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Business Efficiency Board

Wednesday, 28 September 2011 at 6.30 p.m.
Civic Suite, Town Hall, Runcorn

Chief Executive

BOARD MEMBERSHIP

Councillor Dave Leadbetter (Chairman)	Labour
Councillor Martha Lloyd Jones (Vice-Chairman)	Labour
Councillor Philip Balmer	Independent
Councillor Peter Browne	Conservative
Councillor Harry Howard	Labour
Councillor Alan Lowe	Labour
Councillor Tony McDermott	Labour
Councillor Andrew MacManus	Labour
Councillor Ged Philbin	Labour
Councillor Joe Roberts	Labour
Councillor Christopher Rowe	Liberal Democrat

Please contact Michelle Simpson on 0151 471 7394 or e-mail michelle.simpson@halton.gov.uk for further information.

The next meeting of the Board is on Wednesday, 9 November 2011

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

Part I

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

REPORT TO: Business Efficiency Board

DATE: 28 September 2011

REPORTING OFFICER: Strategic Director – Policy and Resources

SUBJECT: Procurement Strategy Half Year Review.

1.0 PURPOSE OF THE REPORT:

1.1 To inform the Board of progress made to date against the Procurement Strategy approved from April 2011.

2.0 RECOMMENDATION:

2.1 **The board is asked to note the progress to date.**

3.0 SUPPORTING INFORMATION:

3.1 **Progress Overview:**

The Procurement Strategy was launched April 2011 following the approval from Business Efficiency Board earlier in the year. The Procurement Division was established in April 2010 has been able to demonstrate considerable progress both externally with our business community in Halton and internally in terms of driving change within Halton Borough Council.

The attached Appendix B shows the Delivery Plan which demonstrates the improvements made over the past few months, the amber elements are work in progress. The plan outlines how we will deliver these elements in the future. Appendix A shows the SPTF Sustainable Procurement Task Force which was a Body created by Government to define a set of Levels for each Local Authority to benchmark itself against and to progress towards Level 5 where sustainable practice was not just embedded but was enhanced and lead in terms of people, policy, procurement process, engaging suppliers and measuring results. We have benchmarked ourselves as Level 3 as progress has been made and will report on progress as we move towards Level 4 or beyond.

Appendix C is a glossary of terms to support Members in elements of this report.

3.2 **Business Community Support:**

The business engagement commenced as our first priority with a Launch event in November 2010 “Improved Ways of Trading with Halton” in conjunction with Halton Chamber of Commerce and Enterprise. This consisted of a presentation to local businesses from Head of Procurement, Leader and Deputy Leader of the Council, Strategic Director for Policy & Resources in support Chief Executive of Halton Chamber of Commerce & Enterprise.

Following this successful launch the team delivered a series of workshops to the business community across Halton covering ‘The Chest’ E Portal system which is being rolled out across the Council for all sourcing and tendering of goods, works and services above the value of £1K. The workshops continued with registration and use of ‘The Chest’; PQQ training and Halton’s standard documentation and approach. We hosted a ‘Meet the buyer’ event focussing on the Building Schools for the Future (BSF) project working collaboratively with the Halton Together Partnership (HTP) who were awarded the BSF contract for Halton. Overall we engaged with 349 Halton businesses.

3.3 **Business Engagement Improvement:**

The percentage of local spend was 19% of our revenue influential spend in 2009/10 (before the Procurement Division was established). This increased to 20% in 2010/11 although we do recognise from a smaller overall spend of the Council due to budget reductions.

Increased registration of local businesses on ‘The Chest’ has increased by 83% since July 2010 to date. The greatest impact was when we undertook the Launch “New Ways of Trading with Halton” and conducted workshops on registering and using ‘The Chest’, PQQ training and Meet the Buyer events during November 2010 to March 2011. Businesses have embraced this opportunity to trade with Halton via ‘The Chest’.

A recording of 30% of our spending since April 2010 was awarded to local businesses where ‘The Chest’ was used for Request for Quotes (RFQ) for spending under the value of £50K and 38% was awarded to local businesses when ‘The Chest’ was used for Tenders for spending above £50K. All Council contracts are now visible on ‘The Chest’/Vault in order to demonstrate full transparency of contracting activity for Halton BC. Whilst this shows an improvement of our local spend with sourcing/tendering via ‘The Chest’ we aspire to becoming amongst the best in the North West.

Building Schools for the Future (BSF) project has a Key Performance Indicator in the contract for the Consortia to ‘recycle the Halton £’. We are supporting the Consortia to advertise all sub contracting opportunities via ‘The Chest’ (Sub Contractor Module) and the impact of award of contracts to local businesses is being monitored monthly. We are also working with them to develop and support the business community, through meet the buyer events and joint presentations/briefings on opportunities.

Areas for further improvement are to encourage all businesses in Halton to register on 'The Chest' and to fully embed 'The Chest' into practice within the Council to ensure complete transparency.

3.4 **Internal Change:**

The focus of the Procurement Division has since moved into internal change and challenge and has commenced a programme by reviewing the Council's Procurement Standing Orders and has gained approval from Full Council in July 2011 for a significant change to our internal rules. This change has pushed our financial thresholds to match the EU thresholds in order to allow us to use quotations and advanced quotations (Mini tender exercises) based around risk to procure goods and services up to £156,442 and works £3,927,260 (current EU threshold requiring a formal tender exercise).

Since the approval of the Procurement Standing Order change we have delivered presentations to the three Directorate Leadership teams. The next stage of internal change will be to deliver a series of "building" workshops to engage with the wider workforce to educate and support officers who engage with procurement activity from £1k upwards to understand the new rules and ways of working. The workshops will cover:

- Procurement Standing Order change July 2011.
- 'The Chest' and how it improves sourcing quotes and managing the tender process.
- RFQ and ARFQs a risk based approach to procurement.
- Standard documents for PQQ and ITT.
- Contracts, extensions and variations.
- Planning your procurement in terms of time, options and opportunity to save money.
- And how the Procurement Team can support all spend activity.

This new way of working allows us to push more quotations via 'The Chest' which develops further transparency in opportunity for businesses. It also reduces time for both Council officers but also the business community by reducing bureaucracy in process of tendering that was not adding value compared to the time involved and 'hoop jumping' required by all parties.

The Standing Order change also brings about benefits to businesses in terms of a simplified process, time saved and a quicker turnaround to quotations being sourced for officers to make buying decisions. The team will be coaching businesses in this new approach over the next few months in partnership with Halton Chamber of Commerce & Enterprise.

3.5 **Savings:**

The Procurement Division has secured and realised savings of £600K in 11/12. We are now working towards 12/13 targets but are also developing a traded service to schools as we have an income target for 12/13 in addition to a procurement saving target.

3.6 **School Trading – Procurement Service Level Agreement (SLA)**

Following a pilot this year with six schools the team have demonstrated how we can support schools in their procurement practice. We have undertaken a pilot, supporting the Head teachers and Bursars with spending/procurement processes, sourcing and achieving savings.

The evidence from the pilot undoubtedly demonstrated how schools can improve their procurement practice considerably, how they can use the Procurement Team both for robust advice and guidance but also to source their goods, works and services via 'The Chest' system. This has been highly successful and has brought about savings across a number of categories of spend as well as guiding schools to access corporate contracts and frameworks. Part of this work involved a 'health check' on school spending and it has evidenced that there are many opportunities for collaboration school to school where joint procurement would bring savings. This service will be offered as a buy-back SLA this year for commencement April 2012.

The team will be delivering a series of workshops to school Governors in November 2011 and will be hosting a trade fair and presenting to Head teachers on Service Level Agreements (SLA) from across Halton Council on 6th October 2011. This event is open to Governors, Head teachers and school Bursars/Administrators.

4.0 POLICY IMPLICATIONS

4.1 None identified at this stage.

5.0 OTHER IMPLICATIONS

5.1 None identified at this stage.

6.0 IMPLICATIONS FOR THE COUNCIL'S PRIORITIES

6.1 The Procurement Division is designed to improve procurement practice across the Council to reduce costs associated with procurement but also to realise significant savings from more robust procurement activity. This affects all of the Council's priorities.

7.0 RISK ANALYSIS

7.1 Given the financial constraints facing the Council in the immediate and medium terms, failure to identify and realise savings from more robust procurement practice may result in financial pressures to the Council not being met. This could result in services being underfunded, with departments unable to meet the costs of staff and other resources required to deliver to the community of Halton.

8.0 EQUALITY AND DIVERSITY ISSUES

8.1 None identified at this stage.

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

9.1 None under the meaning of the Act.

APPENDIX A: Sustainability Flexible Framework (SPTF)

APPENDIX B: Procurement Strategy Delivery Plan

APPENDIX C: Glossary of Terms

SPTF Flexible Framework	Level 1	Level 2	Level 3	Level 4	Level 5
People	Sustainable procurement champion identified. Key procurement staff have received basic training in sustainable procurement principles. Sustainable procurement is included as part of a key employee induction programme.	All procurement staff have received basic training in sustainable procurement principles. Key staff have received advanced training on sustainable procurement principles.	Targeted refresher training on latest sustainable procurement principles. Performance objectives and appraisal include sustainable procurement factors. Simple incentive programme in place.	Sustainable procurement included in competencies and selection criteria. Sustainable procurement is included as part of employee induction programme.	Achievements are publicised and used to attract procurement professionals. Internal and external awards are received for achievements. Focus is on benefits achieved. Good practice shared with other organisations.
Policy, Strategy & Communications	Agree overarching sustainability objectives. Simple sustainable procurement policy in place endorsed by CEO. Communicate to staff and key suppliers.	Review and enhance sustainable procurement policy, in particular consider supplier engagement. Ensure it is part of a wider Sustainable Development strategy. Communicate to staff, suppliers and key stakeholders.	Augment the sustainable procurement policy into a strategy covering risk, process integration, marketing, supplier engagement, measurement and a review process. Strategy endorsed by CEO.	Review and enhance the sustainable procurement strategy, in particular recognising the potential of new technologies. Try to link strategy to EMS and include in overall corporate strategy.	Strategy is: reviewed regularly, externally scrutinised and directly linked to organisations' EMS. The Sustainable Procurement strategy recognised by political leaders, is communicated widely. A detailed review is undertaken to determine future priorities and a new strategy is produced beyond this framework.
Procurement Process	Expenditure analysis undertaken and key sustainability impacts identified. Key contracts start to include general sustainability criteria. Contracts awarded on the basis of value-for-money, not lowest price. Procurers adopt Quick Wins.	Detailed expenditure analysis undertaken, key sustainability risks assessed and used for prioritisation. Sustainability is considered at an early stage in the procurement process of most contracts. Whole-life-cost analysis adopted.	All contracts are assessed for general sustainability risks and management actions identified. Risks managed throughout all stages of the procurement process. Targets to improve sustainability are agreed with key suppliers	Detailed sustainability risks assessed for high impact contracts. Project/contract sustainability governance is in place. A life-cycle approach to cost/impact assessment is applied.	Life-cycle analysis has been undertaken for key commodity areas. Sustainability Key Performance Indicators agreed with key suppliers. Progress is rewarded or penalised based on performance. Barriers to sustainable procurement have been removed. Best practice shared with other organisations.
Engaging Suppliers	Key supplier spend analysis undertaken and high sustainability impact suppliers identified. Key suppliers targeted for engagement and views on procurement policy sought.	Detailed supplier spend analysis undertaken. General programme of supplier engagement initiated, with senior manager involvement.	Targeted supplier engagement programme in place, promoting continual sustainability improvement. Two way communication between procurer and supplier exists with incentives. Supply chains for key spend areas have been mapped.	Key suppliers targeted for intensive development. Sustainability audits and supply chain improvement programmes in place. Achievements are formally recorded. CEO involved in the supplier engagement programme.	Suppliers recognised as essential to delivery of organisations' sustainable procurement strategy. CEO engages with suppliers. Best practice shared with other/peer organisations. Suppliers recognise they must continually improve their sustainability profile to keep the clients business.

Measurements & Results	Key sustainability impacts of procurement activity have been identified. Simple measures based on achieving all aspects of the Foundation level of the flexible framework are put in place and delivered.	Detailed appraisal of the sustainability impacts of the procurement activity has been undertaken. Measures implemented to manage the identified high risk impact areas. Simple measures based on achieving all aspects of the Embedding level of the flexible framework are put in place and delivered.	Sustainability measures refined from general departmental measures to include individual procurers and are linked to development objectives. Simple measures based on achieving all aspects of the Practicing level of the flexible framework are put in place and delivered.	Measures are integrated into a balanced score card approach reflecting both input and output. Comparison is made with peer organisations. Benefit statements have been produced. Simple measures based on achieving all aspects of the Enhancing level of the flexible framework are put in place and delivered.	Measures used to drive organisational sustainable development strategy direction. Progress formally benchmarked with peer organisations. Benefits from sustainable procurement are clearly evidenced. Independent audit reports available in the public domain. Simple measures based on achieving all aspects of the Leading level of the flexible framework are put in place and delivered.

Delivery Plan - 6 Monthly Update September 2011

Key Objectives: ***To lead and direct the Council in embedding and further improving organisational procurement processes and systems to ensure that they remain cohesive, robust, and focussed upon the ongoing realisation of efficiencies.***

To develop, review, inform and challenge organisational and departmental expenditure profiles and other analytical approaches in order to exploit spend reduction opportunities.

To actively seek and participate in partnership and collaborative activities, both internal and external, in order to share intelligence, expand the procurement knowledge base and exploit any savings potential from common spend

Action	***Timeframe***	***Aim / Outcome***

People

	Action	Timeframe	Aim / Outcome
People	Presentation to:- Chief Officers Management Team		Quarter reporting required and on going briefings
	Elected Members		}
	Senior Leadership Team		}
	Briefings to Directorate Management Teams		}
	Briefings to wider workforce	Commencing October 2011	
	Collaborate and share information knowledge with finance teams in relation to the realisation of spend reduction through the Councils budget process.	As above – part of workshops	
	Develop budget holders understanding and appreciation of improved procurement practice through training and direct support.	As above – part of workshops	Division by Division spend review audit
	Identify trading opportunities for the Procurement Centre of Excellence through trading / collaboration activities both internal and with external Public Sector bodies	Autumn review 2011	Promotion of: • Compliance • Standing Order change • Use of the Chest • Procurement Division support • Savings opportunities

Appendix B

Action	Timeframe	Aim/Outcome

Process

	Action	Timeframe	Aim/Outcome
Process	Revise and promote the use of standard procurement documentation including pre qualification questionnaires		Now being used for all procurement activity via procurement Division.
	Embed the use of The Chest (hosted by Due North) e-tendering solution across all trading activity within the Council	On going	Development of a risk-based approach as part of the new Standing Order change via the Chest system.
	Develop the use of the Marketplace system (On line catalogues, standard product lists and e invoicing) **– will be embed in Agresso from August 2011**	Ceased – Efficiency Saving 10/11	
	Develop a protocol for procurement activity	On going	Part of the Standard Operations Procedures (SOPs) for Procurement Division and part of the training guide for the “Building” workshops
	Develop a Sustainability Delivery Plan to comply with the national SPTF/ Flexible Framework?	See Appendix 2 Level 3	Move to Level 4
	Review organisational procurement / process, produce spend analysis and establish category approach to work allocation in order to review spend themes.	On going	Division by Division audit
	Reduce waivers to standing orders through the review, guidance and challenge	On going	All waivers via Head of Procurement – New Standing Order change should impact on this and reduce waivers
	Develop the awareness and use of Core Contracts, Frameworks through internal promotion	On going	“Building” workshops October 2011
	Promote opportunities for improvement and celebrate good practice and impact through a process of publication, promotion and review	On going	“Building” workshops October 2011
	Review spend intelligence in line with standing Order financial thresholds in order to prioritise support across the Council focusing on risk in addition to low value spend	On going	Standing Order change approved July 2011 Full Council. • Risk based approach • Improved efficiencies for HBC and business community • lower value pilot below £156,442 underway

Appendix B

	Action	Timeframe	Aim/Outcome

Partnership

Partnership	Strengthen the links with national and regional purchasing organisations/groups and other public sector bodies	On going	Improving value for money through collaboration/joint procurement/frameworks. Halton is a active member of Merseyside Procurement Partnership (MPP).
	Further develop the relationship with Halton Chamber of Commerce and promote The Chest e-tendering solution to local businesses by delivering a series of local briefings and workshops	Phase 2:	Phase 2: ITT training in partnership with the Chamber Sept/Oct 2011 Presentation to businesses – November 2011
	Support local third sector and voluntary organisations (The Big Society) in how to tender more effectively and promote collaborative working within the sector	As above – On going	Improvement in local voluntary and community sector engagement via Chamber ITT workshops
	Review spend opportunities to work collaboratively with Halton Borough Council	On going	Joint contracts established and economies of scale to realise savings being developed from spend audits.

Appendix B

PROCUREMENT - GLOSSARY OF TERMS

ARFQ – Advanced Request for Quotation, done via the Chest where the specification is more complex/higher risk and a ‘mini tender’ exercise is undertaken to select and award.
Central Purchasing Body means a contracting authority which:
(a) acquires goods or services intended for one or more contracting authorities;
(b) awards public contracts intended for one or more contracting authorities; or
(c) concludes framework agreements for work, works, goods or services intended for one or more contracting authorities.
Contract – An agreement between the Council and any other party made by executing a Formal Agreement or issue of a Letter of Acceptance or Official Order for the procurement of all supplies, services or works by the Council, or carrying out works for the Council.
Electronic Procurement Systems – The process of tendering for goods and services via electronic media.
European Union Public Procurement Rules - The Public Contract Regulations specify a value threshold below which contracts are exempt. However, contracts are still bound by the general requirements of EU law including transparency and not to discriminate against contractors from other EU Member States. The Regulations also indicate how contract values should be estimated for these purposes. The thresholds are reviewed every two years.
Framework Agreements - A Framework Agreement is an agreement between one or more contracting authorities and one or more suppliers/contractors, the purpose of which is to establish the terms governing contracts to be awarded during a given period, in particular with regard to price and where appropriate, the quantity envisaged (call offs).
Invitation to Tender (ITT) – the invitation issued by the Council to potential suppliers to submit a tender for a specific service, works or goods.
Liquidated Damages - When the parties to a contract agree to the payment of a certain sum as a fixed and agreed upon satisfaction for not doing certain things particularly mentioned in the agreement, the sum is called liquidated damages.
Matrix – an approach to appraisal of tenders or quotations which records stated criteria to assist in selection of the successful provider and which where applicable indicates the weighting accorded to particular criteria. This usually takes the form of a table against which tenders are marked and the weighting of particular criteria applied.
Open Tendering – This method is used when it is considered cost effective and in the Council's interest to invite tenders from a wide range of potential contractors.
Partnering – A method of procurement. A relationship between two parties to a project in which they work openly and jointly to achieve common objectives, with defined performance targets. Partnering may be entered into as a one off project or a collection of projects.
Partnership – A Partnership is an agreement between two or more independent bodies to work collectively to achieve an objective.

Performance Bonds – Performance bonding is the process by which an Organisation requires a contractor to arrange for the provision of a bond, from a reputable finance institution, to provide the Council with financial compensation in the event of a contractor breaching its contractual obligations or going into receivership or liquidation.
Pre-Qualification Questionnaire (or PQQ) – the form of questionnaire approved by the Head of Procurement for completion by contractors who wish to receive an invitation to tender for a particular contract.
Procurement - The process of obtaining assets or services taking into account the life cycle of the assets or services.
Procurement Strategy – The Council has introduced a strategy that provides a framework for more effective procurement aligned with the requirements within the Constitution, namely Standing Orders Relating to Finance and Procurement Standing Orders.
Quotation – A request to a supplier for a price for goods or services.
RFQ – Request for Quotation. – done via the Chest for simple specified goods and services.
Special Select List – A delegated Officer with responsibility for a particular contract may draw up a select list from an existing approved list (e.g. Constructionline). This may be used in a specialist contract and should include a list of criteria used as a basis for selection and how those criteria have been applied.
Standard Select List – This method should be used if there is no central or standing list or when those lists and the open method would not produce advantages to the Council. Public notice is given using newspaper or journals and the Procurement Web pages, informing potential contractors of the contract into which the Council wishes to enter and inviting those interested parties to apply for permission to tender.
Standing List - Compiled and maintained by an authorised body, e.g., Executive Sub Board Committee for specific categories of works.
SPTF – Sustainable Procurement Task Force**.**
Sub-contractor – A supplier that provides work or services to a main contractor as part of the contract.
Tender - A document used to award the most appropriate contract to the most suitable contractor to the Authority, taking into account the principles of best value.

September 2011.

REPORT TO:	Business Efficiency Board
DATE:	28th September 2011
REPORTING OFFICER:	Operational Director - Finance
SUBJECT:	2010/11 Abstract of Accounts, Annual Governance Report, and Letter of Representation
WARD(S):	Borough-wide

1.0 PURPOSE OF REPORT

1.1 The purpose of this report is to seek approval for the Council's 2010/11 Abstract of Accounts (a copy of which is enclosed with the Agenda), to consider the report of the Audit Commission on the 2010/11 financial statements (The Annual Governance Report) and to approve the Council's Letter of Representation.

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2.0 RECOMMENDED that;

(i) The Audit Commission's 2010/11 Annual Governance Report in Appendix 1 be received;

(ii) The 2010/11 Abstract of Accounts be approved;

(iii) The Letter of Representation in Appendix 2 be approved;

3.0 BACKGROUND

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

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

3.3 The Abstract for 2010/11 has for the first time been prepared in full compliance with International Financial Reporting Standards (IFRS), following the two year transition period. As a result there have been significant changes to the financial statements and notes to the accounts, presented within the Abstract. In addition, the adoption of IFRS has meant that some amounts presented in the Abstract relating to 2009/10 differ from the equivalent figures shown in the 2009/10 Abstract.

3.4 The draft 2010/11 Abstract was passed to the Audit Commission on 1st July 2011, since when they have undertaken their audit. The District Auditor will attend the meeting to present the report of their findings, the Annual Governance report, which includes their work in respect of the Council's arrangements for securing value for money, as shown in Appendix 1.

3.5 Each year the Council is required to provide the Audit Commission with a Letter of Representation relating to the financial statements, as shown in Appendix 2. This provides a number of assurances to the Audit Commission in connection with the preparation of the Council's accounts. The Letter is required to be signed by the Chairman of the Board on behalf of the Council.

4.0 KEY SECTIONS WITHIN THE ABSTRACT

4.1 The **Foreword** by the Operational Director, Finance summarises the Council's financial performance for 2010/11, including revenue and capital spending.

4.2 In overall net terms the Council has underspent its 2010/11 revenue budget by £120,000. The overall outturn report was presented to Executive Board Sub-Committee on 15th July 2011 and departmental outturn reports are available on the Council's Intranet. In addition, the Council received an additional £72,000 of Government grant income. The net result is that General Fund Balances will increase by £192,000 to £7,367,000.

4.3 Capital expenditure was £43.3m compared with the revised programme of £50.6m. This represents 85% delivery of the revised programme for which 20% slippage was anticipated throughout the year, with the only significant slippage being in respect of Landfill Tax Credits, Castlefields Regeneration and Widnes Waterfront.

4.4 School balances have increased by £0.4m to £8.0m, of which £3.2m relates to individual school balances and £4.8m relates to various unspent Standards Fund grants. The latter were subsequently spent by 31st August 2011 as required under the grant conditions.

4.5 The **Transition to IFRS** section explains the differences between the 2009/10 figures presented in the 2010/11 Abstract and those shown in the 2009/10 Abstract, due to the adoption of IFRS.

4.6 The **Comprehensive Income and Expenditure Account** presents gross expenditure, gross income and net expenditure for 2010/11 along with the previous year's comparison (as restated under IFRS). These are shown for each of the service groupings prescribed in The Code. These service groupings do not necessarily relate directly to the Council's organisational structure, but are intended to provide consistency across all local authorities. The Net Cost of Services is adjusted by a number of appropriations to give Total Comprehensive Income and Expenditure.

4.7 The Council's **Balance Sheet** sets out the Council's financial position as at 31st March 2011, along with the previous year's comparison (as restated under IFRS).

4.8 The **Movement in Reserves Statement** presents a summary of the changes in the Council's main reserves during the year.

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

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

4.11 The **Collection Fund** and associated notes summarise the transactions in respect of the collection of Non-Domestic Rates and Council Tax, along with the distribution to General Fund and the precepting authorities.

4.12 The **Group Accounts** and associated notes present the consolidation of the Council's accounts with those of Halton Transport Limited.

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

4.14 The Audit Commission use the draft Abstract as the basis for undertaking the annual audit of accounts, for which their **Audit Report and Certificate** is shown.

4.15 The final section presented within the Abstract is a **Glossary of Terms**.

5.0 NEXT STEPS

5.1 Following the meeting, the Letter of Representation will be signed and the Audit Commission will provide their audit opinion. The Abstract of Accounts will then be published, with copies being made available to the public via Halton Direct Link, Libraries and the Council's website.

6.0 POLICY IMPLICATIONS

6.1 None.

7.0 OTHER IMPLICATIONS

7.1 None.

8.0 RISK ANALYSIS

8.1 The Accounts and Audit Regulations require that the Abstract is certified by the Audit Commission and published by 30th September 2011.

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

Document	Place of Inspection	Contact Officer
Accounts and Audit Regulations 2011	Financial Management Division, Kingsway House, Widnes	Ed Dawson Divisional Manager Financial Management
Code of Practice on Local Authority Accounting in the UK 2010/11	Financial Management Division, Kingsway House, Widnes	Ed Dawson Divisional Manager Financial Management

APPENDIX 1

Annual Governance Report 2010/11

Halton Borough Council

Abstract of Accounts
2010/11

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

……………………………………………………… ………………………………….

Councillor M. Lloyd Jones *Date*
Vice-Chairman of the Business Efficiency Board

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

Introduction

The Council's Accounts for 2010/11 are presented in the following format

Contents

Foreword by Operational Director - Finance

Introduction

There have been significant changes to the layout of the Council's Abstract of Accounts this year, in compliance with the Code of Practice on Local Authority Accounting 2010/11 (The Code of Practice), which brings Local Authority Accounting fully into line with International Financial Reporting Standards (IFRS). Details of these changes are outlined in the section below 'Changes in Accounting Policies'.

The Council's accounts for 2010/11 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.

– *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 "other 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.

– *Balance Sheet* – this statement is fundamental 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.

– *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.

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

Supplementary Financial Statements

– *Collection Fund Account* – this is a statutory statement which Council's who are Billing Authorities are obligated to maintain under the Local Government Finance Act 1992. The Collection Fund shows the Council's transactions, as Billing Authority, in relation to the collection of council tax and business rates and their distribution to precepting authorities and Central Government.

Foreword by Operational Director – Finance continued

– *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 District Auditor's report and certificate following the external audit of the Council's accounts, as required under the Audit Commission Act 1998 and in accordance with the Audit Commission Code of Practice.

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 following three years, in order that resources are properly targeted to 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 economic position and subsequent austerity measures introduced by the Government, have had a significant impact upon the Council's finances during the year and this has been reflected in the MTFS. The first phase of the Council's Efficiency Programme implemented major structural changes from 1st April 2010 in order to change the way in which the Council delivers services and to realise efficiencies. Subsequent phases of the Efficiency Programme have continued to review services across the Council during the year.

The MTFS reported to the Council's Executive Board in November 2010 identified potential shortfalls in funding for the Council over the following three years of approximately £20m (11/12), £16m (12/13), and £12m (13/14). The Local Government Finance Settlement announced on 31st January 2011 confirmed a 19% reduction in the Council's grant funding including Working Neighbourhood Fund for 2011/12. The two year Settlement confirmed overall shortfalls in the Council's funding of £20m (11/12) and £13m (12/13).

Foreword by Operational Director - Finance continued

In March 2011 the Government announced it is to review local government finance, with a report expected in July 2011 and the new system coming into effect from 2013/14. As a result the Council's grant funding for 2013/14 is particularly uncertain. The review will include consideration of returning control of business rates to local authorities. Without any form of redistribution of business rates across local authorities, Halton would lose up to £10m in grant funding if this proposal came into effect.

Summary of the 2010/11 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.

General Fund

	Revised Budget £'000	**Actual £'000**
Net Expenditure	127,300	127,180
Parish Precepts	45	45
Total	127,345	127,225
Financed by Local Taxpayers	(43,467)	(43,467)
Financed by Government Grants	(83,878)	(83,950)
(Surplus)/Deficit for Year	-	(192)
Balances brought forward	(7,175)	(7,175)
Balance carried forward	**(7,175)**	**(7,367)**

The Council set its 2010/11 budget on 3rd March 2010. However, on 22nd June 2010 the Government announced an emergency budget and as a result the Council's revenue and capital grant funding was cut by £6.8m. The Council therefore approved a revised budget on 1st September 2010.

The Council has closely monitored and controlled its spending throughout the year such that total spending was £127.18m, which was £0.120m below the budget for the year (compared to £0.489m in the previous year). During the year an additional £0.072m of Area Based Grant income was received, therefore as a result the Council's General Fund Balance has increased by £0.192m to £7.367m.

Foreword by Operational Director - Finance continued

During the year the Council agreed to establish a £2m Transformation Fund in anticipation of the Council's financial position as reflected in the MTFS. A financial target of £0.5m was therefore established for each Directorate in order to enable the creation of the Fund and this has been successfully achieved. The Fund is intended to meet those costs associated with the structural changes which the Council needs to make in order to balance its budget and shape the way it delivers services. The Fund was established at 31st March 2011 and redundancy costs totaling £0.7m have been met from the Fund in 2010/11, leaving a balance of £1.3m for future years.

The overall underspend against budget for the year was primarily due to staffing expenditure being below budget across the Council, as posts were held vacant to assist with achieving each Directorate's financial target.

A number of other expenditure areas were also below budget such as school transport, children's out of borough placements, waste recycling, and capital financing costs. In addition, investment income was over-achieved as a result of having locked into longer term deals prior to the credit crunch and a number of extra services have been provided to schools which have generated additional income.

These were partly offset by shortfalls in income as a result of the current economic climate, in areas such as planning fees, building control fees, open spaces external works, parks and sports grounds, street cleansing, trade and bulky waste charges. These areas have been addressed in setting the 2011/12 budget.

Schools

Expenditure incurred in relation to the Schools budget, both by individual schools and the Council totaled £81.5m. This excludes any changes in the level of school balances and is shown in more detail in Note 36 to the accounts relating to the use of the Dedicated Schools Grant. In addition, schools spent £11.9m relating to various Standards Funds grants.

Schools carry forward balances at 31st March 2011 totaled £3.2m for individual schools balances and £4.8m for Standards Funds grants, which is £0.4m in total higher than the previous year.

Pension Liability

Under Financial Reporting Standard 17 (IAS19), 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. The Council is also liable for the past service deficit of the Cheshire Pension Fund relating to Halton Borough Transport Ltd.

Foreword by Operational Director - Finance continued

During the year the Government announced that pensions would in future be linked to the Consumer Price Index (CPI) rather than to the Retail Price Index (RPI). The effect of this will be to reduce the cost of pensions to the Fund in future years, as CPI is generally lower than RPI. The pension valuation calculations provided as at 31st March 2011 reflect this change and as a result the Pension Reserve Account liability has reduced from £212.95m to £60.34m.

Equal Pay

Following completion of the first phase of the pay and grading review of all relevant Council staff in accordance with equal pay legislation, over 800 equal pay claims have been received. A number of claims have been resolved during the year and agreement is close to being reached in respect of others for which provision has been made for the potential costs within the 2010/11 accounts. Other claims are still being addressed however, for which the Council has made provision for the potential costs in an earmarked reserve which has been increased by £1.5m during the year.

Changes in Statutory Functions or Service Delivery

From 1st April 2010 the Council implemented a revised organisational structure following the first phase of the Efficiency Programme. Under the revised structure Centres of Excellence were created in order to implement efficiencies in the provision of all the Council's support services including ICT, Policy, Finance, Human Resources and Administration. In addition, structural changes were implemented within all Directorates to deliver improved services with greater efficiency.

Capital Planning

The Council prepares a rolling capital programme to forecast the probable level of capital spend over the next 4-5 years, along with the likely sources of funding. The Council also maintains a Capital Reserve Account, 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.

In July 2010 the Government announced that the Building Schools for the Future Programme would cease. Subsequently approval was given to the Council to continue with only the Wade Deacon/Fairfield and The Grange School schemes.

In October 2010 the Government announced the outcome of the Comprehensive Spending Review which included confirmation that funding for the Mersey Gateway Bridge would receive Government approval. Discussions are ongoing with Government relating to the nature and amount of funding to be received.

Details of the unused capital receipts and balance on the capital reserve at the year end are shown in the Notes to the Balance Sheet, together with a list of any significant contractual commitments. Councillors consider any new additions to the programme in light of the resources available. The Council has a significant capital programme over the next few years including the Mersey Gateway Bridge, Widnes Waterfront, and 3MG

Foreword by Operational Director – Finance continued

Capital Expenditure

The Council spent £43.3m on capital schemes in 2010/11 compared with planned expenditure of £50.6m. This outturn represents 85% of the total programme for which 20% slippage was anticipated throughout the year. The main areas of slippage were in respect of Landfill Tax Credits, Castlefields Regeneration and Widnes Waterfront. A more detailed 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 £0.748m was due to the Council for the 2010/11 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 £0.227m was due from the Trust for 2010/11. 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 Policy, which requires that each year a strategy is prepared and prudential indicators set to form a framework for the borrowing and lending activities to be undertaken. The Council has adopted the CIPFA Code of Practice on Treasury Management. The 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, in the previous year, to having secured advantageous fixed rates on a number of investments however, these have mostly come to an end during the year.

The Council did not undertake any long term borrowing in the year and at the year end was borrowing £20.0m (fair value £21.0m), well within its authorised borrowing limit of £84.7m. The £20.0m comprised a long term loan from the Public Works Loan Board for £10m and a Lenders Option Borrowers Option loan from the Euro Hypo bank for £10m. All transactions relating to investments and borrowings complied with the approved guidelines for the year. Further details of these transactions are contained in the notes to the core financial statements.

At 31st March 2011 the Council had £9.55m (fair value £9.56m) 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 2011 effective from 1st April 2011.

Foreword by Operational Director – Finance continued

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 all the Council's are pooled and then redistributed back to Council's on a per capita basis 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 pro rata to the demand.

Changes in Accounting Policies

2010/11 is the first year in which Local Authority Accounting has been brought fully into line with International Financial Reporting Standards (IFRS). The Council's accounts have therefore been prepared in compliance with the Code of Practice on Local Authority Accounting 2010/11, which reflects the requirements of IFRS.

During the year the key financial statements within the 2009/10 Abstract of Accounts were restated onto an IFRS basis, along with the supporting notes to the accounts. These then provided the starting point for preparation of the 2010/11 accounts on an IFRS basis.

The introduction of IFRS has had a significant impact upon the Council's Accounting Policies which have been fully reviewed and significant changes made to reflect the changed requirements. The Accounting Policies are presented within the Abstract of Accounts. In addition, compliance with IFRS has had a significant impact upon the format and content of the accounts. This includes, the provision of more extensive and additional disclosure notes to explain the complex nature of financial assets and liabilities, changes in the accounting treatment of items such as leases and government grants, changes to the categorisation and basis of valuation for land and property assets, and making financial provision for annual leave and flexi hour balances carried forward. Also included in the accounts is a segmental analysis of the Councils Comprehensive Income and Expenditure Statement which presents the Net Cost of Services in the format of its management structure.

Changes required under IFRS to account for the Collection Fund on an agency basis were introduced from 2009/10. As a result any balances at the end of the financial year are distributed between the Council, Cheshire Police Authority and Cheshire Fire Authority.

The 2011 Accounts and Audit Regulations have removed the requirement for the Annual Governance Statement to be incorporated within the Abstract of Accounts, but instead for it to be considered separately by the Council when approving the Abstract of Accounts. In addition, the draft Abstract of Accounts is now certified by the Chief Finance Officer as at 30th June 2011 and then approved by the Council once it has been audited.

Foreword by Operational Director - Finance continued

Conclusion

The Council has continued to be successful in managing its finances to maintain 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 in the year and made 2010/11 a 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 Abstract is available in alternative formats, such as Braille, large print, spoken, or a different language, by contacting the Council's Marketing and Communications Division (0151-471-7413).

W.L.Dodd
Operational Director – Finance

Transition to IFRS

The Statement of Accounts for 2010/11 is the first to be prepared on an IFRS basis. Adoption of the IFRS-based Code has resulted in the restatement of various balances and transactions, with the result that some amounts presented in the financial statements are different from the equivalent figures presented in the Statement of Accounts for 2009/10.

The following tables explain the material differences between the amounts presented in the 2009/10 financial statements and the equivalent amounts presented in the 2010/11 financial statements.

1. Short-term accumulating compensated absences

Short term accumulating compensated absences refers to the benefits that employees receive as part of their contract of employment, entitlement to which is built up as they provide services to the Council. The most significant benefit covered by this heading is holiday pay.

Employees build up an entitlement to paid holidays as they work. Under the Code, the cost of providing holidays and similar benefits is required to be recognised when employees render services that increase their entitlement to future compensated absences. As a result, the Council is required to accrue for any annual leave earned but not taken at 31 March each year. Under the previous accounting arrangements, no such accrual was required.

The government has issued regulations that mean local authorities are only required to fund holiday pay and similar benefits when they are used, rather than when employees earn the benefits. Amounts are transferred to the Accumulated Absences Account until the benefits are used.

Accruing for short-term accumulating compensated absences has resulted in the following changes being made to the 2009/10 financial statements:

Opening 1 April 2009 Balance Sheet

	2009/10 Statements £'000	Adjustments Made £'000
Creditors	(22,035)	(2,143)
Accumulated Absences Account	-	2,143
	(22,035)	**-**

Closing 31 March 2010 Balance Sheet

	2009/10 Statements £'000	Adjustments Made £'000
Creditors	(28,726)	323
Accumulated Absences Account	-	1,820
	(28,726)	**2,143**

Transition to IFRS - continued

1. Short-term accumulating compensated absences - continued

2009/10 Comprehensive Income and Expenditure Statement Cost of Services (Net)

	2009/10 Statements £'000	Adjustments Made £'000
Children's & Education Service	33,682	(316)
Adult Social Care	28,279	(7)
Highways & Transport	19,681	(7)
Cultural, Environmental Regulatory and Planning Services	38,218	(28)
Housing Services	1,181	(2)
Central Services	9,011	35
Corporate and Democratic Core	5,482	2
Non Distributed Costs	6,251	-
	141,785	**(323)**

2. Leases

Under the code, the Council is required to classify and account for leases in its opening IFRS balance sheet (i.e. 1 April 2009).

Leases are classified as either finance leases or operating leases based on the extent to which risks and rewards incidental to the ownership of a leased asset lie with the lessor or the lessee. Whether a lease is a finance lease or operating lease depends on the substance of the transaction rather than the form of the contract.

When an operating lease is reclassified as a finance lease, an asset and a liability shall be recognised. The Council establishes a fair value for the asset which is derived by taking the present value of the minimum lease payments and discounting them at a rate implicit in the lease. The operating lease charge is removed from each representative service within the net cost of services and replaced with a depreciation charge that spreads the value of the asset over its estimated useful life. The depreciation charge is transferred from the General Fund to the Capital Adjustment Account, and the General Fund is charged with Minimum Revenue Provision (with the credit to the Capital Adjustment Account). These transfers are reflected in the Balance Sheets as at 1 April 2009 and 31 March 2010, and the adjustments that relate to 2009/10 are reported in the Movement in Reserves Statement.

The interest element of the finance lease payment is charged to the Financing and Investment Income and Expenditure line in the Surplus or Deficit on the Provision of Services.

This has resulted in the following changes being made to the 2009/10 financial statements:

Transition to IFRS - continued

2. Leases - continued

Opening 1 April 2009 Balance Sheet

	2009/10 Statements £'000	Adjustments Made £'000
Property, Plant and Equipment (Leased Assets)	-	2,566
Finance Lease Liability	-	(2,129)
Capital Adjustment Account	(160,955)	(437)
	(160,955)	**-**

Closing 31 March Balance Sheet

	2009/10 Statements £'000	Adjustments Made £'000
Property, Plant and Equipment (Leased Assets)	-	324
Finance Lease Liability	-	(198)
Capital Adjustment Account	(146,193)	(126)
	(146,193)	**-**

2009/10 Comprehensive Income and Expenditure Statement Cost of Services (Net)

	2009/10 Statements £'000	Adjustments Made £'000
Children's & Education Service	33,682	(37)
Adult Social Care	28,279	(25)
Highways & Transport	19,681	(25)
Cultural, Environmental Regulatory and Planning Services	38,218	(102)
Housing Services	1,181	(2)
Central Services	9,011	(17)
Corporate and Democratic Core	5,482	-
Non Distributed Costs	6,251	-
	141,785	**(208)**
Financing and Investment Income & Expenditure – Interest Payable	**1,007**	**82**

The net charge to the net cost of services consists of the removal of the operating lease charges (£566,000)

The depreciation charge is removed from the Surplus or Deficit on Provision of Services and transferred to the Capital Adjustment Account and replaced with a Minimum Revenue Provision charge of £692,000. These transfers are shown in the Movement in Reserves Statement.

3. Government Grants and Contributions – Capital

Under the Code, grants and contributions for capital schemes are recognised as income when they become receivable. Previously, grants were held in a grants

Transition to IFRS - continued

3. Government Grants and Contributions – Capital - continued

deferred account and recognised as income over the life of the assets which they were used to fund.

As a consequence of adopting the accounting policy required by the Code, the financial statements have been amended:

The balance on the Government Grant Deferred Account at 31 March 2009 has been transferred to the Capital Adjustment Account in the opening 1 April 2009 Balance Sheet.

Portions of government grant deferred were previously recognised as income in 2009/10; these have been removed from the Comprehensive Income and Expenditure Statement in the comparative years.

Grants were received in 2009/10 but not used. Where grant had conditions which remain outstanding at 31 March, the grant has been transferred to the Capital Grants Receipts in Advance within the liabilities section of the Balance Sheet. Where no conditions remain outstanding, the balance of the grant is transferred to Capital Grants Unapplied within the Reserves section of the Balance Sheet.

This has resulted in the following changes being made to the 2009/10 financial statements:

Opening 1 April 2009 Balance Sheet

	2009/10 Statements £'000	Adjustments Made £'000
Creditors	(22,035)	516
Receipts in Advance	(15,369)	3,340
Government Grants Deferred	(49,044)	49,044
Deferred Liabilities	(1,760)	1,493
Capital Grants Receipts in Advance (Liabilities)	-	(516)
Capital Adjustment Account	(160,955)	(49,044)
Capital Grants Unapplied (Reserves)	-	(4,485)
General Fund – Earmarked Reserves	(23,775)	(348)
	(272,938)	-

Closing 31 March 2010 Balance Sheet

	2009/10 Statements £'000	Adjustments Made £'000
Receipts in Advance	(18,611)	1,339
Government Grants Deferred	(54,416)	5,372
Deferred Liabilities	(1,953)	180
Capital Adjustment Account	(146,193)	(5,372)
Capital Grants Unapplied (Reserves)	-	(1,519)
	(221,173)	-

Transition to IFRS - continued

3. Government Grants and Contributions – Capital - continued

2009/10 Comprehensive Income and Expenditure Statement Cost of Services (Net)

	2009/10 Statements £'000	Adjustments Made £'000
Children's & Education Service	33,682	1,385
Adult Social Care	28,279	94
Highways & Transport	19,681	2,133
Cultural, Environmental Regulatory and Planning Services	38,218	1,252
Housing Services	1,181	183
Central Services	9,011	624
Corporate and Democratic Core	5,482	-
Non Distributed Costs	6,251	-
	141,785	**5,671**
Taxation and Non Specific Grant Income – Capital Grants & Contributions	**-**	**(12,562)**

4. Government Grants and Contributions – Revenue

A grant or contribution may be received subject to a condition that it may be returned to the transferor if a specified future event does or does not occur. Where conditions remain outstanding at the Balance Sheet date, the grant is not recognised as income in the Comprehensive Income and Expenditure Statement but as a Receipt in Advance on the Balance Sheet until such a time that the conditions have been satisfied. If no conditions remain at the Balance Sheet date, the grant is credited directly to the Comprehensive Income and Expenditure Statement to match expenditure.

Any underspend of the grant at the year end with no conditions remaining is transferred to Earmarked Reserves to help support services in the following financial year.

This has resulted in the following changes being made in the 2009/10 financial statements:

Opening 1 April 2009 Balance Sheet

	2009/10 Statements £'000	Adjustments Made £'000
Creditors & Receipts in Advance	(37,404)	1,991
General Fund – Earmarked Reserves	(23,775)	(1,991)
	(61,179)	**-**

Closing 31 March 2010 Balance Sheet

	2009/10 Statements £'000	Adjustments Made £'000
Creditors & Receipts in Advance	(47,337)	130
General Fund – Earmarked Reserves	(24,364)	(130)
	(71,701)	**-**

Transition to IFRS - continued

4. Government Grants and Contributions – Revenue - continued

2009/10 Comprehensive Income and Expenditure Statement Cost of Services (Net)

	2009/10 Statements £'000	Adjustments Made £'000
Children's & Education Service	33,682	247
Adult Social Care	28,279	-
Highways & Transport	19,681	-
Cultural, Environmental Regulatory and Planning Services	38,218	237
Housing Services	1,181	(299)
Central Services	9,011	-
Corporate and Democratic Core	5,482	(315)
Non Distributed Costs	6,251	-
	141,785	**(130)**

5. Reclassification of Assets

Some assets have been reclassified on the transition to the Code as they no longer meet the strict criteria for Assets Held for Sale or Investment Property and have been subsequently transferred to Property, Plant and Equipment Surplus Assets. These assets have been revalued from market value to existing use value upon reclassification.

This has resulted in the following changes being made to the 2009/10 financial statements:

Opening 1 April 2009 Balance Sheet

	2009/10 Statements £'000	Adjustments Made £'000
Property, Plant & Equipment	280,376	2,943
Investment Property	10,726	(405)
Capital Adjustment Account	(160,955)	(999)
Revaluation Reserve	(20,675)	(1,539)
	109,472	**-**

Closing 31 March 2010 Balance Sheet

	2009/10 Statements £'000	Adjustments Made £'000
Property, Plant & Equipment	299,593	(178)
Investment Property	10,331	395
Capital Adjustment Account	(146,193)	(338)
Revaluation Reserve	(35,632)	121
	128,099	**-**

Transition to IFRS - continued

5. Reclassification of Assets - continued

2009/10 Comprehensive Income and Expenditure Statement Cost of Services (Net)

	2009/10 Statements £'000	Adjustments Made £'000
Children's & Education Service	33,682	-
Adult Social Care	28,279	(24)
Highways & Transport	19,681	-
Cultural, Environmental Regulatory and Planning Services	38,218	-
Housing Services	1,181	-
Central Services	9,011	61
Corporate and Democratic Core	5,482	-
Non Distributed Costs	6,251	(353)
	141,785	**(316)**
Surplus/Deficit on the Revaluation of Non-Current Assets	**(15,563)**	**99**

6. Cash Equivalents

The Code defines cash equivalents as short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value. Qualifying investments have a short maturity which are assessed at the point the investment is made.

Cash equivalents are therefore not investments and are used to help finance short term obligations.

This has resulted in the following changes being made to the 2009/10 financial statements:

31 March 2010 Balance Sheet

	2009/10 Statements £'000	Adjustments Made £'000
Temporary Investments	16,507	(1,100)
Cash	1,454	1,100
	17,961	**-**

There were no changes to cash equivalents arising from IFRS changes to 2008/09 accounts.

Comprehensive Income & Expenditure Statement

Comprehensive Income and Expenditure Statement – 2009/10

Services	*Note*	*Gross Expenditure 2009/10 Restated £'000*	*Gross Income 2009/10 Restated £'000*	*Net Expenditure 2009/10 Restated £'000*
CONTINUING OPERATIONS				
Children's & Education Service		*153,991*	*(119,030)*	*34,961*
Adult Social Care		*48,690*	*(20,373)*	*28,317*
Highways and Transport		*25,460*	*(3,679)*	*21,781*
Cultural, Environmental Regulatory and Planning Services		*52,097*	*(12,598)*	*39,499*
Housing Services		*72,415*	*(71,354)*	*1,061*
Central Services		*19,456*	*(9,031)*	*10,425*
Corporate and Democratic Core		*5,537*	*(367)*	*5,170*
Non Distributed Costs		*5,898*	-	*5,898*
NET COST OF SERVICES		***383,544***	***(236,432)***	***147,112***
Other Operating Activities	***6***			*(1,791)*
Financing and Investment Income & Expenditure	***7***			*5,046*
Taxation and Non-Specific Grant Income	***8***			*(132,942)*
(Surplus) or Deficit on the Provision of Services				***17,425***
(Surplus) or Deficit on revaluation of Property, Plant & Equipment				*(15,464)*
(Surplus) or Deficit on revaluation of Available for Sale Financial Assets				*1,856*
Actuarial (Gains)/Losses on Pension Assets/Liabilities	***45***			*118,886*
Other Comprehensive Income & Expenditure				***105,278***
TOTAL COMPREHENSIVE INCOME & EXPENDITURE				***122,703***

Comprehensive Income & Expenditure Statement

Comprehensive Income and Expenditure Statement – 2010/11

Services	Note	Gross Expenditure 2010/11 £'000	Gross Income 2010/11 £'000	Net Expenditure 2010/11 £'000
CONTINUING OPERATIONS				
Children's & Education Service		168,835	(137,238)	31,597
Adult Social Care		55,273	(15,719)	39,554
Highways and Transport		25,425	(1,169)	24,256
Cultural, Environmental Regulatory and Planning Services		46,529	(10,715)	35,814
Housing Services		70,529	(68,052)	2,477
Central Services		21,688	(10,554)	11,134
Corporate and Democratic Core		5,356	(1,130)	4,226
Non Distributed Costs		5,242	(50)	5,192
Exceptional Item – Negative Past Service Cost	2	(42,038)	-	(42,038)
NET COST OF SERVICES		**356,839**	**(244,627)**	**112,212**
Other Operating Activities	6			(678)
Financing and Investment Income & Expenditure	7			4,569
Taxation and Non-Specific Grant Income	8			(144,189)
(Surplus) or Deficit on the Provision of Services				**(28,086)**
(Surplus) or Deficit on revaluation of Property, Plant & Equipment				(28,231)
(Surplus) or Deficit on revaluation of Available for Sale Financial Assets				-
Actuarial (Gains)/Losses on Pension Assets/Liabilities	45			(116,275)
Other Comprehensive Income & Expenditure				**(144,506)**
TOTAL COMPREHENSIVE INCOME & EXPENDITURE				**(172,592)**

Balance Sheet

Balance Sheet as at 31st March 2011

01/04/2009 £'000 Restated	31/3/2010 £'000 Restated		Note	£'000	31/3/2011 £'000
285,885	305,248	Non Current Assets - Property Plant & Equipment	9		337,358
10,321	10,321	Investment Properties	10	9,707	
2,456	2,267	Intangible Assets	11	2,047	
-	-	Assets Held for Sale > 12 months		-	
483	476	Long Term Investments	12	469	
1,572	1,554	Long Term Debtors	16	1,596	13,819
300,717	**319,866**	**Total Long Term Assets**			**351,177**
		Current Assets			
339	386	Inventories	14	362	
-	-	Assets Held for Sale < 12 months	18	1,055	
24,352	22,670	Short Term Debtors	16	14,052	
-	-	Intangible Current Assets		186	
41,720	15,407	Short Term Investments		-	
-	2,554	Cash/Cash Equivalents	17	11,201	
66,411	**41,017**	**Total Current Assets**		**26,856**	
		Current Liabilities			
(20,967)	(2,131)	Short Term Borrowing		-	
(34,239)	(42,895)	Short Term Creditors	19	(43,236)	
(1,077)	-	Bank Overdraft	17	-	
(56,283)	**(45,026)**	**Total Current Liabilities**		**(43,236)**	
10,128	**(4,009)**	**Net Current Assets/(Liabilities)**			**(16,380)**
310,845	**315,857**				**334,797**
(19,302)	(20,000)	Long Term Borrowing	20	(20,000)	
-	(871)	Provisions > 1 year	21	(1,844)	
(516)	(165)	Capital Grants Receipts in Advance	37	(3,856)	
(88,358)	(214,853)	Other Long Term Liabilities		(61,634)	(87,334)
202,669	**79,968**	**Total Assets less Liabilities**			**247,463**
(53,796)	(53,497)	Usable Reserves	22	(47,411)	
(148,873)	(26,471)	Unusable Reserves	23	(200,052)	
(202,669)	**(79,968)**	**Total Equity**			**(247,463)**

The unaudited accounts were issued on 30th June 2011 and the audited accounts were authorised for issue on 30th September 2011.

Movement in Reserves Statement

Movement in Reserves – 2009/10

	General Fund Balance	Earmarked General Fund Reserves	Capital Receipts Reserve	Capital Grants Unapplied	**Total Usable Reserves**	**Total Unusable Reserves**	**Total Council Reserves**
	£'000	£'000	£'000	£'000	**£'000**	**£'000**	**£'000**
General Fund	(6,921)						
General Fund –Schools	(4,391)						
Balance as at 31 March 2009	**(11,312)**	**(26,114)**	**(11,885)**	**(4,485)**	**(53,796)**	**(148,873)**	**(202,669)**
Movement in Reserves during 2009/10							
(Surplus) or Deficit on the Provision of Services	17,425	-	-	-	**17,425**	**-**	**17,425**
Other Comprehensive Income & Expenditure	-	-	-	-	**-**	**105,278**	**105,278**
Total Comprehensive Income & Expenditure	**17,425**	**-**	**-**	**-**	17,425	105,278	122,703
Adjustments between accounting basis and funding under legislation (note 4a)	(17,391)	-	1,823	(1,519)	**(17,087)**	**17,087**	**-**
Net increase/decrease before transfers to earmarked reserves	**34**	**-**	**1,823**	**(1,519)**	**338**	**122,365**	**122,703**
Transfers to/from earmarked reserves	719	(719)	(37)	-	**(37)**	**37**	**-**
Increase/(Decrease) in year	**753**	**(719)**	**1,786**	**(1,519)**	**301**	**122,402**	**122,703**
Balance as at end March 2010 carried forward	**(10,559)**	**(26,833)**	**(10,099)**	**(6,004)**	**(53,495)**	**(26,471)**	**(79,966)***
General Fund	(7,174)						
General Fund-Schools	(3,385)						
	(10,559)						

Movement in Reserves Statement continued

Movement in Reserves – 2010/11

	General Fund Balance	Earmarked General Fund Reserves	Capital Receipts Reserve	Capital Grants Unapplied	**Total Usable Reserves**	**Total Unusable Reserves**	**Total Council Reserves**
	£'000	£'000	£'000	£'000	**£'000**	**£'000**	**£'000**
General Fund	(7,174)						
General Fund –Schools	(3,385)						
Balance as at 31 March 2010	**(10,559)**	**(26,833)**	**(10,099)**	**(6,004)**	**(53,495)**	**(26,471)**	**(79,966)***
Movement in Reserves during 2010/11							
(Surplus) or Deficit on the Provision of Services	(28,086)	-	-	5,091	**(22,995)**	**-**	**(22,995)**
Other Comprehensive Income & Expenditure	-	-	-	-	**-**	**(144,506)**	**(144,506)**
Total Comprehensive Income & Expenditure	**(28,086)**	**-**	**-**	**5,091**	**(22,995)**	**(144,506)**	**(167,501)***
Adjustments between accounting basis and funding under legislation (note 4b)	27,020	-	2,084	-	**29,104**	**(29,104)**	**-**
Net increase/decrease before transfers to earmarked reserves	**(1,066)**	**-**	**2,084**	**5,091**	**6,109**	**(173,608)**	**(167,501)**
Transfers to/from earmarked reserves	1,094	(1,094)	(24)	-	**(24)**	**24**	**-**
Increase/(Decrease) in year	**28**	**(1,094)**	**2,060**	**5,091**	**6,085**	**(173,584)**	**(167,501)**
Balance as at end March 2011 carried forward	**(10,531)**	**(27,927)**	**(8,039)**	**(913)**	**(47,410)**	**(200,053)**	**(247,463)**
General Fund	(7,367)						
General Fund –Schools	(3,165)						
	(10,532)						

Cash flow Statement

Cash flow Statement as at 31st March 2011

2008/09 Restated £'000	2009/10 Restated £'000		Note	2010/11 £'000
4,689	*(8,899)*	Net cash flows from Operating Activities	**24**	(7,424)
14,777	*10,606*	Net cash flows from Investing Activities	**25**	17,902
(19,736)	*(5,338)*	Net cash flows from Financing Activities	**26**	- (19,125)
(270)	***(3,631)***	**Net (increase)/decrease in cash and cash equivalents**		**(8,647)**
1,347	*1,077*	Cash and Cash Equivalents at the beginning of the reporting period		(2,554)
1,077	***(2,554)***	**Cash and Cash Equivalents at the end of the reporting period**	17	**(11,201)**

Notes to the Core Financial Statements

1. Material items of Income and Expense

During 2010/11, as part of the Council's five year cyclical revaluation programme, a number of properties were devalued to represent current market conditions. £10.65m was charged to the net cost of services within the relevant service headings and transferred to the Balance Sheet under statutory regulations to negate the impact on the principal sources of funding.

2. Exceptional Item

With effect from 1 April 2011, public sector pensions are up-rated in line with the Consumer Price Index (CPI) rather than the Retail Prices Index (RPI). A past service gain in accordance with the guidance set down in UITF Abstract 48 has been recognised in the Comprehensive Income and Expenditure Statement of £42.038m. There is no impact on the General Fund.

Further details can be found in the Pensions Note 45

3. Events after the Balance Sheet Date

These accounts have been authorised for issue by the Operational Director Finance, on 30 June 2011 and reflect all known post balance sheet events affecting the financial statements for the year 2010/11 up to this date. 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 31 March 2011, 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.

Notes to the Core Financial Statements continued

4(a). Adjustments between Accounting Basis and Funding Basis under regulation – for year ended 31/03/2010

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	Capital Receipts Reserve	Capital Grants Unapplied	**Movement in Usable Reserves**	Revaluation Reserve	Available for Sale Financial Instruments Reserve	Pension Reserves	Capital Adjustment Account	Deferred Capital Receipts	Financial Instruments Adjustment Account	Collection Fund Adjustment Account	Unequal Pay Adjustment Account	Short Term Compensated Absences	Donated Assets Account
	£'000	£'000	£'000	**£'000**	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Capital Adjustment Account Reversal of items debited or credited to the CIES:														
Charges for depreciation and impairment of non-current assets	(26,442)	-	-	**(26,442)**	-	-	-	26,442	-	-	-	-	-	-
Revaluation losses on Property, Plant and Equipment	-	-	-	**-**	-	-	-	-	-	-	-	-	-	-
Movements in the Market Value of Investment Properties	-	-	-	**-**	-	-	-	-	-	-	-	-	-	-
Amortisation of Intangible Assets	(720)	-	-	**(720)**	-	-	-	720	-	-	-	-	-	-
Capital Grants and Contributions applied	12,562	-	(1,519)	**11,043**	-	-	-	(11,043)	-	-	-	-	-	-
Movement in the Donated Assets Account	-	-	-	**-**	-	-	-	-	-	-	-	-	-	-
REFCUS	(447)	-	-	**(447)**	-	-	-	447	-	-	-	-	-	-
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	-	-	-	**-**	-	-	-	-	-	-	-	-	-	-

Notes to the Core Financial Statements continued

4(a). Adjustments between Accounting Basis and Funding Basis under regulation – for year ended 31/03/2010 continued

	General Fund Balance	Capital Receipts Reserve	Capital Grants unapplied	**Movement in Usable Reserves**	Revaluation Reserve	Available for Sale Financial Instruments Reserve	Pension Reserves	Capital Adjustment Account	Deferred Capital Receipts	Financial Instruments Adjustment Account	Collection Fund Adjustment Account	Unequal Pay Adjustment Account	Short Term Compensated Absences	Donated Assets Account
Insertion of items not debited or credited to the CIES:														
Statutory provision for the financing of Capital investment	2,473	-	-	**2,473**	-	-	-	(2,473)	-	-	-	-	-	-
Capital expenditure charged against the General Fund Balance	634	-	-	**634**	-	-	-	(634)	-	-	-	-	-	-
Other														
Transfer between CAA and RR for depreciation that is based on CV rather than HC	-	-	-	**-**	628	-	-	(628)	-	-	-	-	-	-
Capital Grants Unapplied Account														
Capital Grants and Contributions unapplied credited to the CIES	-	-	-	**-**	-	-	-	-	-	-	-	-	-	-
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	2,098	(2,098)	-	**-**	-	-	-	-	-	-	-	-	-	-
Use of Capital Receipts Reserve to Finance new Capital Expenditure	-	3,906	-	**3,906**	-	-	-	(3,906)	-	-	-	-	-	-
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	(15)	15	-	**-**	-	-	-	-	-	-	-	-	-	-
Transfer from the Deferred Capital Receipts Reserve upon receipt of cash	-	-	-	**-**	-	-	-	-	-	-	-	-	-	-

Notes to the Core Financial Statements continued

4(a). Adjustments between Accounting Basis and Funding Basis under regulation – for year ended 31/03/2010 continued

	General Fund Balance	Capital Receipts Reserve	Capital Grants unapplied	**Movement in Usable Reserves**	Revaluation Reserve	Available for Sale Financial Instruments Reserve	Pension Reserves	Capital Adjustment Account	Deferred Capital Receipts	Financial Instruments Adjustment Account	Collection Fund Adjustment Account	Unequal Pay Adjustment Account	Short Term Compensated Absences	Donated Assets Account
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	(19,432)	-	-	**(19,432)**	-	-	19,432	-	-	-	-	-	-	-
Employers pension contributions and direct payments to pensioners payable in the year	11,869	-	-	**11,869**	-	-	(11,869)							
Collection Fund Adjustment Account														
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	(293)	-	-	**(293)**	-	-	-	-	-	-	293	-	-	-
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 chargeable in the year in accordance with statutory requirements	322	-	-	**322**	-	-	-	-	-	-	-	-	(322)	-
TOTAL ADJUSTMENTS	**(17,391)**	**1,823**	**(1,519)**	**(17,087)**	**628**	**-**	**7,563**	**8,925**	**-**	**-**	**293**	**-**	**(322)**	**-**

Notes to the Core Financial Statements continued

4(b). Adjustments between Accounting Basis and Funding Basis under regulation – for year ended 31/03/2011

	USABLE RESERVES				UNUSABLE RESERVES									
	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	**Movement in Usable Reserves**	Revaluation Reserve	Available for Sale Financial Instruments Reserve	Pension Reserves	Capital Adjustment Account	Deferred Capital Receipts	Financial Instruments Adjustment Account	Collection Fund Adjustment Account	Unequal Pay Adjustment Account	Short Term Compensated Absences	Donated Assets Account
	£'000	£'000	£'000	**£'000**	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Capital Adjustment Account Reversal of items debited or credited to the CIES:														
Charges for depreciation and impairment of non-current assets	(18,736)	-	-	**(18,736)**	-	-	-	18,736	-	-	-	-	-	-
Revaluation losses on Property, Plant and Equipment	(10,650)	-	-	**(10,650)**	-	-	-	10,650	-	-	-	-	-	-
Movements in the Market Value of Investment Properties	(125)	-	-	**(125)**	-	-	-	125	-	-	-	-	-	-
Amortisation of Intangible Assets	(706)	-	-	**(706)**	-	-	-	706	-	-	-	-	-	-
Capital Grants and Contributions applied	16,801	-	-	**16,801**	-	-	-	(16,801)	-	-	-	-	-	-
Movement in the Donated Assets Account	-	-	-	**-**	-	-	-	-	-	-	-	-	-	-
REFCUS	-	-	-	**-**	-	-	-	-	-	-	-	-	-	-
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	-	-	-	**-**	-	-	-	-	-	-	-	-	-	-
Insertion of items not debited or credited to the CIES:														
Statutory provision for the financing of Capital investment	2,759	-	-	**2,759**	-	-	-	(2,759)	-	-	-	-	-	-
Capital expenditure charged against the General Fund Balance	971	-	-	**971**	-	-	-	(971)	-	-	-	-	-	-
Other														
Transfer between CAA and RR for depreciation that is based on CV rather than HC	-	-	-	**-**	1,141	-	-	(1,141)	-	-	-	-	-	-

4(b). Adjustments between Accounting Basis and Funding Basis under regulation – for year ended 31/03/2011 continued

	General Fund Balance	Capital Receipts Reserve	Capital Grants unapplied	**Movement in Usable Reserves**	Revaluation Reserve	Available for Sale Financial Instruments Reserve	Pension Reserves	Capital Adjustment Account	Deferred Capital Receipts	Financial Instruments Adjustment Account	Collection Fund Adjustment Account	Unequal Pay Adjustment Account	Short Term Compensated Absences	Donated Assets Account
Capital Grants Unapplied Account														
Capital Grants and Contributions unapplied credited to the CIES	-	-	-	**-**	-	-	-	-	-	-	-	-	-	-
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	965	(965)	-	**-**	-	-	-	-	-	-	-	-	-	-
Use of Capital Receipts Reserve to Finance new Capital Expenditure	-	3,045	-	**3,045**	-	-	-	(3,045)	-	-	-	-	-	-
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	-	**-**	-	-	-	-	-	-	-	-	-	-
Transfer from the Deferred Capital Receipts Reserve upon 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	-	-	-	**-**	-	-	-	-	-	-	-	-	-	-

Notes to the Core Financial Statements continued

4(b). Adjustments between Accounting Basis and Funding Basis under regulation – for year ended 31/03/2011 continued

	General Fund Balance	Capital Receipts Reserve	Capital Grants unapplied	**Movement in Usable Reserves**	Revaluation Reserve	Available for Sale Financial Instruments	Pension Reserves	Capital Adjustment Account	Deferred Capital Receipts	Financial Instruments Adjustment	Collection Fund Adjustment Account	Unequal Pay Adjustment Account	Short Term Compensated Absences	Donated Assets Account
Pensions Reserve														
Reversal of items relating to retirement benefits debited/credited to the CIES	23,658	-	-	**23,658**	-	-	(23,658)	-	-	-	-	-	-	-
Employers pension contributions and direct payments to pensioners payable in the year	12,675	-	-	**12,675**	-	-	(12,675)							
Collection Fund Adjustment Account														
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	(30)	-	-	**(30)**	-	-	-	-	-	-	30	-	-	-
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 chargeable in the year in accordance with statutory requirements	(558)	-	-	**(558)**	-	-	-	-	-	-	-	-	558	-
TOTAL ADJUSTMENTS	**27,020**	**2,084**	**-**	**29,104**	**1,141**	**-**	**(36,333)**	**5,500**	**-**	**-**	**30**	**-**	**558**	**-**

Notes to the Core Financial Statements continued

5. 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 2010/11

General Fund	**Balance at 1st April 2008 £'000**	Transfers Out 2008/09 £'000	Transfers In 2008/09 £'000	**Balance at 31st March 2009 £'000**	Transfers Out 2009/10 £'000	Transfers In 2009/10 £'000	**Balance at 31st March 2010 £'000**	Transfers Out 2010/11 £'000	Transfers In 2010/11 £'000	**Balance at 31st March 2011 £'000**
Balances held by schools under the scheme of delegation	**(4,639)**	248	-	**(4,391)**	1,005	-	**(3,386)**	220	-	**(3,166)**
Capital (To support Capital programme)	**(3,882)**	314	(1,178)	**(4,746)**	3,198	(1,350)	**(2,898)**	3,194	(1,950)	**(1,654)**
Insurance General Fund (To offset major fire claims)	**(3,789)**	378	-	**(3,411)**	6	(6)	**(3,411)**	-	(504)	**(3,915)**
Insurance Former HRA Properties (To offset pre LSVT claims)	**(1,508)**	57	-	**(1,451)**	59	-	**(1,392)**	68	-	**(1,324)**
Performance Grant (Grant to be utilised in 2011/12)	**-**	-	(250)	**(250)**	250	-	**-**	-	(865)	**(865)**
Sports Development (To support the ongoing development of Halton Sports)	**-**	-	(71)	**(71)**	71	-	**-**	-	-	**-**
Building Schools for the Future Capital (To fund future capital costs)	**-**	-	-	**-**	-	(981)	**(981)**	-	-	**(981)**
Integrated Community Equipment (Share of pooled budget with Halton & St Helens PCT)	**-**	-	-	**-**	-	(35)	**(35)**	35	-	**-**
Working Neighbourhood's Fund (Grant to be utilised in 2011/12)	**-**	-	(415)	**(415)**	415	(1,329)	**(1,329)**	1,329	(1,613)	**(1,613)**

Notes to the Core Financial Statements continued

5. Transfers to/from Earmarked Reserves continued

General Fund	**Balance at 1st April 2008 £'000**	Transfers Out 2008/09 £'000	Transfers In 2008/09 £'000	**Balance at 31st March 2009 £'000**	Transfers Out 2009/10 £'000	Transfers In 2009/10 £'000	**Balance at 31st March 2010 £'000**	Transfers Out 2010/11 £'000	Transfers In 2010/11 £'000	**Balance at 31st March 2011 £'000**
C&YP Carry forward (Used to support 2008/9 Revenue Budget)	**(350)**	350	-	**-**	-	-	**-**	-	-	**-**
Adults with Learning Difficulties (Share of pooled budget with Halton & St Helens PCT)	**-**	-	-	**-**	-	(100)	**(100)**	102	(6)	**(4)**
Business Link (Returned monies following the wind up of Business Link)	**(14)**	-	-	**(14)**	-	-	**(14)**	-	-	**(14)**
Children's Disabilities (Previously the balance of the pooled budget with Halton & St Helens PCT)	**-**	-	-	**-**	-	(369)	**(369)**	-	(303)	**(672)**
Revenue Priorities Fund (Earmarked funding carried forward)	**(357)**	-	(258)	**(615)**	668	(124)	**(71)**	56	(185)	**(200)**
Landfill Usage (Notional value of unused allowance)	**(147)**	147	-	**-**	-	-	**-**	-	(54)	**(54)**
Health is Wealth (To improve health and wealth of people in the region)	**(10)**	10	-	**-**	-	-	**-**	-	-	**-**
Invest to Save (To fund investments in revenue saving initiatives)	**(1,018)**	314	(2,014)	**(2,718)**	1,454	(23)	**(1,287)**	89	-	**(1,198)**
Major Projects Fees (To fund future major project implementation costs)	**(117)**	117	(90)	**(90)**	3	(45)	**(132)**	-	-	**(132)**
Neighbourhood Management	**(210)**	443	(466)	**(233)**	182	-	**(51)**	50	-	**(1)**

Notes to the Core Financial Statements continued

5. Transfers to/from Earmarked Reserves continued

General Fund	**Balance at 1st April 2008 £'000**	Transfers Out 2008/09 £'000	Transfers In 2008/09 £'000	**Balance at 31st March 2009 £'000**	Transfers Out 2009/10 £'000	Transfers In 2009/10 £'000	**Balance at 31st March 2010 £'000**	Transfers Out 2010/11 £'000	Transfers In 2010/11 £'000	**Balance at 31st March 2011 £'000**
(Earmarked to fund future project costs)										
Halton Castle Duchy of Lancaster	**(116)**	12	-	**(104)**	12	-	**(92)**	12	-	**(80)**
(Halton Castle Restoration Project)										
Supporting People	**(521)**	-	(1,056)	**(1,577)**	550	-	**(1,027)**	80	-	**(947)**
(Earmarked to fund Future Schemes)										
Building Schools for the Future	**(2,203)**	770	-	**(1,433)**	714	-	**(719)**	-	(114)	**(833)**
(To fund future implementation costs)										
HSCB	**(100)**	100	(81)	**(81)**	81	-	**-**	-	-	**-**
(Earmarked Partnership Contributions towards the safeguarding of Halton Children)										
Alliance Board	**(72)**	72	-	**-**	-	-	**-**	-	-	**-**
(Earmarked contributions to implement the C&YP Plan)										
CYPD CAMHS & Care Matters	**(3)**	3	(130)	**(130)**	130	-	**-**	-	-	**-**
(Grant to be utilised in 2009/10)										
Enterprise and Employment	**(1,443)**	-	(224)	**(1,667)**	28	-	**(1,639)**	143	-	**(1,496)**
(To fund E&E activities for future years)										
Health & Community	**(750)**	2,263	(2,209)	**(696)**	696	(962)	**(962)**	1,059	(626)	**(529)**
(to support the 2011/12 revenue budget)										
Mersey Gateway	**(400)**	73	-	**(327)**	42	(700)	**(985)**	1	-	**(984)**
(To fund future planning work re Mersey Gateway)										

Notes to the Core Financial Statements continued

5. Transfers to/from Earmarked Reserves continued

General Fund	**Balance at 1st April 2008 £'000**	Transfers Out 2008/09 £'000	Transfers In 2008/09 £'000	**Balance at 31st March 2009 £'000**	Transfers Out 2009/10 £'000	Transfers In 2009/10 £'000	**Balance at 31st March 2010 £'000**	Transfers Out 2010/11 £'000	Transfers In 2010/11 £'000	**Balance at 31st March 2011 £'000**
Core Strategy (To fund Local Development Framework Core Strategy Costs)	**(250)**	-	-	**(250)**	-	-	**(250)**	-	(120)	**(370)**
Equal Pay (to fund costs arising from equal pay claims)	**(2,500)**	323	(322)	**(2,499)**	2,370	(3,944)	**(4,073)**	1,273	(1,650)	**(4,450)**
Intermediate Care Pool (Share of pooled budget with Halton & St Helens PCT)	**-**	-	-	**-**	-	(162)	**(162)**	413	(324)	**(73)**
Housing Planning Delivery Grant (to fund on-going projects)	**-**	-	(35)	**(35)**	35	(128)	**(128)**	128	-	**-**
Growth Points (to fund future initiatives to be identified by the Growth Points partnership)	**-**	-	(146)	**(146)**	161	(964)	**(949)**	1,000	(81)	**(30)**
PCT Drug Treatment (Funding for drug and alcohol misuse treatment)	**-**	-	(583)	**(583)**	-	(203)	**(786)**	305	-	**(481)**
Olympic Legacy Fund (To support the on-going development of sports in Halton)	**-**	-	(109)	**(109)**	-	(72)	**(181)**	53	-	**(128)**
Arts Development Strategy Fund (To support the medium term arts development strategy in Halton)	**-**	-	(125)	**(125)**	-	(15)	**(140)**	14	-	**(126)**

Notes to the Core Financial Statements continued

5. Transfers to/from Earmarked Reserves continued

General Fund	Balance at 1st April 2008 £'000	Transfers Out 2008/09 £'000	Transfers In 2008/09 £'000	Balance at 31st March 2009 £'000	Transfers Out 2009/10 £'000	Transfers In 2009/10 £'000	Balance at 31st March 2010 £'000	Transfers Out 2010/11 £'000	Transfers In 2010/11 £'000	Balance at 31st March 2011 £'000
Agresso Development (To fund expected costs for the upgrade of financial software	**-**	-	-	**-**	-	(150)	**(150)**	28	-	**(122)**
IFRS Implementation (To fund expected costs to the implementation of new financial reporting requirements)	**-**	-	-	**-**	-	(50)	**(50)**	50	-	**-**
S106 Grants (Developers contributions towards planning applications)	**-**	-	-	**-**	-	(349)	**(349)**	349	-	**-**
Revenue Grants (Earmarking of Revenue grant balances with restrictions)	**-**	-	-	**-**	-	(2,121)	**(2,121)**	2,121	-	**-**
Carefirst (To finance staffing posts within ICT)	**-**	-	-	**-**	-	-	**-**	-	(64)	**(64)**
Revenues & Benefits System Development (To fund systems developments throughout 2011/12)	**-**	-	-	**-**	-	-	**-**	-	(258)	**(258)**
Merseyside Information Service (To finance the termination costs of the MIS subscription)	**-**	-	-	**-**	-	-	**-**	-	(182)	**(182)**
Open Spaces Rolling Projects (To finance the Open Spaces Strategy in 2011/12)	**-**	-	-	**-**	-	-	**-**	-	(176)	**(176)**

Notes to the Core Financial Statements continued

5. Transfers to/from Earmarked Reserves continued

General Fund	**Balance at 1st April 2008 £'000**	Transfers Out 2008/09 £'000	Transfers In 2008/09 £'000	**Balance at 31st March 2009 £'000**	Transfers Out 2009/10 £'000	Transfers In 2009/10 £'000	**Balance at 31st March 2010 £'000**	Transfers Out 2010/11 £'000	Transfers In 2010/11 £'000	**Balance at 31st March 2011 £'000**
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)**
Leisure Management Contract Contingency (Contingency compensation for leisure management contract)	**-**	-	-	**-**	-	-	**-**	-	(10)	**(10)**
Learning & Achievement (To finance budgets which span the academic year into 2011/12)	**-**	-	-	**-**	-	-	**-**	-	(969)	**(969)**
Children's Organisation & Provision (To finance specialist services and projects that run into 2011/12)	**-**	-	-	**-**	-	-	**-**	-	(772)	**(772)**
Saffron (To finance new catering manager software system)	**-**	-	-	**-**	-	-	**-**	-	(60)	**(60)**
A&C Care Financials (Contribution to upgrade Carefirst 6 system)	**-**	-	-	**-**	-	-	**-**	-	(350)	**(350)**
A&C Section 256 Monies (Contribution from H&stHPCT with joint outcomes)	**-**	-	-	**-**	-	-	**-**	-	(118)	**(118)**

Notes to the Core Financial Statements continued

5. Transfers to/from Earmarked Reserves continued

General Fund	**Balance at 1st April 2008 £'000**	Transfers Out 2008/09 £'000	Transfers In 2008/09 £'000	**Balance at 31st March 2009 £'000**	Transfers Out 2009/10 £'000	Transfers In 2009/10 £'000	**Balance at 31st March 2010 £'000**	Transfers Out 2010/11 £'000	Transfers In 2010/11 £'000	**Balance at 31st March 2011 £'000**
A&C 2010/11 Savings (To help finance the 2011/12 budget)	**-**	-	-	**-**	-	-	**-**	-	(250)	**(250)**
A&C Stroke Services (To help finance the delivery of services with H&StHPCT 2010/11 - 2011/12)	**-**	-	-	**-**	-	-	**-**	-	(180)	**(180)**
Transformation Fund (To fund costs arising from future efficiency reviews)	**-**	-	-	**-**	-	-	**-**	178	(1,275)	**(1,097)**
Total All Reserves	**(24,399)**	5,994	(9,762)	**(28,167)**	12,130	(14,182)	**(30,219)**	12,350	(13,224)	**(31,093)**

Notes to the Core Financial Statements continued

6. Other Operating Expenditure

2009/10 £'000		2010/11 £'000
44	Parish council precepts	45
248	Levies	238
15	Payments to the Government Housing Capital Receipts pool	4
(2,098)	(Gains)/Losses on the Disposal on non-current assets	(965)
(1,791)		(678)

7. Financing and Investment Income and Expenditure

2009/10 £'000		2010/11 £'000
1,089	Interest payable and similar charges	900
7,317	Pension interest cost and expected return on pensions assets	5,272
(1,815)	Interest receivable and similar charges	(617)
(881)	Income & expenditure in relation to investment properties and changes in fair value	(432)
(664)	Other investment income	(554)
5,046		4,569

8. Taxation and Non Specific Grant Income

2009/10 £'000		2010/11 £'000
(42,408)	Council tax income	(43,482)
(50,746)	Non domestic rates	(55,858)
(27,226)	Non-ringfenced government grants	(28,048)
(12,562)	Capital grants & contributions	(16,801)
(132,942)		(144,189)

Notes to the Core Financial Statements continued

9. Non Current Assets Property, Plant and Equipment

Movements in fixed assets during 2009/10

	Land and Buildings	Community Assets	Infrastructure Assets	Vehicles, Plant and Equipment	Surplus	Under Construction/ Development	Total 2009/10
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation							
As at 31st March 2009	181,091	5,328	116,442	8,449	19,381	1,057	331,748
Additions and Enhancements	8,097	828	12,369	2,260	945	5,844	30,343
Disposals/Alienations	-	-	-	-	-	-	-
Reclassifications	(38)	-	-	-	1,085	(1,047)	-
Revaluation Increases	12,425	-	-	-	5	-	12,430
Revaluation Decreases	(6,641)	-	-	-	(267)	(3,838)	(10,746)
As at 31st March 10	194,934	6,156	128,811	10,709	21,149	2,016	363,775
Depreciation							
As at 31st March 2009	(2,724)	(717)	(40,145)	(2,277)	-	-	(45,863)
Depreciation for the year	(5,243)	(293)	(8,993)	(1,565)	(451)	-	(16,545)
Disposals /Alienations	-	-	-	-	-	-	-
Reclassifications	24	-	-	-	(24)	-	-
Depreciation on Assets Revalued	3,881	-	-	-	-	-	3,881
As at 31 March 10	(4,062)	(1,010)	(49,138)	(3,842)	(475)	-	(58,527)
Balance Sheet Amount as at 31 March 10	190,872	5,146	79,673	6,867	20,674	2,016	305,248
Balance Sheet Amount as at 1 April 09	178,367	4,611	76,297	6,172	19,381	1,057	285,885

Notes to the Core Financial Statements continued

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

Movements in fixed assets during 2010/11

	Land and Buildings	Community Assets	Infrastructure Assets	Vehicles, Plant and Equipment	Surplus	Under Construction/ Development	Total 2010/11
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Cost or Valuation							
As at 31st March 2010	194,934	6,156	128,811	10,709	21,149	2,017	363,776
Additions and Enhancements	5,323	923	15,152	1,439	5,629	10,813	39,279
Revaluations Recognised in the Revaluations Reserve	19,831	-	-	-	-	1,659	21,490
Revaluations Recognised in the Provision Services	(5,134)	-	-	-	(5,768)	-	(10,902)
Derecognition – Disposals	-	-	-	-	(572)	-	(572)
Derecognition – Others	-	-	-	(29)	-	-	(29)
Assets Reclassified (to)/from held for sale	(155)	-	-	-	(5,532)	-	(5,687)
Other Movements	1,539	-	-	-	278	(1,539)	278
As at 31st March 11	216,338	7,079	143,963	12,119	15,184	12,950	407,633
Depreciation							
As at 31st March 2010	(4,060)	(1,010)	(49,138)	(3,842)	(475)	-	(58,525)
Depreciation for the Year	(5,570)	(348)	(9,811)	(1,947)	(1,087)	-	(18,763)
Depreciation written out to revaluation reserve	6,778	-	-	-	-	-	6,778
Depreciation written out to Surplus/Deficit on the Provision of Services	102	-	-	-	-	-	102
Derecogniation - Disposals	-	-	-	-	-	-	-
Derecogniation – Other	-	-	-	17	-	-	17
Other movements in depreciation	-	-	-	-	116	-	116
As at 31 March 11	(2,750)	(1,358)	(58,949)	(5,772)	(1,446)	-	(70,275)
Balance Sheet Amount as at 31 March 11	213,588	5,721	85,014	6,347	13,738	12,950	337,358
Balance Sheet Amount as at 1 April 10	190,872	5,146	79,673	6,867	20,674	2,016	305,248

Notes to the Core Financial Statements continued

9. 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 31 March 2011, the Council has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment.

The major commitments are:

Municipal Building	£0.435m
Highways Improvements	£0.545m

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. 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.

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 Cost (DRC)

Community Assets

This group includes parks, cemetery land and other identifiable assets held in perpetuity, usually at Depreciated Historic Cost (HC). Also included in this group are heritage assets which consist of the Councils civic regalia, paintings, artefacts and other items, either donated or purchased, they were valued in August 2007 by Bonhams of Chester (auctioneers and valuers). They are included in the balance sheet at insurance valuations. The value of these assets at 31st March 2011 was £0.824m (£0.824m 31st March 2010).

Notes to the Core Financial Statements continued

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

Infrastructure

These are included on the balance sheet at Depreciated Historical Cost (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 Held for Sale

This group contains assets that are actively being market for sale by the Council and expect to be sold within the next 12 months. They are held at Market Value (MV)

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)

10. 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 & Expenditure Statement:

2008/09 £'000	***2009/10 £'000***		**2010/11 £'000**
1,362	*1,122*	Rental income from investment property	1,141
(314)	*(241)*	Direct operating expenses arising from investment property	(584)
1,048	***881***		**557**

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

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

Notes to the Core Financial Statements continued

10. Investment Properties – continued

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

2008/09 £'000	*2009/10 £'000*		**2010/11 £'000**
10,726	*10,321*	Balance at start of year	10,321
		Additions:	
-	-	Purchases	-
-	-	Construction	-
-	-	Subsequent expenditure	-
-	-	Disposals	(150)
-	-	Net gains/losses from fair value adjustments	(186)
		Transfers:	
-	-	To/from Inventories	-
(405)	-	To/from Property, Plant & Equipment	(278)
-	-	Other Charges	-
10,321	***10,321***		**9,707**

11. 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 the 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 LIcences

The carrying amounts of intangible assets are amortised on a straight-line basis. The amortisation of £0.760m charged to revenue in 2010/11 was charged to various cost centres and then absorbed as an overhead across all service headings in the Net Cost of Services.

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

Notes to the Core Financial Statements continued

11. Intangible Assets - continued

	2009/10 Internally Generated Assets £'000	Other Assets £'000	Total £'000	2010/11 Internally Generated Assets £'000	Other Assets £'000	Total £'000
Balance at start of year:						
Gross carrying amounts	-	*3,602*	*3,602*	-	4,134	4,134
Accumulated amortisation	-	*(1,146)*	*(1,146)*	-	(1,867)	(1,867)
Net carrying amount at start of year	**-**	***2,456***	***2,456***	**-**	**2,267**	**2,267**
Additions:						
Purchases	-	*532*	*532*	-	486	486
Amortisation for the period	-	*(721)*	*(721)*	-	(706)	(706)
Net carrying amount at end of year	**-**	***2,267***	***2,267***	**-**	**2,047**	**2,047**
Comprising:						
Gross carrying amounts	-	*4,134*	*4,134*	-	4,620	4,620
Accumulated amortisation	-	*(1,867)*	*(1,867)*		(2,573)	(2,573)
		2,267	***2,267***		**2,047**	**2,047**

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

Description	Carry Amount 31/03/2011	Remaining amortisation period
Software Licenses 2006/07	172	1 year
Software Licenses 2007/08	179	2 years
Software Licenses 2008/09	785	3 years
Software Licenses 2009/10	425	4 years
Software Licenses 2010/11	486	5 years

12. Investments

The investments consist of:

	Balance at 31/03/2010 £'000	**Balance at 31/03/2011 £'000**
Halton Borough Transport Ltd.		
– Share Capital	*430*	430
– Debenture	*46*	39
Halton Development Partnership Limited – de minimus	-	-
Widnes Regeneration Limited – de minimus	-	-
	476	**469**

Halton Borough Transport Ltd was set up in October 1986 as a public transport undertaking, with an issued share capital of £430,100, wholly owned by Halton Borough Council. 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

12. Investments - continued

	Year to 31st March 2010 £'000	**Year to 31st March 2011 £'000**
Profit and Loss Account		
Turnover	*(5,485)*	(5,668)
Operating and Other Expenditure	*4,383*	5,867
Net (Profit)/Loss (before Dividend)	*(1,102)*	199
Dividend due to Halton Borough Council	*(100)*	(100)
Balance Sheet as at 31st March		
Fixed Assets	*3,161*	3,395
Current Assets less Current Liabilities	*(1,052)*	(1,382)
Net Current Assets	*2,109*	2,013
Long Term Liabilities	*(765)*	(951)
Provisions for Liabilities and Charges	*(115)*	(93)
Pension Scheme Liability	-	-
	1,229	**969**
Represented by:		
Share Capital	*(430)*	(430)
Profit and Loss Account	*(799)*	(539)
	(1,229)	**(969)**

The undertaking received an unqualified audit opinion for the year ended 31st March 2011.

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

13. Financial Instruments

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 and 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.

Notes to the Core Financial Statements continued

13. Financial Instruments - continued

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 it's carrying amount, as well as the method used in determined 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 2011.

Maximum Deposit per Institution for placing > 3 months	Organisation	Rating	Exposure at 31/03/2011
£M			£'000
7.50	Banks	Rated AA or better	-
5.00		Below AA	9,550
7.50	Building Societies	>£10bn	-
5.00		>£5bn<£10bn	-
2.50		>£1bn<£5bn	-
5.00	Other Local Authorities		-
2.50	Debt Management Office (Government)		
		Total	**9,550**

Credit Risk

The main credit risk for the Council arises from the placing of cash on deposit with banks and other financial institutions. There is minimal exposure with 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 'Approved List of Counterparties'. This list was established as one of a series of controls recommended by the CIPFA Code of Practice on Treasury Management 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.

It is difficult to assess in financial terms the Council's exposure to the potential non-repayment of its investments, as there are so few examples of major financial institutions failing. However, previous world events have highlighted that despite their financial size and prior healthy credit rating, institutions can still be vulnerable and can fail, so there is evidence that risk is a very real concept. The table below uses a nominal risk level of 0.5% to calculate a potential loss in this area.

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

Notes to the Core Financial Statements continued

13. Financial Instruments - continued

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

The following analysis attempts to summarise the potential exposure to credit risk based on experience of default and uncollectability over the past few years.

	Amount Outstanding 31/03/10 £'000	Amount Outstanding 31/03/11 £'000	Historical Debt Default %	Estimated Maximum Exposure 31/03/11 £'000
Deposits with Banks	*8,600*	9,550	0.50	47.75
Deposits with Building Societies	*7,500*	-	0.50	-
Customers/Clients	*9,233*	7,488	2.50	187.21
				234.96

All Treasury Management indicators were complied with. 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 to customers (except in certain statutory situations). £3.013m of the £7.488m customer/client debt shown above is over due. An analysis of the debt is shown below:

	31/03/10 £'000	31/03/11 £'000
Less than 3 months	*6,081*	4,476
3 to 6 months	*1,066*	760
6 months to 1 year	*482*	557
Over 1 year	*1,604*	1,695
	9,233	**7,488**
Provision for non payment	*(5,587)*	(3,824)

Liquidity Risk

The Council manages its liquidity position through the setting and approval of prudential indicators and the approval of treasury and investment strategy reports, along with a comprehensive cash flow management system as required by the CIPFA Code of Practice. This seeks to ensure that cash is available when needed.

The Council has access to borrowings from the Public Works Loan Board (PWLB), and as such is under no significant risk that it is unable to raise finance to meet its financial commitments under financial instruments. However, there is a risk attached to the maturity profile of the Council's current borrowing which means that the Council could be exposed to unfavorable rates of interest when it needs to replenish a significant proportion of its borrowings. Halton's current position has arisen due to the housing stock transfer in 2005.

Notes to the Core Financial Statements continued

13. Financial Instruments - continued

As a result of the transfer the Council's debt reduced from £40m to £10m. The post transfer debt being held in one financial instrument for £10m under a lenders option borrows option (LOBO) arrangement.

Under this instrument the lender can excise every 6 months a review of the interest rate and if the Council did not agree with the rate, a repayment would then be made. This effectively left the Council with the potential for 100% of its debt falling due at short notice. Since the transfer, the Council has only undertaken one new long term borrowing commitment for an additional £10m repayable in 45 years time. This reduced the volatility to 50%.

Further borrowings, subject to strategy will reduce this risk to a more manageable level.

The maturity analysis of financial liabilities is as follows;

	31/03/10 ***£'000***	**31/03/11** **£'000**
Less than 1 year	*23,535*	31,863
Between 1 and 2 years	*384*	693
Between 2 and 5 years	*422*	404
Over 5 years	*20,000*	20,000
	44,341	**52,960**

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

Market Risk

Interest Rate Risk

The Council is exposed to interest rate movements; they can have a complex impact. For example a rise in interest rates would have the following effects:

Borrowing variable rates: interest charged to I&E will rise
Borrowing fixed rates: fair value of liabilities will fall
Investment variable rates: interest credited to I&E will rise
Investment fixed rates: fair value of asset will fall.

Borrowings are not carried at fair value on the Balance Sheet, so nominal gains and losses on fixed rate borrowings would not impact in the Comprehensive Income and Expenditure Statement. However, changes in 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 £ for £. Movements in the fair value of fixed rate investments that have a quoted market price will be reflected in Other Comprehensive Income and Expenditure.

Notes to the Core Financial Statements continued

13. Financial Instruments - continued

The Council has a number of strategies for managing interest rate risk. The Annual Treasury Management Strategy draws together the Council's prudential and treasury indicators and its expected treasury operations, including an expectation of interest rate movements. From this strategy, a treasury indicator is set which provides maximum limits for fixed and variable interest rate exposure. The treasury management section monitor interest rates within the year and adjust exposures accordingly. For instance during periods of falling interest rates, and where economic circumstances make it favourable, fixed rate investments may be taken for longer periods to secure better long term returns, similarly the drawing of longer term fixed rate borrowing would be postponed.

According to this assessment strategy at 31st March 2011, 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	14
Increase in interest receivable on variable rate investments	(248)
Impact upon Income and Expenditure Account	**(234)**

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 assets or liabilities denominated in foreign currencies and thus have no exposure to loss from movement in exchange rates.

Financial Instrument Balances

The borrowings and investments disclosed in the Balance Sheet are made up of the following categories of financial instruments as shown overleaf:

Notes to the Core Financial Statements continued

13. Financial Instruments (continued)

Long Term 31/03/2010 Restated £'000	*Current 31/03/2010 Restated £'000*		**Long Term 31/03/2011 £'000**	**Current 31/03/2011 £'000**
		Financial Liabilities at Amortised Cost		
(20,000)	*(2,000)*	-Loans	(20,000)	-
-	*(42,895)*	-Other Current Liabilities	-	(43,236)
(20,000)	***(44,895)***	**Total Liabilities**	**(20,000)**	**(43,236)**
		Loans and Receivables		
476	*15,407*	-Investments	469	-
-	*25,224*	-Current Assets	-	25,253
1,554	*-*	-Long Term Debtors	1,596	-
-	*-*	Available-for-Sale Financial Assets	-	-
2,030	***40,631***	**Total Assets**	**2,065**	**25,253**

Included within Total liabilities and Total Assets are transactions which are not financial instruments but are part of the main categories of Assets and Liabilities within the Balance Sheet. These transactions include agency and collection arrangements on behalf of UK Government.

Fair Values

Fair Values of Financial Liabilities

Carrying value includes accrued interest;

Carrying Value 31/03/2010 Restated £'000	*Fair Value 31/03/2010 Restated £'000*		**Carrying Value 31/03/2011 £'000**	**Fair Value 31/03/2011 £'000**
		Long Term		
(10,000)	*(8,179)*	-PWLB	(10,000)	(9,251)
(10,000)	*(11,846)*	-Market	(10,000)	(11,750)
		Short Term		
(131)	*(131)*	-Accrued Interest	(132)	(132)
(2,000)	*(2,000)*	-Other Loans	-	-
(42,764)	*(42,764)*	-Creditors and Cash Overdrawn	(43,636)	(43,636)
(64,895)	***(64,920)***	**Total**	**(63,768)**	**(64,769)**

Where the fair value at 31st March is more than the carrying amount it is because the loans include fixed rate loans where the interest rate payable is higher than the rates available for similar loans at the balance sheet date.

Fair Values of Financial Assets

Carrying value includes accrued interest;

Notes to the Core Financial Statements continued

13. Financial Instruments (continued)

Fair Values of Financial Assets - continued

Carrying Value 31/03/2010 Restated £'000	*Fair Value 31/03/2010 Restated £'000*		**Carrying Value 31/03/2011 £'000**	**Fair Value 31/03/2011 £'000**
15,476	*15,697*	Investments	10,019	10,034
407	*407*	Accrued Interest	8	8
26,778	*26,778*	Debtors and Petty Cash	17,292	17,292
42,661	***42,882***	**Total**	**27,319**	**27,334**

The fair value of the investments is higher than the carrying amount because the investments include a number of fixed rate deposits where the interest rate receivable is higher then the rates available for similar investments at the balance sheet date.

Financial Instrument Gains/Losses

The gains and losses recognised in the Comprehensive Income and Expenditure Statement in relation to financial instruments are made up as follows:

	Financial Liabilities	**Financial Assets**		
	Liabilities measured at amortised cost £'000	**Loans and Receivables £'000**	**Available-for-sale Assets £'000**	**Total £'000**
Interest Expense	900	-	-	900
Losses on Derecognition	-	-	-	-
Impairment Losses	-	-	-	-
Interest Payable and Similar Charges	**900**	**-**	**-**	**900**
Interest Income	-	(617)	-	(617)
Gains on Derecognition	-	-	-	-
Interest and Investment Income	**-**	**(617)**	**-**	**(617)**
Gains on Revaluation	-	-	-	
Losses on Revaluation	-	-	-	
Amounts Recycled to the I&E Account after Impairment	-	-	-	
Surplus arising on Revaluation of Financial Assets			**-**	
Net Gain/(Loss) for the Year	**900**	**(617)**	**-**	

Notes to the Core Financial Statements continued

14. Inventories

	1st April 2009 *£'000* *Restated*	*31st March 2010* *£'000* *Restated*	31st March 2011 £'000
Catering – Bars – Provisions	*159*	*127*	139
Other	*170*	*247*	211
Railcards	*10*	*12*	12
	339	***386***	**362**

15. Construction Contracts

At the 31st March 2011 the Council had one construction contract in progress: The Highway Improvement works funded by the Local Transport Plan. The value of work completed at the 31st March 2011 has been established using a stage of completion methodology based on periodic assessment of the work completed to date. The activity to date is broken down as follows:

	Highways Improvement **£'000**
Costs incurred to date	1,089
Revenue Recognised:	
- Before 1 April 2010	
- During 2010/11	1,089
(Surplus)/Deficit	**-**
Advances Received	
Gross Amount due	**-**
Comprising:	
- Amounts not billed	-
- Retentions	-
	-

Notes to the Core Financial Statements continued

16. Debtors

	Gross Debtors	Impairment	Net Debtors	Gross Debtors	Impairment	Net Debtors	Gross Debtors	Impairment	Net Debtors
	Restated 1st April 2009			*Restated 31st March 2010*			31st March 2011		
	£'000	*£'000*	*£'000*	*£'000*	*£'000*	*£'000*	£'000	£'000	£'000
Short Term									
Central Government Bodies	*12,695*	*(14)*	*12,680*	*6,800*	*(17)*	*6,783*	6,751	(17)	6,734
Other Local Authorities	*1,070*	*(8)*	*1,062*	*1,467*	*(266)*	*1,201*	1,383	20	1,403
NHS Bodies	*1,056*	-	*1,056*	*4,985*	*(1,670)*	*3,315*	2,065	965	3,030
Public Corporations & Trading Funds	*1,850*	-	*1,850*	*1,640*	-	*1,640*	105	(7)	98
Other Entities & Individuals	*14,253*	*(6,549)*	*7,704*	*16,607*	*(6,876)*	*9,731*	11,098	(8,312)	2,786
	30,924	***(6,571)***	***24,352***	***31,499***	***(8,829)***	***22,670***	***21,403***	***(7,351)***	***14,052***
Long Term									
Mortgagors – Council House Sales	*47*	-	*47*	*28*	-	*28*	22	-	22
Housing Associations	*1,115*	-	*1,115*	*1,098*	-	*1,098*	1,346	-	1,346
Other	*410*	-	*410*	*428*	-	*428*	228	-	228
	1,572	**-**	***1,572***	***1,554***	**-**	***1,554***	***1,596***	**-**	***1,596***

17. Cash and Cash Equivalents

01/04/2009 £'000	*31/03/2010 £'000*		**31/03/2011 £'000**
50	*54*	Cash held by the Council	52
(1,127)	*1,400*	Bank current accounts	1,599
-	*1,100*	Short-term deposits with building societies	9,550
(1,077)	***2,554***		**11,201**

18. Assets Held for Sale

	Current			Non Current		
	2008/09 £'000	*2009/10 £'000*	2010/11 £'000	*2008/09 £'000*	*2009/10 £'000*	2010/11 £'000
Balance outstanding at start of Year	**-**	**-**	**-**	**-**	**-**	**-**
Assets newly classified as held for sale:						
Property, Plant & Equipment	-	-	5,571	-	-	-
Intangible Assets	-	-	-	-	-	-
Revaluation Losses	-	-	(4,516)	-	-	-
Revaluation Gains	-	-	-	-	-	-
Impairment Losses	-	-	-	-	-	-
Assets declassified as held for sale:						
Property, Plant & Equipment	-	-	-	-	-	-
Intangible Assets	-	-	-	-	-	-
Assets Sold	-	-	-	-	-	-
Transfers from non-current to current	-	-	-	-	-	-
Other Movements	-	-	-	-	-	-
Balance outstanding at year-end	**-**	**-**	**1,055**	**-**	**-**	**-**

Notes to the Core Financial Statements continued

19. Creditors

	1st April 2009 £'000 Restated	*31st March 2010 £'000 Restated*	**31st March 2011 £'000**
Central Government Bodies	*(10,446)*	*(11,820)*	(12,667)
Other Local Authorities	*(947)*	*(1,507)*	(4,853)
NHS Bodies	*(2,095)*	*(3,387)*	(4,018)
Public Corporations & Trading Funds	*(16)*	*(11)*	(274)
Other Entities & Individuals	*(20,735)*	*(26,170)*	(21,424)
	(34,239)	***(42,895)***	**(43,236)**

20. Long Term Borrowing

	Outstanding at 1st April 2009	*Outstanding at 31st March 2010 £'000*	**Outstanding at 31st March 2011 £'000**
Source of Loans:			
Public Works Loan Board	*(8,378)*	*(10,000)*	(10,000)
Europaische Hypothekenbank	*(10,924)*	*(10,000)*	(10,000)
	(19,302)	***(20,000)***	**(20,000)**
Analysis of Loans by Maturity:			
Maturing in 1-2 years	-	-	-
Maturing in 2-5 years	-	-	-
Maturing in 5-10 years	-	-	-
Maturing in more than 10 years	*(19,302)*	*(20,000)*	(20,000)
	(19,302)	***(20,000)***	**(20,000)**

21. Provisions

Equal Pay Provision

The Council is in receipt of 832 Equal Pay claims, a provision has been made for settlement offers which have been forwarded to the claimants for consideration. Further details on the number of claims and likely timing are referred to in the contingent liabilities note 46.

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.

Notes to the Core Financial Statements continued

21. Provisions continued

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 the 31st March 2011.

Bad Debt Provision

The Council holds a provision for non payment of short-term debts, this is reviewed and amended annually. It is offset on the Balance Sheet against short term debtors.

Onerous Contracts

There were no onerous contracts identified which required a provision to be created in 2010/11.

	Provisions > 12 months			Provisions < 12 months
	Equal Pay £'000	**Land Search Charge Claim £'000**	**Efficiency Costs £'000**	**Bad Debt Provision £'000**
Balance as at 1 April 2011	**(711)**	**(160)**	**-**	**(8,829)**
Additional provisions made in year	(1,205)	-	(174)	(1,337)
Amounts used in year	406	-	-	637
Unused amounts reversed in year	-	-	-	2,178
Balance at 31 March 2011	**(1,510)**	**(160)**	**(174)**	**(7,351)**

22. 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 then 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 helps 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 5.

Notes to the Core Financial Statements continued

22. Usable Reserves continued

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.

23. Unusable Reserves

1 April 2009 £'000	*31 March 2010 £'000*		**31 March 2011 £'000**
(22,214)	*(37,050)*	Revaluation Reserve	(64,140)
-	*-*	Available for Sale Financial Instruments Reserve	-
86,501	*212,950*	Pensions Reserve	60,344
(211,435)	*(202,509)*	Capital Adjustment Account	(197,005)
(1,428)	*(1,392)*	Deferred Capital Receipts	(1,368)
(1,857)	*-*	Financial Instruments Adjustment Account	-
(583)	*(290)*	Collection Fund Adjustment Account	(260)
-	*-*	Unequal Back Pay Account	-
2,143	*1,820*	Short Term Accumulated Compensated Absences Account	2,377
(148,873)	***(26,471)***	**Total Unusable Reserves**	**(200,052)**

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 1 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.

2009/10 £'000		**£'000**	**2010/11 £'000**
(22,214)	**Balance at 1 April**		(37,050)
(15,464)	Upward revaluation of assets	(29,151)	
-	Downward revaluation of assets and impairment losses not charged to the Surplus/(Deficit) on the Provision of Services	920	
(15,464)	Surplus or deficit on revaluation of non-current assets not posted to the Surplus/(Deficit) on the Provision of Services		(28,231)
628	Difference between fair value depreciation and historical cost depreciation	1,141	
-	Accumulated gains on assets sold or scrapped	-	
628	Amount written off to the Capital Adjustment Account		1,141
(37,050)	**Balance at 31 March**		**(64,140)**

Notes to the Core Financial Statements continued

23. Unusable Reserves - continued

Financial Instruments Adjustment Account
The financial instruments adjustment account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions.

2009/10 £'000		£'000	2010/11 £'000
(1,857)	**Balance at 1 April**		-
1,857	Reversal of 2009/10 transactions	-	
-	Premiums incurred in the year and charged to the CIES	-	
-	Proportion of premiums incurred in previous financial years to be charged against the General Fund balance in accordance with with statutory provision	-	
-	Amount by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory provisions	-	
-	**Balance at 31 March**		**-**

Capital Adjustment Account

The capital adjustment account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The 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 for the costs of acquisition, construction and enhancement.

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

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

Notes to the Core Financial Statements continued

23. Unusable Reserves - continued

Capital Adjustment Account - continued

2009/10 £'000		£'000	2010/11 £'000
(211,435)	**Balance at 1 April**		(202,509)
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
16,544	Charges for depreciation and impairment of non-current assets	18,736	
9,899	Revaluation losses on Property, Plant and Equipment	10,650	
720	Amortisation of intangible assets	706	
447	Revenue expenditure funded from capital under statute	-	
-	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	-	
27,610			30,092
(628)	Adjusting amounts written out of the Revaluation Reserve		(1,141)
26,982	Net written out amount of the cost of non-current assets consumed in the year		28,951
	Capital financing applied in the year:		
(3,906)	Use of the Capital Receipts Reserve to finance new capital expenditure	(3,045)	
(11,043)	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(16,801)	
-	Application of grants to capital financing from the Capital Grants Unapplied Account	-	
(2,473)	Statutory provision for the financing of capital investment charged against the General Fund	(2,759)	
(634)	Capital expenditure charged against the General Fund	(971)	
(18,056)			(23,576)
-	Movements in the market value of investment properties debited or credited to the Comprehensive Income and	-	
-	Expenditure Statement		125
-	Movement in the Donated Assets Account credited to the Comprehensive Income and Expenditure Statement		-
(202,509)	**Balance at 31 March**		**(197,005)***

Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. The Council accounts for post employment benefits in the 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.

Notes to the Core Financial Statements continued

23. Unusable Reserves - continued

Pensions Reserve - continued

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.

2009/10 £'000		**2010/11 £'000**
86,501	**Balance at 1 April**	212,950
118,886	Actuarial gains or losses on pensions assets and liabilities	(116,275)
19,432	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	(23,657)
(11,869)	Employers pensions contributions and direct payments to pensioners payable in the year	(12,674)
212,950	**Balance at 31 March**	**60,344**

Deferred Capital Receipts Reserve

Deferred Capital Receipts are amounts derived from 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.

	1st April 2009 £'000	***31st March 2010 £'000***	**31st March 2011 £'000**
Mortgages – Former Right to Buy	*(47)*	*(28)*	(22)
Housing Associations	*(1,115)*	*(1,098)*	(1,080)
Castlefields Equity Advances	*(266)*	*(266)*	(266)
	(1,428)	***(1,392)***	**(1,368)**

Notes to the Core Financial Statements continued

23. Unusable Reserves – continued

Deferred Capital Receipts Reserve 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 that are backed by cash receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the Capital Receipts Reserve.

2009/10 £'000		**2010/11 £'000**
(1,429)	**Balance at 1 April**	(1,392)
-	Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-
37	Transfer to the Capital Receipts Reserve upon receipt of cash	24
(1,392)	**Balance at 31 March**	**(1,368)**

Collection Fund Adjustment Account

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.

2009/10 £'000		**2010/11 £'000**
(583)	**Balance at 1 April**	(290)
293	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	30
(290)	**Balance at 31 March**	**(260)**

Notes to the Core Financial Statements continued

23. Unusable Reserves – continued

Accumulated Absences Account

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

2009/10 £'000		2010/11 £'000
2,143	**Balance at 1 April**	1,820
-	Settlement or cancellation of accrual made at the end of the preceding year	-
(323)	Amounts accrued at the end of the current year	557
	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	-
1,820	**Balance at 31 March**	**2,377**

24. Cash Flow Statement - Operating Activities

The cashflows for operating activities include the major classes of gross receipts and payments listed in the table below:

01/04/2009 Restated £'000	*31/03/2010 Restated £'000*		31/03/2011 £'000
		Operating Receipts	
(33,583)	*(34,157)*	Council Tax – HBC Share	(35,064)
(245,963)	*(248,006)*	Grants	(245,303)
(3,043)	*(2,995)*	Interest Received	(1,017)
		Operating Payments	
144,027	*124,517*	Cash Paid to and on behalf of Employees	125,956
50,423	*58,374*	Housing Benefit Paid	60,821
111,648	*106,307*	Cash Paid to Suppliers of Goods & Services	94,270
978	*1,236*	Interest Paid	900
24,487	***5,276***		**563**

Notes to the Core Financial Statements continued

25. Cash Flow Statement - Investing Activities

01/04/2009 £'000	31/03/2010 £'000		31/03/2011 £'000
37,697	*28,029*	Purchase of property, plant and equipment, investment property and intangible assets	39,902
-	-	Purchase of short term and long term investments	-
1,931	*2,568*	Other payments for investing activities	4,068
(3,289)	*(2,354)*	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(937)
(100)	*(100)*	Proceeds from short term and long term investments	(661)
(21,462)	*(17,537)*	Other receipts from investing activities	(24,470)
14,777	***10,606***	**Net cash flows from Investing Activities**	**17,902**

26. Cash Flow Statement - Financing Activities

01/04/2009 Restated £'000	31/03/2010 Restated £'000		31/03/2011 £'000
(14,700)	-	Cash receipts of short term & long term borrowing	-
(2,000)	*(24,000)*	Other receipts from financing activities	(25,650)
954	*692*	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on balance sheet PFI contracts	791
-	*18,700*	Repayments of short and long term borrowing	2,000
(3,990)	*(730)*	Other payments for financing activities	3,734
(19,736)	***(5,338)***	**Net Cashflows from Financing Activities**	**(19,125)**

27. 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 Best Value Accounting 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:

Notes to the Core Financial Statements continued

27. Amounts Reported for Resource Allocation Decisions - continued

Directorate income and expenditure 2009/10

	Adults Services £'000	Children and Young People £'000	Environment and Economy £'000	Corporate Policy £'000	Total £'000
Fees, Charges & Other service income	(26,069)	(9,011)	(25,759)	(59,582)	(120,421)
Government Grants	(14,338)	(115,979)	(4,811)	(59,923)	(195,052)
Total Income	**(40,407)**	**(124,990)**	**(30,570)**	**(119,505)**	**(315,473)**
Employee Expenses	23,380	92,198	21,763	17,978	155,319
Other Operating Expenses	46,874	55,637	29,411	85,950	217,872
Support Services Recharges	14,212	4,541	11,302	17,410	47,466
Total Operating Expenses	**84,466**	**152,377**	**62,476**	**121,338**	**420,657**
Cost of Services	**44,059**	**27,387***	**31,906**	**1,833**	**105,185***

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

	£'000
Cost of Services in Service Analysis	105,185
Add services not included in main analysis	1,497
Add amounts not reported to management	23,167
Remove amounts reported to management not included in Comprehensive Income and Expenditure Statement	17,261
Net Cost of Services in Income and Expenditure Statement	**147,109***

Directorate income and expenditure 2010/11

	Adults Services £'000	Children and Young People £'000	Environment and Economy £'000	Corporate Policy £'000	Total £'000
Fees, Charges & Other service income	(35,773)	(10,307)	(24,740)	(50,390)	(121,210)
Government Grants	(2,617)	(117,249)	129	(61,923)	(181,660)
Total Income	**(38,390)**	**(127,556)**	**(24,610)**	**(112,313)**	**(302,870)**
Employee Expenses	27,813	89,833	16,167	19,554	153,366
Other Operating Expenses	49,894	59,874	33,383	91,630	234,780
Support Services Recharges	11,915	7,935	13,432	10,843	44,125
Total Operating Expenses	**89,622**	**157,641***	**62,981**	**122,027**	**432,272**
Cost of Services	**51,232**	**30,086**	**38,371***	**9,713***	**129,402***

Notes to the Core Financial Statements continued

27. Amounts Reported for Resource Allocation Decisions - continued

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

	£'000
Cost of Services in Service Analysis	129,402
Add services not included in main analysis	(2,001)
Add amounts not reported to management	(32,606)
Remove amounts reported to management not included in Comprehensive Income and Expenditure Statement	17,418
Net Cost of Services in Income and Expenditure Statement	**112,213**

27. Amounts Reported for Resource Allocation 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.

2009/10	Service Analysis £'000	Services Not in Analysis £'000	Amounts Not Reported to Management £'000	Amounts not Included in I&E £'000	Allocation of Recharges £'000	Net Cost of Services £'000	Corporate Amounts £'000	Total £'000
Fees Charges & Other Service Income	(120,421)	(329)	3,802	22,721	47,546	(46,681)	-	(46,681)
Interest and Investment Income	-	-	-	-	-	-	(3,360)	(3,360)
Income from Council Tax	-	-	-	-	-	-	(42,408)	(42,408)
Government Grants and Contributions	(195,052)	(7,530)	12,576	-	-	(190,006)	(90,535)	(280,541)
Total Income	**(315,473)**	**(7,859)**	**16,378**	**22,721**	**47,546**	**(236,687)**	**(136,303)**	**(372,990)**
Employee Expenses	155,320	1,278	(77)	(247)	-	156,274	-	156,274
Other Operating Expenses	196,962	7,998	614	(4,689)	(47,546)	153,339	-	153,339
Support Services Recharges	47,466	80	-	(525)	-	47,021	-	47,021
Depreciation, Amortisation and Revaluation Losses	20,910	-	6,252	-	-	27,162	-	27,162
Interest Payments	-	-	-	-	-	-	8,406	8,406
Precepts and Levies	-	-	-	-	-	-	292	292
Payments to Housing Capital Pool Receipts	-	-	-	-	-	-	15	15
Gain or Loss on Disposal of Fixed Assets	-	-	-	-	-	-	(2,098)	(2,098)
Total Operating Expenses	**420,658**	**9,356**	**6,789**	**(5,461)**	**(47,546)**	**383,796**	**6,615**	**390,411**
(Surplus)/ Deficit on Provision of Services	**105,185**	**1,497**	**23,167**	**17,260**	**-**	**147,109**	**(129,688)**	**17,421**

Notes to the Core Financial Statements continued

27. Amounts Reported for Resource Allocation Decisions – continued

Reconciliation to Subjective Analysis - continued

2010/11	Service Analysis £'000	Services Not in Analysis £'000	Amounts Not Reported to Management £'000	Amounts not Included in I&E £'000	Allocation of Recharges £'000	Net Cost of Services £'000	Corporate Amounts £'000	Total £'000
Fees Charges & Other Service Income	(121,210)	(300)	(126)	22,611	44,500	(54,525)	-	(54,525)
Interest and Investment Income	-	-	-	-	-	-	(1,603)	(1,603)
Income from Council Tax	-	-	-	-	-	-	(43,483)	(43,483)
Government Grants and Contributions	(181,660)	(106)	(14,884)	-	-	(196,650)	(100,706)	(297,356)
Total Income	**(302,870)**	**(406)**	**(15,010)**	**22,611**	**44,500**	**(251,175)**	**(145,792)**	**(396,967)**
Employee Expenses	153,366	1,773	(41,045)	(221)	-	113,873	-	113,873
Other Operating Expenses	215,809	(3,743)	2,298	(4,206)	(44,500)	165,658	-	165,658
Support Services Recharges	44,125	375	-	(766)	-	43,734	-	43,734
Depreciation, Amortisation and Revaluation Losses	18,972	-	21,151	-	-	40,123	-	40,123
Interest Payments	-	-	-	-	-	-	6,172	6,172
Precepts and Levies	-	-	-	-	-	-	283	283
Payments to Housing Capital Pool Receipts	-	-	-	-	-	-	4	4
Gain or Loss on Disposal of Fixed Assets	-	-	-	-	-	-	(965)	(965)
Total Operating Expenses	**432,272**	**(1,595)**	**(17,596)**	**(5,193)**	**(44,500)**	**363,388**	**5,494**	**368,882**
(Surplus)/ Deficit on Provision of Services	**129,402**	**(2,001)**	**(32,606)**	**17,418**	**-**	**112,213**	**(140,298)**	**(28,085)**

Notes to the Core Financial Statements continued

28. Acquired and Discontinued Operations

There were no acquired or discontinued operations in 2010/11.

29. Trading Operations

The Council operates public markets, several industrial estates and owns a successful transport undertaking. A brief summary and comparison with 2009/10 is detailed below:

Income 2010/11 £'000	**Expenditure** 2010/11 £'000	**Trading (Surplus) /Deficit** 2010/11 £'000	***Trading (Surplus)/ Deficit* 2009/10 £'000**	**Trading Account**	**Asset Rentals** 2010/11 £'000	**Total Inc Asset Rental** 2010/11 £'000
(880)	938	58	*(41)*	Markets	49	107
(1,010)	547	(463)	*(572)*	Industrial Estates	-	(463)

The (surplus)/deficit taken to General Fund from trading operations was made up as follows:

	2009/10 £'000	**2010/11 £'000**
Markets	*8*	107
Industrial Estates	*(572)*	(463)
Halton Transport Dividend	*(100)*	(100)
	(664)	(456)

Halton Transport is a wholly owned subsidiary of the Council and further details of its operations are shown in note 12.

30. 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 2010/11 the Council continued to supply payroll services to the Riverside College and entered into an agreement in September with Ormiston Bollingbroke Academy also to supply payroll services.

	2009/10 £'000	**2010/11 £'000**
Expenditure incurred in providing payroll services	*18*	14
Management fee payable	*(18)*	(14)
Net surplus arising from agreement	-	-

31. Transport Act 2000 – Schedule 12 (Road Charging Schemes and Workplace Charging Levies)

There are no transactions to report.

Notes to the Core Financial Statements continued

32. Pooled Budgets

The Council is accountable for the following pooled budgets with Halton and St. Helens Primary Care Trust.

Adults with Learning Disability Services in Halton

Object: To improve the ability of people to live independently through better coordinated services.

Revenue 2009/10 £'000		**Revenue 2010/11 £'000**
	Funding	
(4,526)	Halton & St. Helens Primary Care Trust	(3,544)
(9,414)	Halton Borough Council	(8,420)
(242)	Other Income	-
(350)	Income under/(over) achieved	(338)
(14,532)	**Total Funding**	**(12,302)**
	Expenditure	
1,096	Nursing Care	-
1,396	Residential Care	2,596
3,875	Supported Living	3,600
2,365	Homecare	2,835
1,949	Day Services	1,903
977	Specialist Learning Disabilities Team	1,278
41	Support for Advocacy	106
319	Respite	310
1,212	Senior Managers	182
71	Adult Placement	36
58	PCP Coordinator	-
1,612	Provision for Bad Debt	(496)
30	Other	-
15,001	**Total Expenditure**	**12,350**
469	**(Surplus)/Deficit for the Year**	**48**
-	**Balance brought forward**	**-**
469	(Surplus)/Deficit for the Year	48
(469)	Deficit Returned to Partners (70%:30%)	(48)
-	**Balance carried forward**	**-**

Notes to the Core Financial Statements continued

32. Agency and Pooled Budget Expenditure (continued)

Halton Integrated Community Equipment Service

Object: To provide equipment for people with a disability via an integrated, multi-agency service.

Revenue 2009/10 £'000		Revenue 2010/11 £'000
	Funding	
(195)	Halton Borough Council	(233)
(253)	Halton & St. Helens Primary Care Trust	(249)
(448)	**Total Funding**	**(482)**
	Expenditure	
178	Management Fee	135
184	Stock	114
178	Halton & St. Helens PCT Expenditure	249
540	**Total Expenditure**	**498**
92	**(Surplus)/Deficit for the Year**	**16**
-	**Balance brought forward**	**-**
92	(Surplus)/Deficit for the Year	16
(92)	Deficit Returned to Partners (48%:51%)	(16)
-	**Balance carried forward**	**-**

Notes to the Core Financial Statements continued

32. Agency and Pooled Budget Expenditure (continued)

Intermediate Care

Object: To improve the ability of older people to live independently through the commissioning and provision of enabling and rehabilitation intermediate care services.

Revenue 2009/10 £'000		**Revenue 2010/11 £'000**
	Funding	
(2,552)	Halton & St. Helens Primary Care Trust	(2,622)
(2,116)	Halton Borough Council	(2,441)
(4,668)	**Total Funding**	**(5,063)**
	Expenditure	
110	Management	32
359	Therapy Team	424
144	Nursing Team	254
132	Social Work Team	151
295	Care Team	287
29	Administration Team	51
76	Winter Pressures	-
1,005	Home Re-enablement	1,130
660	Residential Intermediate Care	614
1,482	Sub Acute Unit	1,577
207	Assessment Team	243
26	Other Expenditure	469
4,525	**Total Expenditure**	**5,232**
(143)	**(Surplus)/Deficit for the Year**	**169**
-	**Balance brought forward**	**-**
(143)	(Surplus)/Deficit for the Year	169
143	Surplus Returned to Partners (46%:54%)	(169)
-	**Balance carried forward**	**-**

Notes to the Core Financial Statements continued

33. Members' Allowances

During the year £710,036 (2009/10 £710,739) was paid to Members including Mayoral and Deputy Mayoral allowances.

34. Officers' Remuneration

The number of employees whose remuneration, inclusive of car benefit but excluding pension contributions, was £50,000 or more in bands of £5,000 was as shown below.

		2009/10 Number of Employees		**2010/11 Number of Employees**	
Remuneration Band		*Teaching*	*Non-Teaching*	**Teaching**	**Non-Teaching**
£ 50,000	£ 54,999	*32*	*22*	33	37
£ 55,000	£ 59,999	*34*	*26*	29	24
£ 60,000	£ 64,999	*13*	*19*	19	16
£ 65,000	£ 69,999	*7*	*6*	6	3
£ 70,000	£ 74,999	*3*	*6*	3	6
£ 75,000	£ 79,999	*2*	*5*	1	3
£ 80,000	£ 84,999		*9*	1	6
£ 85,000	£ 89,999	*2*	*2*	1	9
£ 90,000	£ 94,999	*1*			3
£ 95,000	£ 99,999	*1*			
£ 100,000	£ 104,999				
£ 105,000	£ 109,999		*3*	2	3
£ 110,000	£ 114,999		*1*		1
£ 115,000	£ 119,999				
£ 120,000	£ 124,999				
£ 125,000	£ 129,999				
£ 130,000	£ 134,999	*1*			
£ 135,000	£ 139,999				
£ 140,000	£ 144,999		*1*		
£ 145,000	£ 149,999			1	
£ 150,000	£ 154,999				
£ 155,000	£ 159,999				
£ 160,000	£ 164,999		*1*		1
£ 165,000	£ 169,999				
£ 170,000	£ 174,999				
£ 175,000	£ 179,999				
		96	***101***	**96**	**112**

Notes to the Core Financial Statements continued

34. Officers' Remuneration - continued

Regulation 4 of the Accounts and Audit (amendment no.2) Regulations 2009 introduced a new legal requirement to increase transparency and accountability in local government for reporting remuneration of senior employees.

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

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

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

These notes refer to the detailed disclosure note overleaf:

Note 1: In 2010/11 the Chief Executive's entitlement to performance related pay was £25,000. Mid-year the Chief Executive received £10,000 for achieving specified delivery milestones in respect of the Mersey Gateway project and the Hive project. This is included in the salary figure. At his own request, the Chief Executive voluntarily declined the remaining £15,000 of his entitlement and did not receive this part of his salary entitlement.

Note 2: Strategic Director Environment & Economy retired on 31/03/2011.

Note 3: Operational Director Community resigned 31/03/2011.

Note 4: Operational Director Prevention & Commissioning retired 31/03/2011.

Note 5: The Operational Director Children & Family Services resigned on 07/06/2009, their annualised salary being £79,500. They were replaced on 08/06/2009 at an annualised salary of £75,200 for 2009/10 & £81,600 for 2010/11.

Note 6: Operational Director Learning & Achievement Services resigned 22/06/2010, their annualised salary was £83,700.

Note 7: Operational Director Environment & Regulatory retired on 31/03/2011.

Note 8: Operational Director Policy & Performance retired 31/03/2011.

Note 9: Operational Director Economy, Enterprise & Property was promoted on 01/04/2010. Their annualised salary increased from £58,600 in 2009/10 to £75,200 in 2010/11.

Notes to the Core Financial Statements continued

34. Officers' Remuneration (2010/11) - 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	
		2009/10	2010/11	*2009/10*	2010/11	*2009/10*	2010/11	*2009/10*	2010/11	*2009/10*	2010/11	*2009/10*	2010/11
Chief Executive - David Parr	1	*158,200*	156,700	-	-	*7,200*	5,800	***165,400***	**162,500**	*29,300*	32,200	***194,700***	**194,700**
Strategic Directors:													
Adults & Community		*108,600*	109,700	-	-	-	-	***108,600***	**109,700**	*19,500*	19,700	***128,100***	**129,400**
Children & Young People		*104,300*	103,500	-	-	*3,000*	600	***107,300***	**104,100**	*19,000*	19,200	***126,300***	**123,300**
Environment & Economy	2	*106,800*	106,800	-	-	*4,500*	4,500	***111,300***	**111,300**	*19,900*	19,900	***131,200***	**131,200**
Resources		*104,600*	105,700	-	-	*3,100*	3,300	***107,700***	**109,000**	*19,500*	19,700	***127,200***	**128,700**
Operational Directors:													
Enablement		*77,000*	79,400	-	-	-	-	***77,000***	**79,400**	*13,600*	14,000	***90,600***	**93,400**
Community	3	*83,700*	87,900	-	-	-	-	***83,700***	**87,900**	*14,800*	15,600	***98,500***	**103,500**
Complex Needs		*84,300*	85,800	-	-	-	-	***84,300***	**85,800**	*14,900*	15,200	***99,200***	**101,000**
Prevention & Commissioning	4	*83,700*	85,800	-	-	-	-	***83,700***	**85,800**	*14,800*	15,200	***98,500***	**101,000**
Children & Family Services	5	*73,100*	81,600	-	-	-	-	***73,100***	**81,600**	*12,800*	14,400	***85,900***	**96,000**
Children's Organisation & Provision		*77,600*	79,700	-	-	*3,300*	3,300	***80,900***	**83,000**	*14,400*	14,800	***95,300***	**97,800**
Learning & Achievement Services	6	*81,600*	19,100	-	-	-	-	***81,600***	**19,100**	*14,400*	3,400	***96,000***	**22,500**
Environment & Regulatory Services	7	*81,800*	84,400	-	-	*7,400*	6,600	***89,200***	**91,000**	*15,200*	15,600	***104,400***	**106,600**
Highways, Transportation & Logistics		*79,400*	78,200	-	-	-	2,200	***79,400***	**80,400**	*14,000*	14,400	***93,400***	**94,800**
Finance		*87,900*	87,900	-	-	-	-	***87,900***	**87,900**	*15,600*	15,600	***103,500***	**103,500**
ICT Services		*83,700*	85,800	-	-	-	-	***83,700***	**85,800**	*14,800*	15,200	***98,500***	**101,000**
Legal & Democratic		*81,800*	81,800	-	-	*3,200*	3,400	***85,000***	**85,200**	*15,200*	15,200	***100,200***	**100,400**
Policy & Performance	8	*83,700*	85,800	-	-	-	-	***83,700***	**85,800**	*14,800*	15,200	***98,500***	**101,000**
Economy, Enterprise & Property	9	*58,600*	75,200	-	-	-	-	***58,600***	**75,200**	*10,200*	13,200	***68,800***	**88,400**
		1,700,400	***1,680,800***	***-***	***-***	***31,700***	***29,700***	***1,732,100***	***1,710,500***	***306,700***	***307,700***	***2,038,800***	***2,018,200***

Notes to the Core Financial Statements continued

35. External Audit Costs

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

	2009/10 £'000	2010/11 £'000
Fees Payable for		
– Audit	*256*	258
– Inspections	-	-
– Grants and Returns	*52*	36
– Other	*2*	4
	310	**298**

36. 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, 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 2010/11 are as follows:

Total 2009/10		**Central Expenditure 2010/11**	**Individual Schools Budget 2010/11**	**Total 2010/11**
£'000		**£'000**	**£'000**	**£'000**
(79,697)	Final DSG for 2010/11	(9,870)	(71,175)	(81,045)
(1,065)	Brought Forward from 2009/10	(510)	-	(510)
-	Carry Forward to 2011/12 agreed in advance	-	-	
(80,762)	Agreed budget distribution in 2010/11	(10,380)	(71,175)	(81,555)
8,710	Actual central expenditure	9,203	-	9,203
71,542	Actual ISB Deployed to Schools	-	71,175	71,175
-	Local Authority contribution for 2010/11	-	-	-
510	**Carry Forward to 2011/12**	**1,177**	**-**	**1,177**

Notes to the Core Financial Statements continued

37. Grant Income

The Council has received a number of grants and contributions that have yet to be recognised as income as they have conditions attached to them that may require the monies or property to be returned to the giver if certain conditions are not met. The balances at year end are as follows:

Capital Grants Receipts in Advance	**31st March 2011 £'000**
Grant – Communities and Local Government	(1,779)
Grant – Department of Health	(118)
Grant – Department for Environment, Food & Rural Affairs	(10)
Grant – Department for Education	(213)
Grant – Other Grants	(647)
Contributions	(1,089)
	(3,856)

Revenue Grants Receipts in Advance	**31st March 2011 £'000**
Grant – Department for Education	(39)
Grant – Department for Work & Pensions	(66)
Grant – Communities and Local Government	(225)
Grant – Other Grants	(1,148)
Grant – Education Standards Fund	(5,613)
Grant – Dedicated Schools Grant	(2,182)
Grant – Performance Reward Grant	(550)
Contributions	(404)
Other Creditors	(886)
	(11,113)

Notes to the Core Financial Statements continued

37. Grant Income – continued

	2009/10 *£'000*	2010/11 £'000
Credited to Services		
Revenue Grant – Communities and Local Government	*(1,773)*	(2,161)
Revenue Grant – Dedicated Schools Grant	*(79,697)*	(80,969)
Revenue Grant – Department for Education	*(27,267)*	(27,521)
Revenue Grant – Department for Environment, Food & Rural Affairs	*(17)*	(210)
Revenue Grant – Department for Transport	*(372)*	(538)
Revenue Grant – Department for Work & Pensions	*(12,873)*	(13,053)
Revenue Grant – Department of Health	*(8,285)*	(996)
Revenue Grant – Home Office	*(604)*	(387)
Revenue Grant – Other Grants	*(9,876)*	(8,515)
Revenue Grant – Rent Allowance Subsidy	*(46,591)*	(48,707)
Contribution – PCT & Other Local Authorities	*(8,661)*	(2,103)
Other Contributions	*(4,712)*	(11,380)
Reimbursements	*(11,695)*	(11,564)
Sales, Fees & Rents	*(13,125)*	(14,231)
External Interest	*(2,265)*	(620)
Other Income	*(5,860)*	(8,106)
Capital Grants Impaired	-	(4,666)
Revenue Expenditure Funded by Capital Grants Under Statue	*(2,777)*	(3,530)
Reversal of Previous Loss on Revaluation	-	(5,366)
	(236,450)	(244,625)

38. 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 the reader 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.

Central Government

Central Government has effective control 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 27 on reporting for resource allocation decisions and year end government grant debtors and creditors are shown in notes 16 and 19.

Notes to the Core Financial Statements continued

38. Related Party Transactions – continued

Members and Officers

The Council operates a system of self regulation which requires each Executive Director and Member to complete a declaration regarding whether they or any members of their family have been involved in any material financial transactions with the Council in the financial year.

For 2010/11 the system has highlighted that 13 Members had interests in various voluntary sector bodies, some of which receive grant support from the council totaling £1.641m. More specifically, 4 Members were involved with Halton Housing Trust where a total of £1.126m was paid in 2010/11. The declarations also showed that two Executive Officers represent the Council on the boards of various bodies within the borough, which were in receipt of payments totaling £1.293m. Details of Members and Senior Officers remuneration can be found in notes 33 and 34.

Other Public Bodies

The Council had 3 pooled budget arrangements with Halton and St Helens Primary Care Trust. Transactions and balances are highlighted in note 32.

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.

Notes to the Core Financial Statements continued

39. 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.

	2009/10 Restated £'000	2010/11 £'000
Opening Capital Financing Requirement	***65,012***	**78,278**
Capital Investment:		
Property, Plant & Equipment	*30,343*	39,280
Investment Properties	-	-
Intangible Assets	*532*	486
Revenue Expenditure funded from Capital under Statute	*3,223*	3,530
Sources of Finance:		
Capital Receipts	*(3,587)*	(3,809)
Government Grants & Other Contributions	*(13,820)*	(24,998)
Direct Revenue Contributions	*(634)*	(971)
Minimum Revenue Provision	*(2,791)*	(2,760)
Closing Capital Financing Requirement	***78,278***	**89,036**
Explanation of movement in year:		
Increase in underlying need to borrow (supported by Government)	*6,790*	2,138
Increase in underlying need to borrow (unsupported by Government)	*8,377*	11,048
Minimum Revenue Provision statutory set a side	*(2,472)*	(2,760)
Deferred Liability Voluntary set a side	*(319)*	-
Assets acquired under Finance Leases	*890*	332
Assets acquired under PFI/PPP contracts	-	-
Increase/(Decrease) in Capital Financing Requirement	***13,266***	**10,758**

The table above shows the Council spent £43.296m on capital during 2010/11 (including £0.3m for assets acquired under finance leases). This represents spend at 85% of the programme compared with target spend of 80%. The highlights of the programme were:

Notes to the Core Financial Statements continued

39. Capital Expenditure and Capital Financing - continued

	£'000	£'000
Construction or Purchase of Assets		
Mersey Gateway Acquisitions	8,670	
Mersey Gateway Development Costs	812	
The Hive	1,927	
IT Rolling Programme	1,263	
Construction of Salt Barn – Lowerhouse Lane Depot	119	
Recycling/Litterbins	97	12,888
Improving, Maintaining or Extending Assets		
Highways/Bridge Maintenance	10,926	
Municipal Building Refurbishment	2,378	
My Place – Kingsway	2,049	
School Capital Repairs	381	
Windmill Hill Children Centre Refurbishment	236	
Palacefields Primary School Refurbishment	216	
Extension to Moore Primary School	54	16,240
Other Works		
Regeneration - Ditton Strategic Rail Freight Park	291	
- Castlefields	1,032	
- Widnes Waterfront	113	
- Local Strategic Plan Programme	106	
Playgrounds/Open Spaces	926	
Stairlift Programme	165	
CCTV Programme	29	2,662

Disposal of Assets/Capital Receipts

Land/Dwellings/Recovered Advances – the Council received £0.755m from the sale of land and various properties.

Under residual arrangements, the Council received £0.227m (£0.200m in 2009/10) from Halton Housing Trust for the sale of homes during the year, and a further £0.748m (£1.547m in 2009/10) under VAT Shelter arrangements.

Notes to the Core Financial Statements continued

40. Leases

Where Halton Borough Council is the Lessee

Finance Leases

The Council has acquired a number of vehicles and photocopiers under finance leases.

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

	31/03/2010 £'000	31/03/2011 £'000
Vehicles, Plant, Furniture & Equipment	*2,891*	2,404

The Council is committed to making minimum payments under leases comprising settlement of the long-term liability for the interest in the property 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:

	31/03/2010 £'000	31/03/2011 £'000
Finance Lease Liabilities (net present value of minimum lease payments):		
- Vehicles, Plant, Furniture & Equipment	*692*	791
- Finance costs payable in future years	*82*	77
Minimum Lease Payments	***774***	**868**

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

	Minimum Lease Payments		**Finance Lease**	
	31/03/2010 £'000	31/03/2011 £'000	*31/03/2010 £'000*	31/03/2011 £'000
Not later than 1 year	*771*	786	*(1,631)*	(1,123)
Later than 1 year and not later than 5 years	*1,689*	1,139	*(27)*	(336)
Later than 5 years	*3*	-	*-*	-
	2,463	**1,925**	***(1,658)***	**(1,459)**

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:

Notes to the Core Financial Statements continued

40. Leases - continued

Where Halton Borough Council is the Lessee – continued

Operating Leases - continued

	31/03/2010 £'000	31/03/2011 £'000
Not later than 1 year	*1,700*	1,714
Later than 1 year and not later than 5 years	*3,054*	2,307
Later than 5 years	*12,759*	12,431
	17,513	**16,452**

Where car leases 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 are:

	31/03/2010 £'000	31/03/2011 £'000
Not later than 1 year	*182*	268
Later than 1 year and not later than 5 years	*535*	444
Later than 5 years	*-*	-
	717	**712**

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

	31/03/2010 £'000	31/03/2011 £'000
Children's & Education Service	*166*	174
Adult Social Care	*105*	122
Highways and Transport	*85*	68
Cultural, Environmental, Regulatory and Planning	*173*	156
Housing Services	*64*	63
Central Services	*1,405*	1,391
Corporate and Democratic Core	*22*	23
Non Distributed Costs	*-*	-
Net Cost of Services	***2,020***	**1,997**
(Surplus)/Deficit from Trading Operations	*3*	3
	2,023	**2,000**

Notes to the Core Financial Statements continued

40. Leases - continued

Where Halton Borough Council is the Lessor

Finance Leases

The Council has no Finance Leases under this category for 2010/11.

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 Council assets by the third sector.

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

	31/03/2010 £'000	**31/03/2011 £'000**
Not later than 1 year	*1,761*	1,495
Later than 1 year and not later than 5 years	*2,751*	2,044
Later than 5 years	*9,181*	8,789
	13,693	**12,328**

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 reviews.

In 2010/11 £17,163 contingent rents were receivable by the Council (2009/10 £25,251).

41. PFI and Similar Contracts

There are no transactions to report.

42. Impairment Losses

There were no impairment losses in 2010/11.

43. Capitalisation of Borrowing Costs

Halton Borough Council did not capitalise any borrowing costs in 2010/11.

44. Termination Benefits

As part of the Council's on-going efficiency review there were a total number of 97 redundancies (inclusive of 29 school posts) in 2010/11, incurring liabilities of £0.965m. The costs are split between service areas as follows:

Notes to the Core Financial Statements continued

44. Termination Benefits - continued

	£'000
Children's & Education Services	245
Adult Social Care	184
Highways and Transport	25
Cultural, Environmental Regulatory and Planning Services	201
Housing Services	24
Central Services	286
Total	**965**

45. Pension Schemes

As part of the terms and conditions of employment of its officers and other employees, the Council offers retirement benefits. Although these 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 benefits:

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

The Teachers Pension Scheme – this is a centralised scheme administrated by Teachers Pension 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 related to 3 TUPE employees. - The scheme operates on a similar basis to the teacher's pension scheme.

Local Government Pension Scheme

As a wholly owned company of HBC the liabilities of Halton Borough Transport (HBT) LTD rest, in the last resort, with HBC. As a result it has been agreed that, from 2009/10, HBC will be liable for the Past Service Deficit of the Cheshire Pension Fund relating to HBT LTD. This cost will be transferred to HBC and will be included within its annual employer's contribution rate. HBT LTD will remain liable for the payment of the Future Service rate to Cheshire Pension Fund.

Notes to the Core Financial Statements continued

45. Pension Schemes continued

Transactions Relating to Retirement Benefits

In 2010/11 the Council paid an employer's contribution to the Cheshire Pension Fund of £11,091,040 (£11,265,213 in 2009/10), representing 18.6% (18.6% in 2009/10) of pensionable pay.

The Council has also made payments to fund the cost of discretionary retirement benefits paid to employees who retire on the grounds of redundancy or in the efficiency of the service. The costs of these payments are detailed below, as impact of settlements and curtailments under the heading Assets and Liabilities in relation to Post Employment Benefits.

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 the Council is 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 Movements in Reserves Statement during the year:

	2009/10	**2010/11**
	£'000	**£'000**
Comprehensive Income & Expenditure Statement		
Cost of Services		
Current Service Costs	*6,559*	12,694
Past Service Costs/(Gain)	*839*	(42,038)
Losses/(Gains) on Curtailments and Settlements	*4,717*	415
Finance & Investment Income & Expenditure		
Interest Costs on Obligation	*20,651*	25,979
Expected Return on Assets of the Scheme	*(13,334)*	(20,707)
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	***19,432***	**(23,657)**
Movement in Reserves Statement		
Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post employment benefits in accordance with the Code	*(19,432)*	23,657
Actual amount charged against the General Fund Balance for pensions in the year:		
Employers' contributions payable to scheme	*11,869*	12,674

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to 31st March 2011 was a loss of £41.844m (£158.119m in 2009/10).

Notes to the Core Financial Statements continued

45. Pension Schemes – continued

Assets and Liabilities in Relation to Retirement Benefits

Reconciliation of present value of the scheme liabilities

	2009/10 £'000	2010/11 £'000
Opening Balance at 1st April	*292,265*	503,597
Current service cost	*6,559*	12,694
Interest Cost on Obligation	*20,651*	25,979
Contributions by Members	*3,936*	3,852
Actuarial Losses/(Gains)	*185,844*	(113,203)
Losses / (Gains) on curtailments	*4,717*	415
Estimated Benefits Paid	*(11,214)*	(14,011)
Past Service Costs/(Gains)	*839*	(42,038)
Closing Balance at 31st March	***503,597***	**377,285**

Reconciliation of fair value of the scheme assets:

	2009/10 £'000	2010/11 £'000
Opening Balance at 1st April	*205,764*	290,647
Expected Return on Assets	*13,334*	20,707
Actuarial Gains/(Losses)	*66,958*	3,072
Contributions by the Employer	*11,869*	12,674
Contributions by Members	*3,936*	3,852
Benefits Paid	*(11,214)*	(14,011)
Closing Balance at 31st March	***290,647***	**316,941**

In the UK budget statement on 22 June 2010 the chancellor announced that with effect from 1 April 2011 public sector pensions would be up-rated in line with the Consumer Prices Index (CPI) rather than the Retail Prices Index (RPI). This has the effect of reducing the Council's liabilities in the Cheshire Pension Fund by £152.606m and has been recognised as a past service gain in accordance with the guidance set down in UITF Abstract 48, since the change is considered to be a change in benefit entitlement. There is no impact on the General Fund.

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 in the respective markets.

The actual return on scheme assets in the year was £24.758m (2009/10 £76.666m)

Notes to the Core Financial Statements continued

45. Pension Schemes – continued

Scheme History

	2006/07 £'000	*2007/08 £'000*	*2008/09 £'000*	*2009/10 £'000*	**2010/11 £'000**
Present value of liabilities	*(333,600)*	*(296,756)*	*(292,265)*	*(503,597)*	(377,284)
Fair value of assets	*272,855*	*257,500*	*205,764*	*290,647*	316,940
Surplus/(deficit) in scheme	*(60,745)*	*(39,256)*	*(86,501)*	*(212,950)*	(60,344)

The liabilities show the underlying commitments that the Council has in the long run to pay retirement benefits. The total liability of £377.284m has a substantial impact on the net worth of the Council as recorded in the Balance Sheet, resulting in a negative overall balance of £60.344m.

There are three main reasons why there is a significant change in the funding of the pension fund from a deficit of £212.950m in 2009/10 to £60.344m in 2010/11.

The actuary identifies the extent to which these have contributed to the decrease in the deficit in 2010/11

- The discount rate was previously based in the yield available on a basket of AA-rated bonds, for 2010/11 the yield has been based on Government Bonds of a similar term to an LGPS fund.
- The pension increases assumption announced in June 2010 linking future pension costs to CPI as opposed to RPI. This results in a fall in liabilities.
- The recalculation of demographic assumptions and mortality rates compared with previous years.

However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy:

The deficit on the scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary.

The total contributions expected to be made to the scheme by the Council in the year to 31 March 2012 is £11.309m.

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, estimates for the pension fund being based on the latest full valuation of the scheme at 1 April 2007.

Notes to the Core Financial Statements continued

45. Pension Schemes – continued

The principal assumptions used by the actuary are shown below:

	2009/10	2010/11
Long-term expected rate of return on assets in the scheme:		
Equity Investments	*7.8%*	7.5%
Bonds	*5.0%*	4.9%
Property	*5.8%*	5.5%
Cash	*4.8%*	4.6%
Mortality Assumptions:		
Longevity at 65 for current pensioners:		
Men	*20.8 years*	22.9 years
Women	*24.1 years*	25.7 years
Longevity at 65 for future pensioners:		
Men	*22.3 years*	24.9 years
Women	*25.7 years*	27.7 years
Rate of inflation	*3.8%*	2.8%
Rate of increase of salaries	*5.3%*	5.1%
Rate of increase of pensions	*3.8%*	2.8%
Rate for discounting scheme liabilities	*5.5%*	5.5%
Take-up of option to convert annual pension into retirement lump sum	*50%*	50%

The scheme's assets consist of the following categories, by proportion of the total assets held:

	31/03/2010	31/03/2011
	%	%
Equity Investments	*73*	72
Bonds	*14*	15
Property	*5*	6
Cash	*8*	7
	100	100

The scheme's asset values as at 31st March 2011 are at bid value

	31/03/2010	31/03/2011
	£'000	£'000
Equity Investments	*212,172*	228,197
Bonds	*40,691*	47,541
Property	*14,532*	19,016
Cash	*23,252*	22,186
	290,647	316,940

Notes to the Core Financial Statements continued

45. Pension Schemes – continued

History of experience gains and losses

The actuarial gains identified as movements on the Pensions Reserve in 2010/11 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2011:

	2006/07 Restated %	*2007/08 Restated %*	*2008/09 Restated %*	*2009/10 Restated %*	**2010/11** %
Experience gains and losses on scheme assets	*(0.41)*	*(15.13)*	*(36.22)*	*23.04*	0.97
Experience gains and losses on scheme liabilities	*(0.01)*	*(0.69)*	-	*0.92*	(17.84)

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

Teachers Pension Scheme

In 2010/11, the Council paid an employer's contribution to the Teachers Pension Agency of £5,593,439 (£5,704,472 2009/10) in respect of teachers' pension costs. The contribution rate was 14.10% (14.10% in 2009/10) 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. However, 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 pension scheme.

The Council is responsible for any additional benefits granted upon early retirement, outside the standard terms of the scheme. For the year 2010/11 the cost was £156,758 (2009/10 £174,805).

NHS Pension Scheme

In 2010/11 the Council paid employers contributions to the National Health Service Pension Scheme in respect of 5 employees, the amount paid was £7,354 (£13,783 in 2009/10) in respect of these former NHS employees pension costs. The contribution rate was 14.00% (14.00% in 2009/10) of pensionable pay.

Notes to the Core Financial Statements continued

45. Pension Schemes – continued

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. However, 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.

46. Contingent Liabilities

At 31st March 2011, the Council had 3 material Contingent Liabilities:

Equal Pay

The Council is in receipt of 832 Equal Pay Claims against which settlement offers have been made to a specific number of claimants, 40% of the settlement offers have been accepted by claimants and payments have been made. For the remaining claims it is difficult to estimate the level of future liabilities, however a reasonable estimate for all payments not covered by the provision or reserve would be in the order of £1.5-2 million. The likely timescale for making payment is between 2011 and 2013.

Building Schools for the Future

In July 2010 the Government curtailed the national Building Schools for the Future (BSF) programme and subsequently approved a significantly slimmed down programme of capital works for Halton schools. Potential liabilities may arise in future as a result of this change, however, none have as yet been identified.

Redundancy – Voluntary and Compulsory

The Council has a potential liability around the payment of redundancy costs to employees leaving the organisation as a result of the deletion of posts. These deletions are likely to be as a result of service restructuring and reconfiguration brought about by a reduction in funding linked to CSR 2010, reduced Local Government Financial Settlement, and the progression of an Efficiency Programme across the Council.

It is not practical at this point in time to estimate the costs associated with such redundancies due to the wide range of variable factors that may cause them to be necessary.

Onerous Contracts

There were no onerous contracts identified which required a disclosure as a contingent liability in 2010/11.

Legal Claims

There are currently two outstanding employment tribunal claims against the Council.

Notes to the Core Financial Statements continued

47. Contingent Assets

At the 31st March 2011, the Council had no Contingent Assets.

Collection Fund

The Collection Fund is a statutory account introduced under the Local Government Finance Act 1988 (as amended by the Local Government Finance Act 1992). The Fund records the collection and distribution of amounts due in respect of Council Tax and Non-Domestic Rates (NDR). Balances on the fund are distributed to preceptors pro rata to demand on the collection fund. The balance relating to Billing Authorities is held in the Collection Fund Adjustment Account.

Collection Fund Statement

Actual 2009/10 £'000 Restated		**Actual 2010/11 £'000**	***Note***
	Income		
(40,078)	Council Tax Payers	(40,939)	
	Transfer from General Fund		
(10,626)	– Council Tax Benefits	(11,051)	
(43,734)	Business Ratepayers	(44,152)	*4*
(94,438)		**(96,142)**	
	Expenditure		
	Council Tax		
5,375	Precept – Cheshire Police Authority	5,521	*3*
2,465	Precept – Cheshire Fire Authority	2,538	*3*
42,701	Demand – Halton Borough Council & Parishes	43,513	
	Business Rate		
43,570	– Payment to Pool	43,993	*4*
164	– Cost of Collection	159	
	Provision for Doubtful/Bad Debts (Council Tax only)		
204	– Write-Offs	184	
306	– Provision for Doubtful Debts	270	
94,785		**96,177**	
347	(Surplus)/Deficit for Year	35	
-	Balance brought forward	-	
347	**(Surplus)/Deficit Distributed**	**35**	*7*

Collection Fund

Collection Fund Balance Sheet

2009/10					2010/11			
Halton BC £'000	Cheshire Police £'000	Cheshire Fire £'000	Total £'000		Halton BC £'000	Cheshire Police £'000	Cheshire Fire £'000	Total £'000
2,929	372	171	3,472	Council Tax Arrears	2,848	373	170	3,391
(2,274)	(289)	(133)	(2,696)	Provision for Doubtful Debts	(2,491)	(326)	(148)	(2,965)
(201)	(26)	(12)	(239)	Council Tax Over/Prepayments	(371)	(49)	(22)	(442)
(294)	(37)	(17)	(348)	Surplus/Deficit	(29)	(4)	(2)	(35)
(160)	(20)	(9)	(189)	Cash	43	6	2	51
-	-	-	-		-	-	-	-

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

2010/11 Demand £'000	Ratio		2011/12 Demand £'000	Ratio
43,513	*0.84*	Halton BC	43,519	0.84
5,521	*0.11*	Cheshire Police Authority	5,521	0.11
2,538	*0.05*	Cheshire Fire Authority	2,538	0.05
51,572	***1.00***		**51,578**	**1.00**

Notes to the Collection Fund

1. Introduction of the Council Tax

The property based Council Tax was introduced on 1st April 1993, replacing the personal liability Community Charge. The Council determined its Band D equivalent tax base for 2010/11 at 38,274 (see below), with the Parishes' individual tax bases as follows: Hale 729, Daresbury 142, Moore 343, Preston Brook 352, Halebank 594 and Sandymoor 938.

2. The Council Tax Base Determination

Band	Properties	Ratio	Band D Equivalents
Disabled	54	5/9	30
A	21,800	6/9	14,533
B	10,271	7/9	7,988
C	7,079	8/9	6,292
D	4,208	9/9	4,208
E	3,046	11/9	3,723
F	912	13/9	1,317
G	308	15/9	513
H	27	18/9	54
Total	**47,705**		**38,660***
Multiply by Collection Rate (99%)			**38,274**

3. Precepting Authorities

Halton Borough Council has two precepting Authorities. For 2010/11 Cheshire Police Authority has set its precept at £5,521,061 the equivalent to a Band D charge of £144.53 per property. Cheshire Fire Authority has 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 41.4p (40.7p for small businesses) in the pound for 2010/11. The Council is responsible for collecting rates within its own area, but pays the proceeds into the NDR Pool, which is administered by the Government. Sums paid into the Pool are redistributed amongst local authorities are part of the Formula Grant. The Council's entitlement from the Pool is paid directly into the General Fund.

Notes to the Collection Fund continued

The amount payable to the Pool is as follows:

2009/10 £'000		2010/11 £'000
46,267	NDR Bills issued (Net of Voids & Transitional Relief)	46,698
(1,781)	Discretionary Relief and Remissions	(1,856)
(507)	Debts Written-Off or Provided For	(822)
100	General Fund Contribution to Reliefs and Remissions	106
(150)	Interest Payable	(66)
(195)	Deferral Scheme	92
43,734	Net NDR Income	44,152
(164)	Cost of Collection Allowance Payable to General Fund	(159)
43,570	**Payable to NDR Pool**	**43,993**

The total non domestic rateable value at 31st March 2011 was £127,019,635

5. Analysis of Arrears

	Gross		Credits		Prepayments	
	£'000 2009/10	£'000 2010/11	*£'000 2009/10*	£'000 2010/11	*£'000 2009/10*	£'000 2010/11
Council Tax	*3,472*	3,391	*207*	188	*31*	253
NDR	*2,661*	3,043	*1,287*	762	*7*	9

6. Treatment of Collection Fund Surpluses and Deficits

General

The deficit on the fund for 2010/11 has been apportioned and there is no balance on the Collection Fund. Balances which would previously have been held in the Collection Fund are now held within the Collection Fund Adjustments Account of the respective preceptors and Halton.

Notes to the Collection Fund continued

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

Distribution of (Surplus)/Deficit

2009/10 £'000		2010/11 £'000
17	Cheshire Fire Authority	4
37	Cheshire Police Authority	2
294	Halton Borough Council & Parishes	29
348		**35**

Precepts and Demands on the Collection Fund

2009/10 Total £'000		Precept/ Demand	31.03.11 Share of Deficit	2010/11 Total £'000
5,134	Cheshire Police Authority	5,521	4	5,517
2,372	Cheshire Fire Authority	2,538	2	2,536
40,881	Halton Borough Council & Parishes	43,513	29	43,484
48,387		**51,572**	**35**	**51,537**

Group Accounts

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

		% Interest
Companies		
Halton Borough Transport Ltd	Provision of Bus Services	100
Halton Borough Council/Pochins Partnership	Construct/Let Small Industrial Units	50
Halton Development Partnership Ltd.	Development Opportunities	Minority
Widnes Regeneration Ltd.	Widnes Town Centre Redevelopment	Minority

There have been no significant transactions between the Council and Halton Development Partnership and Widnes Regeneration Ltd.

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

For 2010/11 the consolidation involves Halton Borough Transport Ltd only.

The main effect of consolidation has been to increase revenue reserves by £0.539m, 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 directly to the revenue account. Full details of the accounting policies are available from Halton Borough Transport Limited, Moor Lane, Widnes. Telephone: 0151-423 3333.

Both bodies have the financial year end 31st March.

Group Comprehensive Income and Expenditure Statement

Net Expenditure 2009/10 Restated		**Net Expenditure 2010/11**
£'000		**£'000**
147,112	*Net Cost of Services*	112,213
(1,791)	*Other Operating Expenditure*	(678)
4,275	*Financing & Investment Income & Expenditure*	4,829
(132,942)	*Taxation & Non-Specific Grant Income*	(144,190)
16,654	(Surplus)/Deficit for the Year	(27,826)
105,278	Other Comprehensive Income & Expenditure	(144,506)
121,932	**Total Comprehensive Income & Expenditure**	**(172,332)**
(16,672)	Net additional amount required by statute and non-statutory proper practices to be debited or credited to the General Fund Balance of the year	28,114
(6,951)	Surplus 01.04.10 Council	(7,974)
(4,391)	Surplus 01.04.10 Schools	(3,385)
-	Dividend Paid	-
(7,974)	Surplus 31.03.11 Council	(7,906)
(3,385)	Surplus 31.03.11 Schools	(3,164)

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

2009/10 ***£'000*** ***Restated***		**2010/11** **£'000**
17,425	(Surplus)/Deficit for the year on the Council Income and Expenditure Account	(28,086)
100	Adjustment for Transactions with Other Group Entities	100
17,525	(Surplus)/Deficit in the Group Income and Expenditure Account Attributable to the Council	(27,986)
	(Surplus)/Deficit in the Group Income and Expenditure Account Attributable to Group Entities (adjusted for Intra-Group Transactions)	
(871)	– Subsidiaries	160
-	– Associates	-
-	– Joint Ventures	-
16,654	**(Surplus)/Deficit for the year on the Group Income and Expenditure Account**	**(27,826)**

Group Balance Sheet

2008/09 £'000 Restated	2009/10 £'000 Restated		2010/11 £'000
288,890	308,408	Non Current Assets – Property Plant & Equipment	340,754
10,321	10,321	Investment Properties	9,707
2,456	2,267	Intangible Assets	2,047
-	-	Long Term Investments	-
1,572	1,554	Long Term Debtors	1,596
66,673	41,254	Current Assets	27,142
(57,495)	(46,315)	Current Liabilities	(44,905)
(19,900)	(20,719)	Long Term Borrowing	(20,912)
-	(986)	Provisions > 1 year	(1,937)
(516)	(165)	Capital Grants Receipts in Advance	(3,856)
(89,303)	(214,852)	Other Liabilities	(61,634)
202,698	**80,767**	**Total Assets less Liabilities**	**248,002**
-	-	Share Capital	-
(53,825)	(54,296)	Usable Reserves	(47,950)
(148,873)	(26,471)	Unusable Reserves	(200,052)
(202,698)	**(80,767)**	**Total Equity**	**(248,002)**

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

Group Movement in Reserves Statement

Group Movement in Reserves – 2009/10

	General Fund Balance £'000	Earmarked General Fund Reserves £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	**Total Useable Reserves £'000**	**Total Unusable Reserves £'000**	**Total Council Reserves £'000**	Authorities Share of Reserves of Subsidiaries, Associates and JV £'000	**Total Reserves £'000**
General Fund	(6,921)								
General Fund –Schools	(4,391)								
Balance as at 31 March 2009	**(11,312)**	**(26,114)**	**(11,885)**	**(4,485)**	**(53,796)**	**(148,873)**	**(202,669)**	**(29)**	**(202,698)**
Movement in Reserves during 2009/10									
(Surplus) or Deficit on the Provision of Services	(17,425)	-	-	-	**(17,425)**	**-**	**17,425**	**-**	**17,425**
Other Comprehensive Income & Expenditure	-	-	-	-	**-**	**105,278**	**105,278**	**-**	**105,278**
Total Comprehensive Income & Expenditure	**(17,425)**	**-**	**-**	**-**	**17,425**	**105,278**	**122,703**	**-**	**122,703**
Adjustments between group accounts and Council accounts	-	-	-	-	**-**	**-**	**-**	**(770)**	**(770)**
Net increase/decrease before transfers	17,425	-	-	-	**17,425**	**105,278**	**122,703**	**(770)**	**121,933**
Adjustments between accounting basis and funding under legislation	(17,391)	-	1,823	(1,519)	**(17,087)**	**17,087**	**-**	**-**	**-**
Net increase/decrease before transfers to earmarked reserves	**34**	**-**	**1,823**	**(1,519)**	**338**	**122,365**	**122,703**	**(770)**	**121,933**
Transfers to/from earmarked reserves	719	(719)	(37)	-	**(37)**	**37**	**-**	**-**	**-**
Increase/(Decrease) in year	**753**	**(719)**	**1,786**	**(1,519)**	**301**	**122,402**	**122,703**	**(770)**	**121,933**
Balance as at end March 2010 carried forward	**(10,559)**	**(26,833)**	**(10,099)**	**(6,004)**	**(53,495)**	**(26,471)**	**(79,966)**	**(799)**	**(80,765)***

Group Movement in Reserves Statement continued

Group Movement in Reserves – 2010/11

	General Fund Balance	Earmarked General Fund Reserves	Capital Receipts Reserve	Capital Grants Unapplied	**Total Useable Reserves**	**Total Unusable Reserves**	**Total Council Reserves**	Authorities Share of Reserves of Subsidiaries, Associates and JV	**Total Reserves**
	£'000	£'000	£'000	£'000	**£'000**	**£'000**	**£'000**	£'000	**£'000**
General Fund	(7,174)								
General Fund –Schools	(3,385)								
Balance as at 31 March 2010	**(10,559)**	**(26,833)**	**(10,099)**	**(6,004)**	**(53,495)**	**(26,471)**	**(79,966)**	**(799)**	**(80,765)**
Movement in Reserves during 2010/11									
(Surplus) or Deficit on the Provision of Services	(28,086)	-	-	5,091	**(22,995)**	**-**	**(22,995)**	**-**	**(22,995)**
Other Comprehensive Income & Expenditure	-	-	-	-	**-**	**(144,506)**	**(144,506)**	**-**	**(144,506)**
Total Comprehensive Income & Expenditure	**(28,086)**	**-**	**-**	**5,091**	(22,995)	(144,506)	(167,501)	**-**	(167,501)
Adjustments between group accounts and Council accounts	-	-	-	-	**-**	**-**	**-**	**260**	**260**
Net increase/decrease before transfers	(28,086)	-	-	5,091	**(22,995)**	**(144,506)**	**(167,501)**	**260**	**(167,241)**
Adjustments between accounting basis and funding under legislation	27,020	-	2,084	-	**29,104**	**(29,104)**	**-**	**-**	**-**
Net increase/decrease before transfers to earmarked reserves	**(1,066)**	**-**	**2,084**	**5,091**	**6,109**	**(173,610)**	**(167,501)**	**260**	**(167,241)**
Transfers to/from earmarked reserves	1,094	(1,094)	(24)	-	**(24)**	**24**	**-**	**-**	**-**
Increase/(Decrease) in year	**28**	**(1,094)**	**2,060**	**5,091**	**6,085**	**(173,585)**	**(167,501)**	**260**	**(167,241)**
Balance as at end March 2011 carried forward	**(10,531)**	**(27,927)**	**(8,039)**	**(913)**	**(47,410)**	**(200,053)***	**(247,463)**	**(539)**	**(248,002)**

Group Cashflow Statement

Group 2008/09 Restated £'000	*Group 2009/10 Restated £'000*		Group 2010/11 £'000
4,197	*(9,415)*	*Net Cash flows from Operating Activities*	(7,488)
14,900	*10,721*	*Net Cash flows from Investing Activities*	18,012
(19,337)	*(4,976)*	*Net Cashfows from Financing Activities*	(18,898)
(240)	*(3,670)*	*Net increase/decrease in cash and cash equivalents*	(8,374)
1,347	*1,107*	Cash and Cash Equivalents at the beginning of the reporting period	(2,563)
1,107	**(2,563)**	*Cash and Cash Equivalents at the end of the reporting period*	**(10,937)**

Notes to the Group Accounts

Adjustments between group accounts and Council accounts

2009/10 Restated £'000		**2010/11 £'000**
(870)	(Profit)/Loss on ordinary activities for the year	160
100	Dividend to HBC	100
(770)	**Total adjustments for the year**	**260**
(29)	Profit/(Loss) Reserves brought forward	(799)
(799)	Profit/(Loss) Reserves carried forward	**(539)**
(202,669)	Council Reserves brought forward	(79,965)
		-
(79,965)	Council Reserves carried forward	(247,463)
(202,698)	**Total Group Reserves brought forward**	**(80,764)**
(80,764)	**Total Group Reserves carried forward**	**(248,002)**

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 2011).

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

- selected suitable accounting policies and then applied them consistently;
- adopted the principle 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 2010/11 financial year and its position at the year-ending 31 March 2011.

Halton Borough Council prepares its accounts in accordance with "Code of Practice on Local Authority Accounting in the United Kingdom 2010/11 and the Best Value Accounting Code of Practice 2010/11 supported by International Financial Reporting Standards" (IFRS), issued by the Chartered Institute of Public Finance and Accountancy (CIPFA).

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

2. Changes to 2010/11 Accounting Policies from 2009/10

The Council's accounting policies are subject to regular review arising from changes in the way costs are accounted for and reported. However, the 2010/11 accounts have for the first time been prepared in accordance with the IFRS Code, therefore a full review of the accounting policies has been undertaken and significant changes made to reflect the requirements of the IFRS Code.

3. Accruals of Income and Expenditure

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received.

3(a) Revenue Recognition

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

3(b) Employee Costs

The full cost of employees is charged to the account of the period within 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

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 officers employment before the normal retirement date or an officers 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 fixed asset).

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3(e) Interest

Interest payable on external borrowings and interest income is accrued and accounted for in the accounts of the period to which it relates on a basis which reflects the actual costs and income receivable during the period.

3(f) Supplies and Services

Supplies and services are accrued and accounted for during the period in which they are consumed or received. Accruals are made for all material sums unpaid at year end for goods or 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 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 in value.

Cash Equivalents for the purposes of determining movement in cash and cash equivalents will be:

Amounts held in the NatWest PLC (Liquid Account) as at 31 March for any financial year.

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

Accruals of Income and Expenditure (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.

4. Acquired/Discontinued Operations

Income and expenditure directly related to either 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 should be disclosed separately in the notes to the Balance Sheet.

5. Area Based Grants

ABG is a non-ringfenced general grant which replaced Local Area Agreement Grant from 2008/09. No conditions on use is imposed as part of the grant determination ensuring full local control over how funding can be used. This means that, unlike LAA grant, its use is not restricted to supporting the achievements of LAA targets. ABG is included in the Comprehensive Income and Expenditure Statement within the Taxation and non-specific grant income figure.

6. Contingent Assets

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

Contingent assets are not recognised in the accounting statements, they are disclosed by way of notes if the inflow of a receipt or an economic benefit is probable. The note will indicate the nature of the contingent asset and estimate its financial effect.

7. Contingent Liabilities

Contingent liabilities are not recognised in the accounting statements. They are disclosed by way of the notes to the accounts (see notes to the core financial statements) if there is a possible obligation which may require a payment or transfer of economic benefits. For each class of contingent liability the Council discloses the nature of the contingency, a brief description, an estimate of its financial effect, an indication of the uncertainties relating to the amount or timing of any outflow and the possibility of any reimbursement.

Statement of Accounting Policies continued

8. Council Tax Income

8(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. The funds key features relevant to accounting for council tax in the core financial statements are:

- In its capacity as a billing authority the council acts as an agent: it collects council tax income on behalf of the major preceptors and itself.
- 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.

8(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 in Net cash flows from Operating Activities cash flows only its share of council tax net cash collected from the council tax debtors in the year; and the amount included for precepts shall exclude amounts paid to major preceptors.

9. 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.

As per note 21 a provision was 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.

Statement of Accounting Policies continued

10. Events after the Balance Sheet Date

Events after the Balance Sheet date are those events, both favourable and unfavourable, 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 are adjusted to reflect such events.

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

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

11. Exceptional Items

When items of income and expense 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,

12. 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 has used Sector Treasury Services Limited to provide independent valuations of the position at the period end.

Sector used the Net Present Value valuation technique to value the borrowings. The discount rate used within the calculation was the Public Works Loans Board new borrowing rate. The fair value calculations also included accrued interest.

12(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

Statement of Accounting Policies continued

12. Financial Instruments continued

Balance Sheet date are presented on the Balance Sheet as a current liability, accrued unpaid interest on all financial liabilities is also shown as a current liability.

12(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.

12(c) Receivables

Receivables are initially measured at fair value and carried at their amortised cost.

13. Foreign Currency Translation

Income and expenditure arising from transactions denominated in a foreign currency are translated into £ sterling at the exchange rate in operation at the date of the transaction.

14. Government Grants, Other Contributions and Donated Assets

All government revenue grants and other revenue contributions are credited to the appropriate service revenue account when they are received/receivable, unless there is a possibility that the monies will be repayable if conditions are not met. Where conditions are outstanding monies received are treated as creditors. When the conditions are met then the monies will be credited to the revenue account. Revenue grants are accounted for on an accruals basis.

All government capital grants and other capital contributions are credited to Capital Grants and Contributions in the Comprehensive Income and Expenditure Statement when they are received/receivable unless there is a possibility that the monies will be repayable if conditions are not met. Where conditions are outstanding monies received will be treated as Capital Grants Receipts In Advance. When the conditions are met then the monies will be credited to Capital Grants and Contributions.

Amounts credited to Capital Grants and Contributions will be charged out, through Movement in Reserves, to either the Capital Adjustment Account to fund capital expenditure or to Capital Grant Unapplied to be available to fund future capital expenditure.

Statement of Accounting Policies continued

14. Government Grants, Other Contributions and Donated Assets continued

Where donated assets are received they are brought in at fair value and credited to the Comprehensive Income and Expenditure Statement if there are no conditions outstanding. If conditions are outstanding then there is a credit to the Donated Assets Account.

When the conditions are satisfied the Donated Assets Account is debited and the Comprehensive Income and Expenditure Statement credited.

To meet controls in respect of capital the amounts credited to the Comprehensive Income and Expenditure Statement are reversed out through Movement in Reserves to the Capital Adjustment Account.

15. Impairment of Debtors

The value of debtors is adjusted for doubtful debts whilst known uncollectable debt is written-off.

16. Interests in Companies and Other Entities

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

17. Intangible Assets

These are regularly included on Balance Sheets and cover, in the main, Goodwill and Research and Development Expenditure, neither of which are likely items for a Council, and acquisition of software licences. The software licences acquired are capitalised as Intangible Assets. The assets are amortised out of the Balance Sheet over their economic life, with due recourse to disposal and/or impairment, and charges to revenue.

18. Inventories

Stocks and stores held by the Council at the year end are included in the accounts on the basis of lower of cost or net realisable value.

19. Landfill Allowance Trading Scheme

The Landfill Allowance Trading Scheme, like certain Emission Rights schemes, is a 'cap and trade' scheme, which allocates tradeable landfill allowances to each Waste Disposal Authority (WDA) up to the amount of the WDA's 'cap'.

There is at present no UK Financial Reporting Standard or Urgent Issues Task Force (UITF) Abstract covering the cap and trade schemes.

Statement of Accounting Policies continued

19. Landfill Allowance Trading Scheme continued

However, the Council has adopted the proposed UITF Abstract *Emission Rights*, and as such the Landfill Allowances Trading Scheme (LATS) gives rise to:

- an asset for allowances held
- LATS grant income; and
- a liability for actual Biodegradable Municipal Waste (BMW) landfill usage.

Allowances, whether allocated by DEFRA or purchased from another WDA, have been recognised as assets and classified as current assets. They are measured initially at their fair value.

Landfill allowances are issued free by DEFRA. Accordingly, the grant is initially recognised as deferred income in the Balance Sheet and subsequently recognised as income on a systematic basis over the compliance year for which the allowances were allocated.

As landfill is used, a liability is recognised for actual BMW landfill usage. The liability is discharged by using allowances to meet the liability, paying a cash penalty to DEFRA or a combination of both. Any liability is measured at the best estimate of the expenditure required to meet the obligation at the Balance Sheet date.

Under proposed UITF Abstract Emission Rights, two accounting policies for remeasuring the value of landfill allowances after initial recognition are permitted:

- the lower of cost and net realisable value; and

- revaluation to market value.

The Council has adopted the 'lower of cost and net realisable value' accounting policy.

20. Leases

20(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. 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

Statement of Accounting Policies continued

20(a) Finance Leases continued

2. the lessee has the option to purchase the asset at a price that is expected to be sufficiently lower than the fair value so as to make it reasonably certain the option will be exercised

3. the lease term is for the major part of the economic life of the asset

4. the present value of the minimum lease payments amounts to at least substantially all of the fair value of the leased asset, and

5. the leased assets are of such a specialised nature that only the lessee can use them without major modifications.

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 deminimis 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.

In relation to land and buildings they will be classified taking account of the examples from the Code. This means that all land, since it does not depreciate or pass to the lessee, will be treated as an operating lease. In addition should the lease be for a period of 10 years or less, it does not consume more than 75% of the economic life of the asset, or has a capitalised value below the de-minimis value of £50,000, it will not be capitalised and therefore treated as an operating lease.

Rental payments under finance leases are apportioned between the finance charge and the reduction of the outstanding liability, with the finance charge being allocated and charged to Finance and Investment Income in the Comprehensive Income and Expenditure Statement over the term of the lease. Minimum revenue provision is made in respect of the write down of the outstanding liability through the Movement in Reserves Statement and the Capital Adjustment Account. 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 1 April 2010 for leases granted from that date be a capital receipt.

20(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.

Statement of Accounting Policies continued

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

21(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.

This will include the laying out and reclamation of land, enhancement or replacement of roads/buildings as well as the installation/replacement of plant/machinery.

21(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) See separate Note 30.h

- 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

- For Sale Assets – Lower of Carrying Amount and Fair Value (MV) less disposal costs. See separate Note 30.i

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.

Statement of Accounting Policies continued

21. Non-Current Assets, Property, Plant and Equipment (continued)

The Council operates a de-minimus 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.

21(c) Impairment

Assets are assessed at each 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 recognized for the shortfall.

Where impairment losses are identified, the carrying amount of the asset is written down first against 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.

Where are impairment loss is reversed, the reversal is credited to the relevant service 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.

21(d) Non Current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered through a sale 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.

To be classified as held for sale an asset must meet the 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 fair value.

Statement of Accounting Policies continued

21. Non-Current Assets, Property, Plant and Equipment (continued)

- 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.

When the sale is expected to occur beyond one year, the costs to sell shall be measured at their present value. Any increase in the present value of the costs to sell that arises from the passage of time represents the unwinding of the discounting and shall be presented in Surplus or Deficit on the Provision of Services as a financing cost.

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

(i) ***Comprehensive Income and Expenditure Statement***

The gain or loss of a tangible asset is the amount by which the disposal proceeds are more (gain) or less (loss) than the carrying amount of the fixed asset. With the entries being debit cash/debtors and credit the Comprehensive Income and Expenditure Statement with the disposal proceeds and credit the fixed asset account and debit the Comprehensive Income and Expenditure Statement with the carrying amount of the tangible PPE asset. The carrying amount is the amount at which the asset is recorded in the accounting records at a particular date. Carrying amount means the net amount after deducting accumulated depreciation or amortisation.

(ii) ***Movement in Reserves***

In order to comply with statutory/proper practices restrictions on the use of capital receipts:

Comprehensive Income and Expenditure Statement, the General Fund should be debited (in the case of a gain) or credited (in the case of a loss) with the amount equal to the gain or loss on disposal of the tangible PPE asset, with the double entries being:

- a credit to the Usable Capital Receipts Reserve of an amount equal to the disposal proceeds;

- a debit to the Capital Adjustment Account of an amount equal to the carrying amount of the asset disposal.

The gain or loss on disposal of the asset should be a reconciling item in the Movement in Reserves. If the asset disposed of was carried at current value, in addition to the above entries the balance on the Revaluation Reserve in respect of asset disposals is written off the Capital Adjustment Account.

Statement of Accounting Policies continued

21. Non-Current Assets, Property, Plant and Equipment (continued)

The proportion that is required to be paid over to Central Government as a 'housing pooled capital receipt' should be charged in the Other Operating Expenditure Section of the Comprehensive Income and Expenditure Statement and the same amount appropriated from Usable Capital Receipts Reserve and credited to the General Fund.

21e) 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 & Equipment	5-10 years
• Intangible Assets	5-10 years
• Finance Leases –vehicle, plant and equipment length of lease	3-10 years equal to
• Finance Leases – buildings	Up to 60 years

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

Land has an infinite life and is therefore not depreciated.

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

As defined in CIPFA's Best Value Accounting 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.

Statement of Accounting Policies continued

21. Non-Current Assets, Property, Plant and Equipment (continued)

21(g) Revaluations

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.

Gains and losses resulting from revaluations are accounted for as follows.

The Comprehensive Income and Expenditure Statement - Other Comprehensive Income and Expenditure should be:

Credited with revaluation gains, except to the extent that they reverse previous revaluation losses (after allowing for depreciation) on the same assets that were charged to the Comprehensive Income and Expenditure Statement.

- Debited with revaluation losses (either arising from general reduction in prices or an impairment related to a clear consumption of economic benefit) up to the balance on the Revaluation Reserve in respect of that asset.

The Comprehensive Income and Expenditure Statement – Cost of Service should be:

- Credited with any revaluation gains except to the extent that they reverse previous revaluation losses (after allowing for depreciation) on the same assets that were charged to the Comprehensive Income and Expenditure Statement.
- Debited with revaluation losses (either arising from general reduction in prices or an impairment related to a clear consumption of economic benefit) up to the balance on the Revaluation Reserve in respect of that asset.

21(h) 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 property on which a decision has been made to sell can not be reclassified as Held for Sale under the Code.

Statement of Accounting Policies continued

21. Non-Current Assets, Property, Plant and Equipment (continued)

Investment Property is valued at Fair Value – Market Value. It is not subject to depreciation. Fair value of investment properties shall reflect market conditions as at the Balance Sheet date. This means that a periodic revaluation approach may only be used where the carrying amount does not differ materially from that which would be determined using fair value at the Balance Sheet date.

An investment property under construction shall be measured at fair value once it is able to measure reliably the fair value of the investment property, and at cost before that date.

A gain or loss arising from a change in the fair value of investment property shall be recognised in Surplus or Deficit on the Provision of Services for the period in which it arise

21(j) 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 properly reflects the consumption of economic benefits of those assets (i.e.: the cost of their use) over their individual useful lives, through depreciation charges

In order to achieve this, 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-minimis 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:

Statement of Accounting Policies continued

21. Non-Current Assets, Property, Plant and Equipment (continued)

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, communications and security installations, builders work in connection and management and commissioning of services
• Land	Land upon which the property is constructed.

The basis upon which the calculation of the value of components will be made is replacement cost. In general, the expected split for components would be 50-60% for Superstructure and Substructure, 20% for Internal Finishes and Fittings and 20-30% for Services. The actual split will be determined following individual valuation of the property.

Land is a separate component in its own right, but is not considered for depreciation purposes as 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 revalued, the cost of its component parts will be broken down into Superstructure and Substructure, Internal Finishes and Fittings and Services providing that the asset exceeds the de-minimis threshold of £500,000. Land will be identified as a separate component in its own right.

21(k) 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.

Statement of Accounting Policies continued

21. Non-Current Assets, Property, Plant and Equipment (continued)

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 probable 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 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, and

Halton Borough Council deems development costs to be an integral part of the construction of such significant infrastructure in the borough. For accounting purposes, development costs do 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 as intended by the Council when construction commences.

Halton Borough Council has capitalised all development costs from 20th October 2010, the date upon which Government funding was granted.

21(l) 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.

Statement of Accounting Policies continued

21. Non-Current Assets, Property, Plant and Equipment (continued)

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

22. 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 taxpayers 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.

23. Officers Emoluments

A note is provided within the Statement of Accounts which details the number of senior officers and officers whose remuneration falls within each bracket of a scale in multiples of £5,000 starting with £50,000. Remuneration means all amounts paid to or receivable by an employee (inclusive of car benefit but excluding pension contributions). Information is also published on senior pay information covering, salary; bonuses; expenses allowances; compensation payments; pensions and any other benefits.

24. Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply of service in accordance with the costing principles of the CIPFA Best Value Accounting Code of Practice 2010/11 (BVACOP). The total absorption costing principle 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.

Statement of Accounting Policies continued

24. Overheads and Support Services (continued)

The costs of the Corporate and Democratic Core and Non-Distributed Costs as defined by CIPFA's Best Value Accounting Code of Practice 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.

25. Pension Costs

General

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

Pensions Reserve

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

Classification of Schemes

Defined Benefit Schemes

Accounting policies set out as below apply in respect of pension costs arising from the Local Government Pension Scheme and unfunded discretionary benefits paid (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 expectation in the employees that such benefits will be granted.

Statement of Accounting Policies continued

25 Pension Costs (continued)

(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 reduced contributions in the future or 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:

(a) Periodic Costs

1. Current Service Cost - the increase in liabilities as 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 (Surplus) or Deficit on Provision of Services 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 (Surplus) or Deficit on Provision of Services 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 – debited to the Comprehensive Income and Expenditure Statement.

5. Contributions paid to the Cheshire pension Fund – cash paid as employer's contributions to the pension fund.

(b) Non-periodic Costs

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 Cost of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.

Statement of Accounting Policies continued

25. Pension Costs (continued)

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 to the Cost of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.

(v) the current service cost is included within the Cost of Services. Both the interest and the expected return on assets are included within Operating Expenditure. Actuarial gains and losses arising from any new valuation and from updating the latest actuarial valuation to reflect conditions at the Balance Sheet date are recognised in the Comprehensive Income and Expenditure Statement for the period;

(vi) past service costs are recognised in Cost of Services on a straight-line basis over the period in which the benefits vest. To the extent that the benefits vest immediately, the past service cost is recognised immediately;

(vii) losses arising on a settlement or curtailment not allowed in actuarial assumptions are measured at the date on which the Council becomes demonstrably committed to the transaction and recognised in the Cost of Services at that date. Gains arising on a settlement or curtailment not allowed for in the actuarial assumptions are measured at the date on which all parties whose consent is required are irrevocably committed to the transaction and are recognised in the Cost of Services at that date.

Defined Contribution Schemes

Whilst meeting the definition of a defined benefit pension scheme, the Teachers' Pension Scheme, as administered by the Teachers Pension Agency, needs to be accounted for as if it were a defined contribution scheme since the Council is unable to identify its share of the underlying assets and liabilities in the Scheme on a consistent and reasonable basis.

As a result, the pensions cost reported for the year is equal to the contributions payable to the scheme for the accounting period. The cost is recognised in the Cost of Services. An asset or liability is recognised within the Cost of Services only to the extent to which there are prepaid or outstanding contributions at the Balance Sheet date.

26. Pooled Budgets

Under Section 75 of the Health Act, the Council is able to establish joint working arrangements with NHS bodies and 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.

Statement of Accounting Policies continued

27. Prior Period Adjustments

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

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

28. Provisions

The Council set aside provisions for any liabilities of uncertain timing or amount that have been incurred. Provisions are reviewed annually and adjusted to reflect the current best estimate. 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 (See Notes to the core Financial Statements). Where it becomes apparent that a lower settlement is now anticipated, the provision is reversed and credited back to the relevant service.

Provisions are charged to the Cost of Services. When payments for expenditure are incurred to which the provision relates they are charged direct to the provision.

Provisions are required to be recognised when there is a present obligation as a result of a past event or it is possible that a transfer of economic benefit will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

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

29. 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.

30. 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 appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement.

Statement of Accounting Policies continued

30. Reserves continued

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, Useable or Unusable.

Useable reserves comprise:

Usable Capital Receipts Reserve
General Fund Balance
Schools Balance
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

Useable 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.

31. 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 of a non-current asset on the Balance Sheet. Such expenditure is charged to the 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.

Statement of Accounting Policies continued

32. 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 (CIES) using the analysis included the in the Best Value Accounting Code of Practice (BVACOP). 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 four strategic Directors. In order to provide more meaningful information the cost of services shown in the CIES 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 in the CIES.

The subjective analysis represents a more detailed reconciliation between segmental reporting and the CIES. 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 CIES. Internal recharges are reported within the management structure but are removed from the CIES.

33. 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 a 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 IFRIC 12 service concessions in existence during 2010/11.

34. 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 HM Revenue and Customs.

35. Accounting Standards that have been issued but have not yet been applied

- Heritage Assets

The Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 (the Code) has introduced a change in accounting policy in relation to the treatment of heritage assets held by the Council, which will need to be adopted fully by the Council in the 2011/12 financial statements.

The Council is required to disclose information relating to the impact of the accounting change on the financial statements as a result of the adoption by the

Statement of Accounting Policies continued

35. Accounting Standards that have been issued but have not yet been applied continued

Code of a new standard that been issued, but is not yet required to be adopted by the Council, in this case, heritage assets. As is set out above, full adoption of the standard will be required for the 2011/12 financial statements. However, the Council is required to make disclosure of the estimated effect of the new standard in these (2010/11) financial statements. The new standard will require that a new class of asset, heritage assets, is disclosed separately on the face of the Council's Balance Sheet in the 2011/12 financial statements.

Heritage assets are 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

The Code will require that heritage assets are measured at valuation in the 2011/12 financial statements (including the 2010/11 comparative information). All heritage assets are currently held on the Balance Sheet at insurance valuation.

There is no depreciation charged on the heritage assets that are currently classified as community assets because it has been estimated that the assets have a useful life of such length that any depreciation charge on the asset will be negligible and can be ignored on the basis of materiality. The Council considers that the heritage assets held by the Council will have indeterminate lives and a high residual value; hence the Council does not consider it appropriate to charge depreciation for the assets. There will therefore be no change to the depreciation charged in the financial statements in relation to the Council's heritage assets.

36. 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:

Local Government Funding

The government is undertaking a review to how local authorities are funded from 2013/14, the review will focus on localising business rates. As a net receiver of business rates this places great uncertainty on future levels of funding for Halton. 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.

Statement of Accounting Policies continued

36. Critical Judgements in Applying Accounting Policies (continued)

Mersey Gateway Development Costs

As part of the announcement on the Comprehensive Spending Review the Government made a public announcement of their commitment to fund the Mersey Gateway Project. Since 20th October the Council has split development costs between capital and revenue expenditure based on a percentage split as per guidance from the authorities advisors. Consideration and guidance is being sought to the future capitalisation of the Mersey Gateway development costs.

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

The abstract 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 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 2011 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 2011 is £338.057m

Assets are depreciated over useful lives that are dependant 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 £1.7m - £2.6m for every year that useful lives had been reduced.

Pensions Liability

The carrying amount in the Balance Sheet at the 31st March 2011 is £60.344m

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

Statement of Accounting Policies continued

37. Assumptions made about the future and other major sources of estimation uncertainty continued

the Council by Cheshire West and Chester Council to provide expert advice about the assumptions to be applied.

Assumptions about the net pension liability interact in different ways. The net pension liability reduced by £152.606m as a result of estimates being corrected based on changes in assumptions and an indexation change from RPI to CPI.

It is difficult to assess any future changes which could impact on the following year due to the wide differential between 2009/10 and 2010/11.

Equal Pay Initiative

The Council has made a provision of £1.510m 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 authorities in the settlement of claims will be applicable.

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 £0.150m to the provision needed.

Bad Debt Provision

The carrying amount in the Balance Sheet at the 31st March 2011 is £7.351m

At 31 March 2011, the Council had a balance of sundry debtors of £21.40m. A review of significant balances suggested that the provision for bad debts 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 of doubtful debts. An increase of 5% - 10% would require an additional £0.367m - £0.735m 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 the Members of Halton Borough Council

Opinion on the Authority and Group accounting statements

I have audited the Authority and Group accounting statements of Halton Borough Council for the year ended 31 March 2011 under the Audit Commission Act 1998. The Authority and Group accounting statements comprise the Authority and Group Movement in Reserves Statement, the Authority and Group Comprehensive Income and Expenditure Statement, the Authority and Group Balance Sheet, the Authority and Group Cash Flow Statement, and Collection Fund and the related notes. These accounting statements have been prepared under the accounting policies set out in the Statement of Accounting Policies.

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 purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010.

Respective responsibilities of the Operational Director - Finance and auditor

As explained more fully in the Statement of the Operational Director – Finance Responsibilities, the Operational Director - Finance is responsible for the preparation of the Authority and Group's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom. My responsibility is to audit the accounting 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 accounting statements sufficient to give reasonable assurance that the accounting statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority and Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Authority and Group; and the overall presentation of the accounting statements. I read all the information in the explanatory foreword to identify material inconsistencies with the audited accounting statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

Opinion on accounting statements

In my opinion the accounting statements:

- give a true and fair view of the state of Halton Borough Council's affairs as at 31 March 2011 and of its income and expenditure for the year then ended;
- give a true and fair view of the state of the Group's affairs as at 31 March 2011 and of its income and expenditure for the year then ended; and

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

- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom.

Opinion on other matters

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

Matters on which I report by exception

I have nothing to report in respect of the governance statement on which I report to you if, in my opinion the governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007.

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

Authority's responsibilities

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

Auditor's responsibilities

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

I report if significant matters have come to my attention which prevent me from concluding that the Authority 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 Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

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

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 2010, as to whether the Authority 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 Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2011.

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 Authority 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 2010, 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 ending 31 March 2011.

Certificate

I certify that I have completed the audit of the Authority and Group 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
Officer of the Audit Commission

Audit Commission Office
3rd Floor, Millennium House
60 Victoria Street
Liverpool L1 6LD

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

(a) recognising;
(b) selecting and measurement bases for; and
(c) presenting.

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

Accounting policies do not include estimation techniques.

Accounting policies define the process whereby transactions and other events are reflected in financial statements. For example, an accounting policy for a particular type of expenditure may specify whether an asset or a loss is to be recognised; the basis on which it is to be measured; and where in the Income and Expenditure account or Balance Sheet it is to be presented.

Acquired Operations

Operations comprise services and divisions of service as defined in BVACOP. 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.

Class of Tangible Fixed Assets

The classes of tangible fixed assets required to be included in the accounting statements are:

Glossary of Terms continued

Operational assets:

- Other land and buildings
- Vehicles, plant, furniture and equipment
- Infrastructure assets
- Community assets

Non-operational assets:

- Investment properties
- Assets under construction
- Surplus assets, held for disposal

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 contingent 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.

Glossary of Terms continued

Defined Benefit Scheme

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

Defined Contribution Scheme

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

Depreciation

The measure of the 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 and 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 or 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 these conditions are classified as continuing.

Glossary of Terms continued

Discretionary Benefits

Retirement benefits which the employer has no legal, contractual or constructive obligation to award and which are awarded under the Council's discretionary powers, such as The Local Government (Discretionary Payments) Regulations 1996, the Local Government (Discretionary Payments and Injury Benefits) (Scotland) Regulations 1998, or The Local Government (Discretionary Payments) Regulations (Northern Ireland) 2001.

Estimation Techniques

The methods adopted by an entity to arrive at estimated monetary amounts, corresponding to the measurement bases selected, for assets, liabilities, gains losses and changes to reserves.

Estimation techniques implement the measurement aspects of accounting policies. An accounting policy will specify the basis on which an item is to be measured; where there is uncertainty over the monetary amount corresponding to that basis, the amount will be arrived at by using an estimation technique. Estimation techniques include, for example:

(a) methods of depreciation, such as straight-line and reducing balance, applied in the context of a particular measurement basis, used to estimate the proportion of the economic benefits of a tangible fixed asset consumed in a period

(b) different methods used to estimate the proportion of debts that will not be recovered, particularly where such methods consider a population as a whole rather than individual balances.

Events After the Balance Sheet Date

Those events, both favourable and unfavourable, which occur between the balance sheet date and the date on which the Statement of Accounts is signed by the responsible financial officer.

Exceptional Items

Material items which derive from events or transactions that fall within the ordinary activities of the Council and which need to be disclosed separately by virtue of their size or incidence to give fair presentation of the accounts.

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 or 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 a 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 the 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.

Glossary of Terms continued

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.

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 of 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 the present value of the scheme liabilities because the benefits are one period closer to settlement.

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 so 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, Authorities are also required to disclose, as part of the transitional disclosures relating to retirement benefits, the attributable share of pension scheme assets associated with their underlying obligations.

Investment 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.

Glossary of Terms continued

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 at 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 its 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 the case of non-operational assets), less the expenses to be incurred in realising the asset.

Non-Operational Assets

Fixed assets held by a Local Authority but not directly occupied, used or consumed in the delivery of services. Examples of non-operational assets are investment properties and assets that are surplus to requirements, pending sale or redevelopment.

It should be noted that the incidence of rental income does not necessarily mean that the asset is an investment property; it would be deemed an investment property only if the asset is held solely for investment purposes and does not support the service or strategic objectives of the Council and the rental income is negotiated at arm's length.

Glossary of Terms continued

Operating Lease

A lease other than a finance lease.

Operational Assets

Fixed assets held and occupied, used or consumed by the Local Authority in the direct delivery of those services for which it has either a statutory or discretionary responsibility.

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 improvement 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 the 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) one party has direct or indirect control of the other party; or

(b) the parties are subject to common control from the same source; or

Glossary of Terms continued

(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 interests.

Examples of related parties of a Council include:

(a) central government;

(b) local authorities and other bodies precepting or levying demands on the Council Tax;

(c) its subsidiary and associated companies;

(d) its joint ventures and joint venture partners;

(e) its members;

(f) its chief officers; and

(g) its pension fund.

Examples of related parties of a pension fund include its:

(a) administering authority and its related parties

(b) scheduled bodies and their related parties, and

(c) trustees and advisers.

This list is not intended to be comprehensive.

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

(a) members of the close family, or the same household; and

(b) partnerships, companies, trusts or other entities in which the individual, or a member of their close family or the same household, has a controlling interest.

Glossary of Terms continued

Related Party Transactions

A related party transaction is the transfer of assets or liabilities or the performance of services by, to or for a related party irrespective of whether a charge is made. Examples of related party transactions include:

(a) The purchase, sale, lease, rental or hire of assets between related parties;

(b) the provision by a pension fund to a related party of assets of loans, irrespective of any direct economic benefit to the pension fund.

(c) the provision of a guarantee to a third party in relation to a liability or obligation of a related party;

(d) the provision of services to a related party, including the provision of pension fund administration services.

(e) transactions with individuals who are related parties of a Council or a pension fund, except those applicable to other members of the community or the pension fund, such as council tax, rents and payments 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 employer 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 the acquisition (or revaluation) of the asset and do not take account of expected future price changes.

Retirement Benefits

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

Glossary of Terms continued

Scheme Liabilities

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

Settlement

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

(a) 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.

Stocks

The amount of unused or unconsumed stocks held in expectation of future use. Comprise the following categories:

(a) goods or other assets purchased for re-sale;

(b) consumable stores;

(c) raw materials and components purchased for incorporation into products for sale;

(d) products and services in intermediate stages of completion;

(e) long-term contract balances; and

(f) finished goods.

Tangible Fixed Assets

Tangible assets that yield benefits to the Local Authority and the services it provides for a period of more than one year.

Glossary of Terms continued

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 Local Authority will derive benefits from the use of a fixed asset.

Vested Rights

In relation to a defined benefit scheme, these are:

(a) for active members, benefits to which they would unconditionally be entitled on leaving the scheme;

(b) for deferred pensioners, their preserved benefits;

(c) for pensioners, pensions to which they are entitled.

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

*Use of Asterisk

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

APPENDIX 2

Mike Thomas
District Auditor
Audit Commission Office
3rd Floor, Millennium House
60 Victoria Street
Liverpool L1 6LD

Halton Borough Council - Audit for the year ended 31 March 2011

I confirm to the best of my knowledge and belief, having made appropriate enquiries of other Directors and Officers of Halton Borough Council, the following representations given to you in connection with your audit of the Council's financial statements for the year ended 31st March 2011. All representations cover the Council's accounts and Group Accounts included within the financial statements.

Compliance with the statutory authorities

I have fulfilled my responsibility under the relevant statutory authorities for preparing the financial statements in accordance with the Code of Practice for Local Authority Accounting in the United Kingdom, which give a true and fair view of the financial position and financial performance of the Council, for the completeness of the information provided to you, and for making accurate representations to you.

Uncorrected misstatements

The effects of uncorrected financial statements misstatements summarised in the attached schedule are not material to the financial statements, either individually or in aggregate. These misstatements have been discussed with those charged with governance within the Council. The reasons for not correcting these items are, the amounts although significant are not material in terms of total spending, and to do so would have taken a disproportionate amount of time to effect the number of subsequent amendments required to a number of other statements and notes within the Abstract.

Supporting records

All relevant information and access to persons within the Council have been made available to you for the purpose of your audit, and all the transactions undertaken by the Council have been properly reflected and recorded in the financial statements.

Internal control

I have communicated to you all deficiencies in internal control of which I am aware.

Irregularities

I acknowledge my responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud or error.

I also confirm that I have disclosed:

- my knowledge of fraud, or suspected fraud, involving either management, employees who have significant roles in internal control or others where fraud could have a material effect on the financial statements;
- my knowledge of any allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, analysts, regulators or others; and
- the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

Law, regulations, contractual arrangements and codes of practice

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

Transactions and events have been carried out in accordance with law, regulation or other authority. The Council has complied with all aspects of contractual arrangements that could have a material effect on the financial statements in the event of non-compliance.

All known actual or possible litigation and claims, whose effects should be considered when preparing the financial statements, have been disclosed to the auditor and accounted for and disclosed in accordance with the applicable financial reporting framework.

Accounting estimates including fair values

I confirm the reasonableness of the significant assumptions used in making the accounting estimates, including those measured at fair value. In respect of Note 13 I confirm:

- the appropriateness of the measurement method, including related assumptions and models, and the consistency in application of the process;
- the assumptions appropriately reflect management's intent and ability to carry out specific courses of action on behalf of the entity, where relevant to the accounting estimates and disclosures;
- the completeness and appropriateness under the financial reporting framework; and
- that subsequent events do not require adjustment to accounting estimates and disclosure included within the financial statements.

Related party transactions

I confirm that I have disclosed the identity of Halton Borough Council's related parties and all the related party relationships and transactions of which I am aware. I have appropriately accounted for and disclosed such relationships and transactions in accordance with the requirement of the framework.

Subsequent events

All events subsequent to the date of the financial statements, which would require additional adjustment or disclosure in the financial statements, have been adjusted or disclosed.

Signed on behalf of Halton Borough Council

I confirm that this letter has been discussed and agreed by the Business Efficiency Board on 28th September 2011.

Signed

Name	Councillor M. Lloyd Jones
Position	Vice-Chairman of the Business Efficiency Board
Date	28th September 2011

<u>Schedule of Uncorrected Misstatements</u>

Short Term Debtors

The Short Term Debtors balance within the Balance Sheet (and within Note 16) includes £1.5m in respect of a transport capital grant. It subsequently emerged that this grant had already been received during 2010/11 and should therefore not have been included as a year-end debtor.

Valuation of Land and Buildings

The value of Property, Plant and Equipment within the Balance Sheet (and within Note 9) is understated by £1.9m. This is the net effect of two transposition errors (£0.5m and £2.4m) when preparing the Abstract.

The accounting treatment of both of these items will be corrected for the 2011/12 accounts. They have not however been amended within the 2010/11 Abstract, because the amounts although significant are not material in terms of total spending and to do so would have taken a disproportionate amount of time to effect the number of subsequent amendments required to a number of other statements and notes within the Abstract.

Annual governance report

Halton Borough Council

Audit 2010/11

audit commission

Contents

Traffic light explanation

Red ■ Amber ◆ Green ●

Key messages

This report summarises the findings from the 2010/11 audit which is substantially complete. It includes the messages arising from my audit of your financial statements and the results of the work I have undertaken to assess your arrangements to secure value for money in your use of resources.

	Our findings
Unqualified audit opinion	
Proper arrangements to secure value for money	

Audit opinion and financial statements

I plan to issue an unqualified audit opinion on the 2010/11 financial statements by 30 September 2011.

- The 2010/11 statements were prepared under International Financial Reporting Standards for the first time.
- The initial set of statements submitted for audit was incomplete and contained a number of errors. The second version was better presented but still contained some errors and internal inconsistencies.
- Two material errors were identified at audit, neither of which affected the reported year end financial position.
- Excellent liaison with officers during the audit with full and prompt responses to all audit queries.
- Good quality working papers to support the entries in the accounts.

Value for money

The Council has proper arrangements in place to secure value for money.

- Like most other public sector organisations the Council faces significant financial challenges in 2011/12 and 2012/13. Whilst the Council has a proven track record of maintaining spend within budget securing financial resilience in the future will be a major task. Continued close control and monitoring of spend is needed through the remainder of 2011/12 to minimise the risk of a budget overspend at year end.
- The process of identifying saving opportunities to meet the £15m funding gap for 2012/13 is underway but further work is needed to ensure a fully identified savings plan is in place for the 2012/13 budget.
- Funding arrangements for Mersey Gateway are not yet finalised and may impact upon the Council's longer term financial resilience.

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Before I complete my audit

I confirm to you my independence and the scope of my audit work.	My report includes only matters of governance interest that have come to my attention in performing my audit. My audit is not designed to identify all matters that might be relevant to you. **Independence** I can confirm that I have complied with the Auditing Practices Board's ethical standards for auditors, including ES 1 (revised) - Integrity, Objectivity and Independence. I can also confirm there were no relationships resulting in a threat to independence, objectivity and integrity. The Audit Commission's Audit Practice has not undertaken any non-audit work for the Council during 2010/11.
I ask you to confirm to me that you have agreed the letter of representation and approved the financial statements.	**I ask the business efficiency board to:** ■ take note of the adjustments to the financial statements which are set out in this report (Appendix 2); ■ agree to adjust the errors in the financial statements I have identified, which management has declined to amend or set out the reasons for not amending the errors (Appendix 3); ■ approve the letter of representation, provided alongside this report, on behalf of the Council before I issue my opinion and conclusion; and ■ agree your response to the proposed action plan (Appendix 5).

Financial statements

The Council's financial statements and annual governance statement are important means by which the Council accounts for its stewardship of public funds. As Council members you have final responsibility for these statements. It is important that you consider my findings before you adopt the financial statements and the annual governance statement.

Opinion

The financial statements were prepared under IFRS for the first time.

The initial set of statements submitted for audit was incomplete and contained a number of errors. The second version was better presented but still contained some errors and inconsistencies.

Excellent liaison with officers during the audit with full and prompt responses to all audit queries.

Good quality working papers to support the entries in the accounts.

Two material errors identified at audit, neither of which affected the reported year end financial year.

Opinion on the financial statements

Subject to satisfactory clearance of outstanding matters, I plan to issue an audit report including an unqualified opinion on the financial statements on 29 September 2011. Appendix 1 contains a copy of my draft report.

As you will be aware this is the first set of financial statements that officers have had to prepare under the new International Financial Reporting Standards (IFRS). The introduction of IFRS required officers to restate balances from 1 April 2009 as well as to collect and analyse information not recorded or disclosed under the previous accounting regime. Officers took advantage of the additional time provided by the changes in the accounts approval process for 2010/11 to prepare the Council's financial statements (the Abstract). The first version of the Abstract was approved by the Operational Director – Finance by the 30 June deadline and was submitted for audit on 1 July.

The first version of the Abstract was incomplete, contained a number of errors and was not fully IFRS compliant. My audit team provided a schedule of issues to officers. The second Abstract was submitted for audit on 7 July. This was better presented and more complete although it still contained a number of omissions and internal consistency errors.

My audit team received excellent co-operation and support from your finance team. Your officers responded promptly and fully to all audit queries and requests for additional information. They also provided good working papers to support entries in the Abstract.

Errors in the financial statements

My audit identified two material disclosure errors, both of which have been amended. My audit testing also identified a number of other 'non-trivial' errors. Appendix 2 provides a detailed list of the amendments to the Abstract.

	Officers have decided not to amend two errors. One relates to an overstatement of £1.5m on short term debtors and the other relates to an understatement of £1.9m on the value of land and buildings on the balance sheet. See Appendix 3 for the detail. I have asked officers to include within the letter of representation the reasons for not amending the accounts for these errors.

Recommendations

Recommendations	
R1	Ensure that the 2011/12 Abstract is prepared ahead of the 30 June deadline to allow completion of a comprehensive quality assurance review before submission to audit.
R2	To comply with the Accounts and Audit Regulations 2011 the Operational Director – Finance should sign a full set of financial statements and associated notes by 30 June of the relevant year.

Financial statements

Audit risks

I identified four key risks:

- **Transition to IFRS: component accounting;**
- **Transition to IFRS: segmental reporting;**
- **Accounting for the costs associated with Mersey Gateway; and**
- **Accounting for equal pay.**

In planning my audit I identified specific risks and areas of judgement that I have considered as part of my audit. The risks and my audit findings are outlined below.

Key audit risk	Findings
Transition to IFRS accounts: component accounting for material items of property, plant and equipment Component accounting is a new requirement in 2010/11 and the guidance is complex with a degree of subjectivity allowed. A multidisciplinary approach is needed to ensure guidance is appropriately applied and property, plant and equipment is not materially misstated in the accounts.	The objective of component accounting is to ensure that depreciation is charged to the Comprehensive Income and Expenditure Statement (CIES) on a systematic basis reflecting the pattern in which the economic benefits of the asset/component are used. Each item of property, plant and equipment with a cost that is significant in relation to the total cost is depreciated separately. My team reviewed your policy for componentisation and substantively tested a sample of property valuations and associated depreciation charges with no issues arising. Your property, plant and equipment is valued by your own qualified in-house valuers on a five year rolling programme. There is scope to strengthen the arrangements in place by providing your valuers with formal written instruction on the requirements for each valuation.
Transition to IFRS accounts: segmental reporting of income and expenditure A new disclosure for 2010/11 which requires additional analysis of the financial outturn data.	IFRS requires bodies to identify and report on their operating segments. A segment must be reported separately if its gross income or gross expenditure is 10% or more of the totals within the net cost of services line within the CIES.

	My team reviewed your methodology for segmental reporting. The initial version of financial statements omitted the required disclosure note and the second version reported the 2010/11 income and expenditure figures over three directorates rather than the four directorates which were operational during the year. The new three directorate structure did not come into effect until 1 April 2011. The accounts have been amended.
Accounting for the costs associated with Mersey Gateway Mersey Gateway is a fairly unique scheme with high value transactions. It is also a complex accounting area where we have required material changes to accounting treatment in previous years.	My work on Mersey Gateway is ongoing. The Council has included £821,000 of costs relating to Mersey Gateway within its 2010/11 accounts. These costs have been accounted for as capital expenditure. The accounting treatment is still under consideration and may not be resolved until after I issue my audit opinion later this month. The costs included in 2010/11 are not material and would not therefore prevent me from giving my audit opinion. It is important however that this issue is resolved as development costs may well be material in 2011/12.
Accounting for equal pay Specific guidance has to be followed. Potentially high value area where affordability may be an issue.	Equal pay continues to be a high profile and potential costly issue. I have had ongoing dialogue with the Operational Director – Finance during the year on both the affordability and accounting treatment of equal pay costs. Equal pay costs are covered in the accounts by a combination of actual expenditure and a provision, reserve and contingent liability disclosure note. My audit team requested several amendments to the equal pay note. They requested more detail within the provisions note on the number of claims and when payment is expected and a reduction in the value of the contingent liability from £4m - £8m to £1.5m - £2m.

The contingent liability note should only relate to potential costs not already included in the accounts and any costs incurred in respect of claims received in the next two years. The worst case scenario figures on equal pay costs for the Council total some £8m, of which £6.5m is already covered by entries in the accounts. The accounts include payments of £0.41m, a provision of £1.51m and a reserve of £4.45m. The contingent liability note has been amended.

Financial statements

Significant weaknesses in internal control **My audit has not identified any significant weaknesses.**	I have not identified any significant weaknesses in internal control during the course of my audit that are relevant to preparing the financial statements. I am not expressing an opinion on the overall effectiveness of internal control.

Financial statements

Quality of your financial statements

I have identified aspects of your accounting practices which require strengthening.

I consider aspects of your accounting practices, accounting policies, accounting estimates and financial statements disclosures.

I have already highlighted qualitative issues relating to the first year of IFRS at page 5, outlined below are the other issues I wish to raise with you.

Issue	Findings and recommendations
Property, plant and equipment	There was no reconciliation between the general ledger and the asset register at year end. This reconciliation is a critical control to ensure the completeness and accuracy of the asset (property, plant and equipment) information disclosed in the accounts. At my request officers provided the reconciliation part way through the audit. The reconciliation highlighted a classification error of £1.659m between surplus assets and assets under construction (AUC). Note 9 to the accounts has been amended to reflect the correct categorisation. Officers should reconcile the general ledger to the asset register as part of the accounts closedown process and should use this to inform completion of the accounts.
Allocation of expenditure between years	Expenditure incurred late in the financial year or early in the following financial year can be coded in error to the wrong year. My sample testing of payments made in March and April 2011 identified one such error. A 2010/11 invoice for £180k had been incorrectly coded as 2011/12 expenditure. Additional testing by finance staff identified one further error of £174k. The extrapolated error based on the sample testing indicates a

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	potential error, and understatement of 2010/11 expenditure, of £1.5m. The two coding errors have been corrected in 2011/12. Officers will once again remind staff of year end allocation processes as part of next year's accounts closedown guidance.
Estimates	Generally satisfactory processes are in place to support the estimates contained in the Abstract. However my audit team identified scope to strengthen the methodologies for calculating the bad debt provision for NNDR and council tax. The provision for NNDR has been calculated using 100% of outstanding arrears from 2000 to 2008, 50% for 2009 and 33% for 2010. This process has not changed for a number of years. At the very least the provision should be reviewed to take account of actual recovery rates. The methodology for calculating the council tax provision is reasonable but the reports used need to be revised. The reports currently include credits and costs, the bad debt provision should be calculated net of these items. The impact of including these items is not material for 2010/11.
Related party transactions	I requested some amendment to the disclosure note within the accounts to make it more compliant with the IFRS Code. The Council has a system in place for collecting related party transactions and completing the note but the process needs to be strengthened. Members and officers should provide more detailed information on their related party interest. The risks relating to the declaration should be considered and evidenced within the register of interests and action taken to minimise the risks recorded. This would aid completion of the year end disclosure for the accounts.

Annual Governance Statement

The Council's Annual Governance Statement meets CIPFA's minimum requirements. The disclosures within it are consistent with the information I am aware of from my audit of the financial statements.

Significant matters that were discussed or subject to correspondence with management

During the year I have had regular discussions with officers about progress and issues relating to the Mersey Gateway scheme. These discussions are ongoing and are currently focussing on the accounting treatment of development costs and affordability. My audit team are awaiting further information on development costs from officers. I will consider the additional information and, if the information is provided in time, I will provide an update in my annual audit letter later this year.

Letter of representation

Before I issue my opinion, auditing standards require me to ask you and management for written representations about your financial statements and governance arrangements. The draft letter of representation is available as a separate document.

Recommendations

Recommendations
R3 Ensure a reconciliation between the asset ledger and general ledger is incorporated within the accounts closedown plan and use the output to prepare the accounts.
R4 As part of the accounts closedown process ensure costs are allocated to the correct year.
R5 Build in consideration of actual recovery rates into the methodology for calculating the bad debt provision for NNDR. Ensure reports used to calculate the bad debt provision for council tax are net of credits and costs.
R6 Improve reporting of related party interests by members and officers. A senior officer should consider the risks relating to the declaration and record the action taken to minimise the risk.

Value for money

I am required to conclude whether the Council has put in place proper corporate arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the value for money conclusion.

Value for money

The Council has proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

The Council has a proven track record of maintaining spend within budget but securing financial resilience in the future will be a major task. Continued close control and monitoring of spend is needed throughout the remainder of 2011/12 to minimise the risk of a budget overspend at year end.

The process of identifying savings opportunities to meet the £15m funding

I assess your arrangements to secure economy, efficiency and effectiveness in your use of resources against two criteria specified by the Audit Commission. My findings and conclusion on each of the two areas specified in 2010/11 are below.

I intend to issue an unqualified conclusion stating that the Council has proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Criteria	Findings
1. Financial resilience **The organisation has proper arrangements in place to secure financial resilience.** Focus for 2010/11: The organisation has robust systems and processes to manage effectively financial risks and opportunities, and to secure a stable financial position that enables it to continue to operate for the foreseeable future.	General fund expenditure is managed well across the Council, with a recognition that managing spending and securing a stable financial position is not simply a finance function but is an integral part of effective performance management. Systems and processes are well established but also continue to change and develop to suit changing circumstances. In September 2010, and in response to the Government's June 2010 emergency budget, the Council revised its 2010/11 budget to reflect the required in-year reductions to its government and other grants of some £6.8m. It identified a number of actions to address the funding shortfall and delivered against these, once again keeping overall spend within budget for the year. At 31 March 2011 general fund balances totalled £7.367m, just over 6.5% of net expenditure. There is no correct level of balances. It is up to each organisation to determine its own level based on an assessment of the potential risks that could result in a call on those balances, and this could change from year to year.

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gap for 2012/13 is underway but further work is needed to ensure a fully identified savings plan is in place for the 2012/13 budget.

Funding arrangements for Mersey Gateway are not yet finalised and may impact upon the Council's longer term financial resilience.

There is scope for officers to revisit the Council's reserves and balances strategy to more explicitly link the planned level of balances to a risk assessment.

Like much of the public sector the council is facing significant financial pressures. The Council sets its annual budget in the context of a medium term financial forecast (MTFF) which covers a three year period. The most recent MTFF 2011/12 to 2013/14 was produced in November 2010. This identified a potential funding gap of £48m over the three year period. For 2011/12, the first year covered by the MTFF, the Council has set a balanced budget which includes savings of £13.853m. The main areas of savings include the ongoing efficiency programme (£2.8m), terms and conditions (£1.5m) and voluntary redundancies and early retirements (£1.3m). Directorate budgets also include significant savings targets amounting to £8.2m, some of which impact upon services, for example £105k from closure of a children's home, £80k from reducing library opening hours and £29k from closure of a day centre. First quarter monitoring reports for 2011/12 indicate the Council is on track to achieve its budget but in year pressures may still present challenges along the way. Close control and monitoring of spend is required through the remainder of the year to minimise the risk of a budget overspend at the end of March 2012.

The funding gaps for 2012/13 and 2013/14 are even more challenging. In 2012/13 the Council has set a savings target of £15m to bridge the gap and enable it to continue to set a balanced budget. The Budget Working Group (BWG) for 2012/13 held its first meeting on 24 March 2011, several months earlier than in previous years and an acknowledgement of the work needed to secure continued financial balance. Directorates are required to support any savings proposals with a service impact assessment. During August and early September the BWG is meeting with each of the three directorates to scrutinise their savings proposals and impact assessments for 2012/13. Although the process is underway savings of £15m have not yet been identified fully. Further work is needed to ensure a full and detailed savings plan is in place to support the 2012/13 budget.

One very significant issue for the Council in terms of ongoing financial resilience is Mersey Gateway. As members know it is a hugely complex and costly scheme which will have long term financial implications for the Council. Planning permission has been granted but funding arrangements have yet to be finalised. The Council is in ongoing dialogue with the Government and the outcome of these discussions may well test the Council's financial resilience going forward. The outcome of my review of the proposed accounting treatment of the development costs associated with Mersey Gateway may also impact upon the Council's financial resilience for the 2011/12 financial year.

2. Securing economy efficiency and effectiveness

The organisation has proper arrangements for challenging how it secures economy, efficiency and effectiveness.

Focus for 2010/11:

The organisation is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity.

Like most other public sector organisations the Council faces significant challenges to deliver services within tighter budgets particularly from 2011/12 onwards. To date the Council's efficiency programme has been key to helping it achieve cost reductions and improving efficiency.

A strategic approach to reducing costs and improving value for money is evident through the Council's efficiency programme and budget setting process. The revised structures for transactional support services such as finance, HR, administration and procurement are in place and have resulted in cost savings and some improved process arrangements. The revised management structure, moving from four to three directorates, came into operation with effect from 1 April 2011.

I have commented positively in previous value for money conclusion work about the Council's structured and methodical efficiency review methodology which also includes an evaluation stage following implementation. My view remains the same. Wave 1 efficiency reviews are now complete and have resulted in net savings of £3.2m. Wave 2 reviews as at June 2011 have delivered savings of £1.2m but several of the schemes are still in progress. Wave 3 reviews have been identified and are at outline business case stage with savings targets yet to be determined.

There is evidence that the Council is addressing areas of high spend through the efficiency review programme. New service delivery options were explored as part of the Revenues & Benefits and Customer Services (HDL) review (wave 2), both services had been identified as high cost. The review resulted in savings of £487k, a reduction in staffing of 11.5 FTEs and placement of benefits officers within contact centres to enable face to face delivery of the service. Following a 'bedding in' period indicators are that processing times for new claims and change in circumstances claims are both improving.

A new corporate charging framework is now in place and an efficiency review of income and charging is also underway. This is timely given two internal audit reports in 2010/11 on community meals and pest control. Both reports identified weaknesses in full cost recovery processes and made recommendations for improvement.

Much strengthened and improved procurement arrangements have been established via a centre of excellence. Procurement is now considered a key mechanism for delivering the efficiency programme and efficiencies in general across the Council. An e-tendering system, Due North (the Chest), has been introduced to advertise and manage all tender exercises and also aims to encourage procurement with local businesses. Between June 2010 and end of February 2011 136 new local businesses registered with the Chest, increasing local business numbers from 279 to 415. Since April 2010 the procurement team has reduced the Council's spend by just over £600k from a review and award of new contracts. More recent initiatives in 2011/12 include an increase in value thresholds within the Council's standing orders with the aim of generating potential savings through less bureaucracy and a more streamlined approach.

Report by exception

The Audit Commission requires me to report by exception where significant matters come to my attention, which I consider to be relevant to proper arrangements to secure economy, efficiency and effectiveness in your use of resources.

There are no matters that I wish to draw to your attention.

Appendix 1 – Draft audit report

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HALTON BOROUGH COUNCIL

Opinion on the Authority and Group accounting statements

I have audited the Authority and Group accounting statements of Halton Borough Council for the year ended 31 March 2011 under the Audit Commission Act 1998. The Authority and Group accounting statements comprise the Authority and Group Movement in Reserves Statement, the Authority and Group Comprehensive Income and Expenditure Statement, the Authority and Group Balance Sheet, the Authority and Group Cash Flow Statement, and Collection Fund and the related notes. These accounting statements have been prepared under the accounting policies set out in the Statement of Accounting Policies.

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 purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010.

Respective responsibilities of the Operational Director - Finance and auditor

As explained more fully in the Statement of the Operational Director – Finance Responsibilities, the Operational Director - Finance is responsible for the preparation of the Authority and Group's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom. My responsibility is to audit the accounting 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 accounting statements sufficient to give reasonable assurance that the accounting statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority and Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Authority and Group; and the overall presentation of the accounting statements. I read all the information in the explanatory foreword to identify material inconsistencies with the audited accounting statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

Opinion on accounting statements

In my opinion the accounting statements:

- give a true and fair view of the state of Halton Borough Council's affairs as at 31 March 2011 and of its income and expenditure for the year then ended;
- give a true and fair view of the state of the Group's affairs as at 31 March 2011 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom.

Opinion on other matters

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

Matters on which I report by exception

I have nothing to report in respect of the governance statement on which I report to you if, in my opinion the governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007.

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

Authority's responsibilities

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

Auditor's responsibilities

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

I report if significant matters have come to my attention which prevent me from concluding that the Authority 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 Authority'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 2010, as to whether the Authority 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 Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2011.

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 Authority 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 2010, 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 ending 31 March 2011.

Certificate

I certify that I have completed the audit of the Authority and Group 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

Officer of the Audit Commission

Audit Commission Office, 3rd Floor, Millennium House, 60 Victoria Street, Liverpool L1 6LD

September 2011

Appendix 2 – Amendments to the draft financial statements

I identified the following misstatements during my audit and management have adjusted the financial statements. I bring them to your attention to aid you in fulfilling your governance responsibilities.

		Comprehensive income and expenditure statement (CIES)		Balance sheet	
Adjusted misstatement	Nature of adjustment	Dr £000s	Cr £000s	Dr £000s	Cr £000s
Comprehensive income and expenditure statement (CIES) – exceptional item	As a result of the change in indexation of pensions from RPI to CPI a past service gain of £42.038m has been recognised as an exceptional item on the CIES. It has been incorrectly shown as a credit in the income column, it should be disclosed as a credit to the expenditure column. Reduce gross expenditure total from £405.291m to £363.253m. Net expenditure unaffected.		42,038		
Comprehensive income and expenditure statement (CIES) –	As last year the CIES includes the PCT's share of pooled budget	6,415	6,415		

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		Comprehensive income and expenditure statement (CIES)		Balance sheet	
adult social care	income and expenditure of £6,415m. The CIES should only include the Council's income and expenditure on the three pooled budgets. Reduce Adult Social Care income and expenditure by £6.415m.				
Balance sheet – short term debtors and note 16	Debtors were originally reported gross in the balance sheet and its supporting note with the bad debt provision (BDP) of £7.351m included within general provisions at note 22. Debtors should be disclosed net of the £7.351m BDP. There is also a new requirement in 10/11 to show net debtors (debtor less BDP) by category within the debtors balance sheet note (note 16). Reduce the short term debtors balance by £7.351m. Expand disclosure within note 16 to show net debtor for each category of debt.			N/A	N/A
Balance sheet – property, plant and equipment (PPE) and note 9	Reclassification of a building (The Hive) from surplus assets to assets under construction (AUC).			N/A	N/A
Financial instruments – note 13	Amendments required to the financial instruments note to reflect the amendment made to debtors and the BDP. The financial instruments balances table has changed as	N/A	N/A	N/A	N/A

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		Comprehensive income and expenditure statement (CIES)		Balance sheet	
	follows: current assets 31/3/10 from £35.043m to £25.225m and current assets 31/3/11 from £32.604m to £25.253m. The fair values of financial assets table has changed as follows: carrying value debtors and petty cash 31/3/10 from £35.607m to £26.778m and 31/3/11 from £24.643m to £17.292m; fair value debtors and petty cash 31/3/10 from £35.607m to £26.778m and 31/3/11 from £23.047m to £17.292m.				
Senior officers' remuneration – note 35	Several amendments to note 35 on senior officers' remuneration: salary for one officer who left part way through 2010/11 added, salary for one officer increased from £81,800 to £85,800 to include car allowance, several changes to pay bandings for officers who received redundancy payments in 2010/11 and additions and corrections made to narrative footnote disclosures.	N/A	N/A	N/A	N/A
Contingent liability – note 47	Contingent liability disclosure note for equal pay amended from £4m to £8m to £1.5m to £2m to reflect potential future liability.	N/A	N/A	N/A	N/A

		Comprehensive income and expenditure statement (CIES)		Balance sheet	
Cash flow statement – and associated notes 25, 26 and 27	2008/09 restated comparator for cash and cash equivalents at beginning of reporting period amended from £0.807m to £1.347m to reflect correct categorisation of finance leases from operating activities to financing activities. 2009/10 restated cash and cash equivalents amended from (£1.077m to £1.077m to remove incorrect brackets. 2010/11 net cashflows from operating activities amended from £10.531m to £7.424m to correct inconsistencies with the balance sheet. 2010/11 net cashflows from investing activities amended to include proceeds of £0.936m from sale of PPE. Note 26 amended. 2010/11 net cashflows from financing activities amended from £21.125m to £19.125m to reflect repayment of borrowings of £2m and be consistent with balance sheet.	N/A	N/A	N/A	N/A
The collection fund income and expenditure (I&E) account, balance sheet and disclosure notes.	The I&E account includes a provision for doubtful/bad debts of £454k. This includes £184k of write offs which should be disclosed separately.	N/A	N/A	N/A	N/A

		Comprehensive income and expenditure statement (CIES)	Balance sheet
	Reduce provisions by £184k and increase write offs of by £184k The cash figure of £324k on the Collection Fund Balance Sheet amended to reflect correct amount of £51k. Constituent amounts amended as follows: Halton from £273k to £43k, Cheshire Police from £35k to £6k and Cheshire Fire from £16k to £3k. Several amendments required to the following Collection Fund disclosure notes: apportionment of balances, note 2 on properties and band D equivalents and note 4 on non domestic rates.		
Group accounts	Amendments required to the group accounts to reflect the amendment made to Halton's main accounts in respect of debtors and the BDP. Group balance sheet: current assets from £34.493m to £27.142m and current liabilities from £52.257m to £44.905m. Group CIES: net cost of services from £112.774m to £112.213m, financing and investment income and expenditure from £4.268m to £4.829m, surplus 1/4/10 Council	As per detail in adjustment column.	

		Comprehensive income and expenditure statement (CIES)		Balance sheet	
	from £6.376m to £7.974m and surplus 31/3/11 Council from £6.828m to £7.906m.				
Other amendments	Various amendments and or enhancements to narrative within accounting policies to more fully comply with the requirements of IFRS. Addition errors on CIES and notes to the Abstract corrected. Internal cross referencing errors corrected.	N/A	N/A	N/A	N/A
Items omitted from first draft of the Abstract	Transition to IFRS note Movement in Reserves Statement Events after the balance sheet date (note 3) PPE note (note 9) Construction contracts (note 15) Unusable reserves (note 24) Segmental reporting note (note 28) Grant income (note 38) PFI and similar contracts (note 42) Impairment losses (note 43) Capitalisation of borrowing costs (note 44) Termination benefits (note 45) Detail relating to the following notes:	N/A	N/A	N/A	N/A

	Comprehensive income and expenditure statement (CIES)	Balance sheet
leasing, trading operations, audit fees, deferred capital receipts, contingent liabilities, post balance sheet events, analysis of net assets employed and trust funds. Gross income and expenditure values for CIES 2009/10 comparators.		

Appendix 3 – Unadjusted misstatements to the financial statements

I identified the following misstatements during my audit but management has not adjusted the financial statements. I bring them to your attention to help you in fulfilling your governance responsibilities and ask you to correct these misstatements.

If you decide not to amend, please tell me why in the representation letter. If you believe the effect of the uncorrected errors, individually and collectively, is immaterial, please reflect this in the representation letter. Please attach a schedule of the uncorrected errors to the representation letter.

		Comprehensive income and expenditure statement		Balance sheet	
Unadjusted misstatement	Nature of required adjustment	Dr £000s	Cr £000s	Dr £000s	Cr £000s
The value of land and buildings is understated by £1.9m. Values for two properties were copied incorrectly from the valuation report.	Value of land and buildings on the balance sheet would increase by £1.9m.			1,900	
Debtor accruals are overstated by £1.508m. The year end debtor balance includes a capital accrual	Debtors would reduce by £1.508m				1,508

	Comprehensive income and expenditure statement	Balance sheet
of £1.508m in respect of a quarter 3 section 31 transport grant. This grant was received in 2010/11 and is not therefore a year end debtor to the Council.		

Appendix 4 – Glossary

Annual governance statement

A statement of internal control prepared by an audited body and published with the financial statements.

Audit closure certificate

A certificate that I have completed the audit following statutory requirements. This marks the point when I have completed my responsibilities for the audit of the period covered by the financial statements.

Audit opinion

On completion of the audit of the financial statements, I must give my opinion on the financial statements, including:

- whether they give a true and fair view of the financial position of the audited body and its spending and income for the year in question; and
- whether they have been prepared properly, following the relevant accounting rules.

Opinion

If I agree that the financial statements give a true and fair view, I issue an unqualified opinion. I issue a qualified opinion if:

- I find the statements do not give a true and fair view; or
- I cannot confirm that the statements give a true and fair view.

Materiality and significance

The Auditing Practices Board (APB) defines this concept as ‘an expression of the relative significance or importance of a particular matter for the financial statements as a whole. A matter is material if its omission would reasonably influence users of the financial statements, such as the addressees of the auditor’s report; also a misstatement is material if it would have a similar influence. Materiality may also be considered for any individual primary statement within the financial statements or of individual items included in them. We cannot define materiality mathematically, as it has both numerical and non-numerical aspects’.

The term ‘materiality’ applies only to the financial statements. Auditors appointed by the Commission have responsibilities and duties under statute, as well as their responsibility to give an opinion on the financial statements, which do not necessarily affect their opinion on the financial statements.

‘Significance’ applies to these wider responsibilities and auditors adopt a level of significance that may differ from the materiality level applied to their audit in relation to the financial statements. Significance has both qualitative and quantitative aspects.

Weaknesses in internal control

A weakness in internal control exists when:

- a control is designed, set up or used in such a way that it is unable to prevent, or detect and correct, misstatements in the financial statements quickly; or
- a control necessary to prevent, or detect and correct, misstatements in the financial statements quickly is missing.

An important weakness in internal control is a weakness, or a combination of weaknesses that, in my professional judgement, are important enough that I should report them to you.

Value for money conclusion

The auditor’s conclusion on whether the audited body has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources based on criteria specified by the Audit Commission.

The Code of Audit Practice defines proper arrangements as corporate performance management and financial management arrangements that form a key part of the system of internal control. These comprise the arrangements for:

- planning finances effectively to deliver strategic priorities and secure sound financial health;
- having a sound understanding of costs and performance and achieving efficiencies in activities;
- reliable and timely financial reporting that meets the needs of internal users, stakeholders and local people;
- commissioning and buying quality services and supplies that are tailored to local needs and deliver sustainable outcomes and value for money;
- producing relevant and reliable data and information to support decision making and manage performance;
- promoting and displaying the principles and values of good governance;
- managing risks and maintaining a sound system of internal control;
- making effective use of natural resources;
- managing assets effectively to help deliver strategic priorities and service needs; and
- planning, organising and developing the workforce effectively to support the achievement of strategic priorities.

If I find that the audited body had adequate arrangements, I issue an unqualified conclusion. If I find that it did not, I issue a qualified conclusion.

Appendix 5 – Action Plan

Page No	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
6	Ensure that the 2011/12 Abstract is prepared ahead of the 30 June deadline to allow completion of a comprehensive quality assurance review before submission to audit	3				
6	To comply with the Accounts and Audit Regulations 2011 the Operational Director – Finance should sign a full set of financial statements and associated notes by 30 June of the relevant year	3				
13	Ensure a reconciliation between the asset ledger and general ledger is incorporated within the accounts closedown plan and use the output to prepare the accounts	3				
13	As part of the accounts closedown process ensure costs are allocated to the correct year	3				
13	Build in consideration of actual recovery rates	3				

Page No	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
	into the methodology for calculating the bad debt provision for NNDR. Ensure reports used to calculate the bad debt provision for council tax are net of credits and costs					
13	Improve reporting of related party interests by members and officers. A senior officer should consider the risks relating to the declaration and record the action taken to minimise the risk.	3				

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