

HALTON BOROUGH COUNCIL

STATEMENT OF ACCOUNTS

2014/15

I certify that the Statement of Accounts has received the full approval of Members

.....

.....

Councillor J. Roberts
Chairman of Business Efficiency Board

Date

The printed and internet version of the statement of accounts are not signed as a fraud prevention measure.

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Introduction

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Foreword by Operational Director - Finance

Introduction

The Council's Statement of Accounts for 2014/15 has been prepared in compliance with the Code of Practice on Local Authority Accounting 2014/15 (The Code) and International Financial Reporting Standards (IFRS). Changing requirements over several years have led to the increasing complexity and details required in the accounts.

The accounts provide a record of the Council's financial position and performance for the year. Changing requirements over several years have led to the increasing complexity and details required in the accounts and the information included is technical and complex. A summarised version of the accounts can be found on the Council's website at www.halton.gov.uk

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

The Council's accounts for 2014/15 are set out in the following pages and grouped as follows:

Core Financial Statements

- ***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 Council will raise taxation to cover expenditure in accordance with regulations; this will be different from the accounting cost. The taxation cost is shown in the Movement in Reserves Statement.

- ***Balance Sheet*** – this statement shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories:
 1. The first category of reserves are usable reserves, i.e. those services that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitation on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt).
 2. The second category of reserves includes those that the Council is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves

Statement line 'Adjustments between accounting basis and funding basis under regulations'

- ***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 or reduce local taxation, and “Other Reserves”. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the Councils services, more details of which are shown in the Comprehensive Income & Expenditure Statement. This is different from the statutory amounts to be charged to the General Fund Balance for council tax setting. The Net Increase/Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.

- ***Cash Flow Statement*** – this statement shows the changes in cash and cash equivalents 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. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Council are funded by way of taxation and grant income or from the recipients of services provided by the Council. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Councils future service delivery. 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. The Council has prepared cash flows from operating activities using the indirect method.

- ***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.

Supplementary Financial Statements

- ***Collection Fund Statement*** – this is an agent’s 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 local authorities and the Government of council tax and non-domestic rates

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

Summary of the 2014-15 Year

The Council incurs both revenue and capital expenditure. Revenue expenditure is generally on items which are used in the year and is financed by the Council Tax, Retained Business Rates, Government Grants and other income. 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.

General Fund

| | 2014/15 Original Budget £000 | 2014/15 Actual £000 |
|--|---|------------------------------------|
| Net Expenditure | 108,243 | 108,064 |
| Parish Precepts | 61 | 61 |
| Total | 108,304 | 108,126 |
| Financed by Local Taxpayers – Council Tax | (37,162) | (37,162) |
| Financed by Local Taxpayers – Business Rates | (32,154) | (32,154) |
| Financed by Government Grants | (38,988) | (38,988) |
| (Surplus)/Deficit for Year | - | (178) |
| Balances brought forward | (8,644) | (8,644) |
| Balance carried forward | (8,644) | (8,822) |

The Council has closely monitored and controlled its spending throughout the year, such that total spending was £108.065m, £0.178m below the budget for the year (compared to £0.579m below budget in the previous year). As a result the Council's General Fund Balance has increased to £8.822m.

The Council has approved £3m of the general reserve to be used as a temporary measure in balancing the budget for 2015/16. This will reduce the general reserve to £5.824m which is the lowest level held by the Council since March 2003.

Budget savings for 2015/16 were implemented over two tranches, the first of which consisted of savings of £11.5m which were approved by Council in December 2014. As a result, some of these savings were implemented early and resulted in part-year budget savings which contributed towards the budget underspend for the year.

The biggest pressure on the budget during the year related to children in care costs. Demand on the service has increased which has resulted in spend being far in excess of budget. The Council has seen an increase in the number of out of borough residential

placements. Practice and appropriate thresholds for care has changed over recent times which have resulted in more children coming into care. Costs for out of borough fostering and special guardianship orders have also outstripped the budget. An action plan is being implemented which will evaluate and analyse the expenditure incurred on the services, as well as identifying savings elsewhere across the Directorate to enable budgets to be realigned towards the areas of spending pressures.

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 budget savings for 2015/16. Redundancy costs incurred during the year totalled £0.449m. These were met from the Transformation Fund which the Council established to meet the costs associated with structural changes.

A number of other expenditure areas were below budget including premises costs and supplies and services budgets. Where possible those areas where underspends have occurred have been considered in delivering future savings, although there are areas of expenditure which were below budget which are demand led for which it is difficult to predict future use.

Whilst the general fund shows a net surplus for the year of £0.178m, the accounting position presented in the Comprehensive Income & Expenditure Statement (CIES) (Page 14) shows a deficit for the year of £29.1m. 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). Therefore in addition to the net General Fund underspend, the CIES also includes the following major items:

- A Charge for the Depreciation and Revaluation Losses of non-current assets (£29.3m) – A charge for depreciation is made to the CIES which reflects the annual cost of assets consumed during the year. A revaluation loss is identified when the recoverable amount of an asset is estimated and it is less than the carrying amount recorded in the accounts.
- Capital Grant Income (£21.5m) - Grants received to fund the Council's capital programme are not included within the underspend in the General Fund, but in accordance with proper accounting practice, grants must be recognised against the CIES.
- Charge for Pensions (£30.9m) – £27.4m is a charge arising from actuarial losses for the year. This represents assumptions made by the Actuary at the start of the year compared to assumptions made at the end of the year. £3.5m denotes the difference between the accounting cost of pensions (included in the CIES) and the actual employer contributions to the pension fund.

- Gain on sale of non-current assets (£2.4m) – Reflects the difference in the amount of which an asset has been sold, replaced or transferred to other bodies, compared to the carrying amount that we have recorded in the accounts.
- Amount written off on Transfer of Academies (£7.3m) – This is the value of the non-current assets which have been transferred following a schools move to academy status.
- Surplus on Revaluation of Property, Plant & Equipment (£9.3m) – Increase in the value of those non-current assets that have been revalued during the year.
- Minimum Revenue Provision (£3.1m) - This is an amount which is set aside in the General Fund to recognise the repayment of debt incurred from borrowing to finance the capital programme. In accordance with proper accounting practice this sum is not required to be included in the CIES.
- Net Change to Earmarked Reserves (£1.7m) – As proper accounting practice, changes to earmarked reserves are not required to be included in the CIES.
- Change in Fair Value of Investment Properties (£0.5m) – Investment property is held solely to earn rentals or for capital appreciation. Property is held on the Balance Sheet valued at fair value (market value). The amount reflects the change in the value of properties since 2013/14.
- Capital Expenditure Charged to General Fund (£1.5m) – Refers to capital expenditure funded directly from revenue financing.
- Collection Fund Adjustment (1.2m) - Difference between amounts credited to the I&E and amounts to be recognised under statutory provisions relating to Council Tax and Buisness Rates
- Revenue Expenditure Funded from Capital under Statute (£0.6m) – In accordance with proper accounting practices, revenue funded from capital grants is shown as a cost against the CIES.

The table below reconciles the General Fund underspend to the surplus on the Comprehensive Income & Expenditure Statement:

| | 2014/15 |
|---|----------------|
| | £000 |
| General Fund Underspend | (178) |
| Accounting Adjustments: | |
| Charge for Depreciation & Revaluation Losses | 29,270 |
| Capital Grant Income | (21,457) |
| Loss on Pension Assets and Pension Charge | 30,892 |
| Gain on Sale of Non Current Assets | (2,413) |
| Amount Written off on Transfer of Academies | 7,343 |
| Surplus on Revaluation of PP&E | (9,297) |
| Minimum Revenue Provision | (3,158) |
| Net Change to Earmarked Reserves | (1,649) |
| Change in Fair Value of Investment Properties | (521) |
| Capital Expenditure Charged to General Fund | (1,505) |
| Collection Fund Adjustment | 1,165 |
| Revenue Expenditure Funded from Capital under Statute | 647 |
| Other Adjustments | (2) |
| Total Comprehensive Income & Expenditure | 29,137 |

Schools

Expenditure incurred in relation to the Schools budget, both by individual schools and the Council totalled £80.821m and is shown in more detail in Note 14.

School balances at 31st March 2015 total £7.5m. In addition, £2.4m of unspent schools related funding is held centrally and will carry forward into 2015/16.

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. It also has a minor interest in the operations and accounts of the Merseyside Pension Fund in relation to employees in Greater Merseyside Connexions Limited and nursing health professionals who pay into the NHS pension scheme. The Council is also liable for the past service deficit of the Cheshire Pension Fund relating to Halton Borough Transport Ltd.

Since April 2014 there has been a major change to how the Local Government Pension Scheme operates. The overall effect of these changes is to lessen the cost of pensions to the Fund in future years and thereby reduce employers' contributions.

Changes in Statutory Functions or Service Delivery

As part of the on-going Efficiency Programme, a number of structural changes have been implemented on Council services included within the programme delivery plan.

The Council has had a contract since 2011/12 with Cheshire West and Chester Council for Halton to manage their Children's Services.

In 2014/15 the Council entered into an arrangement with Sefton Metropolitan Borough Council for Halton to manage their Adult Social Care Service.

During the year the Council entered into an arrangement to undertake the Monitoring Officer role for Cheshire West and Chester Council on a temporary basis to cover maternity leave.

From 1st April 2015 the Council entered an agreement with Sefton Metropolitan Borough Council, to provide financial information management systems utilising the Council's Agresso system.

In 2014/15 the Council and Halton Clinical Commissioning Group had a joint working agreement for the management of a pooled budget for service packages in areas of complex care and equipment services, totalling in excess of £42m. The pooling of funds will ensure high quality, safe, efficient and effective health and social care services that will be commissioned and provided in the most appropriate and timely way to meet the health and social care needs of people in the Borough.

In April 2015 the Better Care Fund (BCF) was implemented, the Complex Care Board agreed the existing mechanisms and structures created for the management of the Complex Care Pool Budget were appropriate for the management and oversight of the BCF. As a result the pool budget will, from April 2015, include the BCF. The remit of both the main board and associated Executive Commissioning Board (ECB) have been changed to reflect this and the name of the boards have been changed to suit, from Complex Care to Better Care.

On 30 November 2010, the Government published the White Paper Healthy Lives, Healthy People: Our strategy for public health in England, which set out its vision for a reformed public health system. As part of delivering this vision for public health and contributing to achieving the Government's ambition to achieve best possible health outcomes for children and young people, responsibility for commissioning 0-5 children's public health services is transferring from NHS England to Local Government on 1 October 2015

Further detail on the pooled budget is shown in note 11.

Capital Planning

The Council prepares and reports a rolling capital programme to forecast the probable level of capital spend over the next 3 years, along with the likely sources of funding. The Council also maintains a capital reserve, which has been generated over the years 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.

However, in the current economic climate it is unlikely that the Council will receive significant levels of capital receipts and therefore the opportunities for additional capital spending in future years will be severely limited.

Details of the unused capital receipts and balance on the capital reserve at 31st March 2015 are shown in the Note 40 to the Balance Sheet, together with a list of any significant contractual commitments. 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, land acquisition and Mersey Gateway Crossing Board costs.

Capital Expenditure

The Council spent £32.2m on capital schemes in 2014/15 compared with planned expenditure of £43.1m. This outturn represents 75% of the total capital programme, there has been slippage on several large projects and spend will continue to be incurred on them in 2015/16. The approved budget and outturn capital position together with the various sources of funding are as follows:

| | 2014/15 Budget £000 | 2014/15 Actual £000 | 2014/15 Variance £000 |
|-----------------------------------|------------------------------------|------------------------------------|--------------------------------------|
| Expenditure: | | | |
| Schools Related | 4,269 | 3,160 | 1,109 |
| Economy, Enterprise & Property | 10,612 | 4,935 | 5,677 |
| Commissioning & Complex Care | 1,438 | 904 | 534 |
| Community & Environment | 4,631 | 3,560 | 1,071 |
| Policy, Planning & Transportation | 8,069 | 6,768 | 1,301 |
| Mersey Gateway | 11,655 | 11,059 | 596 |
| ICT & Support Services | 2,100 | 1,482 | 618 |
| Corporate | 322 | 289 | 33 |
| Total Expenditure | 43,096 | 32,157 | 10,939 |
| Funded By: | | | |
| Borrowing | (6,603) | (3,787) | (2,901) |
| Capital Receipts | (8,577) | (5,408) | (3,169) |
| Revenue | (1,914) | (1,505) | (409) |
| Grants | (23,887) | (21,271) | (2,616) |
| Contributions | (2,115) | (186) | (1,929) |
| Total Funding | (43,096) | (32,157) | (11,024) |

The main areas of slippage to the budget were in respect of schemes for Castlefields Regeneration, 3MG, Widnes Waterfront, former Crossville Depot Site and the Travellers Site at Warrington Road. Analysis of the expenditure is included as part of the notes to the financial statements.

Housing

As part of the housing stock transfer agreement with Halton Housing Trust (HHT), the Value Added Tax (VAT) shelter arrangement was established. It is operated by HHT and £0.563m was due to the Council for the 2014/15 financial year. The stock transfer agreement also provides the Council with a share of receipts from the sale of houses under Right to Buy legislation. The sum of £0.079m was due from the Trust for 2014/15.

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 monitored each quarter throughout the year and an outturn report is produced at the year end. The Council has had another successful year and actual borrowing costs for the year were less than budgeted whilst income from investments exceeded the income target.

A revised Investment Strategy was approved by Council on 16 July 2014, the purpose of which was to revise the counterparty list and associated investment limits of the strategy. Rather than naming specific counterparties, Council agreed they would be based on a list specifying the type of institution the Council would invest with, dependent on the counterparty meeting a minimum credit rating. Treasury Management advisers, Capita Asset Services, will continue to advise the Council on credit rating risks. The change will widen the range of potential counterparties and allow the Council to react quicker to changes in credit ratings.

The Council undertook new long term borrowing of £113m in 2014/15, taking advantage of historically low borrowing rates from the Public Works Loan Board. The borrowing was taken in advance of need for the contribution from the Council towards Mersey Gateway Crossing construction costs. Borrowings at low rates will represent a saving to the scheme with interest rates expected to increase at the start of 2016, ahead of the Council having to make a number of payments from September 2016.

At year-end, borrowing totalled £183.00m, well within the authorised borrowing limit of £252.60m. Borrowing comprises loans from the Public Works Loan Board and the market of £173.00m and a Lenders Option Borrowers Option loan from the Euro Hypo bank for £10.00m.

All transactions relating to investments and borrowings complied with the approved guidelines for the year. Further details of these transactions are contained in notes 23, 30 and 34 to the core financial statements.

At 31st March 2015 the Council had £188.00m invested. Investments undertaken were in line with the Investment Strategy and were placed with a range of institutions.

The Council approved the Minimum Revenue Provision Policy Statement as part of its Treasury Management Strategy in March 2015 effective from 1st April 2015.

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 found within the supplementary financial statements will be reviewed during 2015/16 and estimates will be provided in the second half of the financial year of the value of the balance of the Collection Fund which will be available for distribution in the following financial year.

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 2015 is £9.207m, an increase of £4.407m from the previous year. This is represented by a large increase in the number of appeals, prior to the Governments deadline of 31 March 2015 for 2010 rating list appeals to be lodged.

Changes in Accounting Policies

The Council's accounts have been prepared in compliance with the Code of Practice on Local Authority Accounting 2014/15 and International Financial Reporting Standards (IFRS).

The Council's Accounting Policies have been updated from 2013/14 to incorporate changes including, assessment to the materiality of group accounts, removing reference to the Councils involvement with the Carbon Reduction Commitment Scheme and removing reference to the treatment of the Equal Pay reserve.

In accordance with the 2011 Accounts and Audit Regulations, the Annual Governance Statement will be considered separately by the Council when considering the 2014/15 Statement of Accounts. The draft Statement of Accounts will be certified by the Chief Finance Officer as at 30th June 2015 and then considered by Business Efficiency Board by 30th September 2015 following the completion of the audit.

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 the financial constraints over the medium term. Its purpose is to ensure that resources are properly targeted towards the Council's priorities, to avoid excessive Council Tax rises, to deliver a balanced and sustainable budget, and to continue to identify efficiencies.

The austerity programme introduced by the Government, 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 2014 and subsequently updated as part of the budget report in March 2015. The latest report identified potential shortfalls in funding for the Council over the following two years of approximately £22.1m (16/17) and £9.6m (17/18).

The 2015/16 net budget requirement of £101.452m was approved by Council on 4th March 2015. The budget will be funded from £38.649m of Council Tax (increase of 1.9% on the 2014/15 Band D level), £1.773m of Collection Fund surplus and £61.030m of Settlement Funding Assessment. Settlement Funding is inclusive of £25.320m of Baseline Funding, £7.449m of Top-up Grant and £28.261m of Revenue Support Grant.

The Local Government Finance Settlement announced on 4th February 2015 confirmed a 14.2% reduction in the Council's Settlement Funding Assessment for 2015/16.

The funding outlook for Halton over the medium term continues to look very gloomy and significant savings will need to be found. This position will be compounded by the excessive spending pressures being experienced in relation to children in care costs, which are forecast to continue over the medium term. Details of public spending plans for up to the next 5 years will be published in autumn 2015 as part of the Comprehensive Spending Review; the Council will react accordingly as soon as it is clear on how the spending plans will impact on Local Government.

Conclusion

The Council has continued to be successful in managing its finances and maintaining a sound financial base, to meet the challenging times ahead as well as the increasing demands for services arising and the need to sustain the future development of the Council. I would like to thank all Members and officers who have assisted with this during the year and made 2014/15 another success.

Further Information

Members of the public have the statutory right to inspect the Accounts before the audit is completed. The availability of the accounts for inspection is advertised in the local press.

The accounts are available for downloading from the Internet, and can be found on the Council's website at www.halton.gov.uk.

The Statement of Accounts is available in alternative formats, such as Braille, large print, spoken, or a different language, by contacting the Council's Marketing, Design and Communications Team.

Ed Dawson
Operational Director – Finance

Core Financial Statements

Comprehensive Income & Expenditure Statement as at 31st March 2014

| | | Gross Expenditure | Gross Income | Net Expenditure Restated |
|---|------------|----------------------|------------------|--------------------------------|
| | | 2013/14 | 2013/14 | 2013/14 |
| | Note | £000 | £000 | £000 |
| Services | | | | |
| CONTINUING OPERATIONS | | | | |
| Children's & Education Service | | 146,597 | (107,699) | 38,898 |
| Adult Social Care | | 46,469 | (10,318) | 36,151 |
| Public Health Services | | 7,697 | (8,548) | (851) |
| Highways and Transport | | 22,497 | (1,712) | 20,785 |
| Cultural & Related Services | | 19,141 | (3,962) | 15,179 |
| Environmental & Regulatory Services | | 13,453 | (1,253) | 12,200 |
| Planning Services | | 9,900 | (3,732) | 6,168 |
| Housing Services | | 59,840 | (58,768) | 1,072 |
| Central Services | | 12,713 | (10,767) | 1,946 |
| Corporate & Democratic Core | | 4,681 | (4,672) | 9 |
| Non Distributable Costs | | (66) | (35) | (101) |
| Net Expenditure of Continuing Operations | 1,4 | 342,922 | (211,466) | 131,456 |
| Other Operating Expenditure | 6 | | | (505) |
| Financing and Investment Income & Expenditure | 7 | | | 10,452 |
| Taxation and Non-Specific Grant Income | 8 | | | (137,570) |
| (Surplus) or Deficit on the Provision of Services | 1 | | | 3,833 |
| (Surplus) or Deficit on revaluation of Non-Current Assets | | | | (884) |
| (Surplus) or Deficit on revaluation of Available for Sale of Financial Assets | | | | - |
| Remeasurement of net defined benefit liability | 40 | | | (26,181) |
| Other Comprehensive Income & Expenditure | | | | (27,065) |
| TOTAL COMPREHENSIVE INCOME & EXPENDITURE | | | | (23,232) |

Comprehensive Income & Expenditure Statement as at 31st March 2015

| | | Gross Expenditure 2014/15 £000 | Gross Income 2014/15 £000 | Net Expenditure 2014/15 £000 |
|---|-------------|---|------------------------------------|---------------------------------------|
| Services | Note | | | |
| CONTINUING OPERATIONS | | | | |
| Children's & Education Service | | 142,967 | (107,085) | 35,882 |
| Adult Social Care | | 52,380 | (14,822) | 37,558 |
| Public Health Services | | 8,371 | (8,804) | (433) |
| Highways and Transport | | 21,063 | (3,216) | 17,847 |
| Cultural & Related Services | | 19,109 | (4,095) | 15,014 |
| Environmental & Regulatory Services | | 13,515 | (1,513) | 12,002 |
| Planning Services | | 12,133 | (3,594) | 8,539 |
| Housing Services | | 59,272 | (57,554) | 1,718 |
| Central Services | | 12,738 | (11,919) | 819 |
| Corporate & Democratic Core | | 4,155 | (5,685) | (1,530) |
| Non Distributable Costs | | (597) | - | (597) |
| Net Expenditure of Continuing Operations | 1,4 | 345,106 | (218,287) | 126,819 |
| Other Operating Expenditure | 6 | | | (2,634) |
| Financing and Investment Income & Expenditure | 7 | | | 12,716 |
| Taxation and Non-Specific Grant Income | 8 | | | (125,875) |
| (Surplus) or Deficit on the Provision of Services | 1 | | | 11,026 |
| (Surplus) or Deficit on revaluation of Non-Current Assets | | | | (9,297) |
| (Surplus) or Deficit on revaluation of Available for Sale of Financial Assets | | | | - |
| Remeasurement of net defined benefit liability | 40 | | | 27,408 |
| Other Comprehensive Income & Expenditure | | | | 18,111 |
| TOTAL COMPREHENSIVE INCOME & EXPENDITURE | | | | 29,137 |

Balance Sheet as at 31st March 2015

| 31/03/2014 £000 Restated | | Note | 31/03/2015 £000 |
|--------------------------------|---|------|--------------------|
| 334,831 | Property Plant & Equipment | 17 | 337,646 |
| 1,123 | Heritage Assets | 19 | 1,168 |
| 12,249 | Investment Properties | 20 | 10,895 |
| 893 | Intangible Assets | 21 | 943 |
| - | Assets Held of Sale > 12 months | | - |
| 534 | Long Term Investments | 23 | 522 |
| 1,803 | Long Term Debtors | 24 | 1,961 |
| 351,433 | Total Long Term Assets | | 353,135 |
| | Current Assets | | |
| 337 | Inventories | 25 | 222 |
| 2,802 | Assets held for Sale < 12 months | 22 | 1,753 |
| 65,627 | Short Term Debtors | 24 | 20,882 |
| - | Intangible Current Assets | | - |
| 15,000 | Short Term Investments | 23 | 170,000 |
| 29,466 | Cash/Cash Equivalents | 26 | 44,190 |
| 113,232 | Total Current Assets | | 237,047 |
| | Current Liabilities | | |
| - | Short Term Borrowing | 30 | (35,449) |
| (32,503) | Short Term Creditors | 27 | (34,800) |
| (12,755) | Revenue Grants Receipts in Advance | 4 | (15,873) |
| (2,987) | Provisions < 1 year | 31 | (5,157) |
| - | Bank Overdraft | | - |
| (48,245) | Total Current Liabilities | | (91,279) |
| 64,987 | Net Current Assets/(Liabilities) | | 145,768 |
| 416,420 | Total Net Assets | | 498,903 |
| (75,401) | Long Term Borrowing | 30 | (153,000) |
| (736) | Provisions > 1 year | 31 | (354) |
| (15,272) | Capital Grants Receipts in Advance | 4 | (19,481) |
| (119,201) | Other Long Term Liabilities | 32 | (149,395) |
| 205,810 | Total Assets Less Liabilities | | 176,673 |
| (55,051) | Usable Reserves | 39 | (58,434) |
| (150,759) | Unusable Reserves | 40 | (118,239) |
| (205,810) | Total Equity | | (176,673) |

Movement in Reserves Statement as at 31st March 2014

| | General Fund (Restated) £000 | Other Earmarked Reserves (Restated) £000 | Capital Receipts Reserve £000 | Capital Grants Unapplied £000 | TOTAL USABLE RESERVES £000 | TOTAL UNUSABLE RESERVES (Restated) (Note 40) £000 | TOTAL COUNCIL RESOURCES £000 |
|--|---------------------------------|--|----------------------------------|-------------------------------------|----------------------------------|--|------------------------------------|
| General Fund | (8,065) | (29,597) | (1,351) | (2,792) | (41,805) | (134,341) | (176,146) |
| Schools Reserves | - | (6,433) | - | - | (6,433) | - | (6,433) |
| Balance as at 31st March 2013 | (8,065) | (36,030) | (1,351) | (2,792) | (48,238) | (134,341) | (182,579) |
| Movement in Reserves during 2013/14 | | | | | | | |
| (Surplus) or Deficit on the Provision of Services | 3,836 | - | - | - | 3,836 | - | 3,836 |
| Other Comprehensive Income and Expenditure | - | - | - | - | - | (27,065) | (27,065) |
| Total Comprehensive Income and Expenditure | 3,836 | - | - | - | 3,836 | (27,065) | (23,229) |
| Adjustments between Accounting Basis and Funding Basis under Regulations (note 37a) | (10,299) | - | (546) | 226 | (10,619) | 10,619 | - |
| Net (Increase)/Decrease before Transfers to Other Reserves | (6,463) | - | (546) | 226 | (6,783) | (16,446) | (23,229) |
| Transfer to/from other Earmarked Reserves (notes 38) | 5,880 | (5,880) | - | - | - | - | - |
| Other Movements (note 40) | - | - | (29) | - | (29) | 29 | - |
| (Increase)/Decrease in the year | (583) | (5,880) | (575) | 226 | (6,812) | (16,417) | (23,229) |
| Balance Carried Forward | (8,648) | (41,910) | (1,926) | (2,566) | (55,050) | (150,758) | (205,808) |
| Schools Reserves | | (6,590) | | | | | |
| Other Earmarked Reserves | | <u>(35,320)</u> | | | | | |
| | | <u>(41,910)</u> | | | | | |

Due to a change in the presentation of this statement in 2014/15, the table above has been restated to correctly show Schools Reserves under Other Earmarked Reserves and not General Fund as has previously been shown.

Movement in Reserves Statement as at 31st March 2015

| | General Fund | Other Earmarked Reserves | Capital Receipts Reserve | Capital Grants Unapplied | TOTAL USABLE RESERVES | TOTAL UNUSABLE RESERVES (Note 40) | TOTAL COUNCIL RESOURCES |
|--|----------------|--------------------------|--------------------------|--------------------------|-----------------------|-----------------------------------|-------------------------|
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| General Fund | (8,648) | (35,324) | (1,926) | (2,566) | (48,464) | (150,758) | (199,222) |
| Schools Reserves | - | (6,586) | - | - | (6,586) | - | (6,586) |
| 2013/14 rounding adjustment | 4 | (4) | (1) | - | (1) | (1) | (2) |
| Balance as at 31st March 2014 | (8,644) | (41,914) | (1,927) | (2,566) | (55,051) | (150,759) | (205,810) |
| Movement in Reserves during 2014/15 | | | | | | | |
| (Surplus) or Deficit on the Provision of Services | 11,026 | - | - | - | 11,026 | - | 11,026 |
| Other Comprehensive Income and Expenditure | - | - | - | - | - | 18,111 | 18,111 |
| Total Comprehensive Income and Expenditure | 11,026 | - | - | - | 11,026 | 18,111 | 29,137 |
| Adjustments between Accounting Basis and Funding Basis under Regulations (note 37b) | (12,853) | - | (1,438) | (93) | (14,384) | 14,384 | - |
| Net (Increase)/Decrease before Transfers to Other Reserves | (1,827) | - | (1,438) | (93) | (3,358) | 32,495 | 29,137 |
| Transfer to/from other Earmarked Reserves (notes 38) | 1,649 | (1,649) | - | - | - | - | - |
| Other Movements (note 40) | - | - | (26) | - | (26) | 26 | - |
| Rounding adjustment | - | - | 1 | - | 1 | (1) | - |
| (Increase)/Decrease in the year | (178) | (1,649) | (1,463) | (93) | (3,383) | 32,520 | 29,137 |
| Balance Carried Forward | (8,822) | (43,563) | (3,390) | (2,659) | (58,434) | (118,239) | (176,673) |
| Schools Reserves | | (7,461) | | | | | |
| Other Earmarked Reserves | | (36,102) | | | | | |
| | | <u>(43,563)</u> | | | | | |

Cash Flow Statement as at 31st March 2015

| 2013/14 Restated £000 | | Note | 2014/15 £000 |
|-----------------------------|---|-----------|-----------------|
| (3,833) | Net (surplus) or deficit on the provision of services | | 11,026 |
| (34,888) | Adjustment net (surplus) of deficit on the provision of services for non-cash movements | | (95,921) |
| 2,089 | Adjust for items in the net (surplus) or deficit on the provision of services | | 70,523 |
| (36,632) | Net cash flows from Operating Activities | 41 | (14,372) |
| 23,378 | Net cash flows from Investing Activities | 42 | 108,329 |
| 6,157 | Net cash flows from Financing Activities | 43 | (108,681) |
| (7,097) | Net (increase)/decrease in cash and cash equivalents | | (14,724) |
| (22,369) | Cash and Cash Equivalents at the beginning of the reporting period | 26 | (29,466) |
| (29,466) | Cash and Cash Equivalents at the end of the reporting period | 26 | (44,190) |

Due to one of the figures being entered incorrectly in the 2013/14 accounts the figures have been recalculated and restated in this statement. The changes have also been reflected in the comparative year of the supporting notes 41, 42 and 43

Notes to the Core Financial Statements

1. Amounts Reported for Resource Allocation Decisions

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the Service Reporting Code of Practice. However, decisions about resource allocation are taken by the Council on the basis of budget reports analysed across directorates. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

- No charges are made in relation to capital expenditure (whereas revaluation and impairment losses in excess of the balance on the Revaluation Reserve are charged to the Comprehensive Income and Expenditure Statement).
- The cost of retirement benefits is based on cash flows (payments of employer's pension's contributions) rather than current service cost of benefits accrued in the year.

The income and expenditure of the Councils principal directorates recorded in the budget reports for the year is as follows:

Directorate income and expenditure 2013/14

| | Communities £000 | Children and Enterprise £000 | Policy & Resources £000 | Total £000 |
|--------------------------------------|-----------------------------|---|--|-----------------------|
| Fees, Charges & Other Service Income | (40,893) | (23,634) | (64,146) | (128,673) |
| Government Grants | (237) | (90,397) | (69,509) | (160,143) |
| Total Income | (41,130) | (114,031) | (133,655) | (288,816) |
| Employee Expenses | 27,248 | 80,933 | 23,418 | 131,599 |
| Other Service Expenses | 66,264 | 61,905 | 105,637 | 233,806 |
| Support Services Recharges | 13,533 | 9,066 | 15,803 | 38,402 |
| Total Operating Expenses | 107,045 | 151,904 | 144,858 | 403,807 |
| Cost of Services | 65,915 | 37,873 | 11,203 | 114,991 |

Reconciliation to Net Cost of Services in Comprehensive Income and Expenditure Account

| | |
|--|----------------|
| | 2013/14 |
| | £000 |
| Cost of Services in Service Analysis | 114,989 |
| Add services not included in main analysis | 1 |
| Add amounts not reported to management | 3,073 |
| Remove amounts reported to management not included in Comprehensive Income and Expenditure Statement | 13,394 |
| Net Cost of Services in Comprehensive Income and Expenditure Statement | 131,457 |

Directorate income and expenditure 2014/15

| | Communities | Children and | Policy & | Total |
|--------------------------------------|--------------------|---------------------|---------------------|------------------|
| | £000 | Enterprise | Resources | £000 |
| | £000 | £000 | £000 | £000 |
| Fees, Charges & Other Service Income | (46,679) | (22,949) | (62,132) | (131,760) |
| Government Grants | (449) | (97,318) | (72,327) | (170,094) |
| Total Income | (47,128) | (120,267) | (134,459) | (301,854) |
| Employee Expenses | 27,802 | 80,303 | 22,679 | 130,784 |
| Other Service Expenses | 69,730 | 71,329 | 101,514 | 242,573 |
| Support Services Recharges | 13,056 | 8,939 | 14,566 | 36,561 |
| Total Operating Expenses | 110,588 | 160,571 | 138,759 | 409,918 |
| Cost of Services | 63,460 | 40,304 | 4,300 | 108,064 |

Reconciliation to Net Cost of Services in Comprehensive Income and Expenditure Account

| | |
|--|----------------|
| | 2014/15 |
| | £000 |
| Cost of Services in Service Analysis | 108,064 |
| Add services not included in main analysis | 650 |
| Add amounts not reported to management | 2,306 |
| Remove amounts reported to management not included in Comprehensive Income and Expenditure Statement | 15,799 |
| Net Cost of Services in Comprehensive Income and Expenditure Statement | 126,819 |

Reconciliation to Subjective Analysis 13/14

This Reconciliation shows how the figures in the analysis of directorate income and expenditure relate to a subjective analysis of the Surplus or Deficit on the Provision of Services included in the Comprehensive Income and Expenditure Statement. Please note that the table has been expanded to ensure the figures are shown in the same format as those shown for 2014/15.

| 2013/14 | Service Analysis £000 | Services Not In Analysis £000 | Amounts Not Reported to Management £000 | Amounts Not Included in I&E £000 | Allocation of Recharges £000 | Net Expenditure of Continuing Operations £000 | Corporate Amounts £000 | Total £000 |
|---|--------------------------|-------------------------------------|--|--|------------------------------------|--|------------------------------|------------------|
| Fees Charges & Other Service Income | (125,649) | - | 8,346 | 24,036 | 38,402 | (54,865) | (29) | (54,894) |
| Interest and Investment Income | - | - | - | - | - | - | (654) | (654) |
| Investment Properties Income & Expenditure | - | - | - | - | - | - | 181 | 181 |
| Income from Council Tax | - | - | - | - | - | - | (38,486) | (38,486) |
| Income from Business Rates | - | - | - | - | - | - | (24,721) | (24,721) |
| Government Grant & Contributions | (163,168) | - | (9,811) | - | - | (172,979) | (74,363) | (247,342) |
| Total Income | (288,817) | - | (1,465) | 24,036 | 38,402 | (227,844) | (138,072) | (365,916) |
| Employee Expenses | 131,598 | 1 | (68) | (167) | - | 131,364 | - | 131,364 |
| Other Service Expenses | 212,218 | - | 4,607 | (9,805) | (38,402) | 168,618 | - | 168,618 |
| Support Services Recharges | 38,402 | - | - | (670) | - | 37,732 | - | 37,732 |
| Depreciation, Amortisation & Impairment | 21,588 | - | - | - | - | 21,588 | - | 21,588 |
| Interest Payments | - | - | - | - | - | - | 3,623 | 3,623 |
| Precepts | - | - | - | - | - | - | 61 | 61 |
| Levies | - | - | - | - | - | - | 261 | 261 |
| Payments to Housing Capital Pool Receipts | - | - | - | - | - | - | 5 | 5 |
| Movement in value of Assets Held for Sale | - | - | - | - | - | - | 126 | 126 |
| Gain or Loss on Disposal of Fixed Assets | - | - | - | - | - | - | (958) | (958) |
| Loss on transfer of academies | - | - | - | - | - | - | 2,038 | 2,038 |
| Pension interest cost and expected return | - | - | - | - | - | - | 5,295 | 5,295 |
| Total Operating Expenses | 403,806 | 1 | 4,539 | (10,642) | (38,402) | 359,302 | 10,451 | 369,753 |
| (Surplus)/Deficit on Provision of Services | 114,989 | 1 | 3,074 | 13,394 | - | 131,458 | (127,621) | 3,837 |

Reconciliation to Subjective Analysis 2014/15

| 2014/15 | Service Analysis £000 | Services Not In Analysis £000 | Amounts Not Reported to Management £000 | Amounts Not Included in I&E £000 | Allocation of Recharges £000 | Net Expenditure of Continuing Operations £000 | Corporate Amounts £000 | Total £000 |
|---|--------------------------|-------------------------------------|--|--|------------------------------------|--|------------------------------|------------------|
| Fees Charges & Other Service Income | (131,759) | - | 22,173 | 23,474 | 36,559 | (49,553) | (106) | (49,659) |
| Interest and Investment Income | - | - | - | 718 | - | 718 | (718) | - |
| Investment Properties Income & Expenditure | - | - | - | - | - | - | (1,359) | (1,359) |
| Income from Council Tax | - | - | - | - | - | - | (38,912) | (38,912) |
| Income from Business Rates | - | - | - | - | - | - | (22,578) | (22,578) |
| Government Grant & Contributions | (170,095) | 643 | - | - | - | (169,452) | (64,385) | (233,837) |
| Total Income | (301,854) | 643 | 22,173 | 24,192 | 36,559 | (218,287) | (128,058) | (346,345) |
| Employee Expenses | 130,784 | - | (1,697) | - | - | 129,087 | - | 129,087 |
| Other Service Expenses | 220,753 | 7 | (26,266) | (4,241) | 3 | 190,256 | - | 190,256 |
| Support Services Recharges | 36,562 | - | - | - | (36,562) | - | - | - |
| Depreciation, Amortisation & Impairment | 21,819 | - | 8,096 | - | - | 29,915 | - | 29,915 |
| Interest Payments | - | - | - | (4,152) | - | (4,152) | 3,509 | (643) |
| Precepts | - | - | - | - | - | - | 61 | 61 |
| Levies | - | - | - | - | - | - | 286 | 286 |
| Payments to Housing Capital Pool Receipts | - | - | - | - | - | - | 1 | 1 |
| Movement in value of Assets Held for Sale | - | - | - | - | - | - | 825 | 825 |
| Gain or Loss on Disposal of Fixed Assets | - | - | - | - | - | - | (3,807) | (3,807) |
| Loss on transfer of academies | - | - | - | - | - | - | 7,343 | 7,343 |
| Pension interest cost and expected return | - | - | - | - | - | - | 4,047 | 4,047 |
| Total Operating Expenses | 409,918 | 7 | (19,867) | (8,393) | (36,559) | 345,106 | 12,265 | 357,371 |
| (Surplus)/Deficit on Provision of Services | 108,064 | 650 | 2,306 | 15,799 | - | 126,819 | (115,793) | 11,026 |

2. Officers' Remuneration

The number of employees whose remuneration, inclusive of 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.

| Remuneration Band | | 2013/14 | | 2014/15 | |
|-------------------|----------|-----------|--------------|-----------|----------------|
| | | Teaching | Non-Teaching | Teaching | Non - Teaching |
| £50,000 | £54,999 | 32 | 8 | 23 | 11 |
| £55,000 | £59,999 | 17 | 14 | 23 | 12 |
| £60,000 | £64,999 | 10 | 9 | 10 | 12 |
| £65,000 | £69,999 | 9 | 5 | 6 | 4 |
| £70,000 | £74,999 | 3 | 4 | 3 | 2 |
| £75,000 | £79,999 | 2 | 3 | 2 | 3 |
| £80,000 | £84,999 | - | 5 | 1 | 4 |
| £85,000 | £89,999 | 1 | 2 | - | 2 |
| £90,000 | £94,999 | 2 | 1 | 1 | 2 |
| £95,000 | £99,999 | 1 | - | - | - |
| £100,000 | £104,999 | - | - | 1 | - |
| £105,000 | £109,999 | - | 2 | - | 1 |
| £110,000 | £114,999 | - | - | 1 | - |
| £115,000 | £119,999 | - | - | - | - |
| £120,000 | £124,999 | - | - | - | 1 |
| £125,000 | £129,999 | - | - | - | - |
| £130,000 | £134,999 | - | - | - | - |
| £135,000 | £139,999 | - | - | - | - |
| £140,000 | £144,999 | - | 1 | - | 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 | - | - | - | - |
| | | 77 | 55 | 71 | 56 |

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: During 2014/15, the Strategic Director Children and Enterprise 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 £83,100. The payments in relation to that additional role have been made by Halton Borough Council and are included in the salary and remuneration figures detailed overleaf, however, the Council has been fully reimbursed for these costs by Cheshire West and Chester Council.

Note 2: During 2014/15, the Strategic Director Communities performed the additional role of Director of Adult Services at Sefton Council on a part-time basis at a total remuneration cost of £77,000. The payments in relation to that additional role have been made by Halton Borough Council and are included in the salary and remuneration figures detailed overleaf, however, the Council has been fully reimbursed for these costs by Sefton Council.

Note 3: During 2014/15, the Operational Director Legal & Democratic Services worked one day per week for Chester West and Chester Council as their Monitoring Officer. He was awarded an honorarium for this which is included in the remuneration figures overleaf. This will be reimbursed from Chester West and Chester Council.

Note 4: The Operational Director for Learning and Achievement left Halton Borough Council on 20/01/15.

Note 5: The Operational Director for Commissioning & Complex Care commenced part-time working on the 01/06/2013. Their annualised salary on a full-time basis is £82,600.

Note 6: During 2014/15, the Operational Director ICT & Support Services helped implement a new 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 | |
|-------------------------------------|---|--------------------------------------|------------------|-------------------------------------|---------|------------------|---------------|--|------------------|---------------------------------|----------------|--|------------------|
| | | 2013/14 | 2014/15 | 2013/14 | 2014/15 | 2013/14 | 2014/15 | 2013/14 | 2014/15 | 2013/14 | 2014/15 | 2013/14 | 2014/15 |
| Chief Executive – David Parr | | 167,500 | 167,600 | - | - | 2,400 | 2,500 | 169,900 | 170,100 | 34,000 | 34,300 | 203,900 | 204,400 |
| Children & Enterprise | 1 | 138,100 | 138,200 | - | - | 2,500 | 2,500 | 140,600 | 140,700 | 28,100 | 28,400 | 168,700 | 169,100 |
| Policy & Resources | | 104,100 | 104,100 | - | - | 2,100 | 2,000 | 106,200 | 106,100 | 21,200 | 21,400 | 127,400 | 127,500 |
| Communities | 2 | 105,500 | 120,900 | - | - | - | - | 105,500 | 120,900 | 21,200 | 24,500 | 126,700 | 145,400 |
| Policy, Planning & Transportation | | 80,500 | 82,800 | - | - | 2,200 | 2,200 | 82,700 | 85,000 | 16,400 | 16,700 | 99,100 | 101,700 |
| Legal & Democratic Services | 3 | 80,500 | 88,300 | - | - | 2,200 | 2,700 | 82,700 | 91,000 | 16,400 | 18,200 | 99,100 | 109,200 |
| Learning & Achievement Services | 4 | 76,400 | 63,200 | - | - | 800 | 800 | 77,200 | 64,000 | 15,600 | 12,900 | 92,800 | 76,900 |
| Prevention & Assessment | | 81,500 | 81,900 | - | - | - | - | 81,500 | 81,900 | 16,400 | 16,600 | 97,900 | 98,500 |
| Children & Families Services | | 72,900 | 75,800 | - | - | - | - | 72,900 | 75,800 | 14,600 | 15,400 | 87,500 | 91,200 |
| Commissioning & Complex Care | 5 | 48,000 | 45,500 | - | - | - | - | 48,000 | 45,500 | 9,600 | 9,200 | 57,600 | 54,700 |
| Children's Organisation & Provision | | 85,100 | 81,700 | - | - | 2,300 | 600 | 87,400 | 82,300 | 17,300 | 16,700 | 104,700 | 99,000 |
| Finance | | 74,100 | 75,800 | - | - | - | - | 74,100 | 75,800 | 14,900 | 15,400 | 89,000 | 91,200 |
| ICT & Support Services | 6 | 81,500 | 89,400 | - | - | - | - | 81,500 | 89,400 | 16,400 | 18,000 | 97,900 | 107,400 |
| Economy, Enterprise & Property | | 77,100 | 79,600 | - | - | 2,200 | 2,300 | 79,300 | 81,900 | 15,600 | 16,200 | 94,900 | 98,100 |
| Community & Environment | | 80,500 | 81,400 | - | - | 2,400 | 1,800 | 82,900 | 83,200 | 16,400 | 15,700 | 99,300 | 98,900 |
| Public Health | | 91,200 | 92,500 | - | - | - | - | 91,200 | 92,500 | 12,500 | 12,500 | 103,700 | 105,000 |
| | | 1,444,500 | 1,468,700 | - | - | 19,100 | 17,400 | 1,463,600 | 1,486,100 | 286,600 | 292,100 | 1,750,200 | 1,778,200 |

3. Exit Packages

The numbers of exit packages with total cost per band and total cost of compulsory & 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 | |
|------------------------|-----------------------------------|-----------|----------------------------------|-----------|-----------------------------|----------|---|-----------|--|-----------------|
| | 2013/14 | 2014/15 | 2013/14 | 2014/15 | 2013/14 | 2014/15 | 2013/14 | 2014/15 | 2013/14 £000 | 2014/15 £000 |
| £0 - £20,000 | 7 | 9 | 6 | 31 | 7 | 2 | 20 | 42 | 126 | 292 |
| £20,001 - £40,000 | - | 1 | 2 | 4 | 1 | 2 | 3 | 7 | 90 | 204 |
| £40,001 - £60,000 | 1 | - | - | 1 | 1 | 1 | 2 | 2 | 105 | 86 |
| £60,001 - £80,000 | - | - | - | - | 1 | - | 1 | - | 74 | - |
| £80,001 - £100,000 | - | - | - | - | - | - | - | - | - | - |
| £100,001 - £150,000 | - | - | - | - | - | - | - | - | - | - |
| £150,001 - £200,000 | - | - | - | - | - | - | - | - | - | - |
| £200,001 - £250,000 | - | - | - | - | - | - | - | - | - | - |
| £250,001 - £300,000 | - | - | - | - | - | - | - | - | - | - |
| Total | 8 | 10 | 8 | 36 | 10 | 5 | 26 | 51 | 395 | 582 |

The number of early retirements included in the table is the number of employees who have left the Council under the terms of early retirement in 2013/14 and 2014/15. The cost of employees taking early retirement in 2014/15 is £0.133m (2013/14 - £0.217m). Early retirement costs are charged to the Council's Comprehensive Income & Expenditure Statement over a period of 5 years. The cost of redundancies charged to the Comprehensive Income and Expenditure Statement in 2014/15 is £0.449m (2013/14 - £0.178m).

4. 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:

| | 31 March 2014 Restated £000 | 31 March 2015 £000 |
|--|--|-------------------------------------|
| Capital Grants Receipts in Advance | | |
| Grant – Communities and Local Government | (7,397) | (13,907) |
| Grant – Department of Transport | (1,682) | (122) |
| Grant – Department of Health | - | (160) |
| Grant – Department for Environment, Food & Rural Affairs | (27) | (13) |
| Grant – Department for Education | (972) | (511) |
| Grant – Other Grants | (20) | (128) |
| Contributions | (5,174) | (4,640) |
| | (15,272) | (19,481) |

| | 31 March 2014 £000 | 31 March 2015 £000 |
|--|-------------------------------------|-------------------------------------|
| Revenue Grants Receipts in Advance | | |
| Grant – Department for Education | (5,543) | (6,170) |
| Grant – Communities and Local Government | (12) | - |
| Grant – Department for Environment, Food & Rural Affairs | (105) | (136) |
| Grant - DECC | (44) | (36) |
| Grant – Dedicated Schools Grant | (4,477) | (2,626) |
| Grant – Other Grants | (395) | (193) |
| Contributions | (1,379) | (6,019) |
| Other Creditors | (800) | (693) |
| | (12,755) | (15,873) |

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2014/15.

| | 2013/14 | 2014/15 |
|--|------------------|------------------|
| | £000 | £000 |
| Credited to Services | . | |
| Revenue Grant – Communities & Local Government | (2,855) | (4,329) |
| Revenue Grant – Dedicated Schools Grant | (80,059) | (79,311) |
| Revenue Grant – Department for Education | (14,924) | (18,052) |
| Revenue Grant – Department for Environment, Food & Rural Affairs | (23) | (20) |
| Revenue Grant – Department for Transport | (293) | (1,784) |
| Revenue Grant – Department for Works & Pensions | (1,702) | (2,540) |
| Revenue Grant – Department of Health | (8,590) | (9,064) |
| Revenue Grant – Home Office | (177) | (140) |
| Revenue Grant – Department of Energy & Climate Change | - | (28) |
| Revenue Grant – Other Grants | (1,015) | (1,324) |
| Revenue Grant – Rent Allowance Subsidy | (53,736) | (52,841) |
| Revenue Grants | (163,374) | (169,433) |
| Contribution – PCT, CCG & Other Local Authorities | (1,657) | (2,315) |
| Other Contributions | (1,755) | (1,515) |
| Contributions | (3,412) | (3,830) |
| Reimbursements | (10,285) | (12,401) |
| Sales, Fees & Rents | (19,551) | (22,127) |
| Other Income | (8,265) | (7,035) |
| Capital Grants Impaired | (5,980) | (2,815) |
| Revenue Expenditure Funded by Capital Grants Under Statute | (600) | (646) |
| Other Income | (44,681) | (45,024) |
| | | |
| | (211,467) | (218,287) |

5. Material Items of Income and Expenditure

There are no material items of Income and Expenditure within the Comprehensive Income and Expenditure Statement for 2014/15

6. Other Operating Expenditure

| 2013/14 | | 2014/15 |
|-----------------|--|----------------|
| Restated | | |
| £000 | | £000 |
| 61 | Parish Council Precepts | 61 |
| 261 | Levies | 286 |
| 5 | Payments to the Government Housing Capital Receipts Pool | 1 |
| 126 | Movement in value of Assets Held for Sale | 825 |
| (958) | (Gains)/Losses on the Disposal of non-current assets | (3,807) |
| (505) | Total | (2,634) |

7. Financing and Investment Income

| 2013/14 | | 2014/15 |
|-----------------|---|----------------|
| Restated | | |
| £000 | | £000 |
| 3,633 | Interest payable and similar charges | 3,509 |
| 5,295 | Net interest on the net defined benefit liability | 4,047 |
| (654) | Interest receivable and similar charges | (718) |
| 181 | Income & Expenditure in relation to Investment Properties and changes in their fair value | (1,359) |
| 2,038 | Loss on transfer of academies | 7,343 |
| (41) | Other investment income | (106) |
| 10,452 | Total | 12,716 |

8. Taxation and Non Specific Grant Income

| 2013/14 | | 2014/15 |
|------------------|----------------------------------|------------------|
| £000 | | £000 |
| (38,486) | Council tax income | (38,912) |
| (24,721) | Non domestic rates | (22,578) |
| (47,409) | Non-ringfenced government grants | (38,988) |
| (7,170) | NNDR Top Up Grant | (7,309) |
| (19,784) | Capital grants and contributions | (18,088) |
| (137,570) | Total | (125,875) |

9. Trading Operations

The Council operates public markets, several industrial estates and owns a successful transport undertaking. A brief summary and comparison with 2013/14 is detailed below:

| 2013/14 | | 2014/15 | | | | |
|--------------------------|---------------------------|-------------|------------------|--------------------------|--------------------|-----------------------------|
| Trading (Surplus) / £000 | Trading Account | Income £000 | Expenditure £000 | Trading (Surplus) / £000 | Asset Rentals £000 | Total Inc Asset Rental £000 |
| (90) | Markets | (778) | 623 | (155) | 50 | (105) |
| (291) | Industrial Estates | (711) | 263 | (447) | - | (448) |

The (Surplus) / Deficit taken to General Fund from trading operations is made up as follows:

| | 2013/14 £000 | 2014/15 £000 |
|--------------------|-----------------|-----------------|
| Markets | (40) | (105) |
| Industrial Estates | (291) | (448) |
| | (331) | (553) |

10. Agency Services

Subject to the provision of Section 1 of the 1970 Act, a Local Authority may enter into an agreement to supply certain goods and services. In 2014/15 the Council continued to supply payroll services to the various schools and colleges.

| | 2013/14 £000 | 2014/15 £000 |
|--|-----------------|-----------------|
| Expenditure incurred in providing payroll services | 45 | 92 |
| Management fee payable | (45) | (92) |
| Net surplus arising from agreement | - | - |

11. Pooled Budgets

Better Care

In April 2013 Halton Borough Council (HBC) and the Halton Clinical Commissioning Group (CCG) established a formal pooled budget arrangement (via a Section 75 agreement) for health and social care services provided to the residents of Halton. The aim of which was to ensure that a fully integrated system was developed to enable 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 will result in the alignment of systems, improve pathways, speed up discharge processes, transform patient/care satisfaction and set the scene for the future sustainability of meeting the needs of people with complex needs.

The Council and Clinical Commissioning Group each contributed funds equal to 61% and 39% of the Better Care Pool budget for 2014/15. 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. The pooled budget is hosted by the Council on behalf of the partners to the agreement.

| | 2014/15 | | 2014/15 |
|---|-----------------|-----|-----------------|
| | £000 | | £000 |
| Balance Brought Forward | - | | (158) |
| Funding provided to the pooled budget: | | | |
| - Halton Borough Council | (18,772) | | (20,996) |
| - Halton Clinical Commissioning Group | (13,382) | | (13,540) |
| | (32,154) | | (34,536) |
| Income raised through the pooled budget: | | | |
| - Halton Borough Council | (7,003) | | (8,093) |
| | (7,003) | | (8,093) |
| Expenditure met from the pooled budget: | | | |
| - Halton Borough Council | 25,683 | | 29,177 |
| - Halton Clinical Commissioning Group | 13,316 | | 13,603 |
| | 38,999 | | 42,780 |
| Net (surplus)/deficit arising on the pooled budget during the year | (158) | | 151 |
| Share of the (surplus)/deficit for the year: | | | |
| - Halton Borough Council | 58% (92) | 61% | 88 |
| - Halton Clinical Commissioning Group | 42% (66) | 39% | 63 |
| | (158) | | 151 |

12. Members Allowances

During the year £738,116 (2013/14 £725,429) was paid to Members including Mayoral and Deputy Mayoral allowances.

13. External Audit Fees

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

| | 2013/14 | 2014/15 |
|-------------------------|----------------|----------------|
| | £000 | £000 |
| Fees payable for | | |
| - Audit | 118 | 127 |
| - Grants and returns | 21 | 9 |
| - Other | (38) | 3 |
| - Non-audit consultancy | 46 | 26 |
| | 147 | 165 |

14. 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 2014/15 are shown below:

| Total 2013/14 £'000 | | Central Expenditure 2014/15 £'000 | Individual Schools Budget 2014/15 £'000 | Total 2014/15 £'000 |
|------------------------------------|---|--|--|------------------------------------|
| (101,571) | Final DSG for 2014/15 before academy recoupment | | | (100,963) |
| 18,478 | Academy figure recouped for 2014/15 | | | 21,590 |
| (83,093) | Total DSG after academy recoupment for 2014/15 | | | (79,373) |
| (3,172) | Plus brought forward from 2013/14 | | | (3,836) |
| - | Less Carry Forward to 2015/16 agreed in advance | | | - |
| (86,265) | Agreed budgeted distribution in 2014/15 | (14,182) | (69,027) | (83,209) |
| - | In Year Adjustments | (661) | 661 | - |
| (86,265) | Final Budget Distribution in 2014/15 | (14,843) | (68,366) | (83,209) |
| 9,026 | Less actual central expenditure | 12,455 | - | 12,455 |
| 73,403 | Less actual ISB deployed to schools | - | 68,366 | 68,366 |
| | Plus Council Contribution for 2014/15 | - | - | - |
| (3,836) | Carry Forward to 2015/16 | (2,388) | - | (2,388) |

15. 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 the majority of its 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, housing benefits).

Grants received from government departments are set out in the subjective analysis in note 1 on reporting for resource allocation decisions and year end government grant debtors and creditors are included in notes 4, 24 and 27.

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 2014/15 is shown in note 12. The total of senior officers remuneration paid in 2014/15 is shown in note 2

For 2014/15 the system has highlighted that 7 Members had interests in various organisations and voluntary sector bodies involving payments worth £3.310m and receipts worth £2.402m for various works and services. One Member sat on the board of Halton Housing Trust. Payments between HBC and HHT totalled £0.340m and receipts totalled £0.493m in 2014/15.

In 2014/15, the declarations also showed that one Executive Officer represented the Council on the boards of five bodies within the borough. Payments between HBC and those bodies totalled £4.795m and receipts totalled £0.118m in 2014/15.

Other Public Bodies

The Council had one pooled budget arrangements with Halton Clinical Commissioning Group during 2014/15 under section 75 of the Health Act 2006. Transactions and balances are highlighted in note 11.

Entities Controlled or Significantly Influenced by the Council

Details of the Council's interests in companies are disclosed as part of the group consolidation exercise.

16. Events after the Balance Sheet Date

These accounts have been authorised for issue by the Operational Director Finance, on the 30th September 2015 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 2015, 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.

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

Movements during 2013/14

| | Land and Buildings £000 | Community Assets £000 | Infrastructure Assets £000 | Vehicles, Plant and Equipment £000 | Surplus £000 | Under Construction / Development £000 | Total 2013/14 £000 | Service Concession Assets included in PPE £000 |
|--|-------------------------------|-----------------------------|----------------------------------|---|-----------------|--|-----------------------|--|
| Cost or Valuation | | | | | | | | |
| As at 31 st March 2013 | 177,327 | 6,871 | 161,134 | 15,870 | 8,169 | 47,516 | 416,887 | - |
| Additions and Enhancements | 24,652 | 141 | 8,416 | 3,376 | - | 25,860 | 62,445 | 24,134 |
| Revaluations Recognised in the Revaluations Reserve | (13) | - | - | - | (894) | - | (907) | - |
| Revaluations Recognised in the Provision Services | (6,218) | - | - | - | (17) | (9,724) | (15,959) | (6,429) |
| Derecognition – Disposals | (3,141) | - | - | (3,637) | (80) | - | (6,858) | - |
| Derecognition – Others | - | - | - | - | - | - | - | - |
| Assets Reclassified (to)/from held for sale | - | - | - | - | - | - | - | - |
| Other Movements | (3,707) | - | - | - | 3,707 | - | - | - |
| As at 31st March 2014 | 188,900 | 7,012 | 169,550 | 15,609 | 10,885 | 63,652 | 455,608 | 17,705 |
| Depreciation | | | | | | | | |
| As at 31 st March 2013 | (13,881) | (2,204) | (79,903) | (10,115) | (87) | - | (106,190) | - |
| Depreciation for the year | (8,791) | (450) | (9,153) | (2,517) | (96) | - | (21,007) | - |
| Depreciation written out to revaluation reserve | 793 | - | - | - | 998 | - | 1,791 | - |
| Depreciation written out to Surplus/Deficit on the Provision of Services | 34 | - | - | - | 6 | - | 40 | - |
| Derecognition – Disposals | 851 | - | - | 3,721 | 15 | - | 4,587 | - |
| Derecognition – Other | - | - | - | - | - | - | - | - |
| Other movements in depreciation | 1,003 | - | - | - | (1,003) | - | - | - |
| As at 31st March 2014 | (19,991) | (2,654) | (89,056) | (8,911) | (167) | - | (120,779) | - |
| Balance Sheet Amount as at 31st March 14 | 168,909 | 4,358 | 80,494 | 6,698 | 10,718 | 63,652 | 334,829 | 17,705 |
| Balance Sheet Amount as at 1st April 13 | 163,445 | 4,668 | 81,231 | 5,756 | 8,084 | 47,516 | 310,700 | - |

Movements during 2014/15

| | Land and Buildings £000 | Community Assets £000 | Infrastructure Assets £000 | Vehicles, Plant and Equipment £000 | Surplus £000 | Under Construction / Development £000 | Total 2014/15 £000 | Service Concession Assets included in PPE £000 |
|--|-------------------------------|-----------------------------|----------------------------------|---|-----------------|--|-----------------------|--|
| Cost or Valuation | | | | | | | | |
| As at 31 st March 2014 | 188,900 | 7,013 | 169,551 | 15,608 | 10,885 | 63,652 | 455,609 | 17,705 |
| Additions and Enhancements | 2,300 | 850 | 5,737 | 2,344 | 1,711 | 18,179 | 31,121 | - |
| Revaluations Recognised in the Revaluations Reserve | 1,970 | - | - | - | (1,473) | - | 497 | - |
| Revaluations Recognised in the Provision Services | (969) | - | - | - | (3,757) | (5,233) | (9,959) | - |
| Derecognition – Disposals | (10,968) | - | - | (400) | (350) | - | (11,718) | - |
| Derecognition – Others | - | - | - | - | - | - | - | - |
| Assets Reclassified (to)/from held for sale | - | - | - | - | - | - | - | - |
| Other Movements | 3 | - | (7,819) | - | 12,024 | (4,206) | 2 | - |
| As at 31st March 2015 | 181,236 | 7,863 | 167,469 | 17,552 | 19,040 | 72,392 | 465,552 | 17,705 |
| Depreciation | | | | | | | | |
| As at 31 st March 2014 | (19,991) | (2,655) | (89,056) | (8,910) | (167) | - | (120,779) | - |
| Depreciation for the year | (8,855) | (460) | (9,370) | (2,222) | (554) | - | (21,461) | (482) |
| Depreciation written out to revaluation reserve | 7,008 | - | - | - | 1,791 | - | 8,799 | - |
| Depreciation written out to Surplus/Deficit on the Provision of Services | 1,341 | - | - | - | 523 | - | 1,864 | - |
| Derecognition – Disposals | 3,267 | - | - | 395 | 7 | - | 3,669 | - |
| Derecognition – Other | - | - | - | - | - | - | - | - |
| Other movements in depreciation | 2 | - | 2,236 | - | (2,236) | - | 2 | - |
| As at 31st March 2015 | (17,228) | (3,115) | (96,190) | (10,737) | (636) | - | (127,906) | (482) |
| Balance Sheet Amount as at 31st March 15 | 164,008 | 4,748 | 71,279 | 6,815 | 18,404 | 72,392 | 337,646 | 17,223 |
| Balance Sheet Amount as at 1st April 14 | 168,909 | 4,358 | 80,494 | 6,698 | 10,718 | 63,652 | 334,829 | 17,705 |

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 & Equipment | 5-10 years |
| Intangible Assets | 5 years |

Capital Commitments

At 31st March 2015, the Council has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment.

The major commitments are:

| | |
|--------------------------------------|---------|
| Widnes Waterfront | £1.00m |
| 3MG Regeneration | £1.19m |
| Travellers Site | £1.29m |
| Norton Priory | £3.77m |
| SciTech Daresbury | £10.97m |
| Mersey Gateway Construction Interest | £7.85m |
| Mersey Gateway Crossings Board | £7.93m |
| Mersey Gateway Liquidity Fund | £10.00m |
| Mersey Gateway Land Acquisitions | £12.15m |
| Mersey Gateway Construction Costs | £102.5m |

At 31st March 2014 the capital commitments totalled £152.54m

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 2014/15 being year 4 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 2014/15 are dated the 1st April 2014. The valuation report which is used in the preparation of the Council's Statement of Accounts takes account of all known events throughout 2014/15 which could subsequently affect the assets value and is therefore dated the 31st March 2015.

Land & Buildings

Non specialised property is valued at Fair Value – Existing Use Value (FV-EUV). Specialised Property is valued on the basis of Depreciated Replacement Costs (DRC).

Community Assets

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

Infrastructure

These are included on the balance sheet at Depreciated Historical Costs (HC) 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 (HC).

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 Fair Value – Existing Use Value (FV-EUV).

Assets under Construction/Development

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

Intangible Assets

This group consists mainly of software licences for computer systems held at Historical Cost (HC).

De-minimis Assets

At 31st March 2015, the Council had 173 assets that fell below its de-minimis level of £35,000 which totalled £1.235m. These assets are not recorded on the Balance Sheet.

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. There is a 25 year PFI contract 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 each year by inflation and can be reduced if the contractor fails to meet availability and performance standards.

Payments remaining to be made under the PFI contract at 31 March 2015 (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 2015/16 | 928 | 504 | 1,847 | 3,279 |
| Payable within 2 to 5 years | 3,895 | 2,290 | 6,933 | 13,118 |
| Payable within 6 to 10 years | 5,999 | 2,815 | 7,584 | 16,398 |
| Payable within 11-15 years | 5,874 | 4,390 | 6,134 | 16,398 |
| Payable within 16 – 20 years | 6,199 | 6,267 | 3,932 | 16,398 |
| Payable within 21 - 25 years | 3,632 | 5,266 | 941 | 9,839 |
| Total | 26,527 | 21,532 | 27,371 | 75,430 |

18. Capital Expenditure and Capital 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.

| | 2013/14 | 2014/15 |
|---|----------------|----------------|
| | £000 | £000 |
| Opening Capital Financing Requirement | 78,487 | 106,807 |
| Capital Investment: | | |
| Property, Plant & Equipment | 62,669 | 31,164 |
| Investment Properties | 72 | 162 |
| Intangible Assets | 205 | 408 |
| Revenue Expenditure funded from Capital under Statute | 600 | 647 |
| Source of Finance: | | |
| Capital Receipts | (2,431) | (5,408) |
| Government Grants & Other Contributions | (26,590) | (21,457) |
| Direct Revenue Contributions | (914) | (1,505) |
| Minimum Revenue Provision | (5,291) | (3,158) |
| Closing Capital Financing Requirement | 106,807 | 107,660 |
| Explanation of movement in year: | | |
| Increase in underlying need to borrow | 8,535 | 3,787 |
| Minimum Revenue Provision statutory set a side | (5,291) | (3,158) |
| Deferred Liability Voluntary set a side | - | - |
| Assets acquired under Finance Leases | 942 | 224 |
| Assets acquired under PFI/PPP contracts | 24,134 | - |
| Increase/(Decrease) in Capital Financing Requirement | 28,320 | 853 |

The table above shows the Council spent £32.381m on capital during 2014/15 (including £0.224m for assets acquired under finance leases). This represents 74% delivery of the revised capital programme, for which 20% slippage had been anticipated.

The highlights of the programme are detailed below:

| | 2014/15 £000 | 2014/15 £000 |
|--|-------------------------------|-------------------------------|
| Construction or Purchase of Assets | | |
| Mersey Gateway Acquisitions | 6,639 | |
| Mersey Gateway Development Costs | 4,421 | |
| IT Rolling Programme | 1,481 | |
| Cremators at Widnes Crematorium | 287 | |
| Biomass Boiler - Brookvale Leisure Centre | 289 | |
| Fleet Replacements | 879 | 13,996 |
| Improving, Maintaining or Extending Assets | | |
| Norton Priory | 203 | |
| Highway/Bridge Maintenance | 3,781 | |
| Frank Myler Sports & recreation Centre | 2,051 | |
| Lowerhouse Lane Depot | 406 | |
| Ashley School | 338 | 6,779 |
| Other Works | | |
| Regeneration – 3MG | 1,717 | |
| Regeneration – SciTech Daresbury | 1,377 | |
| Playgrounds/Open Spaces | 923 | |
| Local Pinch Point Programme Daresbury | 1,740 | |
| Risk Management | 120 | 5,877 |

Disposal of Assets/Capital Receipts

Land/Dwellings/Recovered Advances – the Council received £6,204m from the sale of land and various properties.

Under residual arrangements, the Council received £0.79m (£0.135m in 2013/14) from Halton Housing Trust for the sale of homes during the year, and a further £0.563m (£0.823m in 2013/14) under VAT Shelter arrangements.

Capitalisation of Borrowing Costs

The Council has 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 during 2016/17 and 2017/18 to fund the contribution from the Council towards Mersey Gateway Crossing construction costs.

The interest capitalised during 2014/15 is shown below:

| 2013/14 | | 2014/15 |
|----------------|---------------------------------|----------------|
| £000 | | £000 |
| - | Interest received | (432) |
| - | Interest paid | 2,426 |
| - | Net interest capitalised | 1,994 |

19. Heritage Assets

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

| | 2013/14 | | | 2014/15 | | |
|---|--------------------------|------------------------------|---------------|--------------------------|------------------------------|---------------|
| | Civic Regalia £000 | Outdoor Sculpture £000 | Total £000 | Civic Regalia £000 | Outdoor Sculpture £000 | Total £000 |
| Cost or Valuation | | | | | | |
| 1st April | 858 | 256 | 1,114 | 858 | 265 | 1,123 |
| Additions | - | 9 | 9 | - | 45 | 45 |
| 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 | 265 | 1,123 | 858 | 310 | 1,168 |

Civic Regalia

The Council's collection of Civic Regalia includes pictures, manuscripts, ceramics, glassware and sculptures which are valued at Insurance value. Items of jewellery are valued at Current Replacement Value and silverware at Antique Replacement Value. These valuations are updated on a 5 yearly basis. A full valuation was carried out by Bonhams dated 26 March 2012. The pictures, manuscripts, ceramics and glassware have been valued at £547,270 included in this figure and of particular note is a pair of Andrea Casali paintings which are valued at £425,000. The collection of jewellery includes Chains of Office for the Mayor, Mayoress and deputy Mayor amongst other items the total value of the items is £254,100 and the silverware is valued at £56,560.

Outdoor Sculpture

The sculpture is known as the Future Flower was erected as part of the Widnes Waterfront regeneration scheme and was designed by Tonkin Liu. It is a wind powered sculpture which, with yellow perspex petals, flutters and lights up in the wind.

A 3 metre tall statue of the Childe of Hale has been erected in Hale Park. This has replaced an old beech sculpture that was in a state of disrepair.

Additions

Further payments for Private "Todger" Jones memorial, £45k (2013/14 £9k)

Disposals

There were no disposals in 2014/15

Heritage Assets 5 year summary of transactions

| | 2010/11 £000 | 2011/12 £000 | 2012/13 £000 | 2013/14 £000 | 2014/15 £000 |
|---|-----------------|-----------------|-----------------|-----------------|-----------------|
| Cost of Construction of Heritage Assets | | | | | |
| Civic Regalia | - | - | - | - | - |
| Outdoor Sculpture | 1 | 4 | 46 | 9 | 45 |
| Net surplus arising from agreement | 1 | 4 | 46 | 9 | 45 |

The Council has not acquired any heritage assets by way of donation.

The Council has not disposed of any heritage assets.

No impairments have been recognised against any heritage assets by the Council.

Management and Maintenance

The Council does not have a formal scheme of maintenance for its Heritage Assets. Repair and maintenance is done as and when necessary. It is estimated that around £10,000 per year is spent in maintaining the Borough's war memorials.

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

The Council has two war memorials, one in Runcorn on Moughland Lane and the other in Widnes in Victoria Park. The memorials are considered to be Heritage Assets because of the

historical significance in the community and to ensure future generations are aware of the role members of their community played in conflicts.

Duck Decoy

The Duck Decoy in Hale village is considered to be of historic importance, it has been restored for use as a nature reserve with assistance from the Heritage Lottery Fund. The site is owned by Hale Estates and has been leased to Halton Borough Council for a period of 25 years commencing 1st April 2010. The annual rent is £1,770 and it is reviewed every 3 years. No valuations are held by the Council for this site.

Outdoor works of Art

A metal sculpture called Spire sits in Church Street Runcorn which depicts themes of local significance. There are also works of art on Runcorn Promenade and within sets of railings and panels around Halton Castle.

Halton Castle

Halton Castle is owned by the Duchy of Lancaster and is on a 99 year lease to Halton Borough Council. The site is managed on behalf of the Council by the Norton Priory Trust. It is one of only 2 Norman Castles remaining in Cheshire. The Castle is only open to the public for special events and tours.

20. 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:

| 2013/14 | | 2014/15 |
|----------------|--|----------------|
| £000 | | £000 |
| 995 | Rental income from Investment Property | 1,137 |
| (698) | Direct operating expenses arising from investment property | (381) |
| 297 | | 756 |

Investment Properties are not directly involved in the delivery of a service. They are valued annually by the Council's in-house valuer. They are included at Market Value (MV).

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 obligations.

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

| | 2013/14 | 2014/15 |
|---|----------------|----------------|
| | £000 | £000 |
| Balance at the start of the year | 13,405 | 12,249 |
| Additions: | | |
| - Purchases | 72 | 161 |
| - Construction | - | - |
| - Subsequent expenditure | - | - |
| Disposals | (701) | (2,036) |
| Net gain/losses from fair value adjustments | (527) | 521 |
| Transfers: | | |
| - To/from Inventories | - | - |
| - To/from Property, Plant and Equipment | - | - |
| Other changes | - | - |
| | 12,249 | 10,895 |

21. Intangible Assets

The Council accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of hardware item of Property, Plant and Equipment. The intangible assets include purchased licenses but not internally generated software.

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 £0.358m charged to revenue in 2014/15 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:

| | 2013/14 | | | 2014/15 | | |
|---|-----------------------------------|-----------------|----------------|-----------------------------------|-----------------|----------------|
| | Internally Generated Assets | Other Assets | Total | Internally Generated Assets | Other Assets | Total |
| | £000 | £000 | £000 | £000 | £000 | £000 |
| Balance at start of year: | | | | | | |
| Gross carrying amounts | - | 5,188 | 5,188 | - | 5,393 | 5,393 |
| Accumulated amortisation | - | (3,921) | (3,921) | - | (4,500) | (4,500) |
| Net carrying amount at start of year | - | 1,267 | 1,267 | - | 893 | 893 |
| Additions: | | | | | | |
| Purchases | - | 205 | 205 | - | 408 | 408 |
| Amortisation for the period | - | (579) | (579) | - | (358) | (358) |
| Net carrying amount at end of year | - | 893 | 893 | - | 943 | 943 |
| Comprising: | | | | | | |
| Gross carrying amounts | - | 5,393 | 5,393 | - | 5,801 | 5,801 |
| Accumulated amortisation | - | (4,500) | (4,500) | - | (4,858) | (4,858) |
| | - | 893 | 893 | - | 943 | 943 |

The items of capitalised software, that are material to the financial statements, are as follows:

| Description | Carrying Amount 31/03/15 £'000 | Remaining Amortisation Period |
|---------------------------|--------------------------------------|----------------------------------|
| Software Licenses 2010/11 | 97 | 1 year |
| Software Licenses 2011/12 | 135 | 2 years |
| Software Licenses 2012/13 | 139 | 3 years |
| Software Licenses 2013/14 | 164 | 4 years |
| Software Licenses 2014/15 | 408 | 5 years |

22. Assets Held for Sale

| | Current | | Non-Current | |
|---|--------------|--------------|-------------|---------|
| | 2013/14 | 2014/15 | 2013/14 | 2014/15 |
| | £000 | £000 | £000 | £000 |
| Balance outstanding at start of Year | 3,743 | 2,802 | - | - |
| Assets newly classified as held for sale: | | | - | - |
| - Property, Plant and Equipment | | - | - | - |
| - Intangible Assets | - | - | - | - |
| Revaluation Losses | (126) | (825) | - | - |
| Revaluation Gains | - | 1 | - | - |
| Impairment Losses | - | - | - | - |
| Assets declassified as held for sale: | | | - | - |
| - Property, Plant and Equipment | - | - | - | - |
| - Intangible Assets | - | - | - | - |
| Assets Sold | (815) | (225) | - | - |
| Transfers from non-current to current | - | - | - | - |
| Other Movements | - | - | - | - |
| Balance outstanding at year-end | 2,802 | 1,753 | - | - |

23. Investments

Long term investments consist of:

| | Balance at 31/03/2014 £000 | Balance at 31/03/2015 £000 |
|---|----------------------------------|----------------------------------|
| Halton Borough Transport Ltd | | |
| - Share Capital | 430 | 430 |
| - Debenture 1 | 18 | 11 |
| - Debenture 2 | 86 | 71 |
| Municipal Bonds Agency | - | 10 |
| Mersey Gateway Share Capital - de minimis | - | - |
| Halton Development Partnership Limited – de minimis | - | - |
| Widnes Regeneration Limited – de minimis | - | - |
| Long Term Deposits | - | - |
| | 534 | 522 |

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 are currently two debentures being repaid with interest. Debenture 1 is being repaid at £7,000 per annum and Debenture 2 repaid at £14,286 per annum. Extracts from their accounts are detailed below:

| | 31/03/2014 | 31/03/2015 |
|--|-------------------|-------------------|
| | £000 | £000 |
| Profit and Loss Account | | |
| Turnover | (5,815) | (6,100) |
| Operating and Other Expenditure | 5,765 | 6,122 |
| Net (Profit)/Loss (before Dividend) | (50) | 22 |
| Dividend due to Halton Borough Council | - | - |
| Balance Sheet as at 31st March | | |
| Fixed Assets | 2,419 | 2,916 |
| Current Assets less Current Liabilities | (803) | (1,589) |
| Net Current Assets | 1,616 | 1,327 |
| Long Term Liabilities | (785) | (519) |
| Provisions for Liabilities and Charges | (53) | (53) |
| Pension Scheme Liability | - | - |
| | 778 | 755 |
| Represented by: | | |
| Share Capital | (430) | (430) |
| Profit and Loss Account | (348) | (325) |
| | (778) | (755) |

Please note that as the Halton Borough Transport Ltd's accounts were not finalised by 30th June 2015, the figures above have been produced using estimates based on Halton Borough Transport's Management Accounts as at 31st March 2015. The final audited account will be incorporated into the final accounts produced by 30th September 2015.

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:

| | 31/03/2014 | 31/03/2015 |
|--|-------------------|-------------------|
| | £000 | £000 |
| Profit and Loss Account | | |
| Turnover | - | (2,134) |
| Operating and Other Expenditure | - | 2,144 |
| Net (Profit)/Loss (before Dividend) | - | 10 |
| Dividend due to Halton Borough Council | - | - |
| Balance Sheet as at 31st March | | |
| Fixed Assets | - | 1 |
| Current Assets less Current Liabilities | - | (11) |
| Net Current Assets | - | (10) |
| Long Term Liabilities | - | - |
| Provisions for Liabilities and Charges | - | - |
| Pension Scheme Liability | - | - |
| | - | (10) |
| Represented by: | | |
| Share Capital | - | - |
| Profit and Loss Account | - | (10) |
| | - | (10) |

Please note that as the Mersey Gateway Crossing Board Limited's accounts were not finalised by 30th June 2015, the figures above have been produced using estimates based on Mersey Gateway Crossings Board Limited's Draft Accounts as at 31st March 2015. The final audited account will be incorporated into the final accounts produced by 30th September 2015.

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

Short term investments consist of:

| | 31/03/2014 | 31/03/2015 |
|--|-------------------|-------------------|
| | £000 | £000 |
| Nationalised Banks | | |
| Lloyds/Bank of Scotland Plc | 10,000 | 30,000 |
| Royal Bank of Scotland Plc | 5,000 | 30,000 |
| UK Banks & Building Societies | | |
| Standard Chartered | - | 10,000 |
| Santander | - | 10,000 |
| Non-UK Banks | | |
| Rabobank | - | 10,000 |
| Commonwealth Bank Australia | - | 10,000 |
| Bank of Montreal | - | 10,000 |
| National Australia Bank | - | 10,000 |
| Toronto Dominion | - | 10,000 |
| Bank of Nova Scotia | - | 10,000 |
| United Overseas Bank | - | 5,000 |
| Development Bank of Singapore | - | 10,000 |
| Overseas Chinese Banking Corporation | - | 10,000 |
| Local Authorities | | |
| Darlington Borough Council | - | 5,000 |
| | 15,000 | 170,000 |

There has been a substantial increase in investments during 2014/15 due to the Council undertaking £113m of advance borrowing to fund the Mersey Gateway project and receipt of £52.0m Department For Transport Grant to repay the Council for land acquisition costs incurred, for which the Council had already borrowed.

24. Debtors

| | Gross Debtors | Impairment | Net Debtors | Gross Debtors | Impairment | Net Debtors |
|-------------------------------------|--------------------------------------|----------------|---------------|-----------------------------|----------------|---------------|
| | 31 st March 2014 Restated | | | 31 st March 2015 | | |
| | £000 | £000 | £000 | £000 | £000 | £000 |
| Short Term | | | | | | |
| Central Government Bodies | 3,701 | - | 3,701 | 6,131 | - | 6,131 |
| Mersey Gateway Grant (DfT) | 52,014 | - | 52,014 | - | - | - |
| Other Local Authorities | 943 | - | 943 | 928 | - | 928 |
| NHS Bodies | 617 | - | 617 | 156 | - | 156 |
| Public Corporations & Trading Funds | 19 | - | 19 | - | - | - |
| Other Entities & Individuals | 16,059 | (7,726) | 8,333 | 21,019 | (7,352) | 13,667 |
| | 73,353 | (7,726) | 65,627 | 28,234 | (7,352) | 20,882 |
| Long Term | | | | | | |
| Mortgagors – Council House Sales | 4 | - | 4 | 2 | - | 2 |
| Housing Associations | 1,284 | - | 1,284 | 1,259 | - | 1,259 |
| Mersey Gateway Grant | - | - | - | 700 | - | 700 |
| Other | 515 | - | 515 | - | - | - |
| | 1,803 | - | 1,803 | 1,961 | - | 1,961 |

25. Inventories

| | Catering, Bars and Provisions | | Railcards | | Other | |
|---|-------------------------------|------------|-----------|----------|------------|------------|
| | 2013/14 | 2014/15 | 2013/14 | 2014/15 | 2013/14 | 2014/15 |
| | £000 | £000 | £000 | £000 | £000 | £000 |
| Balance outstanding at the start of the year | 138 | 146 | 17 | - | 203 | 190 |
| Purchased | 11 | 10 | - | - | 64 | 52 |
| Recognised as an expense in the year | (3) | (67) | (17) | - | (77) | (109) |
| Written-off balances | - | - | - | - | - | - |
| Reversals of write-offs in previous years | - | - | - | - | - | - |
| Balance outstanding at the end of the year | 146 | 89 | - | - | 190 | 133 |

26. Cash and Cash Equivalents

| | 31/03/2014 | 31/03/2015 |
|--------------------------|---------------|---------------|
| | £000 | £000 |
| Cash held by the Council | 49 | 47 |
| Bank current accounts | 4,267 | 2,744 |
| Short-term deposits | 25,150 | 40,500 |
| | 29,466 | 43,291 |

27. Creditors

| | 31/03/2014 | 31/03/2015 |
|-------------------------------------|-----------------|-----------------|
| | Restated | |
| | £000 | £000 |
| Central Government Bodies | (6,704) | (8,874) |
| Other Local Authorities | (3,699) | (2,299) |
| NHS Bodies | (2,510) | (1,613) |
| Public Corporations & Trading Funds | (2) | (2) |
| Other Entities & Individuals | (19,588) | (21,113) |
| | (32,503) | (33,901) |

The 2013/14 figures have been restated to reflect the split between Creditors and Revenue Grants Receipts in Advance.

28. Trust Funds

The Council acts either in its own right or with others as trustees of various funds. In turn, these funds may have been established either for charitable or non-charitable purposes.

This note is a requirement of the Accounting Code of Practice to demonstrate the disclosure of the Council's stewardship and trustee responsibilities. None of the funds represent assets of the Council and they have not been included in the Council's Income and Expenditure Account or Balance Sheet.

The Council acts as sole trustee for two trust funds, and as one of several trustees for a further five funds.

| | | 31/03/2014 £000 | Movement £000 | 31/03/2015 £000 |
|--|-------------|--------------------|------------------|--------------------|
| (A) funds for which the Council acts as sole trustee | | | | |
| Social Services Special Funds | | | | |
| At 31 st March the Council was acting as a Trustee for various Social Services clients | Balance | (2,906) | (235) | (3,141) |
| Public Health (Control of Disease) Act 1984 | | | | |
| At 31 st March the Council was holding various sums under the above act in respect of public funds | Balance | (16) | - | (16) |
| (B) Funds where the Council doesn't have sole control | | | | |
| Registered Charities | | | | |
| Knights House Charity | Assets | (390) | (21) | (411) |
| Objective: to assist the needy in the Widnes area | Liabilities | 247 | 10 | 257 |
| Charity No. 218886 | | (143) | (11) | (154) |
| Runcorn General War Relief | Assets | (35) | - | (35) |
| Objective: to assist the needy in the Runcorn area | Liabilities | 19 | - | 19 |
| Charity No. 505396 | | (16) | - | (16) |
| Widnes Education Foundation | Assets | (24) | (1) | (25) |
| Objective: to assist in education opportunities for students in Widnes - Charity No. 526510 | Liabilities | 22 | - | 22 |
| | | (2) | (1) | (3) |
| Other | | | | |
| Other Social Services Funds | Balance | (63) | (11) | (74) |
| The Council holds various sums on a voluntary basis for clients. The funds are mainly used to assist in providing recreational activities. | | | | |
| Education Welfare Trust | Balance | (1) | - | (1) |
| The Council holds a small sum on a voluntary basis from various fundraising activities. The funds are used to pay for additional educational activities. | | | | |

29. Leases

2014/15 – Leases Disclosure Note

Authority as Lessee

Finance Leases

The Council has acquired a number of vehicles, photocopiers, hospitality, catering, ICT and school equipment under finance leases.

The assets acquired under the leases are carried as Property, Plant and Equipment in the Balance Sheet at the following net amounts:

| | 31/03/2014 | 31/03/2015 |
|--|-------------------|-------------------|
| | £000 | £000 |
| Vehicles, Plant, Furniture & Equipment | 1,331 | 924 |

The Council is committed to making minimum payments under the leases comprising settlement of the long-term liability for the interest in the assets acquired and the finance costs that will be payable by the Council in future years while the liability remains outstanding. The minimum lease payments are made up of the following amounts:

| | 31/03/2014 | 31/03/2015 |
|--|-------------------|-------------------|
| | £000 | £000 |
| Finance Lease liabilities (net present value of minimum lease payments): | | |
| Vehicles, Plant, Furniture & Equipment | 648 | 465 |
| Finance costs payable in future years | 33 | 18 |
| Minimum Lease Payments | 681 | 483 |

The minimum lease payments will be payable over the following periods:

| | Minimum Lease Payments | | Finance Lease Liabilities | |
|---|-------------------------------|-------------------|----------------------------------|-------------------|
| | 31/03/2014 | 31/03/2015 | 31/03/2014 | 31/03/2015 |
| | £000 | £000 | £000 | £000 |
| Not later than one year | 496 | 402 | (478) | (389) |
| Later than one year and not later than five years | 565 | 358 | (565) | (351) |
| Later than five years | - | - | - | - |
| | 1,061 | 760 | (1,043) | (740) |

Operating Leases

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

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

| | 31/03/2014 | 31/03/2015 |
|---|-------------------|-------------------|
| | £000 | £000 |
| Not later than one year | 794 | 751 |
| Later than one year not later than five years | 1,640 | 1,598 |
| Later than five years | 10,827 | 10,580 |
| | 13,261 | 12,929 |

Where lease cars acquired under operating leases are sub-let, the Council is required to disclose the future minimum sub-lease payments expected to be received under non-cancellable sub-leases at the 31st March.

| | 31/03/2014 | 31/03/2015 |
|---|-------------------|-------------------|
| | £000 | £000 |
| Not later than one year | 267 | 248 |
| Later than one year not later than five years | 411 | 213 |
| Later than five years | - | - |
| | 678 | 461 |

The expenditure charged to the Comprehensive Income and Expenditure Statement during the year in relation to operating leases was:

| | 31/03/2015 | 31/03/2014 |
|--|-------------------|-------------------|
| | £000 | £000 |
| Children's & Education Service | 271 | 285 |
| Adult Social Care | 162 | 162 |
| Highways & Transport | 84 | 146 |
| Cultural, Environmental, Regulatory and Planning | 237 | 220 |
| Housing Services | 47 | 30 |
| Central Services | 474 | 459 |
| Corporate and Democratic Core | 21 | 26 |
| Non Distributed Costs | 1 | - |
| Net Cost of Services | 1,297 | 1,328 |
| (Surplus)/Deficit from Trading Operations | - | - |
| | 1,297 | 1,328 |

Authority as a Lessor

Finance Leases

The Council has no Finance Leases under this category for 2014/15.

Operating Leases

The Council leases out property under operating leases to supplement the Council's investment 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:

| | 31/03/2014 | 31/03/2015 |
|---|-------------------|-------------------|
| | £000 | £000 |
| Not later than one year | 1,431 | 2,059 |
| Later than one year not later than five years | 2,957 | 2,604 |
| Later than five years | 11,867 | 11,371 |
| | 16,255 | 16,034 |

The minimum lease payments receivable do not include rents that are contingent on events taking place after the lease was entered into, such adjustments following rent review.

In 2014/15 £9,979 contingent rents were receivable by the Council (2013/14 £8,621).

30. Borrowings

Short term borrowings consist of:

| | 31/03/2014 | 31/03/2015 |
|-----------------------------|-------------------|-------------------|
| | £000 | £000 |
| Source of loans: | | |
| Public Works Loans Board | - | (10,000) |
| West Midlands Police | - | (5,000) |
| Portsmouth CC | - | (10,000) |
| London Borough of Havering | - | (5,000) |
| Liverpool City Region - LEP | - | (5,449) |
| | - | (35,449) |

Long term borrowings consist of:

| | 31/03/2014 | 31/03/2015 |
|---------------------------------------|-------------------|-------------------|
| | £000 | £000 |
| Source of loans: | | |
| Public Works Loan Board | (40,000) | (143,000) |
| Eurohypo | (10,000) | (10,000) |
| London Borough of Havering | (5,000) | - |
| West Midlands Police | (5,000) | - |
| Portsmouth City Council | (10,000) | - |
| Liverpool City Region - LEP | (5,401) | - |
| | (75,401) | (153,000) |
| Analysis of loans by maturity: | | |
| Maturing in 1-2 years | (35,401) | (10,000) |
| Maturing in 2-5 years | (20,000) | (10,000) |
| Maturing in 5-10 years | - | - |
| Maturing in more than 10 years | (20,000) | (133,000) |
| | (75,401) | (153,000) |

There has been a substantial increase in borrowing during 2014/15 due to the Council undertaking £113m of advance borrowing to fund the Mersey Gateway project for which there has been a corresponding increase in Investments (note 23). All payments should be made to fund the project during 2015/16 and 2016/17.

The Council received £5.4m of Growing Places Fund from the Liverpool City Region Local Enterprise Partnership (LEP) during 2013 which has been reclassified as long term borrowings in the 2013/14 figures above. See Note 45 – Prior Year Adjustments for more information.

31. Provisions

Long term provisions

| | Land Search Charge Claim £000 | Efficiency Costs £000 | NNDR Appeals £000 |
|------------------------------------|--|--------------------------------------|----------------------------------|
| Balance at 1 April 2014 | (160) | (11) | (565) |
| Additional provisions made in year | - | (191) | - |
| Amount used in year | - | 8 | 565 |
| Amounts reclassified as <12 months | - | - | - |
| Unused amounts reversed in year | - | - | - |
| Balance at 31 March 2015 | (160) | (194) | - |

Short term provisions

| | Equal Pay £000 | MMI Insurance £000 | Oldgate Industrial Estate £000 | Dilapidation Costs £000 | The Hive £000 | NNDR Appeals £000 | Other £000 |
|--------------------------------------|---------------------------|-----------------------------------|---|--|--------------------------|----------------------------------|-----------------------|
| Balance at 1 April 2014 | (682) | (420) | - | (60) | (37) | (1,788) | - |
| Additional provisions made in year | - | - | (60) | (152) | - | (7,248) | (13) |
| Amount used in year | - | - | - | 60 | 37 | 4,524 | - |
| Amounts reclassified from >12 months | - | - | - | - | - | - | - |
| Unused amounts reversed in year | 682 | - | - | - | - | - | - |
| Balance at 31 March 2015 | - | (420) | (60) | (152) | - | (4,512) | (13) |

Land Search Charge Claim

There is currently a national legal review into whether Councils have unjustly charged for land searches. Claims may go back to 2004/05 and as such the Council has made a provision for them.

Efficiency Costs

As part of the current efficiency review a number of staff have taken voluntary redundancy, a provision has been made for outstanding redundancy payments as at 31st March 2015.

Municipal Mutual Insurance (MMI)

Between 1990 and 1992, the Council's insurers, MMI, suffered substantial losses. These losses reduced MMI's net assets to a level below the minimum regulatory solvency requirement. In September 1992, MMI ceased to write new, or to renew, general insurance business. The company is subject to a scheme of arrangement. On 13th November 2012, the directors of the company concluded that the terms of the scheme of arrangement should be triggered. An initial levy rate of 15% had been applied to the sum of claims at the 31st March 13 this was paid in the 2013/14 and the provision for the outstanding amount has now been increased to 50%. This has been accounted for as a provision within the Council's Balance Sheet. As at 31st March 2015, claims totalled £1.236m.

Dilapidation Costs

The Council rents properties from other organisations and the buildings must be handed back in the same condition as they were taken. As such a provision for the cost or repairs and maintenance of Ashley House has been made.

Oldgate Industrial Estate

After fitting new roofs on all the units on Oldgate Industrial Estate, a problem with the drainage on the estate was highlighted. As such a provision has been set aside for the works to be completed by July 15.

NNDR Appeals

With the re-organisation of the NNDR scheme the Council is now required to make a provision for NNDR valuation appeal claims. It is thought that the all these claims will be settled during 2015/16.

32. Other Long Term Liabilities

| | 31/03/2014 | 31/03/2015 |
|---|-------------------|-------------------|
| | £000 | £000 |
| Defined Benefit Pension liability | (96,762) | (127,655) |
| Finance PFI Lease liability due more than 12 months | (21,532) | (21,143) |
| Finance Leases liability due more than 12 months | (804) | (509) |
| Deferred liabilities | (103) | (88) |
| | (119,201) | (149,395) |

33. Pension Schemes

Disclosure of Net Pensions Asset/Liability

Participation in pensions 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 53 employees. The scheme operates on a similar basis to the Teacher's pension scheme

Local Government Pension Scheme

Halton Borough Transport Ltd

As a wholly owned subsidiary of Halton Borough Council, the liabilities of Halton Borough Transport Ltd (HBT Ltd) rest, in the last resort, with the Council. As a result it has been agreed that, from and including the financial year 2009/10, the Council will be liable for the past service deficit of the Cheshire Pension Fund relating to HBT Ltd. This cost will be transferred to the Council and will be included within its annual employers contribution rate. HBT Ltd will remain liable for the payment of the future service rate to the Cheshire Pension Fund.

Transactions Relating to Post-Employment Benefits

In 2014/15, the Council paid an employer's contribution to the Cheshire Pension Fund of £12.099m (£12.523m in 2013/14), representing 20.6% (20.1% in 2013/14) 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:

| | 2013/14 | 2014/15 |
|--|-----------------|-----------------|
| | £000 | £000 |
| | Restated | |
| Comprehensive Income & Expenditure Statement | | |
| Cost of Services | | |
| Current Service Costs | 12,858 | 12,330 |
| Past Service Costs/(Gain) | 169 | 38 |
| Losses/(Gains) from Settlements | (426) | (832) |
| Finance & Investment Income & Expenditure | | |
| Net interest expense | 5,295 | 4,047 |
| Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services | 17,896 | 15,583 |
| 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) | (5,557) | (45,592) |
| Actuarial (gains) and losses arising on changes in demographic assumptions | (9,807) | - |
| Actuarial (gains) and losses arising on changes in financial assumptions | (24,323) | 77,314 |
| Other experience | 13,505 | (4,314) |
| Total Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement | (26,182) | 27,408 |
| 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 | (17,896) | (15,583) |
| Actual amount charged against the General Fund Balance for pensions in the year: | | |
| Employers' contributions payable to scheme | 12,523 | 12,099 |

Due to an error in the 2013/14 accounts, the figures included in 'Other Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement' and for 'Employer's contributions payable to the scheme' were incorrect. This has been corrected in the 2014/15 accounts.

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

| | 2013/14 | 2014/15 |
|--|----------------|----------------|
| | £000 | £000 |
| Present value of the defined benefit obligation | 488,893 | 579,821 |
| Fair value of plan assets | (392,130) | (452,166) |
| Sub Total | 96,763 | 127,655 |
| Other movement in the liability / (asset) | - | - |
| Net liability arising from defined benefit obligation | 96,763 | 127,655 |

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

| | 2013/14 | 2014/15 |
|--|----------------|----------------|
| | £000 | £000 |
| Opening fair value of scheme assets | 370,062 | 392,130 |
| Interest income | 16,646 | 16,848 |
| Remeasurement gain / (loss) | - | - |
| The return on plan assets, excluding the amount included in the net interest expense | 5,557 | 45,592 |
| Contributions from employer | 12,523 | 12,099 |
| Contribution from employees into the scheme | 3,254 | 3,364 |
| Benefits Paid | (15,058) | (15,548) |
| Effect of Settlements | (854) | (2,319) |
| Closing fair value of scheme assets | 392,130 | 452,166 |

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

| | 2013/14 | 2014/15 |
|--|----------------|----------------|
| | £000 | £000 |
| Opening balance at 1 April | 487,634 | 488,893 |
| Current service cost | 12,858 | 12,330 |
| Interest Cost | 21,941 | 20,895 |
| Contribution from scheme participants | 3,254 | 3,364 |
| Remeasurement (gains) and losses: | | |
| - Actuarial gains / losses arising from changes in demographic assumptions | (9,807) | - |
| - Actuarial gains / losses arising from changes in financial assumptions | (24,323) | 77,314 |
| - Other | 13,505 | (4,314) |
| Past service cost | 169 | 38 |
| Benefits paid | (15,058) | (15,548) |
| Liabilities extinguished on settlements | (1,280) | (3,151) |
| Closing balance at 31 March | 488,893 | 579,821 |

Local Government Pension Scheme assets comprised

| | Fair value of scheme assets 2013/14 | | | Fair value of scheme assets 2014/15 | | |
|-----------------------------------|--|--|----------------|--|--|----------------|
| | 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 | - | 1,550 | 1,550 | - | 10,801 | 10,801 |
| Equity securities | | | | | | |
| - Consumer | 51,606 | - | 51,606 | 43,921 | - | 43,921 |
| - Manufacturing | 17,912 | - | 17,912 | 12,623 | - | 12,623 |
| - Energy & utilities | 10,744 | - | 10,744 | 1,982 | - | 1,982 |
| - Financial institutions | 19,638 | - | 19,638 | 13,338 | - | 13,338 |
| - Health & Care | 4,776 | - | 4,776 | 4,228 | - | 4,228 |
| - Information technology | 15,317 | - | 15,317 | 13,152 | - | 13,152 |
| - Other | 12,115 | - | 12,115 | 4,274 | - | 4,274 |
| Sub-total equity | 132,108 | - | 132,108 | 93,518 | - | 93,518 |
| Debt Securities | | | | | | |
| - Corporate Bonds | - | - | - | - | - | - |
| - Government Bonds | - | - | - | - | - | - |
| - Other | - | 23,364 | 23,364 | - | - | - |
| Sub-total bonds | - | 23,364 | 23,364 | - | - | - |
| Property | | | | | | |
| - UK property | - | 24,742 | 24,742 | - | 35,443 | 35,443 |
| - Overseas property | - | 1,352 | 1,352 | - | 1,061 | 1,061 |
| Sub-total property | - | 26,094 | 26,094 | - | 36,504 | 36,504 |
| Private Equity | - | 21,320 | 21,320 | - | 21,494 | 21,494 |
| Other investment funds | | | | | | |
| - Equities | 64,195 | - | 64,195 | 44,077 | - | 44,077 |
| - Bonds | 68,460 | - | 68,460 | 158,130 | - | 158,130 |
| - Hedge funds | - | 55,039 | 55,039 | - | 62,186 | 62,186 |
| - Other | - | - | - | - | 25,456 | 25,456 |
| Sub-total investment funds | 132,655 | 55,039 | 187,694 | 202,207 | 87,642 | 289,849 |
| Total Assets | 264,763 | 127,367 | 392,130 | 295,725 | 156,441 | 452,166 |

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 Hyman Robertson LLP, an independent firm of actuaries.

The principal assumptions used by the actuary are shown below:

| | 2013/14 | 2014/15 |
|--|----------------|----------------|
| Long-term expected rate of return on assets in the scheme | | |
| Investment Returns | | |
| - Equity Investments | 4.3% | 3.2% |
| - Bonds | 4.3% | 3.2% |
| - Property | 4.3% | 3.2% |
| - Cash | 4.3% | 3.2% |
| Mortality Assumptions | | |
| Longevity at 65 for current pensioners: | | |
| - Men | 22.3 years | 22.3 years |
| - Women | 24.4 years | 24.4 years |
| Longevity at 65 for future pensioners: | | |
| - Men | 24.1 years | 24.1 years |
| - Women | 26.7 years | 26.7 years |
| Rate of inflation | 2.8% | 2.4% |
| Rate of increase in salaries | 3.6% | 3.3% |
| Rate of increase in pensions | 2.8% | 2.4% |
| Rate for discounting scheme liabilities | 4.3% | 3.2% |
| 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.

| | Approximate % increase to Employer Liability | Approximate monetary amount £000 |
|---|---|---|
| Change in assumptions at 31 March 2015 | | |
| 0.5% decrease in Real Discount Rate | 11% | 61,189 |
| 1 year increase in member life expectancy | 3% | 17,395 |
| 0.5% increase in the Salary Increase Rate | 4% | 20,415 |
| 0.5% increase in the Pension Increase Rate | 7% | 39,537 |

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 next 20 years. Funding levels are monitored on an annual basis and the next triennial valuation is due to be completed on 31 March 2016.

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 £11.149m to the scheme in 2014/15.

The weighted average duration of the defined benefit obligation for scheme members is 18.5 years in 2014/15 (18.5 years in 2013/14)

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 2014/15, the Council paid an employers' contribution to the Teachers' Pension Agency of £4.193m (£4.703m in 2013/14) in respect of teachers' pension costs. The contribution rate was 14.1% (14.1% in 2013/14) 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 2014/15 the cost was £0.129m (£0.144m in 2013/14).

NHS Pension Scheme

Defined Contribution Scheme

In 2014/15 the Council paid an employers' contribution to the National Health Service Pensions Scheme in respect of 53 employees, the amount paid was £0.121m (£0.058m in 2013/14) in respect of these former NHS employees' pension costs. The contribution rate was 14.0% (14.0% in 2013/14) 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.

34. Financial Instruments

Please note a number of figures for the 2013/14 financial year have been restated to ensure they compare with the revised calculations and format used for 2014/15. These tables have been labelled as restated where this is applicable

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 2015. The fair value of the Council’s Certificates of Deposit (CDs) have been provided by King & Shaxson.

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 £210m 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 2015 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 £m | Counterparties | Exposure at 31/03/2015 £000 |
|---------------------------------------|--|--------------------------------|
| 30 | UK Government | - |
| 30 | Nationalised and Part Nationalised Banks - Minimum Rating A | 62,350 |
| 30 | UK Banks and Building Societies - Minimum Rating AAA | - |
| 20 | - Minimum Rating AA | 10,000 |
| 10 | - Minimum Rating A | 38,000 |
| 20 | Foreign Banks (with Sovereign Rating of AAA) - Minimum Rating AAA | - |
| 10 | - Minimum Rating AA | 95,000 |
| 20 | Local Authorities | 5,000 |
| | | 210,350 |

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 31/03/2014 £000 | Amount Outstanding at 31/03/2015 £000 | Historical experience of default % | Estimated maximum exposure to default and non-collection at 31/03/2015 £000 |
|----------------------------------|--|--|---------------------------------------|--|
| Deposits with Banks | - | 192,350 | 0.00 | - |
| Deposits with Building Societies | - | 13,000 | 0.00 | - |
| Deposits with Local Authorities | - | 5,000 | 0.00 | - |
| Customers/Clients | 172 | 7,566 | 2.50 | 189 |
| | 172 | | | 189 |

None of the Council's counterparties had any difficulty in repaying their liabilities during 2014/15. 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.

The Council does not allow credit for customers (except in certain statutory situations). £3.232m of the £7.566m customer/client debt shown above is overdue. An analysis of the debt is shown below:

| | 31/03/2014 | 31/03/2015 |
|---------------------------|-------------------|-------------------|
| | £000 | £000 |
| Less than 3 months | 3,261 | 3,709 |
| 3 to 6 months | 704 | 631 |
| 6 months to 1 year | 823 | 715 |
| More than 1 year | 2,118 | 2,511 |
| | 6,906 | 7,566 |
| Provision for non-payment | (3,453) | (2,977) |

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:

| | 31/03/2014 | 31/03/2015 |
|-----------------------|-------------------|-------------------|
| | Restated | |
| | £000 | £000 |
| Less than 1 year | 39,265 | 80,755 |
| Between 1 and 2 years | 35,401 | 10,000 |
| Between 2 and 5 years | 20,000 | 10,000 |
| More than 5 years | 20,000 | 133,000 |
| | 114,666 | 233,755 |

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 2015, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

| | 2014/15 |
|---|----------------|
| | £000 |
| Increase in interest payable on variable rate borrowings | - |
| Increase in interest receivable on variable rate investments | (1,525) |
| Impact upon Comprehensive Income and Expenditure Statement | (1,525) |

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

The Council has not taken any short term or variable borrowings in year so there was no interest payable for variable rate borrowings in 2014/15.

Price Risk

The Council does not have any holdings in investments which would be subject to potential gains and losses based on 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 Restated 31/03/2014 £000 | Current Restated 31/03/2014 £000 | Long Term 31/03/2015 £000 | Current 31/03/2015 £000 |
|---|---|---|--|--|
| Investments | | | | |
| Loans and receivables | - | 15,000 | - | 170,000 |
| Unquoted equity investment at cost | 534 | - | 522 | - |
| Total | 534 | 15,000 | 522 | 170,000 |
| Assets | | | | |
| Cash & Cash Equivalents | - | 29,466 | - | 43,291 |
| Loans and receivables | 1,803 | 63,971 | 1,803 | 17,726 |
| Total | 1,803 | 93,437 | 1,803 | 61,017 |
| Borrowings | | | | |
| Financial liabilities at amortised cost | (75,401) | - | (153,000) | (35,449) |
| Other liabilities | | | | |
| Finance lease liabilities & PFI | (22,098) | (942) | (21,429) | (893) |
| Current Liabilities | | | | |
| Financial liabilities at amortised cost | - | (39,265) | - | (45,306) |

Material Soft Loans Made by the Council

There were no material soft loans made by Halton Borough Council in 2014/15 (£0 2013/14)

Reclassifications

There were no reclassifications of financial instruments made by Halton Borough Council in 2014/15 (£0 2013/14)

Income, Expense, Gains and Losses

| | 2013/14 | | | 2014/15 | | |
|------------------------|--|---|---------------|--|---|---------------|
| | 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 | 3,632 | - | 3,632 | 5,935 | - | 5,935 |
| Interest income | - | (654) | (654) | - | (1,150) | (1,150) |
| Net Gain/(Loss) | 3,632 | (654) | 2,978 | 5,935 | (1,150) | 4,785 |

Fair Value of Assets and Liabilities

Financial liabilities, financial assets represented by loans and receivables and long-term debtors and creditors 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, using the following assumptions:

Estimated ranges of interest rates at 31st March 2015 for loans from PWLB and other loans receivable and payable based on new lending rates for equivalent loans at that date.

No early repayment or impairment is recognised for loans or investments.

The fair value of trade and other receivables is taken to be the invoiced or billed amount less a provision for impairment.

The fair values are shown below:

| | 2013/14 | | 2014/15 | |
|---|----------------------------------|-----------------------------|-------------------------|--------------------|
| | Carrying Amount Restated £000 | Fair Value Restated £000 | Carrying Amount £000 | Fair Value £000 |
| Financial Liabilities - short term | | | | |
| Borrowings | - | - | (35,449) | (35,607) |
| Finance lease liabilities & PFI | (942) | (942) | (893) | (893) |
| Other financial liabilities | (39,265) | (39,265) | (45,306) | (45,306) |
| Financial Liabilities - long term | | | | |
| Borrowings | (75,401) | (74,972) | (153,000) | (174,262) |
| Finance lease liabilities & PFI | (22,098) | (22,098) | (21,429) | (21,429) |
| Other financial liabilities | - | - | - | - |

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 2015) arising from a commitment to pay interest to lenders above current market rates.

| | 2013/14 | | 2014/15 | |
|--------------------------------------|----------------|----------------------------------|----------------|--------------------|
| | Amount £000 | Fair Value (Restated) £000 | Amount £000 | Fair Value £000 |
| Financial Assets - short term | | | | |
| Investments - loans and receivables | 15,000 | 15,047 | 170,000 | 170,622 |
| Cash and Cash Equivalents | 29,466 | 29,482 | 43,291 | 43,298 |
| Loans and receivables | 63,971 | 63,971 | 17,726 | 17,726 |
| Financial Assets - long term | | | | |
| Unquoted equity investment at cost | 534 | 534 | 522 | 522 |
| Loans and receivables | 1,803 | 1,803 | 1,803 | 1,803 |

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 2015) attributable to the commitment to receive interest above current market rates.

Short-term debtors and creditors are carried at cost as this is the fair approximation of their value.

35. Termination Benefits

As part of the Council's on-going efficiency review there were a total number of 46 redundancies and 5 early retirements in 2014/15. In addition the Council incurs liabilities for past early retirements, which are charged to Council's Comprehensive Income and Expenditure Statement over a period of 5 years, incurring liabilities of £1.678m (2013/14 £2.411m). Please see note 3 for the number of exit packages and the cost per band.

Termination costs are split between service areas as follows:

| | 2014/15 |
|-------------------------------------|----------------|
| | £000 |
| Adult Social Care | 217 |
| Central Services | 474 |
| Children's & Education Services | 350 |
| Corporate & Democratic Core | 12 |
| Culture & Related Services | 244 |
| Environmental & Regulatory Services | 93 |
| Highways & Transport Services | 132 |
| Housing Services | 89 |
| Planning Services | 67 |
| Total | 1,678 |

36. Contingent Liabilities

At 31st March 2015, the Council had 2 categories of material Contingent Liabilities:

Mersey Gateway

The Mersey Gateway project is a major capital scheme currently progressing towards 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.

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.

At the 31st March 2015, the actual amount of any possible obligations is unknown.

Grange BSF PFI Scheme

As part of the Grange BSF PFI scheme deductions amounting to over £400k have been applied and subsequently deducted from the Unitary Charge payments made payable by the authority. The contractor however is disputing the level of deductions applied and currently this is still on-going with legal advice being sought and matter to be dealt via a mediation process in due course.

37 (a). Adjustments between Accounting Basis and Funding Basis under regulation – for year ended 31/03/14

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.

| | USABLE RESERVES | | | | UNUSABLE RESERVES | | | | | | | | | |
|--|---|----------------------------------|----------------------------------|-------------------------------------|--|--|--|-------------------------|---|-----------------------------------|--|--|--------------------------------------|---------------------------------------|
| | General Fund Balance (Restated) £000 | Capital Receipts Reserve £000 | Capital Grants Unapplied £000 | Movement in Usable Reserves £000 | Revaluation Reserve (Restated) £000 | Available for Sale Financial Instruments Reserve £000 | Financial Instruments Adjustment Account £000 | Pension Reserve £000 | Capital Adjustment Account (Restated) £000 | Deferred Capital Receipts £000 | Collection Fund Adjustment Account £000 | Unequal Pay Adjustment Account £000 | Accumulated Absences Account £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 | (21,009) | - | - | (21,009) | - | - | - | - | 21,009 | - | - | - | - | 21,009 |
| Revaluation losses on Property, Plant and Equipment | (10,065) | - | - | (10,065) | - | - | - | - | 10,065 | - | - | - | - | 10,065 |
| Movements in the Market Value of Investment Properties | (527) | - | - | (527) | - | - | - | - | 527 | - | - | - | - | 527 |
| Amortisation of Intangible Assets | (579) | - | - | (579) | - | - | - | - | 579 | - | - | - | - | 579 |
| Capital Grants and Contributions applied | 20,010 | - | - | 20,010 | - | - | - | - | (20,010) | - | - | - | - | (20,010) |
| REFCUS | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Amounts written off on disposal of Academies to CIES | (2,038) | - | - | (2,038) | 380 | - | - | - | 1,658 | - | - | - | - | 2,038 |
| Amounts of non-current assets written off on disposal or sale as gain/loss on disposal to the CIES | 1,014 | (2,982) | - | (1,968) | 608 | - | - | - | 1,360 | - | - | - | - | 1,968 |

| | USABLE RESERVES | | | | UNUSABLE RESERVES | | | | | | | | | |
|--|--|----------------------------------|----------------------------------|--|---|--|---|-------------------------|--|--------------------------------------|---|---|---|--|
| | General Fund Balance (Restated) £000 | Capital Receipts Reserve £000 | Capital Grants Unapplied £000 | Movement in Usable Reserves £000 | Revaluation Reserve (Restated) £000 | Available for Sale Financial Instruments Reserve £000 | Financial Instruments Adjustment Account £000 | Pension Reserve £000 | Capital Adjustment Account (Restated) £000 | Deferred Capital Receipts £000 | Collection Fund Adjustment Account £000 | Unequal Pay Adjustment Account £000 | Accumulated Absences Account £000 | Movement in Unusable Reserves £000 |
| Insertion of items not debited or credited to the CIES: | | | | | | | | | | | | | | |
| Statutory provision for the financing of Capital investment | 5,283 | - | - | 5,283 | - | - | - | - | (5,283) | - | - | - | - | (5,283) |
| Capital expenditure charged against the General Fund Balance | 914 | - | - | 914 | - | - | - | - | (914) | - | - | - | - | (914) |
| Other | | | | | | | | | | | | | | |
| Transfer between CAA and RR for depreciation that is based on CV rather than HC | - | - | - | - | 3,048 | - | - | - | (3,048) | - | - | - | - | - |
| Capital Grants Unapplied Account | | | | | | | | | | | | | | |
| Capital Grants and Contributions unapplied credited to the CIES | (226) | - | 226 | - | - | - | - | - | - | - | - | - | - | - |
| Application of Grants to Capital Financing transferred to the Capital Adjustment Account | - | - | - | - | - | - | - | - | - | - | - | - | - | - |

| | USABLE RESERVES | | | | UNUSABLE RESERVES | | | | | | | | | |
|---|--|----------------------------------|----------------------------------|--|---|--|---|-------------------------|--|--------------------------------------|---|---|---|--|
| | General Fund Balance (Restated) £000 | Capital Receipts Reserve £000 | Capital Grants Unapplied £000 | Movement in Usable Reserves £000 | Revaluation Reserve (Restated) £000 | Available for Sale Financial Instruments Reserve £000 | Financial Instruments Adjustment Account £000 | Pension Reserve £000 | Capital Adjustment Account (Restated) £000 | Deferred Capital Receipts £000 | Collection Fund Adjustment Account £000 | Unequal Pay Adjustment Account £000 | Accumulated Absences Account £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 | - | 2,431 | - | 2,431 | - | - | - | - | (2,431) | - | - | - | - | (2,431) |
| 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 | (5) | 5 | - | - | - | - | - | - | - | - | - | - | - | - |
| Transfer from the Deferred Capital Receipts Reserve upon the receipt of cash | - | - | - | - | - | - | - | - | - | - | - | - | - | - |

| | USABLE RESERVES | | | | UNUSABLE RESERVES | | | | | | | | | |
|--|--|----------------------------------|----------------------------------|--|---|--|---|-------------------------|--|--------------------------------------|---|---|---|--|
| | General Fund Balance (Restated) £000 | Capital Receipts Reserve £000 | Capital Grants Unapplied £000 | Movement in Usable Reserves £000 | Revaluation Reserve (Restated) £000 | Available for Sale Financial Instruments Reserve £000 | Financial Instruments Adjustment Account £000 | Pension Reserve £000 | Capital Adjustment Account (Restated) £000 | Deferred Capital Receipts £000 | Collection Fund Adjustment Account £000 | Unequal Pay Adjustment Account £000 | Accumulated Absences Account £000 | Movement in Unusable Reserves £000 |
| Deferred Capital Receipts Reserve | | | | | | | | | | | | | | |
| Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the CIES | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| FIAA | | | | | | | | | | | | | | |
| Amount by which finance costs charged to the CIES are different from the finance costs chargeable in year in accordance with statutory requirement | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Pensions Reserve | | | | | | | | | | | | | | |
| Reversal of items relating to retirement benefits debited/credited to the CIES | (17,896) | - | - | (17,896) | - | - | - | 17,896 | - | - | - | - | - | 17,896 |
| Employers pension contributions and direct payments to pensioners | 12,523 | - | - | 12,523 | - | - | - | (12,523) | - | - | - | - | - | (12,523) |

| | USABLE RESERVES | | | | UNUSABLE RESERVES | | | | | | | | | |
|--|--|----------------------------------|----------------------------------|--|---|--|---|-------------------------|--|--------------------------------------|---|---|---|--|
| | General Fund Balance (Restated) £000 | Capital Receipts Reserve £000 | Capital Grants Unapplied £000 | Movement in Usable Reserves £000 | Revaluation Reserve (Restated) £000 | Available for Sale Financial Instruments Reserve £000 | Financial Instruments Adjustment Account £000 | Pension Reserve £000 | Capital Adjustment Account (Restated) £000 | Deferred Capital Receipts £000 | Collection Fund Adjustment Account £000 | Unequal Pay Adjustment Account £000 | Accumulated Absences Account £000 | Movement in Unusable Reserves £000 |
| 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 | 2,155 | - | - | 2,155 | - | - | - | - | - | - | (2,155) | - | - | (2,155) |
| Unequal Pay Back-Pay Account Amount by which amounts charged for equal pay claims to the CIES are different from the cost of settlements chargeable in the year in accordance with statutory requirements | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Accumulated Absences Account Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration with statutory requirements | 147 | - | - | 147 | - | - | - | - | - | - | - | - | (147) | (147) |
| TOTAL ADJUSTMENTS | (10,299) | (546) | 226 | (10,619) | 4,036 | - | - | 5,373 | 3,512 | - | (2,155) | - | (147) | 10,619 |

37 (b). Adjustments between Accounting Basis and Funding Basis under regulation – for year ended 31/03/15

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.

| | USABLE RESERVES | | | | UNUSABLE RESERVES | | | | | | | | | |
|--|------------------------------|----------------------------------|----------------------------------|-------------------------------------|-----------------------------|--|--|-------------------------|------------------------------------|-----------------------------------|--|--|--------------------------------------|---------------------------------------|
| | General Fund Balance £000 | Capital Receipts Reserve £000 | Capital Grants Unapplied £000 | Movement in Usable Reserves £000 | Revaluation Reserve £000 | Available for Sale Financial Instruments Reserve £000 | Financial Instruments Adjustment Account £000 | Pension Reserve £000 | Capital Adjustment Account £000 | Deferred Capital Receipts £000 | Collection Fund Adjustment Account £000 | Unequal Pay Adjustment Account £000 | Accumulated Absences Account £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 | (21,461) | - | - | (21,461) | - | - | - | - | 21,461 | - | - | - | - | 21,461 |
| Revaluation losses on Property, Plant and Equipment | (7,451) | - | - | (7,451) | - | - | - | - | 7,451 | - | - | - | - | 7,451 |
| Movements in the Market Value of Investment Properties | 521 | - | - | 521 | - | - | - | - | (521) | - | - | - | - | (521) |
| Amortisation of Intangible Assets | (358) | - | - | (358) | - | - | - | - | 358 | - | - | - | - | 358 |
| Capital Grants and Contributions applied | 21,457 | - | - | 21,457 | - | - | - | - | (21,457) | - | - | - | - | (21,457) |
| REFCUS | (647) | - | - | (647) | - | - | - | - | 647 | - | - | - | - | 647 |
| Amounts written off on disposal of Academies to CIES | (7,343) | - | - | (7,343) | 1,313 | - | - | - | 6,030 | - | - | - | - | 7,343 |
| Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES | 2,413 | (6,847) | - | (4,434) | 155 | - | - | - | 4,279 | - | - | - | - | 4,434 |

| | USABLE RESERVES | | | | UNUSABLE RESERVES | | | | | | | | | |
|--|------------------------------|----------------------------------|----------------------------------|--|-----------------------------|--|---|-------------------------|---------------------------------------|--------------------------------------|---|---|---|--|
| | General Fund Balance £000 | Capital Receipts Reserve £000 | Capital Grants Unapplied £000 | Movement in Usable Reserves £000 | Revaluation Reserve £000 | Available for Sale Financial Instruments Reserve £000 | Financial Instruments Adjustment Account £000 | Pension Reserve £000 | Capital Adjustment Account £000 | Deferred Capital Receipts £000 | Collection Fund Adjustment Account £000 | Unequal Pay Adjustment Account £000 | Accumulated Absences Account £000 | Movement in Unusable Reserves £000 |
| Insertion of items not debited or credited to the CIES: | | | | | | | | | | | | | | |
| Statutory provision for the financing of Capital investment | 3,158 | - | - | 3,158 | - | - | - | - | (3,158) | - | - | - | - | (3,158) |
| Capital expenditure charged against the General Fund Balance | 1,505 | - | - | 1,505 | - | - | - | - | (1,505) | - | - | - | - | (1,505) |
| Other | | | | | | | | | | | | | | |
| Transfer between CAA and RR for depreciation that is based on CV rather than HC | - | - | - | - | 3,214 | - | - | - | (3,214) | - | - | - | - | - |
| Capital Grants Unapplied Account | | | | | | | | | | | | | | |
| Capital Grants and Contributions unapplied credited to the CIES | 93 | - | (93) | - | - | - | - | - | - | - | - | - | - | - |
| Application of Grants to Capital Financing transferred to the Capital Adjustment Account | - | - | - | - | - | - | - | - | - | - | - | - | - | - |

| | USABLE RESERVES | | | | UNUSABLE RESERVES | | | | | | | | | |
|---|------------------------------|----------------------------------|----------------------------------|-------------------------------------|-----------------------------|--|--|-------------------------|------------------------------------|-----------------------------------|--|--|--------------------------------------|---------------------------------------|
| | General Fund Balance £000 | Capital Receipts Reserve £000 | Capital Grants Unapplied £000 | Movement in Usable Reserves £000 | Revaluation Reserve £000 | Available for Sale Financial Instruments Reserve £000 | Financial Instruments Adjustment Account £000 | Pension Reserve £000 | Capital Adjustment Account £000 | Deferred Capital Receipts £000 | Collection Fund Adjustment Account £000 | Unequal Pay Adjustment Account £000 | Accumulated Absences Account £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 | - | 5,408 | - | 5,408 | - | - | - | - | (5,408) | - | - | - | - | (5,408) |
| 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 | - | - | - | - | - | - | - | - | - | - | - | - | - | - |

| | USABLE RESERVES | | | | UNUSABLE RESERVES | | | | | | | | | |
|---|------------------------------|----------------------------------|----------------------------------|--|-----------------------------|--|---|-------------------------|---------------------------------------|--------------------------------------|---|---|---|--|
| | General Fund Balance £000 | Capital Receipts Reserve £000 | Capital Grants Unapplied £000 | Movement in Usable Reserves £000 | Revaluation Reserve £000 | Available for Sale Financial Instruments Reserve £000 | Financial Instruments Adjustment Account £000 | Pension Reserve £000 | Capital Adjustment Account £000 | Deferred Capital Receipts £000 | Collection Fund Adjustment Account £000 | Unequal Pay Adjustment Account £000 | Accumulated Absences Account £000 | Movement in Unusable Reserves £000 |
| Deferred Capital Receipts Reserve Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the CIES | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| FIAA Amount by which finance costs charged to the CIES are different from the finance costs chargeable in year in accordance with statutory requirement | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Pensions Reserve Reversal of items relating to retirement benefits debited/credited to the CIES | (15,583) | - | - | (15,583) | - | - | 15,583 | - | - | - | - | - | - | 15,583 |
| Employers pension contributions and direct payments to pensioners | 12,099 | - | - | 12,099 | - | - | (12,099) | - | - | - | - | - | - | (12,099) |

| | USABLE RESERVES | | | | UNUSABLE RESERVES | | | | | | | | | |
|--|------------------------------|----------------------------------|----------------------------------|--|-----------------------------|--|---|-------------------------|---------------------------------------|--------------------------------------|---|---|---|--|
| | General Fund Balance £000 | Capital Receipts Reserve £000 | Capital Grants Unapplied £000 | Movement in Usable Reserves £000 | Revaluation Reserve £000 | Available for Sale Financial Instruments Reserve £000 | Financial Instruments Adjustment Account £000 | Pension Reserve £000 | Capital Adjustment Account £000 | Deferred Capital Receipts £000 | Collection Fund Adjustment Account £000 | Unequal Pay Adjustment Account £000 | Accumulated Absences Account £000 | Movement in Unusable Reserves £000 |
| 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 | (1,165) | - | - | (1,165) | - | - | - | - | - | - | 1,165 | - | - | 1,165 |
| Unequal Pay Back-Pay Account Amount by which amounts charged for equal pay claims to the CIES are different from the cost of settlements chargeable in the year in accordance with statutory requirements | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Accumulated Absences Account Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration with statutory requirements | (90) | - | - | (90) | - | - | - | - | - | - | - | - | 90 | 90 |
| TOTAL ADJUSTMENTS | (12,853) | (1,438) | (93) | (14,384) | 4,682 | - | - | 3,484 | 4,963 | - | 1,165 | - | 90 | 14,384 |

38. 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 2014/15.

| | Balance at 31 st March 2013 £000 | Transfers Out 2013/14 £000 | Transfers In 2013/14 £000 | Balance at 31 st March 2014 £000 | Transfers Out 2014/15 £000 | Transfers In 2014/15 £000 | Balance at 31 st March 2015 £000 |
|--|---|----------------------------------|---------------------------------|---|----------------------------------|---------------------------------|---|
| General Fund | | | | | | | |
| Balances held by schools under the scheme of delegation | (6,433) | - | (157) | (6,590) | 871 | (1,742) | (7,461) |
| Capital (To support Capital Programme) | (1,954) | 3,907 | (4,849) | (2,896) | 756 | (1,726) | (3,866) |
| Insurance General Fund (To fund self possible self insured claims) | (4,222) | 420 | - | (3,802) | - | (300) | (4,102) |
| Insurance Former HRA Properties (To offset pre LSVT claims) | (1,256) | 79 | - | (1,177) | 1,177 | - | - |
| Performance Grant (Grant to be utilised in 2015/16) | (38) | 38 | - | - | - | - | - |
| Building Schools for the Future Capital (To fund future capital costs) | (1,086) | 915 | (171) | (342) | 104 | (1,234) | (1,472) |
| Working Neighbourhood's Fund (Grant to be utilised in 2015/16) | (97) | 97 | (50) | (50) | 50 | (46) | (46) |
| Children's Disabilities (Previously the balance of the pooled budget with PCT) | (12) | 12 | - | - | - | - | - |
| Revenue Priorities Fund (Earmarked funding c/fwd) | (20) | - | (14) | (34) | 34 | (17) | (17) |

| | Balance at 31 st March 2013 £000 | Transfers Out 2013/14 £000 | Transfers In 2013/14 £000 | Balance at 31 st March 2014 £000 | Transfers Out 2014/15 £000 | Transfers In 2014/15 £000 | Balance at 31 st March 2015 £000 |
|---|---|----------------------------------|---------------------------------|---|----------------------------------|---------------------------------|---|
| General Fund | | | | | | | |
| Invest to Save (To fund investments in revenue saving initiatives) | (1,457) | 93 | (33) | (1,397) | 646 | (457) | (1,208) |
| Halton Castle Duchy of Lancaster (Halton Castle restoration project) | (56) | 12 | - | (44) | 12 | - | (32) |
| Supporting People (Earmarked to fund future schemes) | (939) | 715 | (581) | (805) | 563 | (468) | (710) |
| Building Schools for the future (To fund future inflation costs) | (455) | 200 | - | (255) | - | - | (255) |
| Enterprise and Employment (To fund E&E activities for future years) | (1,423) | 2,109 | (981) | (295) | 359 | (713) | (649) |
| Health & Community (To support 2015/16 revenue budget) | (506) | 986 | (1,495) | (1,015) | 51 | (135) | (1,099) |
| Local Development Framework (To fund local development core strategy costs) | (305) | 60 | (28) | (273) | - | - | (273) |
| Equal Pay (To fund costs arising from equal pay claims) | (3,612) | 284 | (114) | (3,442) | 578 | - | (2,864) |
| Intermediate Care Pool (Share of pooled budget with Halton & St Helens) | (2) | 4 | (2) | - | - | - | - |

| | Balance at 31 st March 2013 £000 | Transfers Out 2013/14 £000 | Transfers In 2013/14 £000 | Balance at 31 st March 2014 £000 | Transfers Out 2014/15 £000 | Transfers In 2014/15 £000 | Balance at 31 st March 2015 £000 |
|--|---|----------------------------------|---------------------------------|---|----------------------------------|---------------------------------|---|
| General Fund | | | | | | | |
| Growth Points (To fund future initiatives to be identified by the Growth Points Partnership) | (29) | 29 | - | - | - | - | - |
| PCT Drug Treatment (Funding for drug and alcohol misuse treatment) | (435) | 296 | - | (139) | 109 | - | (30) |
| Olympic Legacy Fund (To support the on-going development of sports in Halton) | (82) | 82 | - | - | - | - | - |
| Arts Development Strategy Fund (To support the medium term arts development strategy) | (72) | 27 | - | (45) | 45 | - | - |
| Agresso Development (To fund expected upgrade costs to the financial database) | (77) | - | - | (77) | - | - | (77) |
| S106 Grants (Developers contributions towards planning applications) | (105) | 105 | (71) | (71) | 71 | (80) | (80) |

| | Balance at 31 st March 2013 £000 | Transfers Out 2013/14 £000 | Transfers In 2013/14 £000 | Balance at 31 st March 2014 £000 | Transfers Out 2014/15 £000 | Transfers In 2014/15 £000 | Balance at 31 st March 2015 £000 |
|---|---|----------------------------------|---------------------------------|---|----------------------------------|---------------------------------|---|
| General Fund | | | | | | | |
| Carefirst (To finance staffing posts with ICT) | (245) | - | (112) | (357) | - | - | (357) |
| Revenues & Benefits Development (To fund ongoing systems development and benefits reform changes) | (463) | - | - | (463) | - | (273) | (736) |
| Open Spaces Rolling Programme (To finance the Open Spaces strategy in 2015/16) | (215) | 185 | (188) | (218) | 220 | (93) | (91) |
| Home Office Community Safety (To be spent on specified community safety initiatives) | (585) | 60 | - | (525) | 151 | (68) | (442) |
| Leisure Mgt Contract Contingency (Contingency compensation for leisure management contract) | (30) | - | (12) | (42) | - | (10) | (52) |
| Learning & Achievement (To finance budgets which span the academic year into 2015/16) | (18) | 115 | (631) | (534) | 782 | (840) | (592) |

| | Balance at 31 st March 2013 £000 | Transfers Out 2013/14 £000 | Transfers In 2013/14 £000 | Balance at 31 st March 2014 £000 | Transfers Out 2014/15 £000 | Transfers In 2014/15 £000 | Balance at 31 st March 2015 £000 |
|---|---|----------------------------------|---------------------------------|---|----------------------------------|---------------------------------|---|
| General Fund | | | | | | | |
| Children's Organisation & Provision (To finance specialist services and projects that run into 2015/16) | (1,907) | 2,571 | (2,672) | (2,008) | 2,018 | (161) | (151) |
| Saffron (To finance new catering manager software) | (15) | 15 | - | - | - | - | - |
| A&C Care Financials (Contribution to upgrade Carefirst 6 system) | (517) | 147 | - | (370) | 63 | (63) | (370) |
| A&C Section 256 Monies (Contribution form H&StH PCT with joint outcomes) | (878) | 122 | (14) | (770) | - | - | (770) |
| A&C Savings (To help finance A&C budget) | (545) | 692 | (3,516) | (3,369) | 3,448 | (1,699) | (1,620) |
| A&C Stroke Services (To help finance the delivery of services with H&StH PCT) | (235) | 235 | - | - | - | - | - |
| Transformation Fund (To fund costs arising from future efficiency reviews) | (1,850) | 366 | (731) | (2,215) | 488 | (600) | (2,327) |

| | Balance at 31 st March 2013 £000 | Transfers Out 2013/14 £000 | Transfers In 2013/14 £000 | Balance at 31 st March 2014 £000 | Transfers Out 2014/15 £000 | Transfers In 2014/15 £000 | Balance at 31 st March 2015 £000 |
|--|---|----------------------------------|---------------------------------|---|----------------------------------|---------------------------------|---|
| General Fund | | | | | | | |
| Policy & Resources (Contribution to Savings Target) | (349) | 112 | (1,422) | (1,659) | 895 | (1,995) | (2,759) |
| Cremators (Contribution to future purchase of new cremators) | (79) | - | - | (79) | - | - | (79) |
| Planning (Contribution 2015/16 staffing) | (17) | 17 | - | - | 658 | (658) | - |
| Public Health Transitional Costs (Start- up funding to help Council with new PH responsibilities) | (37) | - | (783) | (820) | - | (554) | (1,374) |
| Payment Kiosks (To fund installation of kiosks in Halton schools) | (99) | 96 | - | (3) | - | - | (3) |
| Records Management Unit (To fund the dedicated records management unit for the Council) | (500) | - | - | (500) | - | (530) | (1,030) |
| Legal Locums (To fund the extension of agency staff) | (40) | 40 | (80) | (80) | - | - | (80) |
| Early Intervention Grant Transition (To finance the costs of EIG transition in 2013/14) | (1,346) | 1,342 | (200) | (205) | - | - | (205) |
| I-Pitch (To finance the future replacement of the I-Pitch) | (28) | 28 | - | - | - | - | - |

| | Balance at 31 st March 2013 £000 | Transfers Out 2013/14 £000 | Transfers In 2013/14 £000 | Balance at 31 st March 2014 £000 | Transfers Out 2014/15 £000 | Transfers In 2014/15 £000 | Balance at 31 st March 2015 £000 |
|--|---|----------------------------------|---------------------------------|---|----------------------------------|---------------------------------|---|
| General Fund | | | | | | | |
| Fleet Replacement (Rolling replacement programme for Council fleet vehicle) | (996) | 565 | (690) | (1,121) | 879 | (1,199) | (1,441) |
| Superfast Broadband (To provide matched funding to the Superfast Broadband project) | (65) | 9 | (300) | (356) | 9 | (175) | (522) |
| Property Demolitions (To finance the demolition of derelict HBC properties) | (300) | 38 | - | (262) | 257 | - | (5) |
| European Match Funding 2014- 2020 (Contribution to the European 2014- 2020 Programme) | - | 20 | (2,207) | (2,187) | 252 | - | (1,935) |
| Complex Care Pool (Pooled budget for Health & Social Care with CCG) | - | 66 | (158) | (92) | 161 | (72) | (3) |
| Allpay Cashiers Payment System (To finance the roll-out of cashless payment systems in Halton Primary Schools) | - | - | (150) | (150) | - | - | (150) |
| Income Manager (To finance the implementation costs) | - | - | (100) | (100) | - | - | (100) |

| | Balance at 31 st March 2013 £000 | Transfers Out 2013/14 £000 | Transfers In 2013/14 £000 | Balance at 31 st March 2014 £000 | Transfers Out 2014/15 £000 | Transfers In 2014/15 £000 | Balance at 31 st March 2015 £000 |
|---|---|----------------------------------|---------------------------------|---|----------------------------------|---------------------------------|---|
| General Fund | | | | | | | |
| Discretionary Social Fund (To continue to provide the hardship fund once Government support ceases) | - | - | (580) | (580) | 4 | (366) | (942) |
| Waste Route Optimisation Software (To finance IT software costs in 2015/16) | - | - | (70) | (70) | 70 | - | - |
| Catalyst Museum (Catalyst Museum support) | - | - | (30) | (30) | - | - | (30) |
| Troubled Families (Will be utilised during 15/16 to deliver various services) | - | - | - | - | - | (505) | (505) |
| CMRZ (To fund 15/16 running costs) | - | - | - | - | - | (103) | (103) |
| Enterprise Zone (For the development of the Enterprise Zone at Sci-Tech Daresbury) | - | - | - | - | 716 | (1,124) | (408) |
| Children & Families (To offset future CWDC training costs) | - | - | - | - | - | (80) | (80) |
| Public & Environment Health Contributions (Contribution to savings target) | - | - | - | - | - | (60) | (60) |
| TOTAL ALL RESERVES | (36,032) | 17,311 | (23,192) | (41,914) | 16,497 | (18,146) | (43,563) |

39. 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 and the Capital Receipts Reserve.

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. The General Fund Balance also includes unspent school balances of budgets delegated to individual schools. The opening and closing General Fund Balance is split between the Council and Schools in the Movement in Reserves Statement.

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 opening and closing balance is split between the Council and Schools in the Movement in Reserves Statement.

The movements in earmarked reserves are analysed in note 38.

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.

40. Unusable Reserves

| 2013/14 | | 2014/15 |
|------------------|--|------------------|
| £000 | | £000 |
| (54,292) | Revaluation Reserve | (58,907) |
| - | - Available for Sale Financial Instruments Reserve | - |
| - | - Financial Instruments Adjusted Account | - |
| 96,763 | Pensions Reserve | 127,655 |
| (190,799) | Capital Adjustment Account | (185,836) |
| (1,288) | Deferred Capital Receipts | (1,262) |
| (3,057) | Collection Fund Adjustment Account | (1,892) |
| - | - Unequal Back Pay Account | - |
| 1,916 | Accumulated Absences Account | 2,006 |
| - | - Rounding Adjustment | (3) |
| (150,757) | Total Unusable Reserves | (118,239) |

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, or

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.

| 2013/14 | | | 2014/15 |
|-----------------|--|-------------|-----------------|
| Restated | | | |
| £000 | | £000 | £000 |
| (57,444) | Balance at 1 April | | (54,292) |
| (1,588) | Upward revaluation of assets | (10,288) | |
| 704 | Downward revaluation of assets and impairment losses not charged to the Surplus/(Deficit) on the Provision of Services | 991 | |
| (884) | Surplus or deficit on revaluation of non-current assets not posted to the Surplus/(Deficit) on the Provision of Services | | (9,297) |
| 3,048 | Difference between fair value depreciation and historical cost depreciation | 3,214 | |
| 380 | Accumulated gain on academies transferred | 1,313 | |
| 608 | Accumulated gains on assets sold or scrapped | 155 | |
| 4,036 | Amount written off to the Capital Adjustment Account | | 4,682 |
| (54,292) | Balance at 31 March | | (58,907) |

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.

| 2013/14 £000 Restated (194,311) | | £000 | 2014/15 £000 (190,799) |
|--|---|----------|------------------------------|
| | Balance at 1 April | | |
| | Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement: | | |
| 21,009 | Charges for depreciation and impairment of non-current assets | 21,461 | |
| 10,065 | Revaluation losses on Property, Plant and Equipment | 7,451 | |
| 579 | Amortisation of intangible assets | 358 | |
| - | Revenue expenditure funded from capital under statute | 647 | |
| 1,658 | Carrying value of Academies transferred | 6,030 | |
| 1,360 | Carrying amount of non-current assets sold | 4,279 | |
| 34,671 (3,048) | | | 40,226 (3,214) |
| | Adjusting amounts written out of the Revaluation Reserve | | |
| 31,623 | Net written out amount of the cost of non-current assets consumed in the year | | 37,012 |
| | Capital financing applied in the year: | | |
| (2,431) | Use of the Capital Receipts Reserve to finance new capital expenditure | (5,408) | |
| (20,010) | Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing | (21,457) | |
| - | Application of grants to capital financing from the Capital Grants Unapplied Account | - | |
| (5,283) | Statutory provision for the financing of capital investment charged against the General Fund | (3,158) | |
| (914) | Capital expenditure charged against the General Fund | (1,505) | |
| (28,638) | | | (31,528) |
| 527 | Movements in the market value of investment properties debited or credited to the Comprehensive Income and Expenditure Statement | | (521) |
| - | Movement in the Donated Assets Account credited to the Comprehensive Income and Expenditure Statement | | - |
| (190,799) | Balance at 31st March | | (185,836) |

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.

| 2013/14 | | £000 | 2014/15 |
|-----------------|--|-------------|----------------|
| £000 | | £000 | £000 |
| 117,572 | Balance at 1st April | | 96,763 |
| | Re-measurement of the net defined benefit liability comprising: | | |
| (9,807) | Changes in demographic assumptions | - | |
| (24,323) | Changes in financial assumptions | 77,314 | |
| 13,505 | Other experience | (4,314) | |
| (5,557) | Returns on assets excluding amounts included in net interest | (45,592) | |
| (26,182) | | | 27,408 |
| 17,896 | 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 | | 15,583 |
| (12,523) | Employers pensions contributions and direct payments to pensioners payable in the year | | (12,099) |
| 96,763 | Balance at 31st March | | 127,655 |

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. They arise principally from mortgages on the sale of Council houses, which form the main part of the mortgages under long term debtors.

| 2013/14 | | 2014/15 |
|----------------|---------------------------------|----------------|
| £000 | | £000 |
| (4) | Mortgages – Former Right to Buy | (2) |
| (1,018) | Housing Associations | (994) |
| (266) | Castlefields Equity Advances | (266) |
| (1,288) | | (1,262) |

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.

| 2013/14 | | 2014/15 |
|----------------|--|----------------|
| £000 | | £000 |
| (1,317) | Balance at 1 April | (1,288) |
| - | Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement | - |
| 29 | Transfer to the Capital Receipts Reserve upon receipt of cash | 26 |
| (1,288) | Balance at 31 March | (1,262) |

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

| 2013/14 | | 2014/15 |
|----------------|--|----------------|
| £000 | | £000 |
| (902) | Balance at 1 April | (3,057) |
| (1,888) | 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 | (1,519) |
| (267) | 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 | 2,684 |
| (3,057) | Balance at 31 March | (1,892) |

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.

| 2013/14 | | 2014/15 |
|----------------|---|----------------|
| £000 | | £000 |
| 2,063 | Balance at 1 April | 1,916 |
| (2,063) | Settlement or cancellation of accrual made at the end of the preceding year | (1,916) |
| 1,916 | Amount accrued at the end of the current year | 2,006 |
| 147 | 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 | (90) |
| 1,916 | Balance at 31 March | 2,006 |

41. Cash Flow Statement – Operating Activities

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

| 2013/14 | | 2014/15 |
|-----------------|---|-----------------|
| Restated | | |
| £000 | | £000 |
| (21,009) | Depreciation | (21,461) |
| (10,065) | Impairment and downward valuation | (7,451) |
| (579) | Amortisation of Intangible Assets | (358) |
| (527) | Movement in market value of investment properties | 521 |
| (305) | Impairment Debtors | 374 |
| (2,025) | (Increase)/Decrease in Creditors | (4,565) |
| 9,345 | Increase/(Decrease) in Debtors | (44,961) |
| (21) | Increase/(Decrease) in Inventories | (115) |
| (5,373) | Movement in Pension Liability | (3,484) |
| (2,250) | Contributions (to)/from Provisions | (1,788) |
| (1,968) | Carrying amount of non-current assets and non-current assets held for sale, sold or de-recognised | (2,967) |
| (2,038) | Loss on transfer to academies | (7,343) |
| 1,927 | Other non-cash adjustments | (1,424) |
| (34,888) | Total non-cash movements | (95,022) |

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

| 2013/14 | | 2014/15 |
|-----------------|---|----------------|
| Restated | | |
| £000 | | £000 |
| (2,593) | Capital Grants credited to the surplus or deficit on the provisions of services | 67,113 |
| 2,982 | Proceeds from the sale of non-current assets | 6,847 |
| 1,700 | Billing Authorities - Council Tax and NDR adjustments | (3,437) |
| 2,089 | Net Cash flows from investing or financing activities | 70,523 |

The cash flows for operating activities includes the following items:

| 2013/14 | | 2014/15 |
|----------------|--------------------|----------------|
| £000 | | £000 |
| (909) | Interest received | (417) |
| 1,858 | Interest paid | 4,037 |
| - | Dividends received | - |
| 949 | | 3,620 |

42. Cash Flow Statement – Investing Activities

| 2013/14 | | 2014/15 |
|-----------------|--|----------------|
| Restated | | £000 |
| £000 | | £000 |
| 37,870 | Purchase of property, plant and equipment, investment property and intangible assets | 31,510 |
| 40,000 | Purchase of short term and long term investments | 319,010 |
| - | Other payments for investing activities | - |
| (2,982) | Proceeds from the sale of property, plant and equipment, investment property and intangible assets | (6,847) |
| (53,921) | Proceeds from short term and long term investments | (164,022) |
| 2,411 | Other receipts from investing activities | (71,322) |
| 23,378 | Net Cash flows from Investing Activities | 108,329 |

43. Cash Flow Statement – Financing Activities

| 2013/14 | | 2014/15 |
|-----------------|---|------------------|
| Restated | | £000 |
| £000 | | £000 |
| (130,142) | Cash receipts of short and long term borrowing | (113,048) |
| (1,700) | Other receipts from financing activities | 3,437 |
| 2,785 | Cash payments from the reduction of the outstanding liabilities relating to finance leases and on balance sheet PFI contracts | 930 |
| 135,214 | Repayments of short term and long term borrowing | - |
| - | Other payments for financing activities | - |
| 6,157 | Net Cash flows from Financing Activities | (108,681) |

44. 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 2015 the following were subsidiaries of the Council:-

- Halton Transport Ltd (HTL) – In accordance with the Transport Act 1985, Halton Transport became a separate legal entity from the Council, with the Council holding 100% of the shares within the company.
- 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.

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 23, 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 2015 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 Councils 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 2015 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.

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

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.

45. Prior Year Adjustments

Restatement of £5.401m Loan from Liverpool Local Economic Partnership (LEP)

In 2013/14 the Council received £5.401m Growing Places Fund from the Liverpool LEP to assist in the funding of the 3MG Regeneration Project.

This funding was originally classed as a Capital Grant Receipt in Advance in the 2013/14 Statement of Accounts but should have been classed as an interest free loan.

In the 2014/15 accounts the comparative year figure for Capital Grant Receipt in Advance has been reduced by £5.401 and Long Term Borrowing has increased by the same amount as shown in the table below:

| | 2013/14 Original £000 | 2013/14 Restated £000 | 2013/14 Restatement £000 |
|------------------------------------|--------------------------------------|--------------------------------------|---|
| Capital Grants Receipts in Advance | (20,673) | (15,272) | 5,401 |
| Long Term Borrowing | (70,000) | (75,401) | (5,401) |

This change is also shown on the following notes

- Note 4 – Grant Income – Capital Grants Receipts in Advance
- Note 30 – Borrowings

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 usually a Charitable Trust. 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

LAAP Bulletin 103 issued by CIPFA clarifies that the resulting gain or loss on transfer is recognised within the Financing and Investment Income and Expenditure line on the CIES. This gain or loss on disposal has previously been recognised in the Other Operating Expenditure line on the CIES and so the following change has been made to the CIES for 2013/14.

| | 2013/14 Original £000 | 2013/14 Restated £000 | 2013/14 Restatement £000 |
|---|--------------------------------------|--------------------------------------|---|
| Other Operating Expenditure | 1,533 | (505) | (2,038) |
| Financing and Investment Income & Expenditure | 8,414 | 10,452 | 2,038 |

This change also impacts the following notes:

- Note 6 – Other Operating Expenditure
- Note 7 – Financing and Investment Income
- Note 37 – Adjustments between Accounting Basis and Funding Basis
- Note 40 – Unusable Reserves (Capital Adjustment Account & Revaluation Reserve)
- Note 41 – Cash Flow – Operating Activities

Split of Creditors and Revenue Grants on the Balance Sheet

As required by the Code, the Creditors and Revenue Receipts in Advance have been split and shown separately on the face of the Balance Sheet. To ensure comparability the 2013/14 figures have been shown in this format and the creditors figure on note 27 has been restated.

Further restatements

Due to a change in how the notes have calculated in 2014/15, the comparative figures have been restated, or corrected in the following notes. Further details are given in the relevant note:

- Movement in Reserves Statement
- Cash Flow Statement
- Note 1 – Reconciliation to Subjective Analysis
- Note 33 – Pensions Schemes
- Note 34 – Financial Instruments
- Note 41 – Cash Flow – Operating Activities
- Note 42 – Cash Flow – Investing Activities
- Note 43 – Cash Flow – Financing Activities

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.

Collection Fund Statement

| 2013/14 | | | | 2014/15 | | |
|---------------------|----------------------------|------------------|---|---------------------|----------------------------|-----------------|
| Council Tax £000 | Non Domestic Rates £000 | Total £000 | | Council Tax £000 | Non Domestic Rates £000 | Total £000 |
| (45,150) | | (45,150) | Income | (46,770) | | (46,770) |
| | (56,948) | (56,948) | Council Tax | | | |
| | (320) | (320) | Non Domestic Rates | | (51,347) | (51,347) |
| | | | Transitional Protection Payment | | 306 | 306 |
| (45,150) | (57,268) | (102,418) | | (46,770) | (51,041) | (97,811) |
| | | | Expenditure | | | |
| | | | <u>Precepts, Demands & Shares</u> | | | |
| | 24,871 | 24,871 | Central Government | | 25,132 | 25,132 |
| 36,165 | 24,454 | 60,619 | Halton Borough Council | 37,101 | 24,780 | 61,881 |
| 4,778 | | 4,778 | Cheshire Police Authority | 4,811 | | 4,811 |
| 2,113 | 499 | 2,612 | Cheshire Fire Service | 2,169 | 506 | 2,675 |
| 61 | | 61 | Parish Precept | 61 | | 61 |
| | | | <u>Apportionment of Previous Year's Surplus</u> | | | |
| | - | - | Central Government | | 492 | 492 |
| 372 | - | 372 | Halton Borough Council | 231 | 482 | 713 |
| 49 | | 49 | Cheshire Police Authority | 31 | | 31 |
| 22 | - | 22 | Cheshire Fire Service | 13 | 10 | 23 |
| | | | <u>Charges to Collection Fund</u> | | | |
| 116 | 686 | 802 | Write off uncollectable amounts | 105 | 487 | 592 |
| (768) | 1,467 | 699 | Increase / (Decrease) in Bad Debt Provision | 446 | (357) | 89 |
| | 4,801 | 4,801 | Increase / (Decrease) in Appeals Provision | | 4,408 | 4,408 |
| | 167 | 167 | Cost of Collection | | 167 | 167 |
| | - | - | Disregarded Amounts | | 291 | 291 |
| 42,908 | 56,945 | 99,853 | | 44,968 | 56,398 | 101,366 |
| (1,072) | - | (1,072) | Balance Brought Forward | (3,314) | (323) | (3,637) |
| (2,242) | (323) | (2,565) | Movement on Fund Balance | (1,802) | 5,357 | 3,555 |
| (3,314) | (323) | (3,637) | Balance Carried Forward | (5,116) | 5,034 | (82) |

Collection Fund Balance Sheet

| 2013/14 | | | | Council Tax | | | | 2014/15 | | | |
|-------------------|-----------------------|-----------------------|---------------|------------------------------|-------------------|-----------------------|-----------------------|---------------|--|--|--|
| Halton BC £000 | Cheshire P&CC £000 | Cheshire Fire £000 | Total £000 | | Halton BC £000 | Cheshire P&CC £000 | Cheshire Fire £000 | Total £000 | | | |
| 3,688 | 478 | 216 | 4,382 | Arrears | 4,339 | 563 | 254 | 5,156 | | | |
| (2,082) | (270) | (122) | (2,474) | Provision for Doubtful Debts | (2,456) | (319) | (144) | (2,919) | | | |
| (300) | (39) | (18) | (357) | Overpayments / Prepayments | (394) | (51) | (23) | (468) | | | |
| (2,790) | (362) | (163) | (3,315) | (Surplus)/Deficit | (4,309) | (558) | (251) | (5,118) | | | |
| 1,484 | 193 | 87 | 1,764 | Cash | 2,820 | 365 | 164 | 3,349 | | | |
| - | - | - | - | | - | - | - | - | | | |

| 2013/14 | | | | Non-Domestic Rates | | | | 2014/15 | | | |
|---------------------|-------------------|-----------------------|---------------|------------------------------|---------------------|-------------------|-----------------------|---------------|--|--|--|
| Central Gov £000 | Halton BC £000 | Cheshire Fire £000 | Total £000 | | Central Gov £000 | Halton BC £000 | Cheshire Fire £000 | Total £000 | | | |
| 1,854 | 1,817 | 37 | 3,708 | Arrears | 1,819 | 1,782 | 36 | 3,637 | | | |
| (1,356) | (1,328) | (27) | (2,711) | Provision for Doubtful Debts | (1,177) | (1,153) | (24) | (2,354) | | | |
| (2,400) | (2,352) | (48) | (4,800) | Appeals Provision | (4,604) | (4,512) | (91) | (9,207) | | | |
| (628) | (615) | (13) | (1,256) | Overpayments / Prepayments | (637) | (624) | (13) | (1,274) | | | |
| (54) | (267) | (2) | (323) | (Surplus)/Deficit | 2,568 | 2,417 | 49 | 5,034 | | | |
| 2,584 | 2,745 | 53 | 5,382 | Cash | 2,031 | 2,090 | 43 | 4,164 | | | |
| - | - | - | - | | - | - | - | - | | | |

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 2014/15 at 31,400 (2013/14 - 31,189)

2. The Council Tax Base Determination

| Band | Properties | Ratio | Band D Equivalents |
|--|---------------|-------|--------------------|
| Disabled | 75 | 5/9 | 42 |
| A | 21,894 | 6/9 | 14,597 |
| B | 10,480 | 7/9 | 8,151 |
| C | 7,046 | 8/9 | 6,263 |
| D | 4,337 | 9/9 | 4,337 |
| E | 3,102 | 11/9 | 3,791 |
| F | 973 | 13/9 | 1,405 |
| G | 321 | 15/9 | 535 |
| H | 28 | 18/9 | 55 |
| Total | 48,256 | | 39,176 |
| Reductions relating to Non-Collection and changes in assumptions | | | (7,776) |
| Tax Base set for 2014/15 | | | 31,400 |

The parishes' individual tax bases are shown below:

| | 2013/14 | 2014/15 |
|---------------|---------|---------|
| Hale | 644 | 643 |
| Daresbury | 149 | 150 |
| Moore | 318 | 316 |
| Preston Brook | 316 | 319 |
| Halebank | 477 | 494 |
| Sandymoor | 959 | 950 |

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:

| | 2013/14 | 2014/15 |
|---|----------------|----------------|
| | £ | £ |
| Cheshire Police and Crime Commissioner | | |
| - Band D Charge | 153.21 | 153.21 |
| - Precept | 4,778,467 | 4,810,795 |
| Cheshire Fire Authority | | |
| - Band D Charge | 67.75 | 69.09 |
| - Precept | 2,113,055 | 2,169,426 |

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:

| | 2013/14 | 2014/15 |
|---|----------------|----------------|
| | £ | £ |
| Rateable value at 31st March | 132,593,412 | 133,211,495 |
| Non Domestic rating multiplier | 47.1 | 48.2 |
| Small Business Non Domestic rating multiplier | 46.2 | 47.1 |

Group Accounts

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 – Financial Services 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 2015).

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 2015

Signed by:


Operational Director – Finance

Date:

30th June 2015

Statement of Accounting Policies

1. General

The Statement of Accounts summarises the Council's transactions for the 2014/15 financial year and its position at the year-ending 31st March 2015.

Halton Borough Council prepares its statement of accounts in accordance with the Code of Practice of Local Authority Accounting in the United Kingdom 2014/15 and the Service Reporting Code of Practice 2014/15 supported by International Financial Reporting Standards (IFRS), issued by the Chartered Institute of Public Finance and Accountancy (CIPFA).

The accounts have been prepared on historical cost conventions, modified by the revaluation of certain categories of non-current assets to give a true and fair view of the Council's transactions and financial position.

2. Changes to the 2014/15 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. The policies have been updated from 2013/14 to remove reference to treatment of equal pay claims and the Carbon Reduction Commitment Energy Efficiency Scheme.

There has been an amendment to the note on Interest in Companies and Other Entities. Financial Statements relating to group entities have not been produced for the 2014/15 accounts due to being immaterial.

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 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

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 in the Core Financial Statements

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 Councils demand for the year plus the Councils 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 Councils 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 Treasury Solutions 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.

11(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.

11(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.

11(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. Foreign Currency Translation

Where the Council enters into a transaction denominated in a foreign currency, the transaction is converted into £ sterling at the exchange rate applicable on the date the transaction was effective. Where amounts are outstanding at the year-end, they are reconverted at the spot exchange rate at 31st March.

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 2014/15 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.

Extracts from Council subsidiary entities financial statements are shown under Investments (Note 23).

In line with accounting standards on group accounts and consolidation, all maintained schools are considered to be entities controlled by the Council. Rather than producing group accounts inclusive of maintained schools, para 9.1.2.13 of the Code confirms income, expenditure, assets, liabilities, reserves and cash flows are to be recognised in the Council's single entity accounts.

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) are 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 life 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

16(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 that 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 lease 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.

16(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

17(a) Recognition

Non-current assets are assets that have physical substance and are held in the provision of services or for administrative purposes on a continuing basis.

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.

17(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 method of valuing assets is as follows:

- Fair Value – Market Value (MV) – Investment Properties, Investment Land and Buildings in the course of development (where fair value of the investment property can be reliably measured).
- Fair Value – Existing Use Value (EUV) – operational and non-specialised property and non-specialised surplus land and buildings.
- Fair Value – Depreciated Replacement Cost (DRC) – specialised operational assets and specialised surplus land and buildings.
- Historic Cost (HC) – Infrastructure assets, vehicles, plant & equipment, community assets and assets under construction.
- Fair Value (lease interest) – Finance Leases
- Held for Sale Assets – Lower of Carrying Amount of Fair Value (MV) less disposal costs.

In the absence of historical information regarding the cost of acquisition or construction of various community assets, they have been reclassified and given a zero valuation from 1st April 2005.

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

17(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.

17(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 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.

17(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 | 5-10 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.

Land has an infinite life and is therefore not depreciated.

17(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.

17(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, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's length. 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.

17(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. The Council has set a de-minimus threshold of £500,000 above which it will consider assets for componentisation.

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 lightning 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. In general, the expected split for components would be 50-60% for Superstructure and Substructure, 20% for Internal Finishes and Fittings and 20-30% for Services. 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 depreciation 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 providing that that asset exceeds the de-minimis threshold of £500,000. Land will be identified as a separate component in its own right.

17(i) Mersey Gateway Capitalisation of Development Costs

On the 20th June 2013, Merseylink was announced as the preferred bidder for the development of the Mersey Gateway Crossing. Financial close was reached between Merseylink and the Council on 28th March 2014 with construction work commencing in May 2014.

In accordance with IAS16 Property, Plant and Equipment and the CIPFA Code of Practice on Local Authority Accounting based on International Financial Reporting Standards, the cost of an item of Property, Plant and Equipment shall only be

recognised (and hence capitalised) as an asset on the local authority balance sheet if, and only if:

- It is possible that the future economic benefits or service potential associated with the item flow to the entity, and
- The cost of the item can be measured reliably.

Costs that meet the recognition principle include the initial costs of acquisition and construction, and costs incurred subsequently to enhance, replace part of, or service the asset.

The measurement of cost comprises:

Any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Halton Borough Council deems development costs to be an integral part of the construction of such significant infrastructure in the borough. For accounting purposes, some development costs satisfy the criteria for capitalisation, by helping to bring the New Mersey Crossing to the location and condition necessary for it to be capable of operating as a second crossing. These costs have been capitalised, and are included as non-current assets within Property, Plant and Equipment.

17(j) 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).

17(k) Schools

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.

18 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 2014/15. 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.

Charges or apportionments covering all support service costs are made to all services, trading undertakings and capital accounts. The costs are allocated based on time allocation for staff, head count for administrative buildings and usage for computers and telephones.

The costs of the Corporate and Democratic Core and Non-Distributed Costs as defined by CIPFA's Service Reporting Code of Practice 2014/15 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.

19 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 3.2%
- (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 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 than 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.

20 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.

21 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.

22 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.

23 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.

24 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
Unequal Back Pay Account
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.

25 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.

26 Segmental Reporting

To ensure consistent reporting across Councils, the Code requires that the Council analyses the financial performance of their operations in the Comprehensive Income and Expenditure Statement using the analysis included in the Service Reporting Code of Practice. This is not in line with the management structure of the Council.

The Council's chief operating decision maker is the Chief Officers Management Team comprising of the Chief Executive supported by three Strategic Directors. In order to provide more meaningful information the cost of services shown in the Comprehensive Income and Expenditure Statement is presented in the Segmental Analysis in line with this decision making structure. As specified in the Code this

includes over 75% of the net expenditure of continuing operations. A summary reconciliation is provided to balance it back to the Net Cost of Services.

The subjective analysis represents a more detailed reconciliation between segmental reporting and the Comprehensive Income and Expenditure Statement. This identifies the differences between internal management reporting and the requirements of the Code. For example neither, adjustments for IAS19 (Accounting for Retirement Benefits) or capital charges (with the exception of depreciation) are reported to management however, they are included within the Comprehensive Income and Expenditure Statement. Internal recharges are reported within the management structure but are removed from the Comprehensive Income and Expenditure Statement.

27 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.

28 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.

29 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.

30 Accounting Standards that have been issued but not yet adopted

The 2015/16 Code is adopting amendments to the following accounting standards, which will apply from 1 April 2015:

IFRS 13 – Fair Value Measurement (May 2011)

This standard requires local authorities to measure certain of their assets and liabilities at fair value and introduces new disclosure requirements about the valuation. CIPFA has adapted the standard so that the measurement requirements for operational property, plant and equipment will not be subject to change. However surplus assets will no longer be valued at existing use value based on their last use as an operational asset – they will have to be measured at fair value e.g. market value. The fair value requirements may also impact on the measurement of long term liabilities such as PFI and finance leases. CIPFA has determined that application of this accounting standard will be prospective from 2015/16 so no changes to the figures reported in the 2014/15 financial statements will be required.

Annual improvements to IFRS (2011 – 2013 cycle)

- IFRS1: Meaning of effective IFRSs
- IFRS3: Scope exceptions for joint ventures
- IFRS13: Scope of paragraph 52 (portfolio exception)
- IAS40: Clarifying the interrelationship of IFRS3 Business Combinations and IAS40: Investment Property when classifying property as investment property or owner-occupied property

It is not anticipated that these changes will have a material impact on the financial statements

IFRIC21 – Levies

This provides guidance on when to recognise a liability to pay a levy imposed by a government body. It is not anticipated that the change will have a material impact on the financial statements.

31 Heritage Assets

Heritage assets are defined as assets that have historical, artistic, scientific, technological, geophysical or environmental qualities that are held by the Council principally for their contribution to knowledge or culture. The heritage assets held by the Council include:

- Civic Regalia
- Paintings
- Artefacts
- And other items donated or purchased

Where applicable, heritage assets are measured at insurance valuation on the Balance Sheet. Due to the unique nature of some heritage assets it is not always possible to establish a valuation for the asset, appropriate disclosure is made to this type of asset but it is not recognised 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.

There are assets which the Council holds which fall under the definition of heritage assets but contributable towards the operation of a service, these are included on the Balance Sheet under Non-Current Assets, Property, Plant and Equipment.

32 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:

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.

Mersey Gateway Development Costs

A prudent approach has been taken to the capitalisation of development expenditure for 2014-15. 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.

33 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 31st March 2015 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Property, Plant and Equipment

The carrying amount in the Balance Sheet at the 31st March 2015 is £337.6m.

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 £2.15m to £3.22m for every year that useful lives had been reduced.

Pensions Liability

The carrying amount in the Balance Sheet at the 31st March 2015 is £127.66m.

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 or 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 from 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 contract 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 or 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.