

Halton Borough Council

Abstract of Accounts 2009/10

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

.....

Councillor D. Leadbetter
Chairman of Business Efficiency Board

.....

Date

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

Introduction

The Council's Accounts for 2009/10 are presented in the following format

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Foreword by Operational Director - Finance

Introduction

There have been further amendments in the layout of the Abstract of Accounts this year, in compliance with the Code of Practice on Local Authority Accounting in the UK 2009 Statement of Recommended Practice (SORP), as the SORP seeks to bring Local Authority Accounting 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 2009/10 are set in the following pages grouped as follows:

Core Financial Statements

- *Income and Expenditure Account* – 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.
- *Statement of Movement on the General Fund* – this statement takes the surplus or deficit from the income and expenditure account and adds items that need to be debited or credited in accordance with statute and non-statutory proper practices to determine the movement on the General Fund.
- *Statement of Total Recognised Gains and Losses* – not all gains and losses experienced by the Council are reflected in the Income and Expenditure Account, for example gains on revaluation of fixed assets. This statement therefore brings together all gains and losses recognised in the accounting period, to assist in assessing the overall financial result for that period.
- *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 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 Statement of Recommended Practice.

Foreword by Operational Director – Finance continued

Supplementary Financial Statements

- *Collection Fund Account* – this is a statutory statement which Councils who are Billing Authorities are obligated to maintain under the Local Government Finance Act 1992.
- *Group Accounts* – this statement is required if the Council has determined there is a need to present a consolidated position of its activities. The need for, and format of, the Group Accounts are set out in the Statement of Recommended Practice. The Group Accounts consolidate the accounts of Halton Borough Transport Limited with the Council's accounts by grossing up the Income and Expenditure Account 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).
- *Annual Governance Statement* – this statement sets out the review of the systems and framework of internal controls which are in place to ensure that the Council complies with its own regulatory procedures, in accordance with Regulation 4 of the Accounts and Audit Regulations 2006.
- *Statement of Accounting Policies* – this statement explains the basis for the recognition, measurement and disclosure of transactions and other events in the accounts.
- *Audit 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 global "credit crunch" and consequent UK recession have had a significant impact upon the Council's finances during the year and this has been reflected in the MTFS. Largely as a response to the MTFS, the Council commissioned an Efficiency Review across all Council Services in order to review the way in which the Council delivers

Foreword by Operational Director - Finance continued

services and to identify efficiencies, the initial phases of which were implemented during the year.

Summary of the 2009/10 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

	Original Budget £'000	Actual £'000
Net Expenditure	105,467	104,978
Parish Precepts	44	44
Total	105,511	105,022
Financed by Local Taxpayers	(42,702)	(42,702)
Financed by Government Grants	(62,459)	(62,574)
(Surplus)/Deficit for Year	350	(254)
Balances brought forward	(6,921)	(6,921)
Balance carried forward	(6,571)	(7,175)

The Council has closely monitored and controlled its spending throughout the year such that total spending was £104.978m, which was £0.489m below the budget for the year (compared to £0.281m in the previous year). This was primarily due to staffing expenditure being below budget across the Council as vacancies remained unfilled in anticipation of the Efficiency Review.

Certain areas were also below budget such as school transport and investment income was significantly over achieved as a result of having locked into longer term deals prior to the credit crunch. These were partly offset by significant shortfalls in income in areas such as planning fees, building control fees, market rents, commercial rents, land search fees, trade and bulky waste, and industrial estate rents. These areas have been addressed in setting the 2010/11 budget.

Foreword by Operational Director - Finance continued

Coupled with the planned contribution from balances of £0.35m and the receipt of Local Authority Business Growth Incentive (LABGI) grant of £0.115m, this has resulted in a net increase in balances of £0.254m to £7.175m.

Schools

Expenditure incurred from the Schools budget, both by individual Schools and the Council totalled £80.3m.

This excludes any changes in the level of School balances and is shown in more detail in Note 10 to the accounts relating to the disclosure of deployment of the Dedicated Schools Grant.

In addition, School also spent £11.9m relating to various Standards Funds grants.

Schools carry forward balances at 31st March 2010 totaling £3.4m for individual Schools balances and £4.2m for Standards Funds grants, which in total are £0.7m lower than the previous year.

Pension Liability

Under Financial Reporting Standard 17 (FRS17), 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. From 2009/10 the Council have become liable for the past service deficit of the Cheshire Pension Fund relating to Halton Borough Transport Ltd. The most notable amendment is the inclusion on the Balance Sheet of the Pension Reserve, a statutory account which records the estimated liability of the Council in the provision of pensions to its employees, based on various actuarial assumptions. The Pension Reserve Account liability increased from £86.50m to £212.95m over the year.

Single Status

The first phase of the pay and grading review of all relevant Council staff in accordance with equal pay legislation has been completed along with the subsequent appeals process. A number of equal pay claims have been received and agreement has been reached in terms of some whilst the remainder are still being addressed. The Council has made provision for the potential costs of the latter in an earmarked reserve.

Changes in Statutory Functions or Service Delivery

From 1st February 2010 the Council took over from Wirral MBC as the lead Council for the contract for the delivery of the Connexions Service on behalf of the Merseyside Councils.

Foreword by Operational Director - Finance continued

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.

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, Widnes Waterfront, 3MG, Primary Capital Programme and Building Schools for the Future.

Capital Expenditure

The Council spent £33.208m on capital schemes in 2009/10 compared with planned expenditure of £41.667m. This outturn represents 80% of the total programme for which 20% slippage was anticipated throughout the year. The main areas of slippage were in respect of Mersey Gateway advance land acquisition, Widnes Waterfront, and Bridge maintenance. A more detailed analysis of the expenditure is included as part of the notes to the core 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 £1.547m was due to the Council for the 2009/10 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 £0.200m was due from the Trust for 2009/10. 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 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 early part of the year, to having secured advantageous fixed rates on a number of investments for up to three years.

Foreword by Operational Director – Finance continued

The Council did not undertake any long term borrowing in the year and at the year end was borrowing £22.0m (fair value £22.02m), well within its authorised borrowing limit of £70.5m. The £22.0m comprised a long term loan from the Public Works Loan Board for £10m, a Lenders Option Borrowers Option loan from the Euro Hypo bank for £10m and two short term borrowings for £2.0m. 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 2010 the Council had £16.1m (fair value £16.7m) invested. None of the Council's investments are with foreign banks.

The Council approved the Minimum Revenue Policy Statement as part of its Treasury Management procedures in March 2010 effective from 1st April 2009.

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 Councils are pooled and then redistributed back to Councils 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

The SORP continues to drive towards meeting International Financial Reporting Standards (IFRS) due to be fully implemented by 2010/11. More detailed notes are required to explain the complex nature of financial assets and liabilities.

Work is currently underway to address the implications of full compliance with IFRS from 2010/11. This will result in significant changes to the 2010/11 Abstract of Accounts, both in terms of accounting treatments, the volume of disclosure notes and the time required for the preparation of the Abstract.

The 2009/10 SORP requires that the Council must now account for the Collection Fund on an agency basis. As such any balances at the end of the financial year are distributed amongst Council, Cheshire Police Authority and Cheshire Fire Authority.

From 2009/10 the Accounts and Audit Regulations require that the accounts are certified as true and fair by the Chief Finance Officer rather than presenting fairly the financial position as was previously the case.

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 2009/10 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

Income and Expenditure Account

Net Expenditure 2008/09 Restated £'000	Services	Gross Expenditure 2009/10 £'000	Gross Income 2009/10 £'000	Net Expenditure 2009/10 £'000
	CONTINUING OPERATIONS			
48,403	Children's & Education Service	154,939	(121,159)	33,780
28,675	Adult Social Care	56,248	(27,104)	29,144
15,931	Highways and Transport	23,360	(3,679)	19,681
37,357	Cultural, Environmental Regulatory and Planning Services	51,143	(12,925)	38,217
2,244	Housing Services	72,307	(71,126)	1,181
26,364	Central Services	19,165	(10,154)	9,012
3,188	Corporate and Democratic Core	5,535	(53)	5,483
3,036	Non Distributed Costs	6,251		6,251
165,198	NET COST OF SERVICES	388,949	(246,200)	142,749
	Corporate Income & Expenditure			
(1,843)	(Gains) or Losses on Disposal of Fixed Assets			(2,098)
36	Precepts Paid to Parish Councils			44
(108)	(Surplus)/Deficit from Trading Operations			(664)
865	Interest Payable			1,007
16	Contribution of Housing Capital Receipts to Government Pool			15
(2,983)	Interest Receivable			(1,815)
2,081	Pension Interest Cost and Expected Return on Pensions Assets			7,317
163,262	NET OPERATING EXPENDITURE			146,555
	Principal Sources of Finance			
(40,881)	Precept on Collection Fund			(42,408)
(21,322)	General Government Grants			(27,226)
(53,338)	Contribution from NDR Pool			(50,746)
47,721	(SURPLUS)/DEFICIT FOR THE YEAR			26,174

Statement of Movement on the General Fund

<i>2008/09 £'000 Restated</i>		<i>2009/10 £'000</i>
47,721	(Surplus)/Deficit brought forward from Income and Expenditure Account	26,174
(47,410)	Net Additional Amount required by statute and non-statutory proper practices to be debited or credited to the General Fund for the year (Note 12)	(25,423)
63 248	(Increase)/Decrease in General Fund balance for the year (Increase)/Decrease in School balances for the year	(254) 1,005
(6,985)	General Fund balance brought forward	(6,921)
(4,639)	Schools balances brought forward	(4,391)
(6,921)	General Fund balance carried forward	(7,175)
(4,391)	School balances carried forward	(3,385)
(11,312)	Balances Carried Forward	(10,560)

Statement of Total Recognised Gains and Losses

This statement brings together all the gains and losses of the Council for the year and shows the aggregate change in its net worth. In addition to the surplus or deficit generated on the Income and Expenditure Account, it includes gains and losses relating to the revaluation of fixed assets and re-measurement of the net liability to cover the cost of retirement benefits.

<i>2008/09 £'000 Restated</i>		<i>2009/10 £'000</i>
47,721	(Surplus)/Deficit for the year on Income and Expenditure Account	26,174
(1,426)	(Surplus)/Deficit arising on revaluation of available for sale financial assets	1,474
(16,118)	(Surplus)/Deficit arising on revaluation of fixed assets	(15,563)
46,095	Actuarial (gains)/losses on pension fund assets and liabilities	118,886
76,272	Total Recognised (Gains)/Losses for the Year.	130,971

Balance Sheet

31/3/2009 £'000 Restated		Note	£'000	31/3/2010 £'000
291,102	Net Fixed Assets	13		308,059
2,456	Intangible Assets	14	4,133	
483	Long Term Investments	15	476	
1,572	Long Term Debtors	17	1,554	6,163
295,613	Total Long Term Assets			314,221
	Current Assets			
339	Stocks	16	386	
23,113	Debtors	17	21,504	
41,720	Temporary Investments		16,783	
1,218	Prepayments		1,166	
66,390	Total Current Assets		39,839	
	Current Liabilities			
(20,967)	Temporary Loans		(2,131)	
(24,629)	Creditors	18	(28,726)	
(15,369)	Receipts in Advance		(18,611)	
2,503	Cash in Hand/(Overdrawn)		1,454	
(58,462)	Total Current Liabilities		(48,014)	
7,928	Net Current Assets/(Liabilities)			(8,176)
303,541				306,046
(19,302)	Long Term Borrowing	25	(19,893)	
(1,760)	Deferred Liabilities	22	(1,953)	
-	Provisions	20	(871)	
(49,044)	Government Grants – Deferred		(54,416)	
(86,501)	Liability Related to Defined Benefit Pension Scheme	28	(212,950)	(290,084)
146,934	Total Assets less Liabilities			15,962
(160,955)	Capital Adjustment Account	21		(146,193)
(1,857)	Financial Instruments Adjustment Account	21/29		(383)
(583)	Collection Fund Adjustment Account			(290)
(20,675)	Revaluation Reserve	21		(35,632)
(11,885)	Capital Receipts Unapplied	21		(10,099)
(1,428)	Deferred Capital Receipts	19		(1,392)
86,501	Pensions Reserve	28		212,950
(24,740)	Reserves – General	21		(24,364)
(4,391)	– School			(3,385)
(6,921)	Revenue Balances – General			(7,175)
(146,934)	Total Equity	26		(15,962)

Cashflow Statement

Actual 2008/09 £'000		Actual 2009/10 £'000	Actual 2009/10 £'000	Notes
	Revenue Activities			
	<i>Cash Outflows</i>			
(144,027)	Cash Paid to and on behalf of Employees	(149,276)		
(129,902)	Other Operating Cash Payments	(108,210)		
(50,423)	Housing Benefit Paid Out	(58,374)		
(24)	Payments to the Capital Receipts Pool	(13)		
(324,377)			(315,873)	
	<i>Cash Inflows</i>			
3,118	Rents (after Rebates)	3,118		
33,583	Council Tax Receipts	34,157		
53,338	Non Domestic Rate Income from National Pool	50,746		
7,425	Revenue Support Grant	11,713		
45,709	DWP Grants for Benefits	56,354		
139,491	Other Government Grants	129,192		30
13,961	Cash Received for Other Goods and Services	13,254		
23,484	Other Revenue Cash Payments/Income	22,556		
320,108			321,090	
	Dividends from Joint Ventures and Associates			
	<i>Cash Inflows</i>			
100	Dividends Received		100	
(4,168)	REVENUE ACTIVITIES NET CASHFLOW		5,318	31
	Returns on Investments and Servicing of Finance			
	<i>Cash Outflows</i>			
(978)	Interest Paid	(1,005)		
	<i>Cash Inflows</i>			
3,043	Interest Received	1,815		
2,065			810	
	Capital Activities			
	<i>Cash Outflows</i>			
(37,697)	Purchase of Fixed Assets	(28,029)		
(1,931)	Other Capital Cash Payments	(2,567)		
(39,628)		(30,596)		
	<i>Cash Inflows</i>			
3,289	Sale of Fixed Assets	2,353		
21,251	Capital Grants Received	15,948		
211	Other Capital Cash Receipts	188		
24,751		18,489	(12,107)	
	Acquisitions and Disposals			
-	No transactions			
(16,979)	Net Cash (Inflow)/Outflow before Financing		(5,979)	
	Management of Liquid Resources			
2,000	Net Increase/(Decrease) in Short Term Deposits		22,900	
3,544	Net Increase/(Decrease) in Other Liquid Resources		730	
	Financing			
	<i>Cash Outflows</i>			
-	Repayment of Amounts Borrowed – Long Term	-		
-	– Short Term	(18,700)		
-		(18,700)	(18,700)	
	<i>Cash Inflows</i>			
-	New Loans Raised – PWLB	-		
-	– Other	-		
14,700	New Short Term Loans	-		
14,700			-	
3,265	(Increase)/Decrease in Cash and Cash Equivalents		(1,049)	32

Notes to the Core Financial Statements

Income and Expenditure Account

1. Leasing

1(a) Where Halton Borough Council is the Lessee

The Council uses leased vehicles, wheeled bins and other equipment financed under operating leases. During 2009/10 the Council has arranged 4 new leases of various vehicles with a total value of £544,622.

The amount paid in rental under operating leases in 2009/10 was £398,991 (2008/09 £215,420), with outstanding obligations of £1,319,330 (31.3.09 £1,199,782). The amount paid in rental under finance leases in 2009/10 was nil (2008/09 nil), with no outstanding obligations.

1(b) Where Halton Borough Council is the Lessor

The Council leases out buildings and land to third parties as detailed below:

	<i>Annual Rent due to HBC 2008/09</i>	<i>Depreciation on Assets 2008/09</i>	<i>Annual Rent due to HBC 2009/10</i>	<i>Depreciation on Assets 2009/10</i>
	£	£	£	£
Industrial Estates				
– Wholly Owned	962,736	426,507	873,667	301,785
– Shared Ownership with Pochins (50:50)	52,601	45,920	56,622	22,429
Offices	176,016	120,789	112,830	16,316
Other Land and Properties	434,332	222,676	470,221	215,425
Shops	162,100	160,613	158,550	65,752
Public Houses Ground Rent	53,600	-	48,050	-
Car Parks	2,674	-	7,450	-
	1,844,059	976,505	1,727,390	621,707

Notes to the Core Financial Statements continued

2. Trading Operations

The Council operates public markets, several industrial estates and owns a successful transport undertaking. A brief summary and comparison with 2008/09 is detailed below:

Income 2009/10 £'000	Expenditure 2009/10 £'000	Trading (Surplus)/ Deficit 2009/10 £'000	Trading (Surplus)/ Deficit 2008/09 £'000	Trading Account	Asset Rentals 2009/10 £'000	Total inc. Asset Rental 2009/10 £'000
(942)	901	(41)	(52)	Markets	49	8
(1,032)	460	(572)	(688)	Industrial Estates	-	(572)

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

	2008/09 £'000	2009/10 £'000
Markets	85	8
Industrial Estates	(93)	(572)
Halton Transport Dividend	(100)	(100)
	(108)	(664)

Halton Transport is a wholly owned subsidiary of the Council and further details of its operations are shown in Balance Sheet Note 19.

Notes to the Core Financial Statements continued

3. Agency and Pooled Budget Expenditure

The Council is accountable for the following pooled budgets with the 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 co-ordinated services.

Revenue 2008/09 £'000		Revenue 2009/10 £'000
(2,513)	Funding	
(10,057)	Halton & St. Helens Primary Care Trust	(4,526)
(413)	Halton Borough Council	(9,414)
395	Other Income	(242)
	Income under/(over) achieved	(350)
(12,588)	Total Funding	(14,532)
	Expenditure	
1,099	Nursing Care	1,096
1,112	Residential Care	1,396
2,827	Supported Living	3,875
2,382	Homecare	2,365
1,864	Day Services	1,949
916	Specialist Learning Disabilities Team	977
40	Support for Advocacy	41
419	Respite	319
1,319	Senior Managers	1,212
40	Adult Placement	71
-	PCP Co-Ordinator	58
-	Provision for Bad Debt	1,612
46	Other	30
12,064	Total Expenditure	15,001
(524)	(Surplus)/Deficit for the Year	469
-	Balance brought forward	-
(524)	(Surplus)/Deficit for the Year	469
524	Deficit Returned to Partners (67%:32%)	(469)
-	Balance carried forward	-

Notes to the Core Financial Statements continued

3. 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 2008/09 £'000		Revenue 2009/10 £'000
	Funding	
(445)	Halton Borough Council	(195)
(195)	Halton & St. Helens Primary Care Trust	(253)
(640)	Total Funding	(448)
	Expenditure	
120	Management Fee	178
291	Stock	184
120	Halton & St. Helens PCT Expenditure	178
531	Total Expenditure	540
(109)	(Surplus)/Deficit for the Year	92
-	Balance brought forward	-
(109)	(Surplus)/Deficit for the Year	92
109	Deficit Returned to Partners (44%:56%)	(92)
-	Balance carried forward	-

Notes to the Core Financial Statements continued

3. Agency and Pooled Budget Expenditure (continued)

Children with Disabilities

Object: To oversee the development and implementation of a multi-agency strategy regarding the provision of services to children with disabilities, their families and carers.

Revenue 2008/09 £'000		Revenue 2009/10 £'000
(1,313)	Funding Halton & St. Helens Primary Care Trust Halton Borough Council	(811)
(1,073)		(1,570)
(2,386)	Total Funding	(2,381)
	Expenditure	
108	Management	116
175	Commissioned Services	193
734	Shaping Services	607
23	Direct Payments	50
19	Grants to Voluntary Organisations	-
-	Stakeholder Training	8
-	Recharges	11
-	Improvements	3
27	Equipment Provision	16
-	Residential Placements	142
513	Childrens Disability Scheme	604
510	Inglefield	635
2,110	Total Expenditure	2,385
(276)	(Surplus)/Deficit for the Year	4
-	Balance brought forward	-
(276)	(Surplus)/Deficit for the Year	4
276	Surplus Returned to Partners (36%:34%)	(4)
-	Balance carried forward	-

Notes to the Core Financial Statements continued

3. 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 2008/09 £'000		Revenue 2009/10 £'000
(592)	Funding	
(665)	Halton & St. Helens Primary Care Trust	(2,552)
	Halton Borough Council	(2,116)
(1,257)	Total Funding	(4,668)
	Expenditure	
66	Management	110
270	Therapy Team	359
119	Nursing Team	144
129	Social Work Team	132
261	Care Team	295
37	Administration Team	29
65	Winter Pressures	76
-	Home Renablement	1,005
-	Residential Intermediate Care	660
-	Sub Acute Unit	1,482
-	Assessment Team	207
126	Other Expenditure	26
1,073	Total Expenditure	4,525
(184)	(Surplus)/Deficit for the Year	(143)
-	Balance brought forward	-
(184)	(Surplus)/Deficit for the Year	(143)
184	Surplus Returned to Partners (45%:55%)	143
-	Balance carried forward	-

Notes to the Core Financial Statements continued

4. Exceptional Items

There are no exceptional items to report.

5. Senior Officers & Officers Emoluments

The number of employees whose remuneration, inclusive of car benefit but excluding pension contributions, was £50,000 or more in bands of £10,000 were as shown below.

Remuneration Band		2008/9		2009/10	
		Number of employees		Number of employees	
		Total	Non-Teaching	Total	Non-Teaching
		Teaching	Teaching	Teaching	Teaching
£50,000	£54,999	40	13	32	22
£55,000	£59,999	27	14	34	26
£60,000	£64,999	7	18	13	19
£65,000	£69,999	5	6	7	6
£70,000	£74,999	2	2	3	6
£75,000	£79,999	1	7	2	5
£80,000	£84,999	1	9		9
£85,000	£89,999	1	4	2	2
£90,000	£94,999	1		1	
£95,000	£99,999			1	
£100,000	£104,999				
£105,000	£109,999	1	3		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				
£150,000	£154,999				
£155,000	£159,999				
£160,000	£164,999		1		1
£165,000	£169,999				
		86	78	96	101

Within the above table 3 staff are included within the 2009/10 Non Teaching staff numbers solely as a result of having received voluntary severance payments following the organisational restructuring from 1st April 2010.

Notes to the Core Financial Statements continued

5. Senior Officers & Officers Emoluments (continued)

Regulation 4 of the Accounts and Audit (amendment no.2) Regulations 2009 introduce 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 team 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 Authority. 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: Operational Director Enablement was appointed on 1st December 2008. Their annualised salary for 2008/9 was £75,000.

Note 2: Operational Director Older People/PSD left On 31st December 2009. Their annualised salary was £83,700 (£81,600 for 2008/9).

Note 3: The Operational Director Children & Family Services resigned on 7th June 2009, their annualised salary being £79,500. They were replaced on 8th June 2009 at an annualised salary of £75,200

Note 4: Operational Director Exchequer Services retired on 31st December 2009. Their annualised salary was £81,800 (£79,700 for 2008/9).

Notes to the Core Financial Statements continued

5. Senior Officers Emoluments 2009/10 (continued)

Post Title	N B	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	
		2008/09	2009/10	2008/09	2009/10	2008/09	2009/10	2008/09	2009/10	2008/09	2009/10	2008/09	2009/10
Chief Executive - David Parr		157,100	157,500	0	0	7,200	7,200	164,300	164,700	29,200	29,300	193,500	194,000
Strategic Directors:													
Adults & Community		107,500	108,600	0	0	0	0	107,500	108,600	19,200	19,500	126,700	128,100
Children & Young People		105,300	104,300	0	0	0	3,000	105,300	107,300	18,800	19,000	124,100	126,300
Environment & Economy		106,800	106,800	0	0	3,900	4,500	110,700	111,300	19,900	19,900	130,600	131,200
Resources		103,500	104,600	0	0	3,700	3,100	107,200	107,700	19,200	19,500	126,400	127,200
Operational Directors:													
Enablement	1	61,700	77,000	0	0	0	0	61,700	77,000	10,700	13,600	72,400	90,600
Community		81,600	83,700	0	0	0	0	81,600	83,700	14,400	14,800	96,000	98,500
Complex Needs		81,600	84,300	0	0	0	0	81,600	84,300	14,400	14,900	96,000	99,200
Older People/PSD	2	81,600	67,000	0	74,000	0	0	81,600	141,000	14,400	11,100	96,000	152,100
Prevention & Commissioning		81,600	83,700	0	0	0	0	81,600	83,700	14,400	14,800	96,000	98,500
Children & Family Services	3	77,300	16,000	0	0	0	0	77,300	16,000	13,600	2,600	90,900	18,600
Children & Family Services	3	0	73,100	0	0	0	0	0	73,100	0	12,800	0	85,900
Childrens Organisation & Provision		75,600	77,600	0	0	3,300	3,300	78,900	80,900	14,000	14,400	92,900	95,300
Learning & Achievement Services		79,400	81,600	0	0	0	0	79,400	81,600	14,000	14,400	93,400	96,000
Environment & Regulatory Services		79,700	81,800	0	0	7,900	7,400	87,600	89,200	14,800	15,200	102,400	104,400
Highways, Transportation & Logistics		77,300	79,400	0	0	0	0	77,300	79,400	13,600	14,000	90,900	93,400
Major Projects		79,700	81,600	0	0	7,500	7,800	87,200	89,400	14,800	15,200	102,000	104,600
Exchequer	4	79,700	68,100	0	0	7,700	5,700	87,400	73,800	14,800	11,400	102,200	85,200
Finance		87,900	87,900	0	0	0	0	87,900	87,900	15,600	15,600	103,500	103,500
ICT Services		81,600	83,700	0	0	0	0	81,600	83,700	14,400	14,800	96,000	98,500
Legal & Democratic		81,800	81,800	0	0	3,200	3,200	85,000	85,000	15,200	15,200	100,200	100,200
Policy & Performance		81,600	83,700	0	0	0	0	81,600	83,700	14,400	14,800	96,000	98,500
		1,849,900	1,873,800	0	74,000	44,400	45,200	1,894,300	1,993,000	333,800	336,800	2,228,100	2,329,800

Notes to the Core Financial Statements continued

6. Members' Allowances

During the year £710,739 (2008/09 £702,900) was paid to Members including Mayoral and Deputy Mayoral allowances.

7. 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. 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. housing benefits). A summary of the material transactions with Central Government is included in the table below, with additional detail included in the Cashflow Statement.

	<i>Receipts £m 2008/09</i>	<i>Receipts £m 2009/10</i>	<i>Payments £m 2008/09</i>	<i>Payments £m 2009/10</i>
Central Government and Government Agency				
– General Revenue Support	(74.66)	(77.97)		
– Specific Revenue Grants	(124.49)	(128.17)		
– DSS Support to Rebates/Allowances	(51.31)	(59.02)		
– Capital	(21.11)	(13.62)		
Cheshire County Council				
– 3C Waste Rent	(0.07)	(0.07)		
– Home Office Services			0.14	0.17
Cheshire Police Authority – Precept			5.13	5.37
Parish Councils – Precept			0.04	0.04
Cheshire Fire Authority – Precept			2.37	2.47
Environmental Agency – Levy			0.06	0.06
Halton Housing Trust	(2.66)	(0.28)	0.49	0.53

A more detailed analysis of grants appears in the Notes to the Cashflow Statement.

The significant accruals for debtors and creditors outstanding at the year end and regarding related parties are summarised below.

	Debtors £m	Creditors £m
Department of Transport – Section 31 Grant Claims	0.56	
DCSF – Grants	0.74	
Department of Transport – Mersey Gateway	1.70	
HMRC – VAT Reimbursement	2.03	
DCLG – Contribution re NDR	5.53	
NWDA - Grant Claims	1.60	
Inland Revenue – March Income Tax Deductions		2.74
DWP Housing Benefit Subsidy		1.24
Halton & St. Helens PCT – various		2.31
Teachers Pensions Agency – March Contributions		0.64
	12.16	6.93

Notes to the Core Financial Statements continued

7. Related Party Transactions (continued)

The position with companies in which the Council has a share interest is disclosed in the section on Group Accounts.

Other statements of interest within the Abstract are Members' Allowances (Note 6 to the Income and Expenditure Account) and Pensions (Note 28 to the Balance Sheet).

To assist with Compliance with the Code of Practice the Council has introduced a system of self regulation.

The system 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 2009/10 the system has highlighted that 12 Members had interests in various voluntary sector bodies, some of which receive grant support from the Council, and more specifically 2 Members are involved with Halton Housing Trust. The declarations also showed that two Executive Officers represent the Council on the boards of various bodies within the borough, some of which receive grant assistance.

8. Audit Fees

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

	2008/09 £'000	2009/10 £'000
Fees Payable for		
– Audit	229	256
– Inspections	22	-
– Grants and Returns	71	52
– Other	-	2
	322	310

Notes to the Core Financial Statements continued

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

There are no transactions to report.

10. Disclosure of Deployment of Dedicated Schools Grant

The Council's expenditure on schools is funded by grant monies provided by the Department for Education and Skills, 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 2009/10 are as follows:

Total 2008/09		Central Expenditure 2009/10	Individual Schools Budget 2009/10	Total 2009/10
£'000		£'000	£'000	£'000
(77,959)	Final DSG for 2009/10	(8,155)	(71,542)	(79,697)
(1,176)	Brought Forward from 2008/09	(1,065)	-	(1,065)
-	Carry Forward to 2010/11 agreed in advance	-	-	-
(79,135)	Agreed budget distribution in 2009/10	(9,220)	(71,542)	(80,762)
8,930	Actual central expenditure	8,710	-	8,710
69,140	Actual ISB Deployed to Schools	-	71,542	71,542
-	Local Authority contribution for 2009/10	-	-	-
1,065	Carry Forward to 2010/11	510	-	510

11. General Government Grant

The Council received the following revenue grants from the government that are not attributable to specific services during the financial year.

2008/09 £'000		2009/10 £'000
(7,425)	Revenue Support Grant	(11,713)
(6)	Local Authority Growth Business Initiative	(115)
(13,891)	Area Based Grant	(15,398)
(21,322)		(27,226)

Notes to the Core Financial Statements continued

Statement of Movement on the General Fund

12. Analysis of Movement on General Fund

<i>2008/09</i> <i>£'000</i>		Net Expenditure 2009/10 £'000
	<i>Amounts included in the Income and Expenditure Account but required by statute to be excluded when determining the Movement on the General Fund for the year</i>	
(652)	Amortisation of Intangible Fixed Assets	(720)
(17,914)	Depreciation and Impairment of Fixed Assets	(15,921)
(47,678)	– Depreciation	(8,870)
11,194	– Impairments	4,269
(129)	Government Grants Deferred Amortisation	(447)
1,843	Revenue Expenditure Funded from Capital Under Statute	2,098
(11,762)	Net Gain or (Loss) on Sale of Fixed Assets	(19,432)
63	Net Charges made for Retirement Benefits in accordance with FRS17	(293)
(65,035)	Collection Fund Surplus for year	(39,316)
	<i>Amounts not included in the Income and Expenditure Account but required to be included by statute when determining the Movement on the General Fund for the year</i>	
1,546	Minimum Revenue Provision for Capital Financing	1,781
502	Capital Expenditure charged in year to the General Fund	634
(16)	Transfer from Usable Capital Receipts to meet payments to the Housing Capital Receipts Pool	(15)
10,612	Employer's Contributions payable to the Pension Fund and Retirement Benefits payable direct to pensioners	11,869
12,644		14,269
	<i>Transfers to and from the General Fund that are required to be taken into account when determining the Movement on the General Fund for the year</i>	
4,981	Contribution to/(from) Reserves	(377)
(47,410)	AMOUNT TO BE MET FROM GOVERNMENT GRANT AND LOCAL TAXPAYERS	(25,423)

The impairments line represents downward revaluations and capital expenditure which did not add value to fixed assets and the effect of negative revaluations.

Notes to the Core Financial Statements continued

Balance Sheet

13(a) Fixed Assets

Movements in fixed assets during the year were as follows:

Total 2008/09		Operational Assets				Non Operational Assets			Intangible Assets	Total 2009/10
		Land and Buildings	Community Assets	Infrastructure Assets	Vehicles, Plant and Equipment	Investment	Under Construction/ Development	Surplus		
£'000	Cost or Valuation	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
362,618	As at 1 April 09	180,778	5,328	116,442	5,365	10,731	1,057	16,751	3,602	340,054
33,374	Additions and Enhancements	1,689	828	12,369	1,370	-	5,366	7,831	532	29,985
(3,909)	Disposals/Alienations	-	-	-	-	-	-	-	-	-
-	Reclassifications	(38)	-	-	-	-	(1,047)	1,085	-	-
(52,030)	Revaluations/Impairments	8,535	-	-	-	-	(3,838)	(3,312)	-	1,386
340,053	As at 31st March 10	190,963	6,156	128,811	6,735	10,731	1,539	22,356	4,134	371,424
(53,588)	Depreciation									
(18,566)	As at 1 April 09	(2,724)	(717)	(40,145)	(1,759)	(5)	-	-	(1,146)	(46,497)
3,043	Depreciation for the year	(5,241)	(293)	(8,993)	(999)	(395)	-	-	(720)	(16,641)
(91)	Disposals/Alienations	-	-	-	-	-	-	-	-	-
22,707	Reclassifications	24	-	-	-	-	-	(24)	-	-
(46,495)	Depreciation on Assets Revalued	3,881	-	-	-	-	-	24	-	3,905
	As at 31 March 10	(4,060)	(1,010)	(49,138)	(2,758)	(400)	-	-	(1,866)	(59,232)
293,558	Balance Sheet Amount as at 31 March 10	186,904	5,145	79,673	3,978	10,331	1,539	22,356	2,267	312,192
309,030	Balance Sheet Amount as at 1 April 09	178,054	4,611	76,297	3,606	10,726	1,057	16,751	2,456	293,557

There are no assets held under finance leases or PFI arrangements

Notes to the Core Financial Statements continued

13(b) Financing of Capital Expenditure

	2008/09 £'000	2009/10 £'000
Expenditure during year:		
– Fixed Assets	33,374	26,147
– Other Capital Expenditure	3,448	3,838
– Grants & Advances – General	502	1,984
– Grants & Advances – Improvements to Property	1,134	1,239
	38,458	33,208
Financed by:		
– Loans – Supported	3,767	6,790
– Prudential	6,326	8,377
– Grant – Central Government	9,667	8,011
– Other	10,275	5,145
– Capital Receipts/Reserve	5,834	3,587
– Private Developers	2,087	664
– Revenue	502	634
	38,458	33,208

The analysis above shows the Council spent £33m during 2009/10. This represents spend at 80% of the programme compared with the target spend of 90%. The highlights of the programme were:

	£m	£m
Construction or Purchase of Assets		
Mersey Gateway Acquisitions	8.047	
IT Rolling Programme	1.399	
Recycling Bins	0.167	9.613

Notes to the Core Financial Statements continued

13(b) Financing of Capital Expenditure (continued)

	£m	£m
Improving, Maintaining or Extending Assets		
Highway/Bridge Maintenance	10.053	
Disability Discrimination Works	1.399	
My Place – Kingsway	0.928	
Halton Lea Library Refurbishment	0.596	
Municipal Building Refurbishment	0.329	
Extension to Moore Primary School	0.271	
Development of Runcorn Town Hall Facilities	0.146	
Runcorn Town Hall Refurbishment	0.100	13.822
Other Works		
Regeneration - Ditton Strategic Rail Freight Park	0.553	
- Widnes Waterfront	1.468	
- Castlefields	0.452	
- Local Strategic Plan Programme	0.148	
Playgrounds/Sports Pitches	0.655	
Improvements to Allotments	0.040	3.316

Disposal of Assets/Capital Receipts

Land/Dwellings/Recovered Advances – the Council received £0.032m from the sale of land and various properties.

Under residual arrangements, the Council received £0.200m (£0.385m in 2008/09) from Halton Housing Trust for the sale of homes during the year, and a further £1.547m (£1.544m in 2008/09) under VAT Shelter arrangements.

Notes to the Core Financial Statements continued

13(c) Contingent Liabilities – Contractual

Significant Contractual Commitments

The liabilities are analysed below:

Scheme	Purpose	Approx. Value £'000	Duration
Property Services			
Kingsway Health Centre	Conversion to My Place youth centre	1,843	6 months
Municipal Building	Refurbishment	2,869	9 months
All Saints School	School Rebuild	2,761	1 year

13(d) Finance Leases

There are no outstanding commitments.

13(e) Operating Leases

Although not included on the Balance Sheet, the Council is required to disclose the rentals due next year analysed by the outstanding rental period.

	2008/09 Other £	2009/10 Other £
Less than 1 year	5,186	37,239
2 to 5 years	210,234	384,404
5 years plus	-	-
	215,420	421,643

Notes to the Core Financial Statements continued

13(f) Information on Assets Held

The major fixed assets owned by the Council and included in the register are detailed below. The register has a de minimus level of £35,000.

Operational Land and Buildings

Assets used in the delivery of services to the public

Cemeteries	2	Admin. Buildings	6	Car Parks	5
Crematorium	1	Civic Centre/Theatre	1	Schools	48
Swimming Baths	1	Markets	2	Libraries	3
Leisure/Sports Centre	3	Learning Centres	1	Depots	3
Youth/Community Centres	7	Public Conveniences	2		
Play Centres	2	Social Service Buildings	12		
Gypsy Site	2	Community/Sports Stadium	1		

Operational Equipment

Variety of items, mainly computer equipment. The Councils vehicles are either leased or rented.

Infrastructure Assets

Laying out/improving land (including derelict land) for open space, town centre and highway use.

Roads	567.6km	Street Lighting Columns	19,500
Puffin Crossings	19	Bridges/Structures	275
Pelican Crossings	1	Traffic Signals	56
Toucan Crossings	4		

Community Assets

Land set aside for formal and informal recreation

Playing Fields	} 2,012 acres
Open Spaces	

Non-Operational Assets

Assets which are not involved in delivering services to the public.

Industrial Land	23.5 acres	Shops	6
Residential Land	72.5 acres	Industrial Estates	5
Commercial Land	13.0 acres	Miscellaneous Properties	20

The Council owns 181 assets (land or buildings) that are below the de minimus level which have a total value of £ 1.148m

Notes to the Core Financial Statements continued

13(g) Method of Valuation

General

The freehold and leasehold land and properties which comprise the Council's property portfolio were valued at 1st April 2009 by the Council's in house valuer Mr P O'Donnell BA (MRICS).

The properties have been valued on the under mentioned basis in accordance with the CIPFA code Statement of Asset Valuation and Practice and Guidance Notes of the Royal Institution of Chartered Surveyors.

Operational Assets

Land and Buildings

Non specialised property is included at existing use value.

Specialised property is included on the basis of depreciated replacement cost.

Community Assets

This group includes parks, cemetery land, civic regalia and other identifiable assets held in perpetuity, usually at historical cost. The Council's civic regalia, paintings, artefacts and other items, either donated or purchased, were valued in August 2007 by Bonhams of Chester (auctioneers and valuers). They are included on the balance sheet at insurance valuations.

Infrastructure

This group of assets are included on the basis of historical cost 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 included at historical cost.

Non-Operational Assets

Investments/Surplus

This group contains the assets owned by the Council which are not directly involved in the delivery of a service. They are included at market value.

Notes to the Core Financial Statements continued

13(g) Method of Valuation (continued)

Under Construction/Development

These schemes are held temporarily on the Balance Sheet at historical cost, until the asset is completed, when it is replaced with a formal valuation.

Intangible

This group consists of mainly software licences for computer systems held at historical cost.

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 over a 5 year cycle.

14. Intangible Assets

	Balance at 1st April 2009	Expenditure	Amounts amortised	Balance at 31st March 2010
	£'000	£'000	£'000	£'000
Software Licences	2,456	532	(720)	2,268

The reclassification required by the Statement of Recommended Practice highlighted the need to show separately a new category of intangible assets. The Council has identified various software licences which fall within this category. Also see Note 13(a) to the balance sheet.

15. Investments

The investments consist of:

	Balance at 31/03/09 £'000	Balance at 31/03/10 £'000
Halton Borough Transport Ltd.		
– Share Capital	430	430
– Debenture	53	46
Halton Development Partnership Limited – de minimus	-	-
Widnes Regeneration Limited – de minimus	-	-
	483	476

Notes to the Core Financial Statements continued

15. Investments (continued)

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 below:

	Year to 31st March 2009 £'000	Year to 31st March 2010 £'000
Profit and Loss Account		
Turnover	(5,414)	(5,485)
Operating and Other Expenditure	5,273	4,383
Net (Profit)/Loss (before Dividend)	(141)	(1,102)
Dividend due to Borough Council	(100)	(100)
Balance Sheet as at 31st March		
Fixed Assets	3,005	3,161
Current Assets less Current Liabilities	(949)	(1,052)
Net Current Assets	2,056	2,109
Long Term Liabilities	(651)	(765)
Provisions for Liabilities and Charges	(136)	(115)
Pension Scheme Liability	(810)	-
	459	1,229
Represented by:		
Share Capital	(430)	(430)
Profit and Loss Account	(29)	(799)
	(459)	(1,229)

The undertaking received an unqualified audit opinion for the year ended 31st March 2010.

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

Notes to the Core Financial Statements continued

16. Stocks and Work in Progress

	<i>31st March 2009</i> £'000	<i>31st March 2010</i> £'000
Catering – Bars – Provisions	159	127
Other	170	247
Railcards	10	12
	339	386

17. Debtors

	<i>31st March 2009</i> £'000 <i>Restated</i>	<i>31st March 2010</i> £'000
<i>Short Term</i>		
Council Tax	2,830	2,960
Summons Costs	370	364
Central Government	7,602	8,919
General	18,883	18,090
	29,685	30,333
Less Provision for Non-Payment	(6,572)	(8,829)
	23,113	21,504
<i>Long Term</i>		
Mortgagors – Council House Sales	47	28
Housing Associations	1,115	1,098
Other	410	428
	1,572	1,554

Notes to the Core Financial Statements continued

18. Creditors

	31st March 2009 £'000 Restated	31st March 2010 £'000
Government Departments	(1,603)	-
Payroll Related	(3,353)	(4,724)
Land Sale Deposits	(99)	(99)
Capital	(1,117)	(3,073)
Credit Balances, Council Tax	(178)	(176)
Invoices in Payment Process	(5,890)	(5,813)
Late Invoices and Accruals	(12,388)	(14,841)
	(24,628)*	(28,726)

19. Deferred Capital Receipts

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

	31st March 2009 £'000	31st March 2010 £'000
Mortgages – Former Right to Buy	(47)	(28)
– Housing Associations	(1,115)	(1,098)
– Castlefield Equity Advances	(266)	(266)
	(1,428)	(1,392)

Notes to the Core Financial Statements continued

20. Provisions

The Council currently has a provision for bad debt which is deducted from debtors under note 17 and two other new provisions detailed below.

	31st March 2009 £'000	31st March 2010 £'000
Bad Debt Provision	(6,572)	(8,829)
Equal Pay Provision	-	(711)
Land Search Charge Claims	-	(160)
	(6,572)	(9,700)

21. Reserves

In addition to general reserves the Council holds the following more specific reserves:

	Opening Balance 01/04/2009 £'000	£'000	£'000	Closing Balance 31/03/2010 £'000
		Alienations	Revaluations	
Revaluation Reserve This account holds the effect of any revaluations since the 1 st April 2007	(20,675)	-	(14,957)	(35,632)
		Movement		
Financial Instruments Adjustment Account This account records the difference between the historical cost of an instrument and its carrying value as the 31 st March	(1,857)	1,474		(383)
		Movement		
Capital Adjustment Account This account reflects the transactions in year relating to the financing of assets.	(160,955)	14,762		(146,193)
		Receipts	Financing	
Capital Receipts Reserve This account shows the value of unused capital receipts available to help finance the capital programme.	(11,885)	(1,815)	3,601	(10,099)

Significant Movements on General Reserves:

Capital – the reserve has been used to fund further works on the Mersey Gateway Project

Equal Pay – further funding has been set aside to offset the costs of claims that have not yet been finalised

Invest to Save – the reserve has been increased to help to meet the upfront costs of implementing schemes that will reduce future revenue costs

Notes to the Core Financial Statements continued

21. Reserves (continued)

Building Schools for the Future Capital – funding has been set aside to meet the cost of capital schemes for identified projects

The Council maintains the following Reserves:

	1st April 2009 £'000 Restated	Movement in year £'000	31st March 2010 £'000
Capital (to support Capital Programme)	(4,746)	1,848	(2,898)
Insurance General Fund (to meet future claims not covered by insurance)	(3,411)	-	(3,411)
Insurance Former HRA Properties (to offset pre LSVT claims)	(1,451)	59	(1,392)
Performance Grant (earmarked to support 2009/10 Revenue Budget)	(250)	250	-
Sports Development (To support the ongoing development of Halton sports)	(71)	71	-
Building Schools for the Future Capital (To fund future capital costs)	-	(981)	(981)
Integrated Community Equipment (Share of pooled budget with Halton & St Helens PCT)	(76)	41	(35)
Working Neighbourhoods Fund (earmarked to support 2010/11 Revenue Budget)	(415)	(914)	(1,329)
Adults With Learning Difficulties (Share of pooled budget with Halton & St Helens PCT)	(419)	319	(100)
Business Link (returned monies following the wind-up of Business Link)	(14)	-	(14)
Childrens Disabilities (Share of pooled budget with Halton & St Helens PCT)	(372)	3	(369)
Revenue Priorities Fund (earmarked funding carried forward)	(615)	544	(71)
Invest to Save (to fund investments in revenue saving initiatives)	(2,718)	1,431	(1,287)
Major Project Fees (to fund future major project implementation costs)	(90)	(42)	(132)
Neighbourhood Management (earmarked to fund future project costs)	(233)	182	(51)
Halton Castle Duchy of Lancaster (Halton Castle Restoration Project)	(104)	12	(92)
Supporting People (earmarked to fund future schemes)	(1,577)	550	(1,027)
Building Schools for the Future (to fund future implementation costs)	(1,433)	714	(719)
Halton Safeguarding Children Board (earmarked partnership contributions towards safeguarding of Halton children)	(81)	81	-

(continued over leaf)

Notes to the Core Financial Statements continued

21. Reserves (continued)

	1st April 2009 £'000	Movement in year £'000	31st March 2010 £'000
CYPD CAMHs & Care Matters (Grant to be utilised in 2009/10)	(130)	130	-
Enterprise and Employment (to fund E&E activities for future years)	(1,667)	28	(1,639)
Health & Community (to support the 2010/11 revenue budget)	(696)	(266)	(962)
Mersey Gateway (to fund future planning work re Mersey Gateway)	(327)	(658)	(985)
Core Strategy (to fund Local Development Framework Core Strategy Costs)	(250)	-	(250)
Equal Pay (To fund any costs arising from equal pay claims)	(2,499)	(1,574)	(4,073)
Intermediate Care Pool (Share of pooled budget with Halton & St Helens PCT)	(98)	(64)	(162)
Housing Planning Delivery Grant (to fund on-going projects)	(35)	(93)	(128)
Growth Points (to fund future initiatives to be identified by the Growth Points partnership)	(146)	(803)	(949)
PCT Drug Treatment (Funding for drug and alcohol misuse treatment)	(583)	(203)	(786)
Olympic Legacy Fund (To support the on-going development of sports in Halton)	(109)	(72)	(181)
Arts Development Strategy Fund (To support the medium term arts development strategy)	(125)	(15)	(140)
Agresso Development (To fund the expected costs for the upgrade of financial software)	-	(150)	(150)
IFRS Implementation (To fund expected costs of the implementing new financial reporting requirements)	-	(50)	(50)
Total All Reserves	(24,740)	377	(24,364)

22. Deferred Liabilities

This balance represents cash received from developers to help the Council improve or enhance its assets, usually in conjunction with new developments.

	Balance at 31st March 2009 £'000	Balance at 31st March 2010 £'000
Private Developers Transferred Liabilities – Latent Liabilities	(1,760)	(1,953)
	(1,760)	(1,953)

Any sums received against future maintenance liabilities are now permanently set aside each year. In 2009/10 £0.3m was set aside.

Notes to the Core Financial Statements continued

23. Contingent Liabilities – Other

The Council is in receipt of 816 Equal Pay Claims against which settlement offers have been made to a number of claimants, a specific provision has been created for this element. For the remaining claims it is difficult to estimate the level of future liabilities

Legal Claims

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

24. Post Balance Sheet Events

There were no significant post balance sheet events.

25. Long Term Borrowing – At Fair Value

	<i>Outstanding at 31st March 2009</i>	<i>Outstanding at 31st March 2010</i>
	£'000	£'000
Source of Loans:		
Public Works Loan Board	<i>(8,378)</i>	<i>(8,110)</i>
Europaische Hypothekenbank	<i>(10,924)</i>	<i>(11,783)</i>
	<i>(19,302)</i>	<i>(19,893)</i>
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	<i>(19,302)</i>	<i>(19,893)</i>
	<i>(19,302)</i>	<i>(19,893)</i>

Notes to the Core Financial Statements continued

26. Analysis of Net Assets Employed

The net assets represent the aggregate of reserves (both capital and revenue) attributable to the General Fund and Schools. This is the total equity of the Council.

	31st March 2008 £'000 Restated (146,934)	31st March 2009 £'000 (15,962)
Total Equity		
Analysis:		
General Fund	(142,543)	(12,577)
Schools	(4,391)	(3,385)
	(146,934)	(15,962)

27. Trust Funds

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

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

The Council acts as sole Trustee for two trust funds, and as one of several Trustees for a further six funds.

Notes to the Core Financial Statements continued

27. Trust Funds (continued)

		31.3.09	Expenditure/ Payments	Income/ Receipts	31.3.10
		£	£	£	£
(A) Funds for which the Council acts as sole Trustee					
Social Services Special Funds					
At 31st March the Council was acting as a Trustee for various Social Services clients	Balance	1,829,235			1,931,434
Public Health (Control of Disease) Act 1984					
At 31st March the Council was holding various sums under the above Act in respect of public funds	Balance	18,615			18,615
(B) Funds where the Council doesn't have sole control					
<u>Registered Charities</u>					
Knights House Charity					
Objective: To assist the needy in the Widnes area Charity No. 218886	Assets Liabilities	279,609 (177,493)			306,365 (193,082)
		102,116	(15,767)	26,934	113,283
Runcorn General War Relief Fund					
Objective: To assist the needy in the Runcorn area Charity No. 505396	Assets Liabilities	31,247 (15,922)			32,169 (16,748)
		15,325	0	96	15,421
Widnes Educational Foundation					
Objective: To assist in education opportunities for students in Widnes Charity No. 526510	Assets Liabilities	17,944 (14,896)			21,660 (20,021)
		3,047	(1,689)	281	1,639
<u>Other</u>					
Other Social Services Funds					
The Council holds various sums on a voluntary basis for clients. The funds are mainly used to assist in providing recreational activities	Balance	94,096			143,804
Other Childrens Funds					
The Council holds various sums on a voluntary basis for clients. The funds are mainly used to assist in providing recreational activities	Balance	2,654			3,537
Education Welfare Trust					
The Council holds a small sum on a voluntary basis from various fundraising activities. The funds are used to pay for additional educational activities	Balance	784			785

Notes to the Core Financial Statements continued

28. Disclosure of Net Pensions Asset/Liability

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 Authority 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 administered 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 which related to 2 TUPE employees. The scheme operates on a similar basis to the teachers pension scheme.

Local Government Pension Scheme

Change of Accounting Policy

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

Transactions Relating to Retirement Benefits

In 2009/10 the Council paid an employer's contribution to the Cheshire Pension Fund of £11,265,213 (£10,602,747 in 2008/09), representing 18.6% (18.6% in 2008/09) 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 cost of these payments are detailed below, as impact of settlements and curtailments under the heading Movement in Net Pension Liability.

The cost of retirement benefits is recognised in the Net Cost of Services when they are earned by employees, rather than when the benefits 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 in the Statement of Movement on the General Fund Balance. The following transactions have been made in the Income & Expenditure Account and Statement of Movement in the General Fund during the year:

Notes to the Core Financial Statements continued

28. Disclosure of Net Pensions Asset/Liability (continued)

	<i>2008/09</i>	<i>2009/10</i>
	<i>£'000</i>	<i>£'000</i>
Income and Expenditure Account		
Net Cost of Services		
Current Service Costs	7,438	6,559
Past Service Costs	2,865	839
Impact of Settlements of Curtailments	5	4,717
Net Operating Expenditure		
Interest Costs	20,590	20,651
Expected Return on Assets of the Scheme	(18,509)	(13,334)
Net Charge to the Income and Expenditure Account	12,389	19,432
Statement of Movement on the General Fund:		
Reversal of net charges made for retirement benefits in accordance with FRS 17	(12,389)	(19,432)
Actual amount charged against the General Fund for pensions in the year:		
Employers' contributions payable to scheme	11,239	11,869

In addition to the recognised gains and losses included in the Income and Expenditure Account, actuarial gains and (losses) of (£118.886m), ((£46.095m) 2008/09) were included in the Statement of Total Recognised Gains and Losses. The cumulative amount of actuarial gains and (losses) recognised in the Statement of Recognised Gains and Losses is (£158.120m).

Assets and Liabilities in Relation to Retirement Benefits

Reconciliation of present value of the scheme liabilities

	<i>2008/09</i>	<i>2009/10</i>
	<i>£'000</i>	<i>£'000</i>
1 April	296,756	292,265
Current service cost	7,438	6,559
Interest Cost	20,590	20,651
Contributions by scheme participants	3,663	3,936
Actuarial gains and losses	(28,428)	185,844
Losses / (gains) on curtailments	5	4,717
Benefits Paid	(10,624)	(11,214)
Past service costs	2,865	839
31 March	292,265	503,597

Notes to the Core Financial Statements continued

28 Disclosure of Net Pensions Asset/Liability (continued)

Reconciliation of fair value of the scheme assets:

	2008/09 £'000	2009/10 £'000
1 April	257,500	205,764
Expected rate of return	18,509	13,334
Actuarial gains and losses	(74,523)	66,958
Employer contributions	11,239	11,869
Contributions by scheme participants	3,663	3,936
Benefits Paid	(10,624)	(11,214)
31 March	205,764	290,647

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 £76.666m (2008/09: (£56.232m)).

Scheme History

	2005/06* £'000	2006/07 Restated £'000	2007/08 Restated £'000	2008/09 £'000	2009/10 £'000
Present value of liabilities	(332,100)	(333,600)	(296,756)	(292,265)	(503,597)
Fair value of assets	252,250	272,855	257,500	205,764	290,647
Surplus/(deficit) in scheme	(79,850)	(60,745)	(39,256)	(86,501)	(212,950)

*The Council has elected not to restate fair value of scheme assets for 2005/06 as permitted by FRS 17.

The liabilities show the underlying commitments that the Council has in the long run to pay retirement benefits. The total liability of £213m has a substantial impact on the net worth of the Council as recorded in the Balance Sheet, resulting in a positive overall balance of £16m.

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.

Notes to the Core Financial Statements continued

28. Disclosure of Net Pensions Asset/Liability (continued)

The total contributions expected to be made to the scheme by the Council in the year to 31 March 2011 is £11.299m.

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. The next valuation is due at 31 March 2010.

The principal assumptions used by the actuary have been:

	2008/09	2009/10
Long-term expected rate of return on assets in the scheme:		
Equity Investments	7.0%	7.8%
Bonds	5.4%	5.0%
Property	4.9%	5.8%
Cash	4.0%	4.8%
Mortality Assumptions:		
Longevity at 65 for current pensioners:		
Men	19.6 years	20.8 years
Women	22.5 years	24.1 years
Longevity at 65 for future pensioners:		
Men	20.7 years	22.3 years
Women	23.6 years	25.7 years
Rate of inflation	3.1%	3.8%
Rate of increase of salaries	4.6%	5.3%
Rate of increase of pensions	3.1%	3.8%
Rate for discounting scheme liabilities	6.9%	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:

	31/03/2009	31/03/2010
	%	%
Equity Investments	68	73
Bonds	17	14
Property	8	5
Cash	7	8
	100	100

Notes to the Core Financial Statements continued

28. Disclosure of Net Pensions Asset/Liability (continued)

History of experience gains and losses

The actuarial gains identified as movements on the Pensions Reserve in 2009/10 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2010:

	2005/06*	2006/07 <i>Restated</i>	2007/08 <i>Restated</i>	2008/09	2009/10
Experience gains and losses on scheme assets	% 15.96	% (0.41)	% (15.13)	% (36.22)	% 23.40
Experience gains and losses on scheme liabilities	0.10	0.05	0.69	0.00	0.92

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

Defined Contribution Scheme

In 2009/10, the Council paid an employer's contribution to the Teachers Pension Agency of £5,704,472 (£5,178,467 2008/09) in respect of teachers' pension costs. The contribution rate was 14.1% (14.1% in 2008/09) 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 authority 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 2009/10 the cost was £174,805 (2008/09 £88,892).

NHS Pension Scheme

Defined Contribution Scheme

In 2009/10 the Council paid any employers contribution to the National Health Service Pension Scheme in respect of 2 employees, the amount paid was £13,783 (£15,573 in 2008/09) in respect of these former NHS employees pension costs. The contribution rate was 14.0% (14.0% in 2008/09) of pensionable pay.

Notes to the Core Financial Statements continued

28. Disclosure of Net Pensions Asset/Liability (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.

29. Financial Instruments

Fair Value

The SORP requires that each class of financial asset and liability should disclose the "fair value" in a way that permits it to be compared with its carrying amount, as well as the method used in determining such fair values. The Council has used Sector, its treasury management advisors to calculate these values and they have based the calculation on the appropriate PWLB rate for new loans at the 31st March 2010.

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. To minimise the risk associated with cash deposits, they are made in accordance with an '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. An annual Investment Strategy and regular review of the Counterparty List helps to minimise the risk.

It is difficult to assess in financial terms the exposure of the Council to non repayment of its investments, as there are so few examples of major financial institutions failing. However, recent events have highlighted that despite their financial size and prior healthy credit rating institutions can be vulnerable and can fail, so there is most definitely a risk. The table below uses a nominal risk level of 0.5% to calculate a potential loss in the 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

The counterparties on the Council's list are grouped and ranked by a mixture of credit ratings and size and are set out overleaf;

Notes to the Core Financial Statements continued

29. Financial Instruments (continued)

Maximum Deposit per Institution for placing > 3 months £M	Organisation	Rating	Exposure at 31/03/2010 £'000
7.50	Banks	Rated AA or better	-
5.00		Below AA	8,600
7.50	Building Societies	>£10bn	5,000
5.00		>£5bn<£10bn	-
2.50		>£1bn<£5bn	2,500
5.00	Other Local Authorities		
2.50	Debt Management Office (Government)		
Total			16,100

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.

	<i>Amount Outstanding</i> 31/03/09 £'000	<i>Amount Outstanding</i> 31/03/10 £'000	<i>Historical Debt Default</i> %	<i>Estimated Maximum Exposure</i> 31/03/09 £'000
Deposits with Banks	7,500	8,600	0.50	43.00
Deposits with Building Societies	31,500	7,500	0.50	37.50
Customers/Clients	5,879	9,233	2.50	230.83
				311.33

All Treasury Management indicators were complied with and none of the counterparties had any difficulty in repaying their liabilities. There has been no impairment of any financial assets during the course of the year. The Council did not have any exposure to the Icelandic banks that collapsed in October 2008. The Council does not anticipate any losses due to non-performance of its counterparties.

The Council does not allow credit for customers (except in certain statutory situations) and £3.152m of the £9.233m customer/client debt shown above is overdue. An analysis of the debt is shown below:

	31/03/09 £'000	31/03/10 £'000
Less than 3 months	3,273	6,081
3 to 6 months	347	1,066
6 months to 1 year	978	482
Over 1 year	1,281	1,604
	5,879	9,233
Provision for non payment	(3,749)	(5,587)

Notes to the Core Financial Statements continued

29. Financial Instruments (continued)

Liquidity Risk

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 its borrowing and lending and what rates are prevailing at the time they fall due to be replaced. Halton's current position has arisen due to the housing stock transfer in 2005. 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 lender's option borrower's option (LOBO) arrangement. Under this instrument the lender can exercise 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 being repaid at short notice. Since the transfer the Council has only undertaken one new long term borrowing commitment for an additional £10m repayable in 50 years time. This has 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;

	31/03/09	31/03/10
	£'000	£'000
Less than 1 year	39,345	23,535
Between 1 and 2 years	317	384
Between 2 and 5 years	560	422
Over 5 years	20,000	20,000
	60,222	44,341

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.

Notes to the Core Financial Statements continued

29. Financial Instruments (continued)

Nominal gains or losses on fixed rate borrowings do not impact on the Income and Expenditure account. However changes to interest payable and receivable on variable rate borrowings and investments are posted to the Income and Expenditure account 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 the Statement of Recognised Gains and Losses.

The Treasury Management Strategy adopted for the year as part of the code of practice addresses this risk with recommendations for levels of volatility for both long and short term borrowing and lending.

According to this assessment strategy at 31st March 2010, 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	72
Increase in interest receivable on variable rate investments	(385)
Impact upon Income and Expenditure Account	(313)

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 has no exposure to loss from movement in exchange rates.

Other Financial Instruments

The Council does not hold any instruments under the following headings: available for sale, impaired or uncollectable assets, hedge funds, derecognised assets, financial guarantee contracts or assets pledged as collateral.

Notes to the Core Financial Statements continued

29. Financial Instruments (continued)

Financial Instrument Balances

The assets and liabilities disclosed in the balance sheet are made up of the following categories of financial instruments:

Long Term 31/03/2009 £'000	Current 31/03/2009 £'000		Long Term 31/03/2010 £'000	Current 31/03/2010 £'000
		Financial Liabilities at Amortised Cost		
(20,000)	(20,700)	-Loans	(19,893)	(2,131)
-	(19,493)	-Other Current Liabilities	-	(21,781)
(20,000)	(40,193)	Total Liabilities	(19,893)	(23,912)
		Loans and Receivables		
-	39,000	-Investments	475	16,783
1,572	16,716	-Current Assets		23,199
-	-	-Long Term Debtors	1,554	
-	-	Available-for-Sale Financial Assets	-	-
-	-	Unquoted Equity Investment at Cost	-	-
1,572	55,716	Total Investments	2,029	39,982

Fair Values

Fair Values of Financial Liabilities

Carrying value includes accrued interest;

Carrying Value 31/03/2009 £'000	Fair Value 31/03/2009 £'000		Carrying Value 31/03/2010 £'000	Fair Value 31/03/2010 £'000
(10,069)	(8,378)	Long Term		
(10,065)	(10,924)	-PWLB	(10,069)	(8,179)
		-Market	(10,063)	(11,846)
(10,134)	(10,266)	Short Term		
(10,701)	(10,701)	-PWLB	-	-
(19,493)	(19,493)	-Other Loans	(2,000)	(2,000)
		-Creditors and Cash Overdrawn	(21,781)	(21,781)
(60,462)	(59,762)	Total	(43,913)	(43,806)

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.

Notes to the Core Financial Statements continued

29. Financial Instruments (continued)

Fair Values of Financial Assets

Carrying value includes accrued interest;

Carrying Value 31/03/2009 £'000	Fair Value 31/03/2009 £'000		Carrying Value 31/03/2010 £'000	Fair Value 31/03/2010 £'000
40,156	41,720	Investments	16,503	16,782
18,288	18,288	Debtors and Petty Cash	19,927	19,927
58,444	60,008	Total	36,430	36,709

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 than the rates available for similar investments at the balance sheet date.

Financial Instrument Gains/Losses

The gains and losses recognised in the Income and Expenditure Account and Statement of Total Recognised Gains and Losses in relation to financial instruments are made up as follows:

	Financial Liabilities	Financial Assets		Total £'000
	Liabilities measured at amortised cost £'000	Loans and Receivables £'000	Available-for-sale Assets £'000	
Interest Expense	1,007	-	-	1,007
Losses on Derecognition	-	-	-	-
Impairment Losses	-	-	-	-
Interest Payable and Similar Charges	1,007	-	-	1,007
Interest Income	-	(1,815)	-	(1,815)
Gains on Derecognition	-	-	-	-
Interest and Investment Income	-	(1,815)	-	(1,815)
Gains on Revaluation	-	-	200	
Losses on Revaluation	-	-	(1,674)	
Amounts Recycled to the I&E Account after Impairment	-	-	-	
Surplus arising on Revaluation of Financial Assets	-	-	(1,474)	
Net Gain/(Loss) for the Year	1,007	(1,815)	(1,474)	

Notes to the Core Financial Statements continued

Cashflow Statement

30. Other Revenue Government Grants (by Directorate)

	2008/09 £'000 Restated	2009/10 £'000
Adult Social Care	(5,081)	(2,992)
Corporate & Democratic Core	(713)	-
Central Services	(1,020)	(407)
Cultural, Environmental & Planning	(5,708)	(3,182)
Children's & Education Services	(110,064)	(110,374)
Highways Roads & Transport	(1,163)	(2,131)
Housing	(12,059)	(9,093)
European Regional Development Fund	(3,079)	(1,010)
Single Regeneration Budget	(1)	(3)
	(138,888)	(129,192)

31. Reconciliation of Deficit to Net Revenue Cashflow

	2008/09 £'000 Restated	2009/10 £'000	2009/10 £'000
Surplus/(Deficit) for Year	63		254
Non Cash Transactions			
Minimum Revenue Provision	1,546	1,781	
Contribution to/from Reserves	4,016	(377)	
Movement on Provisions	-	(473)	
Other	(1,904)	1,664	
			2,595
Items on Accruals Basis			
Decrease in Creditors	1,556	4,329	
Decrease in Stocks/WIP	(78)	(47)	
Decrease in Debtors	(6,752)	(1,813)	
			2,469
Other Items in Statement			
Loan Transactions	(2,065)		(810)
Revenue Activities Net Cashflow	(3,618)		(4,508)

Notes to the Core Financial Statements continued

32. Reconciliation of Financing, Liquid Resources, Cash and Cash Equivalents

	31.3.09 £'000 Restated	31.3.10 £'000	Movement £'000
<i>Balance Sheet Movements</i>			
Lending	39,000	16,100	22,900
Borrowing – Long Term	(20,000)	(20,000)	-
– Short Term	(20,700)	(2,000)	(18,700)
Cash at Bank	2,503	1,454	1,049
	803	(4,446)	5,249
<i>Cashflow Statement Balances</i>			
Management of Liquid Resources			22,900
Financing			(18,700)
(Increase)/Decrease in Cash and Cash Equivalents			1,049
			5,249

Liquid resources have been defined as short term investments that are disclosed on the face of the balance sheet.

33. Prior Year Adjustments

1. Cash

A number of balances were erroneously written off to cash instead of the correct treatment of to a creditor. The balances were related to amounts held within the Councils accounts but which belong to other bodies, specifically Trust Funds and Business Improvement District Schemes (BIDs). A school loan was also amended in the same manner.

2. FRS9 (Pooled Budgets)

A number of postings were made erroneously in relation to FRS9 activities. Balances related to pooling activity are required to be allocated between the constituent bodies. Due to changes identified in the treatment of cash and FRS9 adjustments there were amendments required to the accounts.

3. Collection Fund

Changes in the SORP for 2009/10 require that the accounting for Council Tax and Non Domestic Rates is dealt with as an agency arrangement between the respective parties. As a consequence it is necessary to restate the accounts for 2008/09.

Notes to the Core Financial Statements continued

33. Prior Year Adjustments continued.

Extract from Income & Expenditure Account

	Net Expenditure Previously Stated 2008/09 £'000	Net Expenditure Revised 2008/09 £'000
Continuing Operations		
Children's & Education Services	48,501	48,403
Adult Social Care	29,542	28,675
Net Cost of Services	166,163	165,198
Principal Sources of Finance		
Precept on Collection Fund	(40,818)	(40,881)
(Surplus)/Deficit for Year	48,749	47,784

Extract from Statement on the General Fund Balance

	Previously Stated 2008/09 £'000	Revised 2008/09 £'000
(Surplus)/Deficit for Year on General Fund	48,749	47,784
Net Additional Amount Require by statute	(48,438)	(48,438)
Increase/Decrease in General Fund Balance for Year	63	63

Extract from Total Recognised Gains and Losses

	Previously Stated 2008/09 £'000	Revised 2008/09 £'000
(Surplus)/Deficit for Year on Income and Expenditure Account	48,749	47,721
(Surplus)/Deficit on Collection Fund Balance	(75)	-
Total Recognised (Gains)/Losses for the Year	77,225	76,272

Notes to the Core Financial Statements continued

33. Prior Year Adjustments continued.

Extract from General Fund Balance Sheet

	Previously Stated 2008/09 £'000	Revised 2008/09 £'000
Debtors	24,268	23,113
Prepayments	1,223	1,218
Creditors	(22,894)	(24,629)
Receipts in Advance	(15,541)	(15,369)
Cash in hand/(overdrawn)	(1,077)	2,503
Total Assets Less Liabilities	146,077	146,934
Collection Fund Adjustment Account	-	(583)
Reserves - General	(236,775)	(24,740)
- Collection Fund	(691)	-
Total Equity	(146,077)	(146,934)

Extract from Cash Flow

	Previously Stated 2008/09 £'000	Revised 2008/09 £'000
<i>Revenue Activities</i>		
Cash paid to and on behalf of employees	(144,026)	(144,027)
Other Operating Cash Payments	(137,398)	(129,902)
Payment of Police Precept	(5,126)	-
Payment of Fire Precept	(2,368)	-
Payment to NDR Pool	(43,612)	-
Council Tax Receipts	39,700	33,583
Non Domestic Ratepayers	47,645	-
DWP Grants for Benefits	47,206	45,709
Other Revenue Cash Payments/Income	27,375	23,484
<i>Management of Liquid Resources</i>		
Net Increase/(Decrease) in Other Liquid Resources	-	3,544
(increase)/Decrease in Cash and Cash Equivalents	270	3,265

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 Income and Expenditure Account

Actual 2008/09 £'000 Restated		Actual 2009/10 £'000	Note
	Income		
(39,075)	Council Tax Payers	(40,078)	
(9,592)	Transfer from General Fund – Council Tax Benefits	(10,626)	
(45,798)	Business Ratepayers	(44,093)	4
(94,465)		(94,797)	
	Expenditure		
5,126	Precept – Cheshire Police Authority	5,375	3
2,368	Precept – Cheshire Fire Authority	2,465	3
40,818	Demand – Halton Borough Council	42,701	
45,636	Business Rate	43,929	4
162	– Payment to Pool	164	
-	Provision for Doubtful/Bad Debts (Council Tax only)	-	
280	– Write-Offs	510	
	– Provisions		
94,390		95,144	
(75)	(Surplus)/Deficit for Year	347	
-	Balance brought forward	-	
(75)	(Surplus)/Deficit Distributed	347*	7

Collection Fund

Collection Fund Balance Sheet

2008/09					2009/10			
Halton BC £'000	Cheshire Police £'000	Cheshire Fire £'000	Total £'000		Halton BC £'000	Cheshire Police £'000	Cheshire Fire £'000	Total £'000
2,830	359	165	3,354	Council Tax Arrears	2,929	372	171	3,472
(2,017)	(255)	(118)	(2,390)	Provision for Doubtful Debt	(2,275)	(289)	(132)	(2,696)
(239)	(30)	(14)	(283)	Council Tax over/prepayments	(201)	(25)	(12)	(238)
(583)	(74)	(34)	(691)	Surplus/Deficit	(289)	(37)	(17)	(343)
9	1	-	10	Cash	(164)	(21)	(10)	(195)
-	-	-	-		-	-	-	-

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

2009/10 Demand £'000	Ratio		2010/11 Demand £'000	Ratio
42,701	0.84	Halton BC	43,513	0.84
5,375	0.11	Cheshire Police Authority	5,521	0.11
2,465	0.05	Cheshire Fire Authority	2,538	0.05
50,541	1.00		51,572	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 2009/10 at 38,200 (see below), with the Parishes' individual tax bases as follows: Hale 729, Daresbury 141, Moore 345, Preston Brook 347, Halebank 569 and Sandymoor 913.

2. The Council Tax Base Determination

Band	Properties	Ratio	Band D Equivalents
Disabled	51	5/9	28
A	21,881	6/9	14,587
B	10,194	7/9	7,929
C	7,117	8/9	6,326
D	4,173	9/9	4,173
E	3,030	11/9	3,704
F	893	13/9	1,289
G	298	15/9	497
H	26	18/9	52
Total	47,663		38,586*
Multiply by Collection Rate (99%)			38,200

3. Precepting Authorities

Halton Borough Council has two precepting Authorities. For 2009/10 Cheshire Police Authority has set its precept at £5,374,834 the equivalent to a Band D charge of £140.70 per property. Cheshire Fire Authority has set its precept at £2,465,046 the equivalent to a Band D charge of £64.53 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 48.5p (48.1p for small businesses) in the pound for 2009/10. 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:

2008/09 £'000		2009/10 £'000
43,647	NDR Bills issued (Net of Voids & Transitional Relief)	41,904
1,830	Discretionary Relief and Remissions	1,781
425	Debts Written-Off or Provided For	507
(104)	General Fund Contribution to Reliefs and Remissions	(100)
45,798	Net NDR Income	44,093*
(162)	Cost of Collection Allowance Payable to General Fund	(164)
45,636	Payable to NDR Pool	43,929*
<i>The total non domestic rateable value at 31st March 2010 was £107,210,801</i>		

5. Analysis of Arrears

	Gross		Credits		Prepayments	
	£'000 2008/09	£'000 2009/10	£'000 2008/09	£'000 2009/10	£'000 2008/09	£'000 2009/10
Council Tax	3,354	3,472	(209)	(207)	(74)	(31)
NDR	2,031	2,661	(1,257)	(1,287)	(160)	(7)

6. Treatment of Collection Fund Surpluses and Deficits

General

Prior years balances on the Collection Fund have been apportioned to preceptors and Halton pro rata to demands on the Collection Fund. The deficit on the fund for 2009/10 has also been apportioned and therefore 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 Accounts 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

2008/09 £'000		2009/10 £'000
(8)	Cheshire Fire Authority	17
(4)	Cheshire Police Authority	37
(63)	Halton Borough Council	294
(75)		348*

Precepts and Demands on the Collection Fund

2008/09 Total £'000		Precept/ Demand	31.03.10 Share of Deficit	2009/10 Total £'000
5,134	Cheshire Police Authority	5,375	17	5,358
2,372	Cheshire Fire Authority	2,465	37	2,428
40,881	Halton Borough Council	42,701	294	42,407
48,387		50,541	348	50,193

Group Accounts

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

		% Interest
<u>Companies</u>		
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 2009/10 the consolidation involves Halton Borough Transport Ltd only.

The main effect of consolidation has been to increase revenue reserves by £0.799m, 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 Income and Expenditure Account

Net Expenditure 2008/09 Restated £'000			Net Expenditure 2009/10 £'000
165,198	<i>Net Cost of Services</i>	142,749	
(1,843)	Gains or Losses on Disposal of Fixed Assets	(2,098)	
36	Parish Precept Paid	44	
(8)	Trading (Surplus)/Deficit	(564)	
930	Interest Payable	1,086	
16	Contribution of Housing Capital Receipts to Government Pool	15	
(2,986)	Interest Receivable	(1,811)	
38	Tax	232	
2,081	Pension Interest	7,317	
566	Share of Surplus of Subsidiaries	(1,185)	
164,028	<i>Net Operating Expenditure</i>		145,785
	<i>Funded by:</i>		
(74,660)	Government Grants		(77,972)
(40,881)	Collection Fund		(42,408)
48,487	Deficit/(Surplus) for Year		25,405
(47,410)	Net Additional Amount required by statute and non-statutory proper practices to be debited or credited to the General Fund for the year		(25,422)
(7,780)	Surplus 1.4.09. Council		(6,951)
(4,639)	Surplus 1.4.09. Schools		(4,391)
-	Dividend Paid		
(6,951)	Surplus 31.03.10. Council		(7,974)
(4,391)	Surplus 31.03.10. Schools		(3,385)

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

2008/09		2009/10
£'000		£'000
<i>Restated</i> 47,721	(Surplus)/Deficit for the year on the Council Income and Expenditure Account	26,175
104	Adjustment for Transactions with Other Group Entities	100
47,825	(Surplus)/Deficit in the Group Income and Expenditure Account Attributable to the Council	26,275
	(Surplus)/Deficit in the Group Income and Expenditure Account Attributable to Group Entities (adjusted for Intra-Group Transactions)	
662	– Subsidiaries	(870)
-	– Associates	-
-	– Joint Ventures	-
48,487	(Surplus)/Deficit for the year on the Group Income and Expenditure Account	25,405

Group Statement of Total Recognised Gains and Losses

2008/09		2009/10
£'000		£'000
<i>Restated</i> 48,487	(Surplus)/Deficit for the year on Income and Expenditure Account	25,404
14	Any other (gains)/losses required to be included	-
(16,118)	(Surplus)/Deficit arising on revaluation of fixed assets	(15,563)
(1,426)	(Surplus)/Deficit arising on revaluation of available for sale financial assets	1,474
46,095	Actuarial (gains)/losses on pension fund assets and liabilities	118,886
78,005		130,201

Group Balance Sheet

2008/09		2009/10
£'000		£'000
Restated		
294,107	Fixed Assets	31,120
2,456	Intangible Assets	4,133
483	Long Term Investments	0
1,089	Long Term Debtors	1,554
66,652	Current Assets	40,076
(59,674)	Current Liabilities	(49,303)
(19,900)	Long Term Borrowing	(20,612)
(89,207)	Other Liabilities	(215,891)
(49,044)	Government Grants Deferred	(54,416)
146,963	Total Assets less Liabilities	16,761
-	Share Capital	
	Capital Reserves	
(160,955)	Capital Adjustment Account	(146,193)
(1,857)	Financial Instruments Adjustment Account	(383)
(583)	Collection Fund Adjustment Account	(290)
(20,675)	Revaluation Reserve	(35,631)
(11,885)	Capital Receipts	(10,099)
(1,428)	Deferred Capital Receipts	(1,392)
86,501	Pension Reserve	212,950
	Revenue Balances	
(6,950)	General Fund	(7,974)
(24,740)	Earmarked Reserves	(24,364)
(4,391)	School Balances	(3,385)
(146,963)	Total Equity	(16,761)

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

Group Cashflow Statement

<i>2008/09</i>		<i>2009/10</i>	<i>2009/10</i>
<i>£'000</i>		<i>£'000</i>	<i>£'000</i>
<i>(3,667)</i>	Net Cash Inflow from Revenue Activities		5,867
-	Dividends from Joint Ventures and Associates		-
	Returns on Investments and Servicing of Finance		
<i>(1,047)</i>	– Interest Paid	<i>(1,088)</i>	
<i>3,047</i>	– Interest Received	<i>1,819</i>	
<i>2,000</i>			731
<i>(44)</i>	Taxation		<i>(53)</i>
	Capital Expenditure and Financial Investment		
<i>(37,713)</i>	– Purchase of Fixed Assets	<i>(28,037)</i>	
-	– Purchase of Long Term Investments	-	
<i>(1,931)</i>	– Other Capital Cash Payments	<i>(2,567)</i>	
<i>3,289</i>	– Sale of Fixed Assets	<i>2,353</i>	
<i>21,251</i>	– Capital Grants Received	<i>15,948</i>	
<i>204</i>	– Other Capital Cash Receipts	<i>181</i>	
<i>(14,900)</i>			<i>(12,122)</i>
-	Equity Dividends Paid		-
-	Acquisitions and Disposals		-
<i>(16,611)</i>	Net Cash Inflow before Financing		<i>(5,577)</i>
	Management of Liquid Resources		
<i>2,000</i>	– Net Increase/Decrease in Short Term Deposits		<i>22,900</i>
	Financing		
<i>14,700</i>	– Repayments of Amounts Borrowed	<i>(18,700)</i>	
<i>(399)</i>	– Capital Element of Finance Lease Rental Payments	<i>(362)</i>	
-	– New Loans Raised	-	
<i>14,301</i>			<i>(19,602)</i>
<i>(310)</i>	Net Increase in Cash		<i>(1,739)</i>

Notes to the Group Accounts

1. Group Cash Flow Statement

Reconciliation of Net Surplus to Revenue/Operating Activities

	2008/09	2009/10	
	£'000	£'000	£'000
Surplus for Year	262		1,434
Non Cash Transactions			
Minimum Revenue Provision/Depreciation	1,820	2,091	
Contribution to/from Reserves	4,913	(1,402)	
Movement on Provisions	-	(473)	
Other	(5,784)	1,664	1,880
Items on Accruals Basis			
Increase in Creditors	3,258	4,486	
Increase in Stocks/WIP	(65)	(64)	
Decrease in Debtors	(7,972)	(1,770)	2,652
Other Items in Statement			
Loan Transactions	(2,165)		731
Revenue Activities Net Cashflow	(5,733)		(6,697)

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 2010).

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:

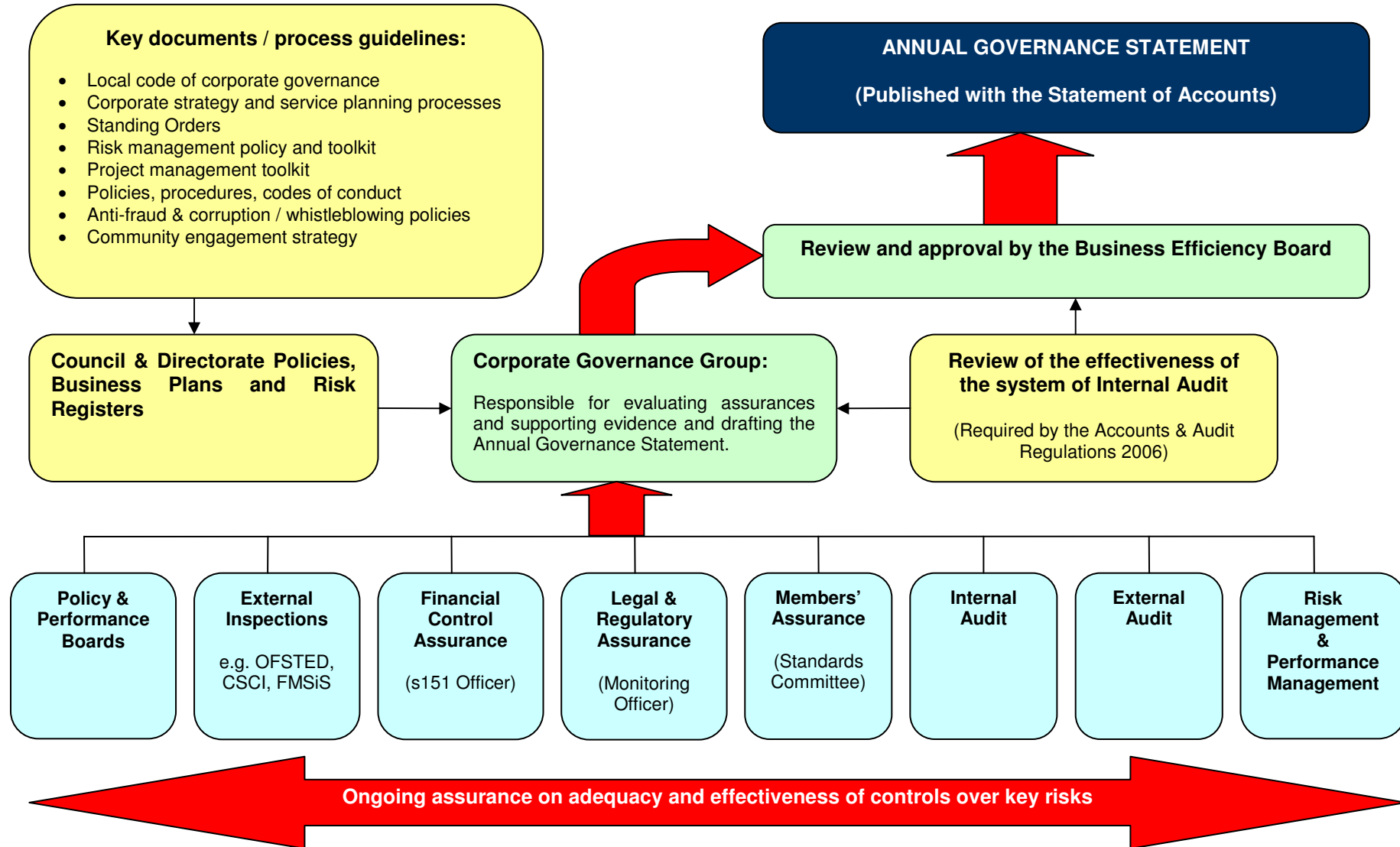
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Operational Director – Finance

Date:

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Annual Governance Statement

ANNUAL GOVERNANCE STATEMENT – ASSURANCE FRAMEWORK



Annual Governance Statement continued

1. Scope of Responsibility

- 1.1 Halton Borough Council is responsible for ensuring that:
- its business is conducted in accordance with the law and proper standards;
 - public money is safeguarded and properly accounted for; and
 - public money is used economically, efficiently and effectively.
- 1.2 Halton Borough Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
- 1.3 In discharging this overall responsibility, Halton Borough Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, which includes arrangements for the management of risk.
- 1.4 The Council has adopted a local code of corporate governance, which is consistent with the principles of the Chartered Institute of Public Finance and Accountancy (CIPFA) / Society of Local Authority Chief Executives and Senior Managers (SOLACE) Framework *Delivering Good Governance in Local Government*. A copy of the code is on our website at halton.gov.uk.
- 1.5 This statement explains how Halton Borough Council has complied with the principles of good governance and reviews the effectiveness of these arrangements. It also meets the requirements of regulation 4(2) of the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit (Amendment) (England) Regulations 2006 in relation to the publication of a statement on internal control.

2. The Purpose of the Governance Framework

- 2.1 The governance framework comprises the systems and processes, and culture and values by which the authority is directed and controlled, and its activities through which it accounts to, engages with and leads the community. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost effective services.
- 2.2 The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives, and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Halton Borough Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.
- 2.3 The governance framework has been in place at Halton Borough Council for the year ended 31 March 2010 and up to the date of approval of the statement of accounts.

Annual Governance Statement continued

3. The Council's Governance Framework

The key elements and processes that comprise the Council's governance framework are described below. Documents referred to may be viewed on the Council's website and are available from the Council on request.

3.1 Communicating the Council's vision

- a) The long-term vision for Halton is set out in the Sustainable Community Strategy 'Making it happen in Halton 2006-2011' and the Council's own Corporate Plan.
- b) To deliver this vision, the Council has identified five key priorities that underpin all aspects of the Council's work:
 - A Healthy Halton
 - Halton's Urban Renewal
 - Children & Young People in Halton
 - Employment Learning and Skills in Halton
 - A Safer Halton
- c) The Corporate Plan is built on these five shared priorities, plus a sixth priority about the way we run the business. There are clear objectives and targets for each priority that are common to the two plans. The Local Area Agreement (LAA) is also structured around the same five priorities.
- d) The Council has a range of performance indicators used to measure progress against its key priorities in the Corporate Plan and in the Local Area Agreement. Quarterly monitoring reports record progress against key service plan objectives and targets. These are reported to the Corporate Management Team and to the Policy and Performance Boards.
- e) The Council's medium term financial strategy, capital programme, and budget process ensure that financial resources are directed to the Council's priorities.

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

- a) Roles and responsibilities for governance are defined and allocated so that accountability for decisions made and actions taken are clear. The Executive Board is the main decision-making body of the Council and is made up of ten members who have responsibility for particular portfolios. The Board is chaired by the Leader of the Council and each Board member has responsibility for policy development for issues that fall within their portfolio.
- b) The Council also appoints a number of committees to discharge the Council's regulatory and scrutiny responsibilities. These arrangements, and the delegated responsibilities of officers, are set out in the Council's Constitution.

Annual Governance Statement continued

- c) The Constitution also includes a Member/Officer protocol which describes and regulates the way in which members and officers should interact to work effectively together.
- d) There is a well-established overview and scrutiny framework with six Policy and Performance Boards (PPBs) aligned to the Council's six corporate plan priorities (the five shared priorities and "Efficient and Effective Services"). They hold the Executive to account, scrutinise performance and develop policy proposals for consideration by the Executive.
- e) The Business Efficiency Board has been designated as the Council's Audit Committee. Its core functions are consistent with those identified in the CIPFA publication 'Audit Committees – Practical Guidance for Local Authorities'. It provides assurance to the Council on the effectiveness of the governance arrangements, risk management framework and internal control environment.
- f) The Chief Executive (and Head of Paid Service) is responsible for and accountable to the Council for all aspects of operational management.
- g) The Operational Director – Finance, as the s151 Officer appointed under the 1972 Local Government Act, is the Council's Chief Financial Officer and carries overall responsibility for the financial administration of the Council. The Council's governance arrangements relating to the role of the CFO comply with those arrangements set out in the CIPFA statement on the role of the Chief Financial Officer (CFO) in Local Government.
- h) The Monitoring Officer (Operational Director – Legal and Democratic Services) carries overall responsibility for legal and regulatory compliance.
- i) The Strategic Director – Children and Young People is designated as the Council's Director of Children's Services.
- j) The Strategic Director – Health and Community is designated as the Council's Director of Adult Services.
- k) All employees have clear conditions of employment and job descriptions which set out their roles and responsibilities.
- l) The Council has clearly set out terms and conditions for the remuneration of members and officers and there is an effective structure for managing the process.

3.3 Promoting values and upholding high standards of conduct and behaviour

- a) The Council has a Standards Committee to promote high standards of member conduct. Elected members have to agree to follow a Code of Conduct to ensure high standards in the way they undertake their duties. The Standards Committee trains and advises them on the Code of Conduct.
- b) Officer behaviour is governed by the Employees' Code of Conduct. The Code has been formulated to provide a set of standards of conduct expected of employees at work and the link between that work and their private lives.
- c) The Council takes fraud, corruption and maladministration seriously and has established policies which aim to prevent or deal with such occurrences:

Annual Governance Statement continued

- Anti-Fraud and Anti-Corruption Strategy;
 - Fraud Response Plan;
 - Confidential Reporting Code (Whistleblowing Policy);
 - HR policies regarding disciplinary of staff involved in such incidents.
- d) A corporate complaints procedure exists to receive and respond to any complaints received.
- e) Arrangements exist to ensure that members and employees are not influenced by prejudice, bias or conflicts of interest in dealing with different stakeholders. These include:
- Registers of interests;
 - Declarations of personal or prejudicial interests at the start of each meeting in which discussions involve a matter in which a member has an interest;
 - Registers of gifts and hospitality;
 - Equal opportunities policy.

3.4 Taking informed and transparent decisions and managing risk

- a) The Council's decision-making processes are clear, open and transparent. The Council's Constitution sets out how the Council operates and the processes for policy and decision-making. Key decisions are published in the Council's Forward Plan. Agendas and minutes of all meetings are published on the Council's website.
- b) The Council provides decision-makers with information that is fit for purpose. The executive report template requires information to be provided explaining the legal, financial and risk implications of decisions, as well as implications for each of the corporate priorities.
- c) The Council has a Risk Management Policy and Toolkit and regularly reviews its corporate and directorate risk registers. The management of risk is monitored through the Council's quarterly performance monitoring arrangements.
- d) Each of the five specialist strategic partnerships (SSPs) has conducted a risk assessment of its objectives to form a Partnership Risk Register.
- e) The Business Efficiency Board reviews the Internal Audit work programme and oversees the implementation of audit recommendations.

3.5 Developing the capacity and capability of Members and Officers

Management of Human Resources has always been a priority for the Council. It first received accreditation as an Investor in People in 1997, with it being renewed for the fourth time in 2010.

Annual Governance Statement continued

- a) The Council has developed a People Strategy to assist the organisation in addressing leadership, skills development, recruitment and retention, and pay issues in a structured and coordinated way. This will also help the Council plan for the future by providing a framework to assess its current workforce and people management activity and to identify any gaps that need to be filled.
- b) The Council's training and development programme stretches right across the organisation to include members and employees. The Council was awarded the NW Charter for Elected Member Development Exemplar Level status in May 2007.
- c) Newly elected members attend a three-day induction programme with follow-up mentoring and are offered a personal development interview.
- d) All new employees attend an induction programme with a more detailed programme for new managers.
- e) Every employee has an annual Employee Development Review (EDR) to identify key tasks and personal development needs linked to delivering our priorities. Training needs identified in this way are used to design the corporate training programme. They are also used to identify specialised professional training needs.

3.6 Engagement with local people and other stakeholders to ensure robust public accountability

- a) The Council's planning and decision-making processes are designed to include consultation with stakeholders and the submission of views by local people.
- b) Arrangements for consultation and for gauging local views include both formal and informal arrangements:
 - Formal arrangements include the Halton 2000 Citizens' Panel, the seven Area Forums, the Youth Forum, Older Person's engagement network.
 - Informal arrangements include contact via our website, Halton Direct Link and magazine based customer surveys.
- c) Community and voluntary sector representatives have decision-making roles on the Halton Strategic Partnership Board and on all its SSPs.
- d) The Executive Board has adopted a new approach to locality working which is to be rolled out over the next twelve months.
- e) Within the Halton Strategic Partnership (HSP), responsibility for quarterly performance management of the five priorities rests with the five thematic partnerships (SSPs). A new performance management framework was approved in May 2009 to ensure that a consistent approach is taken by the SSPs and exceptions reported to the Strategic Partnership Board.
- f) The HSP produces an annual report and stages a whole partnership event each year where progress against the Community Strategy is reported and achievements are celebrated.

Annual Governance Statement continued

- g) Six monthly reporting has been introduced to report on progress against the Local Area Agreement.
- h) The Council's publishes a summary of performance information and its financial statements in the Council newspaper, which is distributed to every household in the Borough.
- i) Council agendas, minutes and performance information are published on the Council's website.

4. Review of Effectiveness

- 4.1 Halton Borough Council annually reviews the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by managers within the Council who have responsibility for the development and maintenance of the governance environment, the work of the Internal Audit and by comments made by the external auditors and other inspection agencies.
- 4.2 The processes applied in maintaining and reviewing the effectiveness of the system of governance include:
 - The work of the Business Efficiency Board as the Council's Audit Committee;
 - The work of the Standards Committee;
 - The role of the Policy and Performance Boards in holding the Executive to account;
 - The operation of the Council's risk management and performance management frameworks;
 - The work of internal audit and the Chief Internal Auditor's annual report;
 - The Comprehensive Area Assessment (CAA) framework;
 - The Annual Governance Report issued by the Audit Commission, which reports on issues arising from the audit of the Council's financial statements and the results of the work undertaken to assess how well the Council uses and manages its resources to deliver value for money and better and sustainable outcomes for local people;
 - The external auditor's opinion report on the Council's financial statements;
 - The corporate complaints procedure;
 - The roles of the Council's Statutory Officers;
 - The work of the Corporate Governance Group;
 - The anti-fraud and corruption and whistleblowing framework;
 - The results of external inspections and the FMSiS (Financial Management Standard in Schools) assessments.

Annual Governance Statement continued

- 4.3 The Business Efficiency Board has been advised on the implications of the results of the review of the effectiveness of the governance framework and a plan to address weaknesses and ensure continuous improvement of the system is in place.

5. Significant Governance Issues

The Business Efficiency Board has considered the evidence provided with regards to the production of the Annual Governance Statement.

No significant issues affecting the Council's governance framework have been identified. However, Halton Borough Council is constantly looking to develop its governance framework and is taking action to further strengthen the existing arrangements. The issues, and the actions proposed to address them, are summarised at the end of this document.

6. Leader and Chief Executive Statement of Assurance

We propose over the coming year to take steps to enhance our governance arrangements. We are satisfied that these actions proposed will address the need for improvements which were identified in our review of effectiveness, and will monitor their implementation and operation as part of our next annual review.

Rob Polhill
Leader of the Council

Date:

David Parr
Chief Executive

Date:

Governance & Control Framework - Action Plan

	Issue	Action being taken
1.	Maintenance of the Council's governance and internal control framework in a period of significant budgetary pressures and funding constraints.	<p>To assist the delivery of the Council's Efficiency Programme an Efficiency Programme Board was established in 2009 that includes the Chief Executive, the four Strategic Directors, three elected members and representatives from other relevant functional areas of the business.</p> <p>Risk management within the Programme is overseen by the Efficiency Programme Office and reported to the Efficiency Programme Board at each monthly meeting as part of a regular 'Programme Highlight Report'. Individual workstreams have risk registers which are regularly reviewed at Workstream Board meetings. There is an overarching risk register for the whole programme, which consists of Programme Level risks along with risks from subsidiary workstreams that may pose a threat to the achievement of a critical milestone.</p> <p>The Council's Internal Audit work plan for 2010/11 takes account of the reorganisation resulting from the Efficiency Programme. The delivery of this work plan will help to provide assurance that robust internal controls are being maintained and will also prompt corrective action where any strengthening of controls is required.</p>
2.	Further development of robust IT disaster recovery arrangements	The Council is continuing to develop its IT disaster recovery arrangements by increasing resilience to ensure that business continuity is maintained in the event of service failure. An arrangement is being developed with another local authority whereby elements of the Council's ICT infrastructure will be replicated with the initial aim of increasing overall resilience. Once the communication link has been established and proven, further work will explore how the link can be used more effectively for remote service delivery.
3.	Section 64 and Schedule 4 of the Local Government and Public Involvement in Health Act 2007 came into force in December 2007. This legislation amends the provisions of the Local Government Act 2000, and compels local authorities to adopt one of two new governance models – either a 'new style' Leader and Cabinet Executive or a Mayor and Cabinet Executive.	The Council will make a formal resolution on the model it is to adopt by 31 December 2010, following a consultation process.

Statement of Accounting Policies

1. General

The accounts have been prepared in accordance with “The Code of Practice on Local Authority Accounting in the United Kingdom: A Statement of Recommended Practice”, and “Best Value Accounting – Code of Practice 2008”, issued by the Chartered Institute of Public Finance and Accountancy (CIPFA). They have been prepared on the historical cost conventions, and give a ‘true and fair’ view of the Council’s transactions and financial position.

2. Accruals of Income and Expenditure

2(a) Customer and Client Receipts

Customer and client receipts in the form of sales, fees, charges and rents are accrued and accounted for in the period to which they relate.

2(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.

2(c) Capital Receipts Income

Amounts to be treated as capital receipts are defined by statute and usually arise from 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 SORP may be income or a transaction within the Balance Sheet.

2(d) 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 overall economic effect of the borrowings.

2(e) 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. Acquired/Discontinued Operations

Income and expenditure directly related to either acquired or discontinued operations will be shown separately on the face of the Income and Expenditure Account 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.

Statement of Accounting Policies continued

4. 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 income and expenditure account within the General Government Grants figure.

5. 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.

6. Business Improvement District Schemes

Business Improvement District (BID) projects for the benefit of a particular area are financed (in whole or in part) by a BID levy paid by the non-domestic ratepayers, or a class of such ratepayers, in the BID area. There are two key participants, the billing authority for the area and the BID Body. What determines the appropriate accounting treatment for the billing authority is whether it acts as the principal or agent. If the billing authority acts as principal, the income received and expenditure incurred by the billing authority is included in the Net Cost of Services under the appropriate service heads. Halton acts as an agent for two BID projects (Halebank and Astmoor), the following amounts are recognised in the Income and Expenditure Account:

- A contribution made by HBC to the BID project (i.e. grant-in-aid), which is shown as service expenditure under the relevant service in the Income and Expenditure Account;
- BID levy collection costs and associated (reimbursed) income, which is shown in Net Cost of Services under the relevant service in the Income and Expenditure Account;
- Income from services supplied by HBC to the BID project on a paid basis, which is accounted for as a trading activity as part of Net Operating Costs in the Income and Expenditure Account. However, where the service supplied for charge is a function of the Council, e.g. a planning application, it is accounted for in the same way as other income of that function.

A note to the accounts on BID schemes operating in year that includes a BID Revenue Account for each scheme is included in the Notes to the Accounts.

Statement of Accounting Policies continued

7. Contingent Assets

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.

8. Contingent Liabilities

Contingent liabilities are not accrued 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.

9. Events After the Balance Sheet Date

Where a material post balance sheet event occurs, an appropriate change will be included in the Statement of Accounts. A disclosure will state the nature of the event and an estimate of the financial effect.

10. Exceptional Items, Extraordinary Items and Prior Year Adjustments

All of the above will be included in the cost of services on the face of the Income and Expenditure account, except if a degree of prominence is necessary to give a fair presentation of the accounts. Additional notes will be provided if necessary.

11. Financial Instruments

The Council invests and borrows money as part of its day to day business and Treasury Management Strategy. It is required to present on the balance sheet at fair value its outstanding financial obligations and assets in relation to these transactions.

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.

The charge and credit to the Income and Expenditure account is based on the accruals concept.

There were no unrealised gains or losses in the year

Statement of Accounting Policies continued

12. 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.

13. Government Grants

Revenue grants are accounted for on an accruals basis, with the credit shown in the appropriate revenue account. Whatever their basis of payment, revenue grants are matched with the expenditure to which they relate.

For capital grants where the acquisition is financed either wholly or in part by a government grant or other contribution, the amount of grant or contribution is credited initially to government grants – deferred account. Amounts are written off in the service revenue account over the useful life of the asset to match the depreciation of the asset to which it relates.

14. Group Accounts

The Council has adopted the Statement of Recommended Practice in relation to the presentation of Group Accounts

15. 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. A more likely cost would be, for example, the capitalisation of software licences. The assets would be amortised out of the Balance Sheet over its economic life, with due recourse to disposal and/or impairment, and charges to revenue.

16. 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.

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.

Statement of Accounting Policies continued

16. Landfill Allowance Trading Scheme continued

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 a 'lower of cost and net realisable value' accounting policy.

17. Leases

17(a) Finance Leases

Rental payments under finance leases are apportioned between the finance charge and the reduction of the outstanding obligation, with the finance charge being allocated and charged to revenue over the term of the lease. Any receipts are subject to the same test, whereby the writing down of the debtor's obligation will be a capital receipt.

17(b) Operating Leases

Rentals payable under operating leases are charged to revenue on a straight line basis over the life of the lease. Receipts are treated as revenue income.

Statement of Accounting Policies continued

18. Overheads

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

The costs of the Corporate and Democratic Core and non-distributed costs as defined by CIPFA's 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 Income and Expenditure Account.

19. Pension Costs

General

The cost of providing pensions for employees is charged in accordance with the requirements of FRS17 Retirement Benefits subject to the interpretation set out in the Statement of Recommended Practice governing the pension schemes. The Council pays an employer's contribution to the Cheshire Pension Fund and the Teachers' Pension Agency.

Pensions Reserve

Where there is a difference between the amount charged to the Income and Expenditure Account 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 Statement of Movement on the General Fund.

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:

Statement of Accounting Policies continued

19. Pension Costs (continued)

- (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.
- (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 asset or 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 Income & Expenditure Account 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 Net Operating Expenditure in the Income and Expenditure Account.
 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 Net Operating Expenditure in the Income and Expenditure Account.
 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 Statement of Total Recognised Gains and Losses.
 5. Contributions Paid to the Cheshire Pension Fund – cash paid as employer's contributions to the pension fund.
- and

Statement of Accounting Policies continued

19. Pension Costs (continued)

- (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 Net Cost of Services in the Income and Expenditure Account as part of Non Distributed Costs.
 2. Gains and Losses on Settlements and Curtailments - the result of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees, debited to the Net Cost of Services in the Income and Expenditure Account as part of Non Distributed Costs.

- (v) the current service cost is included within the Net Cost of Services. Both the interest and the expected return on assets are included within Net 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 Statement of Total Reserves for the period;

- (vi) past service costs are recognised in Net 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 Net 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 Net 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 DCSF, 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 Net Cost of Services. An asset or liability is recognised within the Net Cost of Services only to the extent to which there are prepaid or outstanding contributions at the Balance Sheet date.

Statement of Accounting Policies continued

20. 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 Income and Expenditure Account in the Net Cost of Services. (See Notes to the core Financial Statements).

Provisions are charged to the appropriate revenue account; 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.

21. Provisions for Bad and Doubtful Debts

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

22. Repurchase of Borrowing

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

23. Reserves

The Council maintains certain reserves to meet general, rather than specific, future expenditure. Reserves are set up by a charge against the appropriation section of the Income and Expenditure Account. Reserves include earmarked reserves set aside for specific policy purposes and balances which represent resources set aside for general contingencies and cashflow management. Capital reserves are not available for revenue purposes. The requirement of FRS17 has meant the introduction of pension reserve onto the Balance Sheet offset by a Pension Asset Account. The Statement of Total Recognised Gains and Losses brings together all reserves divided into revenue and capital. Future expenditure met by reserve will go through the net cost of services and the offsetting credit through the Statement of Movement on the General Fund.

24. Revenue Expenditure Funded From Capital under Statute

Legislation allows some expenditure to be classified as capital for funding purposes when it does not result in the expenditure being carried on the Balance Sheet as a fixed asset. Such expenditure is charged to the Income and Expenditure account in accordance with the general provisions of the SORP. The main area of activity is the Disabled Facility Grant which is alienated back through the Income and Expenditure account each year

Statement of Accounting Policies continued

25. Service Concessions

IFRIC12 Service Concessions is an early adoption of IFRS accounting applicable to 2009/10 which 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 2009/10.

26. Stocks

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.

27. Tangible Fixed Assets

27(a) Recognition

Expenditure on the acquisition, creation or enhancement of a tangible fixed 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.

27(b) Measurement

All assets are initially measured at cost, but only the costs that are directly attributable to bringing the asset into working condition for its intended use. Whilst infrastructure assets 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:

- Market Value (MV) - non-operational assets
- Existing Use Value (EUV) – operational and non-specialised assets
- Depreciated Replacement Cost (DRC) – some specialised operational assets
- Historic cost (HC) – Infrastructure assets, vehicles, plant & equipment and community assets

Statement of Accounting Policies continued

27. Tangible Fixed Assets (continued)

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.

The Council operates a de-minimus level of £35,000, and a qualified valuer certifies the valuation.

27(c) Impairment

Because the assets are only revalued periodically, the Council's valuer prepares annually a certificate confirming he has reviewed the assets for impairment. If it has been established that there has been impairment to an asset, then each case will be reviewed to decide if a debit should be made to the relevant service's total cost.

27(d) Accounting for Disposals of Tangible Fixed Assets

Receipts from the disposal of fixed assets greater than £10,000 are credited to the usable capital receipts reserve on an accruals basis.

(i) Income and Expenditure Account

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 Income and Expenditure Account with the disposal proceeds and credit the fixed asset account and debit the Income and Expenditure Account with the carrying amount of the tangible fixed asset.

(ii) Statement of Movement in the General Fund

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

- Expenditure Account, 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 fixed 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 fixed Capital Adjustment Account of an amount equal to the carrying amount of the fixed asset disposal.

Statement of Accounting Policies continued

27. Tangible Fixed Assets (continued)

The gain or loss on disposal of the tangible fixed asset should be a reconciling item in the Statement of Movement on the General Fund. 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.

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

27(e) Depreciation

Depreciation is provided for on all fixed 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 | 10-60 years |
| • Infrastructure and Community Assets | 15 years |
| • Vehicles, Plant & Equipment | 5-10 years |
| • Intangible Assets | 5-10 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.

27(f) Charges to the Income and Expenditure Account and STRGL

As defined in CIPFA's Best Value Accounting Code of Practice, each service is charged with a capital charge for the consumption of all fixed 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 Net Operating Costs; whilst repairs and maintenance are charged to the appropriate service revenue account.

Statement of Accounting Policies continued

27. Tangible Fixed Assets (continued)

27(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.

Due to the severe economic downturn, a desktop valuation exercise has been undertaken on all assets on the register (to ascertain if there has been sufficient movement to require adjustments to be made) this is in addition to the full revaluation exercise of those assets due to be re valued on the cyclical basis.

Gains and losses resulting from revaluations are accounted for as follows. The Statement of Total Recognised Gains and Losses 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 Income and Expenditure Account.
- Debited with revaluation losses not associated with an impairment related to a clear consumption of economic benefit up to the balance on the Revaluation Reserve in respect of that asset.

The Income and Expenditure Account should be:

- Credited with any revaluation gains that reverse revaluation losses (after allowing for depreciation) on the same assets that were charged to services.
- Debited with revaluation losses associated with an impairment related to a clear consumption of economic benefit.
- Debited with revaluation losses not associated with a clear consumption of economic benefit in excess of the balance on the Revaluation Reserve in respect of that asset (ie in excess of the amount allowed to be debited to the STRGL).

28. Value Added Tax

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

Auditor's Report to the Members of Halton Borough Council

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

Opinion on the Financial Statements

I have audited the Council and Group accounting statements and related notes of Halton Borough Council for the year ended 31st March 2009 under the Audit Commission Act 1998. The Council and group accounting statements comprise the Council and Group Income and Expenditure Account, the Council Statement of the Movement on the General Fund Balance, the Council and Group Balance Sheet, the Council and Group Statement of Total Recognised Gains and Losses, the Council and Group Cashflow Statement, the 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 49 of the Statement of Responsibilities of Auditors and of Audited Bodies prepared by the Audit Commission.

Respective Responsibilities of the Operational Director – Finance (as Responsible Financial Officer) and the Auditor

The Operational Director – Finances' responsibilities for preparing the financial statements in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008 are set out in the Statement of Responsibilities for the Statement of Accounts.

My responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the Council and group accounting statements present a true and fair view, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008:

the financial position of the Council and its income and expenditure for the year;
and
the financial position of the Group and its income and expenditure for the year.

I review whether the Governance Statement reflects compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007. I report if it does not comply with proper practices specified by CIPFA/SOLACE or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider, nor have I considered, whether the governance statement covers all risks and controls. Neither am I required to form an opinion on the effectiveness of the Council's corporate governance procedures or its risk and control procedures.

Auditor's Report to the Members of Halton Borough Council (continued)

I read other information published with the Council and Group accounting statements, and consider whether it is consistent with the audited Council and Group accounting statements. This other information comprises the Explanatory Foreword. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the Council and Group accounting statements. My responsibilities do not extend to any other information.

Basis of Audit Opinion

I conducted my audit in accordance with the Audit Commission Act 1998, the Code of Audit Practice issued by the Audit Commission and International Standards on Auditing (U.K. and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the Council and Group accounting statements and related notes. It also includes an assessment of the significant estimates and judgements made by the Council in the preparation of the Council and Group accounting statements and related notes, and of whether the accounting policies are appropriate to the Council's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the Council and Group accounting statements and related notes are free from material misstatement, whether caused by fraud or other irregularity or error. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the Council and Group accounting statements and related notes.

Opinion

In my opinion:

The Council's financial statements present a true and fair view, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008, the financial position of the Council as at 31st March 2009 and its income and expenditure for the year then ended;

and

The Group financial statements present a true and fair view, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008, the financial position of the Council as at 31st March 2009 and its income and expenditure for the year then ended.

Auditor's Report to the Members of Halton Borough Council (continued)

Conclusion on Arrangements for Securing Economy, Efficiency and Effectiveness in the Use of Resources

Council's Responsibilities

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

Auditor's Responsibilities

I am required by the Audit Commission Act 1998 to be satisfied that proper arrangements have been made by the Council 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 in relation to proper arrangements, having regard to relevant criteria specified by the Audit Commission for Principal Local Authorities. I report if significant matters have come to my attention which prevent me from concluding that the Council has made such proper arrangements. I am not required to consider, nor have I considered, whether all aspects of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Conclusion

I have undertaken my audit in accordance with the Code of Audit Practice and having regard to the criteria for Principal Local Authorities specified by the Audit Commission and published in May 2008 and updated in February 2009, and the supporting guidance, I am satisfied that, in all significant respects, Halton Borough Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31st March 2009.

Auditor's Report to the Members of Halton Borough Council (continued)

Certificate

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

Signature

Date

Michael Thomas
District Auditor
Audit Commission Office
The Heath Business & Technical Park
Runcorn
WA7 4QF

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.

Glossary of Terms continued

Class of Tangible Fixed Assets

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

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 Council's control.

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.

Curtailement

For a defined benefit scheme, an event that reduces the expected years of future service of present employees or reduces for a number of employees the accrual of defined benefits for some or all of their future service. Curtailments include:

- (a) termination of employees' services earlier than expected, for example as a result of 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.

Defined Benefit Scheme

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

Glossary of Terms continued

Defined Contribution Scheme

A pension 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 Council'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 Council'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.

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.

Glossary of Terms continued

Estimation Techniques

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

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

- (a) 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.

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.

Glossary of Terms continued

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 that transfers substantially all of the risks and rewards of ownership of a fixed asset to the lessee. It should be presumed that such a transfer of risks and rewards occurs if at the inception of a lease the present value of the minimum lease payments including any initial payment, amounts to substantially all (normally 90% or more) of the fair value of the leased asset. The present value should be calculated by using the interest rate implicit in the lease. However, where the present value of the minimum lease payments does not amount to 90% or more of the fair value of the leased asset, it should not be automatically assumed that the lease is not a finance lease. FRS5 requires that the substance of the transaction be reflected and therefore the lease may still need to be classified as a finance lease.

Notwithstanding the fact that the lease meets the definition above, the presumption that an asset should be classified as a finance lease may in exceptional circumstances be rebutted if it can be clearly demonstrated that the lease in question does not transfer substantially all the risks and rewards of ownership (other than legal title) to the lessee.

Going Concern

The concept that the Council will remain in operational existence for the foreseeable future, in particular that the Income and Expenditure Account and Balance Sheet assume no intention to curtail significantly the scale of the operations.

Government Grants

Assistance by Government and Inter-Government Agencies and similar bodies, whether local, national or international, in the form of cash or transfers of assets to a Council in return for past or future compliance with certain conditions relating to the activities of the Council.

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

Glossary of Terms continued

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.

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.

Glossary of Terms continued

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 Council 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.

Operating Lease

A lease other than a finance lease.

Operational Assets

Fixed assets held and occupied, used or consumed by the Council 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.

Glossary of Terms continued

Prior Period Adjustments

Those material adjustments applicable to prior years arising from changes in accounting policies or from the correction of fundamental errors. A fundamental error is one that is of such significance as to destroy the validity of the financial statements. They do not include normal recurring corrections or adjustments of accounting estimates made in prior years.

Projected Unit Method

An accrued benefits valuation method in which the scheme liabilities make allowance for projected earnings. An accrued benefit valuation method is a valuation method in which the scheme liabilities at the valuation date relate to:

- (a) the benefits for pensioners and deferred pensioners (i.e. individuals who have ceased to be active members but are entitled to benefits payable at a later date) and their dependants, allowing where appropriate for future increases; and
- (b) the accrued benefits for members in service on the valuation date.

The accrued benefits are the benefits for service up to a given point in time, whether vested rights or not. Guidance on the projected unit method is given in the Guidance Note GN26 issued by the Faculty and Institute of Actuaries

Related Parties

Two or more parties are related parties when at any time during the financial period:

- (a) 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
- (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.

Glossary of Terms continued

Related Parties continued

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.

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.

Glossary of Terms continued

Related Party Transactions continued

- (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.

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.

Glossary of Terms continued

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 Council and the services it provides for a period of more than one year.

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.

Glossary of Terms continued

Useful Life

The period over which the Council will derive benefits from the use of a fixed asset.

Vested Rights

In relation to a defined benefit scheme, these are:

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

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

***Use of Asterisk**

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