefits paid out | -31,706 | 31,706 | **0** | | |
| Net decreases from disposals and acquisitions | -698 | 698 | **0** | | |
| **Value as at 31st March 2018** | **751,125** | **- 1,026,878** | **- 275,753** | **31,261** | **- 3,787** |
| *Adjustment to charges made in accordance with IAS 19 to the amount required under regulation* | | | | - 14,974 | |
| *Amount falling due to be met by council taxpayers (employer contributions to the scheme)* | | | | 16,287 | |

| IAS 19 pensions accounting charges (£'000) | Assets | Liabilities | Net pension liability | Expenses recognised in SDOPS | Total (gains)/losses recognised in OCIE |
|---|---|---|---|---|---|
| **Value as at 1st April 2016** | **642,857** | **-881,789** | **-238,932** | | |
| Current service costs | | -18,623 | **-18,623** | 18,623 | |
| Past service cost | | -423 | **-423** | 423 | |
| Net interest on the net defined benefit liability | | | **-7,867** | 7,867 | |
| Of which: - interest on the defined benefit obligation | | -29,539 | | | |
| - interest income on plan assets | 21,672 | | | | |
| Remeasurement of the net defined benefit liability | | | | | |
| - on plan assets | 83,830 | | **83,830** | | -83,830 |
| - on liabilities - financial assumptions | | -186,164 | **-186,164** | | 186,164 |
| - on liabilities - demographic assumptions | | 22,841 | **22,841** | | -22,841 |
| - on liabilities - experience | | 65,330 | **65,330** | | -65,330 |
| Employer contributions | 15,442 | | **15,442** | | |
| Contributions by plan participants | 5,036 | -5,036 | **0** | | |
| Net benefits paid out | -31,555 | 31,555 | **0** | | |
| **Value as at 31st March 2017** | **737,282** | **- 1,001,848** | **- 264,566** | **26,913** | **14,163** |
| *Adjustment to charges made in accordance with IAS 19 to the amount required under regulation* | | | - | 11,471 | |
| *Amount falling due to be met by council taxpayers (employer contributions to the scheme)* | | | | 15,442 | |

Which pension figures do I use for the LGPS? The accounting deficit identifies assets of £751.1m and liabilities of £1,003.4m – a funding position of 75%. The triennial review of the fund on which contribution rates are based showed a much stronger funding position of 94%. What is the difference between these two measures?

The fund review is used to judge the money we need to put into the pension scheme. It will always be different to the IAS 19 accounting deficit, which is an accounting standard about how employee benefit obligations are to be shown on the balance sheet. The accounting standard requires all reporting entities to assume their pension funds grow at a standard rate reflecting a fairly low level of risk. The fund review can take a more expansive view of returns.

IAS 19 thus produces results that are different from, and more volatile than, the actuarial valuation, as members' liabilities at the balance sheet date are valued using market rates of corporate bonds and do not reflect the expected future returns on the assets the fund owns. This tends to increase the value of liabilities.

Differences can also arise due to changes in market conditions between the two valuation dates (31 March 2016 and 31 March 2018). Some key assumptions for the IAS 19 accounting valuation are based on those used for the most recent actuarial valuation (March 2016). In between triennial revaluations, some assumptions are updated annually (e.g. inflation, pay increases, discount rates, asset values) whilst others taking a longer term view (e.g. mortality rates, demographic factors) may not be.

## 31 Authorisation

Relevant events after the balance sheet date have been considered up to 30$^{th}$ July 2018. This is the date on which these statements of accounts were authorised for issue by the Head of Finance. Any events taking place after the year end but before the date of authorisation are considered and reflected only where the event provides information on conditions existing at the balance sheet date. Events taking place after the date of authorisation are not reflected in the financial statements or notes.

## *F Accounting Policies*

The statement of accounts summarises the Council's transactions for the financial year to 31st March, and its financial position as at that date. The Accounts and Audit (England) Regulations 2015 require that these statements are prepared in accordance with proper practices and signed by the responsible finance officer by 31st May, and then formally signed by the Council and published by 31st July together with the audit certificate/opinion. Proper practices are based on IFRS standards as incorporated into the Code.

The selected accounting policies have been applied to all material items for inclusion in the accounting statements and disclosure notes. Only those items which are insignificant within the context of the financial statements and whose exclusion does not impair the reliability or interpretation of the financial information provided have been omitted from inclusion.

Accounting policies are determined by the Code. Where the Code is not explicit, unless there are any specific legislative requirements (which always take precedence), accounting treatment will be determined by application of IFRS or similar standards; the framework for preparing and presenting financial statements; or issued guidance notes.

In selecting appropriate policies and accounting treatment, judgement has been exercised to ensure that, through a balanced and sensible application of competing qualitative characteristics, costs and time, the resulting accounting statements both faithfully reflect the substance of the transactions and other events that have taken place by being free from material error, exaggeration or systematic bias, and are relevant in enabling an assessment of the stewardship of public funds and the making of any economic decisions based on materially significant disclosures. The statements are presented in such a way as to be comparable between accounting periods, and understandable to those with a reasonable knowledge of local government and accounting practices. Although this is unavoidably quite a technical document, every effort has been made to explain either in the text or the glossary, any technical terms necessarily involved.

Accounting policies have been chosen to give a true and fair view of the financial transactions of the Council.

### 32 Accounting policies

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

- Revenue from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Supplies are recorded as expenditure when they are consumed. Where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.

- Tax income is an annual charge and is recognised in the year in which it is due when it is probable that economic benefits or service potential associated with the transaction will flow to the Council, and the amount of revenue can be reliably measured.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, an allowance for credit losses has been made and charged to revenue for the income that might not be collected.

**Cash and cash equivalents**
Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments maturing within three months from the date of acquisition and are readily convertible to known amounts of cash with no risk of change in value. In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Council's cash management.

**Collection Fund**
Billing authorities are required by statute to maintain a separate fund for the collection and distribution of amounts due in respect of council tax and non-domestic rates (NDR). The key feature of the accounting policy is that billing authorities act as agent collecting and distributing monies on behalf of the Government and other council tax and NDR preceptors.

The total of non domestic rate and council tax income included in the CIES is the accrued income for the year due to the Council. Regulations specify that sums to be released from the collection fund to the general fund should be the Council's precept plus any share of the previous year's surplus or deficit. Any difference between the income included in the CIES and the amount required by regulation to be credited to the general fund is taken to the collection fund adjustment account and included in the MIRS.

Debtor and creditor balances relating to individual council taxpayers are apportioned between all preceptors. Debtor and creditor balances relating to individual non domestic rates are apportioned between the Government and all preceptors. Only the Council's share of these balances is recognised on the Balance Sheet. Any difference between cash collected on behalf of the Government or other preceptors and cash paid over to them is included as a creditor (where more cash has been collected than paid over) or a debtor.

The Cash Flow Statement includes as operating activities only the Council's share of council tax and non domestic rates collected in the year, and the net cost of pursuing arrears. As cash is collected as agent on behalf of the Government and other preceptors, monies paid over to them are not revenue activities of the Council and are excluded from operating activities. Cash held as agent, being the difference between Government and other preceptors' cash collected and paid over, is included in other receipts/payments within financing activities.

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

**Employee benefits**

*Benefits Payable During Employment*

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include accrued annual leave, lieu time and flexi time earned by employees but not taken before the year-end, which employees can carry forward into the next financial year. They are recognised as an expense in the year in which employees render service to the Council. The accrual is made at the pay rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to SDOPS, but then reversed out through the MIRS so that such benefits are charged against council tax in the financial year in which the holiday absence occurs.

*Termination Benefits*

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date, or an officer's decision to accept voluntary redundancy. They are charged to service costs in SDOPS when the Council can no longer withdraw the offer of those benefits.

Where termination benefits involve the enhancement of pensions, the cost of this lifetime benefit is recognised in the CIES. Statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund, not the amount calculated according to the relevant accounting standards. In the MIRS, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and any such amounts payable but unpaid at the year-end.

*Post Employment Benefits*

Pension schemes providing members with defined benefits (retirement lump sums and pensions) earned as employees working for the Council are accounted for as defined benefit schemes. All retirement benefits are accounted for in accordance with the relevant reporting standard IAS19 which stipulates how such commitments are to be recognised in the CIES and on the Balance Sheet.

Pension schemes which provide defined benefits to members, but where the liabilities for these benefits cannot be identified to the Council on a consistent and reasonable basis, are accounted for as defined contribution schemes. No liability for future payments of benefits is recognised on the Balance Sheet.

Where liabilities can be identified to the Council on a consistent and reasonable basis, they are included in the Balance Sheet on an actuarial basis using the projected unit method, i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates etc. and projections of earnings for current employees. Liabilities are discounted to their value at current prices.

The associated assets of the fund attributable to the Council are included in the Balance Sheet at fair value based on current bid price (securities), market value (property) and professional estimate for unquoted assets.

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund, not the amount calculated according to the relevant accounting standard (IAS19). There are appropriations in the MIRS to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits, and replace them with debits for the cash paid to the pension fund and any such amounts payable but unpaid at the year-end. This ensures that the additional costs of providing for retirement benefits in accordance with IAS19 do not impact on levels of local taxation.

*Discretionary Benefits*
The Council can make discretionary awards of retirement benefits in the event of early retirement or voluntary redundancy. Liabilities estimated to arise as a result of any such award to any member of staff (including teachers) are accrued in the year of the award, and are accounted for as defined benefit schemes.

**Events after the balance sheet date**
Events after the balance sheet date are those that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. The Statement of Accounts is adjusted to reflect those events that provide evidence of conditions that existed at the end of the reporting period. Where the event is indicative of conditions that arose after the reporting period, appropriate disclosures are made, but the amounts in the Statement of Accounts have not been adjusted. Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

**Financial Assets**
Financial instruments are contracts giving rise to a financial asset in one entity, and a financial liability in another.

Financial assets are classified into two types:
- Loans and Receivables – assets that have fixed or determinable payments but are not quoted in an active market.
- Available for sale assets – assets that have a quoted market price and/or do not have fixed or determinable payments.

*Loans and Receivables*
Loans and receivables are valued at amortised cost using the effective interest rate method. Annual credits to the Financing and Investment Income and Expenditure line in SDOPS for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For the majority of loans and receivables, this means that the amount presented in the Balance Sheet is the outstanding principal receivable and interest credited to SDOPS is the amount receivable for the year in the loan agreement.

Where any material soft loans are made (extended credit at less than market rates), a loss is recorded in SDOPS (debited to the appropriate service) for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal. Interest is credited to the Financing and Investment Income and Expenditure line in SDOPS at the (higher) effective rate of interest rather than the rate receivable, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year. The reconciliation of amounts debited and credited to the CIES to the net gain required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the MIRS.

Any gains and losses that arise on the derecognition of an asset are credited or debited to the CIES. Short duration receivables with no stated interest rate, and any small value loans considered immaterial for valuation as above are measured at the original invoice amount.

*Available for sale financial assets*
Available for sale assets are carried at fair value. Depending on the market for such assets, fair value might be the quoted market price (where there is one), cost less impairment, or other amount based on valuation techniques. Inputs used in measurement are categorised into three levels: - level 1 (quoted prices in active markets for identical assets); level 2 (other observable inputs); level 3 (unobservable inputs). Measurements rely on inputs drawn from the highest available level.

Gains and losses on re-measurement are taken to the available for sale (AFS) reserve and charged to OCI, except where there is a prolonged decline in fair values or other clear evidence of impairment, in which case losses are taken to the Financing and Investment Income and Expenditure line in SDOPS. On derecognition of an asset, any gains/losses are recognised in the CIES along with any gains/losses previously recognised in the AFS reserve.

Where an asset has fixed or determinable payments, annual credits to the Financing and Investment Income and Expenditure line in SDOPS for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income (e.g. dividends) is credited to the SDOPS when it becomes receivable by the Council.

*Impairment of financial assets*
Financial assets are assessed annually for impairment. Impairment losses are incurred if: -

- There is objective evidence of impairment as a result of a past event occurring subsequent to the initial recognition of the asset, or
- A collective assessment of financial assets with similar credit risk characteristics (e.g. business rate debtors; council tax debtors; sundry debtors) suggests that, based on past experience, the sums likely to be realised for the groups of financial assets being collectively assessed are likely to be lower than the carrying values of those groups.

Impairment losses are charged to an appropriate revenue account (i.e. SDOPS or collection fund).

**Financial Liabilities**
Financial liabilities are carried at amortised cost using the effective interest rate method. This is the rate that discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised. The financing costs (interest charges) determined by this method are taken to financing and investment income and expenditure within SDOPS.

For the borrowings which the Council has, this results in the Council's financial liabilities being included in the Balance Sheet at the outstanding principal repayable, and interest charged is the amount payable for the year according to the loan agreement.

Premium payments and discounts on the repurchase or early settlement of debt are taken in year directly to financing and investment income and expenditure within SDOPS unless, in accordance with certain specific conditions, a repurchase/restructure has taken place and the modification to the financial instrument is not considered substantial. In such cases, the loan debt carrying amount is adjusted rather than being taken directly to SDOPS, and the adjustment is written down to SDOPS over the life of the loan by an adjustment to the effective interest rate.

There are no financial guarantees entered into by the Council after the 31st March 2007 which would need to be accounted for as financial instruments. Any financial guarantees given by the Council before that date are only included in the statement of accounts to the extent that provisions might be required or a contingent liability exists.

**Government grants and other contributions**
All grants and contributions are recognised as income within SDOPS when there is reasonable assurance that the Council will comply with the grant conditions, and the grants or contributions will be received. Conditions are stipulations requiring repayment of the grant if they are not met.

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

Where capital grants are credited to SDOPS, they are reversed out of the General Fund Balance in the MIRS. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied Reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

The Council sometimes acts as Accountable Body for various partnerships and in that role receives grant funding on behalf of the partnership. Where it is considered that the Council determines partner allocations, the grant is recognised as income and allocations as expenditure. Where the Council does not exercise such control, only such grant as may ultimately be awarded to the Accountable Body is recognised as grant receivable.

**Heritage Assets**
These are assets with historical, artistic, scientific, technological, geophysical or environmental qualities held principally for their contribution to knowledge and culture rather than for any operational reasons (mainly museum exhibits). They are held mainly at insurance value (though some difficult to value items with no comparable market values have not been valued) as permitted under FRS102. Depreciation is not required for those assets with indefinite lives. Valuations are reviewed where there is clear evidence of impairment such as damage or doubts as to provenance. Gains and losses on disposal are included under other operating expenditure. Such charges are not permitted by statutory arrangements to have an impact on the General Fund Balance. Therefore these gains and losses are reversed out of the General Fund Balance in the MIRS, and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10k) the Capital Receipts Reserve.

**Investment property**
Investment properties are separately identifiable properties used solely and specifically to earn rentals and/or for capital appreciation. Investment properties are measured initially at cost, or are revalued immediately prior to reclassification. They are subsequently measured at fair value, based on the amount that would be received to sell such an asset in an orderly transaction between market participants at the measurement date. As a non-financial asset, investment properties are measured at highest and best use. Investment properties are not depreciated but valuations are assessed annually to ensure they reflect market conditions at the year-end.

After initial recognition, gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in SDOPS. Gains and losses on disposal are included under other operating expenditure. Such charges are not permitted by statutory arrangements to have an impact on the General Fund Balance. Therefore these gains and losses are reversed out of the General Fund Balance in the MIRS, and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

Income and expenditure relating to investment properties are also charged to the financing and investment income and expenditure line in SDOPS.

**Leases**
Arrangements transferring substantially all the risks and rewards of ownership to the Council or away from the Council are treated as finance lease acquisitions or disposals. All other arrangements are treated as operating leases.

*Finance leases.*
Finance lease acquisitions are recognised at current value on the Balance Sheet, and accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the Council at the end of the lease period). The asset recognised is matched by a liability for the obligation to pay the lessor. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred. Subsequent lease payments are apportioned between:

- a charge for the acquisition of the interest in the property, plant or equipment (applied to write down the lease liability), and
- a finance charge (debited to the Financing and Investment Income and Expenditure line in SDOPS).

Assets disposed of by way of finance leases are written out of the accounts like any other asset sale. A long term debtor is recognised for the capital receipt from the disposal. Lease rentals receivable are apportioned between:

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

O*perating leases.*
Rentals paid under operating leases are charged to SDOPS as an expense of the services benefitting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease, even where this may not match the pattern of payments.

Where the Council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income credits are made to SDOPS on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. where there is a premium paid at the commencement of the lease).

**Non current assets held for sale**
When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through continued use, the asset is reclassified as Held for Sale. This is when the asset is available for immediate sale in its present condition subject to terms that are usual and customary for sales of such assets, and when the sale is highly probable (the appropriate level of management must be committed to the sale, and an active programme to locate a buyer for the asset at a fair value must have been initiated with the sale being expected to qualify for recognition as a completed sale within one year).

The asset is revalued immediately before reclassification, and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the other operating expenditure line in SDOPS. Gains in fair value are recognised only up to the amount of any previous losses recognised in SDOPS.

Gains and losses on disposal are included under other operating expenditure, and any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account. Such charges are not permitted by statutory arrangements to have an impact on the General Fund Balance. Therefore these gains and losses are reversed out of the General Fund Balance in the MIRS, and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10k) the Capital Receipts Reserve.

Depreciation is not charged on Assets Held for Sale.

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

**Private Finance Initiative**
PFI contracts are agreements with private sector operators to construct or enhance property used to provide public services and to operate and maintain that property for a specified period of time. The operator is paid for its services over the period of the arrangement. Such arrangements are accounted for in line with IFRIC12 Service Concession Arrangements.

IFRIC12 specifies that properties used to provide services under PFI contracts should be recognised as an asset by whichever party exercises control over the property in terms of stipulating the services provided, and any residual interest. As the Council is deemed to control the services that are provided under its 5 school PFI scheme, and as ownership of the property, plant and equipment (other than for schools which convert to academies) will pass to the Council at the end of the contract for no additional charge, the Council carries the assets used under the contracts on its Balance Sheet as part of Property, Plant and Equipment.

*Assets and liabilities*
The school buildings are recognised as assets of the Council together with a liability to pay future rentals. These assets are then treated like any other Council assets in accordance with the accounting policy for property, plant and equipment, i.e. they are subject to annual depreciation and regularly revalued so that the carrying amount included in the Balance Sheet is at current value. The liability is written down annually over the period of the contract by the amount of the unitary charge recognised for this purpose.

*Comprehensive Income and Expenditure Statement entries*
Each year, the Council pays the operator an agreed unitary charge for occupation of the premises and the service provided. This unitary charge is broken down into 3 parts based on the current value of the property involved and estimated service element costs. The current value of the property is the amount initially recognised on the Balance Sheet together with an offsetting liability. This is accounted for as a finance lease, with part of the unitary charge therefore being recognised as a repayment of the liability, and part being the associated interest cost based on the rate implicit in the lease. The rest of the unitary charge reflects the cost of the services provided.

Service costs are included within the net cost of services figure in SDOPS. Interest costs are included in the financing and investment income and expenditure line. The principal element is applied to write down the liability towards the PFI operator on the Balance Sheet.

In accordance with statutory requirements, revenue provision has to be made towards the reduction of the borrowing requirement relating to this transaction. In line with the Council's revised policy for such provision, this charge is based on the asset life and, being written off over this longer period, is different from the amount notionally calculated as the principal repayment of the liability which is based on the (shorter) lease term.

The Council also receives an annual revenue grant towards the above costs. Grant equivalent to the interest charge is recognised as non specific grant income in SDOPS. All remaining grant is included in net cost of services.

**Property, plant and equipment**
Physical assets that are controlled or held on a continuing basis for use in the provision of services or for administrative purposes are classified as Property, Plant and Equipment (PPE).

*Recognition*
Expenditure in excess of £10k on the acquisition or creation of, or which adds to an asset is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council for periods in excess of one year, and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

*Measurement*
Capital expenditure is recognised initially at cost, comprising all expenditure that is directly attributable to bringing an asset into working condition for its intended use. All acquired and newly created assets, and assets which have had significant enhancement works completed during the year have been formally revalued. All other capital expenditure has been added to property, plant and equipment at cost until such time as the asset is revalued as part of the 5 year rolling programme.

Assets in major classes are reviewed each year to assess whether there are any indications of material change in value. Increases in valuations are recognised as unrealised gains in the revaluation reserve (or credited to SDOPS where they arise from the reversal of an impairment or revaluation loss previously charged to a service revenue account). The revaluation reserve contains revaluation gains recognised since 1st April 2007, the date of its formal implementation. Gains arising before that date have been consolidated into the capital adjustment account. Where decreases in value are identified, they are written down against any balance of revaluation gains for the asset in the Revaluation Reserve, and then to the relevant service line(s) in SDOPS.

Assets are assessed at each year-end for indications of material impairment. Where indications exist, impairment losses are recognised and accounted for in the same way as revaluation losses.

Assets are included in the Balance Sheet as follows: -

- Operational property, plant, and equipment have been included in the Balance Sheet at current value – a measurement reflecting the economic environment prevailing for the service or function the asset is supporting at the reporting date. Measurement bases include: -
    - Existing use value for assets providing service potential where an active market exists (e.g. offices)
    - Depreciated replacement cost for specialised properties for which no market evidence exists (e.g. schools and sports facilities);
    - Depreciated historical cost (as a proxy for current cost) for items of plant, vehicles and equipment which are short lived and of relatively low value, and for infrastructure assets (e.g. highways and bridges);
    - Historical cost for assets under construction and community assets (e.g. parks), but these are assessed for impairment and depreciated where appropriate.
    - Fair value for surplus assets. These are assets which are not currently operational, but which do not yet meet the criteria to be classed as held for sale or investment properties. Such assets might, for example, be currently held vacant pending future use. They are valued at highest and best use from a market participant's perspective.

*Depreciation*
With the exceptions of land (unless it has a finite life), buildings under construction, and community assets (unless specifically appropriate), all items of property, plant and equipment

are depreciated over their useful economic lives. Depreciation is calculated by writing off the valuation of the asset less estimated residual value over the useful life of the asset. Asset lives are provided by the valuers on an individual basis.

Where an item of Property, Plant and Equipment has a major component whose cost is significant in relation to the total cost of the item and whose asset life is significantly different from the life of the asset to which it is attached, the component is separately identified and depreciated.

Depreciation charges are made to service revenue accounts. However, under statute, the charge to be met by council taxpayers for property, plant and equipment is the minimum revenue provision. There are reversing entries within the MIRS taking out depreciation charges and replacing these with the minimum revenue provision. These entries are charged to the Capital Adjustment Account.

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

*Disposals*
On disposal, the net book value of an asset is written off to the Other Operating Expenditure line in SDOPS, and the receipt is credited to the same line. This shows the gain or loss on disposal. Any remaining balances relating to the asset in the revaluation reserve are transferred to the capital adjustment account.

Since the costs of fixed assets have already been provided for under separate capital accounting arrangements, the costs of any write offs are not charges against council tax. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the MIRS.

Receipts in excess of £10k are categorised as capital receipts and are required to be credited to the usable capital receipts reserve. As these are credited in the first instance to SDOPS, receipts are appropriated to the reserve from the General Fund Balance in the MIRS. The usable capital receipts reserve can be used to redeem debt or finance capital expenditure.

The Council's policy is to pool all capital receipts (unless specific application is made) and to reinvest them in the capital programme. Where the receipt arises from the sale of a revenue earning asset, a specific decision is taken as to whether or not to use that receipt to redeem debt (to minimise the impact of the sale on the revenue account) rather than reinvesting it in the capital programme.

**Provisions**
Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits, and a reliable estimate can be made of the amount of the obligation. Provision is also made where there are many similar obligations which in isolation depend on some future decision or judgment and would not therefore be considered a provision, but for which cumulatively there is evidence to suggest that a proportion of such obligations are likely to be settled and therefore a reliable estimate can be made. Provisions are charged as an expense to an appropriate revenue account or recognised as capital expenditure in the year in which the Council becomes aware of the obligation. All provisions are reviewed annually and adjusted to reflect the best estimate at the balance sheet date of the anticipated expenditure required to settle the obligation. When expenditure is incurred to which the provision relates, it is charged to the provision carried in the Balance Sheet.

**Impairment of assets**
Assets are assessed at each year end for evidence of impairment to ensure that they are carried at no more than their recoverable amount. The main asset categories are assessed for impairment in line with the requirements of specific accounting standards for property, plant and equipment, and financial instruments.

- Property, plant and equipment (PPE) assets and heritage assets are assessed in accordance with the policy for accounting for PPE assets. Impairments are written off against any revaluation gains attributable to the relevant assets, with any excess being charged to the relevant service revenue account. Impairments of investment properties and held for sale assets are written off to specific lines within SDOPS.
- Financial assets are assessed annually for impairment in accordance with the policy for accounting for financial assets. Losses are recognised if there is objective evidence of impairment of a financial asset or group of assets, or if past history suggests that the sums likely to be realised are lower than the carrying value. Impairments are recognised in the CIES.

**Earmarked Reserves**
Earmarked reserves are funds set aside at the discretion of either the Council or individual service departments for future policy purposes, contingencies, or to meet future items of revenue or capital expenditure. Reserves are created by appropriating amounts out of General Fund balances in the MIRS and so count against council tax when set aside. Expenditure funded from reserves is charged directly in the year it is incurred to service revenue accounts in SDOPS. The reserve is then appropriated back into the General Fund balance in the MIRS so that there is then no net charge against council tax for the expenditure.

Certain reserves are kept to manage the differences in timing between statutory recognition and the accounting treatment of non-current assets, financial instruments, retirement and employee benefits. These are not usable resources for the Council.

**Revenue expenditure financed by capital under statute (REFCUS)**
REFCUS is expenditure on assets not owned by the Council but which is allowed to be capitalised under statutory provisions. It does not give rise to assets which can be controlled by the Council. Examples include grants given to third parties for capital purposes, expenditure on private sector housing renewal, or on schools not in Council ownership. There is no on-going controlling benefit to the Council of such expenditure, and so it is charged to the relevant service line in SDOPS within the year.

As this expenditure can be met from capital resources or by borrowing, a transfer in the MIRS from the General Fund Balance to the Capital Adjustment Account reverses out the amounts charged so that there is no impact on the level of council tax.

**Schools**
Where the balance of control of maintained schools is adjudged to lie with the Council, the school buildings are deemed to be those of the Council and accounted for like other Council held fixed assets. The Code stipulates that the other assets, liabilities, reserves and cash flows of all maintained schools are recognised not in group accounts but in the Council's single entity accounts, as if they were the transactions, cash flows and balances of the Council.

**Value Added Tax**
Income and expenditure are reported exclusive of VAT as all VAT collected is payable to HM Revenue and Customs, and all VAT paid is recoverable from them. VAT is therefore only included in service income and expenditure to the extent that it is irrecoverable, or has been recovered retrospectively from amounts paid over in previous years.

# The Collection Fund

This account reflects the statutory requirements for billing authorities to maintain a separate collection fund to account for the income from council tax and business rates. The statement shows the transactions of the billing authority in relation to the collection from taxpayers and distribution to the Council (including parish councils), the Police and Crime Commissioner for West Yorkshire, the West Yorkshire Fire and Rescue Authority and Central Government**.** The balance on this fund is shared between the Council, the Government and the other preceptors. That element due to the Council is incorporated into the Council's Balance Sheet. The balance due to/from the Government and other preceptors is included in creditors and debtors.

| Council Tax £'000 | Business Rates £'000 | **2016/17 £'000** | **COLLECTION FUND** | **2017/18 £'000** | Council Tax £'000 | Business Rates £'000 |
|---|---|---|---|---|---|---|
| | | | **INCOME** | | | |
| 92,575 | | 92,575 | Billed to Council Taxpayers | 97,585 | 97,585 | |
| | 0 | 0 | Business rates transitional relief received | 0 | | |
| | 59,387 | 59,387 | Non-Domestic Rates income (net of interest on refunds) | 56,187 | | 56,187 |
| | 4,285 | 4,285 | Contributions towards previous year's collection fund deficit | 6,392 | | 6,392 |
| **92,575** | **63,672** | **156,247** | **TOTAL INCOME** | **160,164** | **97,585** | **62,579** |
| | | | **EXPENDITURE** | | | |
| | | | ***Precepts and Demands*** | | | |
| 77,512 | 29,437 | 106,949 | Calderdale Metropolitan Borough Council | 107,636 | 82,225 | 25,411 |
| 8,642 | | 8,642 | Police and Crime Commissioner for West Yorkshire | 9,044 | 9,044 | |
| 3,535 | 601 | 4,136 | West Yorkshire Fire & Rescue Authority | 4,168 | 3,649 | 519 |
| | | 119,727 | | 120,848 | | |
| | | | ***Business Rates*** | | | |
| | 30,038 | 30,038 | Payment to Government | 25,929 | | 25,929 |
| | 502 | 502 | Business rates transitional relief paid over | 1,753 | | 1,753 |
| | 195 | 195 | Disregarded business rate income due to renewable energy | 346 | | 346 |
| | 356 | 356 | Cost of Collection | 350 | | 350 |
| | | 31,091 | | 28,378 | | |
| | | | ***Impairment of debts and appeals*** | | | |
| 596 | 1,772 | 2,368 | Write offs of uncollectable amounts | 338 | 369 | -31 |
| 389 | -770 | -381 | Allowance for impairment of collectable amounts | 989 | 235 | 754 |
| | 2,084 | 2,084 | Allowance for losses on appeal | 626 | | 626 |
| | | 4,071 | | 1,953 | | |
| | | | ***Contributions*** | | | |
| 2,414 | 0 | 2,414 | From previous year's collection fund surplus | 2,504 | 2,504 | 0 |
| **93,088** | **64,215** | **157,303** | **TOTAL EXPENDITURE** | **153,683** | **98,026** | **55,657** |
| -513 | -543 | **-1,056** | **MOVEMENT ON FUND BALANCE IN YEAR** | **6,481** | -441 | 6,922 |
| 3,484 | -4,446 | **-962** | **OPENING FUND SURPLUS / (DEFICIT) AT 1ST APRIL** | **-2,018** | 2,971 | -4,989 |
| 2,971 | -4,989 | **-2,018** | **CLOSING FUND SURPLUS / (DEFICIT) AT 31ST MARCH** | **4,463** | 2,530 | 1,933 |

# Notes to the Collection Fund

## 1. Business Rates

*Income from business rates 2017/18*

Under statutory arrangements business rates, based on a rate poundage determined nationally by the Government and applied to rateable values determined by Revenue and Customs, are collected locally by the Council. The rate specified by the Government for 2017/18 was 47.9p (46.6p for small businesses). In 2017/18, the gross amount collectable net of refunds was £56.187m, based on a non domestic rateable value at the 31st March 2018 of £159,631,876.

Under the business rates retention scheme introduced in April 2013, business rate income is shared between Central Government (50%), the Council (49%) and the West Yorkshire Fire and Rescue Authority (1%). The total business rate shares of £51.859m payable in 2017/18 are estimated before the start of the year. The Council shares directly in the risks and benefits of business rate collection. There is a general risk of non-collection for which there is a provision of £3.517m. There are also potential losses on appeal which is estimated at £7.247m for appeals as at 31st March 2018. The Council accounts for its proportionate share of these balances.

*Business Rates surplus as at 31st March 2018*

At the year end, the business rates collection fund can be in surplus or deficit dependent on collection rates or the level of revaluations etc. At the 31st March 2018, business rates within the Collection Fund had a surplus of £1.933m. This surplus is shared proportionately between the Council, Central Government and West Yorkshire Fire and Rescue Authority. The Council's share of this surplus, £0.948m, is included on the Balance Sheet in the collection fund adjustment account.

## 2. Council Tax

*Council Tax surplus at 31st March 2018*

The Council and the other precepting authorities (Police and Crime Commissioner for West Yorkshire and the West Yorkshire Fire and Rescue Authority) draw on the Collection Fund to finance their net revenue expenditure. At the year end, the Collection Fund can be in surplus or deficit dependent on collection rates or the level of revaluations etc. At the 31st March 2018, the Collection Fund had a surplus of £2.530m. This surplus is shared proportionately between the precepting authorities. The Council's share of this surplus, £2.190m, is included on the Balance Sheet in the collection fund adjustment account.

*Calculation of Council Tax Base 2017/18*

In accordance with Section 67(2) of the Local Government Finance Act 1992, the Council Tax base was approved by the Council on 16th January 2017. The amount calculated as Calderdale's Council Tax base for 2017/18 (allowing for a 97.5% collection rate), was as follows:-

| Council Tax Band | Number of dwellings* | Proportion of band D tax | Band D equivalent |
|---|---|---|---|
| A- | 51.75 | 5/9 | 28.75 |
| A | 29,218.25 | 6/9 | 19,478.83 |
| B | 14,683.75 | 7/9 | 11,420.69 |
| C | 13,231.50 | 8/9 | 11,761.33 |
| D | 6,631.75 | 9/9 | 6,631.75 |
| E | 5,020.00 | 11/9 | 6,135.56 |
| F | 2,704.25 | 13/9 | 3,906.14 |
| G | 1,212.50 | 15/9 | 2,020.83 |
| H | 34.50 | 18/9 | 69.00 |
| | 72,788.25 | | 61,452.88 |
| Less allowance for non-collection | | | -1,536.32 |
| **Council tax base - band D equivalent** | | | **59,916.56** |

** The number of dwellings adjusted for discounts and exemptions such as single person discount and council tax support.*

The total Council Tax requirement in 2017/18 (including Parishes, Police and Fire Authorities) was £94.918m. The Council Tax at band D equivalent was set at £1,584.18 for 2 adults and £1,188.14 for one adult.

*Bad Debts Provision*

The total bad debt provision for Council Tax as at 31 March 2018 was £5.275m (£5.040m in 2017).

## 3. Payments to precepting bodies

The Collection Fund made the following payments during the year:-

| Precept 2016/17 | Share of surplus / (deficit) | Payments made | Payments made to Government / precepting bodies | Precept 2017/18 | Share of surplus / (deficit) | Payments made |
|---|---|---|---|---|---|---|
| £m | £m | £m | ***Council Tax*** | £m | £m | £m |
| 77.512 | 2.084 | 79.596 | Calderdale MBC | 82.225 | 2.164 | 84.389 |
| 8.642 | 0.233 | 8.875 | Police and Crime Commissioner for West Yorkshire | 9.044 | 0.241 | 9.285 |
| 3.535 | 0.097 | 3.632 | West Yorkshire Fire and Rescue Authority | 3.649 | 0.099 | 3.748 |
| **89.689** | **2.414** | **92.103** | | **94.918** | **2.504** | **97.422** |
| | | | ***Business Rates*** | | | |
| 29.437 | -2.100 | 27.337 | Calderdale MBC | 25.411 | -3.132 | 22.279 |
| 30.038 | -2.142 | 27.896 | Central Government | 25.929 | -3.196 | 22.733 |
| 0.601 | -0.043 | 0.558 | West Yorkshire Fire and Rescue Authority | 0.519 | -0.064 | 0.455 |
| **60.076** | **-4.285** | **55.791** | | **51.859** | **-6.392** | **45.467** |

# Statement of Responsibilities for the Statement of Accounts

### 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 Head of Finance;
- manage its affairs to secure economic, efficient and effective use of resources and to safeguard its assets;
- approve the statement of accounts.

### The Head of Finance's responsibilities.

The Head of Finance is responsible for the preparation of the Council's statement of accounts in accordance with proper practices as set out in the Code.

In preparing this statement of accounts, the Head of Finance has:

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

The Head of Finance has also:

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

### Certification of Accounts:

I certify that the Statement of Accounts presents a true and fair view of the position of Calderdale Metropolitan Borough Council as at the 31st March 2018 and its income and expenditure for the year then ended.

N Broadbent CPFA
Head of Finance

**30th July 2018**

I confirm that these accounts were approved by the Audit Committee on the 30th July 2018. Signed by the chair of the meeting on behalf of Calderdale Metropolitan Borough Council.

Cllr S Baines
Chair of Audit Committee.

**30th July 2018**

# Independent auditor's report to the members of Calderdale MBC

We have audited the financial statements of Calderdale Metropolitan Borough Council for the year ended 31 March 2018 under the Local Audit and Accountability Act 2014. The financial statements comprise the:

- Comprehensive Income and Expenditure Statement,
- Movement in Reserves Statement,
- Balance Sheet,
- Cash Flow Statement,
- Related notes 1 - 32
- Collection Fund and the related notes 1 to 3

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.

In our opinion the financial statements:

- give a true and fair view of the financial position of Calderdale Metropolitan Borough Council as at 31 March 2018 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.

## Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and the Comptroller and Auditor General's (C&AG) AGN01, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Head of Finance's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Head of Finance has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Authority's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

## Other information

The other information comprises the information included in Statement of Accounts 2017 – 2018 set out on pages 3 to 11, other than the financial statements and our auditor's report thereon. The Head of Finance is responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

## Opinion on other matters prescribed by the Local Audit and Accountability Act 2014

***Arrangements to secure economy, efficiency and effectiveness in the use of resources***

In our opinion, based on the work undertaken in the course of the audit, having regard to the guidance issued by the Comptroller and Auditor General (C&AG) in November 2017, we are satisfied that, in all significant respects, Calderdale Metropolitan Borough Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

## Matters on which we report by exception

We report to you if:

- in our opinion the annual governance statement is misleading or inconsistent with other information forthcoming from the audit or our knowledge of the Council;
- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014;
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects

## Responsibility of the Head of Finance

As explained more fully in the Statement of the Head of Finance's Responsibilities set out on pages 77, the Head of Finance is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18, and for being satisfied that they give a true and fair view.

In preparing the financial statements, the Head of Finance is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Authority either intends to cease operations, or have no realistic alternative but to do so.

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

## Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

### *Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources*

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General (C&AG) in November 2017, as to whether Calderdale Metropolitan Borough Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether Calderdale Metropolitan Borough Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, Calderdale Metropolitan Borough Council had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the

National Audit Office (NAO) requires us to report to you our conclusion relating to proper arrangements.

We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

**Certificate**

We certify that we have completed the audit of the accounts of Calderdale Metropolitan Borough Council in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice issued by the National Audit Office.

**Use of our report**

This report is made solely to the members of Calderdale Metropolitan Borough Council, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and for no other purpose, as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Hassan Rohimun (Key Audit Partner)
Ernst & Young LLP (Local Auditor)
Manchester

31 July 2018

# Glossary

**Accounting Policies** The principles, bases, conventions, rules and practices applied to specify how the effects of transactions and other events are to be reflected in the financial statements through recognising, measuring and presenting assets, liabilities, gains, losses and changes to reserves.

**Accruals** The concept that income and expenditure is accounted for as earned or incurred, not as money received or paid.

**Actuarial Gains and Losses** For a defined benefit pension scheme, the changes in actuarial deficits or surpluses that arise because:

a) events have not coincided with the actuarial assumptions made for the last valuation (experience gains and losses); or
b) the actuarial assumptions (financial and demographic) have changed.

**Balances** The accumulated surplus on the Council's General Fund.

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

**Capital Receipts** Proceeds from the sale of capital assets such as land and buildings. Such receipts can be used to repay debt or to finance new capital expenditure.

**Cash and cash equivalents** Cash, deposits or investments readily convertible to known amounts with no risk of change in value or penalty charge.

**Collection Fund** A statutory account maintained by the Council to account separately for the collection and distribution of council tax and non domestic rates. The Government, the Police and Crime Commissioner for West Yorkshire, the West Yorkshire Fire and Rescue Authority and the Council's General Fund all make demands upon this fund to help pay for running their services throughout the year. Any surpluses or deficits on this fund are borne in prescribed shares by the Government and the 3 precepting authorities.

**Community Assets** These are assets that the Council intends to hold forever and which have an indeterminable useful life. There may be restrictions on their disposal. Examples include parks and cemetery land.

**Consistency** The concept that the accounting treatment of like items within an accounting period and from one period to the next should be the same.

**Constructive Obligation** An obligation that derives from a Council's actions where:

a) by an established pattern of past practice, published policies or a sufficiently specific current statement, the Council has indicated to other parties that it will accept certain responsibilities; and
b) as a result, the Council has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

**Contingent Liability** A condition that exists at the balance sheet date which may arise in the future dependent on the occurrence, or non-occurrence, of one or more uncertain future events not wholly within the control of the Council.

**Council Tax** This is a banded property tax that is levied on domestic properties throughout the Borough. The banding is based on estimated property values as at 1st April 1991.

**Creditors** An amount owed by the Council for work done, goods received or services rendered, but for which payment has not been made at the end of the year.

**Current Service Cost (Pensions)** For a defined benefit scheme, the value of the pension benefits earned by active employees in the period, net of the contributions paid by employees in respect of those benefits.

**Current Value** The basis for valuing operational fixed assets. The valuation recognises service potential and the economic environment prevailing for that service at the measurement date. Current value measurement bases include existing use, depreciated replacement cost and depreciated historical cost.

**Curtailment** For a defined benefit scheme, an event that reduces the expected years of future service of present employees or reduces for a number of employees the accrual of defined benefits for some or all of their future service. Curtailments include:

a) termination of employees' services earlier than expected, for example as a result of discontinuing a service activity; and
b) termination of, or amendment to the terms of, a defined benefit scheme so that some or all future service by current employees will no longer qualify for benefits or will qualify only for reduced benefits.

**Debtors** Sums of money owed to the Council but not received at the end of the year.

**Defined Benefit Scheme** A pension or other retirement benefit scheme other than a defined contribution scheme. Usually, the scheme rules define the benefits independently of the contributions payable, and the benefits are not directly related to the investments of the scheme. The scheme may be funded or unfunded (including notionally funded).

**Defined Contribution Scheme** A pension or other retirement benefit scheme into which an employer pays regular contributions fixed as an amount or as a percentage of pay and will have no legal or constructive obligation to pay further contributions if the scheme does not have sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

**Depreciation** A charge to service revenue accounts reflecting the wearing out, consumption, or other reduction in the economic life of a fixed asset, whether arising from use, passage of time or obsolescence through technological or other changes.

**Discretionary Benefits** Retirement benefits awarded at the discretion of the Council and which there are no legal, contractual or constructive obligations to pay.

**Earmarked Reserve** A sum set aside for a specific purpose to meet expected future expenditure.

**Fair Value** The price to sell an asset or transfer a liability in an orderly transaction between market participants at the measurement date.

**Finance Lease** A method of acquiring or disposing of fixed assets where under the lease agreement all the risks and rewards of ownership of a fixed asset are substantially transferred to the occupier in return for rental payments to the legal owner of the asset.

**Financial Asset** A financial instrument such as bank deposits, investments, loan receivables, trade debtors and other receivables.

**Financial Instrument** A contract giving rise to a financial asset in one entity, and a financial liability or equity instrument in another.

**Financial Liability** A financial instrument such as borrowings, bank overdraft, financial guarantees, trade creditors and other payables.

**General Fund** The total services of the Council (except for the Collection Fund), the net cost of which is met by council tax, retained business rates and Government grants.

**Government Grants** Specific assistance by Government and inter-government agencies and similar bodies in the form of cash or transfers of assets to a Council. Sometimes, there is expected to be compliance with certain conditions relating to the activities of the Council but many grants provided are "general" rather than service specific, and are used to help pay for the net cost of Council services generally.

**Gross Book Value** For assets valued at current value, the current value determined by the valuer in line with valuation principles excluding any provision made for cumulative depreciation. For assets valued at historical cost, the historical cost of those assets excluding any provision made for cumulative depreciation.

**Held for sale assets** A held for sale asset is an asset available for immediate sale with an active programme to locate a buyer for the asset, being actively marketed for sale at a reasonable price in relation to its fair value, and for which a sale is highly probable.

**Heritage Assets** Heritage assets are those assets held for their historical, artistic, scientific, technological, geophysical or environmental qualities and are held and maintained for future generations for their contribution to knowledge and culture rather than for any operational benefit. They include historical buildings, decorative structures, civic regalia, museum collections and works of art.

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

**Infrastructure Assets** These are assets such as highways, footpaths, bridges and drainage facilities. Benefit can be obtained only by continued use of the asset created.

**Interest on the net defined pension liability** For a defined benefit scheme, a charge based on the net liability of the scheme multiplied by the discount rate at the start of the period. It reflects the net effect of the expected increase during the period in the present value of the scheme liabilities because the benefits are one period closer to settlement, and an amount for interest earned on fund assets.

**International Financial Reporting Standards (IFRS)** International Financial Reporting Standards are accounting standards developed by the International Accounting Standards Board (IASB) to promote a single set of high quality global accounting standards.

**Investment Properties** Properties held solely to earn rentals or for capital appreciation, and not used to provide services or for administrative purposes.

**Liabilities** Amounts due to individuals or organisations which will have to be paid at some time in the future. Current liabilities are usually payable within one year of the balance sheet date.

**Liquid Resources** Current asset investments that are readily disposable by the Council without disrupting its business and are either of fixed, short term duration readily convertible to known amounts of cash at or close to the carrying amount, or traded in an active market.

**Materiality** An item is material if its omission, non-disclosure or mis-statement in the financial statements could be expected to lead to a distortion of the view given by the financial statements.

**Minimum Revenue Provision** This is the minimum amount chargeable under statutory regulations each year to the Council's revenue account to provide for the repayment of loans used to finance capital expenditure.

**Net Book Value** The amount at which fixed assets are included in the Balance Sheet, i.e. their current value or historical cost less the cumulative amounts provided for depreciation.

**Net Current Replacement Cost** The cost of replacing or recreating an asset in its existing condition and in its existing use.

**Net Realisable Value** The open market value of an asset in its existing use less any expenses incurred in realising the asset.

**Non-Domestic Rates** These are often referred to as business rates. An NDR poundage is set annually by the Government to be levied on the defined rateable value of business properties determined by the Valuation Agency Office. This is the sum to be collected by local authorities and shared with the fire authority and Central Government after deduction of specific costs. These transactions are accounted for within the Collection Fund. The Council draws down from this fund an amount specified at the start of the year.

**Operating Lease** An agreement in which the use of an asset is derived in exchange for rental payments, but where the risks and rewards of ownership are not substantially all transferred.

**Past Service Cost** For a defined benefit scheme, the increase in the present value of the scheme liabilities related to employee service in prior periods arising in the current period as a result of the introduction of, or changes to, retirement benefits.

**Precept** The payment demanded from the Collection Fund by the Police and Crime Commissioner for West Yorkshire, the West Yorkshire Fire and Rescue Authority and the Council's General Fund in relation to council tax. It is collected and distributed on behalf of all precepting authorities by the Council. These transactions are accounted for within the Collection Fund.

**Prior Period Adjustments** Those adjustments applicable to prior years arising from changes in accounting policies or from the correction of material errors. They do not include normal recurring corrections or adjustments of accounting estimates made in prior years.

**Private Finance Initiative (PFI)** A Government initiative which enables authorities to carry out capital projects through partnership with the private sector, which then typically operates and maintains the property for a specified period of time in return for annual "unitary charge" payments.

**Projected Unit Method** An accrued valuation method in which pension scheme liabilities make allowance for projected earnings. An accrued benefits valuation method is a valuation method in which the scheme liabilities at the valuation date relate to;

a) the benefits for pensioners and deferred pensioners (i.e. individuals who have ceased to be active members but are entitled to benefits payable at a later date) and their dependants, allowing where appropriate for future increases, and
b) the accrued benefits for members in service on the valuation date.

The accrued benefits are the benefits for service up to a given point in time, whether vested rights or not. Guidance on the projected unit method is given in the Guidance Note GN26 issued by the Faculty and Institute of Actuaries.

**Property, Plant and Equipment** These are fixed assets such as land, buildings, and vehicles which yield benefits to the Council for more than one year and which are controlled, held, occupied, used or consumed in the direct delivery or administration of those services for which the Council has responsibility.

**Prudence** The concept that revenue is not anticipated but is recognised only when realised in the form either of cash or of other assets the ultimate realisation of which can be assessed with reasonable certainty.

**Public Works Loan Board** This is a Government agency that provides loans to authorities at favourable rates. The Council can borrow from this source to fund its borrowing requirements.

**REFCUS (Revenue Expenditure Funded from Capital Under Statute)** Expenditure that is properly capitalised but does not result in, or remain matched with, tangible assets. Examples of refcus are expenditure on items such as grants for home adaptations or to businesses or other third parties for capital works.

**Remeasurement of net defined liability (pensions)** The movement in the value of the liabilities and assets of a defined benefit pension scheme due to gains and losses derived by actuarial revision of assumptions, and actual experience differing from previous actuarial assumptions made. These actuarial gains and losses are included in other comprehensive income and expenditure.

**Remuneration** All sums paid to or receivable by an employee, and sums due by way of expenses allowances (as far as these are chargeable to UK income tax) and the money value of any other benefits received other than in cash. Pension contributions payable by the employer are excluded.

**Residual Value** The net realisable value of an asset at the end of its useful life. Residual values are based on current prices prevailing at the balance sheet date taking into account the expected age and condition at the end of the asset's useful life.

**Retirement Benefits** All forms of consideration given by an employer in exchange for services rendered by employees that are payable after the completion of employment. Retirement benefits do not include termination benefits payable as a result of either (i) an employer's decision to terminate an employee's employment before the normal retirement date or (ii) an employee's decision to accept voluntary redundancy in exchange for those benefits, because these are not given in exchange for services rendered by employees.

**Revenue Expenditure** The day to day running costs incurred in providing Council services (e.g. employee costs, supplies and services).

**Scheme Liabilities** The liabilities of a defined benefit scheme for outgoings due after the valuation date. Scheme liabilities measured using the projected unit method reflect the benefits that the employer is committed to provide for service up to the valuation date.

**Settlement** An irrevocable action that relieves the employer (or the defined benefit scheme) of the primary responsibility for a pension obligation and eliminates significant risks relating to the obligation and the assets used to effect the settlement. Settlements include:

a) lump-sum cash payments to scheme members in exchange for their rights to receive specified pension benefits;
b) the purchase of an irrevocable annuity contract sufficient to cover vested benefits; and
c) the transfer of scheme assets and liabilities relating to a group of employees leaving the scheme.

**Surplus Assets** These are assets that are not directly occupied, used or consumed in the delivery of services, or held specifically to earn rental income or for capital appreciation, and which do not meet the criteria to be classed as held for sale or investment properties. Examples include land of indeterminate use.

**Useful Life** The period over which the Council will derive benefits from the use of a fixed asset.

**Vested Rights** In relation to a defined benefit scheme, these are: -

a) for active members, benefits to which they would unconditionally be entitled on leaving the scheme;
b) for deferred pensioners, their preserved benefits;
c) for pensioners, pensions to which they are entitled.

Vested rights include, where appropriate, the related benefits for spouses or other dependants.