Public Document Pack

Business Efficiency Board

Wednesday, 27 September 2017 at 6.30 p.m.
Civic Suite, Town Hall, Runcorn

Chief Executive

BOARD MEMBERSHIP

Councillor Martha Lloyd Jones (Chair)	Labour
Councillor Joe Roberts (Vice-Chair)	Labour
Councillor John Bradshaw	Conservative
Councillor Arthur Cole	Labour
Councillor Chris Loftus	Labour
Councillor Andrew MacManus	Labour
Councillor Tony McDermott	Labour
Councillor Ged Philbin	Labour
Councillor Norman Plumpton Walsh	Labour
Councillor John Stockton	Labour
Councillor Andrea Wall	Labour

Please contact Angela Scott on 0151 511 8670 or e-mail angela.scott@halton.gov.uk for further information.

The next meeting of the Board is on Wednesday, 22 November 2017

ITEMS TO BE DEALT WITH
IN THE PRESENCE OF THE PRESS AND PUBLIC

Part I

In accordance with the Health and Safety at Work Act the Council is required to notify those attending meetings of the fire evacuation

procedures. A copy has previously been circulated to Members and instructions are located in all rooms within the Civic block.

BUSINESS EFFICIENCY BOARD

At a meeting of the Business Efficiency Board held on Wednesday, 7 June 2017 at the Civic Suite, Town Hall, Runcorn

Present: Councillors M. Lloyd Jones (Chair), Joe Roberts (Vice-Chair), Cole, MacManus, McDermott, Philbin and J. Stockton

Apologies for Absence: Councillors J. Bradshaw, N. Plumpton Walsh and Wall

Absence declared on Council business: None

Officers present: E. Dawson, I. Leivesley, M. Murphy, A. Scott and T. Dean

Also in attendance: Mark Heap and Georgia Jones, Grant Thornton (External Auditor)

ITEMS DEALT WITH UNDER DUTIES EXERCISABLE BY THE BOARD

Action

BEB1 MINUTES

The Minutes of the meeting held on 1 February 2017 were taken as read and signed as a correct record.

BEB2 HOUSING BENEFIT SUBSIDY CLAIM CERTIFICATION

The Board considered a report of the Strategic Director, Enterprise, Community and Resources, which provided an update on the certification of the external audit of the Council's Housing Benefit Subsidy Claim for 2015/16.

Representatives from Grant Thornton, the Council's external auditors, presented their certification letter to the Board. A copy of this was attached to the report at Appendix 1.

RESOLVED: That the report be noted.

BEB3 EXTERNAL AUDIT FEE 2017/18

The Board considered a report of the Strategic Director, Enterprise, Community and Resources, which provided Members with details of the scale of fees for the external audit work for 2017/18.

The Board was advised that the Local Audit

Accountability Act 2014 provided a new framework for local public audit. As a result, the Secretary of State for Communities and Local Government had delegated some statutory functions to Public Sector Audit Appointments Limited (PSAA) on a transitional basis.

The letter attached to the report set out the details of the audit fee proposed by the PSAA, along with the scope and timing of external audit work and the team that would be working on the audit.

RESOLVED: That the 2017/18 audit fee and the scope and timing of the planned external audit work be noted.

Strategic Director - Enterprise, Community & Resources

BEB4 EXTERNAL AUDIT LETTER TO THOSE CHARGED WITH GOVERNANCE

The Board considered a report of the Strategic Director, Enterprise, Community and Resources, which provided Members with a proposed response to the annual letter to the Board from Grant Thornton, the Council's external auditors, regarding their year-end audit of accounts work.

The Board was advised that International Auditing Standards required the Council's external auditors, Grant Thornton, to raise those charged with governance (i.e. the Business Efficiency Board), matters that may affect the Council's financial statements and to document the Board's response.

The Board was further advised that Appendix 1 attached to the report, presented a proposed response to a number of questions contained in the letters from Grant Thornton to the Chair of the Board. Grant Thornton representatives attended the meeting to discuss further questions with Board Members.

RESOLVED: That the proposed response to the Council's external auditors, shown in Appendix 1 attached to the report, be approved.

Strategic Director - Enterprise, Community & Resources

BEB5 EXTERNAL AUDIT PLAN 2016-17 YEAR END

The Board considered a report of the Strategic Director, Enterprise, Community and Resources, which sought approval of the External Audit Plan for the year end 2016/17.

The Board was advised that the report set out details of Grant Thornton's strategy and plan to deliver the 2016/17 audit of the Council's financial statements. It also provided details of their approach to the value for money conclusion.

RESOLVED: That the contents of the External Audit Plan for 2016/17 year end be noted.

BEB6 SAFEGUARDNG INTERNAL AUDIT INDEPENDENCE

The Board considered a report of the Operational Director, Finance, on the safeguards put in place to ensure internal auditor independence and objectivity in the light of recent changes to management structures.

The Board was advised that the Council's internal audit function sat within the Audit, Procurement and Operational Finance Division. It was noted that the Divisional Manager post was recognised in the Council's Constitution as being the Head of Internal Audit. Following restructuring and rationalisation of the Council's management structures, the Council's Head of Internal Audit now assumed responsibility for a number of other finance-related functions, as set out in the report. In addition, further proposed restructuring would result in this post assuming management responsibility for Income and Assessment; and Debtors and Fraud Investigation.

It was reported that the Public Sector Internal Audit Standards (PSIAS) provided the standards for the Professional Practice of Internal Auditing and were mandatory for all principal local authorities, which were subject to the Accounts and Audit (England) Regulations. There were a number of specific provisions within the PSIAS which addressed the issues of independence and objectivity and the independence of the internal audit function. Appendix A set out how the Council had responded to the requirements of the PSIAS which established a range of safeguards to limit any impairment to independence or objectivity of the Council's internal audit function.

RESOLVED: That the Business Efficiency Board notes and endorses the safeguards established to limit any impairment to independence or objectivity of the internal audit function.

Operational Director - Finance

BEB7 INTERNAL AUDIT ANNUAL REPORT - 2016/17

The Board considered a report of the Operational Director, Finance, which summarised the work of Internal

Audit during 2016/17 and presented an opinion on the effectiveness of the Council's overall risk management, control and governance processes.

It was noted that the Public Sector Internal Audit Standards (PSIAS) required the Head of Internal Audit to deliver an annual audit opinion and report which could be used to inform the Annual Governance Statement.

The Board noted information set out in the report relating to:-

- The Annual Opinion on the Council's framework of governance, risk management and control;
- A summary of work supporting the Annual Opinion;
- A statement on conformance with the Public Sector Internal Audit Standards;
- The Internal Audit Quality Assurance and Improvement Programme; and
- The Annual Review of the effectiveness of Internal Audit.

The Chair thanked all staff that had been involved in the preparation of the internal audit.

RESOLVED: That the Board notes and approves the Internal Audit Annual report 2016/17.

BEB8 DRAFT ANNUAL GOVERNANCE STATEMENT 2016/17

The Board considered a report of the Strategic Director, Enterprise, Community and Strategy, which sought approval of the draft Annual Governance Statement (AGS) for 2016/17.

The Board was advised that under the Accounts and Audit Regulations 2015, the Council must produce an AGS which must be approved by resolution of a Committee or Members of the authority as a whole. The AGS must also be approved in advance of the Council approving the statement of accounts.

The Council's Constitution delegated the responsibility to review and approve the AGS to the Business Efficiency Board. Once approved, the AGS would be signed by the Leader and Chief Executive and published on the Council's website.

The Board was further advised that the AGS was intended to identify any areas where the Council's governance arrangements needed to be developed and to set out any action that was proposed to strengthen those arrangements.

The draft AGS for 2016/17 was attached to the report. It was noted that the document identified two significant governance challenges for the Council; Funding Pressures and the Liverpool City Region Combined Authority, as detailed in the report.

RESOLVED: That, subject to the inclusion of an additional challenge relating to the need to maintain a robust IT governance framework,

Strategic Director - Enterprise, Community & Resources

1) the draft Annual Governance Statement be confirmed that it accurately reflects the Council's governance arrangements and governance challenges; and

2) the draft Annual Governance Statement be approved.

BEB9 CORPORATE RISK REGISTER 2017/18

The Board considered a report of the Strategic Director, Enterprise, Community and Resources, on the updated Corporate Risk Register for 2016/17.

The Board was advised that the Council recognised its responsibility to manage both internal and external risks as a key component of good corporate governance. At Directorate level, arrangements were in place for the high risk mitigation measures on the Directorate Risk Registers to be reviewed and updated mid-year, in line with Directorate Business Plans. Progress was then reported to Management Team and Policy and Performance Boards.

It was reported that the Risk Control Measures had been reviewed and updated in line with current changes within the Authority. The risks had been grouped in order of priority, as set out in the report. It was noted that the risks had been reprioritised so that people (community and staff), took priority. Therefore, two new risks had been included; 'Delivery of Services to Vulnerable Adults' and 'Making Halton Community Safe'.

RESOLVED: That

1) the progress of actions and comments raised be noted; and

2) the robustness of the Corporate Risk Register and the adequacy of the associated risk management arrangements be noted.

BEB10 SCHEDULE 12A OF THE LOCAL GOVERNMENT ACT 1972 AND THE LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985

The Board considered:

1) Whether Members of the press and public should be excluded from the meeting of the Board during consideration of the following item of business in accordance with Section 100A (4) of the Local Government Act 1972 because it was likely that, in view of the nature of the business to be considered, exempt information would be disclosed, being information defined in Section 100 (1) and paragraph 3 of Schedule 12A of the Local Government Act 1972; and

2) Whether the disclosure of information was in the public interest, whether any relevant exemptions were applicable and whether, when applying the public interest test and exemptions, the public interest in maintaining the exemption outweighed that in disclosing the information.

RESOLVED: That as, in all the circumstances of the case, the public interest in maintaining the exemption outweighed that in disclosing the information, members of the press and public be excluded from the meeting during consideration of the following item of business in accordance with Section 100A(4) of the Local Government Act 1972 because it was likely that, in view of the nature of the business, exempt information would be disclosed, being information defined in Section 100 (1) and paragraph 3 of Schedule 12A of the Local Government Act 1972.

BEB11 INTERNAL AUDIT PROGRESS REPORT

The Board considered a report of the Operational Director, Finance, which provided Members with a summary of internal audit work completed since the last progress report in February 2017. The report also provided details of progress against the 2016/17 Internal Audit Plan.

It was noted that a total of eleven Internal Audit reports had been finalised since the last progress report. An overall assurance opinion was provided for each audit engagement. In addition, it was anticipated that a number of audits that were not completed from 2016/17 would be carried forward and undertaken in the 2017/18 first quarter period.

RESOLVED: That the update on progress against the 2016/17 Internal Audit Plan be received.

Meeting ended at 7.30 p.m.

Agenda Item 3

REPORT TO:	Business Efficiency Board
DATE:	27 September 2017
REPORTING OFFICER:	Strategic Director – Enterprise, Community & Resources
SUBJECT:	Draft Annual Governance Statement - 2016/17
PORTFOLIO:	Resources
WARD(S):	Borough-wide

1.0 PURPOSE OF REPORT

The draft Annual Governance Statement (AGS) for 2016/17 was presented at the meeting of the Business Efficiency Board on 7 June 2017.

The Board resolved that the document accurately reflected the Council's governance arrangements. The Board also resolved to approve the draft AGS subject to the inclusion of an additional significant governance issue. That issue related to the need for the Council to maintain a robust IT governance framework in response to the ever increasing frequency and sophistication of cyber-attacks.

This report provides an updated version of the AGS with the inclusion of the additional governance issue requested by the Board.

2.0 RECOMMENDATIONS:

The Board is asked to review and approve the revised version of the Annual Governance Statement for 2016/17.

3.0 SUPPORTING INFORMATION

3.1 The AGS for 2016/17 is attached as a separate appendix. The document has been updated to include the additional governance issue requested by the Board. No other amendments have been made to the version presented to the Board in June.

4.0 POLICY, FINANCIAL AND OTHER IMPLICATIONS

4.1 The powers and duties of the Business Efficiency Board include responsibility for considering the Council's corporate governance arrangements and agreeing necessary actions to ensure compliance with best practice. The AGS provides a commitment to address the governance challenges identified by the Council.

4.2 There are no direct financial implications arising from this report, although the AGS makes reference to the key financial challenges faced by the Council.

5.0 IMPLICATIONS FOR THE COUNCIL'S PRIORITIES

5.1 Children and Young People in Halton

Good governance leads to good management, good performance and good stewardship of public money. It therefore enables the Council to implement its vision in accordance with its values and to engage effectively with its citizens and service users and ensure good outcomes for them.

5.2 Employment, Learning and Skills in Halton

See 5.1 above

5.3 A Healthy Halton

See 5.1 above

5.4 A Safer Halton

See 5.1 above

5.5 Halton's Urban Renewal

See 5.1 above

6.0 RISK ANALYSIS

6.1 The AGS provides assurance that the Council has a sound system of risk management, control and governance. The document provides a public statement of how the Council directs and controls its functions and relates to its community.

7.0 EQUALITY AND DIVERSITY ISSUES

7.1 The Council has to have regard to the elimination of unlawful discrimination and harassment and the promotion of equality under the Equalities Act 2010 and related statutes. Proper governance arrangements will ensure that equality and diversity issues are appropriately addressed.

8.0 LIST OF BACKGROUND PAPERS UNDER SECTION 100D OF THE LOCAL GOVERNMENT ACT 1972

Document	Place of Inspection	Contact
CIPFA / SOLACE – Delivering good governance in Local Government: Framework (2016)	Kingsway House, Widnes	Merv Murphy
CIPFA / SOLACE - Delivering good governance in Local Government: Guidance note for English authorities (2016)		

2016/17

HALTON BOROUGH COUNCIL - ANNUAL GOVERNANCE STATEMENT

What is Governance?

Governance is about how we ensure that we are doing the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner. Good governance leads to:

- effective leadership
- good management
- good performance
- good stewardship of public money
- good public engagement, and
- good outcomes for our citizens and service users.

The governance framework comprises the culture, values, systems and processes by which an organisation is directed and controlled. The framework brings together an underlying set of legislative requirements, good practice principles and management processes.

Halton Borough Council acknowledges its responsibility for ensuring that there is a sound system of governance. The Council has developed a Local Code of Corporate Governance that defines the principles that underpin the governance of the organisation. The Local Code forms part of the Council Constitution and can be accessed on the Council's website. A summary of the principles upon which it is based can be found later in this document.

The Council's governance framework aims to ensure that in conducting its business it:

- Operates in a lawful, open, inclusive and honest manner;
- Makes sure that public money is safeguarded, properly accounted for and used economically, efficiently and effectively;
- Has effective arrangements for the management of risk;
- Secures continuous improvements in the way that it operates.

What is the Annual Governance Statement?

The Council is required by the Accounts & Audit (England) Regulations 2015 to prepare and publish an annual governance statement. This is a public document that reports on the extent to which the Council complies with its own code of governance.

In this document the Council:

- Acknowledges its responsibility for ensuring that there is a sound system of governance;
- Summarises the key elements of the governance framework and the roles of those responsible for the development and maintenance of the governance environment;
- Describes how the Council has monitored and evaluated the effectiveness of its governance arrangements in the year, and on any planned changes in the coming period;
- Provides details of how the Council has responded to any issue(s) identified in last year's governance statement;
- Reports on any significant governance issues identified from this review and provides a commitment to addressing them.

The annual governance statement reports on the governance framework that has been in place at Halton Borough Council for the year ended 31 March 2017 and up to the date of approval of the statement of accounts.

How has the Annual Governance Statement been prepared?

The initial review of the Council's governance framework was carried out by a group of Officers. This group comprised:

- **The Strategic Director – Enterprise, Community & Resources**

  This post is designated as the Council's Statutory Scrutiny Officer as required under Section 31 of the Local Democracy, Economic Development and Construction Act 2009.

  This role involves promoting and supporting the Council's Overview and Scrutiny Committees.

- **The Operational Director – Legal and Democratic Services**

  This post is designated as the Council's Monitoring Officer under section 5 of the Local Government and Housing Act 1989, as amended by paragraph 24 of schedule 5 Local Government Act 2000.

  The Monitoring Officer is responsible for ensuring that that the Council acts and operates within the law.

- **The Operational Director – Finance**

  This post is designated as the s151 Officer appointed under the 1972 Local Government Act.

  The Operational Director – Finance is the Council's Chief Financial Officer and carries overall responsibility for the financial administration of the Council.

- **The Divisional Manager – Audit, Procurement & Operational Finance**

  This post is responsible for the Council's internal audit arrangements, including the development of the internal audit strategy and annual plan and providing an annual audit opinion on the Council's governance, risk management and control processes.

In preparing the annual governance statement the Council has:

- Reviewed the Council's existing governance arrangements against the Local Code of Corporate Governance.
- Updated the Local Code of Corporate Governance where necessary, to reflect changes in the Council's governance arrangements.
- Assessed the effectiveness of the Council's governance arrangements and highlighted any planned changes in the coming period.

Management Team, which is chaired by the Chief Executive, has also reviewed the annual governance statement and considered the significant governance issues facing the Council.

The Business Efficiency Board, which is designated as the Council's Audit Committee, provides assurance to the Council on the effectiveness of its governance arrangements, risk management framework and internal control environment. As part of this role the Board reviews and approves the annual governance statement.

What are the key elements of the Council's Governance Framework?

The Council aims to achieve good standards of governance by adhering to six key principles, which form the basis of the Local Code of Corporate Governance:

1) Focusing on the Council's purpose and outcomes for the community
2) Members and Officers working together to achieve a common purpose with clearly defined functions and roles
3) Promoting the Council's values and demonstrating the values of good governance through behaviour
4) Taking informed and transparent decisions which are subject to effective scrutiny and managing risk
5) Developing the capacity and capability of Members and Officers to be effective
6) Engaging with local people and other stakeholders to ensure robust accountability

The following pages provide a summary of key elements of the Council's governance framework and how they relate to the six principles.

Principle 1

Focusing on the Council's purpose and outcomes for the community

Supporting Principles:

- Being clear about the Council's purpose and its intended outcomes for citizens and service users
- Making sure that service users receive a high quality service
- Making sure that taxpayers and service users receive value for money

How we do this:

- The long-term vision for Halton is set out in the Council's Corporate Plan.
- The Council's Corporate Planning Framework provides a means by which the Council's activities are developed and monitored.
- Quarterly performance monitoring reports record progress against key business plan objectives and targets. These are reported to the Management Team, to the Executive Board and to the Policy and Performance Boards.

- The Council aims to ensure that the purchase or commissioning of goods, services or works required to deliver services is acquired under Best Value terms.
- Management arrangements and contract monitoring procedures aim to ensure that services provided are delivered to a high standard.
- Business continuity plans ensure that critical service delivery can be maintained or recovered during an emergency.
- The Council has a corporate complaints procedure and specific complaints procedures for Adult Social Care, Children's Social Care, schools and complaints relating to elected members.

- A medium term financial strategy, capital programme and annual budget process ensure that financial resources are directed to the Council's priorities.
- The Council has a co-ordinated and structured approach to procurement.
- An Efficiency Programme identifies and implements efficiency savings across the organisation in a systematic and considered manner
- The Council works with partner organisations where there are shared objectives and clear economic benefits from joint working.

Principle 2

Members and Officers working together to achieve a common purpose with clearly defined functions and roles

Supporting Principles:

Being clear about the Council's executive and non-executive functions and the roles and responsibilities of the scrutiny function

Ensuring that the responsibilities of Members and Officers are carried out to a high standard

Being clear about relationships between the Council, its partners and the public

How we do this:

- Roles and responsibilities relating to the Council's executive and non-executive functions are defined in the Council's Constitution. This ensures that accountability for decisions made and actions taken is clear.
- There is a well-established overview and scrutiny framework with six Policy and Performance Boards (PPBs) aligned to the Council's six corporate plan priorities. They hold the Executive to account, scrutinise performance and develop policy proposals for consideration by the Executive.

- The Council has a Member/Officer protocol which describes and regulates the way in which members and officers should interact to work effectively together.
- The Council Constitution sets out which Officer posts shall undertake the specific responsibilities and functions attached to roles that are required by statute.
- All employees have clear conditions of employment and job descriptions which set out their roles and responsibilities.

- The Council ensures that appropriate governance arrangements are in place for all significant partnerships.
- The Council has developed its vision, strategic plans, priorities and targets through robust mechanisms, and in consultation with the local community and other key stakeholders.
- The Council seeks the view of service users on the quality of services provided through customer analytics, residents' surveys, focus groups and stakeholder consultation.

Principle 3

Promoting the Council's values and demonstrating the values of good governance through behaviour

Supporting Principles:

Ensuring that Members and Officers behave in ways that exemplify high standards of conduct and effective governance

Ensuring that organisational values are put into practice

How we do this:

- The Council has a Standards Committee to promote high standards of member conduct. Elected members must follow a Code of Conduct to ensure high standards in the way they undertake their duties. The Monitoring Officer trains and advises members on the Code of Conduct.
- Officer behaviour is governed by the Employees' Code of Conduct. The Code has been formulated to provide a set of standards of conduct expected of employees at work and the link between that work and their private lives.
- The Council takes fraud, corruption and maladministration seriously and has established policies and processes which aim to prevent or deal with such occurrences. These include:
    - Anti-Fraud and Anti-Corruption Strategy
    - Fraud Response Plan
    - Confidential Reporting Code (Whistleblowing Policy)

- The Business Efficiency Board is responsible for monitoring and reviewing the adequacy of the Council's anti-fraud and corruption policies and arrangements.
- A corporate complaints procedure exists to receive and respond to any complaints received.
- Arrangements exist to ensure that members and officers are not influenced by prejudice, bias or conflicts of interest in dealing with different stakeholders. These include:
    - Registers of disclosable pecuniary interests
    - Declarations of disclosable pecuniary interests and disclosable other interests at the start of meetings
    - Registers of gifts and hospitality
    - Corporate Equality Scheme

Principle 4

Taking informed and transparent decisions which are subject to effective scrutiny and managing risk

Supporting Principles:

- Being rigorous and transparent about how decisions are taken
- Having and using good quality information, advice and support
- Ensuring that an effective risk management system is in place
- Using legal powers to the full benefit of citizens and communities

How we do this:

- The Council's decision-making processes are clear, open and transparent. The Council's Constitution sets out how the Council operates and the processes for policy and decision-making. Key decisions are published in the Council's Forward Plan. Agendas and minutes of all meetings are published on the Council's website.

- The Council provides decision-makers with full and timely access to relevant information. The executive report template requires information to be provided explaining the policy, financial and risk implications of decisions, as well as implications for each of the corporate priorities and any equality and diversity implications.

- The Council has a Risk Management Policy and Toolkit. The directorate and corporate risk registers outline the key risks faced by the Council, including their impact and likelihood, along with the relevant mitigating controls and actions. The risk registers form the basis of the internal audit planning process.
- The Business Efficiency Board reviews the risk management process and corporate risk register twice yearly.

- The Council actively recognises the limits of lawful activity placed on it and strives to utilise its legal powers for the full benefit of the community.
- One of the functions of the Monitoring Officer is to ensure the lawfulness and fairness of decision-making.
- The executive report template makes provision for the legal implications of any decisions to be considered.

Principle 5

Developing the capacity and capability of Members and Officers to be effective

Supporting Principles:

Making sure that Members and Officers have the skills, knowledge, experience and resources they need to perform well

Developing the capability of people with governance responsibilities and evaluating their performance

Encouraging new talent for membership of the authority so that best use can be made of individuals' skills and resources

How we do this:

- The Council has developed an Organisational Development Strategy (2016 – 2020), which includes an Organisational Development Charter. The Strategy confirms the Council's commitment to the ethos that, by underpinning everything the Council does, its workforce will be part of the solution to providing excellent services.
- Processes exist to identify the personal development needs of employees. This information is used to inform the design of the corporate training programme and the sourcing of specialised professional training.

- The Council holds the NW Charter for Elected Member Development Exemplar Level status.
- The Council develops skills to improve performance, including the ability to scrutinise and challenge, and to recognise when outside advice is needed.
- Members of the Business Efficiency Board receive regular training to assist them in their role as the Council's Audit Committee.

- The Council has signed a Declaration of Commitment to the North West Charter for Elected Member Development.
- Newly elected members attend a two-day induction programme with follow-up mentoring.
- Elected members have the opportunity for an annual review to identify their development requirements, which are set out in a Member Action Plan.
- A comprehensive elected member development programme provides a wide range of learning and development opportunities.

Principle 6

Engaging with local people and other stakeholders to ensure robust accountability

Supporting Principles:

Exercising leadership through a robust scrutiny function which effectively engages local people and all other local stakeholders

Taking an active and planned approach to dialogue with, and accountability to, the public

Taking an active and planned approach to dialogue with, and accountability to, the staff

How we do this:

- Elected members are democratically accountable to their local area and this provides a clear leadership role in building sustainable communities.
- Key partners, including the community and voluntary sector, are represented across the Halton Strategic Partnership structures.
- The Policy & Performance Boards have the opportunity to scrutinise decisions that have been taken by the Executive Board. There is also a 'call-in' mechanism, which allows an opportunity for further consideration of an issue before a decision is implemented.

- The Council's planning and decision-making processes are designed to include consultation with stakeholders and the submission of views by local people.
- Formal public consultation arrangements include the Youth Cabinet. Informal arrangements include contact via the Council's website, social media, Halton Direct Link and magazine-based customer surveys.
- Information on performance, finances and the democratic running of the Council is routinely published on the Council's website.

- The Council has developed and maintained a clear policy on how employees and their representatives are consulted and involved in decision-making. These arrangements include:
  - Trade Unions consultation
  - Staff surveys
  - Staff suggestion scheme
  - Online staff forum
  - Digital employee magazine
  - Fortnightly member and employee newsletter

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What are the roles of those responsible for developing and maintaining the Governance Framework?

Council	- Approves the Corporate Plan - Approves the Constitution - Approves the policy and budgetary framework
Executive Board	- The main decision-making body of the Council - Comprises ten members who have responsibility for particular portfolios
Business Efficiency Board	- Designated as the Council's Audit Committee - Provides assurance to the Council on the effectiveness of its governance arrangements, risk management framework, procurement strategy and internal control environment.
Standards Committee	- Promotes high standards of member conduct - Assists members and co-opted members to observe the Council's Member Code of Conduct
Policy & Performance Boards	- There are six Policy & Performance Boards aligned to the Council's six Corporate Plan priorities - They hold the Executive to account, scrutinise performance and develop policy proposals for consideration by the Executive
Management Team	- Implements the policy and budgetary framework set by the Council and provides advice to the Executive Board and the Council on the development of future policy and budgetary issues
Internal Audit	- Provides assurance over the Council's governance, risk management and control framework - Delivers an annual programme of audits - Makes recommendations for improvements in the management of risk and value for money
Managers	- Responsible for maintaining and developing the Council's governance and control framework - Contribute to the effective corporate management and governance of the Council

How does the Council monitor and evaluate the effectiveness of its governance arrangements?

The Council annually reviews the effectiveness of its governance framework including the system of internal control. The key sources of assurance that inform this review are outlined below:

Internal Audit
- Annual opinion report
- Internal audit reports

External Audit
- Financial statements audit
- Value For Money conclusion

Information Governance
- Information Governance Annual Report

Counter Fraud Arrangements
- Whistleblowing arrangements
- Annual report on Fraud and Corruption

Risk Management
- Corporate Risk Register Progress Reports

Complaints
- Corporate complaints procedure
- Ombudsman investigations

External Reviews
- External reviews from various regulators and inspectorates

Monitoring Officer
- Legal and Regulatory Assurance

Section 151 Officer
- Financial Controls Assurance

Overview & Scrutiny
- Performance monitoring
- Policy development and review

How has the Council addressed the governance issues from 2015/16?

The 2015/16 annual governance statement contained two key governance issues. Details of these issues and they were addressed are provided below:

What the issue was:

The Council continued to face significant funding reductions whilst demand for Council services was increasing. It was forecast that the Council needed to identify £17.5m in savings to be able to set a balanced budget for 2017/18.

In light of these financial pressures, the Council acknowledged the need to maintain capacity and robust governance arrangements in order to deliver its corporate objectives and strategic priorities in 2017/18 and beyond.

What we did:

In 2016/17 Elected Members were engaged at an early stage in the budget process via the Budget Working Group and 'All Member' seminars to facilitate early budget planning and to provide additional time to develop budget proposals. Given the scale of the forecast savings required for 2017/18, the Budget Working Group agreed to "even-out" the savings required over three years at £10m per annum by utilising reserves and including assumptions in the forecast regarding council tax increases. The scale of the funding pressures facing the Council was clearly communicated to officers, Members and the public to ensure that the service implications of such were fully understood.

The Efficiency Programme and effective procurement practice have continued to be key tools in helping to identify potential budget savings.

Further collaboration and sharing of services has been undertaken with neighbouring councils in order to generate efficiency savings and income, including provision of the Agresso financial system for Sefton Council. Consideration is being given to shared service arrangements for a number of services across the Liverpool City Region.

A balanced budget was set for 2017/18 and spending during the year was only marginally above the overall budget, despite significant overspending on children in care costs due to increasing numbers of children and associated costs. This has been achieved by having sound governance arrangements and by maintaining a robust control environment.

What the issue was:

In November 2015 the Council approved the Liverpool City Region Devolution Agreement and agreed to the adoption of a Directly Elected Mayor for the City Region with effect from May 2017. The governance arrangements for the Combined Authority were still in the early stages of development at the time of the 2015/16 Annual Governance Statement and the Council acknowledged that it would need to consider any impact on its own governance arrangements.

The Council also recognised that devolution presented both challenge and opportunity to ensure positive outcomes for Halton by co-ordinating its efforts and various strands of activity in regard to the developing City Region agenda.

What we did:

Elected Members and Senior Officers have been heavily involved in shaping the Liverpool City Region agenda, along with the other Constituent Authorities in the Region. Work has focused on transforming the Devolution Deal, which was signed in November 2015, into legislation that enables its delivery. This has then had to be translated into the Mayoral Combined Authority's Constitution. The Council, through the Leader and Chief Executive, has played a leading role in this process.

Clear governance arrangements will be crucial to the future success and operation of the Mayoral Combined Authority.

What are the significant governance issues from 2016/17?

The review of the effectiveness of the Council's governance framework has identified the following significant issues that will need to be addressed during 2016/17.

Issue	Lead Officer	Timescale
Funding The Council continues to face significant funding reductions whilst demand for Council services is increasing. It is forecast that the Council will need to identify £10m in savings to be able to set a balanced budget for 2018/19. In light of these financial pressures, a key challenge for the Council is to maintain capacity and robust governance arrangements so that it can continue to deliver its corporate objectives and strategic priorities in 2018/19 and beyond.	Strategic Director – Enterprise, Community & Resources	February 2018
Liverpool City Region Combined Authority 4 May 2017 saw the election of the first Liverpool City Region Mayor. The Mayoral Combined Authority will be adopting its revised Constitution at its Annual General Meeting that will put in place the governance arrangements required to deliver its original powers and duties, together with its new powers and duties which have arisen through the Devolution Deal. It will be important for Halton's Members and Officers to be fully conversant with those powers and duties to ensure that Halton benefits from being within the LCR arrangements. It will also be important to ensure the Council has the capacity to fulfil its role within the LCR, which may in turn mean reviewing some of its own priorities.	Strategic Director – Enterprise, Community & Resources	Ongoing

Issue	Lead Officer	Timescale
<u>Cyber-Resilience</u> Recent events affecting both the public and private sectors have demonstrated that cyber-attacks are becoming both more frequent and more sophisticated. The Council recognises that the impact of a cyber-attack could be significant in terms of potential disruption to the delivery of vital services. A cyber-attack could also result in substantial response costs, reputational harm, and potential litigation and fines should there be any resulting data breaches. The Council acknowledges that an increasingly important element of its governance arrangements is the framework of standards, processes and activities that, collectively, secure the organisation against cyber risk. A robust IT infrastructure makes the Council less likely to become a victim and also better-positioned to deliver public services through effective and secure technology. The Council's IT governance framework will therefore be kept under review and strengthened as necessary in response to the rapidly evolving risks in this area.	Strategic Director – Enterprise, Community & Resources	Ongoing

Certification

We have been advised on the implications of the review of the effectiveness of the governance framework by the Business Efficiency Board. The review provides good overall assurance that the Council's arrangements continue to be regarded as fit for purpose in accordance with the governance framework.

Specific opportunities to maintain or develop the Council's governance arrangements have been identified through this review. We pledge our commitment to addressing these issues over the coming year and we will monitor their implementation and operation as part of our next annual review.

Signed on behalf of Halton Borough Council:

David Parr - Chief Executive	**Rob Polhill - Leader of the Council**

 Agenda Item 4

REPORT TO:	**Business Efficiency Board**
DATE:	**27 September 2017**
REPORTING OFFICER:	**Operational Director, Finance**
PORTFOLIO:	**Resources**
SUBJECT:	**2016/17 Statement of Accounts, Audit Findings Report and Letter of Representation**
WARD(S):	**Borough-wide**

1.0 PURPOSE OF REPORT

1.1 The purpose of this report is to seek approval for the Council's Letter of Representation, to consider the Audit Findings Report of the External Auditor (Grant Thornton), and to approve the Council's 2016/17 Statement of Accounts.

2.0 RECOMMENDED: That

1) the draft Letter of Representation in Appendix 1 be approved and any subsequent additions or amendments be approved by the Operational Director - Finance, in liaison with the Chair of the Business Efficiency Board;

2) the External Auditor's draft 2016/17 Audit Findings Report in Appendix 2 be received and any subsequent additions or amendments be approved by Operational Director - Finance, in liaison with the Chair of the Business Efficiency Board; and

3) the Council's draft 2016/17 Statement of Accounts in Appendix 3 be approved and any subsequent additions or amendments be approved by the Operational Director - Finance, in liaison with the Chair of the Business Efficiency Board.

3.0 BACKGROUND

3.1 The Statement of Accounts sets out the Council's financial performance for the year in terms of revenue and capital spending and presents the year-end financial position as reflected in the balance sheet.

3.2 The format of the Statement of Accounts is heavily prescribed by the Accounts and Audit Regulations and the Code of Practice on Local Authority Accounting (The Code), which makes it a very technical document and not particularly easy to understand. Therefore the key elements are outlined below.

3.3 The Statement of Accounts for 2016/17 has been prepared in full compliance with International Financial Reporting Standards (IFRS) and there have been relatively few changes in the format from last year.

3.4 The draft 2016/17 Statement of Accounts was passed to the Council's External Auditor (Grant Thornton) on 28 June 2017, since when they have undertaken their audit. Grant Thornton will attend the meeting to present the report of their findings, the Audit Findings report, as shown in Appendix 2.

3.5 Section 2 of the Audit Findings report presents the findings of the External Auditor in respect of matters and risks identified at the planning stage of the audit and additional matters that arose during the course of their work.

3.6 Each year the Council is required to provide the External Auditor with a Letter of Representation relating to the financial statements, as shown in Appendix 1. This provides a number of assurances to the External Auditor in connection with the preparation of the Council's accounts. The letter is required to be signed by the Chair of the Board on behalf of the Council.

4.0 KEY SECTIONS WITHIN THE STATEMENT OF ACCOUNTS

4.1 The Council's 2016/17 Statement of Accounts is presented in Appendix 3. The Narrative Report by the Operational Director, Finance summarises the Council's financial performance for 2016/17, including revenue and capital spending.

4.2 In overall net terms the Council reported an overspend of £0.559m on the 2016/17 revenue budget (2015/16 - £0.067m underspend). The overall outturn report was presented to Executive Board on 15 June 2017 and departmental outturn reports are available on the Council's Intranet. Following the outturn position the Council's general fund balance at 31 March 2017 stands at £4.8m (2015/16 - £5.4m).

4.3 Capital expenditure was £84.8m (2015/16 - £29.5m) compared with planned expenditure of £122.0m. The main reason for spend being so far below budget was due to the delay in making the second payment of £35m in connection with the Mersey Gateway bridge project, until it was verified all contractual obligations were met.

4.4 School balances as at 31 March 2017 totalled £4.8m (2015/16 - £5.7m). In addition, £1.6m (2015/16 - £1.6m) of unspent schools related funding is held centrally and will carry forward into 2017/18.

4.5 The Comprehensive Income and Expenditure Statement (CIES) presents gross expenditure, gross income and net expenditure for 2016/17 along with the previous year's comparison. The Net Cost of Continuing Operations is adjusted by a number of appropriations to give the Total Comprehensive Income and Expenditure. The CIES reports on how the Council performed during the year and whether its operations resulted in a surplus or deficit.

4.6 The Council's Balance Sheet sets out the Council's financial position as at 31 March 2017, along with a comparison to the position as at 31 March 2016. The balance sheet is a snapshot of the Council's financial position at a specific point in time, showing what it owns and owes at 31 March.

4.7 The Movement in Reserves Statement presents a summary of the changes in the Council's main reserves during the year. Reserves represent the Council's net worth and show its spending power. Reserves are analysed into two categories: usable and unusable.

4.8 The Cashflow Statement provides an overall analysis of the movements in cash and cash equivalents during the year.

4.9 Detailed notes relating to items within the Comprehensive Income and Expenditure Statement, Balance Sheet, Movement in Reserves Statement and Cashflow Statement are shown under Notes to the Core Financial Statements.

4.10 The Collection Fund and associated notes summarise the transactions in respect of the collection of Non-Domestic Rates and Council Tax, along with the distribution to the Council's own General Fund, to central government (non-domestic rates only) and to the Precepting Authorities (Fire, Police and Parishes).

4.11 The Statement of Responsibilities outlines the basis upon which the Statement of Accounts has been prepared and is followed by a statement of the Council's Accounting Policies.

4.12 The External Auditor has used the draft Statement of Accounts as the basis for undertaking the annual audit of accounts, for which their Audit Report and Certificate is included within the final Statement of Accounts.

4.13 The final section presented within the Statement of Accounts is a Glossary of Terms.

5.0 VALUE FOR MONEY

5.1 Section 3 of the Audit Findings report presents the External Auditor findings on the Value for Money (VFM) conclusion. It considers if the Council has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

5.2 The External Auditor evaluates the VFM conclusion against one single criterion, being “The Council has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources”.

5.3 The overall conclusion from the External Auditor is the Council had proper arrangements in all significant respects to ensure it delivered value for money in its use of resources.

6.0 **NEXT STEPS**

6.1 Following the meeting, the Letter of Representation will be signed and the External Auditor will provide their audit opinion. The Statement of Accounts will then be published and made available to the public via the Council’s website.

7.0 **IMPLICATIONS FOR THE COUNCIL’S PRIORITIES**

7.1 **Children and Young People in Halton**
There are no specific implications for any of the Council’s priorities.

7.2 **Employment, Learning and Skills in Halton**
See 7.1

7.3 **A Healthy Halton**
See 7.1

7.4 **A Safer Halton**
See 7.1

7.5 **Halton’s Urban Renewal**
See 7.1

8.0 RISK ANALYSIS
The Accounts and Audit Regulations require that the Statement of Accounts is certified by the External Auditor and published by 30th September 2017.

9.0 EQUALITY AND DIVERSITY ISSUES
There are no equality and diversity issues arising from this report.

10.0 LIST OF BACKGROUND PAPERS UNDER SECTION 100D OF THE LOCAL GOVERNMENT ACT 1972

Document	Place of Inspection	Contact Officer
Accounts and Audit Regulations 2015	Kingsway House Kingsway Widnes	Steve Baker Divisional Manager, Revenues and Financial

		Management
Code of Practice on Local Authority Accounting in the UK 2016/17	Kingsway House Kingsway Widnes	Steve Baker Divisional Manager, Revenues and Financial Management

APPENDIX 1

Grant Thornton UK LLP
4 Hardman Square
Spinningfields
Manchester
M3 3EB

Date: 27 September 2017

Dear Sirs

Halton Borough Council

Financial Statements for the year ended 31 March 2017

This representation letter is provided in connection with the audit of the financial statements of Halton Borough Council for the year ended 31 March 2017 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 and applicable law.

We confirm that to the best of our knowledge and belief having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

Financial Statements

i We have fulfilled our responsibilities for the preparation of 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 2016/17 ("the Code") which give a true and fair view in accordance therewith.

ii We have complied with the requirements of all statutory directions affecting the Council and these matters have been appropriately reflected and disclosed in the financial statements.

iii The Council has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.

iv We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.

v Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.

vi We are satisfied that the material judgements used in the preparation of the financial statements are soundly based, in accordance with the Code and adequately disclosed in the financial statements. There are no other material judgements that need to be disclosed.

vii Except as disclosed in the financial statements:
a there are no unrecorded liabilities, actual or contingent
b none of the assets of the Council has been assigned, pledged or mortgaged
c there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.

viii We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme assets and liabilities for IAS19 Employee Benefits disclosures are consistent with our knowledge. We confirm that all settlements and curtailments have been identified and properly accounted for. We also confirm that all significant post-employment benefits have been identified and properly accounted for.

ix Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of the Code.

x All events subsequent to the date of the financial statements and for which the Code requires adjustment or disclosure have been adjusted or disclosed.

xi Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of the Code.

xii We have considered the adjusted misstatements, and misclassification and disclosures changes schedules included in your Audit Findings Report. The financial statements have been amended for these misstatements, misclassifications and disclosure changes and are free of material misstatements, including omissions.

xiii We have considered the unadjusted misstatements schedule included in your Audit Findings Report and attached. We have not adjusted the financial statements for these misstatements brought to our attention as they are immaterial to the results of the Council and its financial position at the year-end.

The financial statements are free of material misstatements, including omissions.

xiv We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.

xv We believe that the Council's financial statements should be prepared on a going concern basis on the grounds that current and future sources of funding or support will be more than adequate for the Council's needs. We believe that no further disclosures relating to the Council's ability to continue as a going concern need to be made in the financial statements.

Information Provided

xvi We have provided you with:
  a access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
  b additional information that you have requested from us for the purpose of your audit; and
  c unrestricted access to persons within the Council from whom you determined it necessary to obtain audit evidence.

xvii We have communicated to you all deficiencies in internal control of which management is aware.

xviii All transactions have been recorded in the accounting records and are reflected in the financial statements.

xix We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

xx We have disclosed to you all our knowledge of fraud or suspected fraud affecting the Council involving:
  a management;
  b employees who have significant roles in internal control; or
  c others where the fraud could have a material effect on the financial statements.

xxi We have disclosed to you all our knowledge of any allegations of fraud, or suspected fraud, affecting the Council’s financial statements communicated by employees, former employees, regulators or others.

xxii We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.

xxiii We have disclosed to you the identity of all the Council's related parties and all the related party relationships and transactions of which we are aware.

xxiv We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

Annual Governance Statement

xxv We are satisfied that the Annual Governance Statement (AGS) fairly reflects the Council's risk assurance and governance framework and we confirm that we are not aware of any significant risks that are not disclosed within the AGS.

Narrative Report

xxvi The disclosures within the Narrative Report fairly reflect our understanding of the Council's financial and operating performance over the period covered by the financial statements.

Approval

The approval of this letter of representation was minuted by the Council's Business Efficiency Board at its meeting on 27 September 2017.

Yours faithfully

Name……………………………

Position…………………………..

Date…………………………….

Name……………………………

Position…………………………

Date…………………………….

HALTON
BOROUGH COUNCIL

STATEMENT OF ACCOUNTS
2016/17

Contents

Narrative Report by Operational Director - Finance

Introduction

The aim of this narrative is to provide an understandable guide to the Council's year-end financial position and future outlook which are relevant to the performance of the Council.

The Statement of Accounts sets out the Council's income and expenditure for the year and also provides a snapshot of the financial position as at 31 March 2017. Included are core financial statements supported by supplementary statements, which will help provide an analysis of the financial performance of the Council over the financial year 2016/17.

Whilst the publication of the Statement of Accounts is a statutory requirement, the purpose behind the requirement is to provide stakeholders with clear information regarding the Council's financial performance over the past year. The Council has continued the work of past years in reviewing the style and content of the information included within the Statement of Accounts to ensure the content included is relevant and material from both a quantitative and qualitative viewpoint.

The format and content of the financial statements is prescribed by the CIPFA Code of Practice on Local Authority Accounting 2016/17 (known as The Code), which in turn is underpinned by International Financial Reporting Standards.

The Core Statements are:

- **Comprehensive Income and Expenditure Statement** – this statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount which is funded from taxation. The end result is a very different position to how net outturn spend compared to budget is reported. A reconciliation between the two is provided as part of this narrative statement and the Expenditure and Funding Analysis Statement, included within Note 1 (Page 19)

- **Balance Sheet** – this statement shows the value as at the 31 March 2017 of the assets, liabilities and cash balances recognised by the Council.

- **Movement in Reserves Statement** – this statement shows the movement in the year on the different reserves held by the Council, analysed into "Usable Reserves" i.e. those that can be applied to fund expenditure (both capital and revenue) or reduce local taxation, and "Unusable Reserves", reserves which highlight changes to unrealisable gains or losses.

- **Cash Flow Statement** – this statement shows the changes in cash and cash equivalents (cash invested for 3 months or under) of the Council during the reporting period. The statement shows how the authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Council.

- **Notes to the above Statements** – extensive notes to support the core statements are set out in accordance with the requirements of the Code. The notes shall:

  1. Present information about the basis of preparation of the financial statements and the specific accounting policies used.
  2. Disclose the information required by the Code that is not presented elsewhere in the core financial statements.

The Supplementary Financial Statements are:

- **Collection Fund Account** – this is a statement that reflects the statutory obligation for the Council as a billing authority to maintain a separate Collection Fund. The statements show the transactions of the Council in relation to the collection from taxpayers and distribution to major and local preceptors and the Government of council tax and non-domestic rates.

- **Pension Fund Account** – reports the contributions received, payment to pensioners and the value of net assets invested in the Local Government Pension scheme on behalf of Council employees.

- **Group Accounts** – the purpose of this statement is to present the consolidated position of the Council's activities, in accordance with the Code. This would involve consolidating the accounts of the group entities with the Council's accounts by grossing up the Comprehensive Income and Expenditure Statement and the Balance Sheet whilst eliminating intra group transactions. For 2016/17 the group account statements are excluded as the transactions relating to the group entities are not considered material.

- The materiality of the transactions has been assessed based on quantitative and qualitative factors. Activities of the group entities are not significant to the representation of the operational activities of the Council. In addition the Council does not depend significantly on the group entities for continued provision of statutory services and grouping the accounts would not provide any more useful disclosures than already included.

Other Statements:

- **Statement of Responsibilities for the Statement of Accounts** – this statement sets out the responsibilities of the Council and the Chief Financial Officer (Section 151 Officer).
- **Statement of Accounting Policies** – this statement explains the basis for the recognition, measurement and disclosure of transactions and other events in the accounts.
- **Independent Auditor's Report to Members** – this is the report and certificate following the external audit of the Council's accounts, carried out by Grant Thornton UK LLP.

Financial Performance 2016/17

The Council incurs both revenue and capital expenditure. Revenue expenditure is generally on items which are used in the year and net expenditure is financed by the Council Tax, Retained Business Rates, Top-Up Funding and Revenue Support Grant. Capital expenditure generally has a life beyond one year and increases the value of an asset. The financing of capital expenditure is charged to revenue over a period in accordance with statutory requirements.

On 2 March 2016 Council set the original budget for 2016/17 of £98.460m. At the same time Council approved a council tax requirement for the year of £41.217m, setting the Band D rate at £1,250.97.

With continuing reduced levels of grant funding from Government together with increased service demand particularly from Children's and Adult Social Care, pressures have started to show on the Council's spend position for the past year in comparison to the available budget. Whilst the Council continues to closely monitor the spend position on operational activities, total spending for 2016/17 was £99.027m, £0.559m above the budget for the year (compared to £0.067m below budget in the previous year). Taking account of the overspend position the Council's General Fund Balance has decreased to £4.830m.

The table below shows the movement on the Council's General Fund position compared to budget.

General Fund

	2016/17 Original Budget £000	2016/17 Actual £000
Net Expenditure	98,460	99,027
Parish Precepts	84	84
Total	**98,544**	**99,111**
Financed by Local Taxpayers – Council Tax	(41,301)	(41,301)
Financed by Local Taxpayers – Business Rates	(25,681)	(25,681)
Financed by Local Taxpayers – Collection Fund Surplus	(1,800)	(1,808)
Financed by Top-Up Funding	(7,511)	(7,511)
Financed by Revenue Support Grant	(22,251)	(22,251)
(Surplus)/Deficit for Year	**-**	**559**
General Fund Balance Brought Forward	**(5,389)**	**(5,389)**
General Fund Balance Carried Forward	**(5,389)**	**(4,830)**

Budget savings for 2017/18 were implemented over two sets, the first of which consisted of savings of £7.9m which were approved by Council in December 2016. As a result of some of these savings being implemented early they have helped reduce the overall overspend position which was forecasted at higher levels during the year.

The biggest pressure on the budget during the year related to children social care costs. The outturn position reported an overspend against budget of £4.570m, the biggest pressure on the budget being out of borough residential placements, although out of borough fostering, special guardianship and direct payments are additional budget pressures. Steps are being taken to address the budget pressures within these areas, including an efficiency programme review. However, there is no immediate solution and this will be a continuing concern in terms of achieving a balanced budget position in the short to medium term.

Due to the aging population, service demand pressures and associated costs upon Adult Social Care continue to be a threat to the Council. The Spring 2017 Budget announcement of additional funding for this area, via the Improved Better Care Fund was welcome news but the temporary nature of the funding only defers the problems to a later point. The Council will continue to address the problems across both Children and Adult Social Care services through its Medium Term Financial Strategy.

Staffing expenditure is below budget across the Council, as posts were held vacant to assist with achieving a balanced budget and in many cases to provide efficiency savings for

2017/18. Over the past two years the Council has made a conscious effort to reduce spend and reliance on agency employee placements. Spend on agency staff for the past year totalled £1.878m, roughly half of what costs were in 2014/15.

Redundancy costs incurred during the year totalled £0.364m (2015/16 - £3.258m). These were met from the Transformation Fund Reserve which the Council established to meet the costs associated with structural changes. Posts vacated from staff electing to take up voluntary redundancy terms have been deleted from the Council's staffing structure to provide on-going savings. Further details on exit packages can be found in supporting note 11 to the financial statements.

Given the financial challenges the Council has had to deal with over the past 5 years and the continued public spending austerity measures it is vital that high quality financial management is provided to the Council. Quarterly financial spending reports are presented to Members and the Council's Management Team giving details of budget pressures as they develop during the year. A budget risk register is maintained on a quarterly basis, key risks are evaluated and control measures put in place.

Schools

Expenditure incurred in relation to the Schools budget, both by individual schools and the Council totalled £77.643m and is shown in more detail in Note 8.

School balances at 31 March 2017 total £4.8m (£5.7m 31 March 2016). In addition, £1.6m (£1.6m 31 March 2016) of unspent schools related funding is held centrally and will carry forward into 2017/18

Comprehensive Income & Expenditure Statement

Whilst the General Fund shows a net deficit for the year of £0.559m, the accounting position presented in the Comprehensive Income & Expenditure Statement (CIES) (Page 15) shows a deficit for the year of £59.777m. The CIES takes a wider view of financial performance than that shown in the General Fund and shows the true accounting position for the year. This deficit represents the total amount by which the Council's equity has decreased over the year as shown in the Balance Sheet (Page 16).

Supporting the CIES is the Expenditure and Funding Analysis included at Note 1 to the accounts. It shows the movement by Council Directorate from the year-end outturn position reported to the Council's Executive Board to what is included to the deficit position on the provision of services, included as part of the CIES.

The table below reconciles the General Fund overspend via the deficit position on the provision of services to the total deficit for 2016/17 on the Comprehensive Income &

Expenditure Statement. Included below the table are supporting notes to the amounts within the table.

	2016/17 £000
General Fund Overspend	**559**
Accounting Adjustments Provision of Services:	
Adjustment for Capital Purposes	
- Depreciation and Impairment of Non-Current Assets	40,155
- Capital Grant Income	(19,681)
- Revenue Expenditure Funded from Capital	6,791
- Minimum Revenue Provision	(2,471)
- Other Capital Adjustments	(262)
Pension Adjustments	3,318
Movement in Reserves	(1,390)
Other Differences	(3,041)
Deficit on the Provision of Services	**23,978**
Accounting Adjustments Other:	
Surplus on Revaluation of PP&E	(5,464)
Gain on Pension Asset	(56,603)
Loss on Pension Assumptions (Demographic, Financial and Other)	97,581
Revaluation of Available for Sale Financial Instruments	285
Total Comprehensive Income & Expenditure	**59,777**

- **Adjustment for Capital Purposes**
  - Depreciation and Impairment of Non-Current Assets – Reflects the annual cost of assets consumed during the year.
  - Capital Grant Income – Used to help fund the capital programme, recognised in the CIES in line with proper accounting practice.
  - Revenue Expenditure Funded from Capital – Capital funded expenditure charged to the CIES under statute.
  - Minimum Revenue Position – Amount set aside in the General Fund to recognise the repayment of debt. In line with proper accounting practice this is not required to be included in the CIES.
- **Pension Adjustments** - denotes the difference between the accounting cost of pensions (included in the CIES) and the actual employer contributions to the pension fund. More information on pensions is included elsewhere within the narrative report.

- **Movement in Reserves -** As per proper accounting practice, changes to earmarked reserves are not required to be included in the CIES.
- **Other Differences -** Includes the Collection Fund adjustment, difference between amounts credited to the CIES and amounts to be recognised under statutory provisions relating to Council Tax and Business Rates.
- **Surplus on Revaluation of PP&E** - Increase in the value of those non-current assets that have been revalued during the year.
- **Gain on Pension Assets / Loss on Pension Adjustments** – Information on these adjustments is included within the Pension Liability heading as part of the narrative report.
- **Revaluation of Available for Sale Financial Instruments** – Decrease in the value of available for sale financial instruments held, in-year decrease has no impact on the Council's general fund.

Capital Planning

The Council prepares and reports a rolling capital programme to forecast the probable level of capital spend over the next three years, along with the likely sources of funding. The Council also maintains a capital reserve, which has been generated from revenue contributions in order to support funding the capital programme. The forecast shows that there are sufficient resources over the medium term to cover the current capital programme, funded from borrowings, grants, revenue contributions, capital receipts and use of reserves.

At 31st March 2017 unused capital receipts were £9.9m, and the balance on the capital reserves was £4.5m. A significant percentage of the capital receipts are earmarked for future capital projects, the forecast level of receipts as at 31 March 2018 is £2.0m

The Council considers any new additions to the capital programme in light of the resources available. The Council has a significant capital programme over the next few years, of which the largest schemes relate to the Mersey Gateway, including a contribution towards construction costs and land acquisition costs.

Capital Expenditure

The Council spent £84.747m on capital schemes (excluding finance leases) in 2016/17 compared with planned expenditure of £122.003m. The main reason for capital expenditure being below budget was due to a delay in the making of a second payment in connection with the Mersey Gateway Crossing. Excluding Mersey Gateway, capital spending was £38.822m, which is £5.064m below the revised budget figure of £43.886. This represents

11% slippage of the capital programme. The approved budget and outturn capital position together with the various sources of funding are as follows:

	2016/17 Budget £000	2016/17 Actual £000	2016/17 Variance £000
Expenditure:			
Schools Related	3,254	3,148	106
People Directorate	2,745	1,877	868
Enterprise, Community and Resources Directorate	37,887	33,797	4,090
Mersey Gateway	78,117	45,925	32,192
Total Expenditure	**122,003**	**84,747**	**37,256**
Funded By:			
Borrowing	(91,395)	(58,759)	(32,636)
Capital Receipts	(8,639)	(5,548)	(3,091)
Revenue	(1,385)	(759)	(626)
Grants and Other Contributions	(20,584)	(19,681)	(903)
Total Funding	**(122,003)**	**(84,747)**	**(37,256)**

Analysis of capital expenditure is included as part of the notes to the financial statements, Note 16, page 36.

Non-Current Assets Valuation

The Balance Sheet shows the current value of property, plant & equipment as £398.137m as at 31 March 2017 compared to £367.359m at the same a year ago. This shows an increase of £30.778m (8%) over the year, recognising the investment in the capital programme over the last year, less revaluation and disposal of assets.

Pension Liability

Under International Accounting Standard 19, the Council is required to restate its accounts to reflect the activities of the two major pension providers, the Cheshire Pension Fund and the Teachers' Pension Agency

As at 31 March 2017 the Council has defined pension net liabilities of £109.015m, this is an increase to the net liabilities of £64.719m from last year. The difference in the amounts is in the main due to a significant decrease in the discount rate used in calculating future financial assumptions. There was a reported loss of £106.789m on this in 2016/17 compared to a gain of £54.359m in 2015/16, although this has been partially offset by much greater than expected return on assets.

Funding levels of the pension fund are monitored on an annual basis, there was a planned triennial review of the funding levels of the Cheshire Pension Fund over the past year. Council has approved the payment of past service deficit costs as a lump sum for the period 2017-2020, rather than paying these on a monthly basis as has been the historical preferred method. This will result in a cash saving over the period given the forecast low level of investment returns and strong cashflow position of the Council.

Treasury Management

The Council operates within a Treasury Management framework, which requires that each year a strategy is prepared including setting prudential indicators to form a framework for the Council's borrowing and lending activities. The Council has adopted the CIPFA Code of Practice on Treasury Management. Performance is regularly monitored throughout the year with reports presented to the Council's Executive Board at the halfway point of the year and a report on the final outturn position. The Council has had another successful year and actual borrowing costs for the year were less than budgeted whilst income from investments exceeded the budgeted income target.

The Council's Treasury Management Strategy for 2016/17 was approved by Council on 02 March 2016. The aim of the treasury management operation is to ensure that cash flow is adequately planned, with cash being available when it is needed. Surplus monies are invested in low risk counterparties or instruments, security being prioritised over yield.

As at 31 March 2017 borrowing totalled £158m (£158m in 2015/16), well within the authorised borrowing limit of £250m. Borrowing comprises loans from the Public Works Loan Board and the market of £143m, a Lenders Option Borrowers Option loan from with Commerzbank for £10m and a Liverpool City Region loan of £5.4m.

Of the £158m total borrowing £113m relates to long term borrowing undertaken for the contribution from the Council towards the Mersey Gateway Bridge construction costs. Borrowing was taken in advance of need as the Council took advantage of historically low borrowing ahead of the Council making a number of payments from September 2016.

The Council's cashflow position continues to be well managed, cash held and short term deposits total £54.221m (£22.046m in 2015/16). The increase in balance is due to delay in receipt and payment of invoices associated with the Council's capital programme. As at the balance sheet date debtors total £19.996m a reduction of 0.1% from 2015/16 and creditors total £40.025m, an increase of 30.4% from the previous year. The increase in creditors is in the main due to the Council waiting on a number of invoices associated with larger capital projects and business rates due to Central Government following the reconciliation of the Collection Fund account. The Council has a prompt payment discount scheme where in agreement with suppliers it will arrange early payment of invoices in return for a percentage discount on the invoice total, a scheme that is equally beneficial to both parties.

All transactions relating to investments and borrowings complied with the approved guidelines for the year. Further details of these transactions are contained in notes 22, 26 and 33 to the core financial statements.

Collection Fund

The transactions on this fund record the collection of Council Tax and Non Domestic Rates.

The Business Rate Retention Scheme was implemented on 1st April 2013. As part of the scheme the Council acts as an agent and collects Non Domestic Rates on behalf of Central Government, Cheshire Fire & Rescue Service and itself.

The Council as the Billing Authority collects Council Tax on behalf of Cheshire Fire & Rescue Service, Cheshire Police & Crime Commissioner and itself.

The balance on the Collection Fund as at 31 March 2017 is a surplus position of £11.430m compared to a surplus position of £4.448m from the previous year. Further details on the Collection Fund can be found within the supplementary financial statements (page 92). The Collection Fund position will be reviewed during 2017/18 and estimates will be provided in the second half of the financial year of the value of the balance which will be available for distribution in the following financial year. The value of the surplus position which is attributable to the Council only is £6.938m, of this £1.710m has been used in balancing the 2017/18 budget. In addition the increase in gross business rates has been taken into account in setting and balancing the Council's 2017/18 budget position.

In accordance with accounting guidelines, the Collection Fund is required to identify a provision for NNDR valuation appeal claims. The provision as at 31 March 2017 is £8.028m, a decrease of £2.176m from the previous year. The reduction in the appeals provision together with billed business rates for the year being greater than initially forecast has helped grow the value of the surplus position.

From 01 April 2017 the Council as part of the Liverpool City Region agreed to pilot retention of 99% of business rates as opposed to 49% retention in place for 2016/17. As in previous years Cheshire Fire & Rescue Service will continue to retain 1% of these funds but the 50% central government share will now be retained by the Council. The additional rates will replace in full the non-receipt of Revenue Support Grant and a share of top-up funding. Government have confirmed the pilot of the scheme will be at no detriment to the Council, so whilst there is increased risk in being funded from business rates any loss in funding compared to the old scheme will be fully reimbursed.

Performance Measures 2016/17

The vision of the Council and its partners is “Halton will be a thriving and vibrant borough where people can learn and develop their skills; enjoy a good quality of life with good health; a high quality, modern urban environment; the opportunity for all to fulfil their potential; greater wealth and equality; sustained by a thriving business community; and safer, stronger and more attractive neighbourhoods.”

The Council’s Corporate Plan 2015 – 18 identifies the Council’s vision, values and principles and six strategic themes which underpin the work of the various departments and service areas across the authority.

These strategic themes provide the basis for the development of key actions and activities, and performance measures, which are reported on a quarterly basis to the Policy and Performance Board with responsibility for scrutiny in each of these strategic areas. These Priority Based Performance Reports also contain information concerning the key developments and emerging issues that have arisen during the period of reporting.

These reports are placed on public deposit and are available on the Council’s website via the relevant Policy and Performance Board agenda packs. The reports identify what progress is being made throughout the year in relation to the delivery of predetermined actions and the progress of a range of measures including direction of travel and achievement of targets.

The reports provide financial statements identifying variation in planned spend during the quarter and providing an explanatory comment.

Policy and Performance Boards also receive a mid-year update concerning the implementation of mitigation measures for those risks contained within the Directorate Risk Registers which have been assessed as high.

This approach allows the opportunity for the effective scrutiny of the Council’s performance during the course of the year in order that any underperformance can be addressed in a timely manner and or resources can be realigned in response to prevailing conditions or pressures.

Listed below are a number of key performance indicators used in assessing the Council putting in place economy, efficiency and effectiveness in its use of resources:

- The number of working days lost during the year due to sickness absence has reduced from 9.05 in 2015/16 to 8.66. This is below the set target of 10 days.
- Collection of council tax for 2016/17 was 95.04% ahead of the set target of 94.75%, although it is a slight decrease from the 2015/16 collection rate of 95.21%. The collection of council tax continues to be adversely affected by 2013 national reforms to council tax benefit.
- The percentage of business rates collected during the year that should have been received was 97.65% against a target of 95.00%, this is an improvement on the 2015/16 collection rate of 96.89%.
- The total of usable reserves held by the Council as at 31 March 2017 totals £46.902m (31 March 2016 £46.069m). The Council's value of usable reserves as a percentage of gross expenditure as at 31 March 2017 was 13.2%, compared to 13.7% for the previous year.

Financial Planning

The Medium Term Financial Strategy (MTFS) is a major element of the Council's corporate planning process. It brings together resources and spending plans and identifies financial constraints over the medium term. Its purpose is to ensure that resources are properly targeted towards Council priorities, to avoid excessive council tax rises, to deliver a balanced and sustainable budget, and to continue to identify efficiencies.

The public spending austerity programme has had and will continue to have a significant impact upon the Council's finances over the medium term and this has been reflected in the MTFS.

The Council's Efficiency Programme has continued to review services across the Council, changing the way in which the Council delivers services in order to realise efficiencies. In addition, the Council has continued to seek improved procurement, better utilisation of assets, changes to staff terms and conditions, collaborative working with other Councils and partner agencies and increased income from external sources in order to manage costs within the funding constraints imposed by Government.

The MTFS was reported to the Council's Executive Board in November 2016 and subsequently updated as part of the budget report in March 2017. The latest report identified potential shortfalls in funding for the Council over the following three years of approximately £10.0m (18/19), £8.7m (19/20) and £4.8m (20/21).

The 2017/18 net budget requirement of £103.249m was approved by Council on 8 March 2017. The budget will be funded from £44.379m of Council Tax (increase of 4.9% on the 2016/17 Band D level and inclusive of a 3% precept towards the funding shortfall for Adult

Social Care), business rates local share of £49.722m, top-up funding of £7.437m and share of the collection fund surplus of £1.711m.

In October 2016 the Council published an Efficiency Plan which set out how it would put in place and develop efficiencies over the four year period from 2016/2020 to deliver a balanced budget. In return Government confirmed details of a four year settlement agreement, giving Councils certainty of available funding for the period to March 2020. The Settlement Funding Assessment provided by Government results in a loss of funding for the Council of £5.349m (10.6%) over the two years 2018/19 and 2019/20. In addition the cost of providing an increasing demand for services continues to rise which result in the budget shortfalls mentioned earlier.

Over the same timeframe there will be cuts to other local government funding including Public Health, Education Services Grant and New Homes Bonus. From 2018/19 the local funding formula covering Dedicated Schools Grant will be replaced by the National Funding Formula, work is being undertaken on this to fully understand the impact on the Council and its schools. More funds are being provided for Adult Social Care over the next three years through the Improved Better Care Fund but this is not considered to be sufficient to meet the increasing demands on social care services

The funding outlook for Halton over the medium term continues to be bleak and significant budget savings will again need to be found, which are likely to have a considerable impact upon the services delivered by the Council. A review of Local Government finance is currently being undertaken which will include changes to the business rate retention system and a review of distribution of funds according to relevant needs.

Conclusion

Despite reduced levels of funding, escalating demand for services and increasing costs the Council has continued to manage its finances well and continued to deliver essential public services. The overspend position on the revenue budget for the past year is an indication of how tough the challenge is to continue to deliver a balanced budget position after seven years of funding cuts with ever increasing demands. I would like to thank all Members and Officers that have assisted with help over the past year which has helped contribute and form this set of financial statements.

Ed Dawson

Operational Director – Finance

Core Financial Statements

Comprehensive Income & Expenditure Statement as at 31st March 2016

Services	Note	Gross Expenditure 2015/16 Restated £000	Gross Income 2015/16 Restated £000	Net Expenditure 2015/16 Restated £000
CONTINUING OPERATIONS				
Enterprise, Community and Resources		130,664	(77,182)	53,482
People		118,295	(48,287)	70,008
Schools		84,571	(84,415)	156
Corporate and Democracy		2,211	(6,101)	(3,890)
Net Expenditure of Continuing Operations		**335,741**	**(215,985)**	**119,756**
Other Operating Expenditure	3			(1,877)
Financing and Investment Income & Expenditure	4			5,660
Taxation and Non-Specific Grant Income	5			(115,615)
(Surplus) or Deficit on the Provision of Services				**7,924**
(Surplus) or Deficit on revaluation of Non-Current Assets	36			(33,769)
(Surplus) or Deficit on revaluation of Available for Sale of Financial Assets	37			88
Remeasurement of net defined benefit liability	36			(70,517)
Other Comprehensive Income & Expenditure				**(104,198)**
TOTAL COMPREHENSIVE INCOME & EXPENDITURE				**(96,274)**

Comprehensive Income & Expenditure Statement as at 31st March 2017

Services	Note	Gross Expenditure 2016/17 £000	Gross Income 2016/17 £000	Net Expenditure 2016/17 £000
CONTINUING OPERATIONS				
Enterprise, Community and Resources		132,111	(81,486)	50,625
People		127,656	(61,506)	66,150
Schools		92,879	(80,542)	12,337
Corporate and Democracy		3,159	(5,707)	(2,548)
Net Expenditure of Continuing Operations		**355,805**	**(229,241)**	**126,564**
Other Operating Expenditure	**3**			(397)
Financing and Investment Income & Expenditure	**4**			5,742
Taxation and Non-Specific Grant Income	**5**			(107,931)
(Surplus) or Deficit on the Provision of Services				**23,978**
(Surplus) or Deficit on revaluation of Non-Current Assets	**36**			(5,464)
(Surplus) or Deficit on revaluation of Available for Sale of Financial Assets	**37**			285
Remeasurement of net defined benefit liability	**36**			40,978
Other Comprehensive Income & Expenditure				**35,799**
TOTAL COMPREHENSIVE INCOME & EXPENDITURE				**59,777**

Balance Sheet as at 31st March 2017

31/03/2016 £000		Note	31/03/2017 £000
367,359	Net Fixed Assets – Property Plant & Equipment	**17**	398,137
1,168	Heritage Assets	**18**	1,185
1,679	Investment Properties	**19**	1,541
2,873	Intangible Assets	**20**	3,011
-	Assets Held of Sale > 12 months		-
7,413	Long Term Investments	**22**	5,119
866	Long Term Debtors	**23**	11,521
381,358	**Total Long Term Assets**		**420,514**
	Current Assets		
239	Inventories		254
19,347	Assets held for Sale < 12 months	**21**	9,394
20,032	Short Term Debtors	**23**	19,996
-	Intangible Current Assets		-
143,013	Short Term Investments	**22**	68,000
22,046	Cash/Cash Equivalents	**24**	54,221
204,677	**Total Current Assets**		**151,865**
	Current Liabilities		
(10,000)	Short Term Borrowing	**26**	(10,000)
(30,684)	Short Term Creditors	**25**	(40,025)
(10,465)	Revenue Grants Receipts in Advance	**7**	(4,666)
(5,653)	Provisions < 1 year	**27**	(4,440)
-	Bank Overdraft		-
(56,802)	**Total Current Liabilities**		**(59,131)**
147,875	**Net Current Assets/(Liabilities)**		**92,734**
529,233	**Total Net Assets**		**513,248**
(148,664)	Long Term Borrowing	**26**	(148,401)
-	Provisions > 1 year	**27**	-
(21,800)	Capital Grants Receipts in Advance	**7**	(22,297)
(85,822)	Other Long Term Liabilities	**29**	(129,380)
272,947	**Total Assets Less Liabilities**		**213,170**
(54,059)	Usable Reserves	**35**	(59,097)
(218,888)	Unusable Reserves	**37**	(154,073)
(272,947)	**Total Equity**		**(213,170)**

Movement in Reserves Statement

	General Fund £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	**TOTAL USABLE RESERVES (Note 35) £000**	**TOTAL UNUSABLE RESERVES (Note 37) £000**	**TOTAL COUNCIL RESOURCES £000**
Balance as at 31st March 2015	**(52,385)**	**(3,390)**	**(2,659)**	**(58,434)**	**(118,239)**	**(176,673)**
Movement in Reserves during 2015/16						
Total Comprehensive Income and Expenditure	7,924	-	-	7,924	(104,198)	(96,274)
Adjustments between Accounting Basis and Funding Basis under Regulations (**note 34a**)	(1,610)	(912)	(33)	**(2,555)**	2,555	-
Other Adjustments	2	(996)	-	**(994)**	994	-
(Increase)/Decrease in the year	**6,316**	**(1,908)**	**(33)**	**4,375**	**(100,649)**	**(96,274)**
Balance at 31 March 2016 carried forward	**(46,069)**	**(5,298)**	**(2,692)**	**(54,059)**	**(218,888)**	**(272,947)**
Balance as at 31st March 2016	**(46,069)**	**(5,298)**	**(2,692)**	**(54,059)**	**(218,888)**	**(272,947)**
Movement in Reserves during 2016/17						
Total Comprehensive Income and Expenditure	23,978	-	-	23,978	35,799	59,777
Adjustments between Accounting Basis and Funding Basis under Regulations (**note 34b**)	(24,807)	(3,513)	430	**(27,890)**	27,890	-
Other Movements	(4)	(1,122)	-	**(1,126)**	1,126	-
(Increase)/Decrease in the year	**(833)**	**(4,635)**	**430**	**(5,038)**	**64,815**	**59,777**
Balance at 31 March 2017 carried forward	**(46,902)**	**(9,933)**	**(2,262)**	**(59,097)**	**(154,073)**	**(213,170)**

Cash Flow Statement as at 31st March 2017

2015/16 £000		Note	2016/17 £000
7,924	**Net (surplus) or deficit on the provision of services**		**23,978**
(23,514)	Adjustments to net (surplus) or deficit on the provision of services for non-cash movements	**38**	(60,962)
23,035	Adjust for items in the net (surplus) or deficit on the provision of services	**38**	18,905
7,445	**Net cash flows from Operating Activities**		**(18,079)**
(13,226)	Net cash flows from Investing Activities	**39**	(12,816)
27,926	Net cash flows from Financing Activities	**40**	(1,278)
22,145	**Net (increase)/decrease in cash and cash equivalents**		**(32,173)**
(44,191)	Cash and Cash Equivalents at the beginning of the reporting period	**24**	(22,048)
(22,046)	**Cash and Cash Equivalents at the end of the reporting period**	**24**	**(54,221)**

Notes to the Core Financial Statements

1. Expenditure and Funding Analysis

The Expenditure and Funding Analysis demonstrates how the funding available to the Council for the year (including government grants, Council Tax and Business Rates) has been used to provide services in comparison with those resources consumed or earned under generally accepted accounting practices. This also shows how this expenditure is allocated for decision making purposes between the Council's Directorates.

Expenditure and Funding Analysis 2015/16

	Net Expenditure Chargeable to the General Fund Balances 2015/16 £000	Adjustments between the Funding and Accounts Basis 2015/16 £000	Net Expenditure in the Comprehensive Income and Expendiure Statement 2015/16 £000
Enterprise, Community and Resources	48,184	5,298	53,482
People	75,810	(5,802)	70,008
Schools	-	156	156
Corporate and Democracy	(22,611)	18,721	(3,890)
Net Cost of Services	**101,383**	**18,373**	**119,756**
Other Income and Expenditure	(101,451)	(10,381)	(111,832)
Surplus or Deficit	**(68)**	**7,992**	**7,924**
General Fund (excluding Earmarked Reserves)	(8,822)		
Earmarked Reserves	(43,563)		
Opening General Fund Balance	**(52,385)**		
Less/Plus (Surplus) or Deficit on General Fund Balance in Year	(68)		
Add General Fund used to balance budget	3,500		
Movement (to)/from General Fund to/(from) Earmarked Reserves	2,883		
Movement on General Fund Balance	**6,315**		
General Fund (excluding Earmarked Reserves)	(5,389)		
Earmarked Reserves	(40,680)		
Closing General Fund Balance at 31st March	**(46,069)**		

Note to Expenditure and Funding Analysis 2015/16

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Other Income and Expenditure £000	Movement in Reserves £000	Adjustments for Capital Purposes £000	Net change for the Pension Adjustments £000	Other Differences £000	Total Adjustments £000
Enterprise, Community and Resources	481	1,879	2,095	1,259	(416)	**5,298**
People	(17)	(64)	(6,660)	974	(35)	**(5,802)**
Schools	-	1,742	(2,110)	570	(46)	**156**
Corporate and Democracy	(2,644)	3,327	17,398	640	-	**18,721**
Net Cost of Services	**(2,180)**	**6,884**	**10,723**	**3,443**	**(497)**	**18,373**
Other Income and Expenditure from the Expenditure and Funding Analysis	2,180	(387)	(14,839)	4,139	(1,474)	**(10,381)**
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	**-**	**6,497**	**(4,116)**	**7,582**	**(1,971)**	**7,992**

Expenditure and Funding Analysis 2016/17

	Net Expenditure Chargeable to the General Fund Balances 2016/17 £000	Adjustments between the Funding and Accounts Basis 2016/17 £000	Net Expenditure in the Comprehensive Income and Expendiure Statement 2016/17 £000
Enterprise, Community and Resources	47,477	3,148	50,625
People	73,394	(7,244)	66,150
Schools	-	12,337	12,337
Corporate and Democracy	(21,843)	19,295	(2,548)
Net Cost of Services	**99,028**	**27,536**	**126,564**
Other Income and Expenditure	(98,469)	(4,117)	(102,586)
Surplus or Deficit	**559**	**23,419**	**23,978**
General Fund (excluding Earmarked Reserves)	(5,389)		
Earmarked Reserves	(40,680)		
Opening General Fund Balance	**(46,069)**		
Less/Plus (Surplus) or Deficit on General Fund Balance in Year	559		
Movement (to)/from General Fund to/(from) Earmarked Reserves	(1,392)		
Movement on General Fund Balance	**(833)**		
General Fund (excluding Earmarked Reserves)	(4,830)		
Earmarked Reserves	(42,072)		
Closing General Fund Balance at 31st March	**(46,902)**		

Note to Expenditure and Funding Analysis 2016/17

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Other Income and Expenditure £000	Movement in Reserves £000	Adjustments for Capital Purposes £000	Net change for the Pension Adjustments £000	Other Differences £000	Total Adjustments £000
Enterprise, Community and Resources	184	1,144	1,427	378	15	**3,148**
People	(17)	(3,846)	(3,746)	376	(11)	**(7,244)**
Schools	-	904	11,029	208	196	**12,337**
Corporate and Democracy	(2,570)	412	21,379	74	-	**19,295**
Net Cost of Services	**(2,403)**	**(1,386)**	**30,089**	**1,036**	**200**	**27,536**
Other Income and Expenditure from the Expenditure and Funding Analysis	2,403	(4)	(5,557)	2,282	(3,241)	**(4,117)**
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	**-**	**(1,390)**	**24,532**	**3,318**	**(3,041)**	**23,419**

2. Expenditure and Income Analysed by Nature

2015/16 £000		2016/17 £000
	Expenditure	
136,630	Employee Benefits	134,326
180,648	Other service expenses	183,560
19,214	Depreciation, amortisation and impairment	40,155
3,357	Interest Payments	3,239
344	Precepts and levies	373
340,193	**Total Expenditure**	**361,653**
	Income	
(45,709)	Fees and charges and other service income	(59,245)
(2,239)	Loss on disposal of non-current assets	(1,270)
(67,528)	Income from Council Tax and Business Rates	(72,033)
(215,558)	Government grants income	(204,274)
(1,235)	Interest and investment income	(853)
(332,269)	**Total Income**	**(337,675)**
7,924	**Surplus or Deficit on the Provison of Servcies**	**23,978**

3. Other Operating Expenditure

2015/16 £000		2016/17 £000
62	Parish Council Precepts	84
282	Levies	289
1	Payments to the Government Housing Capital Receipts Pool	-
17	Movement in value of Assets Held for Sale	500
(2,239)	(Gains)/Losses on the Disposal of non-current assets	(1,270)
(1,877)	**Total**	**(397)**

4. Financing and Investment Income

2015/16 £000		2016/17 £000
3,357	Interest payable and similar charges	3,239
4,139	Net interest on the net defined benefit liability	2,282
(1,235)	Interest receivable and similar charges	(853)
(506)	Income & Expenditure in relation to Investment Properties and changes in their fair value	(46)
-	Loss on transfer of academies	1,199
(95)	Other investment income	(79)
5,660	**Total**	**5,742**

5. Taxation and Non Specific Grant Income

2015/16 £000		2016/17 £000
(40,282)	Council Tax income	(42,774)
(27,246)	Non domestic rates	(29,259)
(28,261)	Non-ringfenced government grants	(22,251)
(7,449)	NNDR Top Up Grant	(7,511)
(12,377)	Capital grants and contributions	(6,136)
(115,615)	**Total**	**(107,931)**

6. Material Items of Income and Expenditure

There are no individually material items of Income and Expenditure to report beyond those disclosed on the face of the Comprehensive Income and Expenditure Statement and supporting notes.

7. Grant Income

The Council has received a number of grants and contributions that have yet to be recognised as income. At the balance sheet date, conditions existed which remain to be satisfied. The balances at year end are as follows:

Capital Grants Receipts in Advance	31 March 2016 £000	31 March 2017 £000
Grant – Communities and Local Government	(13,097)	(12,632)
Grant – Department of Health	-	(1,278)
Grant – Department for Environment, Food & Rural Affairs	(46)	(46)
Grant – Department for Education	(386)	(366)
Grant – Other Grants	(1,269)	(226)
Contributions	(7,002)	(7,749)
	(21,800)	**(22,297)**

Revenue Grants Receipts in Advance	31 March 2016 £000	31 March 2017 £000
Grant – Department for Education	(8,147)	(2,285)
Grant – Department for Environment, Food & Rural Affairs	(42)	(42)
Grant – Dedicated Schools Grant	(22)	-
Grant - Department of Health	(100)	(150)
Grant - Department for Work & Pensions	(31)	-
Grant - Deparment for Transport	(107)	(368)
Grant – Other Grants	(658)	(274)
Contributions	(281)	(320)
Other Creditors	(1,077)	(1,227)
	(10,465)	**(4,666)**

The Council credited the following grants to the Comprehensive Income and Expenditure Statement in 2016/17. Due to additional income information being disclosed in Note 2, this note has been shortened in the 16/17 accounts to avoid duplication.

	2015/16	2016/17
	£000	£000
Revenue Grants Credited to Services		
Communities & Local Government	(5,968)	(5,637)
Dedicated Schools Grant	(77,624)	(77,695)
Department for Education	(17,271)	(22,970)
Department for Environment, Food & Rural Affairs	(23)	(31)
Department for Transport	(1,014)	(907)
Department for Works & Pensions	(2,020)	(1,794)
Department of Health	(9,790)	(10,929)
Home Office	(91)	(39)
Department of Energy & Climate Change	(16)	(67)
Rent Allowance Subsidy	(51,871)	(46,685)
Other Grants	(1,783)	(1,622)
Total	**(167,471)**	**(168,376)**

8. Disclosure of Deployment of Dedicated Schools Grant

The Council's expenditure on schools is funded by grant monies provided by the Department for Education, the Dedicated Schools Grant (DSG). DSG is ring-fenced and can only be applied to meet expenditure properly included in the Schools Budget. The Schools Budget includes elements for a restricted range of services provided on an authority-wide basis and for the Individual Schools Budget, which is divided into a budget share for each school. Overspends and underspends on the two elements are required to be accounted for separately.

Details of the deployment of DSG receivable for 2016/17 are shown below:

Total 2015/16 £000		**Central Expenditure 2016/17 £000**	**Individual Schools Budget 2016/17 £000**	**Total 2016/17 £000**
(102,799)	Final DSG before academy recoupment			(103,567)
25,175	Academy figure recouped in year			25,872
(77,624)	**Total DSG after academy recoupment**			**(77,695)**
(2,388)	Plus brought forward			(1,584)
-	Less carry forward agreed in advance			-
(80,012)	**Agreed budgeted distribution**	**(15,000)**	**(64,279)**	**(79,279)**
-	In Year Adjustments	1,416	(1,416)	-
(80,012)	**Final Budget Distribution**	**(13,584)**	**(65,695)**	**(79,279)**
12,081	Less actual central expenditure	11,948	-	11,948
66,347	Less actual ISB deployed to schools	-	65,695	65,695
	Plus Council Contribution	-	-	-
(1,584)	**Carry Forward**	**(1,636)**	**-**	**(1,636)**

9. Pooled Budgets

Better Care

In 2015 the Government introduced a £3.8 billion Better Care Fund, a pooled budget for health and social care services, shared between the NHS and local authorities, to deliver better outcomes and greater efficiencies through more integrated services for older and disabled people.

From April 2015 the pool budget between Halton Borough Council (HBC) and the Halton Clinical Commissioning Group (CCG) was expanded to incorporate this Better Care Fund (BCF) under a Section 75 agreement for health and social care services provided to the residents of Halton. The pooled budget continued to provide a fully integrated system enabling resources to be used efficiently and effectively in the delivery of personalised, responsive and holistic care to those who are most in need within the community. This results in the alignment of systems, improve pathways, speeding up discharge processes, transforming patient/care satisfaction and ensuring the future sustainability of meeting the needs of people with complex needs.

In addition to the BCF allocation, the Council and Clinical Commissioning Group each contributed funds equal to 63% and 37% respectively of the Better Care Pool budget for 2016/17. In accordance with the partnership agreement, the same proportions are used to meet any deficit or share any surplus arising on the pooled budget at the end of the financial year unless agreement is given by the partners to carry the deficit/surplus to the following financial year.

The pooled budget is hosted by the Council on behalf of the partners to the agreement.

		2015/16 £000		2016/17 £000
Balance Brought Forward		**(7)**		**(3)**
Funding provided to the pooled budget:				
- Halton Borough Council		(18,583)		(20,452)
- Halton Clinical Commissioning Group		(12,346)		(12,196)
- Better Care Fund		(9,450)		(9,491)
		(40,379)		**(42,139)**
Income raised through the pooled budget:				
- Halton Borough Council		(7,338)		(8,280)
		(7,338)		**(8,280)**
Expenditure met from the pooled budget:				
- Halton Borough Council		25,923		28,769
- Halton Clinical Commissioning Group		12,348		12,217
- Better Care Fund		9,450		9,491
		47,721		**50,477**
Net (surplus)/deficit arising on the pooled budget during the year		**4**		**58**
Share of the (surplus)/deficit for the year:				
- Halton Borough Council	60%	2	63%	37
- Halton Clinical Commissioning Group	40%	2	37%	21
		4		**58**

10. Officers Remuneration

The number of employees whose remuneration, inclusive of redundancy payments and car benefit but excluding pension contributions, was £50,000 or more, grouped in rising bands of £5,000 is shown below. This list is inclusive of officers reported in the senior officer's disclosure note.

		2015/16		2016/17	
		Number of Employees		Number of Employees	
Remuneration Band		Teaching	Non-Teaching	Teaching	Non - Teaching
£50,000	£54,999	33	16	33	16
£55,000	£59,999	21	19	23	11
£60,000	£64,999	11	14	13	13
£65,000	£69,999	8	8	8	4
£70,000	£74,999	4	2	4	3
£75,000	£79,999	2	5	1	-
£80,000	£84,999	-	5	1	4
£85,000	£89,999	-	7	1	4
£90,000	£94,999	-	2	-	3
£95,000	£99,999	1	-	-	-
£100,000	£104,999	-	-	-	-
£105,000	£109,999	1	-	-	-
£110,000	£114,999	-	2	1	-
£115,000	£119,999	-	-	-	1
£120,000	£124,999	-	-	-	1
£125,000	£129,999	-	-	-	-
£130,000	£134,999	-	-	-	-
£135,000	£139,999	-	-	-	-
£140,000	£144,999	-	1	-	-
£145,000	£149,999	-	-	-	-
£150,000	£154,999	-	-	-	-
£155,000	£159,999	-	-	-	
£160,000	£164,999	-	-	-	-
£165,000	£169,999	-	1	-	-
£170,000	£174,999	-	-	-	1
£175,000	£179,999	-	-	-	-
		81	**82**	**85**	**61**

Halton Borough Council is required to disclose to local taxpayers the total remuneration package for the senior officers charged with the stewardship of the organisation.

A senior employee has a significant level of responsibility for contributing to the strategic decision making of the Council. Senior officers will include those that have a statutory duty under legislation.

Senior employees whose salary is between £50,000 and £150,000 are disclosed by job title. Senior employees whose salary is more than £150,000 are disclosed by job title and name.

These notes refer to the detailed note overleaf:

Note 1: The Strategic Director People & Economy performed the additional role of Director of Children's Services at Cheshire West and Chester Council on a part-time basis at a total remuneration cost of £23,700 before he left Halton Borough Council on 30/06/16. The payments in relation to this additional role have been made by Halton Borough Council and are included in the salary and remuneration figures detailed overleaf. This has been reimbursed by Cheshire West and Chester Council. Following his departure there was a restructure and the post of Strategic Director People was filled on 24/10/16.

Note 2: The Strategic Director Communities left on 13/09/15 and wasn't directly replaced due to the restructure.

Note 3: During 2016/17, the Operational Director Prevention & Assessment was re-designated as Statutory Director of Adult Services.

Note 4: During 2016/17, the Operational Director Children & Families Services was re-designated Statutory Director of Children's Services. She held this title until March 2017 at which point the Strategic Director People undertook this role.

Note 5: The Operational Director for Commissioning & Complex Care took redundancy on 31/12/16.

Note 6: During 2015/16 & 2016/17, the Operational Director ICT & Support Services continued the implementation of a new finance system at Sefton Council. He was awarded an honorarium for this which is included in the remuneration figures overleaf. This will be reimbursed from Sefton Council.

Post Title		Salary (including fees & Allowances)		Compensation for loss of employment		Benefits in Kind		Total Remuneration excluding pension contributions		Employers Pension contributions		Total Remuneration including pension contributions	
		2015/16	2016/17	2015/16	2016/17	2015/16	2016/17	2015/16	2016/17	2015/16	2016/17	2015/16	2016/17
		£	£	£	£	£	£	£	£	£	£	£	£
					-	-							
Chief Executive - David Parr		168,900	170,600	-	-	-	-	168,900	170,600	35,100	3,100	204,000	173,700
Strategic Director - People & Economy	1	138,500	39,800	-	-	1,900	-	140,400	39,800	29,100	7,500	169,500	47,300
Strategic Director - People	1	-	51,300	-	-	-	-	-	51,300	-	11,000	-	62,300
Strategic Director - Enterprise, Communities & Resources		114,000	120,200	-	-	-	-	114,000	120,200	23,800	25,700	137,800	145,900
Operational Director - Communities (before restructure)	2	63,700	-	-	-	-	-	63,700	-	13,100	-	76,800	-
Operational Director - Policy, Planning & Transportation		82,600	84,100	-	-	2,600	2,600	85,200	86,700	17,300	18,000	102,500	104,700
Operational Director - Legal & Democratic Services		83,800	84,200	-	-	3,500	3,500	87,300	87,700	17,700	18,000	105,000	105,700
Operational Director - Prevention & Assessment	3	88,800	94,600	-	-	-	-	88,800	94,600	18,500	20,200	107,300	114,800
Operational Director - Children & Families Services	4	78,900	91,600	-	-	-	-	78,900	91,600	16,400	19,600	95,300	111,200
Operational Director - Commissioning & Complex Care	5	47,000	52,000	-	-	-	-	47,000	52,000	9,700	6,700	56,700	58,700
Operational Director - Children's Organisation & Provision		83,100	84,200	-	-	-	-	83,100	84,200	17,300	18,200	100,400	102,400
Operational Director - Finance		79,000	82,100	-	-	-	-	79,000	82,100	16,400	17,500	95,400	99,600
Operational Director - ICT & Support Services	6	92,500	93,200	-	-	-	-	92,500	93,200	19,200	19,700	111,700	112,900
Operational Director - Economy, Enterprise & Property		82,500	83,700	-	-	2,700	2,700	85,200	86,400	17,300	18,000	102,500	104,400
Operational Director - Community & Environment		83,100	84,200	-	-	-	-	83,100	84,200	15,400	15,900	98,500	100,100
Operational Director - Public Health		92,500	87,900	-	-	-	-	92,500	87,900	12,900	12,400	105,400	100,300
		1,378,900	**1,303,700**	**-**	**-**	**10,700**	**8,800**	**1,389,600**	**1,312,500**	**279,200**	**231,500**	**1,668,800**	**1,544,000**

11. Exit Packages and Termination Benefits

The numbers of exit packages with total cost per band and total cost of compulsory and voluntary redundancies and early retirements are set out in the table below:

Exit package cost band	Number of compulsory redundancies		Number of voluntary redundancies		Number of early retirements		Total of number of exit packages by cost band		Total cost of exit packages in each band	
	2015/16	2016/17	2015/16	2016/17	2015/16	2016/17	2015/16	2016/17	2015/16 £000	2016/17 £000
£0 - £20,000	5	3	40	5	-	-	45	8	456	42
£20,001 - £40,000	-	-	25	4	-	-	25	4	713	105
£40,001 - £60,000	-	1	10	-	-	-	10	1	445	57
£60,001 - £80,000	-	-	6	-	-	-	6	-	416	-
£80,001 - £100,000	-	-	5	-	-	-	5	-	447	-
£100,001 - £150,000	-	-	3	-	-	-	3	-	353	-
£150,001 - £200,000	-	-	-	1	-	-	-	1	-	160
£200,001 - £250,000	-	-	2	-	-	-	2	-	428	-
£250,001 - £300,000	-	-	-	-	-	-	-	-	-	-
Total	**5**	**4**	**91**	**10**	**-**	**-**	**96**	**14**	**3,258**	**364**

The total cost of exit packages in 2016/17 is £0.364m (2015/16 - £3.258m) charged to the authority's Comprehensive Income and Expenditure Statement (CIES). Costs associated with redundancies include officers aged 55 or over being able to access their pensions immediately, the costs of which amounted to £0.216m, charged to the CIES in 2016/17. There were no early retirements taken in 2016/17 (2015/16 - £0.000m).

Termination Benefits

In addition to the cost of exit packages the Council incurred liabilities of £0.201m relating to past early retirements charged to the Comprehensive Income and Expenditure Statement. Resulting in total costs for the year of £0.565m.

12. Members Allowances

During the year £760,843 (2015/16 £748,232) was paid to Members including Mayoral and Deputy Mayoral allowances.

13. Related Party Transactions

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

Once these relationships are brought to the attention of users, transactions are disclosed so that readers can assess for themselves whether these relationships might have had an effect or could have an effect in the future.

Central Government

UK Central Government has significant influence over the general operations of the Council. It is responsible for providing the statutory framework within which the Council operates, provides funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. council tax bills, business rates, housing benefits).

Grants received from government departments are set out in Note 7.

Members and Officers

Members of the Council have direct control over the Council's financial and operating policies. The Council operates a system of self-regulation which requires each Executive Director and Member to complete a declaration highlighting whether they or any members of their family have been involved in any material financial transactions between the Council and any external bodies they are affiliated to during the financial year.

The total of members allowances paid in 2016/17 is shown in Note 12. The total of senior officers remuneration paid in 2016/17 is shown in Note 10.

For 2016/17 the system has highlighted that 21 Members had interests in various organisations and voluntary sector bodies involving payments worth £2.218m and receipts worth £1.891m for various works and services.

In 2016/17, the declarations also showed that one Executive Officer represented the Council on the boards of two bodies within the borough. Payments between HBC and those bodies totalled £2.101m and receipts totalled £0.045m in 2016/17.

Other Public Bodies

The Council had one pooled budget arrangement with Halton Clinical Commissioning Group during 2016/17 under section 75 of the Health Act 2006. Transactions and balances are highlighted in Note 9.

Entities Controlled or Significantly Influenced by the Council

Details of the Council's interests in companies are disclosed in Note 41 – Interest in Companies and Other Entities.

14. External Audit Fees

The Council incurred the following fees relating to external audit and inspection.

	2015/16 £000	2016/17 £000
Fees payable for		
- Audit	105	105
- Grants and returns	24	13
- Other	-	-
- Non-audit work	11	14
	140	**132**

Due to the timing of the audit of grant claims, the audit fee for Grants and Returns is based on an estimate and may include amounts relating to previous years.

15. Events after the Balance Sheet Date

These accounts have been authorised for issue by the Operational Director Finance, on the 30th June 2017 and reflect all known events for the financial year. Events taking place after this date are not reflected in the financial statements or notes.

Where events taking place before this date provided information about conditions existing at 31st March 2017, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

At the time of authorisation there were no material post balance sheet events.

16. Capital Expenditure and Financing

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

	2015/16	2016/17
	£000	£000
Opening Capital Financing Requirement	**107,660**	**111,606**
Capital Investment:		
Property, Plant & Equipment	26,991	77,210
Investment Properties	-	-
Intangible Assets	2,264	827
Revenue Expenditure funded from Capital under Statute	586	6,791
Source of Finance:		
Capital Receipts	(4,494)	(5,548)
Government Grants & Other Contributions	(15,974)	(19,681)
Direct Revenue Contributions	(2,279)	(759)
Minimum Revenue Provision	(3,148)	(2,471)
Closing Capital Financing Requirement	**111,606**	**167,975**
Explanation of movement in year:		
Increase in underlying need to borrow	6,740	58,759
Minimum Revenue Provision statutory set a side	(3,148)	(2,471)
Deferred Liability Voluntary set a side	-	-
Assets acquired under Finance Leases	354	81
Assets acquired under PFI/PPP contracts	-	-
Increase/(Decrease) in Capital Financing Requirement	**3,946**	**56,369**

The table above shows the Council spent £84.83m on capital during 2016/17 (including £0.81m for assets acquired under finance leases).

Disposal of Assets/Capital Receipts

Land/Dwellings/Recovered Advances – the Council received £22.026 from the sale of land and various properties.

Under residual arrangements, the Council received £0.170m (£0.178m in 2015/16) from Halton Housing Trust for the sale of homes during the year, and a further £0.235m (£0.342m in 2015/16) under VAT Shelter arrangements.

Capitalisation of Borrowing Costs

The Council had undertaken borrowing of £113m in 2014-15 in advance of need to secure favourable interest rates available from the Public Works Loans Board. These loans will be invested until the payments are made to Merseylink Consortium to fund the contribution from the Council towards Mersey Gateway Crossing construction costs. The Council's final contribution payment is expected to be made in Autumn 2017.

The interest capitalised during 2016/17 is shown below:

2015/16 £000		2016/17 £000
(786)	Interest received	(695)
4,382	Interest paid	4,370
3,596	**Net interest capitalised**	**3,675**

17. Non-Current Assets, Property, Plant and Equipment

Movements during 2015/16

	Land and Buildings £000	Community Assets £000	Infrastructure Assets £000	Vehicles, Plant and Equipment £000	Surplus £000	Under Construction / Development £000	Total 2015/16 £000	Service Concession Assets included in PPE £000
Cost or Valuation								
As at 31st March 2015	**181,236**	**7,863**	**167,469**	**17,552**	**19,040**	**72,392**	**465,552**	**17,705**
Additions and Enhancements	1,751	868	4,913	2,213	741	16,512	**26,998**	-
Revaluations Recognised in the Revaluations Reserve	19,282	-	-	-	1,099	-	**20,381**	37
Revaluations Recognised in the Provision Services	3,963	-	-	-	861	(4,806)	**18**	4,821
Derecognition – Disposals	(972)	-	-	(173)	(2,797)	-	**(3,942)**	-
Derecognition – Others	-	-	-	-	-	-	**-**	-
Assets Reclassified (to)/from held for sale	(3,164)	-	-	-	(14,971)	-	**(18,135)**	-
Other Movements	10,575	173	-	-	(23)	(2,054)	**8,671**	
As at 31st March 2016	**212,671**	**8,904**	**172,382**	**19,592**	**3,950**	**82,044**	**499,543**	**22,563**
Depreciation								
As at 31st March 2015	**(17,228)**	**(3,115)**	**(96,190)**	**(10,737)**	**(636)**	**-**	**(127,906)**	**(482)**
Depreciation for the year	(9,250)	(519)	(8,722)	(2,160)	(1,142)	-	**(21,793)**	(482)
Depreciation written out to revaluation reserve	13,089	-	-	-	300	-	**13,389**	-
Depreciation written out to Surplus/Deficit on the Provision of Services	2,619	-		-	293	-	**2,912**	964
Derecognition – Disposals	240	-	-	50	924	-	**1,214**	-
Derecognition – Other	-	-	-	-	-	-	**-**	-
Other movements in depreciation	-	-	-	-	-	-	**-**	-
As at 31st March 2016	**(10,530)**	**(3,634)**	**(104,912)**	**(12,847)**	**(261)**	**-**	**(132,184)**	**-**
Balance Sheet Amount as at 31st March 16	**202,141**	**5,270**	**67,470**	**6,745**	**3,689**	**82,044**	**367,359**	**22,563**
Balance Sheet Amount as at 1st April 15	**164,008**	**4,748**	**71,279**	**6,815**	**18,404**	**72,392**	**337,646**	**17,223**

Movements during 2016/17

	Land and Buildings £000	Community Assets £000	Infrastructure Assets £000	Vehicles, Plant and Equipment £000	Surplus £000	Under Construction / Development £000	Total 2016/17 £000	Service Concession Assets included in PPE £000
Cost or Valuation								
As at 31st March 2016	**212,671**	**8,904**	**172,382**	**19,592**	**3,950**	**82,044**	**499,543**	**22,563**
Additions and Enhancements	8,571	177	5,507	3,551	-	59,385	**77,191**	-
Revaluations Recognised in the Revaluations Reserve	2,484	2	-	-	1,221	-	**3,707**	-
Revaluations Recognised in the Provision Services	(11,164)	-	-	-	(561)	(8,558)	**(20,283)**	-
Derecognition – Disposals	(9,487)	-	-	-	-	-	**(9,487)**	-
Derecognition – Others	-	-	-	-	-	-	**-**	-
Assets Reclassified (to)/from held for sale	(1,115)	-	-	-	(1,495)	-	**(2,610)**	-
Other Movements	1,677	-	-	-	764	(1,675)	**766**	-
As at 31st March 2017	**203,637**	**9,083**	**177,889**	**23,143**	**3,879**	**131,196**	**548,827**	**22,563**
Depreciation								
As at 31st March 2016	**(10,530)**	**(3,634)**	**(104,912)**	**(12,847)**	**(261)**	**-**	**(132,184)**	**-**
Depreciation for the year	(11,023)	(577)	(8,709)	(2,179)	(75)	-	**(22,563)**	(680)
Depreciation written out to revaluation reserve	567	-	-	-	-	-	**567**	
Depreciation written out to Surplus/Deficit on the Provision of Services	3,451	-	-	-	-	-	**3,451**	
Derecognition – Disposals	30	-	-	-	-	-	**30**	
Derecognition – Other	-	-	-	-	-	-	**-**	
Other movements in depreciation	(37)	(1)	(2)	(1)	50	-	**9**	
As at 31st March 2017	**(17,542)**	**(4,212)**	**(113,623)**	**(15,027)**	**(286)**	**-**	**(150,690)**	**(680)**
Balance Sheet Amount as at 31st March 17	**186,095**	**4,871**	**64,266**	**8,116**	**3,593**	**131,196**	**398,137**	**21,883**
Balance Sheet Amount as at 1st April 16	**202,141**	**5,270**	**67,470**	**6,745**	**3,689**	**82,044**	**367,359**	**22,563**

Depreciation

The following useful lives and depreciation rates have been used in the calculation of depreciation:

Buildings and Other Operational Properties	10-60 years
Infrastructure and Community Assets	15 years
Vehicles, Plant and Equipment	3-10 years
Intangible Assets	5 years

Capital Commitments

At 31st March 2017, the Council has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment.

The major commitments are:

3MG Regeneration	£ 4.6m
Venture Fields	£ 6.0m
Street Lighting upgrades	£ 3.5m
Mersey Gateway	£96.0m
Silver Jubilee Bridge Major Maintenance	£ 9.8m

At 31st March 2017 the capital commitments totalled £130.8m (£154.5m at 31st March 2016).

Revaluations

The Council carries out a rolling programme that ensures all Property, Plant and Equipment required to be measured at fair value is revalued at least every 5 years using the rota below with 2016/17 being year 1 in the cycle. All valuations are carried out internally by the Council's in-house valuer Peter O'Donnell MRICS. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institute of Chartered Surveyors. Valuations of vehicles, plant and equipment are based on current prices where there is an active second-hand market or latest list prices adjusted for the condition of the asset.

Year 1 – Amendments and general updates
Year 2 – Corporate Properties
Year 3 – Children's centres, Children's homes and miscellaneous properties, land and open spaces
Year 4 – Day care centres, homes, leisure centres, sports fields and changing rooms, allotments, community centres, libraries and cemeteries
Year 5 – Nursery, infant, junior, primary, secondary, special and PRU schools.
All assets are subject to an annual review to ensure valuations have not materially changed in the years they are not valued and that the carrying value is not significantly different to their fair value.

Assets which were subject to a revaluation in 2016/17 are dated the 1st April 2016. The valuation report which is used in the preparation of the Council's Statement of Accounts takes account of all known events throughout 2016/17 which could subsequently affect the assets value and is therefore dated the 31st March 2017.

Land & Buildings

Non specialised property is valued at Fair Value – Existing Use Value. Specialised Property is valued on the basis of Depreciated Replacement Costs.

Community Assets

This group includes parks, cemetery land and other identifiable assets held in perpetuity, usually at Depreciated Historic Cost.

Infrastructure

These are included on the balance sheet at Depreciated Historical Costs in accordance with the guidelines contained in the RICS Appraisal and Valuation Standards.

Vehicles, Plant and Equipment

The majority of the Council's plant and equipment is included in the valuation of the buildings. The vehicles and other equipment are valued at Depreciated Historical Cost.

Intangible Assets

This group consists mainly of software licences for computer systems held at Depreciated Historical Cost.

Surplus Assets

Assets held for sale have strict criteria to be met before any assets can be included under this heading. Where assets are not in use but do not meet the criteria, they are accommodated within surplus assets. They are held at highest and best use value.

Assets under Construction/Development

These schemes are held temporarily on the balance sheet at Historical Cost, until the asset is completed, when it is replaced with a formal valuation.

Fair Value Hierarchy for Investment Properties, Surplus Assets and Assets Held for Sale

Investment Properties, Surplus Assets and Assets Held for Sale have been value assessed as Level 2 on the fair value hierarchy for valuation purposes (see Statement of Accounting Policies 10 – Fair Value).

Valuation Techniques Used to Determine Level 2 Fair Values.

The fair value of Investment Properties, Surplus Assets and Assets Held for Sale have been measured using a market approach, which takes into account quoted prices for the existing or similar assets in active markets, existing lease terms and rentals, research into market evidence including market rentals and yields, the covenant strength for existing tenants, and data and market knowledge gained in managing the Council's Asset portfolio. This information is contained within the Valuation Assumptions and Evidence note agreed between the authority's Asset Manager and professional staff. Market conditions are such that similar properties are actively purchased and sold and the level of observable inputs are significant, leading to the properties being categorised as level 2 on the fair value hierarchy.

There has been no change in the valuation techniques used during the year for Investment Properties, Surplus Assets or Assets Held for Sale.

Highest and Best Use

In estimating the fair value of the Council's Investment Properties, the highest and best use is their current use, though Assets Held for Sale have been valued taking their development potential into account.

De-minimis Assets

At 31st March 2017, the Council had 165 assets that fell below its de-minimis level of £35,000 which totalled £1.267m. These assets are not recorded on the Balance Sheet.

18. Heritage Assets

Reconciliation of the Carrying Value of Heritage Assets Held by the Council

	2015/16			2016/17		
	Civic Regalia £000	Outdoor Sculpture £000	Total £000	Civic Regalia £000	Outdoor Sculpture £000	Total £000
Cost or Valuation						
1st April	**858**	**310**	**1,168**	**858**	**310**	**1,168**
Additions	-	-	-	-	17	17
Disposals	-	-	-	-	-	-
Revaluations	-	-	-	-	-	-
Impairment Losses/(reversals) Recognised in the Revaluation Reserve	-	-	-	-	-	-
Impairment Losses/(reversals) Recognised in the Surplus or Deficit on the Provision of Services	-	-	-	-	-	-
31st March	**858**	**310**	**1,168**	**858**	**327**	**1,185**

Other Heritage Assets

For the following classes of Heritage Assets no valuation is held as the records for the cost of acquisition / construction are no longer available and they are not insured as individual items and therefore are not recorded on the Council's balance sheet.

War Memorials
Duck Decoy (Hale Village)
Outdoor works of Art
Halton Castle

19. Investment Properties

The following items of income and expense have been accounted for in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

2015/16		2016/17
£000		£000
(848)	Rental income from Investment Property	(327)
616	Direct operating expenses aising from investment property	209
(232)		**(118)**

Investment Properties are not directly involved in the delivery of a service. They are valued annually by the Council's in-house valuer.

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

The following table summarises the movement in the fair value of investment properties over the year:

	2015/16	2016/17
	£000	£000
Balance at the start of the year	**10,895**	**1,679**
Additions:		
- Purchases	-	
- Construction	-	
- Subsequent expenditure	-	
Disposals	(818)	
Net gain/losses from fair value adjustments	279	(138)
Transfers:		
- (To)/from Inventories	-	
- (To)/from Property, Plant and Equipment	(8,677)	
Other changes		
	1,679	**1,541**

For details of the fair value valuations used for Investment Properties, see Note 17.

20. Intangible Assets

The Council accounts for its software as intangible assets, with the exception of software which is an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and Equipment.

All software is given a finite life, based on assessments of the period that the software is expected to be of use to the Council. The useful lives assigned to the major software suites used by the Council are:

Useful Life	Internally Generated Assets	Other Assets
5 years	None	Software Licenses

The carrying amounts of intangible assets are amortised on a straight-line basis. The amortisation of £0.689m charged to revenue in 2016/17 was charged to various cost centres and then absorbed as an overhead across all service headings in the Net Cost of Services.

The movement on Intangible Asset balances during the year as follows:

	2015/16 £000	2016/17 £000
Balance at start of year:		
Gross carrying amounts	5,801	8,064
Accumulated amortisation	(4,858)	(5,191)
Net carrying amount at start of year	**943**	**2,873**
Additions:		
Purchases	2,263	827
Amortisation for the period	(333)	(689)
Net carrying amount at end of year	**2,873**	**3,011**
Comprising:		
Gross carrying amounts	8,064	8,891
Accumulated amortisation	(5,191)	(5,880)
	2,873	**3,011**

21. Assets Held for Sale

	2015/16 £000	2016/17 £000
Balance outstanding at start of Year	**1,753**	**19,347**
Assets newly classified as held for sale:		
- Property, Plant and Equipment	18,135	2,609
- Intangible Assets	-	-
Revaluation Losses	(17)	(500)
Revaluation Gains	-	1,607
Impairment Losses	-	-
Assets declassified as held for sale:		
- Property, Plant and Equipment	-	-
- Intangible Assets	-	-
Assets Sold	(524)	(12,903)
Transfers from non-current to current	-	-
Other Movements	-	(766)
Balance outstanding at year-end	**19,347**	**9,394**

For details of the fair value valuations used for Assets Held for Sale, see Note 17.

Please note all Assets Held for Sale are due to be sold within a year and are shown as Current Assets on the Balance sheet.

22. Investments

Long term investments consist of:

	Balance at 31/03/2016 £000	Balance at 31/03/2017 £000
Halton Borough Transport Ltd		
- Share Capital	430	430
- Debenture 1	4	-
- Debenture 2	57	43
Municipal Bonds Agency	10	10
CCLA Property Fund	1,912	4,626
Mersey Gateway Share Capital - de minimis	-	-
Halton Development Partnership Limited – de minimis	-	-
Widnes Regeneration Limited – de minimis	-	-
Long Term Deposits	5,000	10
	7,413	**5,119**

Halton Borough Transport Ltd was set up in October 1986 as a public transport undertaking, with an issued share capital of £430,100, wholly owned by Halton Borough Council. There is one debenture remaining which is being repaid at £14,286 per annum with interest. Extracts from their accounts are detailed below:

	31/03/2016 £000	31/03/2017 £000
Profit and Loss Account		
Turnover	(6,295)	(6,415)
Operating and Other Expenditure	6,310	6,486
Net (Profit)/Loss (before Taxation)	**15**	**71**
Taxation	(2)	(20)
(Profit) / Loss for Financial Year	**13**	**51**
Balance Sheet as at 31st March		
Fixed Assets	2,555	2,297
Current Assets less Current Liabilities	(750)	(634)
Net Assets	**1,805**	**1,663**
Long Term Liabilities	(1,007)	(936)
Provisions for Liabilities and Charges	(115)	(95)
Pension Scheme Liability	-	
	683	**632**
Represented by:		
Share Capital	(430)	(430)
Profit and Loss Account	(253)	(202)
	(683)	**(632)**

Please note that as the Halton Borough Transport Ltd's accounts were not finalised when the Council's accounts were published, the figures above have been produced using draft accounts from Halton Borough Transport.

Further details can be obtained from Halton Borough Transport Limited, Moor Lane, Widnes. Telephone 0151 423 3333.

Mersey Gateway Crossings Board Limited was set up in October 2013 with an issued share capital of £100, wholly owned by Halton Borough Council. Extracts from their accounts are detailed below:

	31/03/2016 £000	31/03/2017 £000
Profit and Loss Account		
Turnover	(2,478)	(2,872)
Operating and Other Expenditure	2,517	2,735
Net (Profit)/Loss	**39**	**(137)**
Other Comprehensive Income	(296)	287
Total Comprehensive loss	**(257)**	**150**
Balance Sheet as at 31st March		
Fixed Assets	1	1
Current Assets less Current Liabilities	(1)	-
Net Current Assets	**-**	**1**
Long Term Liabilities	-	-
Provisions for Liabilities and Charges	-	-
Pension Scheme Liability	(289)	(440)
	(289)	**(439)**
Represented by:		
Share Capital	-	-
Profit and Loss Account	289	439
	289	**439**

Please note that as Mersey Gateway Crossing Board Limited's accounts were not finalised when the Council's accounts were published, figures above have been produced using draft accounts for 2016/17.

Further details can be obtained from Mersey Gateway Crossings Board Limited, Municipal Building, Kingsway, Widnes. Telephone 0151 511 8377.

Short term investments consist of:

	31/03/2016 £000	31/03/2017 £000
Nationalised Banks		
Royal Bank of Scotland Plc	10,000	-
UK Banks & Building Societies		
Coventry Building Society	15,000	-
Goldman Sachs	8,000	8,000
Leeds Building Society	5,000	-
Lloyds/Bank of Scotland Plc	10,000	20,000
Nationwide	20,000	-
Santander	10,013	10,000
Non-UK Banks		
Bank of Nova Scotia	10,000	-
Commonwealth Bank Australia	10,000	-
National Australia Bank	10,000	-
Rabobank	10,000	-
Toronto Dominion	10,000	10,000
United Overseas Bank	5,000	5,000
Local Authorities		
Lancashire County Council	10,000	5,000
Birmingham City Council	-	10,000
	143,013	**68,000**

23. Debtors

	Gross Debtors	Impairment	Net Debtors	Gross Debtors	Impairment	Net Debtors
	31st *March 2016*			31st March 2017		
	£000	£000	£000	£000	£000	£000
Short Term						
Central Government Bodies	3,011	-	3,011	2,236	-	2,236
Mersey Gateway Grant (DfT)	-	-	-	-	-	-
Other Local Authorities	1,440	-	1,440	1,838	-	1,838
NHS Bodies	995	-	995	482	-	482
Public Corporations & Trading Funds	-	-	-	-	-	-
Other Entities & Individuals	22,413	(7,827)	14,586	23,882	(8,442)	15,440
	27,859	**(7,827)**	**20,032**	**28,438**	**(8,442)**	**19,996**
Long Term						
Housing Associations	266	-	266	266	-	266
Mersey Gateway working capital	600	-	600	600	-	600
Non Current Assets	-	-	-	10,655	-	10,655
	866	**-**	**866**	**11,521**	**-**	**11,521**

24. Cash and Cash Equivalents

	31/03/2016	31/03/2017
	£000	£000
Cash held by the Council	46	50
Bank current accounts	2,895	1,521
Short-term deposits	19,105	52,650
	22,046	**54,221**

25. Creditors

	31/03/2016 £000	31/03/2017 £000
Central Government Bodies	(10,194)	(14,452)
Other Local Authorities	(3,616)	(3,265)
NHS Bodies	(2,369)	(1,883)
Public Corporations & Trading Funds	(2)	(1,212)
Other Entities & Individuals	(14,503)	(19,213)
	(30,684)	**(40,025)**

26. Borrowings

Short term borrowings consist of:

	31/03/2016 £000	31/03/2017 £000
Source of loans:		
Public Works Loans Board	(10,000)	(10,000)
	(10,000)	**(10,000)**

Long term borrowings consist of:

	31/03/2016 £000	31/03/2017 £000
Source of loans:		
Public Works Loan Board	(133,000)	(133,000)
Eurohypo	(10,000)	(10,000)
Liverpool City Region - LEP	(5,664)	(5,401)
	(148,664)	**(148,401)**
Analysis of loans by maturity:		
Maturing in 1-2 years	(10,000)	(5,401)
Maturing in 2-5 years	(5,664)	-
Maturing in 5-10 years	-	-
Maturing in more than 10 years	(133,000)	(143,000)
	(148,664)	**(148,401)**

27. Provisions

	NNDR Appeals £000	Other Short Term Provisions £000	Long Term Provisions
Balance at 1 April 2016	**(4,999)**	**(654)**	**-**
Movement in use of provision in year	1,064	149	-
Amounts reclassified as <12 months	-	-	-
Amounts reclassified from >12 months	-	-	-
Balance at 31 March 2017	**(3,935)**	**(505)**	**-**

NNDR Appeals
The Council is required to make a provision for NNDR valuation appeal claims. It is thought that all these claims will be settled during 2017/18.

28. Contingent Liabilities

At 31st March 2017, the Council had 2 categories of material Contingent Liabilities:

Mersey Gateway

The Mersey Gateway project is a major capital scheme currently progressing with the construction of a new six lane toll bridge over the river Mersey. The new bridge will provide a multitude of economic and regional benefits whilst relieving the congested and ageing Silver Jubilee Bridge.

Under an agreement with Merseylink, the organisation awarded the contract to deliver the Mersey Gateway Project, Halton Borough Council have a maximum liability of £7m towards the cost of remediation work in respect of contamination on any of the land that falls within the Mersey Gateway Project. As construction of the Mersey Gateway project nears completion (expected Autumn 2017) this liability becomes less likely to materialise.

Halton Borough Council also have a maximum liability of £3m in respect of additional project costs arising from changes in technology used by Merseyside Integrated Transport Authority in the tolling of the Mersey Tunnels, in so far as such changes impact on the technology to be used for the tolling of the Mersey Gateway and Silver Jubilee Bridge. Again, as construction of the Mersey Gateway project nears completion this liability becomes less likely to materialise.

At the 31st March 2017, the actual amount of any possible obligations is unknown.

NHS and Foundation Trusts Applications for Mandatory Relief from Business Rates

A hereditament that is wholly or mainly used for charitable purposes is entitled to 80% mandatory relief from business rates. There is an ongoing issue as to whether NHS and Foundation trusts fall into this category. Under Local Government Act 1988 the central issue is whether a foundation trust or NHS trust is an "institution or other organisation established for charitable purposes only." If so such establishments would be entitled to 80% mandatory relief.

Legal advice has been received from the Local Government Association (LGA) which concludes that NHS Trusts and Foundations are not charities and therefore are not entitled to mandatory rating relief regardless of the precise use being made of the hereditament in question. The Council has received a small number of applications from health trusts for mandatory relief which have to date all been refused. However, if any applications were successful there would be a potential liability of approximately £0.860m with claims being backdated over seven years. The LGA are acting on behalf of Councils nationally in defending the current position on these applications.

29. Other Long Term Liabilities

	31/03/2016	31/03/2017
	£000	£000
Defined Benefit Pension liability	(64,719)	(109,015)
Finance PFI Lease liability due more than 12 months	(20,494)	(19,942)
Finance Leases liability due more than 12 months	(531)	(363)
Deferred liabilities	(78)	(60)
	(85,822)	**(129,380)**

30. Leases

Operating Leases – Authority as lessee

The Council has acquired a number of properties by entering into operating leases.

The future minimum lease payments due under non-cancellable leases in future years are:

	31/03/2016	31/03/2017
	£000	£000
Not later than one year	366	366
Later than one year not later than five years	1,069	877
Later than five years	10,789	10,640
	12,224	**11,883**

Operating Leases - Authority as a Lessor

The Council leases out property under operating leases to supplement the Council's income, to allow short term use of assets being retained for longer term asset strategy and to allow the use of the Council assets by the third sector.

The future minimum lease payments receivable under non-cancellable leases in future years are:

	31/03/2016	31/03/2017
	£000	**£000**
Not later than one year	2,057	2,010
Later than one year not later than five years	2,961	2,808
Later than five years	12,833	11,830
	17,851	**16,648**

31. Private Finance Initiatives

Halton Grange School PFI Scheme

On 20 June 2011 the council entered into a 25 year Private Finance Initiative (PFI) arrangement with HTP Grange Ltd for the provision of 1 new high school. The arrangement is for the construction, maintenance, and facilities management of Grange School. The new school building was handed over to the Council on 15th April 2013. The school is one of the Council's Community Schools.

The contract specifies minimum standards for the services provided by the contractor to the school. The contractor took on the obligation to construct the school and maintain it in a minimum acceptable condition and to procure and maintain the plant and equipment needed to operate the school. The buildings and any plant and equipment installed in them at the end of the contract will be transferred to the Council for nil consideration. The Council only has rights to terminate the contract if it compensates the contractor in full for the costs incurred and future profits that would have been generated over the remaining term of the contract.

Property, Plant and Equipment

The assets used to provide services at the school are recognised on the Council's Balance Sheet.

Payments

The Council makes an agreed payment each year which is increased annually by inflation and can be reduced if the contractor fails to meet availability and performance standards in any year but which is otherwise fixed.

Payments remaining to be made under the PFI contract at 31 March 2017 (excluding any estimation of inflation and availability/performance deductions) are as follows:

	Payment for Services £000	Reimbursements of Capital Expenditure £000	Interest £000	Total £000
Payment in 2017/18	968	554	1,758	3,280
Payable within 2-5 years	4,363	2,215	6,541	13,119
Payable within 6-10 years	5,970	3,345	7,084	16,399
Payable within 11-15 years	5,884	5,173	5,343	16,400
Payable within 16-20 years	6,363	7,215	2,822	16,400
Payable within 21-25 years	1,117	1,993	171	3,281
Total	**24,665**	**20,495**	**23,719**	**68,879**

Although the payments made to the contractor are described as unitary payments, they have been calculated to compensate the contractor for the fair value for the services they provide, the capital expenditure incurred and interest payable whilst the capital expenditure remains to be reimbursed. The liability outstanding to the contractor for capital expenditure incurred is as follows:

	£000
Balance outstanding at 1st April 2016	21,031
Payments during the year	(536)
Capital expenditure incurred in the year	-
Balance outstanding at 31st March 2017	**20,495**

The carrying value of the PFI liability is the present value of the payments due using the interest rate implicit in the contract. It is considered, therefore, that the carrying value of the liability is the same as the fair value.

32. Pension Schemes

Disclosure of Net Pensions Asset/Liability

Participation in pension schemes

As part of the terms and conditions of employment of its officers and other employees, the council makes contributions towards the cost of post-employment retirement benefits. Although these benefits will not actually be payable until employees retire, the council has a commitment to make the payments that need to be disclosed at the time that employees earn their entitlement.

The Council participates in three pension schemes, all of which offer defined benefit schemes:

The Local Government Pension Scheme administered by Cheshire West and Chester Council - this is a funded defined benefit final salary scheme, meaning that the Council and its employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.

The Teacher's Pension Scheme – this is a centralised scheme administered by Teachers Pensions Agency. Although the scheme is unfunded, the Agency uses a notional fund as the basis for calculating the employers' contribution rate paid by Local Education Authorities.

The NHS pension scheme relates to 43 employees. The scheme operates on a similar basis to the Teacher's pension scheme

Local Government Pension Scheme

Transactions Relating to Post-Employment Benefits

In 2016/17, the Council paid an employer's contribution to the Cheshire Pension Fund of £12.936m (£13.084m in 2015/16), representing 21.6% (21.1% in 2015/16) of pensionable pay.

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

	2015/16 £000	2016/17 £000
Comprehensive Income & Expenditure Statement		
Cost of Services		
Current Service Costs	15,887	13,898
Past Service Costs/(Gain)	761	127
Losses/(Gains) from Settlements	(121)	(53)
Finance & Investment Income & Expenditure		
Net interest expense	4,139	2,282
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	**20,666**	**16,254**
Other Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement		
Re-measurement of the net defined benefit liability comprising:		
Return on plan assets (excluding the amount included in the net interest expense)	(9,178)	(56,603)
Actuarial (gains) and losses arising on changes in demographic assumptions	-	(567)
Actuarial (gains) and losses arising on changes in financial assumptions	(54,358)	106,789
Other experience	(6,981)	(8,641)
Total Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement	**(70,517)**	**40,978**
Movement in Reserves Statement		
Reversal of net charges made to the Surplus or Deficit on the provision of Services for post-employment benefits in accordance with the Code	**(20,666)**	**(16,254)**
Actual amount charged against the General Fund Balance for pensions in the year:		
Employers' contributions payable to scheme	**13,084**	**12,936**

Pension Assets and Liabilities Recognised in the Balance Sheet

The amount included in the Balance Sheet arising from the Council's obligation in respect of its defined benefit plans is as follows

	2015/16 £000	2016/17 £000
Present value of the defined benefit obligation	541,510	657,746
Fair value of plan assets	(476,791)	(548,731)
Sub Total	**64,719**	**109,015**
Other movement in the liability / (asset)	-	-
Net liability arising from defined benefit obligation	**64,719**	**109,015**

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

	2015/16 £000	2016/17 £000
Opening fair value of scheme assets	452,166	476,791
Interest income	14,483	16,654
Remeasurement gain / (loss)	-	-
The return on plan assets, excluding the amount included in the net interest expense	9,178	56,603
Contributions from employer	13,084	12,936
Contribution from employees into the scheme	3,455	3,516
Benefits Paid	(15,403)	(17,475)
Effect of Settlements	(172)	(294)
Closing fair value of scheme assets	**476,791**	**548,731**

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

	2015/16 £000	2016/17 £000
Opening balance at 1 April	579,821	541,510
Current service cost	15,887	13,898
Interest Cost	18,622	18,936
Contribution from scheme participants	3,455	3,516
Remeasurement (gains) and losses:		
- Actuarial gains / losses arising from changes in demographic assumptions	-	(567)
- Actuarial gains / losses arising from changes in financial assumptions	(54,359)	106,789
- Other	(6,981)	(8,641)
Past service cost	761	127
Benefits paid	(15,403)	(17,475)
Liabilities extinguished on settlements	(293)	(347)
Closing balance at 31 March	**541,510**	**657,746**

Local Government Pension Scheme assets comprised

	Fair value of scheme assets 2015/16			Fair value of scheme assets 2016/17		
	Quoted prices in active markets £000	Quoted prices not in active markets £000	Total £000	Quoted prices in active markets £000	Quoted prices not in active markets £000	Total £000
Cash and cash equivalents	**-**	**10,248**	**10,248**	**-**	**12,854**	**12,854**
Equity securities						
- Consumer	14,568	-	14,568	17,577	-	17,577
- Manufacturing	11,124	-	11,124	13,127	-	13,127
- Energy & utilities	2,873	-	2,873	2,737	-	2,737
- Financial institutions	14,342	-	14,342	15,090	-	15,090
- Health & Care	3,866	-	3,866	4,140	-	4,140
- Information technology	42,754	-	42,754	47,830	-	47,830
- Other	1,954	-	1,954	2,113	-	2,113
Sub-total equity	**91,481**	**-**	**91,481**	**102,614**	**-**	**102,614**
Debt Securities						
- Corporate Bonds	-	-	-	-	-	-
- Government Bonds	-	-	-	-	-	-
- Other	-	-	-	-	-	-
Sub-total bonds	**-**	**-**	**-**	**-**	**-**	**-**
Property						
- UK property	-	37,689	37,689	-	36,178	36,178
- Overseas property	-	828	828	-	953	953
Sub-total property	**-**	**38,517**	**38,517**	**-**	**37,131**	**37,131**
Private Equity	**-**	**25,080**	**25,080**	**-**	**24,173**	**24,173**
Other investment funds						
- Equities	60,444	-	60,444	80,227	-	80,227
- Bonds	129,361	33,331	162,692	158,881	39,912	198,793
- Hedge funds	-	62,996	62,996	-	66,936	66,936
- Other	-	25,333	25,333	-	26,003	26,003
Sub-total investment funds	**189,805**	**121,660**	**311,465**	**239,108**	**132,851**	**371,959**
Total Assets	**281,286**	**195,505**	**476,791**	**341,722**	**207,009**	**548,731**

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. The liabilities have been assessed by Hymans Robertson LLP, an independent firm of actuaries.

The principal assumptions used by the actuary are shown below:

	2015/16	2016/17
Long-term expected rate of return on assets in the scheme		
Investment Returns		
- Equity Investments	3.5%	2.6%
- Bonds	3.5%	2.6%
- Property	3.5%	2.6%
- Cash	3.5%	2.6%
Mortality Assumptions		
Longevity at 65 for current pensioners:		
- Men	22.3 years	22.3 years
- Women	24.4 years	24.5 years
Longevity at 65 for future pensioners:		
- Men	24.1 years	23.9 years
- Women	26.7 years	26.5 years
Rate of inflation	2.2%	2.4%
Rate of increase in salaries	3.2%	2.7%
Rate of increase in pensions	2.2%	2.4%
Rate for discounting scheme liabilities	3.5%	2.6%
Take-up of option to convert annual pension into retirement lump sum		
- Service to April 2008	50%	50%
- Service from April 2008	75%	75%

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis overleaf did not change from those used in the previous period.

Change in assumptions at 31 March 2017	Approximate % increase to Employer Liability	Approximate monetary amount £000
0.5% decrease in Real Discount Rate	10%	64,266
0.5% increase in the Salary Increase Rate	2%	11,454
0.5% increase in the Pension Increase Rate	8%	51,769

Impact on the Authority's Cash Flows

The objectives of the scheme are to keep employers' contribution at a constant rate as possible. The Council has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over the 20 years following the last valuation. Funding levels are monitored on an annual basis and the next triennial valuation will be completed on 31 March 2019.

The scheme will need to take account of the national changes to the scheme under the Public Pensions Services Act 2013. Under the Act, the Local Government Pension Scheme in England and Wales and other main existing public service schemes may not provide benefits in relation to service after 31 March 2014 (or service after 31 March 2015 for other main existing public service pension schemes in England and Wales). The Act provides for scheme regulations to be made within a common framework, to establish new career average revalued earnings schemes to pay pensions and other benefits.

The authority is anticipated to pay contributions of £16.983m to the scheme in 2017/18.

The weighted average duration of the defined benefit obligation for scheme members is 18.7 years in 2016/17 (18.5 years in 2015/16)

Further information can be found in Cheshire West and Chester Borough Council's Pension Funds Annual Report which is available from Cheshire Pension Fund, Cheshire West and Chester Council, HQ, Nicholas Street, Chester, CH1 2NP.

Teachers' Pension Scheme

Defined Contribution Scheme

In 2016/17, the Council paid an employers' contribution to the Teachers' Pension Agency of £4.864m (£4.526m in 2015/16) in respect of teachers' pension costs. The contribution rate for 2016/17 was 16.5% (16.5% in 2015/16) of teachers' pensionable pay.

The scheme is a defined benefit scheme. Although the scheme is unfunded, Teachers' Pensions use a notional fund as the basis for calculating the employers' contribution rate paid by Local Education Authorities. It is not possible for the Council to identify a share of the underlying liabilities in the scheme attributable to its own employees. For the purpose of the statement of accounts, it is therefore accounted for on the same basis as a defined contribution scheme.

The Council is responsible for any additional benefits granted upon early retirement, outside the standard terms of the scheme. For the year 2016/17 the cost was £0.131m (£0.131m in 2015/16).

NHS Pension Scheme

Defined Contribution Scheme

In 2016/17 the Council paid an employers' contribution to the National Health Service Pensions Scheme in respect of 43 employees, the amount paid was £0.171m (£0.169m in 2015/16) in respect of these former NHS employees' pension costs. The contribution rate was 14.3% (14.3% in 2015/16) of pensionable pay.

The scheme is a defined benefit scheme. Although the scheme is unfunded, NHS use a notional fund as the basis for calculating the employers' contribution rate paid by local authorities.

It is not possible for the Council to identify a share of the underlying liabilities in the scheme attributable to its own employees. For the purposes of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme.

33. Financial Instrument

Nature and Extent of Risks from Financial Instruments

The Council's activities expose it to a variety of financial risks:

Credit Risk – the possibility that other parties might fail to pay amounts due to the Council

Liquidity Risk – the possibility that the Council might not have enough funds available to meet its commitments to make payments

Market Risk – the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates and stock market movements

The Council's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk management is carried out by the treasury management section, under policies approved by the Council in the treasury management strategy. The Council provides written principles for overall risk management, as well as written policies covering specific areas, such as interest risk, credit risk and the investment of surplus cash.

Fair Value

The Code requires that each class of financial asset and liability should disclose the "fair value" in a way that permits it to be compared with its carrying amount, as well as the method used in determining such fair values. The Council has used Capita Asset Services, its treasury management advisors to calculate these values and they have based the calculation on the appropriate PWLB rate for new loans as at 31st March 2017.

Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers.

Risks are minimised through the Annual Investment Strategy by ensuring that cash deposits are only placed with financial institutions identified on the Council's Approved List of Counterparties that meet identified minimum credit criteria and imposes a maximum sum to be invested with a financial institution located within each category. This list was established as one of the series of controls recommended by the CIPFA Code of Practice on Treasury Management (the Code) which the Council has adopted. The Annual Investment Strategy is regularly reviewed, as is the approved counterparty list, to help minimise the Council's exposure to risk.

Customers for goods and services are assessed, taking into account their financial position, past experience and other factors, with individual credit limits being set in accordance with parameters set by the Council.

The Council's maximum exposure to credit risk in relation to its investments held in banks and building societies of £120.5m cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of non-recoverability applies to all Council deposits, but there was no evidence at 31st March 2017 that this was likely to crystallise.

During the year the Council complied fully with the requirements laid out in the Code and no counterparty indicated any problem with repaying any deposit placed by the Council.

The counterparties on the Councils' list are grouped and ranked by a mixture of credit ratings and size and are set out below:

Maximum Deposit per institution £000	Counterparties	Exposure at 31/03/2017 £000
40,000	UK Government	-
	Nationalised and Part Nationalised Banks	
40,000	- Minimum Rating A	-
20,000	- Minimum Rating BBB	-
	UK Banks and Building Societies	
30,000	- Minimum Rating AAA	-
25,000	- Minimum Rating AA	-
20,000	- Minimum Rating A	55,500
10,000	- Minimum Rating BBB	-
	Foreign Banks (with Soverign Rating of AAA)	
20,000	- Minimum Rating AAA	-
10,000	- Minimum Rating AA	25,000
5,000	- Minimum Rating A	-
	Money Market Funds	
20,000	- Minimum Rating AAA	-
10,000	- Minimum Rating AA	-
40,000	Local Authorities	40,000
		120,500

The counterparties on the list are under constant assessment using a variety of sources including rating agencies and professional advice.

The following table analyses the Council’s potential maximum exposure to credit risk on other financial assets, based on experience of default and non-collection over recent financial years, adjusted to reflect current market conditions.

	Estimated maximum exposure to default and non-collection at 31/03/2016 £000	Amount Outstanding at 31/03/2017 £000	Historical experience of default %	Estimated maximum exposure to default and non-collection at 31/03/2017 £000
Deposits with Banks	-	80,500	0.00	-
Deposits with Building Societies	-	-	0.00	-
Deposits with Local Authorities	-	40,000	0.00	-
Deposits with Property Funds	-	4,626	0.00	-
Customers/Clients	204	8,984	2.50	225
	204			**225**

None of the Council's counterparties had any difficulty in repaying their liabilities during 2016/17. There has been no impairment of any financial assets during the course of the year. The Council does not anticipate any losses due to non-performance of its counterparties.

An analysis of the customer/client debt is shown below. As at 31st March 2017 £8.867m of this debt is overdue:

	31/03/2016 £000	31/03/2017 £000
Less than 3 months	3,961	4,825
3 to 6 months	846	541
6 months to 1 year	737	1,127
More than 1 year	2,597	2,491
	8,141	**8,984**
Provision for non-payment	(2,925)	(2,880)

Liquidity Risk

The Council has a comprehensive cash flow management system that seeks to ensure that cash is available as needed. If unexpected movements happen, the Council has ready access to borrowings from the money markets and Public Works Loans Board (PWLB). There is no significant risk that the Council will be unable to raise finance to meet its commitments under financial instruments. Instead, the risk is that the Council will be bound to replenish a significant proportion of its borrowings at a time of unfavourable interest rates. The Council sets limits on the proportion of its fixed rate borrowing during specified periods.

The maturity analysis of financial liabilities is as follows:

	31/03/2016 £000	31/03/2017 £000
Less than 1 year	31,304	37,986
Between 1 and 2 years	10,000	5,401
Between 2 and 5 years	5,664	-
More than 5 years	133,000	143,000
	179,968	**186,387**

All trade and other payables are due to be paid in less than one year.

Market Risk

Interest Rate Risk

The Council is exposed to interest rate movements on its borrowing and investments. Movements in interest rates can have a complex impact on the Council. For example a rise in interest rates would have the following effects:

Borrowing at variable rates – the interest expense charged to the Comprehensive Income & Expenditure Statement will rise

Borrowing at fixed rates – the fair value of liabilities will fall (with no impact on revenue balances)

Investment at variable rates – the interest income credited to the Comprehensive Income and Expenditure Statement will rise

Investment at fixed rates – the fair value of assets will fall (with no impact on revenue balances)

Borrowings are not carried at fair value on the Balance Sheet, so nominal gains and losses on fixed rate borrowings would not impact on the Comprehensive Income and Expenditure Statement. However, changes to interest payable and receivable on variable rate borrowings and investments are posted to the Comprehensive Income and Expenditure Statement and affect the General Fund Balance. Movements in the fair value of fixed rate investments that have a quoted market price will be reflected in Other Comprehensive Income and Expenditure.

The Council has a number of strategies for managing interest rate risk. The Annual Treasury Management Strategy draws together the Councils' prudential and treasury indicators and its expected treasury operations, including an expectation of interest rate movements. From this strategy, a treasury management section monitor interest rates within the year and adjust exposures accordingly. During periods of falling interest rates, and where economic circumstances make it favourable, fixed rate loans will be repaid early to limit exposure to losses and fixed rate investments may be taken for longer periods to secure better long term results, similarly the drawing of longer term fixed rate borrowing would be postponed.

According to an assessment strategy at 31st March 2017, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

	2016/17 £000
Increase in interest payable on variable rate borrowings	4
Increase in interest receivable on variable rate investments	(1,633)
Impact upon Comprehensive Income and Expenditure Statement	**(1,629)**

The impact of a 1% fall in interest rates would be as shown previously but with movements being reversed.

Price Risk

The Council has invested £5m in the CCLA property fund as at 31st March 2017. The price of the investment is subject to potential gains and losses based on market volatility. The investment is shown in the accounts at its value as at 31st March 2017 and any gains or losses relating to this investment are shown in the Available for Sale reserve (see Note 37).

The Council have no other holdings that are subject to market volatility, an example of which would be shares traded on the equity market.

Foreign Exchange Risk

The Council has no financial assets or liabilities, denominated in foreign currencies and thus has no exposure to loss or movement in exchange rates.

Financial Instrument Balances

Categories of Financial Instrument

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

	Long Term 31/03/2016 £000	Current 31/03/2016 £000	Long Term 31/03/2017 £000	Current 31/03/2017 £000
Investments				
Loans and receivables	5,000	143,013	10	68,000
Available for Sale Financial Assets	1,912	-	4,626	-
Unquoted equity investment at cost	501	-	483	-
Total	**7,413**	**143,013**	**5,119**	**68,000**
Assets				
Cash & Cash Equivalents	-	22,046	-	54,221
Loans and receivables	774	13,035	11,395	15,610
Total	**774**	**35,081**	**11,395**	**69,831**
Borrowings				
Financial liabilities at amortised cost	**(148,664)**	**(10,000)**	**(148,401)**	**(10,000)**
Other liabilities				
Finance lease liabilities & PFI	**(20,670)**	**(909)**	**(20,221)**	**(777)**
Current Liabilities				
Financial liabilities at amortised cost	**-**	**(21,304)**	**-**	**(27,986)**

Material Soft Loans Made by the Council

There were no material soft loans made by Halton Borough Council in 2016/17 (£0 2015/16)

Reclassifications

There were no reclassifications of financial instruments made by Halton Borough Council in 2016/17 (£0 2015/16).

Income, Expense, Gains and Losses

	2015/16			2016/17		
	Financial Liabilities measured at amortised cost £000	**Financial Assets: Loans and Receivables £000**	**Total £000**	**Financial Liabilities measured at amortised cost £000**	**Financial Assets: Loans and Receivables £000**	**Total £000**
Interest expense	7,739	-	**7,739**	7,609	-	**7,609**
Interest income	-	(2,021)	**(2,021)**	-	(1,548)	**(1,548)**
Net Gain/(Loss)	**7,739**	**(2,021)**	**5,718**	**7,609**	**(1,548)**	**6,061**

Fair values of Financial Assets

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

Recurring fair value measurements	**Input level in fair value hierarchy £000**	**Valuation technique used to measure fair value £000**	**31/03/2016 £000**	**31/03/2017 £000**
Available for Sale: Property Fund	Level 1	Unadjusted quoted prices in active markets for identical shares	1,912	4,626

Gains and losses included in Other Comprehensive Income and Expenditure for the current year relate to the valuation of the above asset and are taken to the Available for Sale Financial Instruments Reserve. These are reported in the surplus or deficit on the revaluation of available for sale financial assets line in the Comprehensive Income and Expenditure Statement

There have been no transfers between input levels during the year, and no change in the valuation technique used.

The fair values of Financial Assets and Financial Liabilities that are not measured at Fair Value (but for which Fair Value disclosures are required)

Except for the financial assets carried at fair value (described in the table above), all other financial liabilities and financial assets held by the authority are carried in the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments (Level 2), using the following assumptions:

- Estimated ranges of interest rates at 31st March 2017 for loans from PWLB and other loans receivable and payable based on new lending rates for equivalent loans at that date.
- PFI Valuation is assumed to be carried at fair value (see Note 31 for further details).
- No early repayment or impairment is recognised for loans or investments.
- Cash and Cash Equivalents are held at carrying value.

- The fair value of trade and other receivables is taken to be the invoiced or billed amount less a provision for impairment.
- Short term creditors are carried at cost.

The fair values are shown below:

	2015/16		2016/17	
Financial Liabilities - short term	**Carrying Amount £000**	**Fair Value £000**	**Carrying Amount £000**	**Fair Value £000**
Borrowings	(10,000)	(10,155)	(10,000)	(10,086)
Finance lease liabilites & PFI	(909)	(909)	(777)	(777)
Other financial liabilities	(21,304)	(21,304)	(27,986)	(27,986)
Financial Liabilities - long term				
Borrowings	(148,664)	(170,573)	(148,401)	(188,060)
Finance lease liabilities & PFI	(20,670)	(20,670)	(20,221)	(20,221)
Other financial liabiltiies	-	-	-	-

The fair values of the liabilities is higher than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the prevailing rates at the Balance Sheet date. This shows a notional future loss (based on economic conditions at 31st March 2017) arising from a commitment to pay interest to lenders above current market rates.

Please note that the 2015/16 comparative figures for long-term loans and receivables have been restated due to an error in the 2015/16 accounts.

	2015/16		2016/17	
Financial Assets - short term	**Carrying Amount Restated £000**	**Fair Value Restated £000**	**Carrying Amount £000**	**Fair Value £000**
Investments - loans and receivables	143,013	143,569	68,000	68,247
Cash and Cash Equivalalents	22,046	22,046	54,221	54,221
Loans and receivables	13,035	13,035	15,610	15,610
Financial Assets - long term				
Unquoted equity investment at cost	501	501	483	483
Loans and receivables	5,774	5,774	11,405	11,405

The fair value of assets is higher than the carrying amount because the Council's portfolio of investments includes a number of fixed rate investments where the interest receivable is higher than the rates available for similar loans at the Balance Sheet date. This shows a notional future gain (based on economic conditions at the 31st March 2017) attributable to the commitment to receive interest above current market rates.

34. Adjustments between Accounting Basis and Funding Basis under regulation

This note details the adjustments that are made to total comprehensive income and expenditure recognised by the Council in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure.

2015/16

	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	**Movement in Usable Reserves £000**	**Movement in Unusable Reserves £000**
Capital adjustment account reversal of items debited or credited to the CIES:					
Charges for depreciation and impairment on non-current assets	(21,793)	-	-	**(21,793)**	**21,793**
Revaluation losses on Property, Plant and Equipment	2,912	-	-	**2,912**	**(2,912)**
Movements in the Market Value of Investment Properties	279	-	-	**279**	**(279)**
Amortisation of Intangible Assets	(333)	-	-	**(333)**	**333**
Capital Grants and Contributions applied	15,974	-	-	**15,974**	**(15,974)**
REFCUS	(586)	-	-	**(586)**	**586**
Amounts written off on disposal of Academies to CIES	-	-	-	**-**	**-**
Amounts of non-current assets written off on disposal or sale as gain/loss on disposal to the CIES	2,235	(5,407)	-	**(3,172)**	**3,172**
Insertion of items not debited or credited to the CIES:					
Statutory provision for the financing of Capital investment	3,148	-	-	**3,148**	**(3,148)**
Capital expenditure charged against the General Fund Balance	2,279	-	-	**2,279**	**(2,279)**
Other					
Transfer between CAA and RR for depreciation that is based on CV rather than HC	-	-	-	**-**	**-**
Capital Grants Unapplied Account					**-**
Capital Grants and Contributions unapplied credited to the CIES	33	-	(33)	**-**	**-**
Application of Grants to Capital Financing transferred to the Capital Adjustment Account	-	-	-	**-**	**-**

	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	**Movement in Usable Reserves £000**	**Movement in Unusable Reserves £000**
Capital Receipts Reserve					
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the CIES	-	-	-	**-**	**-**
Use of Capital Receipts Reserve to Finance new Capital Expenditure	-	4,494	-	**4,494**	**(4,494)**
Contribution from the Capital Receipts Reserve towards the administration cost of non-current asset disposals	-	-	-	**-**	**-**
Contribution from the Capital Receipts Reserve to finance the payments to the Government Capital Receipts pool	(1)	1	-	**-**	**-**
Transfer from the Deferred Capital Receipts Reserve upon the receipt of cash	-	-	-	**-**	**-**
Pensions Reserve					
Reversal of items relating to retirement benefits debited/credited to the CIES	(20,666)	-	-	**(20,666)**	**20,666**
Employers pension contributions and direct payments to pensioners	13,084	-	-	**13,084**	**(13,084)**
Collection Fund Adjustment					
Amount by which council tax income credited to the CIES is different from council tax income calculated for the year in accordance with statutory requirements	1,724	-	-	**1,724**	**(1,724)**
Accumulated Absences Account					
Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration with statutory requirements	101	-	-	**101**	**(101)**
TOTAL ADJUSTMENTS	**(1,610)**	**(912)**	**(33)**	**(2,555)**	**2,555**

2016/17

	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	**Movement in Usable Reserves £000**	**Movement in Unusable Reserves £000**
Capital adjustment account reversal of items debited or credited to the CIES:					
Charges for depreciation and impairment on non-current assets	(22,563)	-	-	**(22,563)**	**22,563**
Revaluation losses on Property, Plant and Equipment	(16,903)	-	-	**(16,903)**	**16,903**
Movements in the Market Value of Investment Properties	(138)	-	-	**(138)**	**138**
Amortisation of Intangible Assets	(689)	-	-	**(689)**	**689**
Capital Grants and Contributions applied	19,681	-	-	**19,681**	**(19,681)**
REFCUS	(6,791)	-	-	**(6,791)**	**6,791**
Amounts written off on disposal of Academies to CIES	(1,199)	-	-	**(1,199)**	**1,199**
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	1,269	(9,061)	-	**(7,792)**	**7,792**
Insertion of items not debited or credited to the CIES:					
Statutory provision for the financing of Capital investment	2,471	-	-	**2,471**	**(2,471)**
Capital expenditure charged against the General Fund Balance	759	-	-	**759**	**(759)**
Other					
Transfer between CAA and RR for depreciation that is based on CV rather than HC	-	-	-	**-**	**-**
Capital Grants Unapplied Account					
Capital Grants and Contributions unapplied credited to the CIES	(430)		430	**-**	**-**
Application of Grants to Capital Financing transferred to the Capital Adjustment Account	-	-	-	**-**	**-**

	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	**Movement in Usable Reserves £000**	**Movement in Unusable Reserves £000**
Capital Receipts Reserve					
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the CIES	-	-	-	**-**	**-**
Use of Capital Receipts Reserve to Finance new Capital Expenditure	-	5,548	-	**5,548**	**(5,548)**
Contribution from the Capital Receipts Reserve towards the administration cost of non-current asset disposals	-	-	-	**-**	**-**
Contribution from the Capital Receipts Reserve to finance the payments to the Government Capital Receipts pool	-	-	-	**-**	**-**
Transfer from the Deferred Capital Receipts Reserve upon the receipt of cash	-	-	-	**-**	**-**
Pensions Reserve					
Reversal of items relating to retirement benefits debited/credited to the CIES	(16,254)	-	-	**(16,254)**	**16,254**
Employers pension contributions and direct payments to pensioners	12,936	-	-	**12,936**	**(12,936)**
Collection Fund Adjustment					
Amount by which council tax income credited to the CIES is different from council tax income calculated for the year in accordance with statutory requirements	3,243	-	-	**3,243**	**(3,243)**
Accumulated Absences Account					
Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration with statutory requirements	(199)	-	-	**(199)**	**199**
TOTAL ADJUSTMENTS	**(24,807)**	**(3,513)**	**430**	**(27,890)**	**27,890**

35. Usable Reserves

Usable reserves are those reserves that contain resources that the Council can apply to the provision of services, either by incurring expenses or undertaking capital investment. Usable reserves include the General Fund Balance, any earmarked reserves under the General Fund umbrella, the Capital Receipts Reserve and any Capital Grants Unapplied.

General Fund Balance

The General Fund Balance records the Council's accumulated income over expenditure for each financial year. The fund manages the reversal of a number of transactions that are required to be included in the preparation of the financial statements but the subsequently removed under statutory mitigation.

Earmarked Reserves

These reserves help to meet specific known or predicted future requirements and are legally part of the General Fund Reserve. The earmarked reserves also include unspent school balances of budgets delegated to individual schools.

The movements in earmarked reserves are analysed in Note 36.

Capital Receipts Reserve

This reserve holds the proceeds from the sale of assets and can only be used for funding capital investment or the repayment of borrowing.

Movements in the Council's usable reserves are detailed in the Movement in Reserves Statement

Capital Grants Unapplied

This reserve holds Capital Grants income for which all conditions have been met, but the funding has yet to be used to finance capital expenditure.

2015/16 £000		2016/17 £000
	General Fund	
(5,389)	- Excluding Earmarked Reserves	(4,830)
(40,680)	- Earmarked Reserves	(42,072)
	Capital Reserves	
(5,298)	- Capital Receipts Reserve	(9,933)
(2,692)	- Capital Grants Unapplied	(2,262)
(54,059)	**Total Usable Reserves**	**(59,097)**

36. Transfers to/from Earmarked Reserves

This note sets out the amounts set aside from the General Fund in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2016/17.

General Fund	Balance at 31st March 2015 £000	Movement (to) / from Reserve £000	Balance at 31st March 2016 £000	Movement (to) / from Reserve £000	Balance at 31st March 2017 £000
Schools Reserves (Balances held by schools under the scheme of delegation)	**(7,461)**	1,743	**(5,718)**	944	**(4,774)**
Capital (To support Capital Programme)	**(3,866)**	(1,180)	**(5,046)**	518	**(4,528)**
Insurance General Fund (To fund self possible self insured claims)	**(4,102)**	717	**(3,385)**	28	**(3,357)**
Building Schools for the Future Capital (To fund future capital costs)	**(1,472)**	(259)	**(1,731)**	(280)	**(2,011)**
Invest to Save (To fund investments in revenue saving initiatives)	**(1,208)**	471	**(737)**	126	**(611)**
Supporting People (Earmarked to fund future schemes)	**(711)**	(92)	**(803)**	600	**(203)**
Enterprise and Employment (To fund E&E activities for future years)	**(649)**	(174)	**(823)**	279	**(544)**
Health & Community (To support future revenue budgets)	**(1,098)**	(456)	**(1,554)**	989	**(565)**
Equal Pay (To fund costs arising from equal pay claims)	**(2,864)**	500	**(2,364)**	581	**(1,783)**
Revenues & Benefits Development (To fund ongoing systems development and benefits reform changes)	**(736)**	-	**(736)**	-	**(736)**
Learning & Achievement (To finance budgets which span the academic year)	**(592)**	351	**(241)**	241	**-**

General Fund	Balance at 31st March 2015 £000	Movement (to) / from Reserve £000	Balance at 31st March 2016 £000	Movement (to) / from Reserve £000	Balance at 31st March 2017 £000
A&C Section 256 Monies (Contribution form H&StH PCT with joint outcomes)	**(770)**	-	**(770)**	-	**(770)**
A&C Savings (To help finance A&C budget)	**(1,620)**	(951)	**(2,571)**	(662)	**(3,233)**
Transformation Fund (To fund costs arising from future efficiency reviews)	**(2,327)**	1,580	**(747)**	286	**(461)**
Enterprise, Resources & Resources (Contribution to Savings Target)	**(2,759)**	163	**(2,596)**	(482)	**(3,078)**
Public Health (To fund the public health responsibilities of the Council	**(1,374)**	22	**(1,352)**	515	**(837)**
Records Management Unit (To fund the dedicated records management unit for the Council)	**(1,030)**	1,030	**-**	-	**-**
Fleet Replacement (Rolling replacement programme for Council fleet vehicle)	**(1,441)**	(327)	**(1,768)**	90	**(1,678)**
Superfast Broadband (To provide matched funding to the Superfast Broadband project)	**(522)**	3	**(519)**	518	**(1)**
European Match Funding 2014-2020 (Contribution to the European 2014-2020 Programme)	**(1,935)**	(181)	**(2,116)**	396	**(1,720)**
Discretionary Social Fund (To continue to provide the hardship fund once Government support ceases)	**(942)**	9	**(933)**	101	**(832)**
Troubled Families (Will be utilised during 16/17 to deliver various services)	**(505)**	46	**(459)**	83	**(376)**
Pension Past Service Deficit (To enable pension deficits to be funded as a lump sum, resulting in finance efficiencies)	**-**	-	**-**	(5,635)	**(5,635)**
Revenue Efficiencies (To help fund budget gaps over the medium term)	**-**	-	**-**	(550)	**(550)**
Other Earmarked Reserves (Total of reserves under £500k)	**(3,579)**	(132)	**(3,711)**	(78)	**(3,789)**
TOTAL ALL RESERVES	**(43,563)**	**2,883**	**(40,680)**	**(1,392)**	**(42,072)**

In order to streamline the note any reserves under £500k have been summarised as ‘Other Earmarked Reserves’ in the table above.

37. Unusable Reserves

2015/16 £000		2016/17 £000
(83,044)	Revaluation Reserve	(75,076)
88	Available for Sale Financial Instruments Reserve	373
64,720	Pensions Reserve	109,016
(197,772)	Capital Adjustment Account	(170,219)
(1,164)	Deferred Capital Receipts	(13,412)
(3,616)	Collection Fund Adjustment Account	(6,859)
1,905	Accumulated Absences Account	2,104
(5)	Rounding Adjustment	-
(218,888)	**Total Unusable Reserves**	**(154,073)**

Revaluation Reserve

The revaluation reserve contains the gains and losses made by the Council arising from increases in the value of its Property, Plant and Equipment (and Intangible Assets). The balance is reduced when assets with accumulated gains are:

Revalued downwards or impaired and the gains are lost.

Used in the provision of services and the gains are consumed through depreciation.

Disposed of and the gains are realised.

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

2015/16 £000		£000	2016/17 £000
(58,907)	**Balance at 1 April**		**(83,044)**
(35,530)	Upward revaluation of assets	(6,755)	
1,761	Downward revaluation of assets and impairment losses not charged to the Surplus/(Deficit) on the Provision of Services	1,291	
(33,769)	**Surplus or deficit on revaluation of non-current assets not posted to the Surplus/(Deficit) on the Provision of Services**		**(5,464)**
8,354	Difference between fair value depreciation and historical cost deprecation	9,539	
-	Accumulated gain on academies transferred	192	
1,278	Accumulated gains on assets sold or scrapped	3,701	
9,632	Amount written off to the Capital Adjustment Account		13,432
(83,044)	**Balance at 31 March**		**(75,076)**

Capital Adjustment Account

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

The account contains accumulated gains and losses on investment properties and gains recognised on donated assets that are yet to be consumed by the Council.

The account also contains revaluation gains accumulated on property, plant and equipment before 1st April 2007, the date the revaluation reserve was created to hold such gains.

2015/16 £000		£000	2016/17 £000
(185,836)	**Balance at 1 April**		**(197,772)**
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
21,793	Charges for depreciation and impairment of non-current assets	22,563	
(2,912)	Revaluation losses on Property, Plant and Equipment	16,903	
333	Amortisation of intangible assets	689	
586	Revenue expenditure funded from capital under statute	6,791	
-	Carrying value of Academies transferred	1,199	
4,070	Carrying amount of non-current assets sold	21,161	
23,870			**69,306**
(9,632)	Adjusting amounts written out of the Revaluation Reserve		(13,432)
14,238	**Net written out amount of the cost of non-current assets consumed in the year**		**55,874**
	Capital financing applied in the year:		
(4,494)	Use of the Capital Receipts Reserve to finance new capital expenditure	(5,548)	
(15,974)	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(19,681)	
	Application of grants to capital financing from the Capital Grants Unapplied Account		
(3,148)	Statutory provision for the financing of capital investment charged against the General Fund	(2,471)	
(2,279)	Capital expenditure charged against the General Fund	(759)	
(25,895)			**(28,459)**
(279)	Movements in the market value of investment properties debited or credited to the Comprehensive Income and Expenditure Statement		138
-	Movement in the Donated Assets Account credited to the Comprehensive Income and Expenditure Statement		-
(197,772)	**Balance at 31st March**		**(170,219)**

Pension 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 Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs.

However, statutory arrangements require benefits earned to be financed as the Council makes employers contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Council has set aside to meet them. The statutory arrangements will ensure that the funding will have been set aside by the time the benefits come to be paid.

2015/16 £000		£000	2016/17 £000
127,655	**Balance at 1st April**		**64,720**
	Re-measurement of the net defined benefit liability comprising:		
-	Changes in demographic assumptions	(567)	
(54,358)	Changes in financial assumptions	106,789	
(6,981)	Other experience	(8,641)	
(9,178)	Returns on assets excluding amounts included in net interest	(56,603)	
(70,517)			**40,978**
20,666	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		16,254
(13,084)	Employers pensions contributions and direct payments to pensioners payable in the year		(12,936)
64,720	**Balance at 31st March**		**109,016**

Deferred Capital Receipts Reserve

Deferred Capital Receipts are amounts derived from the sale of assets which will be received in instalments over agreed periods of time.

2015/16 £000		2016/17 £000
(266)	Castlefields Equity Advances	(266)
(898)	Former recreation ground, Liverpool Road	-
-	Castlefields Lakeside	(522)
-	Former Fairfield High School Land	(3,550)
-	3MG - Mersey Multi Modal Gateway	(1,454)
-	Scitech Daresbury Lease	(7,620)
(1,164)		**(13,412)**

The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of non-current assets but for which cash settlement has yet to take place. Under statutory arrangements, the Council does not treat these gains as usable for financing new capital expenditure until they are backed by cash receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the Capital Receipts Reserve.

2015/16 £000		2016/17 £000
(1,262)	**Balance at 1 April**	**(1,164)**
(898)	Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(13,370)
996	Transfer to the Capital Receipts Reserve upon receipt of cash	1,122
(1,164)	**Balance at 31 March**	**(13,412)**

Collection Fund Adjustment

The Collection Fund Adjustment Account manages the differences arising from the recognition of Council Tax and Non Domestic Rates income in the Comprehensive Income and Expenditure Statement as it falls due from Council Tax payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund

2015/16 £000		2016/17 £000
(1,892)	**Balance at 1 April**	**(3,616)**
980	Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income collected in the year in accordance with statutory requirements	334
(2,704)	Amount by which Non Domestic Rates income credited to the Comprehensive Income and Expenditure Statement is different from Non Domestic Rates income collected in the year in accordance with statutory requirements	(3,577)
(3,616)	**Balance at 31 March**	**(6,859)**

Accumulated Absences Account

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

2015/16 £000		2016/17 £000
2,006	**Balance at 1 April**	**1,905**
(2,006)	Settlement or cancellation of accrual made at the end of the preceding year	(1,905)
1,905	Amount accrued at the end of the current year	2,104
(101)	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	
1,905	**Balance at 31 March**	**2,104**

Available for Sale Financial Instruments Reserve

The Available for Sale Financial Instruments Reserves contains the gains and losses made by the Authority arising from changes in the value of its investments that have quoted market prices or otherwise do not have fixed or determinable payments. The gain or loss will not be realised until the investments are sold (though the asset could be impaired if there is a prolonged decline in the unit price under which the asset was purchased.)

2015/16 £000		2016/17 £000
-	**Balance at 1 April**	**88**
-	Upward revaluation of investments	
88	Downward revaluation of investments not charged to the Surplus/Deficit on the Provision of Services	285
-	Accumulated gains on assets sold and maturing assets written out to the Comprehensive Income and Expenditure Statement as part of Other Investment Income	-
88	**Balance at 31 March**	**373**

38. Cash Flow Statement – Operating Activities

The surplus or deficit on the provision of services has been adjusted for the following non-cash movements:

2015/16 £000		2016/17 £000
(21,793)	Depreciation	(22,563)
4,774	Impairment and downward valuation	(16,903)
(333)	Amortisation of Intangible Assets	(689)
279	Movement in market value of investment properties	(138)
(476)	Impairment Debtors	(616)
8,646	(Increase)/Decrease in Creditors and Receipts in Advance	(1,066)
(1,469)	Increase/(Decrease) in Debtors	11,235
17	Increase/(Decrease) in Inventories	15
(7,582)	Movement in Pension Liability	(3,318)
(142)	Contributions (to)/from Provisions	1,213
(4,070)	Carrying amount of non-current assets and non-current assets held for sale, sold or de-recognised	(21,161)
-	Loss on transfer to academies	(1,199)
(1,365)	Other non-cash adjustments	(5,772)
(23,514)	**Total non-cash movements**	**(60,962)**

The surplus or deficit on the provision of services has been adjusted for the following items that are investing and financing activities:

2015/16 £000		2016/17 £000
13,993	Capital Grants credited to the surplus or deficit on the provisions of services	10,779
6,305	Proceeds from the sale of non-current assets	9,061
2,737	Billing Authorities - Council Tax and NDR adjustments	-
-	Other cash flows from investing or financing activities	(935)
23,035	**Net Cash flows from investing or financing activities**	**18,905**

Please note that the presentation of the ‘Billing Authorities - Council Tax and NDR adjustments’ and ‘Other cash flows from investing and financing activities’ have changed in the 2016/17 figures above. As this is not considered to be material the 2015/16 figures above have not been restated to reflect this.

The cash flows for operating activities include the following items:

2015/16 £000		2016/17 £000
(1,620)	Interest received	(1,724)
6,004	Interest paid	5,974
-	Dividends received	-
4,384		**4,250**

39. Cash Flow Statement – Investing Activities

2015/16 £000		2016/17 £000
29,487	Purchase of property, plant and equipment, investment property and intangible assets	84,828
227,925	Purchase of short term and long term investments	143,724
-	Other payments for investing activities	-
(6,305)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(9,061)
(248,021)	Proceeds from short term and long term investments	(221,031)
(16,312)	Other receipts from investing activities	(11,276)
(13,226)	**Net Cash flows from Investing Activities**	**(12,816)**

40. Cash Flow Statement – Financing Activities

2015/16 £000 Restated		2016/17 £000
(215)	Cash receipts of short and long term borrowing	(15,800)
(2,737)	Other receipts from financing activities	(2,476)
878	Cash payments from the reduction of the outstanding liabilities relating to finance leases and on balance sheet PFI contracts	935
30,000	Repayments of short term and long term borrowing	16,063
-	Other payments for financing activities	-
27,926	**Net Cash flows from Financing Activities**	**(1,278)**

Please note that the 2015/16 figures have been restated, this only relates to a change within the note and has had no effect on total or the main cash flow statement.

41. Interest in Companies and Other Entities

The Council is involved with several companies over which it has varying degrees of control and influence. The Council is required to classify the entities according to whether they are subsidiaries, associates or joint ventures

Subsidiary

An entity is only a subsidiary if the Council has power over the entity, exposure, or rights, to variable returns from its involvement with the entity and ability to use its power over the entity to affect the amount of the Council's returns.

As at 31st March 2017 the following were subsidiaries of the Council:-

- Halton Borough Transport Ltd - In accordance with the Transport Act 1985, Halton Borough Transport became a separate legal entity from the Council, with the Council holding 100% of the shares within the company. The principal activity of the company is the provision of local bus services in the Halton area.
- Mersey Gateway Crossings Board Ltd - The principal activity of the company is to deliver the Mersey Gateway Bridge project, and to administer and oversee the construction and maintenance of the new tolled crossings, including the tolling of the existing Silver Jubilee Bridge. The Council holds 100% of the shares issued by the company. An amount of £600k is held as a long term debtor on the Council's Balance Sheet, this is the amount which has been passed to Mersey Gateway Crossings Board Ltd as working capital.

In accordance with paragraph 9.1.1.6 of the Code, the subsidiaries have not been consolidated into group accounts as they are not considered to be of material value.

For more information on the financial performance of the above two companies, see Note 22, where a summary of the companies accounts are provided.

Joint Ventures

These are arrangements under which two or more parties have contractually agreed to share control, such that decisions about activities that significantly affect returns require the unanimous consent of the parties sharing control, and joint parties have rights to the net assets of the arrangement.

As at 31st March 2017 the Council were party to the following joint ventures:-

- Daresbury Science & Innovation Campus Ltd - The principal activity of the company was to assist, promote, encourage, and develop the Science Park at Daresbury, Cheshire. The company is incorporated as a company limited by guarantee having no share capital. The Council is currently in the process of terminating the joint venture.

- Daresbury Science & Innovation Campus (Pub Sec) LLP - The principal activity of the company during the year was to assist, promote, encourage, and secure the development of the International Science Park at Daresbury, Cheshire. Members of the partnership are Halton Borough Council and the Science and Technology Facilities Council.

In accordance with paragraph 9.1.1.6 of the Code, the Council's equity within the joint ventures has not been consolidated into group accounts as it is not considered to be of material value.

Associates

Associates are entities for which the Council is an investor and has significant influence. The Council can have an associate relationship with an entity that is a joint venture under the control of other investors.

As at 31st March 2017 the Council had associate relationships with the following:-

- Daresbury Science & Innovation Campus LLP - The principal activity of the LLP is the management and development of the Sci-Tech Daresbury Campus. Designated members of the partnership are Langtree Daresbury Ltd and Daresbury Science & Innovation Campus (Pub Sec) LLP, for which the Council is an equal partner in. An amount of £7.62m is held as a long term debtor on the Council's Balance Sheet. This relates to a long term lease agreement between the Council and the company for a property asset based at the Sci-Tech Daresbury Campus.

In accordance with paragraph 9.1.1.6 of the Code, the Council's equity within the associate relationship has not been consolidated into group accounts as it is not considered to be of material value.

The cumulative value of non-current assets held by group entities is £8.158m which is equivalent to 1.9% of non-current assets held by the Council and therefore considered to be not of material value to be consolidated into group accounts. The value of cumulative equity held by the group entities is £5.758m

Note that although the Council does have an investment in Widnes Regeneration Ltd and Halton Development Partnership, it was determined that there is no group relationship as the Council does not have a significant influence over the organisations and holds only a minority shareholding in the entities.

42. Prior Period Adjustments

Removal of internal recharges

When analysing Comprehensive Income and Expenditure Statement it was found that the 2015/16 figures included £5.638m relating to internal recharges that had not been removed. Although this has net nil effect on the Net Expenditure, £5.638m was double counted in the Gross Income and Expenditure figures and this has been removed from the restated 2015/16 figures as shown below:

CONTINUING OPERATIONS	As reported in the CIES 2015/16 £000	Adjustment £000	Restated 2015/16 £000
Gross Expenditure			
Children's & Education Service	135,691	(902)	134,789
Adult Social Care	57,124	-	57,124
Public Health Services	9,203	-	9,203
Highways and Transport	20,054	-	20,054
Cultural & Related Services	23,199	(274)	22,925
Environmental & Regulatory Services	13,576	(85)	13,491
Planning Services	8,962	-	8,962
Housing Services	57,539	-	57,539
Central Services	13,017	(4,154)	8,863
Corporate & Democratic Core	3,789	(223)	3,566
Non Distributable Costs	(777)	-	(777)
Total	**341,377**	**(5,638)**	**335,739**
Gross Income			
Children's & Education Service	(104,091)	902	(103,189)
Adult Social Care	(20,224)	-	(20,224)
Public Health Services	(9,623)	-	(9,623)
Highways and Transport	(2,246)	-	(2,246)
Cultural & Related Services	(5,432)	274	(5,158)
Environmental & Regulatory Services	(1,875)	85	(1,790)
Planning Services	(2,979)	-	(2,979)
Housing Services	(56,102)	-	(56,102)
Central Services	(12,867)	4,154	(8,713)
Corporate & Democratic Core	(6,182)	223	(5,959)
Non Distributable Costs	-	-	-
Total	**(221,621)**	**5,638**	**(215,983)**

Restatement of Income and Expenditure per CIPFA Code of Practice

Expenditure on services and income relating from those services is classified in the Comprehensive Income and Expenditure Statement in accordance with the CIPFA Code of Local Authority Accounting in the UK. The 2016/17 Code requires that authorities present expenditure and income on services on the basis of its reportable segments, based on the internal management reporting structure. This is a change from the previous requirement to present expenditure and income in accordance with the Service Expenditure Code of Practice (SeRCOP). The note shows how the net expenditure and income has been restated.

Please note the 2015/16 CIES figures have been adjusted for the removal of internal recharges as shown in the previous note.

		Adjustments between SeRCOP classifications and internal reporting classifications			
	As reported in the CIES 2015/16 £000	Enterprise, Communities & Resoucres £000	People £000	Schools £000	Corporate and Democracy £000
CONTINUING OPERATIONS					
Net Expenditure					
Children's & Education Service	31,600	247	31,198	156	-
Adult Social Care	36,900	(36)	36,936	-	-
Public Health Services	(420)	1	(421)	-	-
Highways and Transport	17,808	17,808	-	-	-
Cultural & Related Services	17,767	17,767	-	-	-
Environmental & Regulatory Services	11,701	10,131	1,570	-	-
Planning Services	5,983	6,070	-	-	(87)
Housing Services	1,437	694	743	-	-
Central Services	150	172	(18)	-	(4)
Corporate & Democratic Core	(2,393)	595	-	-	(2,989)
Non Distributable Costs	(777)	33	-	-	(810)
Total	**119,756**	**53,482**	**70,008**	**156**	**(3,890)**
Gross Expenditure					
Children's & Education Service	134,789	590	49,630	84,571	-
Adult Social Care	57,124	(36)	57,160	-	-
Public Health Services	9,203	1	9,202	-	-
Highways and Transport	20,054	20,054	-	-	-
Cultural & Related Services	22,925	22,925	-	-	-
Environmental & Regulatory Services	13,491	11,715	1,776	-	-
Planning Services	8,962	8,918	-	-	44
Housing Services	57,539	56,492	1,047		-
Central Services	8,863	9,327	(520)	-	56
Corporate & Democratic Core	3,566	645	-	-	2,921
Non Distributable Costs	(777)	33	-	-	(810)
Total	**335,739**	**130,664**	**118,295**	**84,571**	**2,211**
Gross Income					
Children's & Education Service	(103,189)	(343)	(18,432)	(84,415)	-
Adult Social Care	(20,224)	-	(20,224)	-	-
Public Health Services	(9,623)	-	(9,623)	-	-
Highways and Transport	(2,246)	(2,246)	-	-	-
Cultural & Related Services	(5,158)	(5,158)	-	-	-
Environmental & Regulatory Services	(1,790)	(1,584)	(206)	-	-
Planning Services	(2,979)	(2,848)	-	-	(131)
Housing Services	(56,102)	(55,798)	(304)	-	-
Central Services	(8,713)	(9,155)	502	-	(60)
Corporate & Democratic Core	(5,959)	(50)	-	-	(5,910)
Non Distributable Costs	-		-	-	-
Total	**(215,983)**	**(77,182)**	**(48,287)**	**(84,415)**	**(6,101)**

Collection Fund

The Collection Fund is an agents statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers and the distribution to local authorities and the Government in relation to Council Tax and Non-Domestic Rates.

As from 1st April 2014, Warrington, Halton and St Helens authorities formed a business rates pooling arrangement known as the Mid Merseyside Pool. This arrangement allows the pool to keep any excess growth that had previously been paid over to the government as a levy. But, it also means that any breach of the safety net arrangements by the pool would be met by the pool authorities, rather than Central Government. Warrington is the administrating authority for the pool. During 2016/17 Halton received £182k from the distribution of the 2015/16 levy saving and there was no breach of the safety net arrangements.

Collection Fund Statement

2015/16				2016/17		
Council Tax £000	Non Domestic Rates £000	Total £000		Council Tax £000	Non Domestic Rates £000	Total £000
			Income			
(48,525)		(48,525)	Council Tax	(51,458)		(51,458)
	(57,291)	(57,291)	Non Domestic Rates		(58,627)	(58,627)
	90	90	Transitional Protection Payment		85	85
(48,525)	**(57,201)**	**(105,726)**		**(51,458)**	**(58,542)**	**(110,000)**
			Expenditure			
			Precepts, Demands & Shares			
-	26,112	26,112	Central Government	-	26,048	26,048
38,649	25,747	64,396	Halton Borough Council	41,217	25,681	66,898
5,015		5,015	Cheshire Police Authority	5,312	-	5,312
2,262	525	2,787	Cheshire Fire Service	2,368	524	2,892
63		63	Parish Precept	84	-	84
			Apportionment of Previous Year's Surplus			
-	(1,230)	(1,230)	Central Government	-	-	-
2,551	(1,206)	1,345	Halton Borough Council	1,808	-	1,808
330	-	330	Cheshire Police Authority	235	-	235
148	(25)	123	Cheshire Fire Service	106	-	106
			Charges to Collection Fund			
229	(4)	225	Write off uncollectable amounts	153	746	899
441	433	874	Increase / (Decrease) in Bad Debt Provision	586	2	588
	994	994	Increase / (Decrease) in Appeals Provision		(2,174)	(2,174)
	166	166	Cost of Collection		165	165
	160	160	Disregarded Amounts		157	157
49,688	**51,672**	**101,360**		**51,869**	**51,149**	**103,018**
(5,116)	**5,034**	**(82)**	**Balance Brought Forward**	**(3,953)**	**(495)**	**(4,448)**
1,163	**(5,529)**	**(4,366)**	**Movement on Fund Balance**	**411**	**(7,393)**	**(6,982)**
(3,953)	**(495)**	**(4,448)**	**Balance Carried Forward**	**(3,542)**	**(7,888)**	**(11,430)**

Collection Fund Balance Sheet

2015/16				Council Tax	2016/17			
Halton BC	Cheshire P&CC	Cheshire Fire	Total		Halton BC	Cheshire P&CC	Cheshire Fire	Total
£000	£000	£000	£000		£000	£000	£000	£000
4,865	628	279	5,772	Arrears	5,606	702	313	6,621
(2,832)	(365)	(163)	(3,360)	Provision for Doubtful Debts	(3,341)	(418)	(186)	(3,945)
(455)	(59)	(26)	(540)	Overpayments / Prepayments	(475)	(59)	(24)	(558)
(3,329)	(432)	(194)	(3,955)	(Surplus)/Deficit	(2,993)	(381)	(168)	(3,542)
1,751	228	104	2,083	Cash	1,203	156	65	1,424
-	-	-	-		-	-	-	-

2015/16				Non-Domestic Rates	2016/17			
Central Gov	Halton BC	Cheshire Fire	Total		Central Gov	Halton BC	Cheshire Fire	Total
£000	£000	£000	£000		£000	£000	£000	£000
2,205	2,161	44	4,410	Arrears	2,062	2,020	41	4,123
(1,393)	(1,365)	(28)	(2,786)	Provision for Doubtful Debts	(1,394)	(1,366)	(28)	(2,788)
(5,102)	(5,000)	(102)	(10,204)	Appeals Provision	(4,015)	(3,934)	(79)	(8,028)
(471)	(462)	(9)	(942)	Overpayments / Prepayments	(205)	(201)	(5)	(411)
(201)	(287)	(6)	(494)	(Surplus)/Deficit	(3,945)	(3,864)	(79)	(7,888)
4,962	4,953	101	10,016	Cash	7,497	7,345	150	14,992
-	-	-	-		-	-	-	-

Notes to the Collection Fund

1. Introduction of the Council Tax

The property based Council Tax was introduced on the 1st April 1993, replacing the personal liability Community Charge. The Council determined its Band D equivalent tax base for 2016/17 at 32,948 (2015/16 – 32,100)

2. The Council Tax Base Determination

Band	Properties	Ratio	Band D Equivalents
Disabled	85	5/9	47
A	22,559	6/9	15,039
B	10,769	7/9	8,376
C	7,175	8/9	6,378
D	4,455	9/9	4,455
E	3,245	11/9	3,966
F	1,024	13/9	1,480
G	352	15/9	586
H	30	18/9	60
Total	49,694		40,387
Reductions relating to Non-Collection and changes in assumptions			**(7,439)**
Tax Base set for 2016/17			**32,948**

The parishes' individual tax bases are shown below:

	2015/16	**2016/17**
Hale	649	659
Daresbury	153	159
Moore	320	326
Preston Brook	324	336
Halebank	488	499
Sandymoor	948	966

3. Precepting Authorities

Halton Borough Council has two precepting authorities, Cheshire Police & Crime Commissioner and Cheshire Fire Authority. The Band D charge and total precept are shown in the table below:

	2015/16	2016/17
	£	£
Cheshire Police and Crime Commisioner		
- Band D Charge	156.23	161.23
- Precept	5,014,983	5,312,206
Cheshire Fire Authority		
- Band D Charge	70.46	71.86
- Precept	2,261,766	2,367,643

4. Non-Domestic Rates

The non-domestic rate replaced locally fixed rates from 1st April 1990. The rateable value at 31st March and the business rate multiplier, which is fixed by the Government, are shown in the table below:

	2015/16	2016/17
	£	£
Rateable value at 31st March	135,810,326	135,800,761
Non Domestic rating multiplier	49.3	49.7
Small Business Non Domestic rating muliplier	48.0	48.4

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, the Operational Director – Finance has that responsibility;

To manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;

To approve the Statement of Accounts.

The Operational Director – Finance Responsibilities

The Operational Director – Finance is responsible for the preparation of the Council's statement of accounts which, in terms of CIPFA/LASAAC Code of Practice on Local Authority Accounting in Great Britain ("the Code of Practice"), is required to present a true and fair view of the financial position of the Council at the accounting date and its income and expenditure for the year (ended 31st March 2017).

In preparing this Statement of Accounts, the Operational Director – Financial Services has:

Selected suitable accounting policies and then applied them consistently;

Adopted the principal of "True and Fair" regarding the Council's financial position;

Made judgements and estimates that were reasonable and prudent;

Complied with the Code of Practice.

The Operational Director – Finance has also:

Kept proper accounting records which were kept up to date;

Taken reasonable steps for the prevention and detection of fraud and other irregularities.

I certify that this Statement of Accounts presents a true and fair view of the financial position and income and expenditure of Halton Borough Council for the year ended 31 March 2017

There are a number of accounting standards which will be adopted by the code in 2017/18. It is not anticipated these will have a material impact on the Council's financial statements.

Signed by: ....

Operational Director – Finance

Date: 28th June 2017

Statement of Accounting Policies

1. General

The Statement of Accounts summarises the Council's transactions for the 2016/17 financial year and its position at the year-ending 31 March 2017.

Halton Borough Council is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2015, which is required to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice of Local Authority Accounting in the United Kingdom 2016/17 and the Service Reporting Code of Practice 2016/17, supported by International Financing Reporting Standards (IFRS).

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

2. Changes to the 2016/17 Accounting Policies

The Council's accounting policies are subject to regular review arising from changes in the way costs are accounted for and changes in the requirements of the Code of Practice.

3. 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.

3(a) Revenue Recognition

Revenue from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council. Revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.

3(b) Employee Costs

The full cost of employees is charged to the period which the employees worked. Accruals are made for wages earned but unpaid and pay awards awaiting settlement at the year end. Short term benefits arising from leave, flexi-time and time off in lieu which remain unpaid at the end of the financial year are accrued into the cost of services for that year. To ensure that the actual costs to the Council falls in the year in which they are paid a transfer is made to an Employee Benefit Reserve.

3(c) 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. A charge is made on an accruals basis to the

Comprehensive Income and Expenditure Statement when the Council is committed to the termination of employment.

3(d) Interest

Interest payable on external borrowings and interest receivable on investments is accrued and accounted for on a basis which reflects the costs and benefits of the treasury management activity during the period.

3(e) Supplies and Services

Supplies and services are accounted for in the period that they are consumed or received. Accruals are made for all material sums unpaid at year end for goods and services received or works completed.

3(f) 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 highly liquid investments that mature within 3 months or less from the date of acquisition and are readily convertible to known amounts of cash with insignificant risk of change of value.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Council's cash management.

3(g) Debtors and Creditors

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.

Known uncollectable debt is written off with a charge being made to the Bad Debt Provision.

4. Acquired/Discontinued Operations

Income and expenditure relating to acquired or discontinued operations will be shown separately on the face of the Comprehensive Income and Expenditure Statement under the heading of acquired/discontinued operations. Any liabilities in respect of discontinued operations will be disclosed separately in the notes to the Balance Sheet.

5. Contingent Assets

A contingent asset arises where an event has taken place that gives the Council a possible asset whose existence can only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council.

Contingent assets are not recognised on the Balance Sheet but by way of notes to the accounts where it is probable that there will be an inflow of economic benefit or service potential.

6. 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 are not recognised on the Balance Sheet but disclosed by way of notes to the accounts.

7. The Collection Fund

The Council is required by statute to maintain a separate fund (i.e. The Collection Fund) for the collection and distribution of amounts due in respect of Council Tax and National Non-Domestic Rates.

7(a) Council Tax Income

In its capacity as a billing authority the Council acts as an agent. It collects council tax income on behalf of the major preceptors (The Police and Crime Commissioner for Cheshire and Cheshire Fire & Rescue Service) and itself.

7(b) National Non-Domestic Rates (NNDR)

As part of Business Rate Retention Scheme the Council acts as an agent and collects National Non Domestic Rates on behalf of Central Government, Cheshire Fire & Rescue Service and itself.

7(c) Accounting for Council Tax and Non-Domestic Rates

While the council tax and non-domestic rates income for the year credited to the Collection Fund is the accrued income for the year, regulations determine when it should be released from the Collection Fund and transferred to the General Fund. The amount credited to the General Fund under statute is the Council's demand for the year plus the Council's share of the surplus (or less its share of the deficit) on the Collection Fund for the year.

The difference between the income included in the Comprehensive Income and Expenditure Statement and the amount required to be credited to the General Fund is taken to the Collection Fund Adjustment Account and included as a reconciling item in the Movement in Reserves Statement within Adjustments between Accounting Basis and Funding Basis under regulations.

The Council's Cash Flow Statement includes within Net Cash Flows from Operating Activities, only its share of council tax and NNDR cash collected from the debtors in the year.

8. Events after the Reporting Period

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

Those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events.

Those that are indicative of conditions that arose after the reporting period – the Statement of Accounts are not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation are not reflected in the Statement of Accounts.

9. Financial Instruments

The Council invests and borrows money as part of its day to day business and Treasury Management Strategy. It is required to present on the balance sheet at fair value its outstanding financial obligations and assets in relation to these transactions. Assets exclude short term investments i.e. invested for periods of less than 3 months at inception and not due for repayment at balance sheet date. These investments are treated as cash equivalents due to their liquid nature.

The Council uses Capita Asset Services to provide independent valuations of the position at the period end.

Capita uses the Net Present Value valuation technique to value borrowings. The discount rate used within the calculation is the Public Works Loans Board new borrowing rate.

9(a) Financial Liabilities

Financial liabilities are initially measured at fair value and carried at their amortised cost. Annual charges to the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. Financial liabilities due to be settled within 12 months of the Balance Sheet date , along with accrued interest on all financial liabilities is recorded as a current liability.

9(b) Financial Assets

Financial assets are classified into two types:

Loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market.

Available-for-sale assets – assets that have a quoted market price and/or do not have fixed or determinable payments.

9(c) Loans and Receivables

Loans and receivables are recognised on the Balance Sheet when the Council becomes party to the contractual provisions of a financial instrument and are initially measured at fair value and carried at their amortised cost.

10. Fair Value

The Council measures some of its assets and liabilities at fair value at the end of the reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

a) in the principal market for the asset or liability, or
b) in the absence of a principal market, in the most advantageous market for the asset or liability.

The Council measures the fair value of an asset or liability using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

When measuring the fair value of a non-financial asset, the Council takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest or best use.

Inputs to the valuation techniques in respect of the Council's fair value measurement of its assets and liabilities are categorised within the fair value hierarchy as follows:

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

11. Government Grants, Other Contributions and Donated Assets

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

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

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential are required to be consumed by the Council as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants or contributions for which conditions have not been satisfied are carried on 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-ring-fenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund in the Movement in Reserves Statement. Where the grant is 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 expenditure.

12. Interest in Companies and Other Entities

The Council has an interest in subsidiaries, joint ventures and associated entities that would require it to prepare group accounts. As the transactions relating to group entities are not material, no group financial statements are being produced for the 2016/17 accounts.

The definition of materiality as per the Code of Practice on Local Authority Accounting is:

The relevance of information contained in the financial statements is affected by its nature and materiality. Omissions or misstatements of items are material if they could, individually or collectively, influence the decisions or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatement judged in the surrounding circumstances. The nature or size of the item, or a combination of both, could be the determining factor. Therefore, materiality provides a threshold or cut-off point rather than a primary qualitative characteristic which information must have if it is to be useful. An authority need not comply with the Code, as to both disclosure and accounting principles, if the information is not material to the true and fair view of the financial statements and to the understanding of users.

In assessing the materiality of group entities an assessment has been undertaken of the following quantitative and qualitative factors:

Quantitative Factor

- The activities of group entities are not significant to the representation of the operational activities of the authority as a whole.
- Gross Value of the investments in gross entities are not significant in terms of the balance sheet of HBC.
- Gross Value of the borrowings or other liabilities of group entities are not significant to the balance sheet of HBC.
- An adjustment to usable reserves that would arise on consolidation would not be significant.

Qualitative Factor

- The authority does not depend significantly on group entities for continued provision of statutory services.
- There is no concern to which the Council has passed on control of its assets to other parties.
- There is no concern about the extent to which the Council is exposed to commercial risk.
- Not consolidating group entities does not mask significant trends.
- Grouping the accounts would not provide any more useful disclosures.

13. Intangible Assets

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

Intangible assets are initially measured at cost. Amounts are only revalued where the fair value of the assets held by the Council can be determined with reference to an active market. In practice, no intangible asset held by the Council meets these criteria, and they are therefore carried at amortised cost. The depreciable amount of any intangible asset is amortised over its useful live to the relevant service line in the Comprehensive Income and Expenditure Statement.

14. Inventories

Inventories are included in the Balance Sheet at the lower of cost and net realisable value.

15. Leases

15(a) Finance Leases

Leases are classified as Finance Leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee.

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

Although the Code is not prescriptive it gives examples of situations which would lead to a lease being classified as a finance lease. These are:

1. The lease transfers ownership of the asset to the lessee by the end of the lease term
2. The lessee has the option to purchase the asset at a price that is expected to be sufficiently lower than the fair value so as to make it reasonably certain the option will be exercised
3. The lease term is for the major part of the economic life of the asset
4. The present value of the minimum lease payments amounts to at least substantially all of the fair value of the leased asset, and
5. The leased assets are of such a specialised nature that only the lessee can use them without major modifications.

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 leases inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Council are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Rental payments under finance leases are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to the Finance and Investment Income line in the Comprehensive Income and Expenditure Statement. Depreciation is charged to cost of services over the life of the asset. Any receipts are subject to the same test.

For the purposes of assessment of finance leases for plant, vehicles and equipment it is taken that consumption of greater than 75% of the economic life of the asset will constitute the major part of the economic life of the asset. There is also a de-minimis of £5,000 net present value of the future lease payments at the inception of the lease where the lease will not be treated as a finance lease.

15(b) Operating Leases

Operating leases are all leases which are not categorised as finance leases. Rentals payable under operating leases are charged to Net Cost of Services on a straight line basis over the term of the lease. Receipts are treated as revenue income.

16. Non-Current Assets, Property, Plant and Equipment

16(a) Recognition

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

Expenditure on the acquisition, creation or enhancement of a non-current asset is capitalised on an accruals basis. Expenditure is only capitalised when it adds to or extends, and not merely maintains the value of an existing asset.

16(b) Measurement

Acquired non-current assets are initially measured at cost, which includes costs that are directly attributable to bringing the asset into working condition for its intended use. Non-current assets acquired by finance lease are valued at discounted present value of future lease payments using PWLB rates for annuities at the date of acquisition. Whilst acquired infrastructure assets, vehicles, plant, equipment and community assets remain in the balance sheet at historical costs net of depreciation, other assets will be subject to periodic revaluation of no more than five years using the appropriate method for that class of asset.

The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (ie it will not lead to a variation in the cash flows of the Council). Where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Council.

Assets are then carried on the Balance Sheet using the following measurement bases:

- Infrastructure is measured on the basis of depreciated historic cost.
- Assets under construction are measured on the basis of historic cost.

- Community assets (assets that the Council intends to hold in perpetuity and have no determinable useful life) are valued at historic cost or a nominal value where the historic cost is not known.
- Surplus asset, investment properties and assets held for sale are based on their fair value, estimated at highest and best use from a market participant's perspective. (See Policy 10 – Fair Value).
- All other assets are measured at current value which is determined as the amount that would be paid for the asset in its existing use ("existing use value" – EUV).

Where there is no market-based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of fair value. For non-property assets (e.g. vehicles, plant and equipment) that have short useful lives or low values (or both) depreciated historical cost basis is used as a proxy for fair value.

Assets are subject to an annual impairment check. A proportion of the assets will be subject to revaluation each year to allow for the workload of revaluation to be more evenly spread and the balance sheet to be more accurate. Each asset will be re-valued on a 5 year cycle.

All assets are subject to an annual review to ensure valuations have not materially changed in the years they are not valued and that the carrying value is not significantly different to their fair value.

Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Surplus or Deficit on the Provision of Services where they arise from the reversal of a loss previously charged to a service.

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

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

The Council operates a de-minimis level of £35,000 at acquisition, in respect of land and property, and a qualified valuer certifies the valuation. In respect of vehicles, plant & equipment theses are carried at depreciated historic cost subject to an initial recognition de-minimis of £5,000.

16(c) Impairment

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

Where impairment losses are identified, the carrying amount of the asset is written down first against the accumulated gains in the revaluation reserve.

Where there is no longer a balance in the revaluation reserve to consume the loss, the carrying amount of the asset is written down against the relevant service lines in the Comprehensive Income and Expenditure Statement.

When an impairment loss is reversed, the reversal is credited to the relevant services lines in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss and adjusted for depreciation that would have been charged if the loss had never been recognised.

16(d) Non-Current Assets Held for Sale

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

To be classified as held for sale an asset must meet all of the following criteria:

- The asset (or disposal group) must be available for immediate sale in its present condition subject to terms that are usual and customary for sales of such assets (or disposal groups).
- The sale must be highly probable; the appropriate level of management must be committed to a plan to sell the asset (or disposal group) and an active programme to locate a buyer and complete the plan must have been initiated.
- The asset (or disposal group) must be actively marketed for a sale at a price that is reasonable in relation to its current value.
- The sale should be expected to qualify for recognition as a completed sale within one year of the date of classification and action required to complete the plan should indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn.

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 carrying amount before they were classified as held for sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had the asset not been classified as held for sale, and their recoverable amount at the date of the decision not to sell.

Receipts from the disposal of PPE assets greater than £10,000 are credited to the useable capital receipts reserve on an accruals basis. Lower amounts are treated as de-minimis and credited to the revenue account.

16(e) Depreciation

Depreciation is provided for on all assets with a finite useful life. The provision for depreciation is calculated by allocating the cost less any estimated residual value of the asset over its useful life. The useful lives of assets are estimated on a realistic basis and reviewed regularly, and where necessary revised.

The estimated useful lives of assets by class are as follows:

Buildings & Other Operational Properties	Up to 60 years
Infrastructure and Community Assets	15 years
Vehicles, Plant and Equipment	3-10 years
Intangible Assets	5-10 years
Finance Leases – vehicles, plant and equipment of lease	3-10 years equal to length
Finance Leases – buildings	Up to 60 years

All assets are depreciated on a straight line basis, with depreciation commencing the year after acquisition. In exceptional circumstances, for example, if a particularly expensive asset is acquired with a short life expectancy, then a charge may be levied in the year of acquisition to ensure the charge to the service is more in line with the consumption of the asset.

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.

An exception to depreciation is made for assets without a determinable finite useful life (ie freehold land and certain community assets) and assets that are not yet available for use (ie assets under construction), these are not depreciated.

16(f) Charges to the Comprehensive Income and Expenditure Statement

As defined in CIPFA's Service Reporting Code of Practice, each service is charged with a capital charge for the consumption of all assets used in the provision of the service. The charge is the annual provision for depreciation or impairment.

Finance costs (interest payable) are a direct charge to Financing and Investment Income within the Comprehensive Income and Expenditure Statement, whilst repairs and maintenance are charged to the appropriate service revenue account.

16(g) Investment Property

Investment property is property (land or a building – or part of a building – or both) held solely to earn rentals or for capital appreciation or both, rather than for:

(a) Use in the production or supply of goods or services or for administrative purposes; or

(b) Sale in the ordinary course of operations.

Investment properties are initially measured at cost and subsequently at fair value, being the price 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. Properties are not depreciated but revalued annually according to market conditions at the year end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain to the General Fund balance. Revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund balance. The gains and losses are reversed out of the General Fund in the Movement in Reserves Statement and posted to the Capital Adjustment Account.

16(h) Componentisation

The objective of component accounting is to follow proper accounting practice by ensuring that items of Property, Plant and Equipment are accurately and fairly included in the Balance Sheet and the Comprehensive Income and Expenditure Statement. Consumption of economic benefits should be properly reflected over the assets individual useful lives, through depreciation charges.

The overall value of an asset must be fairly apportioned over significant components, which need to be accounted for separately, with their useful lives and the method of depreciation being determined on a reasonable and consistent basis.

Having identified individual material assets or groups of similar assets with similar characteristics, each component part of an item of Property, Plant and Equipment with a cost that is significant in relation to the total cost of the asset shall be depreciated separately.

Once individual material assets and asset groups have been identified, items of Property, Plant and Equipment will be categorised as follows based on their significance, useful life and depreciation method:

Component	**Detail**
Superstructure and substructure	Frame, upper floors, roof, stairs, external walls, external windows and doors, internal walls and partitions, internal doors
Internal Finishes and Fittings	Wall, floor, ceiling finishes, fittings and furnishings
Services	Sanitary appliances, services equipment, disposal installations, water installations, heat source, space heating and air conditioning, ventilating systems, electrical installations, fuel installations, fire and lightening protection, communication and security installations, builders work in connection and management and commissioning of services
Land	Land upon which the property is constructed

The basis upon which the calculation of the value of components will be made is replacement cost. The actual split will be determined following individual valuation of the property.

Land is a separate component in its own right, but is not considered for deprecation purposes. Generally, land is considered to have an infinite life.

When an asset is enhanced or replaced, the cost of the replacement component is compared with the cost of the total asset. If the cost of the enhancement or replacement is above 15% or £35,000 of the overall cost of the asset, a proportion of the relevant component's carrying value is derecognised and replaced by the cost of the new replacement asset.

When an asset is acquired or re-valued, the cost of its component parts will be broken down into Superstructure and Substructure, Internal Finishes and Fittings and Services. Land will be identified as a separate component in its own right.

16(i) Charges to Revenue for Non-Current Assets

Services are debited with depreciation, downward valuations and impairment losses where there are no accumulated gains in the revaluation reserve against which the losses can be written off and amortisation of intangible non-current assets.

The Council does not raise council tax to fund depreciation, revaluation and impairment losses or amortisations. However, the Council is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis determined by the Council in accordance with statutory guidance.

Depreciation, revaluation and impairment losses and amortisations are therefore replaced by the contribution in the General Fund balance from Capital Adjustment Account in the Movement in Reserves Statement known as the Minimum Revenue Provision (MRP).

16(j) Schools (Land & Buildings)

Section 20 of the Schools Standards and Framework Act 1998 established the following categories of maintained schools in England and Wales:

(a) Community Schools
(b) Foundation Schools
(c) Voluntary Schools comprising Voluntary Aided and Voluntary Controlled
(d) Community Special Schools, and
(e) Foundation Special Schools

In order to recognise a non-current school's asset on the Council's Balance Sheet, the Council has followed the recognition criteria of the Code and determined the extent to which the Council has control of the service potential associated with the schools assets.

The Council has concluded that a) Community Schools and d) Community Special Schools will form part of the Council's non-current Assets.

For all other schools the Council is merely using the non-current asset under licence. A licence passes no interest in the non-current asset to the Council and is always revocable, therefore these schools will not form part of the Council's non-current assets.

16(k) Accounting for Schools Transferring to Academy Status

The new accounting standards on group accounts and consolidation mean all types of school are now considered to be entities controlled by the Council. When a school transfers to academy status this control is transferred to a third party. As a result the school as an entity needs to be derecognised in the Council's accounts by writing off the net assets of the school to the Comprehensive Income and Expenditure Statement.

17 Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply and service in accordance with the costing principals of the CIPFA Service Reporting Code of Practice 2016/17. The total absorption costing principal is used – the full cost of overheads and support services are shared between users in proportion to the benefits received.

The costs of the Corporate and Democratic Core and Non-Distributed Costs are allocated to separate objective expenditure heads and are not apportioned to other divisions of service. These items are clearly disclosed in the Comprehensive Income and Expenditure Statement.

18 Pension Costs

General

The cost of providing pensions for employees is charged in accordance with the requirements of IAS19 Retirement Benefits subject to the interpretation set out in the Code governing the pension schemes. The Council pays an employer's contribution to the Cheshire Pension Fund; Teachers' Pension Agency and National Health Service Pension Scheme.

Pensions Reserve

Where there is a difference between the amount charged to the Comprehensive Income and Expenditure Statement in the year and the amount payable to the pension funds, that sum is taken to the Pension Reserve. This additional debit or credit to the services is shown as a reconciling item in the Movement in Reserves Statement within the Adjustments between Accounting Basis and Funding Basis under regulations note.

Classification of Schemes

Defined Benefit Schemes

Accounting policies set out as below apply in respect of pension costs arising from the Local Government Pension Scheme and unfunded discretionary benefits paid:

(i) The liabilities of the Cheshire Pension Fund attributable to the Authority are included in the Balance Sheet on an actuarial basis using the projected unit method – ie an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of projected earnings for current employees.

(ii) Liabilities are discounted to their value at current prices, using a discount rate of 3.5%

(iii) The assets of Cheshire pension fund attributable to the Authority are included in the Balance Sheet at their fair value

a. Quoted securities – current bid price
b. Unquoted securities – professional estimate
c. Unitised securities – current bid price
d. Property – market value

(iv) The change in the net pensions liabilities is analysed into the following components:

a. Service cost comprising:
   i. Current services cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement of the services for which the employees worked
   ii. Past service cost – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of services earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
   iii. Net interest on the net defined benefit liability (asset), ie net interest expense for the authority – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period – taking into account any changes in the net defined benefit liability (asset) during the period as a result of the contribution and benefit payments.
b. Remeasurements comprising:
   i. The return on plan assets – excluding amounts included in net interest on the net defined benefit liability (asset) – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
   ii. Actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their associations – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
c. Contribution paid to the Cheshire Pension Fund – cash paid as employer's contributions to the pension fund in settlement of liabilities: not accounted for as an expense.

(v) In relation to retirement benefits, statutory provision require the General Fund Balance to be charged with the amount payable by the Authority to the pension fund or directly to pensions in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are transfers to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year end. The negative balance that arises on the Pension Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather that as benefits are earned by employees.

Defined Contribution Schemes

The arrangements for the Teacher's Pension Scheme and the NHS Pension Scheme means that liabilities for these benefits cannot ordinarily be specified by the Council. The scheme is therefore accounted for as if it were a defined contribution scheme and no liability for future payments or benefits is recognised on the Balance Sheet. The relevant service line in the Comprehensive Income and Expenditure Statement is charged with the Council's contributions payable to Teachers Pensions and NHS Pension Scheme in the year.

19 Pooled Budgets

Under Section 75 of the Health Act, the Council is able to establish joint working arrangements with NHS bodies and other Councils to pool funds from both organisations to create a single pot. Where pooled budgets are established, the Councils accounts reflect only the Councils share of the overall pot and exclude the share attributable to partner organisations.

20 Prior Period Adjustments

Prior period adjustments may arise as a result of a change in accounting policy or to correct a material error. Changes in accounting estimate are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

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

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

21 Provisions

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. Provisions are created by a charge to a service and as such appear in the Comprehensive Income and Expenditure Statement in the Cost of Services in the year the Council becomes aware of the obligation, and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking account of risks and uncertainties.

Where it becomes apparent that a lower settlement is anticipated than first thought, the provision is reversed and credited back to the relevant service.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet.

22 Repurchase of Borrowing

Gains or losses arising on the repurchase or early settlement are charged in the Comprehensive Income and Expenditure Statement in the period during which the repurchase is made. If the repurchase was coupled with refinancing or restructuring, gains or losses are charged over the life of the replacement loan.

23 Reserves

The Council sets aside specific amounts as reserves for future policy purposes to cover contingencies. Reserves are created by apportioning amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from the reserve is incurred, it is charged to the apportionment service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement.

The reserve is then appropriated back in the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against Council Tax for the expenditure.

The Council maintains two kinds of reserve, Usable and Unusable Reserves.

Usable reserves comprise:

Usable Capital Receipts Reserve
General Fund Balance
Schools Balances
Earmarked Reserves
Capital Grants Unapplied

Unusable reserves comprise:

Revaluation Reserve
Available for sale Financial Instruments Reserve
Capital Adjustment Account
Financial Instruments Adjustment Account
Pensions Reserve
Collection Fund Adjustment Account
Deferred Capital Receipts Reserve
Employee Benefit Reserve

Usable reserves are available to fund expenditure, either revenue or capital incurred by the Council. Unusable reserves are not available to fund expenditure since they do not represent new resources available to the Council.

24 Revenue Expenditure Funded from Capital under Statute

Legislation allows some expenditure to be classified as capital for funding purposes when it does not result in the creation on a non-current asset on the Balance Sheet. Such expenditure is charged to the appropriate service account within the Comprehensive Income and Expenditure Statement in accordance with the provisions of the Code.

Where the Council has determined to meet the cost of this expenditure from existing capital resources or borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses the amounts charged so that there is no impact on the Council Tax.

25 Senior Officers

The Council is required to disclose senior officers who are paid a salary of more than £150,000 by name. The requirement also extends to those officers whose salary is more than £50,000 and have a statutory role defined by legislation or is responsible for directing and controlling the day-to-day operations of the Council.

26 Service Concessions

PFI and similar contracts are agreements to receive services, where the responsibility for making available the property, plant and equipment needed to provide the services passes to the PFI contractor. As the Council is deemed to control the services that are provided under PFI schemes, and as ownership of the property, plant and equipment will pass to the Council at the end of the contracts for no additional charge, the Council carries the assets used under the contracts on its Balance Sheet as part of Property, Plant and Equipment.

The original recognition of these assets at fair value (based on the cost to purchase the property, plant and equipment) is balanced by the recognition of a liability for amounts due to the scheme operator to pay for the capital investment.

Non-current assets recognised on the Balance Sheet are re-valued and depreciated in the same way as property, plant and equipment owned by the Council.

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

- Fair value of the services received during the year – debited to the relevant service in the Comprehensive Income and Expenditure Statement
- Finance cost – an interest charge on the outstanding Balance Sheet liability, debited to the financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
- Contingent rent – increases in the amount to be paid for the property arising during the contract, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
- Payment towards liability – applied to write down the Balance Sheet liability towards the PFI operator (the profile of write-downs is calculated using the same principles as for a finance lease)

- Life cycle replacement costs – where material, a proportion of the amounts payable is posted to the Balance Sheet as a prepayment and then recognised as additions to Property, Plant and Equipment when the relevant works are eventually carried out.

27 Value Added Tax

VAT is included in income and expenditure accounts, whether of a capital or revenue nature, only to the extent that it is irrecoverable from the HM Revenue and Customs.

28 Heritage Assets

Where applicable, heritage assets are measured at insurance valuation on the Balance Sheet.

Unlike other non-current assets depreciation is not required on heritage assets which have infinite useful lives. Similarly, impairment reviews are only required in limited circumstances, for example if a heritage asset has suffered breakage of physical deterioration.

29 Accounting Standards that have been issued but not yet adopted

Under the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 (the Code), the Council is required to disclose information setting out the impact of an accounting change required by a new accounting standard that has been issued but not yet adopted by the Code. The following amendments will be adopted and will apply from 01 April 2017.

There are a number of accounting standards which will be adopted by the code in 2017/18. It is not anticipated these will have a material impact on the Council's financial statements.

30 Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in above, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

30(a) Future levels of funding

There is a high degree of uncertainty about future levels of funding for local government. The Council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Council might be impaired as a result of a need to close facilities and reduce levels of service provision.

30(b) Mersey Gateway Development Costs

A prudent approach has been taken to the capitalisation of development expenditure for 2016/17. The Council has analysed development expenditure into different areas of work. Each area of work has been reviewed in order to decide whether the expenditure is capital or revenue in nature and has been accounted for accordingly.

For all areas of work that were considered to be capital in nature, invoices have been reviewed and discussions held to ascertain whether the work carried out would form part of the final asset and could therefore be fully or part capitalised as per the Code. Areas of work that were considered to be mainly revenue have been treated as revenue expenditure.

31 Assumptions made about the future and other major sources of estimation uncertainty

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

The items in the Council's Balance Sheet at 31 March 2017 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

31(a) Property, Plant and Equipment

The carrying amount in the Balance Sheet at the 31 March 2017 is £398.1m

Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Council will be able to sustain its spending on repairs and maintenance, bringing into doubt the useful lives of those assets.

If the useful life of assets is reduced, depreciation increases and the carrying amount of the asset falls. It is estimated that the annual depreciation charge for buildings could increase between 10%-15% equating to an additional £2.26m to £3.38m for every year that useful lives had been reduced.

31(b) Pensions Liability

The carrying amount in the Balance Sheet at the 31 March 2017 is £109.0m

Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. Hymans Robertson LLP is engaged on behalf of the Council by Cheshire West and Chester Council to provide expert advice about the assumptions to be applied.

Glossary of Terms

For the purposes of the Code of Practice the following definitions have been adopted:

Accruals

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

Accounting Policies

Those principals, bases, conventions, rules and practices applied by an entity that specify how the effects of transactions and other events are to be reflected in its financial statements through:

(a) Recognising;
(b) Selecting and measurement bases for; and
(c) Presenting.

Assets, liabilities, gains, losses and changes to reserves.

Accounting policies do not include estimation techniques.

Accounting policies define the process whereby transactions and other events are reflected in financial statements. For example, an accounting policy for a particular type of expenditure may specify whether an asset or a loss is to be recognised; the basis on which it is to be measured; and where in the Income and Expenditure account or Balance Sheet it is to be presented.

Acquired Operations

Operations comprise services and divisions of service as defined in SerCOP. Acquired operations are those operations of the Council that are acquired in the period.

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 have changed.

Capital Expenditure

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

Class of Non-Current Assets

The classes of non-current assets required to be included in the accounting statements are:

Property, Plant and Equipment:

- Other land and buildings
- Vehicles, plant, furniture and equipment
- Infrastructure assets
- Community assets
- Assets under construction
- Surplus assets

Other classes of assets:

- Investment properties
- Assets held for sale
- Heritage assets

Community Assets

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

Consistency

The concept that the accounting treatment of like items within an accounting period and from one period to the next are 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 Asset

A contingent asset is a possible asset arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Local Authority's control.

Contribution

A contribution may be received from a partner to help perform a particular function (i.e. PCT and third sector in health/education, S106 developers etc…)

Contingent Liability

A contingency liability is either:

(a) A possible obligation arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Council's control; or
(b) A present obligation arising from past events where it is not probable that a transfer of economic benefits will be required or the amount of the obligation cannot be measured with sufficient reliability.

Corporate and Democratic Core

The corporate and democratic core comprises all activities which Local Authorities engage in specifically because they are elected multi-purpose Authorities. The cost of these activities are thus over and above those which would be incurred by a series of independent, single purpose, nominated bodies managing the same services. There is therefore no basis for apportioning these costs over or across services.

Current Service Cost (Pensions)

The increase in the present value of a defined benefit scheme's liabilities expected to arise from employee service in the current period.

Curtailment

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

(a) Termination of employees' services earlier than expected, for example as a result of closing a factory or discontinuing a segment of a business; 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.

Deferred Charges

Expenditure which may properly be deferred, but which does not result in, or remain matched with, tangible assets. Examples of deferred charges are expenditure on items such as improvement grants and the expenses of private acts.

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 other retirement benefit scheme into which an employer pays regular contributions fixed as an amount or as 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

The measure of cost or revalued amount of the benefits of the non-current asset that have been consumed during the period.

Consumption includes the wearing out, using up or other reduction in the useful life of a non-current asset whether arising from use, effluxion of time or obsolescence through either changes in technology or demand for the goods or services produced by the asset.

Discontinued Operations

Operations comprise services and divisions of service as defined in CIPFA's Standard Classification of Income and Expenditure. An operation should be classified as discontinued if all of the following conditions are met:

(a) The termination of the operation is completed either in the period before the earlier of three months after the commencement of the subsequent period and the date on which the financial statements are approved;
(b) The activities related to the operation have ceased permanently;
(c) The termination of the operation has a material effect on the nature and focus of the Local Authority's operations and represents a material reduction in its provision of services resulting either from its withdrawal from a particular activity (whether a service of division of service or its provision in a specific geographical area) or from a material reduction in net expenditure in the Local Authority's continuing operations;
(d) The assets, liabilities, income and expenditure of operations and activities are clearly distinguishable physically, operationally and for financial reporting purposes

Operations not satisfying all the conditions are classified as continuing.

Discretionary Benefits

Retirement benefits which the employer has no legal, contractual or constructive obligation to award which are awarded under the Council's discretionary powers, such as The Local Government (Discretionary Payments) Regulations 1996, the Local Government (Discretionary Payments and Injury Benefits) (Scotland) Regulations 1998, or the Local Government (Discretionary Payments) Regulations (Northern Ireland) 2001.

Estimation Techniques

The methods adopted by an entity to arrive at estimated monetary amounts, corresponding to the measurement bases selected, for assets, liabilities, gains losses and changes to reserves.

Estimation techniques implement the measurement aspects of accounting policies. An accounting policy will specify the basis on which an item is to be measured; where there is uncertainty over the monetary amount corresponding to that basis, the amount will be arrived at by using an estimation technique. Estimation techniques include, for example:

(a) Methods of depreciation, such as straight-line and reducing balance, applied in the context of a particular measurement basis, used to estimate the proportion of the economic benefits of a tangible non-current asset consumed in a period
(b) Different methods used to estimate the proportion of debts that will not be recovered, particularly where such methods consider a population as a whole rather than individual balances.

Events after the Balance Sheet Date

Those events, both favourable and unfavourable, which occur between the balance sheet date and the date on which the Statement of Accounts is signed by the responsible financial officer.

Exceptional Items

Material items which derive from events or transactions that fall within the ordinary activities of the Council and which need to be disclosed separately by virtue of their size or incidence to give a fair presentation of the accounts.

Exit Packages

Exit packages are defined as amounts payable as a result of either an employer's decision to terminate an employee's employment before the normal retirement date, or an employee's decision to accept voluntary redundancy in exchange for those benefits. Exit packages also include enhancement of retirement benefits, when an employee retires early without actuarial reduction of pension.

Expected Rate of Return on Pensions Assets

For a funded defined benefit scheme, the average rate of return, including both income and changes in fair value but net of scheme expenses, expected over the remaining life of the related obligation on the actual assets held by the scheme.

Extraordinary Items

Material items, possessing a high degree of abnormality, which derive from events or transactions that fall outside the ordinary activities of the Council and which are not expected to recur. They do not include exceptional items nor do they include prior period items merely because they relate to a prior period.

Fair Value

The fair value of an asset is the price at which it could be exchanged in an arm's length transaction less, where applicable, any grants receivable towards the purchase of use of the asset.

Finance Lease

A finance lease is one where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment form the lessor to the lessee. A lease would be classified as finance lease if:

- The lease transfers ownership of the asset to the lessee by the end of the lease term.
- The lessee has the option to purchase the asset at a price that is expected to be sufficiently lower than the fair value so as to make it reasonably certain the option will be exercised.
- The lease term is for the major part of the economic life of the asset.
- The present value of minimum lease payments amounts to at least substantially all of the fair value of the leased asset.
- The leased assets are of such a specialised nature that only the lessee can use them without major modifications.

Notwithstanding the fact that the lease meets the definitions above, the presumption that an asset should be classified as a finance lease may in exceptional circumstances be rebutted if it can be clearly demonstrated that the lease in question does not transfer substantially all the risks and rewards of ownership (other than legal title) to the lessee.

Going Concern

The concept that the Council will remain in operational existence for the foreseeable future, in particular that the Income and Expenditure Account and Balance Sheet assume no intention to curtail significantly the scale of the operations.

Government Grants

Assistance by Government and Inter-Government Agencies and similar bodies, whether local, national or international, in the form of cash or transfers of assets to a Council in return for past or future compliance with certain conditions relating to the activities of the Council.

Heritage Assets

Heritage Assets are assets that have historical, artistic, scientific, technological, geophysical or environmental qualities. Examples of heritage assets held by the Council include civic regalia, paintings and artefacts.

Impairment

A reduction in the value of a non-current asset below its carrying amount on the Balance Sheet.

Infrastructure Assets

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

Interest Cost (Pensions)

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

Inventories

The amount of unused or unconsumed stocks held in exception of future use. Comprise the following categories:

(a) goods or other assets purchased for re-sale;
(b) consumable stores;
(c) raw materials and components purchased for incorporation into products for sale;
(d) products and services in intermediate stages of completion;
(e) long-term contact balances; and
(f) finished goods.

Investments (Non-Pensions Fund)

A long-term investment is an investment that is intended to be held for use on a continuing basis in the activities of the Council. Investments should be classified only where an intention to hold the investment for the long term can clearly be demonstrated or where there are restrictions as to the investor's ability to dispose of the investment.

Investments, other than those in relation to the pensions fund, that do not meet the above criteria should be classified as current assets.

Investments (Pensions Fund)

The investments of the Pensions Fund will be accounted for in the statements of that Fund. However, councils are also required to disclose, as part of the transitional disclosures relating to retirement benefits, the attributable share of the pension scheme assets associated with their underlying obligations.

Investments Properties

Interest in land and/or buildings:

(a) In respect of which construction work and development have been completed; and
(b) Which is held for its investment potential, and rental income being negotiated at arm's length.

Liquid Resources

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

Long-Term Contracts

A contract entered into for the design, manufacture or construction of a single substantial asset or the provision of a service (or a combination of assets or services which together constitute a single project), where the time taken substantially to complete the contract is such that the contract activity falls into different accounting periods. Some contracts with a shorter duration than one year should be accounted for as long-term contracts if they are sufficiently material to the activity of the period.

Net Book Value

The amount at which non-current assets are included in the balance sheet, i.e. their historical cost or current value less the cumulative amounts provided for depreciation.

Net Current Replacement Cost

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

Net Debt

The Council's borrowings less cash and liquid resources. Where cash and liquid resources exceed borrowings, reference should be to net funds rather than debt.

Net Realisable Value

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

Operating Lease

A lease other than a finance lease.

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 improvements to, retirement benefits.

Prior Period Adjustments

Those material adjustments applicable to prior years arising from changes in accounting policies or from the correction of fundamental errors. A fundamental error is one that is of such significance as to destroy the validity of the financial statements. They do not include normal recurring corrections or adjustments of accounting estimates made in prior years.

Projected Unit Method

An accrued benefits valuation method in which the scheme liabilities make allowance for projected earnings. An accrued benefit 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.

Related Parties

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

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

Examples of related parties of a Council include:

(a) Central government;
(b) Local authorities and other bodies precepting or levying demands on the Council Tax;
(c) Its subsidiary and associated companies;
(d) Its joint ventures and joint ventures partners;
(e) Its members
(f) Its chief officers; and
(g) Its pension fund.

Examples of related parties of a pension fund include its:

(a) Administering authority and its related parties
(b) Scheduled bodies and their related parties; and
(c) Trustees and advisors

This list is not intended to be comprehensive.

For individuals identified as related parties, the following are also presumed to be related parties:

(a) Members of the close family, or the same household; and

(b) Partnerships, companies, trusts or other entities in which the individual, or a member of their close family or the same household, has a controlling interest.

A related party transaction is the transfer of assets or liabilities or the performance of services by, to or for a related party irrespective of whether a charge is made. Examples of related party transactions include:

(a) The purchase, sale, lease rental or hire of assets between related parties;
(b) The provision by a pension fund to a related party of assets of loans, irrespective of any direct economic benefit to the pension fund;
(c) The provision of a guarantee to a third party in relation to a liability or obligation of a related party;
(d) The provision of services to a related party, including the provision of pension fund administration services;
(e) Transactions with individuals who are related parties of the Council or a pension fund, except those applicable to other members of the community or the pension fund, such as council tax, rents and repayments of benefits.

This list is not intended to be comprehensive.

The materiality of related party transactions should be judged not only in terms of their significance to the Council, but also in relation to its related party.

Remuneration

All sums paid to or receivable by an employee and sums due by way of expenses allowances and the money value of any other benefits received other than in cash. Pension contributions payable by the employee are excluded.

Residual Value

The net realisable value of an asset at the end of its useful life. Residual values are based on prices prevailing at the date of acquisition (or revaluation) of the asset and do not take account of expected future prices.

Retirement Benefits

All forms of consideration given by an employer in exchange for services rendered by employees that are payable after 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.

Scheme Liabilities

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

Settlement

An irrevocable action that relieves the employee (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) A lump-sum cash payment 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.

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.

Total Cost

The total cost of a service or activity includes all costs which relate to the provision of the service (directly or bought in) or to the undertaking of the activity. Gross total cost includes employee costs, expenditure relating to premises and transport, supplies and services, third party payments, transfer payments, support services and capital charges. This includes an appropriate share of all support services and overheads, which need to be apportioned.

Useful Life

The period over which the Council will derive benefits from the use of a non-current 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.

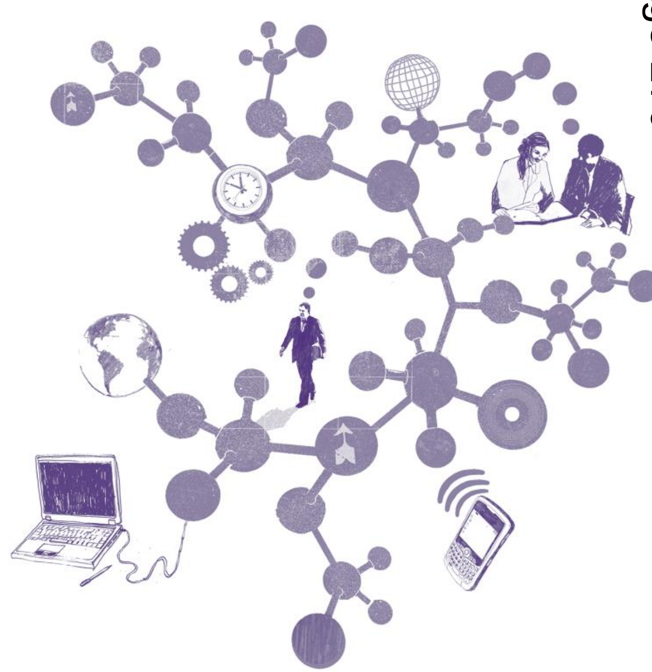
The Audit Findings for Halton Borough Council

DRAFT

This version of the report is a draft. Its contents and subject matter remain under review and its contents may change and be expanded as part of the finalisation of the report.

Year ended 31 March 2017

September 2017



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September 2017

Dear Members of the Business Efficiency Board

Audit Findings for Halton Borough Council for the year ending 31 March 2017

This Audit Findings report highlights the key findings arising from the audit that are significant to the responsibility of those charged with governance (in the case of Halton Borough Council, the Business Efficiency Board), to oversee the financial reporting process, as required by International Standard on Auditing (UK & Ireland) 260, the Local Audit and Accountability Act 2014 and the National Audit Office Code of Audit Practice. Its contents have been discussed with officers.

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK & Ireland) ('ISA (UK&I)'), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed primarily for the purpose of expressing our opinion on the financial statements and giving a value for money conclusion. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

We would like to take this opportunity to record our appreciation for the kind assistance provided by the finance team and other staff during our audit.

Yours sincerely

Mark Heap

Engagement Lead

Contents

Section 1: Executive summary

Purpose of this report

This report highlights the key issues affecting the results of Halton Borough Council ('the Council') and the preparation of the Council's financial statements for the year ended 31 March 2017. It is also used to report our audit findings to management and those charged with governance in accordance with the requirements of ISA (UK&I) 260, and the Local Audit and Accountability Act 2014 ('the Act').

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion, the Council's financial statements give a true and fair view of the financial position of the Council and its income and expenditure for the year and whether they have been properly prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting.

We are also required to consider other information published together with the audited financial statements (including the Annual Governance Statement (AGS) and Narrative Report, whether it is consistent with the financial statements, apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Council acquired in the course of performing our audit; or otherwise misleading.

We are required to carry out sufficient work to satisfy ourselves on whether the Council has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources ('the value for money (VFM) conclusion'). Auditor Guidance Note 7 (AGN07) clarifies our reporting requirements in the Code and the Act. We are required to provide a conclusion whether in all significant respects, the Council has put in place proper arrangements to secure value for money through economic, efficient and effective use of its resources for the year.

The Act also details the following additional powers and duties for local government auditors, which we are required to report to you if applied:

- a public interest report if we identify any matter that comes to our attention in the course of the audit that in our opinion should be considered by the Council or brought to the public's attention (section 24 of the Act);
- written recommendations which should be considered by the Council and responded to publicly (section 24 of the Act);
- application to the court for a declaration that an item of account is contrary to law (section 28 of the Act);
- issue of an advisory notice (section 29 of the Act); and
- application for judicial review (section 31 of the Act).

We are also required to give electors the opportunity to raise questions about the accounts and consider and decide upon objections received in relation to the accounts under sections 26 and 27 of the Act.

Introduction

In the conduct of our audit we have not had to alter or change our audit approach, which we communicated to you in our Audit Plan dated April 2017.

Our audit is substantially complete although we are finalising our procedures in the following areas:

- review of the final version of the financial statements
- obtaining and reviewing the management letter of representation
- updating our post balance sheet events review, to the date of signing the opinion and;
- Whole of Government Accounts

We received draft financial statements and accompanying working papers at the commencement of our work, in accordance with the agreed timetable.

Key audit and financial reporting issues

Financial statements opinion

We have identified no adjustments affecting the Council's reported financial position (details are recorded in section two of this report). The draft financial statements for the year ended 31 March 2017 recorded net expenditure of £126,564,000 the audited financial statements show net expenditure of £126,564,000. We have also recommended a number of adjustments to improve the presentation of and the disclosure within the financial statements.

The accounts presented for audit were of good quality and were supported by detailed working papers in line with our agreed requirements.

Further details are set out in section two of this report.

We anticipate providing a unqualified audit opinion in respect of the financial statements (see Appendix A).

Other financial statement responsibilities

As well as an opinion on the financial statements, we are required to give an opinion on whether other information published together with the audited financial statements is consistent with the financial statements. This includes if the AGS and Narrative Report is misleading or inconsistent with the information of which we are aware from our audit.

Based on our review of the Council's Narrative Report and AGS we are satisfied that they are consistent with the audited financial statements. We are also satisfied that the AGS meets the requirements set out in the CIPFA/SOLACE guidance and that the disclosures included in the Narrative Report are in line with the requirements of the CIPFA Code of Practice.

Controls

Roles and responsibilities

The Council's management is responsible for the identification, assessment, management and monitoring of risk, and for developing, operating and monitoring the system of internal control.

Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we report these to the Council.

Findings

Our work has not identified any control weaknesses which we wish to highlight for your attention.

Value for Money

Based on our review, we are satisfied that, in all significant respects, the Council had proper arrangements in place to secure economy, efficiency and effectiveness in its use of resources.

Further detail of our work on Value for Money are set out in section three of this report.

Other statutory powers and duties

We have not identified any issues that have required us to apply our statutory powers and duties under the Act.

Grant certification

In addition to our responsibilities under the Code, we are required to certify the Council's Housing Benefit subsidy claim on behalf of the Department for Work and Pensions. At present our work on this claim is in progress and is not due to be finalised until 30 November 2017. We will report the outcome of this certification work through a separate report to the Business Efficiency Board.

The way forward

Matters arising from the financial statements audit and our review of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources have been discussed with the Operational Director – Finance and the finance team.

We have made a number of recommendations, which are set out in the action plan at Appendix A. Recommendations have been discussed and agreed with the Operational Director - Finance and the finance team.

Acknowledgement

We would like to take this opportunity to record our appreciation for the assistance provided by the finance team and other staff during our audit.

Grant Thornton UK LLP
September 2017

Section 2: Audit findings

Materiality

In performing our audit, we apply the concept of materiality, following the requirements of ISA (UK&I) 320: Materiality in planning and performing an audit. The standard states that 'misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements'.

As we reported in our audit plan, we determined overall materiality to be £6,902k (being 2% of gross revenue expenditure). We have considered whether this level remained appropriate during the course of the audit and have made no changes to our overall materiality.

We also set an amount below which misstatements would be clearly trivial and would not need to be accumulated or reported to those charged with governance because we would not expect that the accumulated effect of such amounts would have a material impact on the financial statements. We have defined the amount below which misstatements would be clearly trivial to be £250k. This remains the same as reported in our audit plan.

As we reported in our audit plan, we identified the following items where we decided that separate materiality levels were appropriate. These remain the same as reported in our audit plan.

Balance/transaction/disclosure	Explanation	Materiality level
Disclosures of senior manager salaries and allowances	Due to public interest in these disclosures and the statutory requirement for them to be made.	A materiality level of £20,000 has been set.
Related Party transactions	Due to public interest in these disclosures.	A materiality level of £20,000 has been set. However individual mis-statements will also be evaluated with reference to how material they are to the other party.

Misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements; Judgments about materiality are made in light of surrounding circumstances, and are affected by the size or nature of a misstatement, or a combination of both; and Judgments about matters that are material to users of the financial statements are based on a consideration of the common financial information needs of users as a group. The possible effect of misstatements on specific individual users, whose needs may vary widely, is not considered. (ISA (UK&I) 320)

Audit findings against significant risks

In this section we detail our response to the significant risks of material misstatement which we identified in the Audit Plan. As we noted in our plan, there are two presumed significant risks which are applicable to all audits under auditing standards.

Risks identified in our audit plan	Work completed	Assurance gained and issues arising
The revenue cycle includes fraudulent transactions Under ISA (UK and Ireland) 240 there is a presumed risk that revenue streams may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition	Having considered the risk factors set out in ISA240 and the nature of the revenue streams at Halton Borough Council, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because: • there is little incentive to manipulate revenue recognition • opportunities to manipulate revenue recognition are very limited • the culture and ethical frameworks of local authorities, including Halton Borough Council, mean that all forms of fraud are seen as unacceptable We therefore do not consider this to be a significant risk for the Council.	Our audit work has not identified any issues in respect of revenue recognition.
Management over-ride of controls Under ISA (UK&I) 240 it is presumed that the risk of management over-ride of controls is present in all entities.	• Review of accounting estimates, judgments and decisions made by management • Review of journal entry process and selection of unusual journal entries for testing back to supporting documentation • Review of unusual significant transactions	Our audit work has not identified any evidence of management over-ride of controls. In particular the findings of our review of journal controls and testing of journal controls and testing of journal entries has not identified any significant issues. We set out later in this section of the report our work and findings on key accounting estimates and judgements.

"Significant risks often relate to significant non-routine transactions and judgmental matters. Non-routine transactions are transactions that are unusual, due to either size or nature, and that therefore occur infrequently. Judgmental matters may include the development of accounting estimates for which there is significant measurement uncertainty." (ISA (UK&I) 315) . In making the review of unusual significant transactions "the auditor shall treat identified significant related party transactions outside the entity's normal course of business as giving rise to significant risks." (ISA (UK&I) 550)

Audit findings against significant risks continued

We have also identified the following significant risks of material misstatement from our understanding of the entity. We set out below the work we have completed to address these risks.

Risks identified in our audit plan	Work completed	Assurance gained and issues arising
The expenditure cycle includes fraudulent transactions Practice Note 10 requires us to consider the risk of material misstatement due to fraudulent financial reporting that may arise from manipulation of expenditure recognition, especially where the body is required to meet targets.	• Identification and documentation of the processes and controls in place around expenditure at the Council • Testing of journal entries, control environment review and walkthrough • Testing of non-pay expenditure as set out within 'Operating Expenses' on p12 • Review of unusual significant transactions	Our audit work has not identified any issues in respect of expenditure recognition.
Valuation of pension fund net liability The Council's pension fund asset and liability as reflected in its balance sheet represent a significant estimate in the financial statements.	• We identified the controls put in place by management to ensure that the pension fund liability is not materially misstated. We will also assess whether these controls were implemented as expected and whether they are sufficient to mitigate the risk of material misstatement. • We reviewed the competence, expertise and objectivity of the actuary who carried out your pension fund valuation. We will gain an understanding of the basis on which the valuation is carried out. • We undertook procedures to confirm the reasonableness of the actuarial assumptions made. • We reviewed the consistency of the pension fund asset and liability and disclosures in notes to the financial statements with the actuarial report from your actuary.	Our audit work has not identified any issues in respect of the pension fund net liability.

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Audit findings against other risks - RPRs

In this section we detail our response to the other risks of material misstatement which we identified in the Audit Plan. Reasonably possible risks (RPRs) are, in the auditor's judgment, other risk areas which the auditor has identified as an area where the likelihood of material misstatement cannot be reduced to remote, without the need for gaining an understanding of the associated control environment, along with the performance of an appropriate level of substantive work. The risk of misstatement for an RPR or other risk is lower than that for a significant risk, and they are not considered to be areas that are highly judgmental, or unusual in relation to the day to day activities of the business.

Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
Operating expenses	Year end creditors and accruals are understated or not recorded in the correct period	• Identification and documentation of the processes and controls in place around operating expenditure at the Council • Walkthrough of a sample item to confirm our understanding • Compliance testing of key controls within the system • Substantive testing of a sample of non-pay expenditure • Reconciliation of accounts payable system to financial ledger and financial statements • Review of accruals process and substantive testing of a sample of manual accruals and creditor balances • Sample testing of payments around the year end • Review and testing of other items and disclosures including Minimum Revenue Provision (MRP) and members' allowances	Our audit work has not identified any significant issues in relation to the risk identified.

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"In respect of some risks, the auditor may judge that it is not possible or practicable to obtain sufficient appropriate audit evidence only from substantive procedures. Such risks may relate to the inaccurate or incomplete recording of routine and significant classes of transactions or account balances, the characteristics of which often permit highly automated processing with little or no manual intervention. In such cases, the entity's controls over such risks are relevant to the audit and the auditor shall obtain an understanding of them." (ISA (UK&I) 315)

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Audit findings against other risks – RPRs continued….

Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
Employee remuneration	Employee remuneration accruals are understated	• Identification and documentation of the processes and controls in place around employee remuneration at the Council • Walkthrough of a sample item to confirm our understanding • Compliance testing of key controls within the system • Substantive testing of a sample of non-pay expenditure • Reconciliation of payroll data to financial ledger and financial statements • Substantive analytical review of payroll costs for the year • Substantive testing of senior officer remuneration disclosures • Review and testing of other pay disclosures including exit packages notes	Our audit work has not identified any significant issues in relation to the risk identified.

"In respect of some risks, the auditor may judge that it is not possible or practicable to obtain sufficient appropriate audit evidence only from substantive procedures. Such risks may relate to the inaccurate or incomplete recording of routine and significant classes of transactions or account balances, the characteristics of which often permit highly automated processing with little or no manual intervention. In such cases, the entity's controls over such risks are relevant to the audit and the auditor shall obtain an understanding of them." (ISA (UK&I) 315)

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Audit findings against other risks - RPRs continued…..

Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
Valuation of PPE	The Council revalues its assets on a rolling basis over a five year period. The Code requires that the Council ensures that the carrying value at the balance sheet date is not materially different from the current value. This represents a significant estimate by management in the financial statements.	• Review of management's processes and assumptions for calculation of the estimate • Review of the competence, objectivity and expertise of any management experts used • Review of the instructions issued to valuation experts and the scope of their work • Discussions with the valuer about the basis on which the valuation is carried out and challenge of the key assumptions • Review and challenge of the information used by the valuer to ensure it is robust and consistent with our understanding • Testing of revaluations made during the year to ensure they are input correctly into the Council's asset register • Evaluation of the assumptions made by management for those assets not revalued during the year and how management has satisfied itself that these are not materially different to current value	Our audit work has not identified any significant issues in relation to the risk identified.

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Audit findings against other risks

Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
Changes to the presentation of local authority financial statements	CIPFA has been working on the 'Telling the Story' project, for which the aim was to streamline the financial statements and improve accessibility to the user and this has resulted in changes to the 2016/17 CIPFA Code of Practice. The changes affect the presentation of income and expenditure in the financial statements and associated disclosure notes. A prior period adjustment (PPA) to restate the 2015/16 comparative figures is also required.	• Documentation and evaluation of the process for the recording the required financial reporting changes to the 2016/17 financial statements. • Review of the re-classification of the Comprehensive Income and Expenditure Statement (CIES) comparatives to ensure that they are in line with the Authority's internal reporting structure. • Review of the appropriateness of the revised grouping of entries within the Movement In Reserves Statement (MIRS). • Testing of the classification of income and expenditure for 2016/17 recorded within the Cost of Services section of the CIES. • Testing of the completeness of income and expenditure by reviewing the reconciliation of the CIES to the general ledger. • Testing of the classification of income and expenditure reported within the new Expenditure and Funding Analysis (EFA) note to the financial statements. • Review of the new segmental reporting disclosures within the 2016/17 financial statements to ensure compliance with the CIPFA Code of Practice.	Our audit work has not identified any significant issues in relation to the risk identified

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Audit findings against other risks continued

Going concern

As auditors, we are required to "obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity's ability to continue as a going concern" (ISA (UK&I) 570).

We reviewed the management's assessment of the going concern assumption and the disclosures in the financial statements and concluded that it is appropriate to prepare the financial statements on a going concern basis.

Accounting policies, estimates and judgements

In this section we report on our consideration of accounting policies, in particular revenue recognition policies, and key estimates and judgements made and included with the Council's financial statements.

Accounting area	Summary of policy	Comments	Assessment
Revenue recognition	The Council's accounting policy for income is as follows: Revenue from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council. Revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.	The Council's accounting policy is in line with the requirements of the CIPFA code and is adequately disclosed in the accounts. Our testing of income, grants income and debtors confirmed that the Council is recognising income in line with its accounting policy.	Green
Judgements and estimates	Key estimates and judgements include: – Useful life of Property, Plant and Equipment (PPE) – Revaluations – Impairments – Accruals – Valuation of pension fund net liability – Provision for National Non Domestic Rates (NNDR) appeals	We have: • reviewed the estimates and judgements made in the accounts as part of our work with no matters arising • sample tested valuations undertaken in the year to confirm they are appropriately included in the statement of accounts • reviewed the calculation of your provision for business rate appeals • reviewed assumptions and information in relation to the pension fund liability to assess reasonableness and check the liability figures are accurately reflected in the accounts. No issues were identified from our work on the above.	Green

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Assessment
Red Marginal accounting policy which could potentially attract attention from regulators **Amber** Accounting policy appropriate but scope for improved disclosure
Green Accounting policy appropriate and disclosures sufficient

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Accounting policies, estimates and judgements continued

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Accounting area	Summary of policy	Comments	Assessment
Going concern	The Operational Director - Finance has a reasonable expectation that the services provided by the Council will continue for the foreseeable future. Members concur with this view. For this reason, the Council continue to adopt the going concern basis in preparing the financial statements.	We have reviewed the Council's assessment and are satisfied with management's assessment that the going concern basis is appropriate for the 2016/17 financial statements.	Green
Other accounting policies		We have reviewed the Council's policies against the requirements of the CIPFA Code of Practice. The Council's accounting policies are appropriate and consistent with previous years and with Code requirements.	Green

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Assessment
Red Marginal accounting policy which could potentially attract attention from regulators **Amber** Accounting policy appropriate but scope for improved disclosure
Green Accounting policy appropriate and disclosures sufficient

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Other communication requirements

We set out below details of other matters which we, as auditors, are required by auditing standards and the Code to communicate to those charged with governance.

	Issue	Commentary
1.	**Matters in relation to fraud**	• We have previously discussed the risk of fraud with the Business Efficiency Board. We have not been made aware of any other incidents in the period and no other issues have been identified during the course of our audit procedures.
2.	**Matters in relation to related parties**	• From the work we carried out, we have not identified any related party transactions which have not been disclosed. • We identified two minor issues which are set out on page 24.
3.	**Matters in relation to laws and regulations**	• You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
4.	**Written representations**	• A standard letter of representation has been requested from the Council.
5.	**Confirmation requests from third parties**	• We have previously requested from management permission to send confirmation requests to your bank and those bodies with which you hold investments. • We received your bank letter and external confirmation for most of your investments. • For those investments where external confirmations were not received we undertook alternative procedures, including agreeing the amounts to records held by the Council.
6.	**Disclosures**	• Our review found some disclosure issues within the financial statements and these are set out on page 24. None of the omissions identified were material to the understanding of the accounts.

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Other communication requirements continued

	Issue	Commentary
7.	**Matters on which we report by exception**	• We are required to report on a number of matters by exception in a number of areas: We have not identified any issues we would be required to report by exception in the following areas • If the Annual Governance Statement does not meet the disclosure requirements set out in the CIPFA/SOLACE guidance or is misleading or inconsistent with the information of which we are aware from our audit • The information in the Narrative Report is materially inconsistent with the information in the audited financial statements or our knowledge of the Group/Council acquired in the course of performing our audit, or otherwise misleading.
8.	**Specified procedures for Whole of Government Accounts**	We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions. As the Council exceeds the specified group reporting threshold of £350m we examine and report on the consistency of the WGA consolidation pack with the Council's audited financial statements. At the time of writing the work is ongoing and we will update members at the Business Efficiency Board meeting.

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Internal controls

	Assessment	Issue and risk	Recommendations
1.	Amber	The year end bank reconciliation for the receipts account included an unreconciled amount of £11k. The latest bank reconciliation has been reviewed and all items reconcile. However, the year end bank reconciliation should be fully reconciled to ensure cash values are accurate.	We have examined the latest bank reconciliation and confirmed all amounts have been reconciled. The Council should ensure that all bank reconciliations fully reconcile in future.

Assessment
Red Significant deficiency – risk of significant misstatement
Amber Deficiency – risk of inconsequential misstatement

The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

Other controls were found to be operating effectively and we have no further matters to report to the Audit and Governance Committee

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"The purpose of an audit is for the auditor to express an opinion on the financial statements.
Our audit included consideration of internal control relevant to the preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control.
The matters being reported are limited to those deficiencies that the auditor has identified during the audit and that the auditor has concluded are of sufficient importance to merit being reported to those charged with governance." (ISA (UK&I) 265)

Unadjusted misstatements

The table below provides details of adjustments identified during the audit which have not been made within the final set of financial statements. The Business and Efficiency Board Committee is required to approve management's proposed treatment of all items recorded within the table below:

	Detail	Comprehensive Income and Expenditure Statement £'000	Balance Sheet £'000	Reason for not adjusting
1	Our testing of Community Assets identified that expenditure on Runcorn Hill Park had been included in the Council's asset register although the Council did not own the park. We reviewed all other parks included in the asset register and identified expenditure on an additional park - Crow Wood Park - that is also not owned by the Council. In total Community Assets are overstated by £1.63m in the council's accounts. The accounts have not been amended to correct this.		(1,630)	Officers believe this is immaterial to the results of the Council and the year-end financial position but will adjust this for the 17/18 set of accounts
2	Our review of the bad debt provision across service areas identified that the bad debt provision was either under or over provided for in each service area. When aggregated these amounts indicate an over provision of £49,388. Whilst this is not significant as an overall figure, the bad debt provisions should tie back to supporting information because this is an area of judgement/estimation.	(50)	50	Officers believe this is immaterial to the results of the Council and the year-end financial position but will adjust this for the 17/18 set of accounts
	Overall impact	**£(50)**	**£(1,580)**	

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Impact of uncorrected misstatements in the prior year

	Detail	Comprehensive Income and Expenditure Statement £'000	Balance Sheet £'000	Reason for not adjusting
1	We identified in 2015/16 that within the workings for the Cash Flow Statement there was a balancing figure of £879,000. Officers were at that stage unable to identify what the balancing figure may relate to. Officers kept this under review in the 2016/17 accounts and the balancing figure has been reduced to £144,000. This does not impact on the Balance Sheet or the Comprehensive Income and Expenditure Statement.	N/A	N/A	Unable to pinpoint the reason for the balancing figure at this time but to be kept under review in 2017/18.
2	As part of our review of Assets Held for Sale in 2015/16 we identified that the closing balance was understated by £801,000. This is because the valuation of properties at Johnson's Lane were not updated for the latest valuation by Property Services. This has now been corrected and we have not identified any further issues in our testing of valuations.	N/A	N/A	Adjusted in 2016/17
	Overall impact	**N/A**	**N/A**	

Misclassifications and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

	Adjustment type	Value £'000	Account balance £'000	Impact on the financial statements
1	Disclosure	N/A	N/A	Note 13 – Related Party Transactions - Our review of the Gifts and Hospitality register identified two entries where no estimated value was given. We are satisfied these items are unlikely to be of significant value but estimated values should be included to ensure a decision can be made regarding significance of the item
2	Disclosure	N/A	N/A	Note 13 – Related Party Transactions - Senior officers are required to complete a year end declaration for related party relationships. Our review identified that the declaration for one senior officer had not been received. This has now been completed and no significant issues identified but the council should ensure that all declarations are received on a timely basis to feed into the accounts process.
3	Disclosure	130,800	398,137	Note 17 - Property, Plant and Equipment did not include disclosure of capital commitments as required by the Code. The note has now been amended to include the required information.
4	Misclassification	10,086	198,146	Note 33 – Financial Instruments - The fair value of long term financial liabilities of £198,146k incorrectly included an amount of £10,086k in relation to short term borrowings. The accounts have been amended to correct this.

Section 3: Value for Money

Background

We are required by section 21 of the Local Audit and Accountability Act 2014 ('the Act') and the NAO Code of Audit Practice ('the Code') to satisfy ourselves that the Council has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the Value for Money (VFM) conclusion.

We are required to carry out sufficient work to satisfy ourselves that proper arrangements are in place at the Council. The Act and NAO guidance state that for local government bodies, auditors are required to give a conclusion on whether the Council has put proper arrangements in place.

In carrying out this work, we are required to follow the NAO's Auditor Guidance Note 3 (AGN 03) issued in November 2016. AGN 03 identifies one single criterion for auditors to evaluate:

> *In all significant respects, the audited body takes properly informed decisions and deploys resources to achieve planned and sustainable outcomes for taxpayers and local people.*

AGN03 provides examples of proper arrangements against three sub-criteria but specifically states that these are not separate criteria for assessment purposes and that auditors are not required to reach a distinct judgement against each of these.

Risk assessment

We carried out an initial risk assessment in February 2017 and identified one significant risk in respect of specific areas of proper arrangements using the guidance contained in AGN03. We communicated these risks to you in our Audit Plan dated April 2017.

We have continued our review of relevant documents up to the date of giving our report, and have not identified any further significant risks where we need to perform further work.

We carried out further work only in respect of the significant risks we identified from our initial and ongoing risk assessment. Where our consideration of the significant risks determined that arrangements were not operating effectively, we have used the examples of proper arrangements from AGN 03 to explain the gaps in proper arrangements that we have reported in our VFM conclusion.

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Significant qualitative aspects

AGN 03 requires us to disclose our views on significant qualitative aspects of the Council's arrangements for delivering economy, efficiency and effectiveness.

We have focused our work on the significant risks that we identified in the Council's arrangements. In arriving at our conclusion, our main considerations were:

- a review of the budget outturn for 2016/17 and the consideration of any issue which may impact on Council finances in the near future
- a review of key documents and discussion of issues with key officers.

We have set out more detail on the risks we identified, the results of the work we performed and the conclusions we drew from this work on page 28.

Overall conclusion

Based on the work we performed to address the significant risks, we concluded that:

- the Council had proper arrangements in all significant respects to ensure it delivered value for money in its use of resources.

The text of our report, which confirms this can be found at Appendix A.

Key findings

We set out below our key findings against the significant risks we identified through our initial risk assessment and further risks identified through our ongoing review of documents.

Significant risk	Work to address	Findings and conclusions
Financial outlook The Council does not have a history of financial difficulty but the position is beginning to become more challenging. When we carried out our risk assessment, the Council was forecasting a year-end outturn overspend position of around £1m against a budget of £98.5m, which it was intending to fund from general reserves. For 2017/18 a budget gap of £11.7m was identified. Savings and efficiencies have now been identified to address this gap, but the Council continues to face a challenging financial position.	We reviewed budget monitoring reports and updates to the Medium Term Financial Plan. We discussed with officers plans to address future potential budget gaps and how the Council is identifying, managing and monitoring financial risks. We reviewed revenue and capital reports.	The Council continues to manage its finances in order to deliver services aligned to the needs of the local community. In terms of overall financial performance the Council over spent on its budget by £0.559m against a budget of £98.468m in 2016/17. The overspend position had been highlighted throughout the year and at the end of December 2016 was forecast to be in the region of £1m by year-end so was reduced in the last quarter. The over spend was due to a number of spending pressure areas against the Council's budget; the most significant of these was within Children in Care. The over spend has been funded from the general reserve but the Council recognises it would not be prudent to continue to fund any future budget shortfalls from general reserves and is taking steps to ensure this does not happen. Although the Council over spent in 2016/17, arrangements were in place to identify this and monitor it through the year and via this the Council was able to reduce the forecast over spend. Therefore we are able to conclude appropriate arrangements are in place. A balanced budget has been set for 2017/18 including a £1m contingency. Initially there was a £11.7m gap in the budget funding for 2017/18. The Council has identified savings to bridge this gap with £7.9m initially identified and the final savings needed confirmed as part of the budget setting process. The gap in the Medium Term Financial Plan over the subsequent three financial years (2018/19 to 2020/21) is forecast to be in the region of £23.426m. The Council are working on identifying savings and alternative ways of working in order to bridge these gaps. On that basis we concluded that the risk was sufficiently mitigated and the Council has proper arrangements

DRAFT

Significant difficulties in undertaking our work

We did not identify any significant difficulties in undertaking our work on your arrangements which we wish to draw to your attention.

Significant matters discussed with management

There were no matters where no other evidence was available or matters of such significance to our conclusion or that we required written representation from management or those charged with governance.

Any other matters

There were no other matters from our work which were significant to our consideration of your arrangements to secure value for money in your use of resources.

Section 4: Fees, non-audit services and independence

DRAFT

We confirm below our final fees charged for the audit and provision of non-audit services.

Fees

	Proposed fee £	Final fee £
Council audit	105,294	105,294
Grant certification (Housing benefit)	8,055	8,055
Total audit fees (excluding VAT)	**113,349**	**113,349**

The proposed fees for the year were in line with the scale fee set by Public Sector Audit Appointments Ltd (PSAA)

Grant certification

Our fees for grant certification cover only housing benefit subsidy certification, which falls under the remit of Public Sector Audit Appointments Limited. Fees in respect of other grant work, such as reasonable assurance reports, are shown under 'Fees for other services'.

Independence and ethics

- We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Auditing Practices Board's Ethical Standards and confirm that we are independent and are able to express an objective opinion on the financial statements.
- We confirm that we have implemented policies and procedures to meet the requirements of the Auditing Practices Board's Ethical Standards.
- For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council. The table below summarises all other services which were identified.

Fees for other services

Service	Fees £
Audit related services:	
• Mersey Gateway	2,500 (TBC)
• Teacher's Pension	3,750 (TBC)
Non-audit services:	
• VAT	14,250

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DRAFT

Independence and other services

We have considered whether other services might be perceived as a threat to our independence as the Council's auditor and have ensured that appropriate safeguards are put in place

	Service provided to	Fees	Threat?	Safeguard
Audit related services	Halton Council – Mersey Gateway grant claim The fee for the work on this claim is yet to be agreed for 2016/17 however has been £2,500 in previous years and is likely to be the same for 2016/17	TBC	No	The fee is of a low amount compared to the overall audit fee of £105,294 so would not impact on our independence as auditors. An Ethical Standards form is completed prior to work commencing to ensure all threats have been identified and considered.
	Halton Council – Teacher's Pension grant claim The fee for the work on this claim is yet to be agreed for 2016/17 however has been £3,750 in previous years and is likely to be the same for 2016/17	TBC	No	The fee is of a low amount compared to the overall audit fee of £105,294 so would not impact on our independence as auditors. An Ethical Standards form is completed prior to work commencing to ensure all threats have been identified and considered.
Non-audit services	Halton Council – VAT advice	14,250	No	This work took place in 2016/17. Under the new ethical standard which came into force on 1 April 2017 we are no longer able to complete this work for the Council.
	TOTAL	TBC		

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Section 5: Communication of audit matters

Communication to those charged with governance

ISA (UK&I) 260, as well as other ISAs, prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table opposite.

This document, The Audit Findings, outlines those key issues and other matters arising from the audit, which we consider should be communicated in writing rather than orally, together with an explanation as to how these have been resolved.

Respective responsibilities

The Audit Findings Report has been prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by Public Sector Audit Appointments Limited (http://www.psaa.co.uk/appointing-auditors/terms-of-appointment/)

We have been appointed as the Council's independent external auditors by the Audit Commission, the body responsible for appointing external auditors to local public bodies in England at the time of our appointment. As external auditors, we have a broad remit covering finance and governance matters.

Our annual work programme is set in accordance with the Code of Audit Practice ('the Code') issued by the NAO (https://www.nao.org.uk/code-audit-practice/about-code/). Our work considers the Council's key risks when reaching our conclusions under the Code.

It is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Council is fulfilling these responsibilities.

Our communication plan	Audit Plan	Audit Findings
Respective responsibilities of auditor and management/those charged with governance	✓	
Overview of the planned scope and timing of the audit. Form, timing and expected general content of communications	✓	
Views about the qualitative aspects of the entity's accounting and financial reporting practices, significant matters and issues arising during the audit and written representations that have been sought		✓
Confirmation of independence and objectivity	✓	✓
A statement that we have complied with relevant ethical requirements regarding independence, relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged Details of safeguards applied to threats to independence	✓	✓
Material weaknesses in internal control identified during the audit		✓
Identification or suspicion of fraud involving management and/or others which results in material misstatement of the financial statements		✓
Non compliance with laws and regulations		✓
Expected modifications to auditor's report, or emphasis of matter		✓
Unadjusted misstatements and material disclosure omissions		✓
Significant matters arising in connection with related parties		✓
Significant matters in relation to going concern	✓	✓

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Appendices

DRAFT

A: Audit opinion

We anticipate we will provide the Council with an unmodified audit report

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HALTON BOROUGH COUNCIL

We have audited the financial statements of Haltom Borough Council (the "Authority") for the year ended 31 March 2017 under the Local Audit and Accountability Act 2014 (the "Act"). The financial statements comprise the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Movement in Reserves Statement, the Cash Flow Statement, the Collection Fund and the related notes. 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 2016/17.

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Act and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the – Operational Director, Finance and auditor

As explained more fully in the Statement of Responsibilities, the Operational Director, Finance is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17, which give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law, the Code of Audit Practice published by the National Audit Office on behalf of the Comptroller and Auditor General (the "Code of Audit Practice") and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Operational Director, Finance; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Narrative Report and the Annual Governance Statement to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion:

- the financial statements present a true and fair view of the financial position of the Authority as at 31 March 2017 and of its expenditure and income for the year then ended; and
- the financial statements have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 and applicable law.

Opinion on other matters

In our opinion, the other information published together with the audited financial statements in the Narrative Report and the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the audited financial statements.

Matters on which we are required to report by exception

We are required to report to you if:

- in our opinion the Annual Governance Statement does not comply with the guidance included in 'Delivering Good Governance in Local Government: Framework (2016)' published by CIPFA and SOLACE; or
- we have reported a matter in the public interest under section 24 of the Act in the course of, or at the conclusion of the audit; or
- we have made a written recommendation to the Authority under section 24 of the Act in the course of, or at the conclusion of the audit; or
- we have exercised any other special powers of the auditor under the Act.

We have nothing to report in respect of the above matters.

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Conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

Respective responsibilities of the Authority and auditor

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

We are required under Section 20(1)(c) of the Act to be satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Scope of the review of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria issued by the Comptroller and Auditor General in November 2016, as to whether the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criteria as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.

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 the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

Conclusion

On the basis of our work, having regard to the guidance on the specified criteria issued by the Comptroller and Auditor General in November 2016, we are satisfied that in all significant respects the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.

Certificate

We certify that we have completed the audit of the financial statements of the Authority in accordance with the requirements of the Act and the Code of Audit Practice.

Mark Heap
for and on behalf of Grant Thornton UK LLP, Appointed Auditor

4 Hardman Square
Spinningfields
Manchester
M3 3EB

September 2017

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REPORT TO:	Business Efficiency Board
DATE:	27 September 2017
REPORTING OFFICER:	Strategic Director – Enterprise, Community & Resources
SUBJECT:	Procurement – Update Report
PORTFOLIO:	Resources
WARD(S):	Borough-wide

1.0 PURPOSE OF REPORT

To present an update on progress with delivery of the Council's Procurement Strategy 2016-19 as at 31 August 2017.

2.0 RECOMMENDATIONS:

That the Board notes the progress achieved in delivering the Council's Procurement Strategy 2016-2019.

3.0 SUPPORTING INFORMATION

<u>Recent developments</u>

3.1 Since the last procurement update report to the Board in November 2016 there have been a number of key developments relating to the Council's procurement function and associated activities:

- Restructuring of the Council's Finance function resulted in the procurement function moving into the Audit, Procurement and Operational Finance Division in February 2017. This delivered budgetary savings whilst also providing an opportunity to integrate the work of the procurement team with the related disciplines of purchase to pay and internal audit.
- Also in February the Council was announced the winner at the Social Value awards in the 'Driving Value for Money' category in recognition of the Council's achievements in regard to social value in procurement.
- In March, a Liverpool City Region Procurement Efficiency Workstream was established under the leadership of Halton's Strategic Director – Enterprise, Community & Resources. The focus of the workstream is on delivering financial savings through increased collaborative procurement.
- The Council has recently entered into a partnership with Oxygen Finance Ltd to relaunch and expand the early payment scheme, which has been rebranded the 'Supplier Incentive Programme'. The objective of the partnership is to increase supplier participation in the scheme in order to further increase the income generated.

Procurement Strategy Update

3.2 The Board approved the Council's current Procurement Strategy in June 2016. The strategy follows the format commended by the Local Government Association's "National Procurement Strategy for Local Government in England" and is based around four key themes:

- Making Savings
- Supporting Local Economies
- Leadership
- Modernising Procurement

3.3 The appendices to this report provide an update in regard to progress against the strategy:

- Appendix 1 summarises those areas of focus in the strategy that have previously been reported to the Board and are now embedded in the Council's procurement processes;
- Appendix 2 summarises those areas of focus where developmental activity remains ongoing.

3.4 Significant progress has been made in improving the Council's procurement practice since the development of the current Procurement Strategy. As demonstrated in Appendix 1, many elements of the strategy have been implemented and are now fully integrated as part of the Council's standard procurement processes.

3.5 The immediate priorities for the procurement function include:

- Continuing to provide support to client departments in delivering effective and legally compliant procurement exercises and in further developing contract management.
- Progressing collaboration with LCR partners through the Procurement Efficiency workstream in order to deliver financial savings and eliminate duplication of effort where possible.
- Working with colleagues in Purchase to Pay in promoting and developing the Supplier Incentive Programme.

3.6 Delivery of the Procurement Strategy continues to benefit the local economy and provide opportunities for a wider range of potential suppliers, such as local companies and SME's. This is evidenced by the related performance data for 2016/17:

- The Council spent £22.8M (25% of its influenceable spend) with 311 Halton based suppliers. This is a slight increase on the comparative figure for 2015/16 (£22.6M).
- The Council spent £62.9M (69% of its influenceable spend) with 1,755 SME's. This is also an increase on the comparative figure for 2015/16 (£59.7M).
- 87% of the Council's current contracts are awarded to SME's.

4.0 POLICY, FINANCIAL AND OTHER IMPLICATIONS

4.1 Improved procurement practice helps to reduce the costs associated with undertaking procurement. It also helps to realise cashable savings from more robust procurement activity. As such, effective procurement forms a key element of the Council's Medium Term Financial Strategy.

4.2 There are no other financial or policy implications arising directly from this report.

5.0 IMPLICATIONS FOR THE COUNCIL'S PRIORITIES

5.1 **Children and Young People in Halton**

Improved procurement practice helps to realise cashable savings from the Council's influenceable spend. This contributes to a better use of resources and thereby contributes to the delivery of all the Council's priorities.

5.2 **Employment, Learning and Skills in Halton**

See 5.1 above

5.3 **A Healthy Halton**

See 5.1 above

5.4 **A Safer Halton**

See 5.1 above

5.5 **Halton's Urban Renewal**

See 5.1 above

6.0 RISK ANALYSIS

6.1 There are no risks resulting directly from this report. However, the adoption of robust procurement practice protects the Council from challenges to its procurement activities and helps to secure value for money.

7.0 EQUALITY AND DIVERSITY ISSUES

7.1 None

8.0 LIST OF BACKGROUND PAPERS UNDER SECTION 100D OF THE LOCAL GOVERNMENT ACT 1972

There are no background papers under the meaning of the Act.

APPENDIX 1

Procurement Strategy 2016-2019 – Embedded Activity

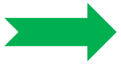
Key Areas:		'RAG' August 2017	LGA recommendation and/or HBC approach:	Position statement – August 2017:
Making Savings:	**Category Management:**	✓	• Maximising the value of spend • Using standard specifications • Spend and supplier analysis • Holistic approach across the organisation • Regional approach across LCR	• A full category management approach is employed by the Procurement team. This provides quality expenditure and supplier data, which helps to amalgamate spend and rationalise suppliers, thereby providing greater opportunity to deliver savings from procurement activity • The category management approach adopted by Halton has been shared with LCR partners and is recognised as best practice
	Performance monitoring and Transparency:	✓	• Effective by sharing commercial and performance data • Compliance with the Transparency code • Built in risk and evaluation assessment • Open up markets for local, SMEs and VCSE's to run services or manage public assets	• Commercial and performance data on common goods and services is routinely shared with partner organisations across the City Region and across the North West • The Council is fully compliant with the requirements of the Transparency Code • Ongoing commitment to spend above £1K being advertised via The Chest to open up markets to a wider range of potential suppliers, such as local companies, SME's and VCSE's
	Risk and Fraud Management:	✓	• Identify and reduce fraudulent procurement practices (pre and post procurement and through supply chain) • Pre procurement controls • Post procurement (contract management) • Supplier relationships	• All procurement activity over £1K goes through the Procurement team and is advertised via The Chest • 'Funnel' in place – captures Purchase Orders without a contract to allow Procurement team intervention • Segregation of procurement role from commissioners/buyers • Robust controls in place regarding new supplier setup • Whistleblowing arrangements included as part of standard

Key Areas:		'RAG' August 2017	LGA recommendation and/or HBC approach:	Position statement – August 2017:
			• Supply chain	contract conditions. • Regular internal audit coverage of procurement activity and contract management arrangements
	Demand Management:	✓	• Reduce overall costs • Reduce oversupply • Supply and demand – relevant and proportionate	• Effective category management and engagement with commissioners assists demand management by allowing review and scrutiny of spend across the organisation. • Alternative ways of meeting customer or client department needs are routinely considered and explored as part of the Council's commissioning and procurement processes • Procurement team involvement in all spend >£1K providing greater opportunity for greater scrutiny and challenge. • Controls in place to prevent 'maverick' spend: - Subjective codes lockdown to contracted supplier/budget code. - Contract register linked to Agresso
Supporting Local Economies:	**Economic, Environmental and social value criteria in all contracts:**	✓	• Drive into all procurement where appropriate and proportionate. • Ensure social value features as part of the selection and award criteria. • Contract Management function to capture outcomes.	• An officer from the Procurement team is designated as the Council's social value champion and provides leadership on issues relating to social value • Social value routinely applied to all procurement activity, where appropriate, in a proportionate manner • Robust contract management procedures in place to track social value gains • The Council's performance in regard to social value was formally acknowledged in the February 2017 Social Value Awards when Halton was declared the winner in the 'Driving Value for Money' category

Key Areas:		'RAG' August 2017	LGA recommendation and/or HBC approach:	Position statement – August 2017:
	Improving access for SME's and VCSE's:	✓	• Chest registration • Transparency of opportunity • Standardised documentation	• Regular ongoing engagement with the local business community to ensure awareness of how to do business with the Council and how to be informed of tender opportunities, i.e. via registration with The Chest • Procurement processes reviewed and streamlined to assist SME's in competing for tender opportunities • KPIs in place to measure local spend and engagement with SME's • A new Standard Selection Questionnaire (SQ) introduced to replace the traditional Pre-Qualification Questionnaire (PQQ). This is a mandatory requirement of the Public Contracts Regulations 2015 for all contracting authorities in England and Wales. The SQ has been developed to simplify the supplier selection process for businesses, in particular smaller firms
Leadership:	**Commitment from the top:**	✓	• Councillor Champion • Driver to implement Policy	• Councillor Wharton (Resources Portfolio Holder) nominated as Procurement Champion • Regular system of reporting to the BEB in place • Strategic Director – Enterprise, Community & Resources chairs the Liverpool City Region Procurement Efficiency Workstream
	Commissioning:	✓	Procurement and Commissioners working adopting aligned practices	• Consistent procurement processes embedded and understood across the Council • Procurement team works closely with client departments and are involved at an early stage in the commissioning process
Modernising Procurement:	**e-Procurement:**	✓	• Chest use – open competition & transparency of process • E-invoicing	• E-tendering portal (The Chest) in place • E-invoicing arrangements in place for contracts with a high volume of transactions • Early payment options have been available since 2013 through

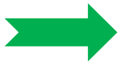
Key Areas:		'RAG' August 2017	LGA recommendation and/or HBC approach:	Position statement – August 2017:
				the Supplier Incentive Scheme. This provides an ongoing income stream for the Council and improved cash flow for participating suppliers
	New EU Directives (2015):	✓	Ensure the application of PCRs 2015 make processes quicker, simpler and less costly to run.	• Full compliance in place and training delivered • The Council's processes were streamlined ahead of the PCR 2015. This resulted in two ways of working: - Above EU threshold, and - Below EU threshold (using risk based sourcing) • Significant process efficiencies have been achieved that has allowed a reduction in head-count in the Procurement team

Procurement Strategy 2016-2019 – Ongoing Activity

Key Areas:		'RAG' August 2017	LGA recommendation and/or HBC approach:	Position statement – August 2017:
Making Savings:	**Partnering and Collaboration:**		• Deliver savings by aggregating spend through effective collaboration or via a shared service on common goods and services without compromising the need for social value and providing opportunities for local businesses. • Set out the approach to partnering and collaboration in the corporate procurement strategy. • Explore opportunities to procure through existing routes to market and each key procurement activity is objectively justified. • Consider the business case for new models of delivering procurement services. • Maximise the use of all available procurement resources, including across council boundaries.	• Previous efforts to establish a 'virtual procurement hub' across LCR proved problematic and ultimately unsuccessful. The immediate focus of activity has now shifted to improved collaboration with each partner organisation retaining control over its own procurement function. • LCR Procurement Efficiency Workstream established led by Halton's Strategic Director – Enterprise, Community & Resources. The focus of the workstream is on realising cashable savings from collaborative procurement activity. • Terms of Reference for the workstream agreed. • Agreement reached to include an 'Open Clause' in all relevant contracts to allow other LCR authorities access to those contracts. • Specific categories of spend allocated to LCR member authorities who will act as 'lead' authority for those categories. Due diligence being undertaken to verify the current position contracts with end dates and/or extensions falling in 2017/18. • Price benchmarking being undertaken on specific contracts to identify scope for 'quick wins'. • Data cleansing being undertaken and common systems to be implemented across the LCR region. This will provide member authorities with improved visibility of third party spend, common suppliers/categories and support further growth of collaborative opportunities.

Key Areas:		'RAG' August 2017	LGA recommendation and/or HBC approach:	Position statement – August 2017:
	Contract & Supplier Management:		• Define category management roles for Procurement and client departments • Demonstrate the effectiveness in gaining most value from contracts • Develop supplier relationships to maximise outputs from contracts • Continuous improvement throughout the life of contracts	• Effective category management drives aggregation and provides greater opportunity to realise savings through increased collaborative procurement • Value from contracts maximised by open competition and inclusion of social value where relevant and proportionate • Supplier review meetings held for relevant contracts involving Procurement team and / or commissioners • Procedures in place to monitor delivery of social value commitments from procurement activity • Robust procedures established to monitor and enforce internal compliance in regard to 'on contract spend' • Work in progress on capturing and monitoring cost avoidance from improved contract management • Contract register used to inform procurement activity in regard to contracts approaching expiry • Internal audit to undertake specific reviews of contract management performance on significant contracts • Internal and external contract review to ensure continuous improvement and support cost recovery where appropriate
Modernising Procurement:	**Commercialisation and Income Generation:**		• Improve the commercial awareness of procurement staff to understand and realise the benefits from all funding streams including how contracts can be developed to generate income • Seek income generation opportunities from procurement related activity	• Procurement team has a high level of knowledge of funding streams, expenditure and commercial awareness that can influence income generation from procurement activity • Contracts are continuing to be 'commercialised' and gains captured and monitored as part of the contract management function, e.g. rebates/shared gains with partners and or contractor. Initial activity has focused on high value contracts but will be rolled out further as resources permit

APPENDIX 2

Key Areas:		'RAG' August 2017	LGA recommendation and/or HBC approach:	Position statement – August 2017:
				• Increased income generation through uptake in participation in the Supplier Incentive Programme (the rebranded Early Payment Scheme) - Budgeted income of £45k for 2017/18 • Reference to the Supplier Incentive Programme now incorporated within all contract documentation • Increased use of procurement card for contracts with high volumes of invoices has resulted in increased rebate generation (percentage 'cashback' based on annual spend) • Supplier statement reconciliations now routinely undertaken leading to recovery of unclaimed credit balances
	Supplier Innovation:		• Use more outcome based specifications to allow innovation • Pre-procurement market engagement	• The Council is increasingly making use of soft market testing to demonstrate supplier innovation at the early stages of the procurement cycle, e.g. exploring options in regard to potential replacement of Carefirst system

Agenda Item 6

REPORT TO:	Business Efficiency Board
DATE:	27 September 2017
REPORTING OFFICER:	Operational Director – Finance
SUBJECT:	Appointment of the External Auditor
PORTFOLIO:	Resources
WARD(S):	Borough-wide

1.0 PURPOSE OF REPORT

1.1. The report outlines the results of the procurement process undertaken by Public Sector Audit Appointments Limited (PSAA), with regard to the appointment of the Council's external auditors. This follows the closure of the Audit Commission and the end of transitional arrangements at the conclusion of the 2017/18 audits.

2.0 RECOMMENDATION: That the proposed appointment of Grant Thornton (UK) LLP as the Council's external auditors, for five years commencing on 1st April 2018, be noted.

3.0 BACKGROUND

3.1 The Local Audit and Accountability Act 2014 abolished the Audit Commission and established transitional arrangements for the appointment of external auditors and the setting of audit fees for all local government and NHS bodies in England.

3.2 The Council's current external auditor is Grant Thornton, this appointment having been made under a contract let by the Audit Commission. Following closure of the Audit Commission the contract is now managed by PSAA. PSAA is an independent, not-for-profit company limited by guarantee, established by the Local Government Association.

3.3 The transitional arrangements for the Council's external audit will expire at the end of the 2017/18 accounts audit. On 7th December 2016 the Council decided to opt-in to a sector-led procurement of external auditors to be undertaken by PSAA.

3.4 This procurement process has now been completed. On 14th August 2017 PSAA informed the Council that Grant Thornton have been awarded the contract for the Council's external audit, commencing on 1st April 2018 for five years.

3.5 PSAA consulted each council regarding their proposed auditor appointment and required a response to the consultation by 22nd September 2017. After consultation with the Chair, a response was given to the PSAA confirming the Council's acceptance of Grant Thornton as its external auditors from 1st April 2018 for five years. The appointments will be formally confirmed by the PSAA Board on 14th December 2017.

4.0 FINANCIAL IMPLICATIONS

4.1 PSAA will consult councils on the external audit scale fees for 2018/19 in due course. However, the results of the procurement exercise indicate that a reduction in scale fees in the region of 18 percent should be possible for 2018/19, compared with the fees applicable for 2016/17.

5.0 LEGAL IMPLICATIONS

5.1 Section 7 of the Local Audit and Accountability Act 2014 (the Act) requires a relevant authority to appoint a local auditor to audit its accounts for a financial year not later than 31 December in the preceding year. Section 8 governs the procedure for appointment, including that the authority must consult and take account of the advice of its Auditor Panel on the selection and appointment of a local auditor. Section 8 provides that where a relevant authority is a local authority operating executive arrangements, the function of appointing a local auditor to audit its accounts is not the responsibility of an executive of the authority under those arrangements.

6.0 IMPLICATIONS FOR THE COUNCIL'S PRIORITIES

6.1 Children and Young People in Halton

None.

6.2 Employment, Learning and Skills in Halton

None.

6.3 A Healthy Halton

None.

6.4 A Safer Halton

None.

6.5 Halton's Urban Renewal

None.

7.0 RISK ANALYSIS

7.1 The appointment of a robust external auditor is an important decision as high quality, independent audit is one of the cornerstones of public accountability, providing assurance that taxpayers' money has been well managed and properly expended. It also inspires trust and confidence in the organisations and people responsible for managing public money

8.0 EQUALITY AND DIVERSITY ISSUES

8.1 None

9.0 LIST OF BACKGROUND PAPERS UNDER SECTION 100D OF THE LOCAL GOVERNMENT ACT 1972

9.1 There are none under the meaning of the Act.

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