



Business Efficiency Board
*****Supplementary Appendix for Item 6*****
Abstract of Accounts
Wednesday, 18 September 2013 at 6.30
p.m.
Civic Suite, Town Hall, Runcorn

A handwritten signature in black ink, appearing to read 'David W R', positioned above a faint rectangular stamp.

Chief Executive

BOARD MEMBERSHIP

Councillor Alan Lowe (Chairman)	Labour
Councillor Martha Lloyd Jones (Vice-Chairman)	Labour
Councillor Arthur Cole	Labour
Councillor Mike Fry	Labour
Councillor Darren Lea	Labour
Councillor Tony McDermott	Labour
Councillor Andrew MacManus	Labour
Councillor Norman Plumpton Walsh	Labour
Councillor Joe Roberts	Labour
Councillor Gareth Stockton	Liberal Democrat
Councillor Kevan Wainwright	Labour

Please contact Michelle Simpson on 0151 511 8708 or e-mail michelle.simpson@halton.gov.uk for further information.

The next meeting of the Board is on Wednesday, 27 November 2013

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

Part I

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In accordance with the Health and Safety at Work Act the Council is required to notify those attending meetings of the fire evacuation procedures. A copy has previously been circulated to Members and instructions are located in all rooms within the Civic block.

HALTON BOROUGH COUNCIL

STATEMENT OF ACCOUNTS

2012/13

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

.....

Councillor A. Lowe
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 2012/13 has been prepared in compliance with the Code of Practice on Local Authority Accounting 2012/13 (The Code) and International Financial Reporting Standards (IFRS).

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 detail 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 2012/13 are set out in the following pages and grouped as follows:

Core Financial Statements

- *Comprehensive Income and Expenditure Statement* – this statement is fundamental to the understanding of the Council's activities, in that it reports the net cost of all the functions for which the Council is responsible, and demonstrates how that cost has been financed from general government grants and income from local taxpayers. It brings together expenditure and income relating to all the Council's functions in three distinct sections, the first relating to the Council's different service areas, the second comprises items which relate to the Council as a whole and the third shows the principal sources of finance.
- *Balance Sheet* – this statement is key to understanding the Council's financial position at the year end. It shows the long and short term assets and liabilities, reserves and other balances, and the Council's overall net equity at the year end.
- *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 which can be used to fund expenditure or reduce Council Tax, and "Unusable Reserves". The Surplus or (Deficit) on the Provision of Services line shows the cost of providing the Council's services, more details of which are shown in the Comprehensive Income and Expenditure Statement.
- *Cash Flow Statement* – this statement summarises the inflows and outflows of cash and cash equivalents arising from transactions with third parties for revenue and capital purposes.

Foreword by Operational Director – Finance continued

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

Supplementary Financial Statements

- *Collection Fund Account* – this is a statutory statement which councils who are Billing Authorities are obligated to maintain under the Local Government Finance Act 1992. The Collection Fund shows the Council's transactions, in relation to the collection of council tax and business rates and their distribution to precepting authorities and Central Government.
- *Group Accounts* – this statement presents the consolidated position of the Council's activities, in accordance with the Code of Practice. The Group Accounts consolidate the accounts of Halton Borough Transport Limited with the Council's accounts by grossing up the Comprehensive Income and Expenditure Statement and the Balance Sheet whilst eliminating intra group transactions. The Group Accounts reflect the Council's 100% ownership of Halton Borough Transport Limited.

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 2012/13 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, 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.

Foreword by Operational Director – Finance continued

General Fund

	Original Budget £'000	Actual £'000
Net Expenditure	106,305	105,803
Parish Precepts	59	59
Total	106,364	105,862
Financed by Local Taxpayers	(43,527)	(43,527)
Financed by Government Grants	(62,837)	(62,837)
(Surplus)/Deficit for Year	-	(502)
Balances brought forward	(7,565)	(7,565)
Balance carried forward	(7,565)	(8,067)

The Council has closely monitored and controlled its spending throughout the year, such that total spending was £105.8m, £0.502m below the budget for the year (compared to £0.198m below budget in the previous year). As a result the Council's General Fund Balance has increased to £8.067m. In March 2013 the Council approved the use of £1m of the General Fund balance to help fund the budget deficit for 2013/14.

Budget savings for 2013/14 were implemented over two tranches, the first of which consisted of savings of £6.04m which were approved by Council in December 2012. 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.

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 2013/14. Redundancy costs incurred during the year totalled £0.218m. These were met from the Transformation Fund which the Council established in 2010/11 to meet the costs associated with structural changes.

A number of other expenditure areas were below budget including children's out of borough placements, fostering, capital financing, supplies and services and audit fees. 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.

Foreword by Operational Director – Finance continued

Net expenditure on community care was £0.25m above budget, as a result of the high demand for services. Action has been taken to control costs within this area over the past year and this is evidenced in comparison to the net overspend of £1.2m for the service in 2011/12. We will continue to monitor these costs very closely during 2013/14.

The continued stagnation in the economic climate is having a negative impact on the sales and fees & charges budgets. There are a number of areas where this is being felt most, in particular on trade income, bulky waste income and rental income for both industrial and commercial units.

Whilst the general fund shows a net surplus for the year of £0.5m, the accounting position presented in the Comprehensive Income & Expenditure Statement (CIES) (page14) shows a deficit for the year of £47.6m. 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 Impairment of Fixed Assets (£45.4m) – A charge for depreciation is made to the CIES which reflects the annual cost of assets consumed during the year. An impairment charge against an asset 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 (£37.3m) - 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 (£27.6m) – £28.5m 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. £-0.9m denotes the difference between the accounting cost of pensions (included in the CIES) and the actual employer contributions to the pension fund.
- Loss on De-Recognition of Fixed Assets (£21.1m) – 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. The large value for 2012/13 is predominantly as the result of the transfer of Wade Deacon High School to academy status.
- Surplus on Revaluation of Property, Plant & Equipment (£4.0m) – Increase in the value of those fixed assets that have been revalued during the year.

Foreword by Operational Director – Finance continued

- Minimum Revenue Provision (£3.2m) - 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 (£1.8m) – As proper accounting practice, changes to earmarked reserves are not required to be included in the CIES.
- Change in Fair Value of Investment Properties (£1.7m) – 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 2011/12.
- Capital Expenditure Charged to General Fund (£1.0m) – Refers to capital expenditure funded directly from revenue financing.

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

	£m
General Fund Underspend	(0.502)
Accounting Adjustments:	
Charge for Depreciation & Impairment of Fixed Assets	45.384
Capital Grant Income	(37.399)
Charge for Pensions	27.560
Loss on De-Recognition of Fixed Assets	21.068
Surplus on Revaluation of PP&E	(3.987)
Minimum Revenue Provision	(3.240)
Net Change to Earmarked Reserves	(1.798)
Change in Fair Value of Investment Properties	1.693
Capital Expenditure Charged to General Fund	(1.045)
Other Adjustments	(0.147)
Total Comprehensive Income & Expenditure	47.587

Schools

Expenditure incurred in relation to the Schools budget, both by individual schools and the Council totalled £89.2m and is shown in more detail in Note 14.

School balances at 31st March 2013 total £6.28m. £5.2m of unspent schools related funding is held centrally and will carry forward into 2013/14.

Foreword by Operational Director – Finance continued

During 2012/13 Wade Deacon High School converted to academy status.

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.

From April 2014 there will be major changes to how the Local Government Pension Scheme will operate. The overall effect of these changes will be to lessen the cost of pensions to the Fund in future years and thereby reduce employers' contributions.

Equal Pay

The Council has received approximately 950 equal pay claims for which settlement offers have been made to a significant number of claimants. New claims have continued to be received during 2012/13. The future liability for the remaining and future claims is difficult to estimate, however, the equal pay reserve of £3.7m is considered sufficient to meet these.

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.

The Council has been involved with a joint procurement contract with Warrington Borough Council to engage Lafarge Tarmac Ltd to deliver all highway works in the two boroughs for at least the next six years.

On 1 April 2013, the Council and the NHS Halton Clinical Commissioning Group began 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 £30m. It is envisaged that 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.

Foreword by Operational Director – Finance continued

A further change implemented in 2013/14 was the transfer of Public Health responsibilities from Primary Care Trusts to local authorities, for which £8.5m of ring-fenced Government grant funding has been transferred to the Council.

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 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 2013 are shown in the Note 18 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 within which the largest schemes are the Mersey Gateway Bridge land acquisitions & development costs and work associated with the 3MG programme.

Capital Expenditure

The Council spent £50.3m on capital schemes in 2012/13 (excluding finance leases) compared with planned expenditure of £57.8m. This outturn represents 87% of the total programme for which 20% slippage was anticipated throughout the year. The approved budget and outturn capital position together with the various sources of funding are as follows:

Foreword by Operational Director – Finance continued

	Budget £m	Actual £m	Variance £m
Expenditure:			
Schools Related	23,409	20,745	2,664
Economy, Enterprise & Property	8,547	5,606	2,941
Commissioning & Complex Care	2,685	1,663	1,022
Community & Environment	1,450	576	874
Policy, Planning & Transportation	20,554	20,542	12
ICT & Support Services	1,172	1,172	-
	57,817	50,304	7,513
Funded by:			
Borrowing	4,829	4,243	586
Capital Receipts	6,588	2,655	3,933
Revenue	754	1,045	-291
Grants	44,368	41,974	2,394
Contributions	1,278	387	891
	57,817	50,304	7,513

The main areas of slippage to the budget were in respect of Castlefields Regeneration, The Grange High School (PFI) Project, Widnes Crematorium and Bungalows at Halton Lodge. 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 £0.797m was due to the Council for the 2012/13 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 £0.272m was due from the Trust for 2012/13. Some of these sums were received after the year-end and are included in the accounts as a debtor.

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.

Despite the global "credit crunch" and downturn in the financial markets, the Council had another successful year and exceeded its performance targets. This was primarily due to advantageous rates obtained in respect of financing required for the Mersey Gateway land acquisitions.

Foreword by Operational Director – Finance continued

The Council did undertake new long term borrowing in the year. At the year-end, borrowing totalled £80.47m (fair value £81.49m), well within its authorised borrowing limit of £98.25m. Borrowing comprises loans from the Public Works Loan Board and the market of £70.47m 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 note 36 to the core financial statements.

At 31st March 2013 the Council had £47.85m (fair value £48.31m) invested. None of the Council's investments are with foreign banks.

The Council approved the Minimum Revenue Provision Policy Statement as part of its Treasury Management Strategy in March 2013 effective from 1st April 2013.

Collection Fund

The transactions on this fund record the collection of Council Tax and Non Domestic Rates. The net income collected on Non Domestic Rates, less certain allowances, is paid to Central Government. The payments from each of the Councils are pooled and then redistributed back to Council's as part of Formula Grant. The balances on the Collection Fund are distributed at the end of the financial year between the Council, Cheshire Police Authority and Cheshire Fire Authority.

The changes to local government funding from 1st April 2013 centred around the Business Rate Retention Scheme, will alter the operation of the Collection Fund from 2013/14 onwards.

Changes in Accounting Policies

The Council's accounts have been prepared in compliance with the Code of Practice on Local Authority Accounting 2012/13 and International Financial Reporting Standards (IFRS).

There have been no changes to the Council's Accounting Policies from 2011/12.

In accordance with the 2011 Accounts and Audit Regulations, the Annual Governance Statement will be considered separately by the Council when considering the 2012/13 Statement of Accounts. The draft Statement of Accounts was certified and authorised for issue by the Chief Finance Officer on the 28th June 2013. The accounts will be approved by the Council by the 30th September 2013 following audit.

Foreword by Operational Director – Finance continued

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 downturn in the UK economy and subsequent austerity measures introduced by the Government, have 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 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 2012 and subsequently updated in February 2013. The latest report identified potential shortfalls in funding for the Council over the following two years of approximately £15.5m (14/15) and £12.0m (15/16).

The 2013/14 net budget requirement of £115.114m was approved by the Council on 6th March 2013. The budget will be funded from £36.165m of Council Tax (increase of 1.9% to the Band D level for 2012/13) and £78.949m of Start-Up Funding as part of the new Business Rate Retention Scheme. Start-Up Funding is inclusive of £24.370m of Baseline Funding, £7.170m of Top-up Grant and £47.409m of Revenue Support Grant.

The Local Government Finance Settlement announced on 4th February 2013 confirmed a 5.7% reduction in the Council's Formula funding for 2013/14.

Funding for local government has changed significantly in 2013/14 following the Government embarking on a major legislative programme in 2012/13, this has resulted in significant additional risks to the Council. The two main changes to the funding the Council receives are:

Business Rates Retention Scheme – Prior to 2013/14 Halton would collect business rates on behalf of Government which would then be re-distributed back to the Council as part of the annual formula grant settlement. Halton was always a net receiver of business rates in that it received more back in the way of the formula settlement than it collected locally.

Foreword by Operational Director – Finance continued

Under the new scheme, Government confirmed that Halton would be funded through a business rate baseline amount, top-up grant and Revenue Support Grant. The top-up grant is receivable because the business rate baseline for Halton is less than its funding baseline. The funding baseline is a Government's calculation of the funding Halton requires to deliver its services.

Inherent in the scheme is the incentive for local authorities to retain an element of growth in local business rates. Halton will retain 49% of rates they collect locally above the RPI index linked business rate baseline. Conversely there is a risk factor in the scheme, if local rates fall below the business rate baseline, Halton will have to bear this cost

Council Tax Reduction Scheme – April 1st 2013 sees the commencement of a localised Council Tax reduction scheme which replaces Council Tax Benefit. The scheme is funded by a fixed grant from Government paid to the Council to compensate for the reduction in council tax income resulting from the application of the new discount. The grant will only fund 90% of past levels of Council Tax Benefit awarded. The shortfall in funding will be covered by reductions in local benefits.

The scheme will result in the transfer of risk from central to local government if claimant numbers increase or the collection rate decreases. This has been introduced alongside other major changes to the Welfare System including the transfer of responsibility for Crisis Loans and Community Grants to Councils and the introduction of a Benefits Cap which will impact upon Housing Benefit payments.

The changes place a great deal of uncertainty on the outturn position for 2013/14 and future years.

The funding outlook for Halton over the medium term continues to look very gloomy and significant savings will need to be found. The Chancellor of the Exchequer delivered his Autumn Statement to the House of Commons on December 5th 2012 and confirmed that reductions in public sector expenditure would continue up to 2017/18. Totally Managed Expenditure is set to fall at the same rate as over the Spending Review 2010 period. For local government this could again mean reductions of a similar magnitude to the original reduction of 28% over the four year period from 2011/12 to 2014/15.

The outcome of the Comprehensive Spending Review covering financial years from 2015/16 will be published on 26th June 2013. The themes driving it will be growth, efficiency and public service reform. Planned national funding reductions of £11.5bn are expected.

Foreword by Operational Director – Finance continued

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 2012/13 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 are 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

Comprehensive Income & Expenditure Statement

Comprehensive Income & Expenditure Statement as at 31st March 2012

		<i>Gross Expenditure 2011/12</i>	<i>Gross Income 2011/12</i>	<i>Net Expenditure 2011/12</i>
<i>Services</i>	<i>Note</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
CONTINUING OPERATIONS				
Children's & Education Service		139,393	(112,188)	27,206
Adult Social Care		51,636	(14,970)	36,666
Highways and Transport		28,245	(6,589)	21,656
Cultural & Related Services		17,543	(3,941)	13,602
Environmental & Regulatory Services		15,747	(2,913)	12,835
Planning Services		8,978	(3,214)	5,764
Housing Services		69,188	(67,297)	1,891
Central Services		12,590	(10,612)	1,977
Corporate & Democratic Core		4,538	(4,487)	52
Non Distributable Costs		811	-	811
NET COST OF SERVICES	1,4	348,670*	(226,211)	122,459*
Other Operating Activities	6			20,699
Financing and Investment Income & Expenditure	7			4,299
Taxation and Non-Specific Grant Income	8			(145,263)
(Surplus) or Deficit on the Provision of Services	1			2,195
(Surplus) or Deficit on revaluation of Property, Plant & Equipment				(19)
(Surplus) or Deficit on revaluation of Available for Sale of Financial Assets				-
Actuarial (Gains) / Losses on Pension Assets / Liabilities	39			32,546
Other Comprehensive Income & Expenditure				32,527
TOTAL COMPREHENSIVE INCOME & EXPENDITURE				34,722

Comprehensive Income & Expenditure Statement

Comprehensive Income & Expenditure Statement as at 31st March 2013

		Gross Expenditure 2012/13	Gross Income 2012/13	Net Expenditure 2012/13
<i>Services</i>	Note	£'000	£'000	£'000
CONTINUING OPERATIONS				
Children's & Education Service		159,718	(113,016)	46,702
Adult Social Care		50,955	(16,709)	34,246
Highways and Transport		27,233	(4,651)	22,582
Cultural & Related Services		18,920	(3,561)	15,359
Environmental & Regulatory Services		15,626	(3,238)	12,388
Planning Services		6,948	(3,093)	3,855
Housing Services		72,346	(70,402)	1,944
Central Services		13,790	(11,013)	2,777
Corporate & Democratic Core		4,314	(2,771)	1,543
Non Distributable Costs		283	(113)	170
NET COST OF SERVICES	1,4	370,133	(228,567)	141,566
Other Operating Activities	6			22,089
Financing and Investment Income & Expenditure	7			3,802
Taxation and Non-Specific Grant Income	8			(144,366)
(Surplus) or Deficit on the Provision of Services	1			23,091
(Surplus) or Deficit on revaluation of Property, Plant & Equipment				(3,987)
(Surplus) or Deficit on revaluation of Available for Sale of Financial Assets				-
Actuarial (Gains) / Losses on Pension Assets / Liabilities	39			28,483
Other Comprehensive Income & Expenditure				24,496
TOTAL COMPREHENSIVE INCOME & EXPENDITURE				47,587

Balance Sheet

Balance Sheet as at 31st March 2013

31/03/2012 £'000 Restated		Note	£'000	31/03/2013 £'000
328,423	Net Fixed Assets – Property Plant & Equipment	17		310,702
1,067	Heritage Assets	19	1,114	
15,007	Investment Properties	20	13,405	
1,657	Intangible Assets	21	1,267	
-	Assets Held of Sale > 12 months		-	
12,465	Long Term Investments	23	455	
1,515	Long Term Debtors	24	17,187	33,428
360,134	Total Long Term Assets			344,130
	Current Assets			
371	Inventories	25	358	
4,476	Assets held for Sale < 12 months	22	3,743	
24,124	Short Term Debtors	24	21,923	
-	Intangible Current Assets		-	
50,000	Short Term Investments	23	29,000	
17,882	Cash/Cash Equivalents	26	22,369	
96,853	Total Current Assets		77,394*	
	Current Liabilities			
(47,043)	Short Term Borrowing	30	(20,045)	
(45,113)	Short Term Creditors	28	(42,878)	
(1,043)	Provisions < 1 year	31	(1,012)	
-	Bank Overdraft		-	
(93,199)	Total Current Liabilities		(63,935)	
3,654	Net Current Assets/(Liabilities)			13,459
363,788	Total Net Assets			357,589
(40,474)	Long Term Borrowing	30	(60,429)	
(741)	Provisions > 1 year	31	(461)	
(20,528)	Capital Grants Receipts in Advance	4	(15,090)	
(91,160)	Other Long Term Liabilities	32	(118,309)	(194,289)
(210,885)	Total Assets Less Liabilities			163,300
(47,379)	Usable Reserves	38	(48,239)	
(163,506)	Unusable Reserves	39	(115,061)	

(210,885)	Total Equity	(163,300)
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Movement in Reserves Statement

Movement in Reserves Statement as at 31st March 2012

	General Fund	Other Earmarked Reserves	Capital Receipts Reserve	Capital Grants Unapplied	TOTAL USABLE RESERVES	TOTAL UNUSABLE RESERVES	TOTAL COUNCIL RESOURCES
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
General Fund	(7,367)	(27,928)	(8,039)	(912)	(44,246)	(198,196)	(242,443)
General Fund – Schools	(3,165)	-	-	-	(3,165)	-	(3,165)
Balance as at 31st March 2011	(10,532)	(27,928)	(8,039)	(912)	(47,411)	(198,196)	(245,607)
Movement in Reserves during 2011/12							
(Surplus) or Deficit on the Provision of Services	2,195	-	-	-	2,195	-	2,195
Other Comprehensive Income and Expenditure	-	-	-	-	-	32,527	32,527
Total Comprehensive Income and Expenditure	2,195	-	-	-	2,195	32,527	34,722
Adjustments between Accounting Basis and Funding Basis under Regulations (note 37a)	(5,378)	-	5,481	(2,241)	(2,138)	2,138	-
Net (Increase)/Decrease before Transfers to Other Reserves	(3,183)	-	5,481	(2,241)	56	34,666	34,722
Transfers to/from other Earmarked Reserves (note 38)	(129)	129	-	-	-	-	-
Other Movements	-	-	(24)	-	(24)	24	-
(Increase)/Decrease in the year	(3,312)	129	5,457	(2,241)	32	34,690	34,722
Balance as at 31st March 2012	(13,844)	(27,799)	(2,582)	(3,154)	(47,379)	(163,506)	(210,885)
General Fund	(7,565)						
General Fund – Schools	(6,279)						
	(13,844)						

Movement in Reserves Statement

Movement in Reserves Statement as at 31st March 2013

	General Fund	Other Earmarked Reserves	Capital Receipts Reserve	Capital Grants Unapplied	TOTAL USABLE RESERVES	TOTAL UNUSABLE RESERVES	TOTAL COUNCIL RESOURCES
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
General Fund	(7,565)	(27,799)	(2,582)	(3,154)	(41,100)	(163,506)	(204,606)
General Fund – Schools	(6,279)	-	-	-	(6,279)	-	(6,279)
Balance as at 31st March 2012	(13,844)	(27,799)	(2,582)	(3,154)	(47,379)	(163,506)	(210,885)
Movement in Reserves during 2012/13							
(Surplus) or Deficit on the Provision of Services	23,091	-	-	-	23,091	-	23,091
Other Comprehensive Income and Expenditure	-	-	-	-	-	24,496	24,496
Total Comprehensive Income and Expenditure	23,091	-	-	-	23,091	24,496	47,587
Adjustments between Accounting Basis and Funding Basis under Regulations (note 37b)	(25,543)	-	1,258	362	(23,922)	23,922	-
Net (Increase)/Decrease before Transfers to Other Reserves	(2,452)	-	1,258	362	(831)	48,418	47,587
Transfer to/from other Earmarked Reserves (notes 38)	1,798	(1,798)	-	-	-	-	-
Other Movements	-	-	(27)	-	(27)	27	-
(Increase)/Decrease in the year	(654)	(1,798)	1,232	362	(858)	48,445	47,587
Balance Carried Forward	(14,498)	(29,597)	(1,351)	(2,791)	(48,237)	(115,061)	(163,300)*
General Fund	(8,067)						
General Fund – Schools	(6,433)						

(14,498)

Cash Flow Statement

Cash Flow Statement as at 31st March 2013

2011/12 £'000		Note	2012/13 £'000
(2,282)	Net cash flows from Operating Activities	41	7,814
69,252	Net cash flows from Investing Activities	42	(26,257)
(73,651)	Net cash flows from Financing Activities	43	13,955
(6,681)	Net (increase)/decrease in cash and cash equivalents		(4,488)
(11,201)	Cash and Cash Equivalents at the beginning of the reporting period	26	(17,882)
(17,882)	Cash and Cash Equivalents at the end of the reporting period	26	(22,369)

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 2011/12

	Communities £'000	Children and Young People £'000	Policy & Resources £'000	Total £'000
Fees, Charges & Other Service Income	(29,142)	(25,471)	(75,572)	(130,186)
Government Grants	(5,407)	(103,909)	(66,998)	(176,314)
Total Income	(34,550)*	(129,380)	(142,570)	(306,500)
Employee Expenses	29,734	86,374	25,165	141,273
Other Operating Expenses	56,053	63,990	109,476	229,519
Support Services Recharges	14,975	11,914	15,993	42,882
Total Operating Expenses	100,762	162,278	150,634	413,674
Cost of Services	66,212*	32,898	8,064	107,175*

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

	2011/12 £'000
Cost of Services in Service Analysis	107,175

Add services not included in main analysis	1,448
Add amounts not reported to management	(6,873)
Remove amounts reported to management not included in Comprehensive Income and Expenditure Statement	20,708
Net Cost of Services in Income and Expenditure Statement	<u>122,459*</u>

Notes to the Core Financial Statements - continued

1. Amounts Reported for Resource Allocations Decisions - continued

Directorate income and expenditure 2012/13

	Communities £'000	Children and Enterprise £'000	Policy & Resources £'000	Total £'000
Fees, Charges & Other Service Income	(31,871)	(23,071)	(69,223)	(124,164)
Government Grants	(5,202)	(104,949)	(72,062)	(182,214)
Total Income	(37,073)	(128,020)	(141,285)	(306,378)
Employee Expenses	28,234	85,312	22,840	136,386
Other Operating Expenses	58,121	64,459	112,821	235,402
Support Services Recharges	14,559	10,792	15,043	40,393
Total Operating Expenses	100,914	160,563	150,704	412,181
Cost of Services	63,841	32,544*	9,419	105,803*

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

Cost of Services in Service Analysis	2012/13 £'000
Add services not included in main analysis	-
Add amounts not reported to management	16,538
Remove amounts reported to management not included in Comprehensive Income and Expenditure Statement	19,224
Net Cost of Services in Income and Expenditure Statement	<u>141,565*</u>

Notes to the Core Financial Statements - continued

1. Amounts Reported for Resource Allocations Decisions - continued

Reconciliation to Subjective Analysis

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

2011/12	Service Analysis	Services Not In Analysis	Amounts Not Reported to Management	Amounts Not Included in I&E	Allocation of Recharges	Net Cost of Services	Corporate Amounts	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Fees Charges & Other Service Income	(130,186)	2,071	9,432	25,976	42,886	(49,820)	-	(49,820)
Interest and Investment Income	-	-	-	-	-	-	3,650	3,650
Income from Council Tax	-	-	-	-	-	-	(43,559)	(43,559)
Government Grant & Contributions	(176,314)	-	(2,676)	-	-	(178,990)	(101,704)	(280,694)
Total Income	(306,500)	2,071	6,756	25,976	42,886	(228,810)	(141,613)	(370,423)
Employee Expenses	141,273	-	(2,239)	(197)	-	138,837	-	138,837
Other Operating Expenses	206,362	(623)	(11,022)	(4,653)	(42,886)	147,179	-	147,179
Support Services Recharges	42,882	-	-	(419)	-	42,463	-	42,463
Depreciation, Amortisation & Revaluation Losses	23,157	-	(369)	-	-	22,788	-	22,788
Interest Payments	-	-	-	-	-	-	650	650
Precepts & Levies	-	-	-	-	-	-	323	323
Payments to Housing Capital Pool Receipts	-	-	-	-	-	-	4	4
Gain or Loss on Disposal of Fixed Assets	-	-	-	-	-	-	20,371	20,371
Total Operating Expenses	413,674	(623)	(13,630)	(5,268)	(42,886)	351,268	21,349	372,617
(Surplus)/Deficit on Provision of Services	107,175*	1,448	(6,873)*	20,708*	-	122,458*	(120,263)*	2,195*

Notes to the Core Financial Statements - continued

1. Amounts Reported for Resource Allocations Decisions - continued

Reconciliation to Subjective Analysis

2012/13	Service Analysis	Services Not In Analysis	Amounts Not Reported to Management	Amounts Not Included in I&E	Allocation of Recharges	Net Cost of Services	Corporate Amounts	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Fees Charges & Other Service Income	(124,164)	0	11,475	26,615	40,393	(45,681)		(45,681)
Surplus or Deficit on associates & Joint Venture						0		0
Interest and Investment Income	-					0	28	28
Income from Council Tax						0	(44,130)	(44,130)
Government Grant & Contributions	(182,214)	0	(4,599)	0		(186,813)	(100,236)	(287,049)
Total Income	(306,378)	0	6,876	26,615	40,393	(232,494)	(144,338)	(376,831)
Employee Expenses	136,386	0	(2,895)	(140)		133,351		133,351
Other Operating Expenses	211,798	0	(12,814)	(6,670)	(40,393)	151,921	701	152,622
Support Services Recharges	40,393	0	0	(582)		39,811		39,811
Depreciation, Amortisation & Impairment	23,604		25,372			48,976		48,976
Interest Payments						0	3,773	3,773
Precepts							59	59
Levies							257	257
Payments to Housing Capital Pool Receipts							4	4
Gain or Loss on Disposal of Fixed Assets							21,068	21,068
Total Operating Expenses	412,181	0	9,662	(7,391)	(40,393)	374,058	25,862	399,920
(Surplus)/Deficit on Provision of Services	105,803	0	16,538*	19,224*	0	141,565*	(118,476)	23,089*

Notes to the Core Financial Statements - continued

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		2011/12		2012/13	
		Teaching	Non - Teaching	Teaching	Non - Teaching
£50,000	£54,999	30	17	36	11
£55,000	£59,999	24	26	17	16
£60,000	£64,999	12	9	12	11
£65,000	£69,999	8	7	5	5
£70,000	£74,999	2	3	5	2
£75,000	£79,999	1	4	1	2
£80,000	£84,999	2	7		7
£85,000	£89,999	2	3	4	
£90,000	£94,999				
£95,000	£99,999			2	1
£100,000	£104,999	1			
£105,000	£109,999		2		3
£110,000	£114,999		1		1
£115,000	£119,999				
£120,000	£124,999			1	
£125,000	£129,999				
£130,000	£134,999		1		
£135,000	£139,999				
£140,000	£144,999				
£145,000	£149,999				
£150,000	£154,999	1			
£155,000	£159,999				
£160,000	£164,999			1	
£165,000	£169,999				
£170,000	£174,999		1		1
£175,000	£179,999				
		83	81	84	60

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.

Notes to the Core Financial Statements - continued

2. Officers' Remuneration – continued

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 2012/13, 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 cost of £60,000. None of the payments in relation to that additional role have been made by Halton Borough Council and are not disclosed in the salary or remuneration figures detailed overleaf.

Note 2: The Operational Director for Children & Families resigned on the 14/10/2012. Their annualised salary was £82,500. They were replaced on the 01/01/2013, with their annualised salary being £73,200.

Note 3: The Operational Director Financial Services retired on the 31/07/2012. Their annualised salary was £85,900. They were replaced on the 01/08/2012, with their annualised salary being £73,500.

Notes to the Core Financial Statements - continued

2. Officers' Remuneration – continued

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	
		2011/12	2012/13	2011/12	2012/13	2011/12	2012/13	2011/12	2012/13	2011/12	2012/13	2011/12	2012/13
Chief Executive – David Parr		169,000	167,700	-	-	3,500	2,900	172,500	170,600	33,200	33,100	205,700	203,700
Children & Enterprise	1	104,600	104,800	-	-	6,000	3,000	110,600	107,800	20,000	20,700	130,600	128,500
Policy & Resources		105,700	104,600	-	-	3,200	2,600	108,900	107,200	20,200	20,700	129,100	127,900
Communities		108,800	106,900	-	-	-	-	108,800	106,900	20,200	20,700	129,000	127,600
Policy, Planning & Transportation		79,700	81,000	-	-	2,000	3,100	81,700	84,100	15,200	16,000	96,900	100,100
Legal & Democratic Services		81,800	81,000	-	-	2,800	1,600	84,600	82,600	15,600	16,000	100,200	98,600
Learning & Achievement Services		74,300	74,700	-	-	2,400	2,400	76,700	77,100	14,000	14,800	90,700	91,900
Prevention & Assessment		80,600	80,900	-	-	-	400	80,600	81,300	14,800	15,600	95,400	96,900
Children & Families Services	2	82,500	45,700	-	-	-	-	82,500	45,700	15,200	8,600	97,700	54,300
Children & Families Services	2	-	18,300	-	-	-	-	-	18,300	-	3,500	-	21,800
Commissioning & Complex Care		84,900	83,000	-	-	-	-	84,900	83,000	15,600	16,000	100,500	99,000
Children's Organisation & Provision		81,500	81,000	-	-	2,200	1,200	83,700	82,200	15,600	16,000	99,300	98,200
Finance	3	87,000	28,800	-	-	-	-	87,000	28,800	16,000	5,500	103,000	34,300
Finance	3	-	44,200	-	-	-	-	-	44,200	-	8,400	-	52,600
ICT & Support Services		84,900	83,400	-	-	-	-	84,900	83,400	15,600	16,000	100,500	99,400
Economy, Enterprise & Property		76,100	76,900	-	-	-	-	76,100	76,900	14,000	14,800	90,100	91,700
Community & Environment		77,600	78,900	-	-	4,800	5,100	82,400	84,000	14,800	15,600	97,200	99,600
		1,379,000	1,341,800	-	-	26,900	22,300	1,405,900	1,364,100	260,000	262,000	1,665,900	1,626,100

Notes to the Core Financial Statements - continued

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 £'000	
	2011/12	2012/13	2011/12	2012/13	2011/12	2012/13	2011/12	2012/13	2011/12	2012/13
£0 - £20,000	14	3	59	8	12	-	85	11	639	89
£20,001 - £40,000	-	-	18	1	-	1	18	2	531	52
£40,001 - £60,000	-	-	3	2	4	3	7	5	333	240
£60,001 - £80,000	-	-	1	-	1	1	2	1	137	65
£80,001 - £100,000	-	-	-	-	1	-	1	-	80	-
£100,001 - £150,000	-	-	-	-	1	-	1	-	131	-
£150,001 - £200,000	-	-	-	-	-	1	-	1	-	186
£200,001 - £250,000	-	-	-	-	-	-	-	-	-	-
£250,001 - £300,000	-	-	-	-	-	-	-	-	-	-
Total	14	3	81	11	19	6	114	20	1,851	632

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 2011/12 and 2012/13. The cost of employees taking early retirement in 2012/13 is £0.414m (2011/12 - £0.636m). Early retirement costs are charged to the Council's Comprehensive Income & Expenditure Statement over a period of 5 years. The cost of redundancies in 2012/13 is £0.218m (2011/12 - £1.215m), funded from reserves in year. In addition to the amounts in the table, the Council's 2012/13 Comprehensive Income & Expenditure Statement includes a redundancy provision for £0.01m which has been agreed and is payable to three officers.

Notes to the Core Financial Statements - continued

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:

	31st March 2012 £'000	31st March 2013 £'000
Capital Grants Receipts in Advance		
Grant – Communities and Local Government	(665)	(3,060)
Grant – Department of Health	(552)	(210)
Grant – Department for Environment, Food & Rural Affairs	(380)	(167)
Grant – Department for Education	(16,840)	(4,992)
Grant – Other Grants	(310)	(45)
Contributions	(1,781)	(6,615)
	(20,528)	(15,090)*

	31st March 2012 £'000	31st March 2013 £'000
Revenue Grants Receipts in Advance		
Grant – Department for Education	(2,801)	(3,183)
Grant – Department for Works & Pensions	(16)	-
Grant – Communities and Local Government	(88)	(141)
Grant – Department for Environment, Food & Rural Affairs	(105)	(105)
Grant-DECC	-	(115)
Grant – Other Grants	(1,511)	(1,132)
Grant – Dedicated Schools Grant	(3,441)	(5,240)
Contributions	(618)	(1,290)
Other Creditors	(1,130)	(1,139)
	(9,710)	(12,346)*

Notes to the Core Financial Statements - continued

4. Grant Income – continued

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2012/13.

	31 March 2012 £'000	31 March 2013 £'000
Credited to Services		
Revenue Grant – Communities & Local Government	(1,981)	(3,358)
Revenue Grant – Dedicated Schools Grant	(89,393)	(87,636)
Revenue Grant – Department for Education	(12,246)	(13,423)
Revenue Grant – Department for Environment, Food & Rural Affairs	(154)	(135)
Revenue Grant – Department for Transport	(34)	(3,050)
Revenue Grant – Department for Works & Pensions	(12,705)	(12,649)
Revenue Grant – Department of Health	(4,461)	(4,489)
Revenue Grant – Home Office	(142)	(175)
Revenue Grant – Other Grants	(3,049)	(3,342)
Revenue Grant – Rent Allowance Subsidy	(51,568)	(54,078)
Contribution – PCT & Other Local Authorities	(1,544)	(1,059)
Other Contributions	(9,114)	(9,138)
Reimbursements	(6,288)	(6,003)
Sales, Fees & Rents	(17,184)	(17,961)
External Interest	(3)	(8)
Other Income	(13,018)	(7,464)
Capital Grants Impaired	(1,714)	(2,891)
Revenue Expenditure Funded by Capital Grants Under Statute	(1,613)	(1,708)
	(226,211)	(228,568)*

Notes to the Core Financial Statements - continued

5. Material Items of Income and Expense

During 2012/13 Wade Deacon High School took Academy status and as such the school was removed from the Council's Balance Sheet due to changes in its status and the extent to which the Council no longer had a right to receive economic benefits or control the service potential through the school. As a consequence the Council recorded a loss on disposal of this asset of £21.5m. This does not have any effect on the Council's General Fund Balance for the year as it is transferred to the Capital Adjustment Account via the Movement in Reserves Statement.

6. Other Operating Expenditure

2011/12 £'000		2012/13 £'000
51	Parish Council Precepts	59
272	Levies	257
4	Payments to the Government Housing Capital Receipts Pool	4
	Movement in value of Assets Held for Sale	701
20,371	(Gains)/Losses on the Disposal of non-current assets	21,068
20,699*	Total	22,089

7. Financing and Investment Income

2011/12 £'000		2012/13 £'000
1,507	Interest payable and similar charges	1,848
(857)	Pension interest cost and expected return on pensions assets	1,925
(943)	Interest receivable and similar charges	(1,302)
5,130	Income & Expenditure in relation to Investment Properties and changes in their fair value	1,301
(538)	Other investment income	29
4,299	Total	3,801*

Notes to the Core Financial Statements - continued

8. Taxation and Non Specific Grant Income

2011/12		2012/13
£'000		£'000
(43,559)	Council tax income	(44,130)
(51,194)	Non domestic rates	(61,642)
(15,824)	Non-ringfenced government grants	(1,195)
(34,685)	Capital grants and contributions	(37,399)
(145,263)*	Total	(144,366)

9. Trading Operations

The Council operates public markets, several industrial estates and owns a successful transport undertaking. A brief summary and comparison with 2011/12 is detailed below:

Income	Expenditure	Trading (Surplus)/ Deficit	Trading (Surplus)/ Deficit	Trading Account	Asset Rentals	Total Inc Asset Rental
2012/13 £'000	2012/13 £'000	2012/13 £'000	2011/12 £'000		2012/13 £'000	2012/13 £'000
(836)	693	(143)	(184)	Markets	46	(97)
(742)	430	(311)*	(438)	Industrial Estates	0	(311)*

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

	2011/12 £000	2012/13 £000
Markets	(438)	(97)
Industrial Estates	(438)	(311)
Halton Transport Dividend	(100)	-
	(976)	(408)*

Halton Transport is a wholly owned subsidiary of the Council and further details of its operations are shown in note 26.

Notes to the Core Financial Statements - continued

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 2012/13 the Council continued to supply payroll services to the Riverside College and entered into an agreement in September with Ormiston Bollingbroke Academy and The Heath also to provide payroll services.

	2011/12	2012/13
	£'000	£'000
Expenditure incurred in providing payroll services	40	45
Management fee payable	(40)	(45)
Net surplus arising from agreement	-	-

11. Pooled Budgets

Intermediate Care

The Council has entered into a pooled budget arrangement with Halton & St Helens Primary Care Trust to improve the ability of older people to live independently through the commissioning and provision of enabling and rehabilitation intermediate care services.

The Council and Halton & St Helens PCT contributed funds equal to 46% and 54% of the budget for 2012/13. 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.

	2011/12	2011/12	2012/13	2012/13
	£'000	£'000	£'000	£'000
Funding provided to the pooled budget:				
- Halton Borough Council	(2,687)		(2,827)	
- Halton & St Helens Primary Care Trust	(2,645)		(2,635)	
		(5,332)		(5,462)
Expenditure met from the pooled budget:				
- Halton Borough Council	2,648		2,935	
- Halton & St Helens Primary Care Trust	2,602		2,764	
		5,250		5,699
Net (surplus)/deficit arising on the pooled budget during the year		(82)		237
Share of the (surplus)/deficit for the year:	Weighting			
- Halton Borough Council	46%	40		108
- Halton & St Helens Primary Care Trust	54%	43		129
	100%	83		237

Notes to the Core Financial Statements - continued

11. Pooled Budgets - continued

Halton Integrated Community Equipment Service

The Council has entered into a pooled budget arrangement with Halton & St Helens Primary Care Trust to provide equipment for people with a disability via an integrated, multi-agency service.

The Council, St Helens Council and Halton & St Helens PCT contributed funds equal to 18%, 36% and 46% of the budget for 2012/13. The same proportions are used to meet any deficit or share any surplus arising on the pooled budget at the end of each financial year.

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

	2011/12 £'000	2011/12 £'000	2012/13 £'000	2012/13 £'000
Funding provided to the pooled budget:				
- Halton Borough Council	(218)		(262)	
- St Helens Council	(427)		(514)	
- Halton & St Helens Primary Care Trust	(545)		(657)	
		(1,190)		(1,433)
Expenditure met from the pooled budget:				
- Halton Borough Council	229		250	
- St Helens Council	451		491	
- Halton & St Helens Primary Care Trust	575		627	
		1,255		1,368
Net (surplus)/deficit arising on the pooled budget during the year		65		(65)
Share of the (surplus)/deficit for the year:				
Weighting				
- Halton Borough Council	18%	12		(12)
- St Helens Council	36%	23		(23)
- Halton & St Helens Primary Care Trust	46%	30		(30)
	100%	65		(65)

12. Members Allowances

During the year £713,557 (2011/12 £711,053) was paid to Members including Mayoral and Deputy Mayoral allowances.

Notes to the Core Financial Statements - continued

13. External Audit Fees

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

	<i>Restated 2011/12 £'000</i>	2012/13 £'000
Fees payable for		
Audit	214	142
Grants and Returns	53	14
Other	30	7
Non Audit Consultancy	-	33
	297	196

Following the disbandment of the Audit Commission Audit Practice as a public corporation, Grant Thornton was independently appointed as the external auditors for the Council by the Audit Commission.

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 a Council-wide basis and for the Individual Schools Budget (ISB), 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 2012/13 are as follows:

Total 2011/12 £'000		Central Expenditure 2012/13 £'000	Individual Schools Budget 2012/12 £'000	Total 2012/13 £'000
(89,484)	Final DSG for 2012/13			(87,221)
(1,177)	Brought Forward from 2011/12			(1,953)
-	Carry Forward to 2013/14 agreed in advance			
(90,661)	Agreed budget distribution in 2012/13	(11,991)	(77,182)	(89,174)
-	In Year Adjustments	(25)	25	-
(90,661)	Final Budget Distribution in 2012/13	(12,016)	(77,157)	(89,174)
9,671	Less actual central expenditure	8,844	-	8,844
79,037	Less actual ISB deployed to schools	-	77,157	77,157
-	Plus Council Contribution for 2012/13			
(1,953)	Carry Forward to 2013/14	(3,172)	-	(3,172)

Notes to the Core Financial Statements - continued

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 shown in notes 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 2012/13 is shown in note 12. The total of senior officers remuneration paid in 2012/13 is shown in note 2.

For 2012/13 the system has highlighted that 5 Members had interests in various organisations and voluntary sector bodies involving transactions worth £1.695m for various works and services. During the year, the Council transacted with 1 organisation who also employs an elected member. Transactions totalled £1.778m for 2012/13. Contracts were entered into in full compliance with the Council's standing orders and this particular member had no involvement in any of the decision making around those transactions. 1 Member sat on the board of Halton Housing Trust. Transactions between HBC and HHT totalled £2.293m

Notes to the Core Financial Statements - continued

15. Related Party Transactions - continued

Members and Officers - continued

in 2012/13. The declarations also showed that 1 Executive Officer represented the Council on the boards of 3 bodies within the borough. Transactions between HBC and those bodies totalled £21.537m in 2012/13.

Other Public Bodies

The Council had 2 pooled budget arrangements with Halton and St Helens Primary Care Trust and St Helens Council during 2012/13 under s75 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 28th June 2013 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 2013, 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.

In July 2010, Halton's Building Schools for the Future (BSF) Programme included the Grange PFI School worth an estimated £45.61m in PFI credits.

The School was opened as an educational establishment on the 15th April 2013. Subsequently, the surrounding nursery, infant, junior and secondary schools from this date were vacated and will no longer be used to provide education.

The Grange PFI school has not been recorded in Halton Borough Council's Balance Sheet as a Non-Current Asset for 2012/13.

Notes to the Core Financial Statements – continued

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

Movements in fixed assets during 2011/12

	Land and Buildings £'000	Community Assets £'000	Infrastructure Assets £'000	Vehicles, Plant and Equipment £'000	Surplus £'000	Under Construction/Development £'000	Total 2010/11 £'000
Cost or Valuation							
As at 31 st March 2011	216,338	6,255	143,757	12,119	15,184	12,950	406,602*
Additions and Enhancements	3,407	376	9,721	2,605	-	28,012	44,122*
Revaluations Recognised in the Revaluations Reserve	(703)	-	-	-	(1,128)	-	(1,831)
Revaluations Recognised in the Provision Services	2,566	-	-	-	15	(2,043)	537*
Derecognition – Disposals	(23,211)	-	-	(123)	(239)	(216)	(23,789)
Derecognition – Others	-	-	-	-	-	-	-
Assets Reclassified (to)/from held for sale	(492)	-	-	-	(3,370)	-	(3,862)
Other Movements	(4,607)	-	(812)	-	-	1,834	(3,585)
As at 31 st March 12	193,298	6,631	152,666	14,601	10,462	40,536*	418,194
Depreciation							
As at 31 st March 2011	(2,751)	(1,358)	(58,949)	(5,772)	(1,446)	-	(70,276)
Depreciation for the Year	(9,295)	(410)	(10,326)	(2,153)	(390)	-	(22,573)
Depreciation written out to revaluation reserve	1,948	-	23	-	-	-	1,971
Depreciation written out to Surplus/Deficit on the Provision of Services	86	-	-	-	-	-	86
Derecognition - Disposals	896	-	-	123	-	-	1,019
Derecognition – Other	-	-	-	-	-	-	-
Other movements in depreciation	(619)	-	-	-	619	-	-
As at 31 st March 12	(9,736)*	(1,768)	(69,252)	(7,801)*	(1,216)*	-	(89,773)
Balance Sheet Amount as at 31st March 12	183,562	4,863	83,414	6,800	9,245*	40,536*	328,423*
Balance Sheet Amount as at 1st April 11	213,586*	4,896	84,808	6,348*	13,738	12,950	336,328*

Notes to the Core Financial Statements – continued

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

Movements in fixed assets during 2012/13

	Land and Buildings	Community Assets	Infrastructure Assets	Vehicles, Plant and Equipment	Surplus	Under Construction/ Development	Total 2012/13
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation							
As at 31 st March 2012	193,299	6,631	152,666	14,602	10,462	40,536	418,196
Additions and Enhancements	30,029	240	8,489	1,928	-	8,010	48,697
Revaluations Recognised in the Revaluations Reserve	1,231	-	-	-	(3,223)	-	(1,992)
Revaluations Recognised in the Provision Services	(21,791)	-	-	-	(106)	(3,130)	(25,027)
Derecognition – Disposals	(21,977)	-	(274)	(407)	-	-	(22,658)
Derecognition – Others	-	-	-	-	-	-	-
Assets Reclassified (to)/from held for sale	(557)	-	-	-	229	-	(328)
Other Movements	(2,908)	-	253	(253)	808	2,100	-
As at 31 st March 2013	177,327	6,871	161,134	15,870	8,169	47,516	416,887
Depreciation							
As at 31 st March 2012	(9,736)	(1,769)	(69,251)	(7,803)	(1,216)	-	(89,775)
Depreciation for the year	(9,293)	(435)	(10,711)	(2,372)	(171)	-	(22,982)
Depreciation written out to revaluation reserve	4,661	-	-	-	1,317	-	5,978
Depreciation written out to Surplus/Deficit on the Provision of Services	344	-	-	-	13	-	357
Derecognition – Disposals	113	-	55	66	-	-	234
Derecognition – Other	-	-	-	-	-	-	-
Other movements in depreciation	29	-	5	(5)	(29)	-	-
As at 31 st March 2013	(13,881)	(2,204)	(79,903)	(10,114)	(85)	-	(106,187)
Balance Sheet Amount as at 31st March 13	163,445*	4,668*	81,231*	5,756	8,084*	47,516	310,700*
Balance Sheet Amount as at 1st April 12	183,563	4,863	83,414	6,800	9,245	40,536	328,423

Notes to the Core Financial Statements – continued

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

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 2013, the Council has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment.

The major commitments are:

Schools Basic Needs projects	£2.80m
The Grange School	£1.35m
3MG Regeneration	£5.69m
Silver Jubilee Bridge Major Maintenance	£9.48m
Mersey Gateway Land Acquisitions	£34.69m

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. 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.

All assets are subject to an annual impairment check.

Assets which were subject to a revaluation in 2012/13 are dated the 1st April 2012. The valuation report which is used in the preparation of the Council's Statement of Accounts takes account of all known events throughout 2012/13 which could subsequently affect the assets value and is therefore dated the 31st March 2013.

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).

Notes to the Core Financial Statements – continued

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

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 2013, the Council had 181 assets that fell below its de-minimis level of £35,000 which totalled £1.153m. These assets are not recorded on the Balance Sheet.

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.

Notes to the Core Financial Statements – continued

18. Capital Expenditure and Capital Financing – continued

	2011/12 £'000	2012/13 £'000
Opening Capital Financing Requirement	90,878	96,609
Capital Investment:		
Property, Plant & Equipment	51,874	48,427
Investment Properties	-	91
Intangible Assets	336	232
Revenue Expenditure funded from Capital under Statute	1,614	1,708
Source of Finance:		
Capital Receipts	(8,502)	(2,655)
Government Grants & Other Contributions	(35,771)	(42,361)
Direct Revenue Contributions	(816)	(1,045)
Minimum Revenue Provision	(3,004)	(3,239)
Closing Capital Financing Requirement	96,609	97,767
Explanation of movement in year:		
Increase in underlying need to borrow (supported by Government)	-	-
Increase in underlying need to borrow (unsupported by Government)	7,828	4,243
Minimum Revenue Provision statutory set a side	(3,004)	(3,239)
Deferred Liability Voluntary set a side	-	-
Assets acquired under Finance Leases	907	154
Assets acquired under PFI/PPP contracts	-	-
Increase/(Decrease) in Capital Financing Requirement	5,731	1,158

The table above shows the Council spent £50.458m on capital during 2012/13 (including £0.154m for assets acquired under finance leases). This represents spend at 87% of the programme compared with target spend of 80%. The highlights of the programme are detailed overleaf:

Notes to the Core Financial Statements – continued

18. Capital Expenditure and Capital Financing – continued

	£'000	£'000
Construction or Purchase of Assets		
Mersey Gateway Acquisitions	10,906	
Mersey Gateway Development Costs	300	
IT Rolling Programme	1,172	
Fleet Replacements	140	
Queens Arms – Moore Lane	91	12,609
Improving, Maintaining or Extending Assets		
Wade Deacon – Building Schools for the Future Scheme	16,976	
Highway/Bridge Maintenance	8,022	
Lunts Heath Primary School	647	
Windmill Hill Primary School	329	
Solar Panels - Brookvale	90	26,064
Other Works		
Regeneration – 3MG	4,206	
Regeneration – Decontamination of Land	548	
Section 106 Schemes	404	
Playgrounds/Open Spaces	366	
Risk Management	170	
Runcorn Busway Works	60	5,754

Disposal of Assets/Capital Receipts

Land/Dwellings/Recovered Advances – the Council received £0.332m from the sale of land and various properties.

Under residual arrangements, the Council received £0.272m (£0.223m in 2011/12) from Halton Housing Trust for the sale of homes during the year, and a further £0.797m (0.631m in 2011/12) under VAT Shelter arrangements.

Notes to the Core Financial Statements – continued

19. Heritage Assets

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

	2011/12			2012/13		
	Civic Regalia	Outdoor Sculpture	Total	Civic Regalia	Outdoor Sculpture	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation						
01 April	824	206	1,030	858	210	1,068
Additions	0	4	4	0	46	46
Disposals	0	0	0	0	0	0
Revaluations	34	0	34	0	0	0
Impairment Losses/(reversals) Recognised in the Revaluation Reserve	0	0	0	0	0	0
Impairment Losses/(reversals) Recognised in the Surplus or Deficit on the Provision of Services	0	0	0	0	0	0
31 March	858	210	1,068	858	256	1,114

Civic Regalia

The Council's collection of Civic Regalia includes pictures, manuscripts, ceramics, glassware and sculptures which are valued at Insurance value. Item 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

As part of the Widnes Waterfront regeneration scheme undertaken by the Council a sculpture was erected at the side of the river Mersey. The sculpture is known as the Future Flower and was designed by Tonkin Liu. It is a wind powered sculpture which with yellow perspex petals they flutter and light up in the wind.

A new 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. The sculptor Diane Gorvin

Notes to the Core Financial Statements – continued

19. Heritage Assets - continued

said: "I've depicted him as if he's just paused on a walk, leaning on a stick and looking across towards the cottage where he lives.

It gives people the opportunity to stand next to him, hold his hand and look up to him. I'm hoping it will become an important part of Hale village."

Additions

Design and construction of Childe of Hale 2012/13 £46k (2011/12 £4k)

Disposals

There were no disposals in 2012/13

Heritage Assets 5 year summary of transactions

	2008/09 £'000	2009/10 £'000	2010/11 £'000	2011/12 £'000	2012/13 £'000
Cost of Acquisition/Construction Of Heritage Assets	-	-	-	-	-
Civic Regalia					
Outdoor Sculpture	27	178	1	4	46
Total Cost of Purchases	27	178	1	4	46

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. £2k was spent in the year on the maintenance of the Runcorn War Memorial and adding a new stone with the names of residents killed in more recent conflicts.

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

Notes to the Core Financial Statements – continued

19. Heritage Assets - continued

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, the next review is due in April 2013. 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:

2011/12 £'000		2012/13 £'000
821	Rental income from Investment Property	873
(383)	Direct operating expenses arising from investment property	(482)
438		391

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).

Notes to the Core Financial Statements – continued

20. Investment Properties - continued

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:

2011/12 £'000		2012/13 £'000
9,707	Balance at the start of the year	15,007
	Additions:	
-	- Purchases	91
7,735	- Construction	-
-	- Subsequent expenditure	-
(304)	Disposals	-
(5,716)	Net gains/losses from fair value adjustments	(1,693)
	Transfers:	
-	- To/from Inventories	-
3,585	- To/from Property, Plant and Equipment	-
-	Other changes	-
15,007	Balance at the end of the year	13,405

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 no 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 £0.622m charged to revenue in 2012/13 was charged to various cost centres and then absorbed as an overhead across all service headings in the Net Cost of Services.

Notes to the Core Financial Statements – continued

21. Intangible Assets - continued

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

	2011/12			2012/13		
	<i>Internally Generated Assets £'000</i>	<i>Other Assets £'000</i>	<i>Total £'000</i>	<i>Internally Generated Assets £'000</i>	<i>Other Assets £'000</i>	<i>Total £'000</i>
Balance at start of year:						
Gross carrying amounts	-	4,620	4,620	-	4,956	4,956
Accumulated amortisation	-	(2,573)	(2,573)	-	(3,299)	(3,299)
Net carrying amount at start of year		2,047	2,047	-	1,657	1,657
Additions:						
Purchases	-	336	336	-	232	232
Amortisation for the period	-	(726)	(726)	-	(622)	(622)
Net carrying amount at end of year	-	1,657	1,657	-	1,267	1,267
Comprising:						
Gross carrying amounts	-	4,956	4,956	-	5,188	5,188
Accumulated amortisation	-	(3,299)	(3,299)	-	(3,921)	(3,921)
	-	1,657	1,657	-	1,267	1,267

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

Description	Carrying Amount 31/03/13 £'000	Remaining Amortisation Period
Software Licenses 2008/09	262	1 years
Software Licenses 2009/10	213	2 years
Software Licenses 2010/11	291	3 years
Software Licenses 2011/12	269	4 years
Software Licenses 2012/13	232	5 years

Notes to the Core Financial Statements – continued

22. Assets Held for Sale

	Current		Non-Current	
	2011/12 £'000	2012/13 £'000	2011/12 £'000	2012/13 £'000
Balance outstanding at start of Year	1,055	4,476	-	-
Assets newly classified as held for sale:				
Property, Plant and Equipment	3,862	760	-	-
Intangible Assets	-	-	-	-
Revaluation Losses	(281)	(701)	-	-
Revaluation Gains	-	-	-	-
Impairment Losses	-	-	-	-
Assets declassified as held for sale:				
Property, Plant and Equipment	-	-	-	-
Intangible Assets	-	-	-	-
Assets Sold	(160)	(360)	-	-
Transfers frm non-current to current	-	-	-	-
Other Movements	-	(432)	-	-
Balance outstanding at year-end	4,476	3,743	-	-

23. Investments

Long term investments consist of:

	Balance at 30/03/12 £'000	Balance at 31/03/13 £'000
Halton Borough Transport Ltd		
Share Capital	430	430
Debenture	35	25
Halton Development Partnership Limited – de minimis	-	-
Widnes Regeneration Limited – de minimis	-	-
Long Term Deposits	12,000	-
	12,465	455

Halton Borough Council 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. The debenture is currently being repaid with interest at a rate of £7,000 per annum. Extracts from their accounts are detailed overleaf:

Notes to the Core Financial Statements – continued

23. Investments – continued

	Year to 31st March 2012 £'000	Year to 31st March 2013 £'000
Profit and Loss Account		
Turnover	(5,645)	(5,721)
Operating and Other Expenditure	5,740	5,800
Net (Profit)/Loss (before Dividend)	95	79
Dividend due to Halton Borough Council	(100)	-
Balance Sheet as at 31st March		
Fixed Assets	3,044	2,744
Current Assets less Current Liabilities	(1,620)	(1,503)
Net Current Assets	1,424	1,241
Long Term Liabilities	(558)	(454)
Provisions for Liabilities and Charges	(60)	(60)
Pension Scheme Liability	-	-
	806	727
Represented by:		
Share Capital	(430)	(430)
Profit and Loss Account	(376)	(297)
	(806)	(727)

The undertaking received an unqualified audit opinion for the year ended 31st March 2013.

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

Short term investments consist of:

	Balance at 30/03/2012 £'000	Balance at 31/03/2013 £'000
Santander UK Bank Plc	4,000	-
Barclays Bank Plc	3,000	10,000
LloydsTSB/Bank of Scotland Plc	23,000	19,000
Royal Bank of Scotland Plc	20,000	-
	50,000	29,000

Notes to the Core Financial Statements – continued

24. Debtors

	<i>Gross Debtors</i>	<i>Impairment</i>	<i>Net Debtors</i>	<i>Gross Debtors</i>	<i>Impairment</i>	<i>Net Debtors</i>
	<i>31st March 2012</i>			<i>31st March 2013</i>		
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
<i>Short Term</i>						
Central Government Bodies	18,227	-	18,227	13,123	-	13,123
Other Local Authorities	607	-	607	1,231	-	1,231
NHS Bodies	1,232	(112)	1,120	505	-	505
Public Corporations & Trading Funds	101	-	101	-	-	-
Other Entities & Individuals	11,579	(7,511)	4,068	14,485	(7,421)	7,064
	31,746	(7,623)	24,123	29,344	(7,421)	21,923
<i>Long Term</i>						
Mortgagors – Council House Sales	16	-	16	10	-	10
Housing Associations	1,328	-	1,328	1,307	-	1,307
Mersey Gateway Grant				15,627	-	15,627
Other	171	-	171	242	-	242
	1,515	-	1,515	17,187*	-	17,187*

A grant is due from Department of Transport with regards to the Mersey Gateway scheme, it has been categorised as a long term debtor as receipt will be more than 12 months after the balance sheet date.

Notes to the Core Financial Statements – continued

25. Inventories

	Catering, Bars and Provisions		Railcards		Other	
	2011/12	2012/13	2011/12	2012/13	2011/12	2012/13
	£'000	£'000	£'000	£'000	£'000	£'000
Balance outstanding at the start of the year	138	141	12	17	212	213
Purchased	10	3	5	-	49	111
Recognised as an expense in the year	(2)	(6)	-	-	(45)	(121)
Written-off balances	(5)	-	-	-	(3)	-
Reversals of write-offs in previous years	-	-	-	-	-	-
Balance outstanding at the end of the year	141	138	17	17	213	203

26. Cash and Cash Equivalents

31/03/2012 £'000		31/03/2013 £'000
48	Cash held by the Council	49
2,984	Bank current accounts	3,470
14,850	Short-term deposits with building societies	18,850
17,882		22,369

27. Creditors

	31/03/2012 £'000	31/03/2013 £'000
Central Government Bodies	(10,707)	(8,337)
Other Local Authorities	(3,860)	(5,825)
NHS Bodies	(1,376)	(2,826)
Public Corporations & Trading Funds	(19)	(271)
Other Entities & Individuals	(29,152)	(25,618)
	(45,113)	(42,878)

Notes to the Core Financial Statements – continued

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 of Balance Sheet.

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

Notes to the Core Financial Statements – continued

28. Trust Funds – continued

		31.03.12 <i>Restated</i> £	Expenditure / Payments £	Income / Receipts £	31.03.13 £
(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	2,364,711			2,563,116
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	16,318*	-	-	16,318
(B) Funds where the Council doesn't have sole control					
<u>Registered Charities</u>					
Knights House Charity					
Objective: to assist the needy in the Widnes area Charity No. 218886	Assets	303,881			343,837
	Liabilities	(183,319)			(212,404)
		120,562	(170)	10,040	131,433
Runcorn General War Relief					
Objective: to assist the needy in the Runcorn area Charity No. 505396	Assets	34,211			33,877
	Liabilities	(18,603)			(18,186)
		15,608	-	84	15,691
Widnes Education Foundation					
Objective: to assist in education opportunities for students in Widnes Charity No. 526510	Assets	21,286			23,298
	Liabilities	(19,374)			(21,097)
		1,912	-	289	2,201
<u>Other</u>					
Other Social Services Funds					
The Council holds various sums on a voluntary basis for clients. The funds are mainly used to assist in providing recreational activities.	Balance	187,652	(161,798)	145,432	171,286
Education Welfare Trust					
The Council holds a small sum on a voluntary basis from various fundraising activities. The funds are used to pay for additional educational activities,	Balance	785	-	-	785

Notes to the Core Financial Statements – continued

29. Leases

2012/13 – 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:

	31/03/12 £'000	31/03/13 £'000
Vehicles, Plant, Furniture & Equipment	2,399	1,574

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:

	31/03/12 £'000	31/03/13 £'000
Finance Lease liabilities (net present value of minimum lease payments):		
Vehicles, Plant, Furniture & Equipment	795	901
Finance costs payable in future years	60	54
Minimum Lease Payments	855	956

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

	Minimum Lease Payments		Finance Lease Liabilities	
	31/03/12 £'000	31/03/13 £'000	31/03/12 £'000	31/03/12 £'000
Not later than one year	976	587	(935)	(586)
Later than one year and not later than five years	750	421	(1,017)	(621)
Later than five years	-	-	-	-
	1,726	1,007	(1,952)	(1,207)

Notes to the Core Financial Statements – continued

29. Leases – continued

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:

	31/03/12 £'000	31/03/13 £'000
Not later than one year	1,290	936
Later than one year not later than five years	1,998	1,738
Later than five years	11,511	11,371
	14,799	14,044

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.

	31/03/12 £'000	31/03/13 £'000
Not later than one year	281	301
Later than one year not later than five years	268	247
Later than five years	-	-
	549	548

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

	31/03/12 £'000	31/03/13 £'000
Children's & Education Service	140	141
Adult Social Care	110	105
Highways & Transport	73	61
Cultural, Environmental, Regulatory and Planning	125	120
Housing Services	42	25
Central Services	1,262	803
Corporate and Democratic Core	23	30
Non Distributed Costs	-	2
Net Cost of Services	1,775	1,287
(Surplus)/Deficit from Trading Operations	3	-
	1,778	1,287

Notes to the Core Financial Statements – continued

29. Leases – continued

Authority as a Lessor

Finance Leases

The Council has no Finance Leases under this category for 2012/13.

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:

	31/03/12 £'000	31/03/13 £'000
Not later than one year	2,322	2,057
Later than one year not later than five years	3,721	2,977
Later than five years	12,788	11,508
	18,831	16,541

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 2012/13 £9,105 contingent rents were receivable by the Council (2011/12 £11,497).

30. Borrowings

Short term borrowings consist of:

	Outstanding 31st March 2012 £'000	Outstanding 31st March 2013 £'000
Source of loans:		
Public Works Loans Board	(10,000)	-
EuroHypo	(10,000)	(10,000)
Buckinghamshire CC	(3,000)	-
West Midlands Police	(7,000)	-
Wakefield MDC	(8,000)	-
Portsmouth CC	(5,000)	-
Coventry Building Society	(4,000)	-
Cherwell DC	-	(5,000)
Wirral MBC	-	(5,000)
Other	(43)	(45)
	(47,043)	(20,045)

Notes to the Core Financial Statements – continued

30. Borrowings – continued

Long term borrowings consist of:

	Outstanding 31st March 2012 £'000	Outstanding 31st March 2013 £'000
Source of loans:		
Public Work Loan Board	(30,000)	(40,000)
Cherwell District Council	(5,000)	-
Wirral Metropolitan Borough Council	(5,000)	-
London Borough of Havering	-	(5,000)
West Midlands Police	-	(5,000)
Portsmouth City Council	-	(10,000)
Other	(474)	(429)
	(40,474)	(60,429)
Analysis of loans by maturity:		
Maturing in 1-2 years	(10,045)	(95)
Maturing in 2-5 years	(20,197)	(50,157)
Maturing in 5-10 years	(232)	(177)
Maturing in more than 10 years	(10,000)	(10,000)
	(40,474)	(60,429)

31. Provisions

	Provisions >12 months				Provisions <12 months				
	Equal Pay	Land Search Charge Claim	Efficiency Costs	Catalyst Museum	Equal Pay	Catalyst Museum	MMI Insurance	Information Commissioner	Dilapidation Costs
Balance at 1 April 2012	(562)	(160)	(20)	-	(1,043)	-	-	-	-
Additional provisions made in year	(120)	-	(11)	(20)	(228)	(10)	(180)	(90)	(229)
Amount used in year	344	-	14	-	639	-	-	-	-
Unused amounts reversed in year	69	-	6	-	129	-	-	-	-
Balance at 31 March 2013	(269)	(160)	(11)	(20)	(503)	(10)	(180)	(90)	(229)

Notes to the Core Financial Statements – continued

31. Provisions - continued

Equal Pay Provision

The Council is in receipt of 950 Equal Pay claims, a provision has been made for settlement offers which have been forwarded to the claimants for consideration.

Land Search Charge Claim

There is currently a national legal review into whether Council's 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 2013.

Catalyst Museum

A provision has been set up against a 3 year loan that has been made to the Catalyst Museum, as repayment is made the provision will be reduced accordingly

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% has been applied to the sum of claims at the 31st March. This has been accounted for as a provision within the Council's Balance Sheet for 2012/13. As at 31st March 2013, claims totalled £1.236m with 1 claim outstanding with a value of £7,000. The actual levy notice will be issued later in 2013 and will be based on the value of total claims payments at the actual levy date.

Information Commissioner

A provision has been made in recognition of an expected charge that is to be made against the Council by the Information Commissioner's Office.

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 Grosvenor House, the corporate training centre (Victoria House), Unit 15 Turnstone Park and Midwood House has been made.

Notes to the Core Financial Statements – continued

32. Other Long Term Liabilities

	31/03/12 £'000	31/03/13 £'000
Defined Benefit Pension liability	(90,011)	(117,571)
Finance Leases liability due more than 12 months	(1,017)	(621)
Deferred liabilities	(132)	(118)
	(91,160)	(118,309)

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 1 employee. 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

Notes to the Core Financial Statements – continued

33. Pension Schemes – continued

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 2012/13, the Council paid an employer's contribution to the Cheshire Pension Fund of £12.239m (£12.502m in 2011/12), representing 19.6% (19.1% in 2011/12) 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 we are required to make 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:

	2011/12 £'000	2012/13 £'000
Comprehensive Income & Expenditure Statement		
Cost of Services		
Current Service Costs	9,913	10,239
Past Service Costs/(Gain)	488	403
Losses/(Gains) on Settlements & Curtailments	79	(1,251)
Finance & Investment Income & Expenditure		
Interest Costs on Obligation	20,697	19,732
Expected Return on Assets of the Scheme	(21,554)	(17,807)
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	9,623	11,316
Movement in Reserves Statement		
Reversal of net charges made to Surplus or Deficit on the Provision of Services for post-employment benefits in accordance with the Code	9,623	11,316
Actual amount charged against the General Fund Balance for pensions in the year:		
Employers' contribution payable to scheme	12,502	12,239

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to 31st March 2013 was a loss of £102.873m (£74.390m in 2011/12).

Notes to the Core Financial Statements – continued

33. Pension Schemes – continued

Assets and Liabilities in Relation to Post-Employment Benefits

Reconciliation of present value of the scheme liabilities (Defined Benefit Obligation)

	2011/12 £'000	2012/13 £'000
Opening Balance at 1 st April	377,284	417,933
Current Service Cost	9,913	10,239
Interest Cost on Obligation	20,697	19,732
Contributions by Members	3,406	3,282
Actuarial Losses/(Gains)	21,921	54,488
Losses/(Gains) on Curtailments	79	-
Liabilities Extinguished on Settlements	-	(5,527)
Estimated Benefits Paid	(15,856)	(12,916)
Past Service Costs/(Gains)	489	403
Closing Balance at 31 th March	417,933	487,634

Reconciliation of fair value of the scheme (plan) assets:

	2011/12 £'000	2012/13 £'000
Opening Balance at 1 st April	316,940	327,921
Expected Return on Assets	21,554	17,807
Actuarial Gains/(Losses)	(10,625)	26,005
Assets Distributed on Settlements	-	(4,276)
Contributions by the Employers	12,502	12,239
Contributions by Members	3,406	3,282
Benefits Paid	(15,856)	(12,916)
Closing Balance at 31 th March	327,921	370,062

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date. Expected returns on equity investments reflect long-term real rates of return experienced on the respective markets.

The actual return on scheme assets in the year was £43.81m (2011/12 £10.929m).

Scheme History

	2008/09 £'000	2009/10 £'000	2010/11 £'000	2011/12 £'000	2012/13 £'000
Present value of liabilities	(292,265)	(503,597)	(377,284)	(417,933)	(487,634)
Fair value of assets	205,764	290,647	316,940	327,921	370,062
Surplus/(Deficit) in scheme	(86,501)	(212,950)	(60,344)	(90,012)	(117,572)

Notes to the Core Financial Statements – continued

33. Pension Schemes – continued

The liabilities show the underlying commitments that the Council has in the long run to pay post-employment (retirement) benefits. The total liability of £487.634m has a substantial impact on the net worth of the Council as recorded in the Balance Sheet, resulting in a negative overall balance of £117.572m.

There are a number of reasons why there is a significant change in the funding of the pension fund from a deficit of £90.012m in 2011/12 to £117.572m in 2012/13. This is mainly due to financial assumptions at 31st March 2013 being less favourable than they were at 31st March 2012. Some of the headline issues that have contributed to the increase in the deficit in 2012/13 are:

- The change in the real discount rate between March 2012 and March 2013 will have a substantial negative impact on the Balance Sheet. This has led to a higher value being placed on the pension liabilities, resulting in an increase of around 8% to 12%.
- Future pension increases are assumed to be linked to CPI which is approximately 0.8% below RPI on average.
- The salary increase assumption for IAS19 purposes has changed in line with public sector pay restrictions. Typically this will be a restricted rate of 1% p.a. until 2015 or 2016, followed by the long term expected rate of RPI inflation plus 1.0% or 1.5%, plus an allowance for promotional salary increases.
- The actual investment return on LGPS funds during 2012/13 was typically in the region of 11% to 16%. This is higher than the expected level at the start of the year of between 5% and 6%.

The deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees (i.e. before payments fall due), as assessed by the scheme actuary.

The total contributions expected to be made to the scheme by the Council in the year to 31st March 2014 is £10.212m.

Basis for Estimating Assets and Liabilities

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

The principal assumptions used by the actuary are shown below:

Notes to the Core Financial Statements – continued

33. Pension Schemes – continued

	2011/12	2012/13
Long-term expected rate of return on assets in the scheme		
Equity Investments	6.2%	4.5%
Bonds	3.3%	4.5%
Property	4.4%	4.5%
Cash	3.5%	4.5%
Mortality Assumptions		
Longevity at 65 for current pensioners:		
Men	22.9 years	22.9 years
Women	25.7 years	25.7 years
Longevity at 65 for future pensioners:		
Men	24.9 years	24.9 years
Women	27.7 years	27.7 years
Rate of inflation	2.5%	2.8%
Rate of increase in salaries	4.8%	5.1%
Rate of increase in pensions	2.5%	2.8%
Rate for discounting scheme liabilities	4.8%	4.5%
Take-up of option to convert annual pension into retirement lump sum	75%-50%	75-50%

The schemes assets consist of the following categories, by proportion of the total assets held:

	31/03/2012	31/03/2013
	%	%
Equity Investments	72	73
Bonds	14	14
Property	7	6
Cash	7	7
	100	100

The schemes asset values as at 31st March 2013 are at bid value:

	31/03/2012	31/03/2013
	£'000	£'000
Equity Investments	236,104	270,145
Bonds	45,909	51,809
Property	22,954	22,204
Cash	22,954	25,904
	327,921	370,062

Notes to the Core Financial Statements – continued

33. Pension Schemes – continued

Historic of experience gains and losses

The actuarial gains identified as movements on the Pensions Reserve in 2012/13 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31st March 2013:

	<i>2008/09</i> <i>£'000</i>	<i>2009/10</i> <i>£'000</i>	<i>2010/11</i> <i>£'000</i>	<i>2011/12</i> <i>£'000</i>	<i>2012/13</i> <i>£'000</i>
Experience gains and losses on scheme assets	(36.22)	23.04	0.97	(3.24)	7.03
Experience gains and losses on scheme liabilities	0.00	0.92	(17.84)	1.11	(0.12)

Further information can be found in Cheshire West and Chester Borough Council's Pension Funds Annual Report which is available from County Hall, Chester, CH1 1SG.

Teacher's Pension Scheme

Defined Contribution Scheme

In 2012/13, the Council paid an employers' contribution to the Teachers' Pension Agency of £4.904m (£5.072m in 2011/12) in respect of teachers' pension costs. The contribution rate was 14.10% (14.10% in 2011/12) 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 2012/13 the cost was £0.157m (£0.157m in 2011/12).

NHS Pension Scheme

Defined Contribution Scheme

In 2012/13 the Council paid an employers' contribution to the National Health Service Pensions Scheme in respect of 1 employee, the amount paid was £0.005m (£0.005m in 2011/12) in respect of these former NHS employees' pension costs. The contribution rate was 14.0% (14.0% in 2011/12) 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.

Notes to the Core Financial Statements – continued

33. Pension Schemes – continued

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

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 Sector, its treasury management advisors to calculate these values and they have based the calculation on the appropriate PWLB rate for new loans at the 31st March 2013.

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.

Notes to the Core Financial Statements – continued

34. Financial Instruments - continued

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 £47.85m 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 the 31st March 2013 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 overleaf:

Maximum Deposit per Institution for placing >3 months £M Limit	Counterparties	Exposure at 31/03/13 £'000
7.5 – 15.00	Banks	39,850
7.5 – 10.00	Building Societies	8,000
2.50	Other Local Authorities	-
2.50	Debt Management Office	-
		47,850

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 Councils' 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.

	<i>Estimated maximum exposure to default and non-collection at 31/03/12</i> £'000	Amount Outstanding at 31/03/13 £'000	Historical experience of default %	Estimated maximum exposure to default and non-collection at 31/03/13 £'000
Deposits with Banks	359.25	39,850	0.00	0.00
Deposits with Building Societies	0.00	8,000	0.00	0.00
Customers/Clients	148.10	5,973	2.50	149.31
	507.35			149.31

Notes to the Core Financial Statements – continued

34. Financial Instruments - continued

None of the Councils' counterparties had any difficulty in repaying their liabilities during 2012/13. There has been no impairment of any financial assets during the course of the year. The Council did not have any exposure to the Icelandic banks that collapsed in October 2008. 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). £2.770m of the £5.973m customer/client debt shown above is overdue. An analysis of the debt is shown overleaf:

	31/03/2012 £'000	31/03/2013 £'000
Less than 3 months	2,830	3,202
3 to 6 months	684	527
6 months to 1 year	398	360
More than 1 year	2,012	1,883
	5,924	5,973*
Provision for non-payment	(3,646)	(3,630)

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:

	31/03/2012 £'000	31/03/2013 £'000
Less than 1 year	82,856	52,911
Between 1 and 2 years	10,552	10,011
Between 2 and 5 years	20,198	60,430
More than 5 years	10,474	-
	124,080	123,352

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

Notes to the Core Financial Statements – continued

34. Financial Instruments - continued

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 2013, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

	£'000
Increase in interest payable on variable rate borrowings	(300)
Increase in interest receivable on variable rate investments	370
Impact upon Comprehensive Income and Expenditure Statement	70

Notes to the Core Financial Statements – continued

34. Financial Instruments - continued

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

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:

	<i>Long Term</i> <i>31/03/2012</i> <i>£'000</i>	<i>Current</i> <i>31/03/2012</i> <i>£'000</i>	<i>Long Term</i> <i>31/03/2013</i> <i>£'000</i>	<i>Current</i> <i>31/03/2013</i> <i>£'000</i>
Investments				
Loans and receivables	12,000	50,000	-	28,999
Unquoted equity investment at cost	465	-	455	-
Total	12,465	50,000	455	28,999
Assets				
Loans and receivables	1,515	42,005	17,187	44,294
Borrowings				
Financial liabilities at amortised cost	(40,474)	(47,043)	(60,429)	(20,045)
Other liabilities				
Finance lease liabilities	(1,017)	(935)	(621)	(586)
Current Liabilities				
Financial liabilities at amortised cost	-	(44,178)	-	(42,292)

Material Soft Loans Made by the Council

There were no material soft loans made by Halton Borough Council in 2012/13 (£0 2011/12)

Reclassifications

There were no reclassifications of financial instruments made by Halton Borough Council in 201/13 (£0 2011/12)

Notes to the Core Financial Statements – continued

34. Financial Instruments – continued

Income, Expense, Gains and Losses

	<i>Financial Liabilities measured at amortised cost</i> £'000	<i>Financial Assets: Loans and Receivables</i> £'000	<i>2011/12 Total</i> £'000	<i>Financial Liabilities measured at amortised cost</i> £'000	<i>Financial Assets: Loans and Receivables</i> £'000	<i>2012/13 Total</i> £'000
Interest expense	1,507	-	1,507	1,848	-	1,848
Interest income	-	(943)	(943)	-	(1,302)	(1,302)
Net Gain/(Loss) for the Year	1,507	(943)	564	1,848	(1,302)	546

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 2013 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.

Where an instrument will mature in the next 12 months, carry amount is assumed to be approximate to fair value.

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 calculated as follows:

	<i>2011/12</i>		<i>2012/13</i>	
	<i>Carrying Amount</i> £'000	<i>Fair Value</i> £'000	<i>Carrying Amount</i> £'000	<i>Fair Value</i> £'000
Financial Liabilities - Loans & Payables	(92,156)	(92,705)	(62,923)	(63,638)
Financial Liabilities - Long-term Loans	(40,474)	(39,464)	(60,429)	(60,738)

The fair values of the liabilities is lower than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate is payable is lower than the prevailing rates at the Balance Sheet date. This shows a notional future gain (based on economic conditions at 31st March 2013) arising from a commitment to pay interest to lenders below current market rates.

Notes to the Core Financial Statements – continued

34. Financial Instruments - continued

	2011/12		2012/13	
	Carrying Amount £'000	Fair Value £'000	Carrying Amount £'000	Fair Value £'000
Financial Assets - Investments	92,005	92,458	73,293	73,753
Financial Assets - Long-term Investments & Receivables	13,980	14,351	17,642	30,013

The fair value of assets is higher than the carrying amount because the Council's portfolio of investments includes a number of fixed rate loans 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 2013) attributable to the commitment to receive interest above current market rates.

The Council's shareholding in Halton Borough Transport Ltd – the shares are not traded in an active market and fair value of £0.789m has been based on valuation techniques that are not based on observable current market transactions or available market data. The valuation has been made based on an analysis of the assets and liabilities in the company's latest audited accounts and an assessment of future trading prospects.

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 14 redundancies and 6 early retirements in 2012/13. 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 £2.445m (2011/12 £4.59m). Please see note 3 for the number of exit packages and the cost per band.

Termination costs are split between service areas as follows:

	£'000
Adult Social Care	356
Central Services	801
Children's & Education Services	198
Corporate & Democratic Core	84
Culture & Related Services	253
Environmental & Regulatory Services	159
Highways & Transport Services	294
Housing Services	68
Planning Services	232
Total	2,445

Notes to the Core Financial Statements – continued

36. Contingent Liabilities

At 31st March 2013, the Council had 6 categories of material Contingent Liabilities:

Mersey Gateway

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

The project has a specific number of milestones to reach in order to deliver the asset within an agreed timetable. Should delays in the project result in Financial Close not being reached or deferred beyond an unacceptable time period, the Council would not be able to recover certain costs incurred as part of the Land Acquisition and Advance Works Programme. This may be compounded by additional claims from each of the final bidders.

At the 31st March 2013, the amount of any possible obligation is unknown. It is not practicable to estimate the financial effect of any such delays at this stage. Obligations on the Council will only arise when the project moves towards financial close later in 2013.

Norton Priory Museum Trust

In April 2012, Norton Priory Museum Trust submitted an application to The Heritage Lottery Fund for a project designed to preserve, restore, enhance, interpret and provide access to the 47 acre site at Norton Priory.

Grant funding for the project is capped at 75% of the total project cost. Norton Priory Museum Trust has prepared a fund raising strategy to secure cash contributions to finance the shortfall.

Should the shortfall not be met from cash contributions, the Council may be asked to guarantee the funding gap in order to successfully obtain the grant funding and deliver the project.

At the 31st March 2013, the amount of any possible obligation is unknown. It is estimated that the financial effect could range between £0.500m and £1.0m. This will only be confirmed when the funding shortfall position is clarified later in 2013/14.

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.

Notes to the Core Financial Statements – continued

36. Contingent Liabilities - continued

Municipal Mutual Insurance (MMI) - continued

An initial levy rate of 15% has been applied to the sum of claims at the 31st March. This has been accounted for as a provision within the Council's Balance Sheet for 2012/13.

As at 31st March 2013, claims totalled £1.236m with 1 claim outstanding with a value of £7,000. The actual levy notice will be issued later in 2013 and will be based on the value of total claims payments at the actual levy date.

Road Widening Project – Milton Road/Kingsway Junction, Widnes

The Council has recently undertaken junction improvement works involving the realignment of Milton Road and Kingsway, which are now the subject of Land Compensation Act 1973 claims.

There are a small number of claims which have been submitted to the Council for diminutions in the value of property as a result of the project. These claims are in the range of £6,000. Future claims may be possible owing to the time available to claimants under the legislation.

As at the 31st March 2013, the claims against the Council remain outstanding, with no clear outcome envisaged at the Balance Sheet date.

Community Right to Bid

The Assets of Community Value (England) Regulations 2012 (also known as the Community Right to Bid) came into force on the 21st September 2012. The regulations allow voluntary and community groups, parish Councils and local authority staff, to express an interest in taking over the running of local authority services.

The legislation allows local community groups to preserve buildings or land which they consider to be important to their community's social well-being. Disposals of assets may be delayed as a result of a community challenge which could result in claims for compensation submitted to the Council by the landowner.

At the 31st March 2013, 1 challenge has been received. It is not possible at this stage to identify what the financial effect of the challenge is with sufficient reliability as no clear precedent has been set.

Notes to the Core Financial Statements – continued

37 (a). Adjustments between Accounting Basis and Funding Basis under regulation – for year ended 31/03/12

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	(22,575)	-	-	(22,575)	-	-	-	-	22,575	-	-	-	-	22,575
Revaluation losses on Property, Plant and Equipment	2,227	-	-	2,227	-	-	-	-	(2,227)	-	-	-	-	(2,227)
Movements in the Market Value of Investment Properties	(5,716)	-	-	(5,716)	-	-	-	-	5,716	-	-	-	-	5,716
Amortisation of Intangible Assets	(726)	-	-	(726)	-	-	-	-	726	-	-	-	-	726
Capital Grants and Contributions applied	32,444	-	-	32,444	-	-	-	-	(32,444)	-	-	-	-	(32,444)
Movement in the Donated Assets Account	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Notes to the Core Financial Statements – continued

37 (a). Adjustments between Accounting Basis and Funding Basis under regulation – for year ended 31/03/12

	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
REFCUS														
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	(20,224)	(3,025)	-	(23,249)	4,964	-	-	-	18,284	-	-	-	-	23,249
Insertion of items not debited or credited to the CIES:														
Statutory provision for the financing of Capital investment	3,004	-	-	3,004	-	-	-	-	(3,004)	-	-	-	-	(3,004)
Capital expenditure charged against the General Fund Balance	816	-	-	816	-	-	-	-	(816)	-	-	-	-	(816)
Other														
Transfer between CAA and RR for depreciation that is based on CV rather than HC	-	-	-	-	2,392	-	-	-	(2,392)	-	-	-	-	-

Notes to the Core Financial Statements – continued

37 (a). Adjustments between Accounting Basis and Funding Basis under regulation – for year ended 31/03/12

	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 Grants Unapplied Account														
Capital Grants and Contributions unapplied credited to the CIES	2,241	-	(2,241)	-	-	-	-	-	-	-	-	-	-	-
Application of Grants to Capital Financing transferred to the Capital Adjustment Account	-	-	-	-	-	-	-	-	-	-	-	-	-	-
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	-	8,502	-	8,502	-	-	-	-	(8,502)	-	-	-	-	(8,502)
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	(4)	4	-	-	-	-	-	-	-	-	-	-	-	-

Notes to the Core Financial Statements – continued

37 (a). Adjustments between Accounting Basis and Funding Basis under regulation – for year ended 31/03/12

	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
Transfer from the Deferred Capital Receipts Reserve upon the receipt of cash	-	-	-	-	-	-	-	-	-	-	-	-	-	-
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	(9,623)	-	-	(9,623)	-	-	9,623	-	-	-	-	-	-	9,623
Employers pension contributions and direct payments to pensioners	12,502	-	-	12,502	-	-	(12,502)	-	-	-	-	-	-	(12,502)

Notes to the Core Financial Statements – continued

37 (a). Adjustments between Accounting Basis and Funding Basis under regulation – for year ended 31/03/12

	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	40	-	-	40	-	-	-	-	-	-	(40)	-	-	(40)
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	217	-	-	217	-	-	-	-	-	-	-	-	(217)	(217)
TOTAL ADJUSTMENTS	(5,378)	5,481	(2,241)	(2,138)	7,356	-	-	(2,879)	(2,082)	-	(40)	-	(217)	2,138

Notes to the Core Financial Statements – continued

37 (b). Adjustments between Accounting Basis and Funding Basis under regulation – for year ended 31/03/13

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 B960 B9600/B940 B9400 £'000	Capital Receipts Reserve B890 B8900 £'000	Capital Grants Unapplied B850 B8500 £'000	Movement in Usable Reserves £'000	Revaluation Reserve B810 B8100 £'000	Available for Sale Financial Instruments Reserve £'000	Financial Instruments Adjustment Account £'000	Pension Reserve B810 B9100 £'000	Capital Adjustment Account B820 B82** £'000	Deferred Capital Receipts B780 B7800 £'000	Collection Fund Adjustment Account B840 B8400 £'000	Unequal Pay Adjustment Account £'000	Accumulated Absences Account B870 B8700 £'000	Movement in Unusable Reserves £'000
Capital adjustment account reversal of items debited or credited to the CIES:														
Charges for depreciation and impairment on non-current assets	(22,982)	-	-	(22,982)	-	-	-	-	22,982	-	-	-	-	22,982
Revaluation losses on Property, Plant and Equipment	(22,481)	-	-	(22,481)	-	-	-	-	22,481	-	-	-	-	22,481
Movements in the Market Value of Investment Properties	(1,693)	-	-	(1,693)	-	-	-	-	1,693	-	-	-	-	1,693
Amortisation of Intangible Assets	(622)	-	-	(622)	-	-	-	-	622	-	-	-	-	622
Capital Grants and Contributions applied	37,761	-	-	37,761	-	-	-	-	(37,761)	-	-	-	-	(37,761)
Movement in the Donated Assets Account	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Notes to the Core Financial Statements – continued

37 (b). Adjustments between Accounting Basis and Funding Basis under regulation – for year ended 31/03/13

	USABLE RESERVES				UNUSABLE RESERVES									
	General Fund Balance B960 B9600/B940 B9400 £'000	Capital Receipts Reserve B890 B8900 £'000	Capital Grants Unapplied B850 B8500 £'000	Movement in Usable Reserves £'000	Revaluation Reserve B810 B8100 £'000	Available for Sale Financial Instruments Reserve £'000	Financial Instruments Adjustment Account £'000	Pension Reserve B910 B9100 £'000	Capital Adjustment Account B820 B82** £'000	Deferred Capital Receipts B780 B7800 £'000	Collection Fund Adjustment Account B840 B8400 £'000	Unequal Pay Adjustment Account £'000	Accumulated Absences Account B870 B8700 £'000	Movement in Unusable Reserves £'000
REFCUS	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	(21,068)	(1,401)	-	(22,469)	527	-	-	-	21,942	-	-	-	-	22,469
Insertion of items not debited or credited to the CIES:														
Statutory provision for the financing of Capital investment	3,240	-	-	3,240	-	-	-	-	(3,240)	-	-	-	-	(3,240)
Capital expenditure charged against the General Fund Balance	1,045	-	-	1,045	-	-	-	-	(1,045)	-	-	-	-	(1,045)
Other														
Transfer between CAA and RR for depreciation that is based on CV rather than HC	-	-	-	-	2,818	-	-	-	(2,818)	-	-	-	-	-

Notes to the Core Financial Statements – continued

37 (b). Adjustments between Accounting Basis and Funding Basis under regulation – for year ended 31/03/13

	USABLE RESERVES				UNUSABLE RESERVES									
	General Fund Balance B960 B9600/B940 B9400 £'000	Capital Receipts Reserve B890 B8900 £'000	Capital Grants Unapplied B850 B8500 £'000	Movement in Usable Reserves £'000	Revaluation Reserve B810 B8100 £'000	Available for Sale Financial Instruments Reserve £'000	Financial Instruments Adjustment Account £'000	Pension Reserve B910 B9100 £'000	Capital Adjustment Account B820 B82** £'000	Deferred Capital Receipts B780 B7800 £'000	Collection Fund Adjustment Account B840 B8400 £'000	Unequal Pay Adjustment Account £'000	Accumulated Absences Account B870 B8700 £'000	Movement in Unusable Reserves £'000
Capital Grants Unapplied Account														
Capital Grants and Contributions unapplied credited to the CIES	(362)	-	362	-	-	-	-	-	-	-	-	-	-	-
Application of Grants to Capital Financing transferred to the Capital Adjustment Account	-	-	-	-	-	-	-	-	-	-	-	-	-	-
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	-	2,655	-	2,655	-	-	-	-	(2,655)	-	-	-	-	(2,655)
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	(4)	4	-	-	-	-	-	-	-	-	-	-	-	-

Notes to the Core Financial Statements – continued

37 (b). Adjustments between Accounting Basis and Funding Basis under regulation – for year ended 31/03/13

	USABLE RESERVES				UNUSABLE RESERVES									
	General Fund Balance B960 B9600/B940 B9400 £'000	Capital Receipts Reserve B890 B8900 £'000	Capital Grants Unapplied B850 B8500 £'000	Movement in Usable Reserves £'000	Revaluation Reserve B810 B8100 £'000	Available for Sale Financial Instruments Reserve £'000	Financial Instruments Adjustment Account £'000	Pension Reserve B910 B9100 £'000	Capital Adjustment Account B820 B82** £'000	Deferred Capital Receipts B780 B7800 £'000	Collection Fund Adjustment Account B840 B8400 £'000	Unequal Pay Adjustment Account £'000	Accumulated Absences Account B870 B8700 £'000	Movement in Unusable Reserves £'000
Transfer from the Deferred Capital Receipts Reserve upon the receipt of cash	-	-	-	-	-	-	-	-	-	-	-	-	-	-
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	(11,316)	-	-	(11,316)	-	-	-	11,316	-	-	-	-	-	11,316
Employers pension contributions and direct payments to pensioners	12,239	-	-	12,239	-	-	-	(12,239)	-	-	-	-	-	(12,239)

Notes to the Core Financial Statements – continued

37 (b). Adjustments between Accounting Basis and Funding Basis under regulation – for year ended 31/03/13

	USABLE RESERVES				UNUSABLE RESERVES									
	General Fund Balance B960 B9600/B940 B9400 £'000	Capital Receipts Reserve B890 B8900 £'000	Capital Grants Unapplied B850 B8500 £'000	Movement in Usable Reserves £'000	Revaluation Reserve B810 B8100 £'000	Available for Sale Financial Instruments Reserve £'000	Financial Instruments Adjustment Account £'000	Pension Reserve B910 B9100 £'000	Capital Adjustment Account B820 B82** £'000	Deferred Capital Receipts B780 B7800 £'000	Collection Fund Adjustment Account B840 B8400 £'000	Unequal Pay Adjustment Account £'000	Accumulated Absences Account B870 B8700 £'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	603	-	-	603	-	-	-	-	-	-	(603)	-	-	(603)
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	97	-	-	97	-	-	-	-	-	-	-	(97)	(97)	
TOTAL ADJUSTMENTS	(25,543)	1,258	362	(23,922)	3,345	-	-	(923)	22,200	-	(603)	-	(97)	23,922

Notes to the Core Financial Statements – continued

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 2012/13.

General Fund	Balance at 31 st March 2011 £'000	Transfers Out £'000	Transfers In £'000	Balance at 31 st March 2012 £'000	Transfers Out £'000	Transfers In £'000	Balance at 31 st March 2013 £'000
Balances held by schools under the scheme of delegation Capital	(3,165)	737	(3,851)	(6,279)	-	(154)	(6,433)
(To support Capital Programme)	(1,654)	2,670	(3,584)	(2,568)	4,023	(3,409)	(1,954)
Insurance General Fund (To offset major fire claims)	(3,915)	-	(400)	(4,315)	493	(400)	(4,222)
Insurance Former HRA Properties (To offset pre LSVT claims)	(1,324)	68	-	(1,256)	-	-	(1,256)
Performance Grant (Grant to be utilised in 2012/13)	(865)	462	-	(403)	365	-	(38)
Building Schools for the Future Capital (To fund future capital costs)	(981)	23	(72)	(1,030)	-	(56)	(1,086)
Integrated Community Equipment (Share of pooled budget with Halton & St Helens PCT)	-	-	-	-	-	-	-
Working Neighbourhood's Fund (Grant to be utilised in 2012/13)	(1,613)	1,663	(595)	(545)	545	(97)	(97)

Notes to the Core Financial Statements – continued

38. Transfers to/from Earmarked Reserves

General Fund	Balance at 31 st March 2011 £'000	Transfers Out £'000	Transfers In £'000	Balance at 31 st March 2012 £'000	Transfers Out 2012/13 £'000	Transfers In 2012/13 £'000	Balance at 31 st March 2013 £'000
Adults with Learning Difficulties (Share of pooled budget with Halton & St Helens PCT)	(4)	4	-	-	-	-	-
Business Link (Returned monies following wind up of business link)	(14)	-	-	(14)	14	-	-
Children's Disabilities (Previously the balance of the pooled budget with Halton & St Helens PCT)	(672)	160	-	(512)	500	-	(12)
Revenue Priorities Fund (Earmarked funding carried forward)	(200)	73	(79)	(205)	205	(20)	(20)
Landfill Usage (Notional value of unused allowance)	(54)	54	-	-	-	-	-
Invest to Save (To fund investments in revenue saving initiatives)	(1,198)	378	(273)	(1,093)	166	(530)	(1,457)
Major Project Fees (To fund future major project implementation costs)	(132)	132	-	-	-	-	-
Neighbourhood Management (Earmarked to fund future projects)	(1)	-	(1)	(1)	-	-	-

Notes to the Core Financial Statements – continued

38. Transfers to/from Earmarked Reserves

General Fund	Balance at 31 st March 2011 £'000	Transfers Out £'000	Transfers In £'000	Balance at 31 st March 2012 £'000	Transfers Out 2012/13 £'000	Transfers In 2012/13 £'000	Balance at 31 st March 2013 £'000
Halton Castle Duchy of Lancaster (Halton Castle restoration project)	(80)	12	-	(68)	12	-	(56)
Supporting People (Earmarked to fund future schemes)	(947)	-	-	(947)	242	(233)	(939)
Building Schools for the future (To fund future inflation costs)	(833)	578	-	(255)	-	(200)	(455)
Enterprise and Employment (To fund E&E activities for future years)	(1,496)	302	(117)	(1,310)	346	(459)	(1,423)
Health & Community (To support 2012/13 revenue budget)	(529)	251	(181)	(460)	108	(155)	(506)
Mersey Gateway (To fund future planning work re Mersey Gateway)	(984)	984	-	-	-	-	-
Local Development Framework (To fund local development core strategy costs)	(370)	-	-	(370)	65	0	(305)
Equal Pay (To fund costs arising from equal pay claims)	(4,450)	1,091	(500)	(3,859)	309	(62)	(3,612)

Notes to the Core Financial Statements – continued

38. Transfers to/from Earmarked Reserves

General Fund	Balance at 31 st March 2011 £'000	Transfers Out £'000	Transfers In £'000	Balance at 31 st March 2012 £'000	Transfers Out 2012/13 £'000	Transfers In 2012/13 £'000	Balance at 31 st March 2013 £'000
Intermediate Care Pool (Share of pooled budget with Halton & St Helens)	(73)	284	(327)	(116)	244	(130)	(2)
Housing Planning Grant (To fund on-going projects)	-	-	-	-	-	-	-
Growth Points (To fund future initiatives to be identified by the Growth Points Partnership)	(30)	1	-	(29)	-	-	(29)
PCT Drug Treatment (Funding for drug and alcohol misuse treatment)	(481)	89	(21)	(413)	21	(43)	(435)
Olympic Legacy Fund (To support the on-going development of sports in Halton)	(128)	3	-	(125)	43	-	(82)
Arts Development Strategy Fund (To support the medium term arts development strategy)	(126)	11	-	(115)	43	-	(72)
Agresso Development (To expect upgrade costs to the financial database)	(122)	45	-	(77)	-	-	(77)
IFRS (To fund expected costs of the implementation on new financial reporting requirements)	-	-	-	-	-	-	-

Notes to the Core Financial Statements – continued

38. Transfers to/from Earmarked Reserves

General Fund	Balance at 31 st March 2011 £'000	Transfers Out £'000	Transfers In £'000	Balance at 31 st March 2012 £'000	Transfers Out 2012/13 £'000	Transfers In 2012/13 £'000	Balance at 31 st March 2013 £'000
S106 Grants (Developers contributions towards planning applications)	-	-	(37)	(37)	-	(68)	(105)
Revenue Grants (Earmarking of Revenue grant balances with restrictions)	-	-	-	-	-	-	-
Carefirst (To finance staffing posts with ICT)	(64)	-	(120)	(184)	48	(109)	(245)
Revenues & Benefits Development (To fund systems development throughout 2012/13)	(258)	-	-	(258)	0	(205)	(463)
Merseyside Information Service (To finance the termination costs of MIS subscription)	(182)	-	-	(182)	182	-	-
Open Spaces Rolling Programme (To finance the Open Spaces strategy in 2012/13)	(176)	215	(324)	(285)	300	(230)	(215)
Climate Change (To part finance the Solar Panel Scheme)	(23)	23	-	-	-	-	-
Home Office Community Safety (To be spent on specified community safety initiatives)	(142)	142	(215)	(215)	195	(566)	(585)

Notes to the Core Financial Statements – continued

38. Transfers to/from Earmarked Reserves

General Fund	Balance at 31 st March 2011 £'000	Transfers Out £'000	Transfers In £'000	Balance at 31 st March 2012 £'000	Transfers Out 2012/13 £'000	Transfers In 2012/13 £'000	Balance at 31 st March 2013 £'000
Leisure Mgt Contract Contingency (Contingency compensation for leisure management contract)	(10)	-	(10)	(20)	0	(10)	(30)
Learning & Achievement (To finance budgets which span the academic year into 2012/13)	(969)	969	(644)	(644)	644	(18)	(18)
Children's Organisation & Provision (To finance specialist services and projects that run into 2012/13)	(772)	772	(1,457)	(1,457)	2,331	(2,781)	(1,907)
Saffron (To finance new catering manager software)	(60)	55	(10)	(15)	-	-	(15)
A&C Care Financials (Contribution to upgrade Carefirst 6 system)	(350)	60	(75)	(365)	59	(212)	(517)
A&C Section 256 Monies (Contribution form H&StH PCT with joint outcomes)	(118)	61	(254)	(311)	33	(599)	(878)
A&C 2011/12 Savings (To help finance 2012/13 budget)	(250)	326	(842)	(766)	766	(545)	(545)
A&C Stroke Services (To help finance the delivery of services with H&StH PCT)	(180)	-	-	(180)	15	(70)	(235)

Notes to the Core Financial Statements – continued

38. Transfers to/from Earmarked Reserves

General Fund	Balance at 31 st March 2011 £'000	Transfers Out £'000	Transfers In £'000	Balance at 31 st March 2012 £'000	Transfers Out 2012/13 £'000	Transfers In 2012/13 £'000	Balance at 31 st March 2013 £'000
Transformation Fund (To fund costs arising from future efficiency reviews)	(1,097)	695	(1,690)	(2,092)	648	(406)	(1,850)
Policy & Resources (Contribution to Savings Target)	-	-	(545)	(545)	545	(349)	(349)
Cremators (Contribution to future purchase of new cremators)	-	-	(59)	(59)	0	(20)	(79)
Bus Stop (Provision of local bus service)	-	-	(60)	(60)	60	-	-
Planning (Contribution 2012/13 staffing)	-	-	(40)	(40)	23	-	(17)
Public Health Transitional Costs (Start-up funding to help Council with new PH responsibilities)	-	-	-	-	-	(37)	(37)
Payment Kiosks (To fund installation of kiosks in Halton schools)	-	-	-	-	-	(99)	(99)
Records Management Unit (To fund the dedicated records management unit for the Council)	-	-	-	-	-	(500)	(500)
Legal Locums (to fund the extension of agency staff)	-	-	-	-	-	(40)	(40)
Early Intervention Grant Transition (To finance the costs of EIG transition in 2013/14)	-	-	-	-	-	(1,346)	(1,346)

Notes to the Core Financial Statements – continued

38. Transfers to/from Earmarked Reserves

General Fund	Balance at 31 st March 2011 £'000	Transfers Out £'000	Transfers In £'000	Balance at 31 st March 2012 £'000	Transfers Out 2012/13 £'000	Transfers In 2012/13 £'000	Balance at 31 st March 2013 £'000
I-Pitch (To finance the future replacement of the I-Pitch)	-	-	-	-	-	(28)	(28)
Fleet Replacement (Rolling replacement programme for Council fleet vehicle)	-	-	-	-	-	(996)	(996)
Superfast Broadband (To finance project related costs in 2013/14)	-	-	-	-	-	(65)	(65)
Property Demolitions (To finance the demolition of derelict HBC properties)	-	-	-	-	-	(300)	(300)
TOTAL ALL RESERVES	(31,092)	13,394	(16,381)	(34,079)	13,594	(15,547)	(36,032)

Notes to the Core Financial Statements – continued

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 and 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 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

31st March 12		31st March 13
£'000		£'000
(56,803)	Revaluation Reserve	(57,444)
-	Available for Sale Financial Instruments Reserve	-
-	Financial Instruments Adjusted Account	-
90,011	Pensions Reserve	117,571
(197,232)	Capital Adjustment Account	(175,032)
(1,344)	Deferred Capital Receipts	(1,317)
(299)	Collection Fund Adjustment Account	(902)
-	Unequal Back Pay Account	-
2,160	Short Term Accumulated Compensated Absences Account	2,063
(163,506)*	Total Unusable Reserves	(115,061)

Notes to the Core Financial Statements – continued

40. Unusable Reserves – continued

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.

2011/12 £'000		£'000	2012/13 £'000
(64,140)	Balance at 1st April		(56,803)
(3,678)	Upward revaluation of assets	(10,662)	
3,660	Downward revaluation of assets and impairment losses not charged to the Surplus/(Deficit) on the Provision of Services	6,675	
(19)	Surplus or deficit on revaluation of non-current assets not posted to the Surplus/(Deficit) on the Provision of Services		(3,987)
2,392	Difference between fair value depreciation and historical cost depreciation	2,818	
4,964	Accumulated gains on assets sold or scrapped	527	
7,356	Amount written off to the Capital Adjustment Account		3,345
(56,803)	Balance at 31st March		(57,444)

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.

Notes to the Core Financial Statements – continued

40. Unusable Reserves – continued

Capital Adjustment Account - continued

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.

2011/12 £'000		£'000	2012/13 £'000
(195,150)	Balance at 1 April		(197,232)
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
22,575	Charges for depreciation and impairment of non-current assets	22,982	
(2,227)	Revaluation losses on Property, Plant and Equipment	22,481	
726	Amortisation of intangible assets	622	
-	Revenue expenditure funded from capital under statute	-	
18,284	Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	21,942	
39,358			68,026
(2,392)	Adjusting amounts written out of the Revaluation Reserve		(2,818)
36,967	Net written out amount of the cost of non-current assets consumed in the year		65,208
	Capital financing applied in the year:		
(8,502)	Use of the Capital Receipts Reserve to finance new capital expenditure	(2,655)	
(32,443)	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(37,761)	
	Application of grants to capital financing from the Capital Grants Unapplied Account		
(3,004)	Statutory provision for the financing of capital investment charged against the General Fund	(3,240)	
(816)	Capital expenditure charged against the General Fund	(1,045)	
(44,765)			(44,701)
5,716	Movements in the market value of investment properties debited or credited to the Comprehensive Income and Expenditure Statement		1,693
-	Movement in the Donated Assets Account credited to the Comprehensive Income and Expenditure Statement		-
(197,232)	Balance at 31st March		(175,032)

Notes to the Core Financial Statements – continued

40. Unusable Reserves – continued

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.

2011/12 £'000		2012/13 £'000
60,344	Balance at 1 st April	90,011
32,546	Actuarial gains or losses on pensions assets and liabilities	28,483
9,623	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	11,316
(12,502)	Employers pensions contributions and direct payments to pensioners payable in the year	(12,239)
90,011	Balance at 31st March	117,571

Deferred Capital Receipts Reserve

Deferred Capital Receipts are amounts derived from the sales of assets which will be received in instalments over agreed periods of time. They arise principally from mortgages on sales of Council houses, which form the main part of the mortgages under long term debtors.

	31st March 2012 £'000	31st March 2013 £'000
Mortgages – Former Right to Buy Housing Associations	(16)	(10)
Castlefields Equity Advances	(1,062)	(1,041)
	(266)	(266)
	(1,344)	(1,317)

Notes to the Core Financial Statements – continued

40. Unusable Reserves – continued

Deferred Capital Receipts - continued

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.

2011/12 £'000		2012/13 £'000
(1,368)	Balance at 1st April	(1,344)
-	Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-
24	Transfer to the Capital Receipts Reserve upon receipt of cash	27
(1,344)	Balance at 31st March	(1,317)

Collection Fund Adjustment

The Collection Fund Adjustment Account manages the differences arising from the recognition of Council Tax 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.

2011/12 £'000		2012/13 £'000
(259)	Balance at 1st April	(299)
(40)	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	(603)
(299)	Balance at 31st March	(902)

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.

Notes to the Core Financial Statements – continued

40. Unusable Reserves – continued

Accumulated Absences Account - continued

2011/12 £'000		2012/13 £'000
2,377	Balance at 1st April	2,160
-	Settlement or cancellation of accrual made at the end of the preceding year	
(217)	Amounts accrued at the end of the current year	(97)
-	Amounts 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	-
2,160	Balance at 31st March	2,063

41. Cash Flow Statement – Operating Activities

31/03/2012 £'000		31/03/2013 £'000
(531)	Interest received	(1,409)
997	Interest paid	1,950
(100)	Dividends received	-
366	Net Cash flows from Operating Activities	541

42. Cash Flow Statement – Investing Activities

31/03/2012 £'000		31/03/2013 £'000
51,237	Purchase of property, plant and equipment, investment property and intangible assets	53,253
61,997	Purchase of short term and long term investments	31,000
-	Other payments for investing activities	-
(3,050)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(1,427)
(4)	Proceeds from short term and long term investments	(64,000)
(40,928)	Other receipts from investing activities	(45,083)
69,252	Net Cash flows from Investing Activities	(26,257)

Notes to the Core Financial Statements – continued

43. Cash Flow Statement – Financing Activities

31/03/2012		31/03/2013
£'000		£'000
(119,016)	Cash receipts of short and long term borrowing	(110,500)
(6,964)	Other receipts from financing activities	5,998
795	Cash payments from the reduction of the outstanding liabilities relating to finance leases and on balance sheet PFI contracts	901
51,534	Repayments of short term and long term borrowing	117,556
-	Other payments for financing activities	-
(73,651)	Net Cash flows from Financing Activities	13,955

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 of Council Tax and Non-Domestic Rates.

Collection Fund Statement

Actual 2011/12 £'000		Actual 2012/13 £'000	Note
	Income		
(41,070)	Council Tax Payers	(41,428)	
	Transfer from General Fund		
(11,085)	Council Tax Benefits	(11,092)	
(48,827)	Business Ratepayers	(47,763)	4
(100,982)		(100,283)	
	Expenditure		
	<u>Council Tax</u>		
5,521	Precept – Cheshire Police & Crime Commissioner	5,738	3
2,538	Precept – Cheshire Fire Authority	2,538	3
43,519	Demand – Halton Borough Council & Parishes	43,527	
	<u>Business Rate</u>		
48,664	Payment to Pool	47,596	4
163	Cost of Collection	167	
	Provision for Doubtful/Bad Debts (Council Tax only)		
75	Write-Offs	-	
454	Provision for Doubtful Debts	-	
100,934		99,566	
(48)	(Surplus)/Deficit for Year	(718)	
-	Balance brought forward	-	
(48)	(Surplus)/Deficit Distributed	(718)	7

Collection Fund

Collection Fund Balance Sheet

2011/12					2012/13			
Halton BC £'000	Cheshire P&CC £'000	Cheshire Fire £'000	Total £'000		Halton BC £'000	Cheshire P&CC £'000	Cheshire Fire £'000	Total £'000
2,931	386	171	3,489	Council Tax Arrears	2,967	391	173	3,531
(2,873)	(379)	(168)	(3,420)	Provision for Doubtful Debts	(2,724)	(359)	(159)	(3,242)
(297)	(39)	(17)	(353)	Council Tax Over/ Prepayments	(225)	(30)	(13)	(268)
(40)	(7)	(2)	(48)	Surplus/Deficit	(603)	(80)	(35)	(718)
278	38	16	332	Cash	586	77	34	697
-	-	-	-		-	-	-	-

The apportionment of the Collection Fund balances are based upon the ratio of the Council Tax demands.

2012/13 Demand £'000	Ratio		2013/14 Demand £'000	Ratio
43,527	0.84	Halton BC & Parishes	36,225	0.84
5,738	0.11	Cheshire Police & Crime Commissioner	4,778	0.11
2,538	0.05	Cheshire Fire Authority	2,113	0.05
51,803	1.00		43,117	1.00

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 2012/13 at £38,200 (see below), with the Parishes' individual tax bases as follows: Hale 729, Daresbury 146, Moore 345, Preston Brook 347, Halebank 590 and Sandymoor 985.

2. The Council Tax Base Determination

Band	Properties	Ratio	Band D Equivalents
Disabled	60	5/9	33
A	21,818	6/9	14,545
B	10,363	7/9	8,060
C	7,041	8/9	6,259
D	4,259	9/9	4,259
E	3,063	11/9	3,744
F	946	13/9	1,366
G	317	15/9	528
H	30	18/9	60
Total	47,896		38,854
Multiply by Collection Rate (99%)			38,200*

**The Councils Council Tax Base has been set at 38,200 for 2012/13*

3. Precepting Authorities

Halton Borough Council has two precepting authorities. For 2012/13 Cheshire Police & Crime Commissioner set its precept at £5,738,274 the equivalent to a Band D charge of £150.22 per property. Cheshire Fire Authority set its precept at £2,537,626 the equivalent to a Band D charge of £66.43 per property.

4. Non-Domestic Rates

The non-domestic rate replaced locally fixed rates from 1st April 1990. The rate in the pound is fixed by the Government and was set at 45.8p (45.0p for small businesses) in the pound for 2012/13. The Council is responsible for collecting rates within its own area on an agency basis and pays the proceeds into the NDR Pool, which is administered by the Government. Sums paid into the Pool are redistributed amongst local authorities on the

basis of a fixed amount per head of population. The Council's entitlement from the pool is paid direct in the General Fund.

Notes to the Collection Fund – continued

The amount payable to the Pool is as follows:

2011/12 £'000		2012/13 £'000
51,279	NDR Bills issued (Net of Voids & Transitional Relief)	50,356
(2,111)	Discretionary Relief and Remissions	(2,331)
(495)	Debts Written-Off or Provided For	(212)
114	General Fund Contribution to Reliefs and Remissions	108
(12)	Interest Payable	(38)
52	Deferral Scheme	(120)
48,827	Net NDR Income	47,763
(163)	Cost of Collection Allowance Payable to General Fund	(167)
48,664	Payable to NDR Pool	47,596
<i>The total non-domestic rateable value at 31st March 2013 was £128,692,276</i>		

5. Analysis of Arrears

	Gross		Credits		Prepayments	
	£'000 2011/12	£'000 2012/13	£'000 2011/12	£'000 2012/13	£'000 2011/12	£'000 2012/13
Council Tax	3,489	3,531	149	177	204	91
NDR	3,287	2,978	655	902	103	35

6. Treatment of Collection Fund Surpluses and Deficits

General

Prior year's balances on the Collection Fund have been apportioned to preceptors and Halton Borough Council pro-rata to demands on the Collection Fund. The surplus on the fund for 2012/13 has also been apportioned and there is therefore no balance on the Collection Fund.

Notes to the Collection Fund – continued

7. Apportionment of in year Collection Fund Surplus to preceptors and Halton

Distribution of (Surplus)/Deficit

2011/12 £'000		2012/13 £'000
(7)	Cheshire Police & Crime Commissioner	(80)
(2)	Cheshire Fire Authority	(35)
(39)	Halton Borough Council & Parishes	(603)
(48)		(718)

Precepts and Demands on the Collection Fund

2011/12 Total £'000		Precept/ Demand £'000	31.03.13 Share of Deficit £'000	2012/13 Total £'000
5,528	Cheshire Police & Crime Commissioner	5,738	80	5,818
2,540	Cheshire Fire Authority	2,538	35	2,573
43,558	Halton Borough Council & Parishes	43,527	603	44,130
51,626		51,803	718	52,520

Group Accounts

The Council is involved with several companies and trusts pursuant to its functions. They are:

Company	Interest %
Halton Transport Ltd	100
Halton BC/Pochins Partnership	50
Halton Development Partnership Ltd	Minority
Widnes Regeneration Ltd	Minority
Daresbury Science & Innovation Campus Ltd	33
Daresbury Science & Innovation Campus Ltd (PUBSEC) LLP	33
Daresbury Science & Innovation Campus LLP	33

There have been no significant transactions between the Council and Halton Development Partnership, Widnes Regeneration Ltd, Daresbury Science and Innovation Campus Ltd, Daresbury Science and Innovation Campus Ltd (PUBSEC) LLP or Daresbury Science and Innovation Campus LLP.

The transactions of the Pochins Partnership are already consolidated in the Borough Council's figures.

For 2012/13 the consolidation involves Halton Borough Transport Ltd only.

The main effect of consolidation has been to increase revenue reserves by £0.297m, representing the Council's 100% share of accumulated net profits in the company.

The accounting policies of the Council and Halton Borough Transport Ltd are consistent except that assets for Halton Borough Transport Ltd are held at historical cost and depreciated accordingly. Also the surplus or deficiency on the pension fund for Halton Transport is charged from Halton Borough Transport Limited, Moor Lane, Widnes, 0151-423 3333.

Both bodies have the same financial year end of the 31st March 2013.

Group Comprehensive Income and Expenditure Statement

Group Comprehensive Income and Expenditure Statement as at 31st March 2013

Net Expenditure 2011/12 £'000		Net Expenditure 2012/13 £'000
122,459	Net Cost of Services	141,566
20,701	Other Operating Expenditure	22,087
4,460	Financing & Investment Income & Expenditure	3,883
(145,263)	Taxation & Non-Specific Grant Income	(144,366)
2,358	(Surplus)/Deficit for the Year	23,170
32,528	Other Comprehensive Income and Expenditure	24,496
34,886	Total Comprehensive Income and Expenditure	47,666
(5,507)	Net additional amount required by statute and non-statutory proper practices to be debited or credited to the General Fund Balance of the year	(23,745)
(7,906)	Surplus 01.04.12 Council	(7,941)
(3,164)	Surplus 01.04.12 Schools	(6,279)
(7,941)	Surplus 01.04.13 Council	(8,364)
(6,279)	Surplus 01.04.13 Schools	(6,433)

The consolidation adjustment eliminates the Halton Borough Transport dividend and debenture interest charge from the group total.

Reconciliation of Council's Surplus/Deficit for the year to the Group Surplus/Deficit for the year

Reconciliation of Council and Group Surplus/Deficit for the year as at 31st March 2013

2011/12 £'000		2012/13 £'000
2,195	(Surplus)/Deficit for the year on the Council Income and Expenditure Account	23,091
100	Adjustment for Transactions with Other Group Entities	-
2,295	(Surplus)/Deficit in the Group Income and Expenditure Account Attributable to the Council	23,091
	(Surplus)/Deficit in the Group Income and Expenditure Account Attributable to Group Entities (adjusted for Intra-Group Transactions)	
63	Subsidiaries	79
-	Associates	-
-	Joint Ventures	-
2,358	(Surplus)/Deficit for the year on the Group Income and Expenditure Account	23,170

Group Balance Sheet

Group Balance Sheet as at 31st March 2013

2011/12 £'000		2012/13 £'000
331,467	Non-Current Assets – Property, Plant & Equipment	313,445
1,067	Heritage Assets	1,114
15,007	Investment Properties	13,405
1,657	Intangible Assets	1,267
12,000	Long Term Investments	-
1,515	Long Term Debtors	17,187
97,070	Current Assets	77,784
(93,994)	Current Liabilities	(65,827)
(40,997)	Long Term Borrowing	(60,858)
(1,844)	Provisions > 1 year	(521)
(20,528)	Capital Grants Receipts in Advance	(15,090)
(91,159)	Other Liabilities	(118,309)
211,261	Total Assets less Liabilities	163,597
(47,755)	Usable Reserves	(48,536)
(163,506)	Unusable Reserves	(115,061)
(211,261)	Total Equity	(163,597)

The consolidation adjustment eliminates the Halton Borough Transport capital and debenture from the group total.

Group Movement in Reserves Statement

Group Movement in Reserves Statement as at 31st March 2012

	General Fund	Other Earmarked Reserves	Capital Receipts Reserve	Capital Grants Unapplied	TOTAL USABLE RESERVES	TOTAL UNUSABLE RESERVES	Reserves of Group Entities	TOTAL COUNCIL RESOURCES
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
General Fund	(7,367)	(27,928)	(8,039)	(912)	(44,246)	(198,197)	(539)	(242,982)
General Fund – Schools	(3,165)	-	-	-	(3,165)	-	-	(3,165)
Balance as at 31st March 2011	(10,532)	(27,928)	(8,039)	(912)	(47,411)	(198,197)	(539)	(246,146)
Movement in Reserves during 2011/12								
(Surplus) or Deficit on the Provision of Services	2,358	-	-	-	2,358	-	-	2,358
Other Comprehensive Income and Expenditure	-	-	-	-	-	32,527	-	32,527
Total Comprehensive Income and Expenditure	2,358	-	-	-	2,358	32,527	-	34,885
Adjustments between Accounting Basis and Funding Basis under Regulations	(5,378)	-	5,481	(2,241)	(2,138)	2,138	-	-
Net (Increase)/Decrease before Transfers to Other Reserves	(3,020)	-	5,481	(2,241)	220	34,665	-	34,885
Subsidiary Entities	(163)	-	-	-	(163)	-	163	-
Group Contributions to/from Reserves	(163)	-	-	-	(163)	-	163	-
Transfers to/from other Earmarked Reserves	(129)	129	-	-	-	-	-	-
Other Movements	-	-	(24)	-	(24)	24	-	-
(Increase)/Decrease in the year	(3,312)	129	5,457	(2,241)	32	34,690	163	34,885

Balance as at 31 st March 2012	(13,844)	(27,799)	(2,582)	(3,154)	(47,378)	(163,507)	(376)	(211,261)
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Group Movement in Reserves Statement - continued

Group Movement in Reserves Statement as at 31st March 2013

	General Fund	Other Earmarked Reserves	Capital Receipts Reserve	Capital Grants Unapplied	TOTAL USABLE RESERVES	TOTAL UNUSABLE RESERVES	Reserves of Group Entities	TOTAL COUNCIL RESOURCES
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
General Fund	(7,565)	(27,799)	(2,582)	(3,154)	(41,099)	(163,507)	(376)	(204,982)
General Fund – Schools	(6,279)				(6,279)			(6,279)
Balance as at 31st March 2012	(13,844)	(27,799)	(2,582)	(3,154)	(47,378)	(163,507)	(376)	(211,261)
Movement in Reserves during 2012/13								
(Surplus) or Deficit on the Provision of Services	23,170	-	-	-	23,170	-	-	23,170
Other Comprehensive Income and Expenditure	-	-	-	-	-	24,496	-	24,496
Total Comprehensive Income and Expenditure	23,170	-	-	-	23,170	24,496	-	47,666
Adjustments between Accounting Basis and Funding Basis under Regulations	(25,543)	-	1,258	362	(23,922)	23,922	-	-
Net (Increase)/Decrease before Transfers to Other Reserves	(2,373)	-	1,258	362	(752)	48,418	-	47,666
Subsidiary Entities	(79)	-	-	-	(79)	-	79	-
Group Contributions to/from Reserves	(79)	-	-	-	(79)	-	79	-
Transfers to/from other Earmarked Reserves	1,798	(1,798)	-	-	-	-	-	-
Other Movements	-	-	(27)	-	(27)	27	-	-
(Increase)/Decrease in the year	(654)	(1,798)	1,232	362	(858)	48,445	79	47,666

Balance as at 31 st March 2013	(14,498)	(29,597)	(1,351)	(2,791)	(48,237)	(115,061)	(297)	(163,595)*
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Group Cash Flow Statement

Group Cash Flow Statement as at 31st March 2013

Group 2011/12 Restated £'000		Group 2012/13 £'000
2,599	Net Cash flows from Operating Activities	(7,549)
(69,384)	Net Cash flows from Investing Activities	26,184
73,226	Net Cash flows from Financing Activities	(13,998)
6,441	Net increase/decrease in cash and cash equivalents	4,637
10,731	Cash and Cash equivalents at the beginning of the reporting period	17,172
17,172	Cash and Cash equivalents at the end of the reporting period	21,807

Notes to the Group Accounts

Adjustments between group accounts and Council accounts as at 31st March 2013

2011/12 £'000		2012/13 £'000
63	(Profit)/Loss on ordinary activities for the year	79
100	Dividend to HBC	-
163	Total adjustments for the year	79
(539)	Profit/(Loss) Reserves brought forward	(376)
(376)	Profit/(Loss) Reserves carried forward	(297)
(245,607)	Council Reserves brought forward	(210,885)
(210,885)	Council Reserves carried forward	(163,298)
(246,146)	Total Group Reserves brought forward	(211,261)
(211,261)	Total Group Reserves carried forward	(163,595)

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 2013).

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.

Signed by:
Operational Director – Finance

Date:

Statement of Accounting Policies

1. General

The Statement of Accounts summarises the Council's transactions for the 2012/13 financial year and its position at the year-ending 31st March 2013.

Halton Borough Council prepares its statement of accounts in accordance with the Code of Practice of Local Authority Accounting in the United Kingdom 2012/13 and the Service Reporting Code of Practice 2012/13 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. Change **s to the 2012/13 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. There have been no changes to the Accounting Policies from the 2011/12 statement of accounts.

3. Accrual **s 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.

Statement of Accounting Policies – continued

3.Accruals of Income and Expenditure - continued

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 demonstrably committed to the termination of employment.

3(d) Capital Receipts Income

Amounts to be treated as capital receipts are defined by statute and usually arise from the disposal of an interest in a fixed asset. However, some statutorily defined capital receipts do not arise from the disposal of an interest in a fixed asset and under the general provisions of the Code may be income (e.g. the repayment of a grant awarded by the Council to acquire a fixed asset by the recipient) or a transaction within the Balance Sheet (e.g. the repayment of a loan advanced to a third party to acquire a non-current asset).

3(e) 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(f) Supplies and Services

Supplies and services are accounted in the period 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(g) 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.

Statement of Accounting Policies – continued

3(h) 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. Acquire d/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. Conting ent 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. Conting ent 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. Council Tax Income

7(a) 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.

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.

Statement of Accounting Policies – continued

Council Tax Income - continued

While the council tax 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.

7(b) Accounting for Council Tax in the Core Financial Statements

The council tax included in the Comprehensive Income and Expenditure Statement for the year is the accrued income 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 net cash collected from the council tax debtors in the year.

8. **Equal** **Pay Claims**

Following the implementation of the Single Status Agreement the Council has received a number of claims for equal pay. An earmarked reserve has been made for the future cost.

A provision is created for the Equal Pay Claims, when it is recognised there will be a transfer of economic benefits and a reliable estimate can be made of the amount of the obligation.

9. **Events** **after the Balance Sheet**

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.

Statement of Accounting Policies – continued

Events after the Balance Sheet - continued

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

10. Exceptional Items

When items of income and expenditure are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are to an understanding of the Councils financial performance.

11. 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 Sector Treasury Services Limited to provide independent valuations of the position at the period end.

Sector 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.

Statement of Accounting Policies – continued

Financial Instruments - continued

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.

12. 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.

13. 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.

Statement of Accounting Policies – continued

14. Interest in Companies and Other Entities

The Council has a material interest in Halton Borough Transport Ltd that require it to prepare group accounts. In the Council's group accounts, the interests in Halton Borough Transport Ltd are recorded where appropriate which principally include assets, liabilities and group interests.

15. Intangi ble 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 live to the relevant service line in the Comprehensive Income and Expenditure Statement.

16. Invento ries

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

17. Leases 17(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

Statement of Accounting Policies – continued

Finance Leases - continued

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

Rental payments under finance leases are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to the Finance and Investment Income line in the Comprehensive Income and Expenditure Statement. Depreciation is charged to cost of services over the life of the asset. Any receipts are subject to the same test, whereby the writing down of the debtor's obligation will, with effect from 1st April 2010 for leases granted from that date be a capital receipt.

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.

17(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.

18. **Non-Current Assets, Property, Plant and Equipment**

18(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.

Statement of Accounting Policies – continued

Non-Current Assets, Property, Plant and Equipment - continued

18(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 revalued on a 5 year cycle.

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).

Statement of Accounting Policies – continued

Non-Current Assets, Property, Plant and Equipment – continued

- 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.

18(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.

18(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.

Statement of Accounting Policies – continued

18 Non-Current Assets, Property, Plant and Equipment – continued

18(d) Non-Current Assets Held for Sale - continued

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.

18(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

Statement of Accounting Policies – continued

18 Non-Current Assets, Property, Plant and Equipment – continued

18(e) Depreciation – continued

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.

18(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.

18(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.

Statement of Accounting Policies – continued

18 Non-Current Assets, Property, Plant and Equipment – continued

18(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 lightening protection, communication and security installations, builders work in connection and management and commissioning of services
Land	Land upon which the property is constructed

The basis upon which the calculation of the value of components will be made is replacement cost. 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.

Statement of Accounting Policies – continued

18 Non-Current Assets, Property, Plant and Equipment – continued

18(h) Componentisation – continued

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.

18(i) Mersey Gateway Capitalisation of Development Costs

On the 20th October 2010, in its Comprehensive Spending Review, the Government announced that it would make a public commitment to fund the Mersey Gateway Project. This was followed by ministerial approval, granting planning permission for the Scheme in December 2010.

Also on that date, the Chancellor of the Exchequer wrote to Halton Borough Council to confirm the Mersey Gateway project had been given the go ahead.

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

Statement of Accounting Policies – continued

18 Non-Current Assets, Property, Plant and Equipment – continued

18(i) Mersey Gateway Capitalisation of Development Costs – continued

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.

Halton Borough Council has capitalised some development costs from 20th October 2010, the date upon which Government funding was granted, and the date from when the Council considers that the project was reasonably certain to go ahead.

18(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 fixed 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).

18(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 | Communi |
| (b) | Foundation Schools | Foundat |
| (c) | Voluntary Schools comprising Voluntary Aided and Voluntary Controlled | Volunta |
| (d) | Special Schools, and | Communi |
| (e) | Special Schools | Foundat |

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.

Statement of Accounting Policies – continued

19 National Non Domestic Rates

The Council collects NNDR under what is in substance an agency agreement with the Government.

NNDR income is not income of the Council and is not included in the Comprehensive Income and Expenditure Statement; the exception is the cost of collection allowance which is included.

NNDR debtor and creditor balances with tax payers are not recognised in the Balance Sheet, whereas cash collected and not yet paid over to the Government will be recognised in the Balance Sheet as a creditor.

Cash collected from NNDR taxpayers is not included in the Cash Flow Statement as a cash inflow or outflow with the exception of the cost of collection allowance which is included.

20 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 2012/13. 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, floor area 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 2012/13 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.

21 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.

Statement of Accounting Policies – continued

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 (irrespective of the scheme to which it relates):

- (i) The
attributable assets of each scheme are measured at their fair value at the Balance Sheet date. Scheme assets include current assets as well as

investments. Any liabilities, such as accrued expenses are deducted. The attributable scheme liabilities are measured on an actuarial basis using the projected unit method. The Scheme liabilities comprise:

- (a) Any benefits promised under the formal terms of the Scheme, and
 - (b) Any constructive obligations for further benefits where a public statement or past practice by the Council created a valid exception in the employees that such benefits will be granted.
- (ii) The surplus/deficit in a scheme is the excess/shortfall of the value of assets in the Scheme over/below the present value of the scheme liabilities. The Council recognises assets to the extent that it is able to recover a surplus either through refunds from the Scheme. The Council recognises a liability to the extent that it reflects its legal or constructive obligation;
- (iii) Any unpaid contributions to the scheme are presented in the Balance Sheet as a creditor due within one year;
- (iv) The change in the defined benefit liability (other than that arising from contributions to the Scheme) is analysed into the following components:

Statement of Accounting Policies – continued

21 Pension Costs – continued

- (a) Periodic Costs
 - 1. Current Service Cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the revenue accounts of services to which the employees worked.

- | | |
|-----|--|
| 2. | Interest
Cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. |
| 3. | Expected Return on Assets – the annual investment return on the fund assets attributable to the Council, based on an average of the expected long-term return – credited to the Financing and Investment Income line in the Comprehensive Income and Expenditure Statement. |
| 4. | 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 assumptions – charged to the Pensions Reserve. |
| 5. | Contributions paid to the Cheshire Pension Fund – cash paid as employer’s contributions to the pension fund in settlement of liabilities; not accounted for as expense. |
| (b) | Non- |
| 1. | Past
Service Costs – the increase in liabilities arising from current year decisions whose effect relates to years of service 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. |
| 2. | Gains
and Losses on Settlements and Curtailments – the result of actions to relieve the council of liabilities or events that reduce the expected future service or accrual of benefits of employees, debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs |

Statement of Accounting Policies – continued

21 Pension Costs – continued

Defined Contribution Schemes

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pension 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 Pensions 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 earned by employees.

Defined Contribution Schemes

The arrangements for the Teacher's Pension Scheme, as administered by the Teacher's Pension Agency, 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 Childrens and Education Services line in the Comprehensive Income and Expenditure Statement is charged with the Council's contributions payable to Teachers Pensions in the year.

22 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.

23 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

Statement of Accounting Policies – continued

23 Prior Period Adjustments – continued

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.

24 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

Statement of Accounting Policies – continued

26 Reserves – continued

Earmarked Reserves
Capital Grant 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.

27 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.

28 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

Statement of Accounting Policies – continued

28 Segmental Reporting – continued

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.

29 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.

30 Service Concessions

IFRIC12 Service Concessions aims to identify public sector services performed by private sector organisations. Essentially assets need to be brought 'on balance sheet' as PFI type arrangements and accounted for differently from any other asset held on the Balance Sheet. Halton Borough Council has conducted a review of its services and has found no examples of IFRIC12 service concessions in existence during 2012/13.

31 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.

32 Accounting Standards that have been issued but not yet been applied

For 2012/13, the following accounting policy changes that need to be reported relate to:

- Amendments to IAS 1 Presentation of Financial Statements (Other Comprehensive Income, June 2011) Amend
- Amendments to IFRS 7 Financial Instruments: Disclosures (offsetting financial assets and liabilities, December 2011) Amend
- Amendments to IAS 12 Income Taxes (Deferred tax: recovery of underlying assets, December 2010) Amend

Statement of Accounting Policies – continued

-		Amend
	ments to IAS 19 Employee Benefits (June 2011)	
-		IFRS 13
	Fair Value Measurement (May 2011)	

33 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.

34 Carbon Reduction Commitment

The Council is required to participate in the Carbon Reduction Commitment (CRC) Energy Efficiency Scheme. This scheme is currently in its introductory phase which will last until 31st March 2014. The Council is required to purchase and surrender allowances, currently retrospectively, on the basis of emissions i.e. carbon dioxide produced as energy is used. As carbon dioxide is emitted (i.e. as energy used), a liability and expense are recognised.

The liability will be discharged by surrendering allowances. The liability is measured at the best estimate of the expenditure required to meet the obligation, normally at the current market price of the number of allowances required to meet the liability at the reporting date. The cost to the Council is recognised and reported in the costs of the Council's services and is apportioned to services on the basis of energy consumption.

The 2012/13 financial year is the second year for which there will be an obligation to purchase and surrender CRC Allowances. The retrospective purchases of allowances

Statement of Accounting Policies – continued

34 Carbon Reduction Commitment -continued

is anticipated to take place from 1st June 2012, an accrued amount has been charged to the cost of services for the year.

35 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:

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 2012-13. 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. Where work relates to support to and queries from all three bidders, it has not been possible to identify exactly what costs relate to each individual bid and it has been assumed that 1/3 costs in these areas will end up in the final asset.

For areas of work that were considered to be mainly capital but with some revenue (e.g drafting of Design Build Finance Agreement) an in depth analysis was undertaken of one invoice to ascertain the % of capital work and the % of revenue work. This % was then applied to other invoices from the same supplier for work in this area.

For areas of work that were considered to be mainly revenue or a mixture of both revenue and capital these have been treated as revenue expenditure.

Statement of Accounting Policies – continued

36 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 2013 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 2013 is £310.71m.

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 £2.29m - £3.44m for every year that useful lives had been reduced.

Pensions Liability

The carrying amount in the Balance Sheet at the 31st March 2013 is £117.57m.

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.

Equal Pay Initiative

The Council has made a provision of £0.772m for the settlement of claims for back pay arising from the Equal Pay Initiative, based on the number of claims received and a calculation based on each claimant's circumstances. It is not certain that all valid claims have yet been received by the Council or that precedents set by other councils in the settlement of claims will be applicable.

Statement of Accounting Policies – continued

36 Assumptions made about the future and other major sources of estimation uncertainty - continued

An increase over the forthcoming year of 10% in either the total number of claims or the estimated average settlement would have the effect of adding £0.07m to the provision needed.

Impairment of Debtors

The carrying amount in the Balance Sheet at the 31st March 2013 is £7.42m

At 31st March 2013, the Council had a balance of sundry debtors of £21.92m. A review of significant balances suggested that the provision for impairment of debtors was appropriate. However, in the current economic climate it is not certain that such an allowance would be sufficient.

If collection rates were to deteriorate, the Council would review the provision for impairments of debtors. An increase of 5%-10% would require an additional £0.37m - £0.742m to be set aside as a revised provision.

The list does not include assets and liabilities that are carried at fair value based on recently observed market price.

Independent Auditor's Report to Members of Halton Borough Council

Opinion on the financial statements

I have audited the financial statements of Halton Borough Council for the year ended 31st March 2013 under the Audit Commission Act 1998. The financial statements comprise the Council and Group Movement in Reserves Statement, the Council and Group Comprehensive Income and Expenditure Statement, the Council and Group Balance Sheet, the Council and Group Cash Flow Statement, and Collection Fund and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.

This report is made solely to the members of Halton Borough Council in accordance with Part II of the Audit Commission Act 1998 and for no other purposes, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010.

Retrospective responsibilities of the Operational Director – Finance and auditor

As explained more fully in the Statement of the Responsibilities for the Statement of Accounts, the Operational Director Finance is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, and for being satisfied that they give a true and fair view. My responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Council and Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Council and Group; and the overall presentation of the financial statements. In addition, I read all the financial and non-financial information in the explanatory foreword to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

Independent Auditor's Report to Members of Halton Borough Council – continued

Opinion on financial statements

In my opinion the accounting statements:

- Give a true and fair view of the financial position of Halton Borough Council as at 31st March 2013 and of its expenditure and income for the year then ended;
- Give a true and fair view of the financial position of the Group as at 31st March 2013 and of its expenditure and income for the year then ended; and
- Have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.

Opinion on other matters

In my opinion, the information given in the explanatory foreword for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

I report to you if:

- In my opinion the annual governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007;
- I issue a report in the public interest under section 8 of the Audit Commission Act 1998;
- I designate under section 11 of the Audit Commission Act 1998 any recommendation as one that requires the Council to consider it a public meeting and to decide what action to take in response; or
- I exercise any other special powers of the auditor under the Audit Commission Act 1998.

I have nothing to report in these respects.

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

Respective responsibilities of the Council and the auditor

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

I am required under Section 5 of the Audit Commission Act 1998 to satisfy myself that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires me to report to you my conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

Independent Auditor's Report to Members of Halton Borough Council – continued

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

Basis of conclusion

I have undertaken my audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2011, as to whether the Council has proper arrangements for:

- Securing financial resilience; and
- Challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those necessary for me to consider under the Code of Audit Practice in satisfying myself whether the Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31st March 2013.

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

Conclusion

On the basis of my work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2011, I am satisfied that, in all significant respects, Halton Borough Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31st March 2013.

Certificate

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

Michael Thomas

District Auditor
Audit Commission Office, 2nd Floor, Aspinall House, Aspinall Close, Middlebrook, Horwich,
Bolton, BL6 6QQ

Date:

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) | Recogni |
| sing; | |
| (b) | Selectin |
| g and measurement bases for; and | |
| (c) | Presenti |
| ng. | |

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 fixed asset or expenditure which adds to and not merely maintains the value of an existing fixed asset.

Glossary of Terms - continued

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
- Infrastr
ucture assets
- Commu
nity assets
- Assets
under construction
- Surplus
assets

Other classes of assets:

- Investm
ent properties
- Assets
held for sale
- Heritag
e 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...)

Glossary of Terms - continued

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)

Glossary of Terms - continued

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 fixed asset that have been consumed during the period.

Consumption includes the wearing out, using up or other reduction in the useful life of a fixed 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.

Glossary of Terms - continued

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) Method
s 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 fixed asset consumed in a period
- (b) Differen
t 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.

Glossary of Terms - continued

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.

Glossary of Terms – continued

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 fixed asset below its carrying amount on the Balance Sheet.

Infrastructure Assets

Fixed 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) | consum |
| able stores; | |
| (c) | raw |
| materials and components purchased for incorporation into products for sale; | |
| (d) | product |
| s 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.

Glossary of Terms – continued**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 fixed 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.

Glossary of Terms – continued

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) subsidiary and associated companies; Its
- (d) ventures and joint ventures partners; Its joint
- (e) members Its
- (f) officers; and Its chief

Glossary of Terms – continued

- (g) pension fund. Its

Examples of related parties of a pension fund include its:

- (a) tering authority and its related parties Adminis
- (b) ed bodies and their related parties; and Schedul
- (c) s and advisors Trustee

This list is not intended to be comprehensive.

For individuals identified as related parties, the following are also presumed to be related parties:

- (a) rs of the close family, or the same household; and Membe
- (b) ships, companies, trusts or other entities in which the individual, or a member of their close family or the same household, has a controlling interest. Partner

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) purchase, sale, lease rental or hire of assets between related parties; The
- (b) provision by a pension fund to a related party of assets of loans, irrespective of any direct economic benefit to the pension fund; The
- (c) provision of a guarantee to a third party in relation to a liability or obligation of a related party; The
- (d) provision of services to a related party, including the provision of pension fund administration services; The

- (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.

Glossary of Terms – continued

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 fixed asset.

Glossary of Terms – continued

Vested Rights

In relation to a defined benefit scheme, these are:

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

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

***Use of Asterisk**

In several notes to the main accounting statements, numbers may be marked with () to denote rounding variations.*

