

Audited  
Statement of  
Accounts for the  
year ended

March 31

**2022**

**Calderdale MBC**

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# The Narrative Report

"There is a tide in the affairs of men". Brutus speaks these words in Act IV, scene ii of Shakespeare's Julius Caesar. He speaks figuratively of a "tide" in the lives of human beings: that if one takes advantage of the high tide, one may float out to sea and travel far; if one misses this chance, the "voyage" that one's life comprises will remain forever confined to the shallows, and one will never experience anything more glorious than the mundane events in this narrow little bay. Brutus reproaches Cassius that if they do not "take the current" now, when the time is right, they will lose their "ventures," or opportunities.

The passage highlights the complex link between fate and free will in human life. Throughout the play, the reader must frequently contemplate the forces of fate versus free will and ponder whether characters can respond to challenges and turn them to their advantage.

This can be further thought about as whether humans are merely fated to succeed or fail or if they can control their own fates. Here, Brutus conceives of life as influenced by both fate and free will: human beings must be able to recognize when fate offers them an opportunity and bold enough to take advantage of it. Thus, Brutus believes, does man achieve a delicate and valuable balance between fate and free will.

No one could fail to recognise the challenges that have been faced during the course of the pandemic. Yet as we start to learn to live with covid and move forwards as a society, the strengthened community ties and lessons learned during this challenging time are being carried forwards, seeing the opportunity and positives that can be taken from such a terrible event. Calderdale is emerging stronger having managed to adapt and will now allow the values and characteristics which have shaped us in

Julius Caesar – William Shakespeare *Act-IV, Scene-III*

We at the height are ready to decline. There is a tide in the affairs of men which, taken at the flood, leads on to fortune; Omitted, all the voyage of their life is bound in shallows and in miseries. On such a full sea are we now afloat, and we must take the current when it serves, or lose our ventures.

the past and supported us during the pandemic to be the very ones which will steer us in the future as we emerge from this crisis. Ensuring that fate is responded to strongly so that opportunities are taken for the benefit of Calderdale.

The Council is working towards its vision for 2024. This is the year that marks our 50th anniversary. Vision 2024 focusses on the three themes of kindness and resilience; talented and enterprising; and distinctiveness - themes which both reflect our heritage and are being taken forward as part of our future.

Our vision for Calderdale in 2024 is for a place where people can realise their potential whoever they are, whether their voice has been heard or unheard in the past. We aspire to be a place where talent and enterprise can thrive. A place defined by our innate kindness and resilience, and by how our people care for each other, are able to recover from setbacks and are full of hope. Calderdale will stand out, be known, and be distinctive. We want Calderdale to be a great place to visit, but most importantly, a place to live a larger life.

## Enterprising and talented:

From banking to business, money to mills, cats eyes to confectionery, Calderdale has proved to be home to innovation and enterprise.



Driving home one night in the dark with a steep drop to one side, Percy Shaw's headlights caught the eyes of a cat on a wall allowing him to take corrective action and remain on the road. Inventive and **enterprising** from an early age this gave him the idea for the "cat's eyes" reflective road studs which we now take for granted as part of our essential road safety.

The current of talent and creativity continues to flow creating record levels of investment and start-ups. Enterprise zones, business centres, new town centre developments and unprecedented investment in supporting infrastructure. The public perception of Calderdale is of a place for business and talent to flourish and thrive.

Within one hour's travel of a quarter of a million businesses, eight million people and a combined economy worth around £150 billion. We want Calderdale to be recognised as the small business capital of the North. A place where businesses are encouraged to thrive with supporting transport infrastructure, housing, tourism, food and drink, night-time economy, culture and events bringing in employees, suppliers and customers. We want our young people to be ready for the next stage of life, starting school and then ready to leave education to enter the working world equipped with the necessary skills to operate confidently.

The newly opened city centre Calderdale sixth form college and Leeds Beckett

University business centre will help to develop and retain local young talent and skills to support business. The Clifton enterprise zone is a major regeneration initiative that aims to create significant new business and employment opportunities.

Investment in supporting road infrastructure through the West Yorkshire Passenger Transport fund and remodelled central bus and railway stations, will benefit trade and employment to support business and assist the economy to thrive.

## Distinctive:



John and Violet Mackintosh opened a pastry shop in Halifax in 1890. As business was slow, Violet invented a new toffee product blending Yorkshire butterscotch and American caramel. This **enterprise** proved such a success that by 1905 John Mackintosh was the largest toffee manufacturer in the world, selling one hundred tons of toffee every week. He claimed to be the largest consumer of butter in the world! After acquiring a chocolate manufacturer, Mackintosh was able to combine its expertise in both products and the Quality Street sweet tin was first launched in 1936.

Calderdale is distinctive for its scenery and cultural scene. There are four theatres in Halifax alone plus live music venues, festivals and open air concerts. We have hosted the Tour de Yorkshire and provided the backdrop to many popular award winning TV series such as Happy Valley; Last Tango in Halifax and Gentleman Jack– all created by local playwright and producer Sally Wainwright.



Anne Lister inherited Shibden Hall in the early 19<sup>th</sup> century. A **distinctive** character, her masculine appearance and sometimes eccentric behaviour earned her the nickname “Gentleman Jack”. A keen traveller and diarist, she devised a code to record, and keep secret, her intimate feelings towards women.

The refurbishment of the historic 18th century Piece Hall and Square Chapel Arts Centre’s new state-of-the-art performance venue have created a thriving cultural quarter. This distinctiveness is recognised by an impressive 72% of residents surveyed who recognise Calderdale as a great place to live, offering a variety of opportunities for people to enjoy arts and culture, and to pursue opportunities to try new things.

Building on our highly regarded cultural scene and the amplifying effect of the iconic Piece Hall (redeveloped as a 21st century public square for both business and leisure), we want to make heritage, the arts, music and culture our USP. We want to be known as a place bursting at the seams with talented, creative people of all ages encouraged to find a creative voice and express it through music, the arts and the written word. And with our stunning local scenery, we want to be seen as the heart of the South Pennines’ landscape.

There is still work to be done in promoting and funding culture and, through our investment in transport and the public realm, developing the housing, road and rail infrastructure to enhance the whole visitor offer.

**Kind and resilient:**

Calderdale already has a vibrant culture of volunteering and community action with people of all ages and backgrounds doing their bit to help and support each other through a network of 800 voluntary organisations across the Borough.

Twice in recent years our communities have had to recover from devastating floods supported by neighbours and volunteers either formally, or informally as part of groups organised by businesses, churches and mosques. And the Covid pandemic has seen a surge of self-organised local groups and structures enabling people to remain connected and supported.



Halifax Street

Angels were launched in November 2005 when a group of local Christians determined to make a difference by helping make the town centre safer on Friday and Saturday nights. They offer practical support to meet the needs of those who, in whatever way, have become vulnerable or need a helping hand. Their **kindness** assists 3000 people per year and has led to reduced crime levels, and they have become a much loved part of the night scene. From small beginnings it has grown a network of over 150 similar groups both nationally and internationally.

We want to be known for our kindness, making our informal networks a solution to the health and care challenge with volunteering being seen as a natural part of life and work, encouraged and enabled by corporate opportunities, small businesses, schools and colleges alike. We want to be known for our resilience, prepared for future threats and quickly able to recover from any setback - physical, environmental or social. There is still work to be done to combat poverty; promote health and well-being in workplaces and schools; celebrate kindness, and invest in digital solutions to embed community care and support. Alongside the high proportion of older volunteers, the challenge will be to encourage a wider range of age groups to get involved, so that volunteering becomes the norm rather than the exception.

# VISION 2024

We are trying to engage as many interested parties as possible – residents; businesses; visitors; partners – to shape the Council and the services it provides.

So, what will Calderdale look like in 2024? Will we be known for our kindness and resilience, with volunteering being seen as a natural part of life and work encouraged and enabled wherever possible? Will we be even more distinctive in the arts, with people of all ages being encouraged to find a creative core and to express it? Will talent be nurtured and developed so that young people are ready to operate confidently in the workplace, understanding, adapting to and influencing the fast-changing nature of modern business? Will Calderdale be recognised as a place where businesses are encouraged to thrive and be enterprising, attracted by a vibrant scene and good supporting infrastructure?

Together we have lived through challenging days. Together we can define a future that may yet prove to be bigger, better, more diverse, more inclusive, more supportive, more creative, more connected, living a larger life in the most attractive place to work, live and play.

We have gone through much, but there is much to be achieved.

**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 (2021 census 206,600), 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.



Once known as “the town of 100 trades”, Calderdale was traditionally a manufacturing district based around textiles. Although in decline, 15% of jobs are still in the manufacturing sector. Apart from manufacturing, the biggest employers are in wholesale/retail (15%); health and social work (10%); education (9%) and financial services (8%). Halifax is, of course, synonymous with the former building society of that name and Lloyds bank is still a large presence in the borough today.

(Source: <https://www.nomisweb.co.uk/reports/imp/la/1946157125/report.aspx?town=calderdale> )

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 (Luddendenfoot) and Sowerby Bridge, and down to the lower valley towns of Elland and Brighouse and on to Kirkstall in the east.



There are flourishing creative and digital industries with the upper valley being a recognised magnet for creative businesses seeking inspiring places to live and work. With plans to cut carbon footprints, the Council is keen to pioneer investment in and promote Calderdale as a location for green business.

Forecast population in 2028 is 213,300, with a large increase (41%) in the over 75's. Of the population, 87% identify as white British and 8% as Asian/ Asian british, 95% of residents speak English with other top languages coming from the Asian subcontinent and eastern Europe. (<https://www.calderdale.gov.uk/v2/residents/health-and-social-care/joint-strategic-needs-assessment/calderdale-demographic-information#age-ethnic>)

The Council spends over £400m supporting residents, businesses and visitors. This includes nearly £170m on schools, education and childrens social care services; £130m on Adults social care; around £40m on housing benefits, and the rest on a very diverse set of services from libraries, halls, museums, sports centres and the theatre (Customer Services) to cemeteries and crematorium facilities, parks and the countryside, waste collection and disposal, car parking, and community safety (Neighbourhoods) to tourism, markets, building control and planning development, road maintenance and safety, and housing (Highways, Housing and Regeneration). 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.

### Service Expenditure



Service expenditure is funded by a mixture of grants, fees and charges, council tax and non-domestic (business) rates. Government grants are largely for Education (£110m); Housing benefit (£40m), Public health (£13m) and Social Care (£15m). Other grants and contributions are mainly from health bodies (£26m) towards our social care costs, and to help with some of the health costs arising from the pandemic.

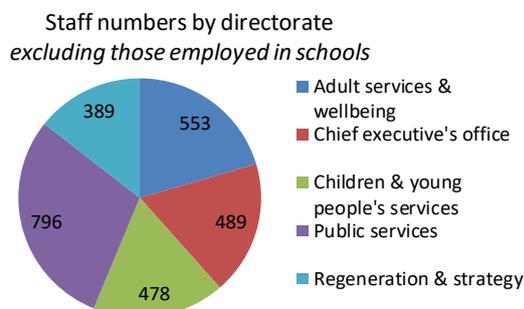
Sales, fees and charges are made for some of the services we provide. These

include adult social care (£13m); burial and cremation fees (£2m); building control and planning development (£1m); school meals and lettings (£3m); and licencing (£1m). Income from libraries, halls, the Victoria Theatre, sports centres, museums, parking and tourism has been less affected this year by local and national restrictions, rising to £8m from £2m last year but remains below its pre-Covid highs. The balance of expenditure is paid by the Council's share of local taxation – council tax and non-domestic rates.

## Council Income



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



Decision making in the Council is controlled by the Council's constitution. Within an executive structure, elected councillors make decisions on the recommendations and advice of Council officers. Full Council is composed of 51 Councillors (3 councillors representing each of the 17 wards). It decides the Council's overall policies and sets the budget and Council Tax each year. The Council appoints the Leader and members of the Cabinet and also the membership of the various Scrutiny Boards and Committees.

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, is responsible for political oversight and detailed decision making.

Cabinet decisions can be called in for scrutiny by one of the 4 scrutiny boards. These boards (each having 9 councillors

representing all parties) 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: -

- **"Adults, Health and Social Care"** (looking at older people's care and commissioning of services);
- **"Children and Young People"** (looking at children's services, education and 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).

Councillors are also appointed to other panels and working parties dealing with specific topics (e.g. health and wellbeing board, planning, climate change, licensing, flooding). In addition to representing and helping local citizens, councillors establish budgets, policies and targets for the delivery of services, and monitor performance. All meetings are streamed live on the Council's YouTube site, and minutes and agenda papers are available on the Council's website.

Vision 2024 focuses on three priorities, for each of which there is a small subset of measures with targets set, monitored and reported regularly. These super key performance indicators (SKPI's) are published at [dataworks.calderdale.gov.uk](http://dataworks.calderdale.gov.uk)

The priorities are:-

- We know that the impact of the pandemic and the challenge posed by the of the cost-of-living crisis are not felt equally by our residents. We will work with our communities to **Reduce Inequalities**, and the causes of deprivation to ensure that we support our residents with positive economic activity and opportunities that promote healthy future outcomes.
- Following our declaration of a **Climate Emergency** we are committed to develop and implement programmes to help us realise a carbon neutral future and reduce the risk of flooding across the Calder Valley.
- By supporting our local economy with economic hubs that provide thriving independent retail businesses and a rich cultural life that builds on Calderdale's heritage and landscape, we will develop and ensure we have **Strong & Resilient Towns**.

For nearly 60% of our 19 SKPI measures the Council is ranked within the top/second quartile against other councils when measured against our CIPFA standards/benchmarking group.

Recent initiatives have done much to tackle obesity (63.2% of our adults are now physically active), the level of youth unemployment is now at 7.4% compared to 12.9% last year and more of our new businesses are still operating after 3 years. Future challenging targets include new housing provision; road conditions, continuing reductions in levels of crime, and climate change. The 2021/22 budget provided for the first year of a planned £1m investment in measures to tackle climate change.

The management of risk is an integral part of delivering the Council's services. Risks are created both by the environment in which the Council operates and from the changes necessary to continue delivering

services as we exit the Covid-19 pandemic and work towards the Council's vision 2024.

The Council's Risk Management Framework outlines how the Council delivers risk management. Under the guidance of the Corporate Risk Manager, it is the responsibility of everyone who works for the Council to identify, manage and monitor the risks within their service areas in meeting service user expectations and pursuing commercial opportunities. The Council's Member Risk Champion provides the key link for risk management between officers and members.

The Council's Strategic Risk Register identifies those key risks which, if they occur, will prevent the Council from delivering its vision, transformation programmes and overall service outcomes. Directorate Risk Registers contain those risks which affect the delivery of services specific to that directorate and are managed by the appropriate directorate. These registers play a crucial part in disseminating risk information across the Council, identifying what the key risks are, what the consequences might be, and what is being done to mitigate and manage them.

The reporting of risk registers to Audit Committee is being expanded to include directorate risks as well as strategic risks. Five of the strategic risks (including growth and thriving towns; prevention and early intervention; enterprise; digital innovation; health and wellbeing) impact directly on the delivery of the Council's vision and transformation programmes, and the remaining risks are those which may prevent the Council from either partly or completely delivering its overall service objectives and outcomes.

Over the last twelve months the risk landscape has radically changed for many local authorities with a series of significant risk impacts which have been largely outside the Council's control. These have included the impacts of learning to live with covid and the rapid increase in inflation rates. These impacts have the potential to destabilise the local economy, particularly

the high street shops with several well-known brands already disappearing from the high street to re-emerge as on-line only, and add to the continuing pressure on the hospitality and entertainment sectors. The impact of inflation is starting to trigger a cost of living crisis for example as people struggle with increasing energy, food and materials costs.

The Covid pandemic has also changed the way the Council works with a significant number of the Council's office based staff now working from home and undertaking meetings virtually. This places a huge reliance on the provision of IT but also has potential to impact on the health and wellbeing of staff operating in completely different work structures to when they were office based. With this in mind, the Council is consulting with its workforce to inform future working arrangements.

For the purposes of this note, specific risk information has been grouped under the headings of Economic; Social; Operational: Financial; Environmental.

## **Economic**

### *Covid-19 Pandemic*

The medium to long term financial impact to Calderdale from the impact of covid is still being established. Income streams have been badly affected by the closure of sports and entertainment facilities, and by the reduction in city centre footfall. Businesses and people have changed how they interact with the area and these changes will become clearer as time progresses.

### *Inflation*

Due to macro economic events inflation is running at extremely high levels and this is forecast to continue well into 2022/23. These inflationary pressures are being felt in a variety of ways already. The costs of materials for construction schemes are becoming increasingly expensive, energy costs are rising and wage inflation is a risk. All of these are combining to have a significant impact on the Council's ability to

continue to deliver excellent services as planned and budgeted services are becoming more expensive than forecast. Work is being carried out with advisors and internal departments to try and forecast the impact and mitigate where possible.

## **Social**

As we have started to learn to live with Covid the restrictions and lockdowns which took place have had a significant impact on our communities with a move towards things like more home working, uncertainty in employment and housing. The Council's response to this crisis is to support people as we transition into this new phase, making it a high priority. Work will be carried out to ensure those at risk and vulnerable groups are supported; continue to co-ordinate a community response; support business; and prioritise critical services.

Social risks also include an ageing population, which increases the pressure on the Council's resources; misuse of social media and its impact on community cohesion and the emotional wellbeing of people, particularly younger people; and the rights of EU citizens and the migrant community following leaving the EU, for whom the Council continues to offer practical help and support.

Such risks are mitigated by a wide range of cross service plans, agreements and strategies focussing on public health improvement and community safety, seeking to promote health and wellbeing, and reduce inequalities.

### *Operational*

Like all businesses, the Council is heavily dependent on secure, reliable IT systems to operate smoothly. Following the Covid-19 outbreak, this reliance has increased dramatically due to the shift to homeworking becoming more permanent and prevalent. This means that the risks of data theft or loss, or a malicious attack or security breach, with consequential potential for service disruption, litigation,

and reputational and financial loss are increased. The Council has in place many defences and operating protocols to mitigate against such an attack. These include anti-virus and ransomware protection; filtering of email and internet activity; encryption; published policies with regular training and testing; backup and recovery systems. These have proved effective against malware attacks. Staff awareness continues to be addressed by regular updates in the face of the proliferation of phishing emails and potential cyberattacks during Covid.

These actions also help maintain personal information security, breaches of which can have serious damaging operational, reputational and financial effects on the Council, as well as having distressing consequences for those whose information has been disclosed. Clearly identified protocols and systems to ensure that personal data is only held as appropriate should 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 to become more commercial in the transformation of service delivery as part its recovery from the impacts of Covid, working with a wider range of partners including the voluntary sector. To mitigate against this, there is detailed scrutiny of proposed business cases; due diligence of partner organisations; clear reporting structures and governance.

The Council is working towards a transformation programme to embed digital innovation in the way we work, communicate and conduct business. This approach is even more important now as services return to a new normal, to ensure that we can continue to meet rising customer expectations as to how services should be delivered. The Council is prioritising ICT investment in modernising hardware, software and storage to facilitate smarter working, responsive secure systems, and upgraded appropriate server platforms and infrastructure.

## **Financial**

### *Financial risks: Covid-19*

The COVID-19 pandemic continued to affect many areas of the council during 2021/22. The council played a proactive role in responding to COVID-19, focusing efforts on supporting those in the district that need us most. We looked after our own - especially the most vulnerable, supported our NHS colleagues, helped struggling businesses while constantly adapting to the ever changing operating national and local COVID-19 restrictions and measures, supporting schools and young people and maintaining core, essential council services.

As a result of the extra activity the council incurred additional expenditure. In addition, the Council's income streams have also been adversely affected during 2021/22, particularly the loss of income from fees and charges for services, such as car parking, events, and leisure services. Government funding continued in 2021/22, but at a reduced level than that received in 2020/21. Local authorities received general emergency grant funding, specific funding for adult social care, public health activity and funding to support our most vulnerable residents. Income losses were seen across some areas for the entirety of 2021/22 and are expected to continue into 2022/23. As part of both the 2021/22 and 2022/23 budget setting process, the council projected these losses and has established corporate contingency budgets to mitigate against them.

The council has managed the use of COVID-19 grants very carefully which enabled some grant to be carried forward into 2022/23.

### *Financial risks: Social Care Costs*

There is considerable uncertainty around the cost of adult social care over the medium term due to the increase in demand for services, impact of a fee uplift, impact of the pandemic, and the delivery of the Government's 'Build Back Better: Our Plan for Health and Social Care' plan. There remains considerable uncertainty on

the forecast position for adult services in 2022/23 and over the medium term, as services re-open following the pandemic and demand in some areas is back at pre-pandemic levels – although the type of service required may be different. In addition, the introduction of the charging reform will increase the number of service users receiving some state support for their care costs. Funding will be available to support these additional costs, however, there is still uncertainty over the financial impact of these changes and the level of funding available. The Council is seeking external support for the modelling of the demand to ensure the figures feeding into the medium term plan are as robust as possible.

In the meantime, the Government continues to put short and medium term funding into the sector and permits councils to raise council tax sums specifically earmarked for social care. The Council continues to manage demand as best it can, targeting additional resources through the budget process, transforming the way that we provide services, and taking longer term interventions through public health and other social support programmes.

#### *Financial risks: Funding*

The Medium Term Financial Strategy (MTFS) has made cautious and reasonable assumptions about all these issues and as a result, required estimated savings of £5m have been found in 2021/22. This is in part due to Cabinet taking firm decisions to address underlying budget pressures, and by re-shaping services towards a business critical model. Based on current forecasts and assumptions, a similar level of savings is likely to be required in future years.

Around half of our income comes direct from the Government, which also determines the proportion of business rates retained and sets guidelines on Council Tax rises. Effective long term service planning requires certainty about future Government funding. It was recently suggested by Central Government that

there will be a two year settlement however in light of Central Government changes this is less certain now. The forthcoming Spending Review, and outcomes of the business rates retention and fair funding reviews could significantly affect how Central Government funding is shared out amongst local authorities.

The Fair Funding Review will affect how funding is allocated and redistributed between local authorities, taking into account each individual authority's capacity to raise and retain local taxation. As part of this review, the intention was for retained business rates to rise to 100% by 2020. This was deferred although there have been suggestions that this may be seen in the future in some form but the upheaval in Central Government may impact this timeline. Business property revaluation cycles have also been deferred meaning that, with the growth of online retailing and home-working, the pandemic has served to accelerate the unease with business rates as a basis for taxation and strengthen the calls for reform.

All of these changes and uncertainty around the period covered by any spending review, make financial planning with any certainty difficult. A number of assumptions, which are subject to regular review, have had to be made regarding future funding. Principal amongst these are that: -

- Government financial support will remain stable from 2022/23
- The new business rates retention and fair funding reviews will be financially neutral to the Council
- There will be modest (2%) future council tax rises plus a 1% social care precept
- Savings targets and budget pressures will be contained within planned budgets after implementing the actions agreed in recent financial reports to address budget pressures.

### *Financial risks: Inflation*

The potential impact of the high inflation rates cannot be understated for the Council. Inflation in the UK is the highest it has been for four decades, which means as a country we are experiencing cost of living crisis, with food, petrol and energy costs all increasing. The most recent statistics from the Department for Business, Energy & Industrial Strategy (2019) show that 21.1% of households were already in fuel poverty.

As these pressures mount they may start to pose a risk to the Council's revenue streams through council tax and business rates collection as people struggle to manage their mounting financial commitments. Work is being undertaken to understand the impact that inflation may have on council resources and services at present.

### *Financial risks: Other*

As a major employer, influences on pay can pose a major risk. Nationally agreed pay awards are not always fully funded by the Government, and pay rates continue to lag well behind inflation over the last ten years.

Pay inflation is also affected by the national living wage, which impacts on the Council through its contracted services (especially on our care contracts). The high rates of inflation at present are further increasing the risk posed in this area.

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.

### *Environmental*

Climate change is a key theme of the Council's vision, and one which is of particular concern to citizens. The Council has previously approved £1m for investment in measures to help tackle the climate emergency, and has established a Climate Change Working Party.

The nature of Calderdale's topography means that transport systems can become concentrated in the narrow valleys creating pollution hotspots. The Council has created Air Quality Action Areas to manage the potential risks from pollution in these areas. Work needs to be done to manage emission levels by continuing to restore confidence in public transport as we learn to live with covid, and encouraging a return to active travel which has the benefit of less traffic, cleaner air and healthier children.

Partly due to its topography Calderdale has a long history of flooding. However due to the changing trend in weather patterns with intense periods of heavy rain, there have been several severe floods in the upper and lower valleys in recent years. To counteract this the Council is now nearing the completion of a £100M programme of flood management including the construction of flood defences in flooding hotspots.

Failure to address climate change could lead to a series of impacts including increased flooding in previously unaffected areas, moorland fires, heat waves and water shortages, with consequent impacts on population health, the economy, biodiversity, supply chains, and increased demand for Council support services.

## Financial performance during the year.

### Revenue spending

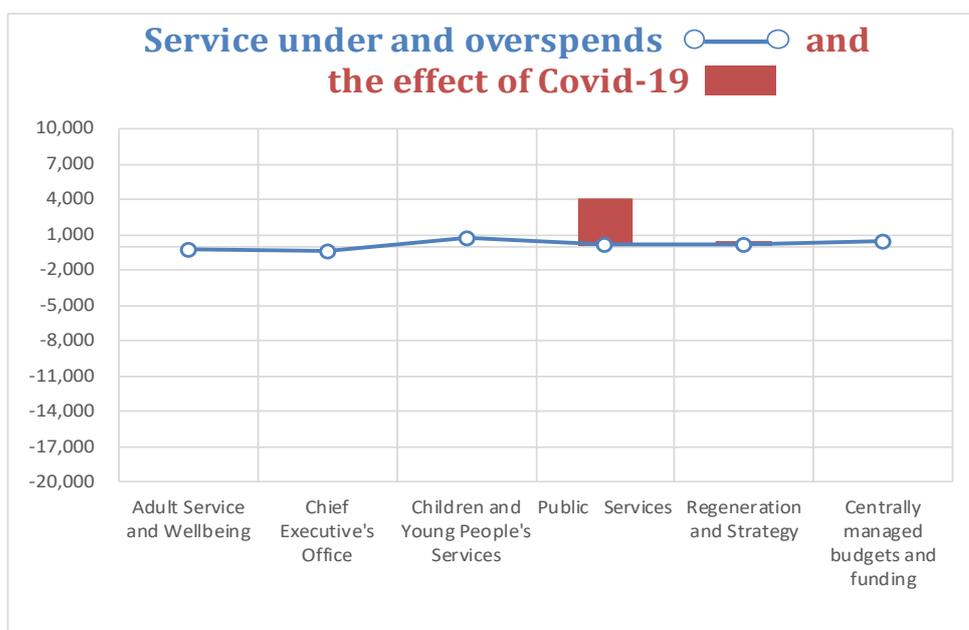
The Council spends over £0.4bn annually to deliver services. This is partly funded by service charges and specific grants. The resulting net funding requirement (£0.2bn) is met by general Government grants, council tax, retained business rates and general balances. The Council sets its budget each February 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 Strategy and Performance scrutiny board offers further challenge by looking at 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.

Long term funding pressures have been largely managed in-year through Cabinet action and by directorates finding ways to manage services within budget through one-off funding. Underlying budget issues will only be fully resolved once the Future Council programme is fully implemented and the Government resolves long standing issues around funding social care and business rates.

Additional net costs and income losses due to Covid-19 have been met by Government grant funding and as a result, the Council has reported a broadly breakeven position at the year end, with directorate underspendings of £0.534m being carried forward in reserves to be used next year.

The Government has not announced funding levels beyond 2022/23, but, even with the savings already agreed, the Council believes that it will still have a funding gap in future although the extent of this will not be known until Government financial support (especially for the impact of high and rising inflation) becomes clearer.



The above graphic shows the year end variance on service budgets, separately identifying the *net* effect of the pandemic on service outturns. The graph does not show the *total* additional costs of the pandemic, but only those not met by specific grants and contributions. For example, the Adult Service and Wellbeing directorate faced significant additional adult social care costs for which specific funding was received from infection control grant, and

through the CCG for early discharges from hospital. Over and above any specific funding received, any extra net costs and income losses have been met in year by Government grant provided specifically for the purpose.

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 accounting costs £'000	Accounting Adjustments £'000	Comprehensive income and expenditure statement £'000
Net cost of services	165,817	37,941	203,758
Other operating expenditure	0	21,416	21,416
Funding	-171,755	-53,746	-225,501
<b>(Surplus)/Deficit on the provision of services</b>	<b>-5,938</b>	<b>5,611</b>	<b>-327</b>
(Use of) / Contribution to reserves	5,872	0	5,872
Removal of accounting adjustments	0	-5,611	-5,611
<b>(Increase)/Decrease in General Fund Balances</b>	<b>-66</b>	<b>0</b>	<b>-66</b>

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.

<b>Comprehensive Income and Expenditure Statement (£'000)</b>		
(Surplus)/ Deficit on the Provision of Services	-326	
Other Comprehensive (Income)/Expenditure	-174,563	
<b>Total Comprehensive (Income) and Expenditure</b>	<b>-174,889</b>	→ <b>Movement in Reserves statement</b>
		20,417 Effect on usable reserves
		154,472 Effect on unusable reserves
		<b>174,889 Change in Total Net Worth</b>
<b>Balance Sheet (Change in Assets less Liabilities)</b>	←	
Change in net assets (excl cash)	173,328	
Change in cash and cash equivalents	1,561	→ <b>Cash Flow Statement</b>
<b>Change in net worth</b>	<b>174,889</b>	Net increase / (decrease) in cash and cash equivalents

The increase in net worth illustrated above has resulted in a positive balance sheet. This means that if all the liabilities were to crystallise at the balance sheet date and the assets liquidated, there would be surplus reserves remaining. This scenario will, of course, not arise as some of these liabilities relate to pension commitments and stretch many years into the future, allowing ample time for any forecast deficits to be addressed by adjusting contribution rates through fund revaluations. The reduced pension fund deficit is the main reason why the balance sheet position has improved during the year. The calculation of the pension fund deficit can be quite volatile though and is dependent upon certain rates on specific dates. A combination a rise in the stock market and an increase in the discount rate reducing the present value of the Fund's liabilities has led to a decrease in the net pension liability of £164m.

## 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. The Council's Capital Programme for the three years to 31<sup>st</sup> March 2025 is forecast to be a minimum of £223m.

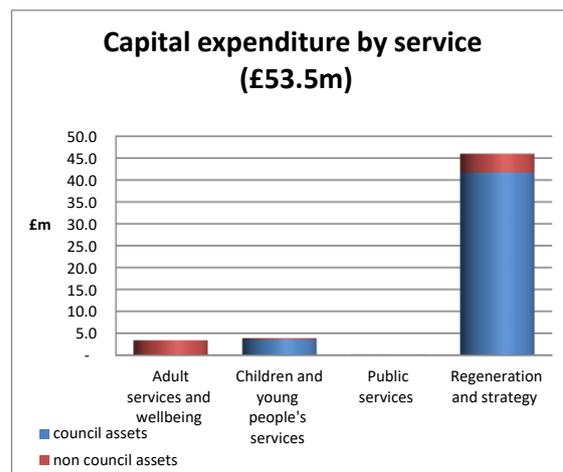
During the year there was spending on rolling programmes for highways infrastructure (£8m) and private housing of £10m (including housing adaptations and decarbonisation/energy efficiency) as well as major investment on:-

- Redevelopment of the Northgate House site to provide a new commercial space within the town centre.
- Investment in the corporate estate to reduce on-going running costs.
- Progression of major road improvements in the borough funded by grants from the West Yorkshire Combined Authority through its West Yorkshire Plus Transport Funding.
- Remodelling of existing schools to improve the fabric of buildings and increase school places.

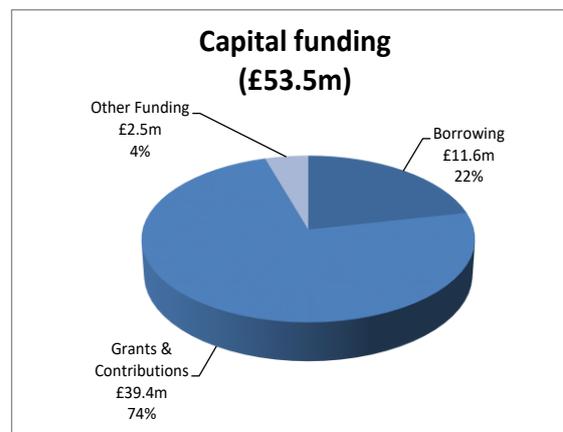
In addition to work on its own assets, the Council also spent money on third party assets, (mainly grants for private housing adaptations and spending on certain types of school e.g. church schools owned by the diocese rather than the Council).

The Public Services directorate invested £0.9m replacing part of its transport fleet and £140k in play areas. The Regeneration and Strategy directorate continued to implement £45m in schemes designed to improve the Council's highways network and rationalisation and improvement of the corporate estate, including the Northgate House commercial development. The Children and Young People's directorate continued to apply both basic need and capital maintenance

Government grants towards expenditure of £3.9m on schools.



The Capital Programme in 2021/22 was 74% funded by grant allocations approved by Central Government. Other work was funded by earmarked reserves and revenue contributions, and capital receipts from asset disposals. Some capital expenditure is financed by borrowing with the financing costs of this paid for in future years through the revenue budget.



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 31<sup>st</sup> March 2022 amounted to £160.5m against long term assets valued at £546.3m.

### **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

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 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.

C FORRESTER CPFA



CHIEF FINANCE OFFICER

# The Comprehensive Income and Expenditure Statement

## Comprehensive income and expenditure statement

2020/21			Net	2021/22			Net
Expenditure	Income	Expenditure	<u>Service</u>	Expenditure	Income	Expenditure	
£'000	£'000	£'000		£'000	£'000	£'000	
<i>Continuing operations</i>							
111,558	-55,594	55,964	Adult services and wellbeing	115,049	-59,340	55,709	
40,728	-29,938	10,790	Chief executive's office	44,694	-26,632	18,062	
161,195	-125,181	36,014	Children and young people's services	174,487	-128,724	45,763	
52,552	-7,892	44,660	Public services	58,145	-14,150	43,995	
39,457	-9,900	29,557	Regeneration and strategy	46,776	-17,020	29,756	
55,939	-45,833	10,106	Centrally managed items	49,860	-39,387	10,473	
<b>461,429</b>	<b>-274,338</b>	<b>187,091</b>	<b>Net Cost of Services</b>	<b>489,011</b>	<b>-285,253</b>	<b>203,758</b>	
<i>Other operating expenditure</i>							
		754	Parish Precepts			761	
		0	Net (Surplus)/Deficit from Trading Operations			0	
		126	Changes in fair value of held for sale assets			225	
		6,346	(Gain)/loss on disposal of Fixed Assets & Investments			87	
<i>Financing and Investment Income and Expenditure</i>							
	-465		Interest and Investment Income			-368	
	6,789		Interest Payable and similar charges			6,793	
	8,119		Interest on the net defined benefit pensions liability			8,841	
	4,238		Income & expenditure in relation to investment properties, and changes in fair value			5,857	
	32		Changes in the fair value of pooled investment funds			-780	
<i>Taxation and non specific grant income</i>							
	-96,681		Council Tax income			-103,072	
	-31,016		Non domestic rates income			-37,828	
	-51,795		Government Grant not attributable to specific services			-38,385	
	-19,982		Capital Grants			-46,215	
		<b>13,556</b>	<b>(Surplus) or deficit on the provision of services</b>			<b>-326</b>	
<b>Other comprehensive income and expenditure</b>							
<b>Non reclassifiable</b>							
		204	(Gains)/losses on the revaluation of financial assets designated to be measured at fair value through other comprehensive income.			-28	
	-1,420		(Surplus) / Deficit arising on the revaluation of non current assets			-10,298	
	46,846		Remeasurement of the net defined benefit pension liability			-164,237	
		<b>45,630</b>	<b>Total other comprehensive (income) and expenditure</b>			<b>-174,563</b>	
		<b>59,186</b>	<b>Total comprehensive (income) and expenditure</b>			<b>-174,889</b>	

## The Movement in Reserves Statement

<b>year ended 31st March 2022</b>	General Fund Balance	Earmarked GF Reserves	Capital Grants Reserve	Capital Receipts Reserve	<b>Total Usable Reserves</b>	<b>Unusable Reserves</b>	<b>Total Net Worth</b>
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Balance at 1st April 2021</b>	<b>5,782</b>	<b>73,627</b>	<b>23,941</b>	<b>0</b>	<b>103,350</b>	<b>-154,397</b>	<b>-51,047</b>
Total Comprehensive Income and Expenditure	326	0	0	0	326	174,563	174,889
Adjustments between accounting basis & funding basis under statutory provisions (note 26)	5,611	0	14,480	0	20,091	-20,091	0
Transfers to / from Earmarked Reserves (note 17)	-5,872	5,872	0	0	0	0	0
<b>Increase / (Decrease) in Year</b>	<b>65</b>	<b>5,872</b>	<b>14,480</b>	<b>0</b>	<b>20,417</b>	<b>154,472</b>	<b>174,889</b>
<b>Balance at 31 March 2022</b>	<b>5,847</b>	<b>79,499</b>	<b>38,421</b>	<b>0</b>	<b>123,767</b>	<b>75</b>	<b>123,842</b>
	0						
<b>year ended 31st March 2021</b>	General Fund Balance	Earmarked GF Reserves	Capital Grants Reserve	Capital Receipts Reserve	<b>Total Usable Reserves</b>	<b>Unusable Reserves</b>	<b>Total Net Worth</b>
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Balance at 1st April 2020</b>	<b>5,511</b>	<b>40,926</b>	<b>23,226</b>	<b>0</b>	<b>69,663</b>	<b>-61,524</b>	<b>8,139</b>
Total Comprehensive Income and Expenditure	-13,556	0	0	0	-13,556	-45,630	-59,186
Adjustments between accounting basis & funding basis under statutory provisions (note 26)	46,528	0	715	0	47,243	-47,243	0
Transfers to / from Earmarked Reserves (note 17)	-32,701	32,701	0	0	0	0	0
<b>Increase / (Decrease) in Year</b>	<b>271</b>	<b>32,701</b>	<b>715</b>	<b>0</b>	<b>33,687</b>	<b>-92,873</b>	<b>-59,186</b>
<b>Balance at 31 March 2021</b>	<b>5,782</b>	<b>73,627</b>	<b>23,941</b>	<b>0</b>	<b>103,350</b>	<b>-154,397</b>	<b>-51,047</b>

# The Balance Sheet at 31<sup>st</sup> March 2022

31st March 2021 £'000		31st March 2022 £'000	Note
<b>Long Term Assets</b>			
492,969	Property, Plant & Equipment	512,884	6
3,693	Heritage Assets	3,693	7
18,033	Investment Property	18,008	8
0	Intangible Assets	0	
6,479	Long term investments	7,329	29
4,505	Long term debtors	4,444	29
<b>525,679</b>	<b>TOTAL LONG TERM ASSETS</b>	<b>546,358</b>	
<b>Current Assets</b>			
33,800	Short term investments	70,000	13
402	Inventories	742	
50,264	Short term debtors	49,595	12
15,310	Cash and cash equivalents	16,871	14
1,226	Assets held for sale	1,391	
101,002		138,599	
<b>Current Liabilities</b>			
0	Cash and cash equivalents - bank overdraft	0	
-9,383	Short term borrowing	-5,911	29
-81,170	Short term creditors	-97,044	15
-4,374	Short term provisions	-4,407	16
-2,275	Other short term liabilities	-2,469	29
-97,202		-109,831	
<b>529,479</b>	<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>	<b>575,126</b>	
<b>Other Liabilities</b>			
-1,100	Long term creditors	-1,101	
-1,278	Provisions	-502	16
-121,120	Long term borrowing	-126,495	29
-428,892	Net pension liabilities	-297,519	30
-28,136	Other long term liabilities	-25,667	29
-580,526		-451,284	
<b>-51,047</b>	<b>TOTAL ASSETS LESS LIABILITIES</b>	<b>123,842</b>	
<b>Financed By:-</b>			
<b>Usable Reserves</b>			
0	Usable Capital Receipts Reserve	0	17
23,941	Capital Grants Unapplied Reserve	38,421	17
73,627	Earmarked Reserves	79,499	17
5,782	General Fund Balance	5,847	18
<b>103,350</b>	<b>TOTAL USABLE RESERVES</b>	<b>123,767</b>	
<b>Unusable reserves</b>			
167,227	Capital Adjustment Account	174,908	27
121,284	Revaluation Reserve	127,766	27
-8,165	Collection Fund Adjustment Account	-634	27
-98	Financial Instruments Revaluation Reserve	-70	27
-557	Pooled investment funds adjustment account	223	27
-5,196	Accumulated Absences Account	-4,599	27
-428,892	Pensions Reserve	-297,519	27/30
<b>-154,397</b>	<b>TOTAL UNUSABLE RESERVES</b>	<b>75</b>	
<b>-51,047</b>	<b>TOTAL RESERVES</b>	<b>123,842</b>	

The unaudited accounts were issued on 28 July 2022 and the audited accounts were authorised for issue on 02 December 2024.

*B McIntyre*

B McIntyre Director of Resources and Transformation (Section 151 Officer)

# The Cash Flow Statement

2020/21			2021/22		
£'000	£'000		£'000	£'000	Note
	13,556	Net (surplus) or deficit on the provision of services		-326	
		Adjustments for:-			
-78,102		non cash movements	-84,645		28
<u>20,728</u>	<u>-57,374</u>	items that are investing and financing activities	<u>47,730</u>	<u>-36,915</u>	28
	-43,818	Net cash flows from Operating Activities		-37,241	
		<i>Investing Activities</i>			
42,169		Purchase of property, plant and equipment, heritage assets and investment properties.	49,743		
81		Purchase of long term investments and other investing activities	41		
-711		Proceeds from the sale of property, plant and equipment, heritage assets and investment properties.	-892		
-82		Proceeds from the sale of long term investments and other investing activities	-17		
-21,088		Other receipts for investing activities (capital grants and contributions)	-41,152		
10,600		Net movement in short term investments	36,200		
	30,969			43,923	
		<i>Financing Activities</i>			
5,400		Net short term borrowing cash payments/(receipts)	2,000		
0		Other receipts from financing activities	-8,563		
2,043		Cash payments for the reduction of the outstanding liability relating to on balance sheet PFI contracts	2,223		
-10,576		Long term loans raised	-11,000		
3,560		Long term loans repaid	7,097		
<u>9,734</u>		Other payments for financing activities	<u>0</u>		
	10,161			-8,243	
	<b>-2,688</b>	<b>Net (increase) / decrease in cash and cash equivalents</b>		<b>-1,561</b>	
	<b>12,622</b>	<b>Cash and cash equivalents at 1st April</b>		<b>15,310</b>	
	<b>15,310</b>	<b>Cash and cash equivalents at 31st March</b>		<b>16,871</b>	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

The Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 (the Code) requires local authority accounts to be prepared on a going concern basis – that is, that the functions of the Council should be expected to continue in operational existence for the foreseeable future.

The Council needs to be able to meet all payments and commitments as they become due. To do this, it needs sufficient cash at the right time from its operations and from borrowing. Most of the Council's income comes from grants and other contributions and from statutory taxes such as council tax and business rates. Only about 6% comes from discretionary income such as fees and charges. Although levels of grant funding and collection rates for taxes can fluctuate (we have budgeted for slightly lower collection rates for taxation due to the current environment), they can be predicted with a degree of reliability over the coming year. Income from sales fees and charges is much more susceptible to the effects of lockdown and restrictions, the local economy etc. Even so, around half of this income arises from services driven by need (e.g. adult care fees and bereavement) and is less affected by other factors. The Council also received some compensation from the Government for losses in particular income streams, although this arrangement ended June 2021.

The Council's major costs are social care and education. Education is mainly covered by direct grant. Social care costs have been considered in the narrative report. Making reasonable estimates about growth in these costs, the MTFS indicates the levels of savings likely to be required to deliver a balanced budget. It also identifies a range of best case/worst case expected scenarios which are regularly monitored.

We do not fully know what the journey to recovery will be like, or indeed what the future will be like when we get there. There has been some residual support from Government for Covid during the year to help meet some of the losses of income we have sustained along with some monies provided direct to businesses. Making reasonable assumptions about on-going costs and income receipts, management has assessed cash flow modelling through to March 2024. This shows a low point at March 2023 where headroom is still over £66m. The Council also has ready access to PWLB borrowings with sufficient headroom within its capital financing requirement, and has planned borrowing of £18m within the forecast. The Council has general balances of £5.8m to act as a short term buffer if required and usable reserves of £79.5m.

The Council has temporary investments with strongly rated counterparties (see disclosure note 29). These are regularly reviewed and we expect the risk of default on repayment of these to be minimal. For all other loans and receivables, the Council has assessed whether there has been any significant increase in risk identified as a result of the current environment and has concluded that there has not been. This review includes consideration of similar types of debt on a collective basis for which expected credit losses (ECL) have been maintained. Although not recognised, a deterioration in the rate of recovery of such debts of 10% would increase the ECL by £0.26m.

Management has identified the main uncertainties, and, making appropriate judgements and assumptions, are satisfied that that these accounting statements are properly produced on a going concern basis.

All financial transactions are recorded based on applying accounting policies. These are determined by 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 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 the 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.

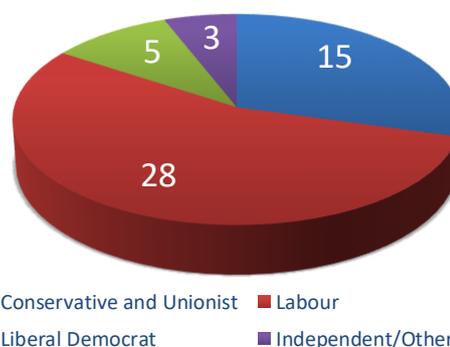
### 1 How the Council works and the role of Councillors

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

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 £748k were paid during the year (£749k in 2020/21).

The breakdown of the 51 councillors at the end of financial year 2021/22 by political party was:



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

Council services are delivered or commissioned by a workforce of 2,700 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 who are listed separately in that specific disclosure. The figures include 20 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), 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.* There are 8 senior employees defined as holders of specific statutory posts, and those identified as having responsibility for the management of the Council. These figures include pension contributions which are not paid directly to the employee, but which are paid by the employer on behalf of the employee into pension funds providing future post retirement pension benefits, and so the amounts shown are therefore higher than the sums received directly by the individuals themselves.

#### Employees earning over £50k

No. of staff 2020/21		Officers' and Teachers' Remuneration £	No. of staff 2021/22	
Teaching staff	Non teaching staff		Teaching staff	Non teaching staff
23	27	50,000 - 54,999	31	19
18	15	55,000 - 59,999	20	9
14	13	60,000 - 64,999	10	19
17		65,000 - 69,999	13	1
7		70,000 - 74,999	8	
1	1	75,000 - 79,999	3	
1	3	80,000 - 84,999	1	2
4	1	85,000 - 89,999	1	
1	4	90,000 - 94,999	3	6
		95,000 - 99,999		
	1	100,000 - 104,999	1	1
1		115,000 - 119,999	1	
		130,000 - 134,999		
<b>87</b>	<b>65</b>		<b>92</b>	<b>57</b>

#### Exit packages

2020/21		Officers' and Teachers' Exit Packages including Redundancy and associated Pension Entitlement			2021/22			
Voluntary		Compulsory		£	Voluntary		Compulsory	
no. of staff	Total value £'000	no. of staff	Total value £'000		no. of staff	Total value £'000	no. of staff	Total value £'000
17	128	41	269	0 - 19,999	15	119	11	66
2	44	14	322	20,000 - 39,999	5	133		
2	100	3	129	40,000 - 59,999				
1	63			60,000 - 79,999				
				80,000 - 99,999				
<b>22</b>	<b>335</b>	<b>58</b>	<b>720</b>		<b>20</b>	<b>252</b>	<b>11</b>	<b>66</b>

The figures for 2021/22 include redundancy costs which are paid in year on exit (£284k), and consolidated early pension entitlement costs which are borne by the Council, but where the benefit is paid over the lifetime of the pensioner (£34k).

### Remuneration of senior employees

		Salary, fees & allowances	Expenses	Pension contributions	Total remuneration
		£'000	£'000	£'000	£'000
<u>Current Senior Officers</u>					
Chief executive (R Tuddenham) <sup>1</sup>	2021/22	163		28	191
	2020/21	151		26	177
Head of finance	2021/22	114		16	130
	2020/21	91		16	107
Head of democratic & partnership services <sup>2</sup>	2021/22	94		15	109
	2020/21	91		15	106
Director of adult services and wellbeing	2021/22	123		21	144
	2020/21	121		21	142
Director of children and young people's services	2021/22	134		21	155
	2020/21	132		21	153
Director of regeneration and strategy <sup>3</sup>	2021/22	134		23	157
	2020/21	24		4	28
Director of public services	2021/22	128		22	150
	2020/21	126		22	148
Director of public health	2021/22	111		18	129
	2020/21	109		19	128
<u>Former senior officers</u>					
Director of regeneration and strategy <sup>4</sup>	2021/22				0
	2020/21	2			2
Director of public health <sup>5</sup>	2021/22				0
	2020/21	11		1	12

<sup>1</sup> Includes £11k as returning officer for local elections (£2k in 2020/21).

<sup>2</sup> Includes £1k for local elections

<sup>3</sup> Began January 2021

<sup>4</sup> Left March 2020

<sup>5</sup> Left April 2020

A payment was made to an external agency for a temporary interim director of regeneration and strategy (April 2020 to January 2021).

### 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
- Wholly owned companies
- 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 balances with Central Government are shown in note 12. Non-domestic rate income payable 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 £8.8m (£8.5m in 2020/21) 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.

- **Wholly owned subsidiary**

The Council is the sole shareholder of Weave Homes, a local development company set up to develop sites for housing and sell on (including affordable homes). The Council will, in due course, be advancing loans of up to £4m at commercial rates and providing some management support. This is the second year of operation and no loans have currently been advanced. At the end of the year the Council had a debtor of £447k with Weave Homes. The Council did not receive any dividend.

- **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.

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.

As well as holding company directorships, Councillors often represent the Council on local boards and interest groups. These appointments are usually 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. All such companies and bodies are assessed for potential control and transactions identified, and disclosed where such control exists. There are no disclosures to be made.

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.

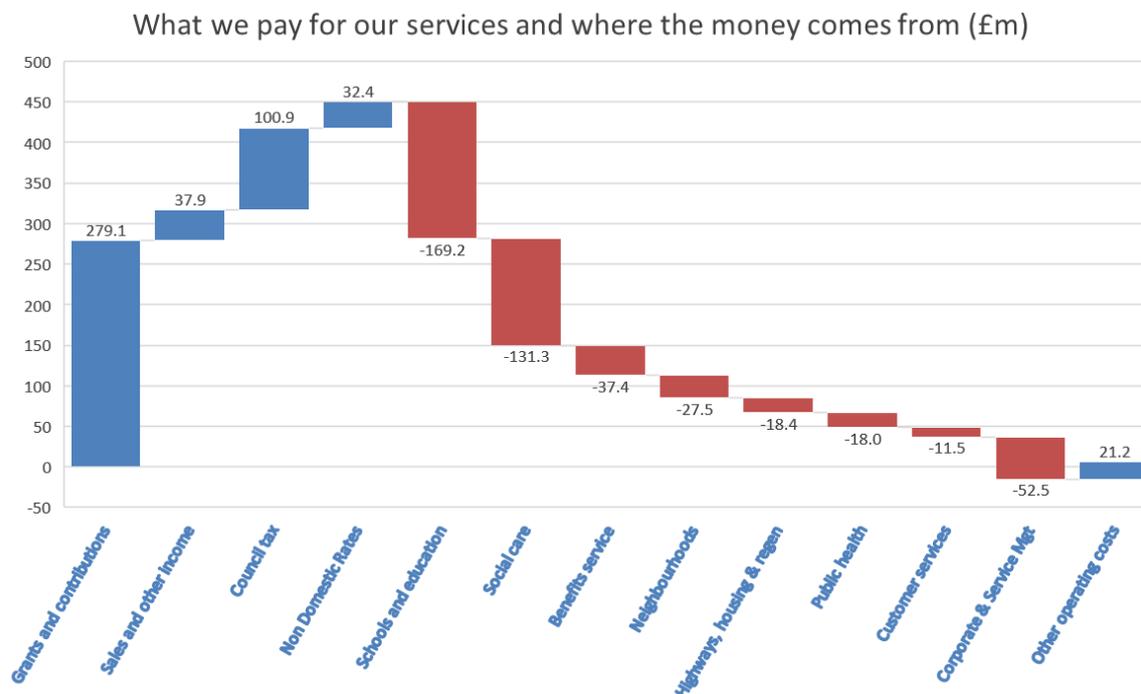
#### 4. External audit assurance

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 has paid for this service and for any other audit services provided by them.

<b>2020/21</b>		<b>2021/22</b>
<b>£'000</b>	<b>APPOINTED AUDITOR FEES</b>	<b>£'000</b>
102	External audit services fee specified by the Public Sector Audit Appointment (PSAA)	95
22	Certification of grant claims and returns	22
<b>124</b>	<b>Total Fees</b>	<b>117</b>

## B. Expenditure Funding Analysis

5. Council income comes from grants, and charges made directly for some services. To cover the cost of all the services it provides, the Council also raises funding through local taxation. In the chart below, the sources of funding are shown in blue, and the gross service costs shown in red demonstrate how this funding has been spent during the year.



The costs of schools and education and children's social care are managed by the Children and Young People's directorate. Adults and Wellbeing is responsible for adult social care costs. Customer services, neighbourhoods and the benefits service come under Public Services. Highways, housing and regeneration costs are within the Regeneration and Strategy directorate. Public Health services are within the Chief Executive's directorate. Corporate and service management costs are spread across all directorates, and most of the other operating costs are managed centrally.

The above service costs are met from the funding sources identified. They do 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 (met from grants, local taxation and sales, fees and charges as above) 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 2021/22	Reported Service net expenditure	Adjustments to reflect the CIES format	Adjust funding basis to accounting basis	Net Expenditure in the Comprehensive Income & Expenditure Statement
	£'000	£'000	£'000	£'000
	<i>Directorate</i>			
Adult Services and Wellbeing	50,902	0	4,806	55,708
Chief Executive's Office	14,694	0	3,368	18,062
Children & Young People's Services	27,458	3	18,301	45,762
Public Services	30,779	0	13,217	43,996
Regeneration and Strategy	16,475	522	12,760	29,757
Centrally managed items	25,509	-7,189	-7,847	10,473
<b>Net Cost of Services</b>	<b>165,817</b>	<b>-6,664</b>	<b>44,605</b>	<b>203,758</b>
Other income and expenditure	0	6,664	14,752	21,416
Funding	-171,755	0	-53,745	-225,500
<b>(Surplus)/Deficit on the provision of services</b>	<b>-5,938</b>	<b>-</b>	<b>5,612</b>	<b>-326</b>
Opening General Fund Balances and Reserves	-79,409			
<b>Closing General Fund Balances and Reserves</b>	<b>-85,347</b>			

EXPENDITURE FUNDING ANALYSIS 2020/21	Reported Service net expenditure	Adjustments to reflect the CIES format	Adjust funding basis to accounting basis	Net Expenditure in the Comprehensive Income & Expenditure Statement
	£'000	£'000	£'000	£'000
	<i>Directorate</i>			
Adult Services and Wellbeing	52,814	0	3,150	55,964
Chief Executive's Office	8,653	0	2,137	10,790
Children & Young People's Services	22,035	50	13,929	36,014
Public Services	34,193	0	10,467	44,660
Regeneration and Strategy	16,091	514	12,952	29,557
Centrally managed items	24,676	-7,128	-7,442	10,106
<b>Net Cost of Services</b>	<b>158,462</b>	<b>-6,564</b>	<b>35,193</b>	<b>187,091</b>
Other income and expenditure	0	6,564	19,375	25,939
Funding	-191,434	0	-8,040	-199,474
<b>(Surplus)/Deficit on the provision of services</b>	<b>-32,972</b>	<b>-</b>	<b>46,528</b>	<b>13,556</b>
Opening General Fund Balances and Reserves	-46,437			
<b>Closing General Fund Balances and Reserves</b>	<b>-79,409</b>			

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 the provision of 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.

<b>ANALYSIS OF ACCOUNTING ADJUSTMENTS</b>	<b>Adjustments relating to capital items</b>	<b>Adjustments relating to pensions</b>	<b>Other adjustments</b>	<b>Total Accounting Adjustments</b>
<b>2021/22</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<i>Directorate</i>				
Adult Services and Wellbeing	592	4,223	-9	4,806
Chief Executive's Office	2	3,424	-58	3,368
Children & Young People's Services	9,081	9,781	-561	18,301
Public Services	8,220	5,020	-23	13,217
Regeneration and Strategy	9,529	3,177	54	12,760
Centrally managed items	-6,245	-1,602	0	-7,847
Other income and expenditure	6,691	8,841	-780	14,752
Funding	-46,215	0	-7,531	-53,746
<b>(Surplus)/Deficit on the provision of services</b>	<b>-18,345</b>	<b>32,864</b>	<b>-8,908</b>	<b>5,611</b>

<b>ANALYSIS OF ACCOUNTING ADJUSTMENTS</b>	<b>Adjustments relating to capital items</b>	<b>Adjustments relating to pensions</b>	<b>Other adjustments</b>	<b>Total Accounting Adjustments</b>
<b>2020/21</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<i>Directorate</i>				
Adult Services and Wellbeing	535	2,479	136	3,150
Chief Executive's Office	11	2,005	121	2,137
Children & Young People's Services	7,627	5,806	496	13,929
Public Services	7,400	2,901	166	10,467
Regeneration and Strategy	11,268	1,610	74	12,952
Centrally managed items	-5,795	-1,647	0	-7,442
Other income and expenditure	11,224	8,119	32	19,375
Funding	-19,982	0	11,942	-8,040
<b>(Surplus)/Deficit on the provision of services</b>	<b>12,288</b>	<b>21,273</b>	<b>12,967</b>	<b>46,528</b>

### **Adjustments relating to capital items.**

These adjustments reflect charges for depreciation; changes in asset valuations; capital expenditure and associated funding of third 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); recognised differences between the cost and fair valuation of pooled investment funds; 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: -

<b>Analysis of income and expenditure in the comprehensive income and expenditure statement</b>	<b>2021/22 £'000</b>	<b>2020/21 £'000</b>
<b>Expenditure</b>		
Employees	183,522	172,381
Other operating expenses	88,197	75,470
Third party payments	140,085	133,212
Transfer Payments	49,867	53,541
Depreciation, impairment & revaluations	34,748	32,494
Interest Paid	6,013	6,821
Gain/loss on disposal of fixed assets	87	6,346
Pension interest costs	8,841	8,119
<b>Total expenditure</b>	<b>511,360</b>	<b>488,384</b>
<b>Income</b>		
Government grant	-285,705	-279,115
Non Government grant & contributions	-47,185	-37,502
Sales, fees & charges and other income	-37,528	-30,049
Interest received	-368	-465
Council tax	-103,073	-96,681
Non domestic rate income	-37,828	-31,016
<b>Total income</b>	<b>-511,687</b>	<b>-474,828</b>
<b>Net expenditure</b>	<b>-327</b>	<b>13,556</b>

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.

The total Council Tax/Non Domestic Rate income recognised is the total payment recognised from the Collection Fund (£125,930k) adjusted for Government top up grant (£14,970k).

<b>Analysis by operating segment of those items of income and expenditure required by the Code (£'000)</b>	<b>Adult services &amp; wellbeing</b>	<b>Chief executive's office</b>	<b>Children &amp; young people</b>	<b>Public services</b>	<b>Regeneration and strategy</b>	<b>Centrally managed items</b>	<b>Total</b>
<i>Depreciation, impairment and revaluations</i>							
2021/22	659	2	9,731	8,226	9,526	6,604	34,748
2020/21	535	11	8,210	7,575	16,163	0	32,494
<i>Sales, fees, charges and other income</i>							
2021/22	-13,566	-1,066	-5,165	-11,831	-5,900	0	-37,528
2020/21	-13,551	-932	-3,417	-6,795	-5,354	0	-30,049

## **C Balance Sheet and related items**

### **6 Property, plant and equipment**

Property plant and equipment (PPE) 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 and sports centres, as well as roads. The Council's property portfolio includes 41 schools, 6 sports facilities and 1,100km of 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.

#### *Valuations*

Property, valuations have been undertaken during the year by Capita (property & infrastructure) Ltd, an external firm of property valuation professionals. Three assets were 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 including existing use for e.g. car parks and depots (53%); DRC for e.g. children's centres, libraries and the theatre (47%) and depreciated historical cost (0%) 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 individually 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 41 school buildings either owned or deemed to be controlled by the Council and valued at £142.6. Not included are 13 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 (£2.5m) 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. One school is converting in 2022/23. This is a church owned voluntary aided school and are not carried on our balance sheet.

Four schools provided under the Public Finance Initiative agreement have become academies leaving one primary school to be accounted for as a Council school (even though legal ownership rests elsewhere) as it is considered that the Council effectively controls the school through contractual arrangements. The other four schools included in the agreement have been written out on conversion, 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 y/e 31st March 2022	OPERATIONAL PROPERTY, PLANT & EQUIPMENT				NON OPERATIONAL	TOTAL PPE	
	Schools	Sports facilities	Infrastructure	Other	Surplus Assets	Assets under Construction	£'000
				operational assets			
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost and valuation at 1st April 2021	145,976	47,794	233,044	187,113	714	239	614,880
Accumulated depreciation	-6,630	-2,856	-99,200	-13,226	1	0	-121,911
<b>Net Book Value at 1st April 2021</b>	<b>139,346</b>	<b>44,938</b>	<b>133,844</b>	<b>173,887</b>	<b>715</b>	<b>239</b>	<b>492,969</b>
<i>Movements during the year</i>							
Depreciation charged	-3,510	-2,181	-9,321	-5,206	-4		-20,222
Additions	3,193	31	26,382	7,113		2,168	38,887
Disposals	-16			-522			-538
Revaluations							
- to revaluation reserve	15,554			3,421	13		18,988
- to surplus/deficit on provision of services	8,966			180			9,146
Impairments							
- to revaluation reserve	-7,069			-244	-1,377		-8,690
- to surplus/deficit on provision of services	-14,085			-1,385	-1,598		-17,068
Reclassifications	160	-1,788		-1,164	3,601	-1,397	-588
<b>Net Book Value at 31st March 2022</b>	<b>142,539</b>	<b>41,000</b>	<b>150,905</b>	<b>176,080</b>	<b>1,350</b>	<b>1,010</b>	<b>512,884</b>
Cost and valuation at 31/3/22	142,539	41,000	150,905	176,080	1,350	1,010	512,884
Accumulated depreciation							0
<b>Net Book Value at 31st March 2022</b>	<b>142,539</b>	<b>41,000</b>	<b>150,905</b>	<b>176,080</b>	<b>1,350</b>	<b>1,010</b>	<b>512,884</b>
<i>Nature of asset holding</i>							
Owned	138,836	41,000	150,905	176,080	1,350	1,010	509,181
Finance lease							0
PFI	3,703						3,703
	<b>142,539</b>	<b>41,000</b>	<b>150,905</b>	<b>176,080</b>	<b>1,350</b>	<b>1,010</b>	<b>512,884</b>

Movement on property, plant & equipment y/e 31st March 2021	OPERATIONAL PROPERTY, PLANT & EQUIPMENT				NON OPERATIONAL	TOTAL PPE	
	Schools	Sports facilities	Infrastructure	Other	Surplus Assets	Assets under Construction	£'000
				operational assets			
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost and valuation at 1st April 2020	140,565	49,708	210,968	192,305	233	16,898	<b>610,677</b>
Accumulated depreciation	-3,298	-960	-90,761	-14,102	-22	0	<b>-109,143</b>
<b>Net Book Value at 1st April 2020</b>	<b>137,267</b>	<b>48,748</b>	<b>120,207</b>	<b>178,203</b>	<b>211</b>	<b>16,898</b>	<b>501,534</b>
<i>Movements during the year</i>							
Depreciation charged	-3,543	-2,560	-8,439	-5,109	-7		<b>-19,658</b>
Additions	1,906	43	22,076	5,301		7,301	<b>36,627</b>
Disposals	-2,960			-3,780			<b>-6,740</b>
Revaluations							
- to revaluation reserve	57			5,768	25		<b>5,850</b>
- to surplus/deficit on provision of services				764			<b>764</b>
Impairments							
- to revaluation reserve	-2,368			-2,056	-6		<b>-4,430</b>
- to surplus/deficit on provision of services	-4,323	-1,293		-3,106			<b>-8,722</b>
Reclassifications	13,310			-2,098	492	-23,960	<b>-12,256</b>
<b>Net Book Value at 31st March 2021</b>	<b>139,346</b>	<b>44,938</b>	<b>133,844</b>	<b>173,887</b>	<b>715</b>	<b>239</b>	<b>492,969</b>
Cost and valuation at 31/3/21	145,976	47,794	233,044	187,113	714	239	<b>614,880</b>
Accumulated depreciation	-6,630	-2,856	-99,200	-13,226	1	0	<b>-121,911</b>
<b>Net Book Value at 31st March 2021</b>	<b>139,346</b>	<b>44,938</b>	<b>133,844</b>	<b>173,887</b>	<b>715</b>	<b>239</b>	<b>492,969</b>
<i>Nature of asset holding</i>							
Ow ned	135,759	44,938	133,844	173,887	715	239	<b>489,382</b>
Finance lease							<b>0</b>
PFI	3,587						<b>3,587</b>
	<b>139,346</b>	<b>44,938</b>	<b>133,844</b>	<b>173,887</b>	<b>715</b>	<b>239</b>	<b>492,969</b>

Virtually all our PPE assets which are carried on a revalued basis rather than at historical cost, are carried at current value based on:

- Existing use market values for service potential or, where there is no active market;
- DRC using build cost rates at 31st March for a modern equivalent asset.

Despite the unprecedented circumstances, our external valuers are of the view that property markets are mostly functioning and that there exists sufficient market evidence on which to base valuation opinions and they therefore have confidence that their valuations are free from material valuation uncertainty.

Management have considered the potential impact on each property/valuation type in turn. For assets valued at existing use, we consider that Covid-19 may have some longer term impact on the valuation of markets; offices; halls and community centres, and car parks, but until a “new normality” is established, it is difficult to quantify what the extent of this might be. The total NBV of these assets is £16m and any effect is therefore unlikely to be significant. For other assets valued at existing use value, there is no evidence as at the 31st March that the service potential requirement is in any way affected in the long term.

For assets valued on a DRC basis, build cost rates have increased significantly over the year. We consider that there will be no change in the modern equivalent asset for our main categories of schools and sports facilities. School buildings, for example, will not suddenly become surplus following a period of home schooling, nor will they be suddenly deemed inadequately sized due to social distancing requirements. In fact, the Government has prioritised the return to school normality. Similarly, we expect sports facilities to be well used as people begin to relax into the freedoms afforded by the removal of months of restriction. For other assets valued at DRC (including libraries, theatre, museums, day centres and the crematorium), we do not anticipate a reduction in the level of service required. These assets are valued at £69m and any effect is again unlikely to be significant.

Therefore, for assets valued at current value, we have assessed that there is no evidence to suggest that the values as at 31<sup>st</sup> March 2022 are materially misstated or require adjustment.

The Council has identified sufficient capital resources to fund its approved capital programme of £172m during the period 2021/22 to 2023/24. It is anticipated that this will include capital expenditure in relation to schools (£21m); Housing schemes (£23m); Roads (£33m), and regeneration initiatives (£71m). Included in these costs are a number of transport related schemes funded by the West Yorkshire Transport Plus Transport Fund and Transforming Cities Fund. In addition to this the council has been awarded Future High Street Funding of £18m for Halifax and Elland and town investment planned funding of £37m for Brighouse and Todmorden. All of these four schemes will be funded by government grant.

## **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. These assets have indeterminate lives and residual values commensurate with carrying values and hence depreciation is not considered necessary. The Balance Sheet includes collections of artwork £2.8m, civic regalia £0.5m, furniture £0.2m, and other artefacts £0.2m.

There were no movements on Heritage assets during the year.

## 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 (£0.5m) was earned in the year, mainly from shop lettings.

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.

2020/21	Movement on Investment Properties	2021/22
£'000		£'000
<b>10,388</b>	<b>Cost and valuation at 1st April</b>	<b>18,033</b>
	<i>Movements during the year</i>	
1	Additions	6,554
-35	Disposals	-40
	Revaluations	
	- to revaluation reserve	
2,386	- to surplus/deficit on provision of services	210
	Impairments	
	- to revaluation reserve	
-7,138	- to surplus/deficit on provision of services	-6,589
12,431	Reclassifications	-160
<b>18,033</b>	<b>Net Book Value at 31st March</b>	<b>18,008</b>
8,902	Certified Valuation at 31st March	8,551
229	Accumulated spend	6,554
<b>9,131</b>	<b>Net Book Value at 31st March</b>	<b>15,105</b>
	<i>Nature of asset holding</i>	
18,033	Owned	18,008
	Finance lease	
	PFI	
<b>18,033</b>		<b>18,008</b>

Investment property values are expressed at fair value as at the balance sheet date, based on various observable inputs. We have assessed that subsequent developments have not materially altered our view as to conditions as at that date.

## 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 PPE 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, a total of 109 assets were revalued at £165m by David Gray MRICS, Chris Wilkinson MRICS of Capita, our external valuers. This included the Council's schools, depots, various operational land and buildings, as well as one investment property, the Northgate House Commercial Development. Three PPE assets were revalued internally at £55m by an in-house qualified valuer who also valued the remaining investment properties and held for sale assets (£10m). Investment properties and held for sale assets are assessed annually to reflect values at the balance sheet date.

Where evidence shows valuation changes of more than 10% in our major asset classes of schools and sports facilities, these are revalued internally, using the appropriate rates identified. The market review indicated that no such revaluations were required this year. In addition, any other individual PPE assets with a net book value over £10m are revalued internally.

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

The potential impact of the Covid-19 pandemic on property values at the balance sheet date has been considered and judgements disclosed in the accompanying notes on Property, Plant and Equipment (note 6) and investment Properties (note 8).

This table shows when items of property, plant and equipment assets were formally revalued.

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

Date valued	2021/22	2020/21	2019/20	2018/19	2017/18	Historical cost/ other	Net book value	NBV per PPE note
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Schools	6,676	13,379	119,170			121	139,346	142,539
Sports Centres	2,072	23,513	19,283	62		8	44,938	41,000
Other	80,745	23,385	40,931	11,753	2,972	14,101	173,887	176,080
Infrastructure						133,844	133,844	150,905
Surplus Assets	715						715	1,350
Assets under Construction						239	239	1,010
<b>Total</b>	<b>90,208</b>	<b>60,277</b>	<b>179,384</b>	<b>11,815</b>	<b>2,972</b>	<b>148,313</b>	<b>492,969</b>	<b>512,884</b>

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.

## 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, revenue and reserves, 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, ("revenue expenditure funded by capital under statute" known by the acronym "refcus") comprises spend mainly on voluntary aided schools; housing related grants and advances; and the provision of affordable housing through partnership arrangements. This is treated as revenue expenditure and is included with any associated grant funding in the 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.

<b>2020/21</b>	<b>Capital Financing</b>	<b>2021/22</b>
<b>£'000</b>		<b>£'000</b>
	<b>Capital expenditure</b>	
36,627	Property, plant and equipment	38,887
1	Investment properties	6,554
12	Held for sale assets	0
0	Investments	36
81	Long Term Debtors	0
<u>3,820</u>	Revenue expenditure financed by capital (refcus)	<u>8,065</u>
<b>40,541</b>		<b>53,542</b>
	<b>Financed by</b>	
15,092	Borrowing	11,631
746	Capital Receipts	866
22,930	Grants & Contributions	39,444
<u>1,773</u>	Revenue & Reserves	<u>1,601</u>
<b>40,541</b>		<b>53,542</b>

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 £5.5m were made to offset the in-year borrowing requirement of £11.6m. The overall CFR at the year- end stood at £238.5m (2020/21 - £232.0m).

## 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 £6.7m. 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 the Government and other public bodies, and for monies outstanding from taxpayers for business rates and council tax. Other receivables and accruals 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.

<u>2021</u>	<u>ANALYSIS OF DEBTORS AT 31st MARCH</u>	<u>2022</u>
<u>£'000</u>		<u>£'000</u>
	<i>Grants, contributions &amp; reimbursements</i>	
15,153	Central Government	14,405
5,388	NHS bodies	7,621
8,397	Other local authorities	1,086
	<i>Sales, fees, charges and other income</i>	
6,756	Receivables	5,857
3,514	Other accruals	9,650
	<i>Taxation</i>	
6,995	Council taxpayers	7,309
1,587	Non domestic ratepayers	857
2,474	Prepayments	2,810
<b>50,264</b>	<b>Total Debtors</b>	<b>49,595</b>

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.

A charge of £0.501m during the year for impairment of debtors has been made to the net cost of services in the CIES. The pandemic does not appear to have adversely affected debt recovery rates and there has therefore been no specific revision to the rates used in the calculation of lifetime expected credit losses. A reduction in collection rates of 10% would

increase expected credit losses by approximately £0.27m.

Charges of £1.036m for impairment of debtors have been made to the collection fund for council tax and business rate debts, increasing expected credit losses. Reflecting the difficulty of recovering such sums in the current environment, assumed future collection rates have been reduced when forecasting expected yields from local taxation.

### 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 of £70m were made with financial institutions (£43.5m) and the Government's Debt Management Office (£26.5m). 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.

<u>2020</u>	<u>2021</u>	<b>Cash and cash equivalents - cash held at</b>	<u>2022</u>
<b>£'000</b>	<b>£'000</b>	<b>31st March</b>	<b>£'000</b>
8,904	10,357	Cash held in school bank accounts	10,712
3,668	4,903	Cash held in Council bank accounts	6,084
50	50	Cash held by the Council	75
<b>12,622</b>	<b>15,310</b>		<b>16,871</b>
-	-	<b>Cash and cash equivalents - bank overdraft</b>	-
<b>12,622</b>	<b>15,310</b>	<b>Total cash and cash equivalents</b>	<b>16,871</b>

## 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 employee related expenses such as pension contributions due to pension providers outstanding from the March payroll, accumulated absences and tax and social security payments. Trade payables are sums still to be paid for goods and services received. Other accruals include PWLB interest; benefit and other grants due for repayment; business rate shares payable to the Government. Taxation creditors are sums due for refunds of overpayments by business ratepayers and council taxpayers. 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.

The large increase in the figure for trade payables is due to receipt of government funding (£13m) relating to the £150 council tax rebate scheme. This has begun to be paid out to residents during 2022/23. The trade payables level should normalise by the year end. Tax and Social security creditors increased due to the settlement of the Local Government pay award for 2021/22 (settled in March 2022), leaving an exaggerated balance due to HMRC at the year end. This was paid over in April 2022.

<b>2021</b>	<b>ANALYSIS OF CREDITORS AT 31st MARCH</b>	<b>2022</b>
<b>£'000</b>		<b>£'000</b>
	<i>Employee taxes, pensions and accumulated absences</i>	
-2,863	Tax & social security	-4,895
-3,178	Pension	-2,202
-5,196	Accumulated absences	-4,599
	<i>Trade and other payables</i>	
-16,434	Trade payables	-30,563
-45,411	Other accruals	-44,383
	<i>Taxation</i>	
-758	Council taxpayers	-829
-1,129	Non domestic ratepayers	0
-6,201	Deferred income	-9,573
<b>-81,170</b>	<b>Total Creditors</b>	<b>-97,044</b>

## 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 (£1.9m)

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 (£1.1m) 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 £0.75m to £1.5m being made. Settlements of £1.5m were made during the year.

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 based on past claims experience.

(ii) Business rate appeals (£2.9m)

Councils are liable for a share of any successful appeals against rates charged. These appeals can go back several years. Appeals are determined by an independent body - the Valuation Office Agency. Previously in a pool retaining 75% of rate income, this figure has fallen sharply from last year as the Government now takes a 50% share and as a consequence, a further 25% of the total provision is now borne by the Government. This analysis relates only to the Council's share.

The level of provision is 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 the effect of past successful appeals and past changes to the net amount collectable. Due to the extensive reliefs offered whereby many businesses have had reduced rates liabilities, and to proposed legislation removing the right of businesses to seek revaluations of their premises because of Covid-19, we are not expecting any significant upward pressure on the level of provision as a result of the pandemic.

(iii) Other (<£0.1m)

This relates to a small need to provide for future staff redundancies.

All material provisions are listed below:

<b>ANALYSIS OF MOVEMENT IN PROVISIONS 2021/22</b>	<b>Insurance claims</b>	<b>Business rate appeals</b>	<b>Other</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Opening balance 1st April 2021	-2,352	-3,170	-130	-5,652
Additional provision made	-1,055	-946	-32	-2,033
Settlements made	1,467	1,061	130	2,658
Reversal of amounts not used	0	118		118
<b>Closing balance 2021/22</b>	<b>-1,940</b>	<b>-2,937</b>	<b>-32</b>	<b>-4,909</b>
<i>Expected to be settled: -</i>				
<i>within 12 months</i>	-1,438	-2,937	-32	-4,407
<i>after 12 months</i>	-502	0	0	-502

#### **ANALYSIS OF MOVEMENT IN PROVISIONS 2020/21**

Opening balance 1st April 2020	-2,735	-6,899	-2,121	-11,755
Additional provision made	-965	-511	-130	-1,606
Settlements made	1,348	1,452	2,121	4,921
Reversal of amounts not used	0	2,788		2,788
<b>Closing balance 2020/21</b>	<b>-2,352</b>	<b>-3,170</b>	<b>-130</b>	<b>-5,652</b>
<i>Expected to be settled: -</i>				
<i>within 12 months</i>	-1,074	-3,170	-130	-4,374
<i>after 12 months</i>	-1,278	0	0	-1,278

## **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, by specific Council resolution, or at the discretion of the Chief Finance Officer. 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 £5.9m was put into reserves. Some of the main increases relate to supporting the budget going forwards (and especially to smooth fluctuations in the Collection Fund and the potential for increased borrowing costs for the Capital Programme) as well as certain future programmes of work in health and social care.

Balance b/f 1/4/2020	Added to Reserves	Taken from Reserves	Balance c/f 31/3/2021	Reserves at 1st April	Balance b/f 1/4/2021	Added to Reserves	Taken from Reserves	Balance c/f 31/3/2022
£'000	£'000	£'000	£'000		£'000	£'000	£'000	£'000
1,709	643		2,352	Public Health grant	2,352	474		2,826
1,961	2,177		4,138	Budget support	4,138	3,399		7,537
5,845	6,763		12,608	Covid-19 grant support	12,608		-4,644	7,964
1,621			1,621	IT reserves	1,621		-329	1,292
65	150		215	s106 Planning Agreements	215			215
7,012	61		7,073	Contingent Liabilities	7,073		-284	6,789
2,822	215		3,037	Investment reserve	3,037	785	-733	3,089
1,461	510		1,971	Early retirement	1,971	473		2,444
303	10,876		11,179	Business rates support	11,179		-3,620	7,559
186	498	-186	498	Policy reserves - carry forwards	498	534	-498	534
594		-17	577	Flooding reserve	577		-577	-
2,914			2,914	MRP	2,914			2,914
-	4,458		4,458	Covid-19 service grants	4,458	1,000	-2,237	3,221
200	1,264		1,464	Better care fund	1,464	2,016	-251	3,229
3,497	2,383	-1,129	4,751	Other Earmarked Reserves	4,751	5,091	-1,468	8,374
				Hospital Discharges		1,000		1,000
				Workforce Recruitment		1,000		1,000
				Green Homes		567		567
				Social Care Reserve		1,137		1,137
				Collection Fund Reserve		2,236		2,236
				Debt Charges		1,614		1,614
<b>30,190</b>	<b>29,998</b>	<b>-1,332</b>	<b>58,856</b>	<b>Total non schools reserves</b>	<b>58,856</b>	<b>21,326</b>	<b>-14,641</b>	<b>65,541</b>
739	395		1,134	Schools staff absences	1,134		-306	828
3,252	1,188		4,440	School contingencies	4,440		1,064	3,376
6,745	2,534	-82	9,197	Statutory schools reserves	9,197	1,076	-519	9,754
<b>10,736</b>	<b>4,117</b>	<b>-82</b>	<b>14,771</b>	<b>Total school reserves</b>	<b>14,771</b>	<b>1,076</b>	<b>-1,889</b>	<b>13,958</b>
<b>40,926</b>	<b>34,115</b>	<b>-1,414</b>	<b>73,627</b>	<b>Reserves at 31st March</b>	<b>73,627</b>	<b>22,402</b>	<b>-16,530</b>	<b>79,499</b>

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
Covid-19 grant support	Grant funding to help mitigate the financial effects of Covid-19 faced by the Council
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
Business rates support	Grant funding to offset the loss of business rates income due to mandatory rate reliefs
Policy reserves - carry forwards	Service underspends carried forward into 2021/22
Flooding reserve	Grant funding towards flood repair costs
MRP	Towards reprofiling debt repayments
Covid-19 service grants	Upfront funding of service specific costs/losses due to the pandemic
Better care fund	Funding for health related schemes in conjunction with the NHS
Other Earmarked Reserves	Miscellaneous service reserves
Hospital Discharges	Funding set aside for post-discharge support from hospitals for social care clients
Workforce Recruitment	Grant funding provided by Government to help councils improve social care workforce capacity
Green Homes	Funding from government to pay for low carbon/energy saving works in low income households
Social Care Reserve	To provide further resilience and to help the Council manage its social care demand and cost pressures
Collection Fund	Set aside for losses in Council Tax and Business Rates income, due to external pressures
Debt Charges	To help mitigate the impact that cost inflation and rising interest rates are having on the Capital Programme
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 the year-end is £9.754m, which is 11.1% of school spending.

### 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. The balance of £38.4m includes £12m of schools related capital grants; £4m for highways works; £15m for redevelopment; and £7m for housing adaptations.

2020/21 £'000	Usable capital receipts reserve	2021/22 £'000	2020/21 £'000	Capital grants unapplied reserve	2021/22 £'000
0	Balance at 1st April	0	23,226	Balance at 1st April	23,941
746	Capital receipts received	866	10,618	Grants recognised but not applied	25,041
-746	Used to fund capital expenditure	-866	-9,903	Grants used for capital financing	-10,561
<b>0</b>	<b>Balance at 31st March</b>	<b>0</b>	<b>23,941</b>	<b>Balance at 31st March</b>	<b>38,421</b>

## 18 General Fund Balance

The total net cost of services provided by the Council is met from the General Fund. This is paid for by council tax, non-domestic rates income 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.

General Fund balances are £5.848m at the year end, and these are forecast to remain relatively static over the next 3 years. Total balances at the year-end are 1.2% of gross expenditure. Excluding expenditure on schools (which have their own specific reserves), balances are 1.5%.

## 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 17 separate bodies 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 no material deficits exist.

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

Around 60% of the Council's total income comes from Government grants. 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 Government grants 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:

<b>Government grant credited to the Net Cost of Services</b>	<b>2021/22 £m</b>	<b>2020/21 £m</b>
Dedicated Schools' Grant	103.1	99.3
Pupil Premium Grant	5.1	5.4
Universal Infants Free School Meals	1.4	1.7
Primary PE and Sport Premium	1.0	1.0
Covid-19 grants to schools	1.2	0.0
The Private Finance Initiative (PFI)	2.5	2.3
Youth Justice Board	0.5	0.4
Troubled Families grants	0.8	0.8
Unaccompanied Asylum Seeking Children	0.7	0.5
Improved Better Care Fund	7.3	7.3
Winter Pressures Grant	0.9	0.9
Independent Living Fund	0.8	0.8
Rapid testing	1.1	0.0
Infection Control Grant	2.3	3.6
Discretionary Housing Payments	0.2	0.7
Mandatory Rent Allowances	35.6	39.1
Mandatory Rent Rebates outside HRA	1.0	0.2
Public Health grant	13.6	13.5
Covid-19 outbreak management	1.6	6.1
Future high St/Towns fund	0.1	0.3
Skills Funding Agency	1.2	0.8

Outbreak management and infection control are specific funding streams to manage the pandemic. A further £7.7m of Covid related funding is included within Other Government Grants. This is one off funding and will no longer be available once the effects of lockdown restrictions begin to ease.

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:-

<b>Government grant credited to non specific grant income in SDOPS</b>	<b>2021/22 £m</b>	<b>2020/21 £m</b>
Revenue support grant	7.3	7.3
Business rates relief grant	10.4	16.9
Adult social care support grant	6.5	5.4
Covid-19 Support Grant	7.7	17.6
Local Council Tax Support Grant	2.2	0.0
PFI grant re interest	2.4	2.6
Other non ringfenced government grants	1.9	2.0
<b>Total Government revenue grants not attributable to specific services</b>	<b>38.4</b>	<b>51.8</b>
Government capital grants	42.0	19.2

Of the Covid grants recognised in NCOS, a proportion has been carried forward to meet some of the costs and losses expected in 2022/23 as services resume and restrictions are eased. Non-government capital grants in addition to the figure shown above amount to £4.2m.

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. They therefore have no impact on the level of revenue expenditure met by council tax and business ratepayers.

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 have been included within creditors. 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. The Schools Budget includes elements for a range of educational services provided on an authority-wide basis, and the Individual Schools Budget (ISB) which is divided into a budget share for each school and early years' setting.

Details of the deployment of DSG receivable for the year are as follows:

SCHOOLS BUDGET FUNDED BY DEDICATED SCHOOLS GRANT	CENTRAL EXPENDITURE	HIGH NEEDS	EARLY YEARS	INDIVIDUAL SCHOOLS BUDGET	TOTAL
	£000s	£000s	£000s	£000s	£000s
<b>2021/22</b>					
Final DSG for 2021/22 before academy recoupment	2,346	25,849	13,991	172,430	214,616
Academy figure recouped for 2021/22		-1,817		-110,065	-111,882
Total DSG after Academy recoupment for 2021/22	2,346	24,032	13,991	62,365	102,734
DSG in year adjustments	-183		-163	-38	-384
Brought forward from 2020/21	0	1,002	1,809	1,629	4,440
Final budgeted distribution for 2021/22	2,163	25,034	15,637	63,956	106,790
Less actual central expenditure	-2,163	-15,490			-17,653
Less deployed to schools/settings		-8,839	-14,037	-62,885	-85,761
<b>Carry forward to 2022/23</b>	<b>0</b>	<b>705</b>	<b>1,600</b>	<b>1,071</b>	<b>3,376</b>
<b>2020/21</b>					
Final DSG for 2020/21 before academy recoupment	2,448	22,683	14,149	160,554	199,834
Academy figure recouped for 2020/21		-1,693		-98,836	-100,529
Total DSG after Academy recoupment for 2020/21	2,448	20,990	14,149	61,718	99,305
DSG in year adjustments	0		-121	-49	-170
Brought forward from 2019/2020		302	1,943	1,007	3,252
Final budgeted distribution for 2020/21	2,448	21,292	15,971	62,676	102,387
Less actual central expenditure	-2,448	-20,290	-14,162		-36,900
Less deployed to schools/settings				-61,047	-61,047
<b>Carry forward to 2021/22</b>	<b>0</b>	<b>1,002</b>	<b>1,809</b>	<b>1,629</b>	<b>4,440</b>

## 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 (9 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 liability to pay future lease rentals is included in the balance sheet. The four secondary schools have now become academies and these assets are no longer on the Council's balance sheet. The remaining primary school is valued at £3.7m at the year end.

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

<b>Year ended 31st March 2022</b>	<b>Service Charges</b>	<b>Repayment of liability</b>	<b>Interest costs</b>	<b>Total unitary charge</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
Less than one year	3.0	2.4	2.2	7.6
Between one and two years	3.1	2.6	2.0	7.7
Between two and five years	9.5	9.4	4.5	23.4
Between five and ten years	10.4	12.5	1.7	24.6
	<b>26.0</b>	<b>26.9</b>	<b>10.4</b>	<b>63.3</b>

<b>2020/21</b>	<b>2021/22</b>
<b>£m</b>	<b>£m</b>
31.1 Liability outstanding at start of year	29.1
-2 Payments made during the year	-2.2
<b>29.1</b> Liability outstanding at end of year	<b>26.9</b>

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 £0.5m p.a). This increase (known as contingent rent) forms part of the service charge. The Council will receive grant of £46m 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 (Integrated Care Board in future years) 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 to cover £19.3m of in year expenditure. The Integrated Commissioning Executive, consisting of officers from the Council and the CCG, agrees how these monies are to be spent. These recommendations are then approved by the Health & Well Being Board. The agreed programme covers a range of intervention and prevention measures across the Borough, and schemes to promote independence, recovery, reablement, rehabilitation, discharge from hospital and end of life support. Each partner progresses its own schemes. During the year, the CCG spent £5.8m and Calderdale Council spent £13.5m.

## 24 Material items of income and expense

The CIES includes Government grant funding of £12.7m relating to Covid-19. Of this, £5.0m is for specific purposes such as infection control, rapid testing and outbreak management, and £7.7m is general grant funding to assist the Council. This includes £1.1m to compensate for loss of income from facilities which were unable to operate as normal during lockdown and local restrictions, including sports centres and the theatre.

## **E. Technical and other disclosures**

### **25 Changes in accounting policies**

*Change to come into effect on 1<sup>st</sup> April 2023.*

IFRS 16 is a new accounting standard for lease transactions for lessees. Following the Covid-19 pandemic, the introduction of this standard has been further deferred for one year to 1<sup>st</sup> April 2023.

The new standard 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. Low value items below £10k will be exempt (subject to these not being material in aggregate), and a cost basis will be used where this is a reasonable approximation of current value.

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. The extent of these effects depends on the number of leased assets affected by the new standard. It is not anticipated that any effects will be significant. The value of Right of Use assets brought onto the balance sheet is estimated at this stage to be less than £2m.

Regulations ensure that there will be no change to the costs to council taxpayers, with the accounting charges for Right of Use assets being replaced by the payments actually made under the terms of the leases.

### **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.

2021/22	General fund balance £'000	Usable capital receipts reserve £'000	Capital grants unapplied reserve £'000	Movement in unusable reserves £'000
<b>Adjustments relating to capital items</b>				
<i>Reversal of items charged to the CIES</i>				
Charges for depreciation and amortisation of non current assets	20,222			-20,222
Valuation changes of non current assets	14,526			-14,526
Capital grants and contributions	-53,924		14,480	39,444
Revenue expenditure funded from capital under statute	8,065			-8,065
Amounts of non current assets written off on disposal or sale	953			-953
Sale proceeds and other capital receipts	-866	866		0
Use of the capital receipts reserve to finance new capital expenditure		-866		866
<i>Insertion of items not charged to the CIES</i>				
Minimum revenue provision for repayment of debt	-5,720			5,720
Capital expenditure funded from revenue	-1,601			1,601
<b>Total adjustments relating to capital items</b>	<b>-18,345</b>	<b>0</b>	<b>14,480</b>	<b>3,865</b>
<b>Adjustments relating to pensions</b>				
Reversal of IAS19 pension charges	49,051			-49,051
Employers' pension contributions	-16,187			16,187
<b>Total adjustments relating to pensions</b>	<b>32,864</b>	<b>0</b>	<b>0</b>	<b>-32,864</b>
<b>Other adjustments</b>				
Collection fund income recognised in the CIES	-125,734			125,734
Collection fund income recognised under statute	118,203			-118,203
Fair value changes in pooled investment funds	-780			780
Accrual for holiday pay and similar items	-597			597
<b>Total other adjustments</b>	<b>-8,908</b>	<b>0</b>	<b>0</b>	<b>8,908</b>
<b>Total adjustments</b>	<b>5,611</b>	<b>0</b>	<b>14,480</b>	<b>-20,091</b>

2020/21	General fund balance £'000	Usable capital receipts reserve £'000	Capital grants unapplied reserve £'000	Movement in unusable reserves £'000
<b>Adjustments relating to capital items</b>				
<i>Reversal of items charged to the CIES</i>				
Charges for depreciation and amortisation of non current assets	19,658			-19,658
Valuation changes in non current assets	12,836			-12,836
Capital grants and contributions	-23,645		715	22,930
Revenue expenditure funded from capital under statute	3,820			-3,820
Amounts of non current assets written off on disposal or sale	7,092			-7,092
Sale proceeds and other capital receipts	-746	746		0
Use of the capital receipts reserve to finance new capital expenditure		-746		746
<i>Insertion of items not charged to the CIES</i>				
Minimum revenue provision	-4,954			4,954
Capital expenditure funded from revenue	-1,773			1,773
<b>Total adjustments relating to capital items</b>	<b>12,288</b>	<b>0</b>	<b>715</b>	<b>-13,003</b>
<b>Adjustments relating to pensions</b>				
Reversal of IAS19 pension charges	37,208			-37,208
Employers' pension contributions	-15,935			15,935
<b>Total adjustments relating to pensions</b>	<b>21,273</b>	<b>0</b>	<b>0</b>	<b>-21,273</b>
<b>Other adjustments</b>				
Collection fund income recognised in the CIES	-113,571			113,571
Collection fund income recognised under statute	125,512			-125,512
Fair value changes in pooled investment funds	32			-32
Accrual for holiday pay and similar items	994			-994
<b>Total other adjustments</b>	<b>12,967</b>	<b>0</b>	<b>0</b>	<b>-12,967</b>
<b>Total adjustments</b>	<b>46,528</b>	<b>0</b>	<b>715</b>	<b>-47,243</b>

## 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: -

- 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 in OCI and so are part of the CIES which brings together all the gains and losses for the period.
- Accounts arising from the adjustments needed to reconcile 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.

<b>2020/21 Capital adjustment account</b>	<b>2021/22</b>
<b>£'000</b>	<b>£'000</b>
<b>175,036 Balance at 1st April</b>	<b>167,227</b>
-19,658 Charges for depreciation and amortisation of non current assets	-20,222
-12,836 Valuation changes in non current assets	-14,526
23,645 Capital grants and contributions recognised	53,924
-3,820 Revenue expenditure funded from capital under statute	-8,065
-7,092 Amounts of non current assets written off on disposal or sale	-953
4,954 Provision for the financing of capital investment charged against the General Fund	5,720
1,773 Capital expenditure charged against the General Fund	1,601
<hr/>	
-13,034 <i>Reversal of items charged to the Comprehensive Income and Expenditure Statement:</i>	17,479
746 Funding of capital expenditure from the capital receipts reserve	866
5,194 Adjusting amounts written out of the Revaluation Reserve	3,816
-715 Adjusting amounts written out of the Capital Grants Unapplied Reserve	-14,480
<hr/>	
5,225 <i>Total movements from other reserves</i>	-9,798
<hr/>	
<b>167,227 Balance at 31st March</b>	<b>174,908</b>

### Revaluation Reserve

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

- revalued downwards or impaired and the gains are lost
- 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.

<b>2020/21 Revaluation reserve</b>	<b>2021/22</b>
<b>£'000</b>	<b>£'000</b>
<b>125,058 Balance at 1st April</b>	<b>121,284</b>
5,850 Upward revaluation of assets	18,988
-4,430 Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	-8,690
<i>1,420 Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services</i>	<i>10,298</i>
-3,199 Difference between fair value depreciation and historical cost depreciation	-3,248
-1,995 Accumulated gains on assets sold or scrapped	-568
-5,194 <i>Amount written off to the Capital Adjustment Account</i>	<i>-3,816</i>
<b>121,284 Balance at 31st March</b>	<b>127,766</b>

#### 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.

<b>2020/21 Pensions reserve</b>	<b>2021/22</b>
<b>£'000</b>	<b>£'000</b>
<b>-360,773 Balance at 1st April</b>	<b>-428,892</b>
-46,846 Actuarial gains or losses on pensions assets and liabilities	164,237
-37,208 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	-49,051
15,935 Employer's pensions contributions and direct payments to pensioners payable in the year	16,187
<b>-428,892 Balance at 31 March</b>	<b>-297,519</b>

#### 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. Surpluses are available to the Council in future years in line with prescribed regulations. Deficits must be addressed when setting future council tax charges.

<b>2020/21</b>	<b>Collection fund adjustment account</b>	<b>2021/22</b>
<b>£'000</b>		<b>£'000</b>
3,776	Surplus at 1st April	-8,165
113,571	Collection fund income recognised in the CIES	125,734
-125,512	Collection fund income recognised under statute	-118,203
<b>-8,165</b>	<b>Surplus / (Deficit) at 31st March</b>	<b>-634</b>

#### 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 time 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.

<b>2020/21 Accumulated absences account</b>	<b>2021/22</b>
<b>£'000</b>	<b>£'000</b>
<b>-4,202 Balance at 1st April</b>	<b>-5,196</b>
4,202 Settlement or cancellation of accrual made at the end of the preceding year	5,196
-5,196 Amounts accrued at the end of the current year	-4,599
-994 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	597
<b>-5,196 Balance at 31st March</b>	<b>-4,599</b>

The Financial Instruments Revaluation Reserve and the Pooled Investment Fund Adjustment

Account show the accumulated gains and losses on certain financial assets measured at fair value and which are detailed in Section 29.

## 28 Cash Flow

The cashflow statement analyses the changes in cash and cash equivalents held by the Council during the period. 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.

<b>2020/21</b>		<b>2021/22</b>
<b>£'000</b>		<b>£'000</b>
	<b>Non cash movements</b>	
-19,658	Depreciation and amortisation	-20,222
-12,836	Impairments/downward revaluation through the revenue a/c	-14,526
3,982	Change in provisions	743
-21,252	Change in debtors/creditors	-17,943
59	Change in inventories	340
-21,273	Change in pension liability	-32,864
-7,092	Non current assets sold	-953
-32	Change in the valuation of pooled investment funds	780
<b>-78,102</b>		<b>-84,645</b>

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

<b>2020/21</b>		<b>2021/22</b>
<b>£'000</b>		<b>£'000</b>
	<b>Items that are investing and financing activities</b>	
746	Proceeds from the sale of PPE, Investment Property and held for sale assets	866
19,982	Capital grants recognised in year as financing cash flows	46,864
<b>20,728</b>		<b>47,730</b>

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

<b>2020/21</b>		<b>2021/22</b>
<b>£'000</b>		<b>£'000</b>
-77	Dividends Received	-307
-380	Interest Received	-251
6,827	Interest Paid	6,750

## 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, 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 2022		31st March 2021	
	Carrying Amount £'000	Fair Value £'000	Carrying Amount £'000	Fair Value £'000
<i>Financial Assets measured at Fair Value:</i>				
Investments through Profit and Loss	5,223	5,223	4,443	4,443
Investments through Other Comprehensive Income	2,106	2,106	2,036	2,036
<i>Financial Assets measured at Amortised Cost:</i>				
Long term debtors	4,444	2,846	4,505	2,818
Current debtors	38,619	38,619	39,208	39,208
Short term investments	70,000	70,000	33,800	33,800
Cash and cash equivalents	16,811	16,811	15,310	15,310
<b>Total financial assets</b>	<b>137,203</b>	<b>135,605</b>	<b>99,302</b>	<b>97,615</b>
<i>Financial Liabilities measured at Amortised Cost:</i>				
Borrowings	132,406	162,087	130,503	174,636
PFI and other long term liabilities	28,136	35,870	30,411	40,768
Current creditors	79,841	79,841	64,708	64,708
Bank overdraft	-	-	-	-
<b>Total financial liabilities</b>	<b>240,383</b>	<b>277,798</b>	<b>225,622</b>	<b>280,112</b>

### Financial Assets

#### Fair Value through Profit and Loss (£5.2m)

The Council has an investment of £5m in the CCLA local authority property fund, giving exposure through a pooled fund to commercial property. Gains and losses are charged to SDOPS. Regulations permit these charges to be reversed out such that the charges do not affect the amounts to be met through local taxation. The asset is shown on the balance sheet at fair value with any changes in fair values being taken to the Pooled Investment Fund Adjustment Account.

## Fair Value through Other Comprehensive Income (£2.5m)

These assets are shown on the balance sheet at fair value with any changes in fair values being taken to the Financial Instruments Revaluation Reserve.

- Equity Homebuy scheme (£1.1m)

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. Equity loans represent a share of equity in the purchased property.

- Revolving Investment Fund (£1.8m)

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 City Council 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.

- WEAVE (-£0.4m)

The Council is the sole shareholder in WEAVE, a housing development company creating new homes across the borough, including affordable housing. The Council has commercial loan arrangements in place with Weave and will provide some management services. At the year end, the company had debts (all owed to the Council) of £0.4m.

## Amortised Cost (£129.9m)

The following assets 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	£4.4m
• Current debtors	£38.6m
• Short term investments	£70.0m
• Cash and cash equivalents	<u>£16.9m</u>
	£129.9m

- Long Term Debtors (£4.4m)

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. £2.9m has so far 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.

2020/21 £'000	ANALYSIS OF LONG TERM DEBTORS	2021/22 £'000
610	Cash homebuy / improvement schemes	610
336	Loans to Academy schools	293
2,920	Loans to Piece Hall Trust	2,920
639	Other	621
<b>4,505</b>		<b>4,444</b>

- Current Debtors (£38.6m)

The sum of £38.619m (for grants, contributions & reimbursements and sales, fees, charges & other income, net of expected credit losses) has been included as an amortised cost financial asset. 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 (£70.0m)

The Council holds a number of short term investments at the 31<sup>st</sup> 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 maximum investment during the year of £10m at any one time is reserved for clearing banks with Fitch and Moody's credit ratings of at least 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 £8m 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 £6m 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 (£16.9m)

This is cash balances held in individual school bank accounts as part of the delegated financial management of schools (£8.2m) and cash held in the Council's bank accounts (£8.7m). The Council's bank figure is the reconciled position on the Council's bank accounts at 31<sup>st</sup> 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	£132.4m
• Other liabilities	£28.1m
• Current creditors	<u>£79.8m</u>
	<u>£240.3m</u>

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 (£132.4m)

All borrowings are shown at amortised cost which for these loans is the same as principal outstanding. Of the total borrowings £126.8m has been borrowed from the PWLB, £5.4m from Salix Finance Ltd (which provides interest-free Government funding to the public sector to improve their energy efficiency, reduce carbon emissions and lower energy bills) and a small residual balance (£0.2m) of historical loans. No other sources such as other financial institutions, local authorities and other bodies were being used as at the balance sheet date. Contractual obligations (both principal repayments and associated interest charges) arising from Council borrowings are detailed below.

2020/21		ANALYSIS OF LOANS BY MATURITY AT 31st MARCH	2021/22	
Principal	Interest due		Principal	Interest due
£'000	to maturity £'000		£'000	to maturity £'000
9,383	264	Maturing within one year	5,911	264
5,740	284	Maturing within 1 - 2 years	5,021	284
16,603	2,312	Maturing within 2 - 5 years	15,462	2,312
22,177	8,220	Maturing within 5 - 10 years	21,612	8,220
76,600	70,508	Maturing in more than 10 years	84,400	70,508
<b>130,503</b>	<b>81,588</b>	<b>Total borrowing</b>	<b>132,406</b>	<b>81,588</b>

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 £158.1m 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 £133.6m.

If the Council were to seek to repay all PWLB debt at the balance sheet date, the sum required would be £156.5m. 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 re-pay debt would result 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.

Borrowings of £5.4m have been secured on favourable terms to support green energy initiatives. The fair value of these is £6.9m. There are no short term loans as at the balance sheet date but if there were then the fair value would equal the balance outstanding.

- Other liabilities (£28.1m)

This reflects long term commitments by the Council relating to future rentals required under the schools PFI scheme, and to the repayment of loan debt administered by other local authorities 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 £35.9m based on discounting future cash flows at prevailing interest rates.

<b>ANALYSIS OF OTHER LIABILITIES BY MATURITY AT 31st MARCH</b>		
<b>2020/21 £'000</b>		<b>2021/22 £'000</b>
2,275	Maturing within one year	2,469
2,469	Maturing within 1 - 2 years	2,680
8,751	Maturing within 2 - 5 years	9,505
16,051	Maturing within 5 - 10 years	12,651
865	Maturing in more than 10 years	831
<b>30,411</b>	<b>Total borrowing</b>	<b>28,136</b>

- Current creditors (£79.8m)

The total of £79.841m for trade payables and other accruals, and for tax and social security 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. The last full valuation was in March 2019 as a result of which employer rates were set to be subject to annual review and are currently at 17.1%. Regular employer contributions charged in 2021/22 were £14.1m and are forecast to be £14.7m in 2022/23.

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 establishes the investment principles of the scheme. The Joint Advisory Group oversees the administration of the fund and responds to legislative changes. The WYPF pension board aims to ensure effective governance and regulatory compliance.

The Council has about 5,000 active members, 6,500 pensioners and dependants and 6,900 deferred pensioners in the scheme. Total scheme membership is nearly 300,000 and there are approximately 450 individual bodies participating in the scheme. Total contributions into the fund are nearly £480m.

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 17.1% is the rate needed, together with employee contributions, to cover the cost of service being earned by current active members and reduced to recover existing funding surpluses over 22 years. In order to ensure that the deficit is recovered over the proposed period, the rate will be subject to annual review in the light of any significant shift in the underlying fund valuation assumptions (particularly, following the Covid-19 pandemic, any impact on mortality rates or the returns on investments as a result of market uncertainty and volatility). The Council builds these changes 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 106% of the estimated liability for pension benefit payments at that date. This surplus meant that employer contribution rates could be maintained. 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 will 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 19 years.

The Council also meets 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 cost of such contributions during the year was £318k.

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 23.68% (which includes a 0.08% administration levy). As at 31 March 2021 (the date of the latest published accounts) the pension liabilities of the TPS were valued at £481.0bn. Contributions from members and employers are paid to the Exchequer, and the Exchequer effectively meets the cost of all benefits.

The Council has approximately 1,000 employees paying into the TPS scheme (which has a total membership of over 2m from over 11,000 participating employers and is administered by Capita Business Services Ltd on behalf of the Department for Education). The total paid in nationally is £8.6bn. Total employer contributions to the TPS by the Council were £7.4m (£7.5m in 2020/21). Expected contributions to the Teachers' Pension Scheme in the year to 31<sup>st</sup> March 2023 are £7.5m, but this depends on the number of schools converting to academies and the agreed teachers' pay award for the year.

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 (£0.7m 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 (19). Total NHS scheme membership is in excess of 3 million from over 8,000 participating employers. Council employer/employee contributions totalled £0.21m from a national total contribution of approximately £15bn. Expected contributions in 2023/24 are £0.21m.

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 20.68%, including a 0.08% administration levy. NHS England are paying a proportion of this centrally, and the effective rate to be paid by the Council is 16.88%. At 31 March 2021 (the date of the latest published accounts) the pension liabilities of the Scheme were valued at £757.1 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.

<i>Financial assumptions</i>	2021/22	2020/21
Consumer price index inflation	3.0%	2.7%
Rate of Increase in salaries	4.25%	3.95%
Rate of increase in pensions	3.0%	2.7%
Rate for discounting scheme liabilities	2.7%	2.1%
<i>Mortality Assumptions:</i>		
Longevity at 65 for current pensioners:		
men	21.8	21.9
women	24.6	24.7
Longevity at 65 for future pensioners:		
men	22.5	22.6
women	25.7	25.8

There are two major pension issues which, although the pension fund rules have not yet been changed, are likely to require some remedy to the local government pension scheme in order to remove potential age and sex discriminatory practices. There is some uncertainty as to the extent to which these issues will apply, or what remedies will be implemented.

- 1) As part of revisions to the local government pension scheme in 2014 aimed at reducing the cost of such schemes to the taxpayer and making them more sustainable, certain protections were offered to scheme members nearing retirement age in order to ensure that they did not incur loss through moving from a final salary to a career average scheme. Following the ruling in the "McCloud case" it is considered likely that such protections will need to be extended to all scheme members irrespective of age. The figures allow for remedies to be applied as appropriate to all members in service from 1<sup>st</sup> April 2012 on retirement, or prior withdrawal and with extension to benefits payable to dependants. The figures have been calculated using an average cost factor for each individual active member based on their age, sex, and pensionable pay in the latest valuation data.
- 2) The Government is also committed to equalising the Guaranteed Minimum Pension part of the State Pension irrespective of age or sex. The figures allow for full pension increases to be paid on GMP's to individuals reaching state pension age after 6<sup>th</sup> April 2016.

The effect of these issues on scheme liabilities is reflected in the figures below and is estimated to be around £10m.

A third issue aimed, following the “Goodwin case”, at eliminating inequalities for some surviving male spouses, has not been reflected in the figures. At this stage, it is estimated that the effect of this could be to increase pension liabilities by around £2m.

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. The dataset used to determine the discount rate has been expanded to include all bonds rated at AA by at least one of the main ratings agencies. This has led to an increase in the discount rate and a consequent reduction in scheme liabilities of around 11.1%.
- 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. Inflation assumptions are set by reference to inflation rates priced into the gilts market. These rates are currently based on the (typically higher) Retail Price Index. However, other technical amendments to moderate the perceived supply and demand effect on market implied inflation rates have had the opposite effect, reducing forecast liabilities by a similar amount. Pensions increases are set as being equal to the CPI assumption. Salary increases are set at CPI with an additional allowance for promotional increases within scale.
- 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. Due to the pandemic, recent deaths have been well outside the usual range. It is considered too early fully to assess what the impact of these higher rates might be on future cashflows and so mortality assumptions do not reflect the impact of the pandemic pending a more measured consideration within the model used.

The effect on the Council’s pension fund liability of marginal changes in these factors is shown below:-

	Effect on liability	
	£m	%
0.1% change in discount rate	23	1.9
0.1% change in salary increases	3	0.2
0.1% change in pension increases	21	1.7
1 year change in member life expectancy	43	3.5

Only the LGPS has pension fund assets. These were valued at 31<sup>st</sup> March 2022 at £939.5m (2021: £861.9m) and the accounting liabilities for this scheme were calculated to be £1,237.1m (2021: £1,271.0m). Including the unfunded LGPS and TPS pension

enhancements (for which the pension liabilities were £11.6m and £6.3m respectively), total IAS 19 pension fund liabilities of £1,237.1m (2021: £1,290.7m) have been recorded. The overall net pension liability for all defined benefit schemes has fallen by £53.6m (4.2%) over the year.

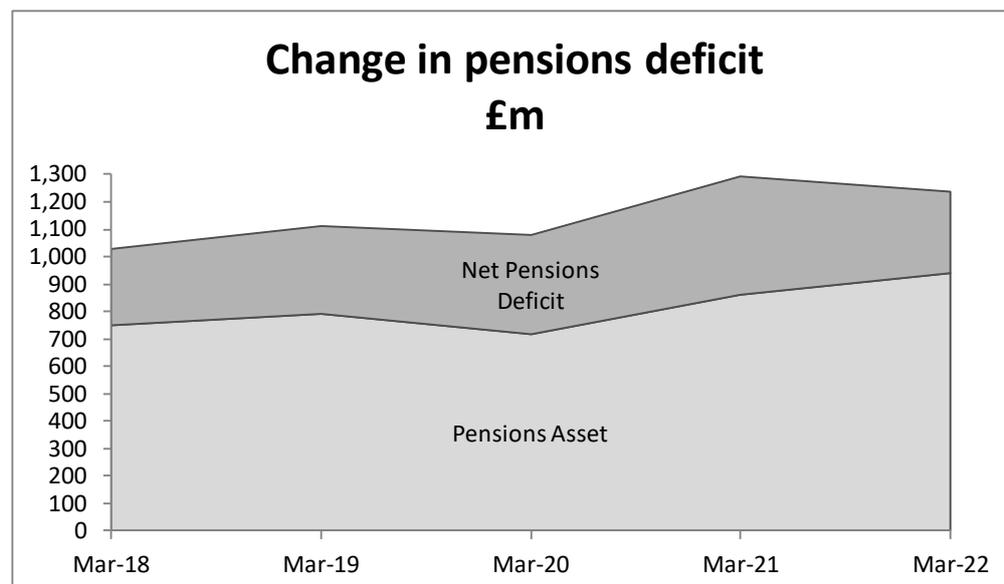
The Council's asset share of £939.5m is invested as follows:-

	% split of pension fund assets 31st March 2022			31st March 2021		
	Quoted %	Unquoted %	Total	Quoted %	Unquoted %	Total
Equity investments	67.8	12.0	79.8	68.7	10.2	78.9
Government Bonds	7.4	0.0	7.4	9.0	0.0	9.0
Other Bonds	4.8	0.0	4.8	4.8	0.0	4.8
Property	1.6	2.4	4.0	1.7	2.3	4.0
Cash liquidity	0.0	2.9	2.9	0.0	1.3	1.3
Other assets	0.0	1.1	1.1	0.0	2.0	2.0
<b>Total</b>	<b>81.6</b>	<b>18.4</b>	<b>100</b>	<b>84.2</b>	<b>15.8</b>	<b>100</b>

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.



Pension accounting charges included within SDOPS were £49.0m. However, the statutory charge against council tax is based on the amounts payable by the Council to the pension fund in the year (£16.2m). 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.

<b>IAS 19 pensions accounting charges (£'000)</b>	<b>Assets</b>	<b>Liabilities</b>	<b>Net pension liability</b>	<b>Expenses recognised in SDOPS</b>	<b>Total (gains)/losses recognised in OCIE</b>
<b>Value as at 1st April 2021</b>	<b>861,864</b>	<b>-1,290,756</b>	<b>-428,892</b>		
Current service costs		-39,948	-39,948	39,948	
Past service cost		-262	-262	262	
Net interest on the net defined benefit liability			-8,841	8,841	
Of which: - interest on the defined benefit obligation		-26,778			
- interest income on plan assets	17,937				
Remeasurement of the net defined benefit liability					
- on plan assets	75,086		75,086		-75,086
- on liabilities - financial assumptions		78,178	78,178		-78,178
- on liabilities - demographic assumptions		12,624	12,624		-12,624
- on liabilities - experience		-1,651	-1,651		1,651
Employer contributions	16,187		16,187		
Contributions by plan participants	5,244	-5,244	0		
Net benefits paid out	-36,774	36,774	0		
Net decreases from disposals and acquisitions			0		
<b>Value as at 31st March 2022</b>	<b>939,544</b>	<b>- 1,237,063</b>	<b>- 297,519</b>	<b>49,051</b>	<b>- 164,237</b>
<i>Adjustment to charges made in accordance with IAS 19 to those required under regulations</i>				-	32,864
<i>Amount falling due to be met by council taxpayers (employer contributions to the scheme)</i>				16,187	

IAS 19 pensions accounting charges (£'000)	Assets	Liabilities	Net pension liability	Expenses recognised in SDOPS	Total (gains)/losses recognised in OCIE
<b>Value as at 1st April 2020</b>	<b>717,066</b>	<b>-1,077,839</b>	<b>-360,773</b>		
Current service costs		-28,946	-28,946	28,946	
Past service cost		-143	-143	143	
Net interest on the net defined benefit liability			-8,119	8,119	
Of which: - interest on the defined benefit obligation		-24,433			
- interest income on plan assets	16,314				
Remeasurement of the net defined benefit liability					
- on plan assets	144,387		144,387		-144,387
- on liabilities - financial assumptions		-205,046	-205,046		205,046
- on liabilities - demographic assumptions			0		0
- on liabilities - experience		13,813	13,813		-13,813
Employer contributions	15,935		15,935		
Contributions by plan participants	5,170	-5,170	0		
Net benefits paid out	-37,008	37,008	0		
Net decreases from disposals and acquisitions					
<b>Value as at 31st March 2021</b>	<b>861,864</b>	<b>- 1,290,756</b>	<b>- 428,892</b>	<b>37,208</b>	<b>46,846</b>
<i>Adjustment to charges made in accordance with IAS 19 to those required under regulations</i>				-	21,273
<i>Amount falling due to be met by council taxpayers (employer contributions to the scheme)</i>					<u>15,935</u>

Which pension figures do I use for the LGPS? The accounting deficit identifies assets of £939.5m and liabilities of £1,237.1m – a funding position of 76%. The triennial review of the fund on which contribution rates are based showed a much stronger funding position of 106%. 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 2019 and 31 March 2022). Some key assumptions for the IAS 19 accounting valuation are based on those used for the most recent actuarial valuation (March 2019). 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. There can be a noticeable effect following scheme triennial reviews when mortality rates and other less easily identifiable data are updated.

### **31 Authorisation**

Relevant events after the balance sheet date have been considered up to the date included on the statement of responsibilities, being the date on which these statements of accounts were authorised for issue by the Chief Finance Officer. Any events taking place after the year end but before the date of publication are considered and reflected only where the event provides information on conditions existing at the balance sheet date. No events after the balance sheet date have been identified. Events taking place after the date of authorisation are not reflected in the financial statements or notes. These accounts will be subject to formal external audit verification and may be amended as part of that process.

## **F Accounting Policies**

The statement of accounts summarises the Council's transactions for the financial year to 31<sup>st</sup> March, and its financial position as at that date. Following the Government's response to the Redmond review of the effectiveness of external audit and the transparency of financial reporting in local authorities, local authorities are now under a duty to prepare their accounts and have these signed by the responsible finance officer, and to publish them on or before the first working day in August.

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 contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract.
- 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, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

### **Cash and cash equivalents**

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments 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 any 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 NDR and council tax income included in the CIES is the Council's share of the accrued income for the year. However, regulations determine the amount of council tax and NDR that can be released from the collection fund to the general fund. This is 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.

The balance sheet includes the Council's share of year end balances in respect of council tax and NDR arrears, impairment allowances for doubtful debts; overpayment, prepayments and appeals. 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 NDR collected in the year, and the net cost of pursuing arrears. Cash collected as agent does not arise from revenue activities, and is excluded from operating activities. Cash held as agent, being the difference between 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 are not adjusted. Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

### **Financial Assets**

The classification of financial assets is based on the business model for holding the assets and their cashflow characteristics.

Financial assets are classified into three types:

- Amortised cost. Such assets are those where there are contractual terms giving rise on specified dates to cash flows which are solely payments of principal and interest on the principal outstanding, and where the business model is to collect the cash flows arising.
- Fair value through other comprehensive income (FVOCI). Such assets are those where these conditions hold true, but the business model includes selling the financial assets,
- Fair value through profit and loss (FVPL). All other financial assets with different contractual cashflows and business models.

Election can be made on initial recognition for some FVPL equities to be classed as FVOCI if the equity instrument is not held for trading (i.e. they are not held principally for selling in the “near term” and/or are held for reasons which are not purely financial).

#### *Amortised cost.*

Financial assets that are measured at amortised cost are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and they are initially measured at fair value. They are subsequently measured at amortised cost. 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 financial assets, 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.

#### *Fair value through other comprehensive income and fair value through profit and loss*

The Council has one investment which is measured at FVPL and three long term investments which would ordinarily fall to be classed as FVPL but which, as these investments are made

for reasons other than commercial gain, the Council has elected to value these assets as FVOCI.

Financial assets that are measured at fair value are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and they are initially measured and carried at fair value. Subsequent remeasurement gains and losses are, for FVOCI assets, taken to the Financial Instrument Revaluation Reserve (FIRR) and charged to OCI and, for FVPL assets, taken to the Pooled Investment Fund Adjustment Account (PIFAA) and charged to the financing and investment income and expenditure line in SDOPS.

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.

Any gains or losses on derecognition of an asset are recognised in the CIES along with any gains/losses previously recognised in the FIRR/PIFAA.

#### *Impairment of financial assets*

The Council recognises expected credit losses on all financial assets held at amortised cost and fair value. Impairment losses are calculated to reflect the prospect that expected future cash flows might not take place due to default.

If risk has increased significantly between initial recognition and the balance sheet date, impairment is based on expected credit losses from all possible defaults over the expected life of the instrument, otherwise impairment is based on a 12 month expected loss (that is the lifetime expected credit loss multiplied by the probability of the default occurring within the next 12 months).

A simplified approach is applied to trade receivables whereby the loss allowance is measured at an amount equal to lifetime expected credit losses thus avoiding the need to consider annually whether there has been an increase in credit risk. This is based on probability weighted outcomes and other supporting information.

#### **Financial Liabilities**

Financial liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument. Financial liabilities are initially measured at fair value and are then carried at amortised cost. Annual charges for interest payable are based on the carrying amount of the liability multiplied by the effective interest rate of the instrument. 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. These charges 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.

### **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. Impairments and gains and losses on disposal are accounted for in accordance with the policies for impairment, and property, plant and equipment.

### **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.*

Property, plant and equipment held under finance leases is recognised on the Balance sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments if lower).

The asset recognised is matched by a liability for the obligation to pay the lessor. 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).

The asset is carried at current value 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).

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).

### *Operating 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 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 and individual assets with a net book value over £10m 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). 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. Credit losses for anticipated cashflows being less than expected 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, local taxation, 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 permitted 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.

## SUPPLEMENTARY ACCOUNTING STATEMENTS

### 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), West Yorkshire Combined Authority (on behalf of the Mayor for West Yorkshire for the Police), 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 in the Collection Fund Adjustment Account. The balance due to/from the Government and other preceptors is included in creditors and debtors.

#### Collection fund

Council Tax £'000	Business Rates £'000	2020/21 £'000	COLLECTION FUND	2021/22 £'000	Council Tax £'000	Business Rates £'000
115,028		115,028	<b>INCOME</b>			
		0	Billed to Council Taxpayers	121,662	121,662	
	33,826	33,826	Business rates transitional relief received	0		
	687	687	Non-Domestic Rates income (net of interest on refunds)	47,256		47,256
			Contributions towards previous year's collection fund deficit	19,917	753	19,164
<b>115,028</b>	<b>34,513</b>	<b>149,541</b>	<b>TOTAL INCOME</b>	<b>188,835</b>	<b>122,415</b>	<b>66,420</b>
			<b>EXPENDITURE</b>			
			<i>Precepts and Demands</i>			
97,863	26,445	124,308	Calderdale Metropolitan Borough Council	126,742	100,716	26,026
12,310		12,310	Police and Crime Commissioner for West Yorkshire	12,991	12,991	
4,131	540	4,671	West Yorkshire Fire & Rescue Authority	4,662	4,131	531
		141,289		144,395		
			<i>Business Rates</i>			
	26,985	26,985	Payment to Government	26,557		26,557
	483	483	Business rates transitional relief paid over	243		243
	452	452	Disregarded business rate income due to renewable energy	480		480
	347	347	Cost of Collection	348		348
		28,267		27,628		
			<i>Impairment of debts and appeals</i>			
777	0	777	Write offs of uncollectable amounts	660	661	-1
1,329	1,854	3,183	Allowance for impairment of collectable amounts	1,036	1,430	-394
	-2,853	-2,853	Allowance for losses on appeal	-477		-477
		1,107		1,219		
			<i>Contributions</i>			
1,210	0	1,210	From previous year's collection fund surplus	0		0
<b>117,620</b>	<b>54,253</b>	<b>171,873</b>	<b>TOTAL EXPENDITURE</b>	<b>173,242</b>	<b>119,929</b>	<b>53,313</b>
-2,592	-19,740	<b>-22,332</b>	<b>MOVEMENT ON FUND BALANCE IN YEAR</b>	<b>15,593</b>	2,486	13,107
1,146	3,475	<b>4,621</b>	<b>OPENING FUND SURPLUS / (DEFICIT) AT 1ST APRIL</b>	<b>-17,711</b>	-1,446	-16,265
-1,446	-16,265	<b>-17,711</b>	<b>CLOSING FUND SURPLUS / (DEFICIT) AT 31ST MARCH</b>	<b>-2,118</b>	1,040	-3,158

# Notes to the Collection Fund

## 1. Business Rates

### *Income from business rates 2021/22*

Under statutory arrangements business rates, based on a rate poundage determined nationally by the Government and applied to rateable values determined by HM Revenue and Customs, are collected locally by the Council. The rate specified by the Government for 2021/22 was 51.2p (49.9p for small businesses). In 2021/22, the gross amount collectable net of refunds was £47.256m, based on a non-domestic rateable value at the 31<sup>st</sup> March 2022 of £159,047,539.

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 £53.114m payable in 2021/22 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 £6.629m. There are also potential losses on appeal which is estimated at £5.993m for appeals as at 31<sup>st</sup> March 2022. The Council accounts for its proportionate share (49%) of these balances.

### *Business Rates Deficit as at 31st March 2022*

At the year end, the business rates collection fund can be in surplus or deficit dependent on collection rates, the level of revaluations, and additional reliefs introduced after the start of the year. At the 31<sup>st</sup> March 2022, business rates within the Collection Fund had a deficit of £3.158m. This is mainly due to the introduction of business rate reliefs during 2021/22 in response to the coronavirus pandemic. These reliefs will be funded through S31 grant which will offset the deficit generated by granting them. The deficit is shared proportionately between the Council, Central Government and West Yorkshire Fire and Rescue Authority. The deficit will be released from the collection fund in line with Government regulations during 2022/23 with any outstanding balance being released thereafter. The Council's share of the business rates deficit, £1.547m, is included on the Balance Sheet in the collection fund adjustment account.

## 2. Council Tax

### *Council Tax Surplus at 31<sup>st</sup> March 2022*

The Council and the other precepting authorities (West Yorkshire Combined Authority on behalf of the Mayor for West Yorkshire for the Police 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 and discounts etc. At the 31<sup>st</sup> March 2022, the Collection Fund had a surplus of £1.040m. This surplus is shared proportionately between the precepting authorities. The Council's share of this surplus, £0.887m, is included on the Balance Sheet in the collection fund adjustment account.

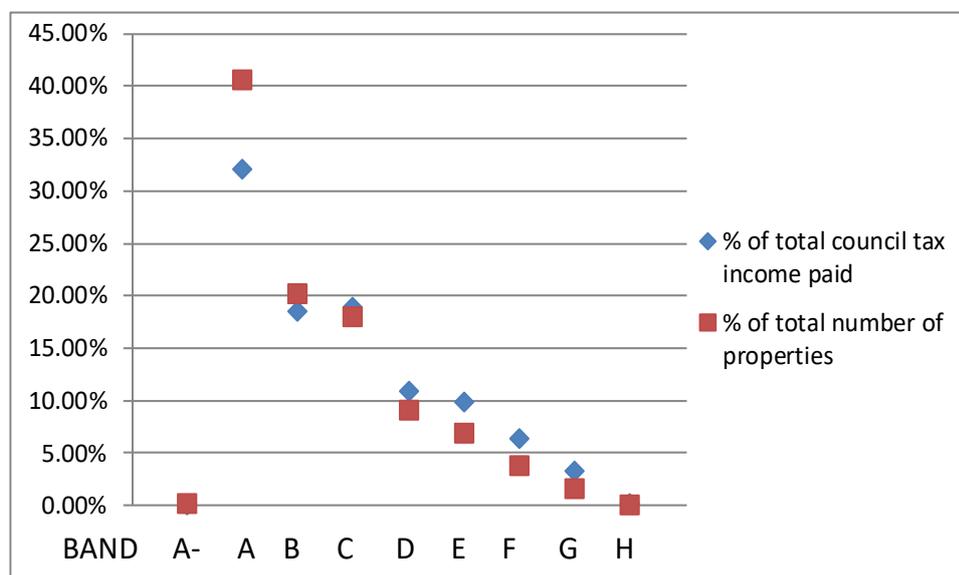
## Calculation of Council Tax Base 2021/22

In accordance with Section 67(2) of the Local Government Finance Act 1992, the Council Tax base was approved by the Council on 11<sup>th</sup> January 2021. The amount calculated as Calderdale's Council Tax base for 2021/22 (allowing for a 97% collection rate), was as follows:-

Council Tax Band	Number of dwellings*	Proportion of band D tax	Band D equivalent
A-	76.50	5/9	42.50
A	30,450.25	6/9	20,300.17
B	15,113.75	7/9	11,755.14
C	13,470.00	8/9	11,973.33
D	6,858.50	9/9	6,858.50
E	5,134.50	11/9	6,275.50
F	2,803.75	13/9	4,049.86
G	1,231.00	15/9	2,051.67
H	41.50	18/9	83.00
	75,179.75		63,389.67
	Less allowance for non-collection		-1,901.69
	<b>Council tax base - band D equivalent</b>		<b>61,487.98</b>

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

The following graph shows the proportion of total properties in each bracket, and the proportion of overall council tax payable by those properties.



The total Council Tax requirement in 2021/22 (including Parishes, Police and Fire Authorities) was £117.838m. The Council Tax at Band D equivalent was set at £1,916.45 for 2 adults and £1,437.34 for one adult.

### Bad Debts Provision

The total bad debt provision for Council Tax as at 31 March 2022 was £9.556m (£8.126m in 2021).

### 3. Payments to precepting bodies

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

Precept 2020/21	Share of surplus/ (deficit)	Payments made	Payments made to Government / precepting bodies	Precept 2021/22	Share of surplus/ (deficit)	Payments made
£m	£m	£m	<i>Council Tax</i>	£m	£m	£m
97.863	1.036	98.899	Calderdale MBC	100.716	-0.645	100.071
12.310	0.129	12.439	Police and Crime Commissioner for West Yorkshire	12.991	-0.081	12.910
4.131	0.045	4.176	West Yorkshire Fire and Rescue Authority	4.131	-0.027	4.104
<b>114.304</b>	<b>1.210</b>	<b>115.514</b>		<b>117.838</b>	<b>-0.753</b>	<b>117.085</b>
			<i>Business Rates</i>			
26.445	-0.284	26.161	Calderdale MBC	26.026	-8.349	17.677
26.985	-0.396	26.589	Central Government	26.557	-10.623	15.934
0.540	-0.007	0.533	West Yorkshire Fire and Rescue Authority	0.531	-0.192	0.339
<b>53.970</b>	<b>-0.687</b>	<b>53.283</b>		<b>53.114</b>	<b>-19.164</b>	<b>33.950</b>

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

## The Director of Resources and Transformation's Responsibilities.

The Director of Resources and Transformation holds the statutory role of Chief Finance Officer and is responsible for the preparation of the Council's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

In preparing this statement of accounts, the Director of Resources and Transformation 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 Director of Resources and Transformation 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 for the year ended 31st March 2022 has been prepared in the form directed by the Code and under the accounting policies set out in note 32, and, in my opinion, the Statement of Accounts presents fairly the income and expenditure and cash flows for the financial year and gives a true and fair view of the financial position as at the end of the financial year.



B McIntyre CPFA  
Director of Resources and Transformation

**2<sup>nd</sup> December 2024**

I confirm that these accounts were approved by the Audit Committee on the 2<sup>nd</sup> December 2024. Signed by the chair of the meeting on behalf of Calderdale Metropolitan Borough Council.



Cllr M Hey  
Chair of Audit Committee

**2<sup>nd</sup> December 2024**

# INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CALDERDALE METROPOLITAN BOROUGH COUNCIL

## Disclaimer of Opinion

We were engaged to audit the financial statements of Calderdale Metropolitan Borough Council 'the Council' for the year ended 31 March 2022. The financial statements comprise the:

- Council Movement in Reserves Statement,
- Council Comprehensive Income and Expenditure Statement,
- Council Balance Sheet,
- Council Cash Flow Statement
- the related notes 1 to 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 2021/22 as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022).

We do not express an opinion on the accompanying financial statements of the Council. Because of the significance of the matter described in the basis for disclaimer of opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

## Basis for disclaimer of opinion

The Accounts and Audit (Amendment) Regulations 2024 (Statutory Instrument 2024/907), which came into force on 30 September 2024, requires the accountability statements for this financial year to be approved not later than 13<sup>th</sup> December 2024. This requirement meant that we were unable to obtain sufficient appropriate audit evidence to provide a basis for our opinion as we had insufficient resources in the time available to perform all necessary procedures to support the local government audit reset.

We commenced our audit in September 2022, however we were unable to complete our procedures on:

- Our 2021/22 audit as there were capacity issues within the Council's finance team, impacting on their ability to support the audit and respond to audit requests, which resulted in us having to cease our audit work on the 2021/22 audit.
- The valuation of infrastructure assets. Audit work in this area was delayed whilst we were waiting for the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022). Following the publication of this Update to the Code, the Council was required to update their disclosures and provide supporting evidence for us to perform our audit procedures.
- The valuation of the pension liability, additional procedures and supporting information was required to assess the impact of the triennial valuation of the pension fund on the 2021/22 audit
- When the Council's finance team were in a position to provide the additional information, we did not have the required resources available to perform the work needed to complete the audit

Therefore, we are disclaiming our opinion on the financial statements.

## Matters on which we report by exception

Notwithstanding our disclaimer of opinion on the financial statements we have nothing to report in respect of whether the annual governance statement is misleading or inconsistent

with other information forthcoming from the audit, performed subject to the pervasive limitation described above, or our knowledge of the Council.

We report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 (as amended)
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014 (as amended)
- 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 (as amended)
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 (as amended)
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014 (as amended)
- we are not satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2022.

We have nothing to report in these respects

### **Responsibility of the Chief Finance Officer**

As explained more fully in the Statement of the Chief Finance Officer's Responsibilities set out on pages 89, the Chief Finance Officer 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 2021/22 as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022), and for being satisfied that they give a true and fair view and for such internal control as the Chief Finance Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Chief Finance Officer is responsible for assessing the Council'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 Council either intends to cease operations, or has no realistic alternative but to do so.

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

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

Our responsibility is to conduct an audit of the Council's financial statements in accordance with International Standards on Auditing (UK) and to issue an auditor's report.

However, because of the matter described in the basis for disclaimer of opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

We are independent of the Council 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 Code of Audit Practice 2024 and we have fulfilled our other ethical responsibilities in accordance with these requirements.

## **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 2024, having regard to the guidance on the specified reporting criteria issued by the Comptroller and Auditor General in November 2024, as to whether Calderdale Metropolitan Borough Council had proper arrangements for financial sustainability, governance and improving economy, efficiency and effectiveness. The Comptroller and Auditor General determined these criteria as those 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 2022.

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 (as amended) to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

### **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 (as amended) 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 (as amended) 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 Council and the Council's members as a body, for our audit work, for this report, or for the opinions we have formed.



*Hassan Rohimun*  
Ernst & Young LLP

Hassan Rohimun (Key Audit Partner)  
Ernst & Young LLP (Local Auditor)  
Manchester  
9 December 2024

## 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 does not merely maintain 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, West Yorkshire Combined Authority (on behalf of the Mayor for West Yorkshire for the Police), the West Yorkshire Fire and Rescue Authority and the Council's General Fund can 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.

**Curtailement** 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.

**Expected Credit Loss** For a financial asset, the prospect that the net present value of expected cashflows will not match the net present value of contractual cashflows. This difference is the lifetime expected credit loss. When multiplied by the probability of the default occurring within the next 12 months, this equals the twelve month expected credit loss. Financial assets are impaired by these amounts as appropriate.

**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, 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** Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that users of general purpose financial statements make on the basis of those 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.

**NCOS – Net Cost of Service.** This is the final cost of a service after all sources of income have been deducted from gross expenditure.

**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 (the Multiplier) 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.

**Other Comprehensive Income (OCI)** – these are unrealised gains and losses outside of the specific income included within services, which have not arisen from operating performance.

**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 West Yorkshire Combined Authority (on behalf of the Mayor for West Yorkshire for the Police), 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 facility is operated by the UK Government’s Debt Management Office (DMO) on behalf of HM Treasury. It provides loans to authorities at favourable rates and 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, assets of the Council. 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.

**SDOPS** – Surplus or Deficit on the Provision of Services

**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.