



Business Efficiency Board

**Wednesday, 26 September 2012 at 6.30
p.m.
Civic Suite, Town Hall, Runcorn**

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

Chief Executive

BOARD MEMBERSHIP

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

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

The next meeting of the Board is on Wednesday, 14 November 2012

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

Part I

Item No.	Page No.
1. MINUTES	
2. DECLARATION OF INTEREST	
Members are reminded of their responsibility to declare any personal or personal and prejudicial interest which they have in any item of business on the agenda, no later than when that item is reached and, with personal and prejudicial interests (subject to certain exceptions in the Code of Conduct for Members), to leave the meeting prior to discussion and voting on the item.	
3. WORK PLAN - CONTRACT REVIEW DUTIES	1 - 4
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9. SCHEDULE 12A OF THE LOCAL GOVERNMENT ACT 1972 AND THE LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985	

In this case the Board has a discretion to exclude the press and public and, in view of the nature of the business to be transacted, it is RECOMMENDED that under Section 100A(4) of the Local Government Act 1972, having been satisfied that in all the circumstances of the case the public interest in maintaining the exemption outweighs the public interest in disclosing the information, the press and public be excluded from the meeting for the following item of business on the grounds that it involves the likely disclosure of exempt information as defined in paragraph 3 of Part 1 of Schedule 12A to the Act.

10. INTERNAL AUDIT PROGRESS REPORT - QTR 1 (2012/13)

239 - 293

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

REPORT TO:	Business Efficiency Board
DATE:	26 September 2012
REPORTING OFFICER:	Strategic Director, Policy and Resources
PORTFOLIO:	Resources
SUBJECT:	Work Plan – Contract Review Duties
WARDS:	Borough-Wide

1.0 PURPOSE OF THE REPORT

- 1.1 To set out the work plan in relation to the Board's additional responsibility in relation to the Council's contractual arrangements.

2.0 RECOMMENDATION: That the Board agree to the arrangements and work plan set out in the report.

3.0 SUPPORTING INFORMATION

- 3.1 The Board has had two Seminars to discuss and consider how it might fulfil its new power and duty. It is proposed that it be undertaken in two ways. The first is to undertake a review of the Council's Procurement Strategy. In undertaking the review the Board should have regard to the CIPFA Guidance in this area which states:

"There are a number of ways in which the audit committee is likely to review the effectiveness of the organisation's management of its commissioning and procurement risks.

- Oversight of the control framework. For example whether the organisation has up to date and effective strategies and policies in place.
- Review of risk registers and major commissioning and procurement risks.
- Review of governance arrangements over partnerships and shared services.
- Review of the governance and assurance arrangements for major projects that involve procurement.
- Review of the internal audit plan and reports. The audit committee should consider the extent to which they cover these risks.
- The assurances that underpin the Annual Governance Statement are likely to cover commissioning and procurement activity."

3.2 Any revised Procurement Strategy will need also to reflect the recent changes in legislation brought about through the Localism Act 2012 and the Public Services (Social Value) Act 2012. It is suggested that this piece of work be undertaken by the full Board, although it may, again, be helpful to meet in ‘Seminar’ mode to develop that new Strategy. It is proposed that as the current Strategy runs out in 2013 the Board sets itself the objective of having its new Strategy formally adopted at the Board meeting on 27 March 2013.

3.3 It is proposed that the second piece of work the Board undertake is the review of the contract process followed under EU Procurement Legislation. This will enable the Board to:

- Fully understand the complexities and risks involved in such a process.
- Identify opportunities for improvements in those processes, where they are in the gift of the Council.
- Take the learning of that activity into the development of the new Procurement Strategy.

3.4 To achieve this it is proposed that the Board split into two working groups as follows:

Group 1

Cllr Lowe – Chair/Group Lead
Cllr McManus
Cllr Cole
Cllr Plumpton-Walsh
Cllr Wainwright
Cllr Fry

Group 2

Cllr Lloyd-Jones – Vice Chair/Group Lead
Cllr Roberts
Cllr Lea
Cllr McDermott
Cllr Ratcliffe

3.5 Each group would then review a full EU compliant contract in order to undertake a “Cradle to Grave” review. It is proposed that the following contracts be looked at:

Group 1

Contract:	Domiciliary Care
Current Value:	£3.6M pa
Current Length of Contract:	4 Years
Expiry Date:	31.3.2013
Directorate:	Communities
Directorate Lead Officer	Angela McNamara

Group 2

Contract:	Bus Routes Contract
Current Value:	£1.3M plus unknown routes
Current Length of Contract:	2 + 2 Years
Expiry Date:	Various 2013/14
Directorate:	Policy and Resources
Directorate Lead Officer:	Geoff Hazlehurst/Ian Boyd

3.6 The role of the working groups would be to review the effectiveness of the Council's procurement process by assessing:

- Value for money.
- The potential for savings.
- Processes and practice for selection and award of contracts.
- The law and standing orders.
- That risks have been managed.

3.7 As any procurement process is an active and dynamic one, if for any reason, the timetable for the contracts above changes, then the appropriate group should be free to select another. Regular reports will be brought to the Board on the progress and observations of each group.

4.0 POLICY IMPLICATIONS

4.1 It is important, given the current financial constraints on the Council, that its procurement processes are as efficient and effective as they can be. This will play its part in protecting frontline services.

5.0 OTHER IMPLICATIONS

5.1 This new responsibility compliments the other roles the Board has in ensuring the Council has procedures in place to provide value for money to local people.

6.0 IMPLICATIONS FOR THE COUNCIL'S PRIORITIES

6.1 **Children and Young People in Halton**
Employment, Learning and Skills in Halton
A Healthy Halton
A Safer Halton
Halton's Urban Renewal

- 6.2 Proper procurement processes support the Council in achieving the aims and objectives set out in the Community Strategy and the Council's priorities.

7.0 RISK ANALYSIS

- 7.1 The role and work plan is set out in such a way that it minimises any risk that it delays the tendering and contracting timetable in line with EU Law.

8.0 EQUALITY AND DIVERSITY ISSUES

- 8.1 There are no equality and diversity issues related to this report.

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

- 9.1 There are no background papers under the meaning of the Act,

REPORT TO: Business Efficiency Board

DATE: 26 September 2012

REPORTING OFFICER: Operational Director – Finance

PORTFOLIO: Resources

SUBJECT: Appointment of External Auditor

WARD(S): Borough-wide

1.0 PURPOSE OF REPORT

1.1 The Board has previously been informed about the Department for Communities and Local Government (DCLG) ministerial decision to transfer the work of the Audit Commission's in-house Audit Practice to the private sector by outsourcing the work through a procurement exercise. This report provides the Board with confirmation of the appointment of the new external auditor.

2.0 RECOMMENDATION: That the Board notes that Grant Thornton UK LLP has been appointed as external auditor to audit the accounts of the Council for five years from 2012/13.

3.0 SUPPORTING INFORMATION

3.1 On 16 April the Audit Commission wrote to the Council to consult about the proposal to appoint Grant Thornton UK LLP as external auditor to the Council. The consultation period has now ended and the Audit Commission has confirmed the appointment in a letter to the Council dated 31 July 2012 (see attached).

3.2 The new appointment commences 1 September 2012 and is for a period of five years. At the end of that period the Council will be able to make the appointment of external auditor itself.

3.3 The Audit Commission is currently updating auditors' statutory terms of appointment, which specify the Commission's regulatory requirements. The Council will receive more information on the terms of appointment and auditor performance standards during September.

3.4 The audit of the 2011/12 financial statements has been completed by the Council's existing external auditor (the Audit Practice of the Audit Commission). Any work relating to the 2011/12 audit and prior years' audits that remains outstanding at 31 October 2012 will be completed by the new external auditor.

4.0 POLICY, FINANCIAL AND OTHER IMPLICATIONS

4.1 The 'Future of Local Public Audit' consultation document set out four design principles for the new framework for local public audit. One of those principles was to achieve a reduction in the overall cost of audit. The fee for the audit of the 2012/13 financial statements will be £139,322. The proposed fee for the 2011/12 audit was £232,204.

4.2 There are no policy implications.

5.0 IMPLICATIONS FOR THE COUNCIL'S PRIORITIES

5.1 There are no direct implications.

6.0 RISK ANALYSIS

6.1 This report is for information only. There are no risks arising from it.

7.0 EQUALITY AND DIVERSITY ISSUES

7.1 None.

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

Document	Place of Inspection	Contact
Future of Local Public Audit Consultation	Audit Commission website	Merv Murphy

31 July 2012

Mr David Parr
Chief Executive
Halton Borough Council
Municipal Building
Kingsway
Widnes
Cheshire
WA8 7QF

Direct line 0844 798 2447
Email auditor-appointments@audit-commission.gov.uk

Dear Mr Parr

Halton Borough Council - Appointment of external auditor

I wrote on 16 April to consult you about my proposal for the appointment of an external auditor to Halton Borough Council from 1 September 2012.

Auditor appointment

This letter confirms the appointment of Grant Thornton UK LLP as external auditor to audit the accounts of Halton Borough Council for five years from 2012/13. This appointment is made under section 3 of the Audit Commission Act 1998 and was approved by the Audit Commission Board at its meeting on 26 July.

The firm is also appointed to complete any work relating to the 2011/12 and prior years' audits that remains outstanding at 31 October 2012.

Audit quality and regulation

The Audit Commission will continue to regulate the local public audit market and monitor the performance of the firms providing audit services until the government implements a new local public audit regime. This will ensure that local public bodies receive high-quality and effective audit services which provide value for money to the local taxpayer. We will:

- assess each year auditors' compliance with their statutory terms of appointment;
- assess each year the quality of the audit work the firms carry out;
- consider and, if appropriate, approve auditors' requests for variations to the scale audit fee where they have had to carry out more (or less) work;

- consider and, where we are satisfied that the work does not create a threat to the auditor's independence, approve auditors' proposals to provide non-audit services to audited bodies; and
- monitor audited bodies' satisfaction with the audit services provided by the firms.

We will continue to report publicly on the results of our quality review programme each year. This provides you with assurance that the firms have put in place systems and processes to deliver audit work of an appropriate quality.

We are currently updating auditors' statutory terms of appointment, which specify the Commission's regulatory requirements. I will write to you again in early September with more information on these terms of appointment. I will also provide details of the standards of performance that auditors will be expected to meet.

Next steps

I have passed the contact details for Halton Borough Council to the appointed firm and it will contact you about the arrangements for the audit in due course. In the meantime, if you have any questions about the appointment, please contact us via email at auditor-appointments@audit-commission.gov.uk.

Yours sincerely



Marcine Waterman
Director, Audit Policy and Regulation

cc Grant Thornton UK LLP

REPORT TO: Business Efficiency Board

DATE: 26 September 2012

REPORTING OFFICER: Strategic Director – Policy & Resources

SUBJECT: Counter Fraud Measures – Update

WARD(S): Borough-wide

1.0 PURPOSE OF REPORT

1.1 The purpose of this report is to update the Board with details of developments in respect of the Council's counter fraud and corruption arrangements.

2.0 RECOMMENDATION: That the Business Efficiency Board is asked to note the update on the Council's counter fraud activity.

3.0 THE COUNCIL'S COUNTER FRAUD FRAMEWORK

3.1 The Council has a well-established framework of policies, procedures and functions that collectively help to manage the risk of fraud and corruption. Key elements of this framework include:

- The Anti-Fraud and Anti-Corruption Strategy;
- The Fraud Response Plan;
- The Confidential Reporting Code (Whistleblowing Policy);
- Standing Orders relating to Finance and Procurement;
- The Scheme of Delegation;
- Members' Code of Conduct;
- Employees' Code of Conduct;
- Registers of Interests;
- Registers of Gifts & Hospitality;
- The work of Internal Audit;
- The work of the Benefits Investigation Unit;
- Participation in the National Fraud Initiative;
- Communication systems to raise awareness of the risk of fraud.

3.2 The Council routinely benchmarks its counter fraud framework against best practice. Work is currently underway assessing the Council's arrangements against the recommendations set out in the recent publication, 'Fighting Fraud Locally: The Local Government Fraud Strategy'. The document is intended to provide a blueprint for a tougher response to tackle fraud across local government. The key

message is to adopt a tougher approach to tackling fraud organised around three themes:

- Knowledge – acknowledging and understanding fraud risk
- Prevent – Preventing and detecting more fraud
- Pursue – being stronger in punishing fraud and recovering losses

3.3 The report identifies the key fraud risks faced by local authorities as being:

- Housing Tenancy Fraud
- Council Tax (Single Person Discounts, Student exemptions, non-occupancy)
- Procurement
- Grant Fraud
- Employee Fraud
- Schools
- Personal Budgets

3.4 Once the self-assessment is completed any proposed actions to strengthen the Council's existing counter fraud arrangements will be reported to the Board.

4.0 BENEFITS INVESTIGATION UNIT (BIU)

4.1 Nationally, the biggest risk of fraud facing local authorities continues to be in respect of claims for Housing Benefit and Council Tax Benefit. The Council's BIU therefore has an important role to play in the Council's overall counter fraud arrangements.

4.2 The BIU has continued to work closely with the Department of Work and Pensions (DWP) Fraud Investigation Service and has successfully prosecuted 21 joint working cases together since April 2011, nine more than the previous year. Council officers also attended five arrest/seize operations with Cheshire Police and the DWP during 2011/12 and led an arrest/seize and search operation with the police.

4.3 During 2011/12, the focus of the team's work has moved away from investigating smaller scale fraud and concentrated on cases more likely to identify serious fraud. This approach has been a success resulting in an increase in the number of prosecutions and administrative penalties and a reduction in the number of formal cautions.

4.4 The BIU received 593 referrals in 2011/12, of which 503 cases have been investigated and closed. These investigations have led to:

- 74 formal cautions being issued;
- 35 administrative penalties being issued;
- 44 cases referred to court / court summonses issued;

- 47 successful prosecutions;
- Fraudulent overpayments (including DWP overpayments) totaling over £632,500 being identified. The Council attempts to recover all overpayments.

5.0 SINGLE FRAUD INVESTIGATION SERVICE (SFIS)

- 5.1 A letter was sent to the Chief Executive in April 2012 detailing the government's commitment to combine the fraud investigation staff from the local authorities, DWP and HMRC into a Single Fraud Investigation Service (SFIS) from April 2013.
- 5.2 All local authority and DWP investigation staff, including fraud managers and support staff predominately involved in the investigation of welfare benefits at the time SFIS goes live in 2013, will become part of SFIS.
- 5.3 The Council's Benefit Fraud Investigators will remain employed by the Council but will gradually be moved over to the SFIS by April 2015, but this timescale could be extended. There will be a pilot exercise undertaken in the next phase of the project, which will evaluate different options for combining the investigation services into a Single Fraud Investigation Service, including the funding implications for councils.
- 5.4 The Government intends to complete a more detailed plan over the next six months, which includes setting up a SFIS user group made up of representatives from the respective agencies, including local authorities.

5.0 NATIONAL FRAUD INITIATIVE

- 5.1 The Council participates in the Audit Commission's National Fraud Initiative (NFI). This is a data matching exercise which takes place every year with different data sets being submitted. The exercise is designed to assist participating bodies in detecting fraud, overpayments and errors.
- 5.2 In 2011/12, the Council submitted data in relation to Council Tax, which was then matched to the electoral roll. The results of the data matching exercise are still under investigation. However, to date 169 Single Persons Discounts (total value approximately £40K) have been cancelled.
- 5.3 The datasets submitted as part of NFI are:
- Payroll
 - Pensions (provided by Pensions Authority)
 - Trade creditors' payment history and standing data
 - Housing Benefits (provided by DWP)
 - Council Tax
 - Electoral Register
 - Students eligible for a loan (provided by Student Loan Company)
 - Private supported care home residents

- Blue Badges/Concessionary Travel
- Insurance claimants
- Licences – market traders/operator, taxi driver and personal licences to supply alcohol

5.4 The results of the data matching exercise for 2012/13 will be released in January 2013. These will then be investigated and the results will be reported to the Board next year.

5.5 A specialist section of the Audit Commission will continue to have responsibility for running the NFI to ensure the experience and expertise built up over the years is not lost in the transition to local auditing arrangements.

6.0 Regulation of Investigatory Powers (Directed Surveillance and Covert Human Intelligence Sources) (Amendment) Order 2012

6.1 A recent change in legislation means that from 1 November 2012, local authorities will only be able to use authorised directed surveillance to prevent or detect crime that is punishable by a maximum term of at least six months of imprisonment, and in relation to offences involving the sale of tobacco and alcohol to underage children.

6.2 In terms of the investigation of fraud, this change will only have a minimal impact on the Council. Surveillance is currently only used where it is not deemed possible to secure evidence by any other way. As such, it is only used by the Benefits Investigation Unit in cases where an estimated overpayment is high enough to allow prosecution under The Fraud Act or The Theft Act.

6.3 In 2011/12, the Benefit Investigation Unit made just two RIPA applications. A further eight applications for joint investigations were made through the DWP.

7.0 POLICY, FINANCIAL AND OTHER IMPLICATIONS

7.1 There are no specific policy implications arising from this report.

7.2 There are no direct financial implications arising from this report. Further development of the Council's counter fraud arrangements will be met from within existing resources.

8.0 IMPLICATIONS FOR THE COUNCIL'S PRIORITIES

8.1 The maintenance of an effective framework to minimise the risk of fraud and corruption contributes to the achievement of all the Council's priorities.

9.0 RISK ANALYSIS

- 9.1 This report highlights specific actions that the Council has already taken, and continues to take, to minimise the risk of fraud. Failure to maintain effective counter fraud measures would result in the Council being susceptible to an increased risk of financial loss.
- 9.2 The Council needs to review its policies and procedures and respond appropriately to changes to the RIPA Act.

10.0 EQUALITY AND DIVERSITY ISSUES

None identified

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

None

REPORT TO:	Business Efficiency Board
DATE:	26 September 2012
REPORTING OFFICER:	Strategic Director – Policy & Resources
PORTFOLIO:	Resources
SUBJECT:	Annual Governance Statement 2011/12
WARD(S):	Borough-wide

1.0 PURPOSE OF REPORT

The purpose of this report is to enable Members of the Board to consider and approve the Annual Governance Statement for 2011/12.

2.0 RECOMMENDATION:

The Board is recommended to review and approve the Council's Annual Governance Statement.

3.0 SUPPORTING INFORMATION

Background to the Annual Governance Statement

- 3.1 Under the Accounts and Audit Regulations 2011 the Council must produce an Annual Governance Statement (AGS), in a format recommended by CIPFA/SOLACE, to accompany the Statement of Accounts.
- 3.2 The AGS is intended to identify any areas where the Council's governance arrangements are not in line with best practice or are not working effectively, together with action plans for improvement.
- 3.3 The Council's Constitution delegates the responsibility to review and approve the AGS to the Business Efficiency Board. Once approved, the AGS is signed by the Council Leader and Chief Executive and published on the Council's website.

Preparation of the 2011/12 Annual Governance Statement

- 3.4 The production of the AGS has been co-ordinated through the Corporate Governance Group (Strategic Director – Policy & Resources; Operational Director – Finance, Operational Director - Legal & Democratic Services, Divisional Manager – Audit & Operational Finance). This group has been responsible for evaluating the sources of assurance and identifying any areas where the Council's governance

arrangements could be further strengthened. A flowchart summarising the process followed in preparing the AGS is shown in Appendix 1.

- 3.5 In preparing the AGS, assurances have been considered from a number of sources, including:
- Issues raised by the Audit Commission in its role as external auditor;
 - Inspection reports from other independent bodies;
 - The Council's risk and performance management frameworks;
 - The work undertaken by internal audit;
 - The work of the Information Management Group.
- 3.6 The 2011/12 draft AGS developed by the Corporate Governance Group is attached at Appendix 2. The document contains a Development Plan that sets out the actions agreed to further develop the Council's governance framework.

4.0 POLICY, FINANCIAL AND OTHER IMPLICATIONS

- 4.1 The Accounts and Audit Regulations 2011 include a statutory requirement to prepare a statement on internal control in accordance with 'proper practice'. Proper practice is defined by the CIPFA/SOLACE Framework as an Annual Governance Statement.
- 4.2 There are no direct financial implications arising from this report.

5.0 IMPLICATIONS FOR THE COUNCIL'S PRIORITIES

5.1 Children and Young People in Halton

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

5.2 Employment, Learning and Skills in Halton

See 5.1 above.

5.3 A Healthy Halton

See 5.1 above.

5.4 A Safer Halton

See 5.1 above.

5.5 Halton's Urban Renewal

See 5.1 above.

6.0 RISK ANALYSIS

6.1 Under the Accounts and Audit Regulations 2011 the Council is legally required to 'conduct a review at least once a year of the effectiveness of its system of internal control'. Following the review, the Council must approve an annual governance statement, prepared in accordance with proper practices in relation to internal control.

6.2 The processes followed in reviewing the system of internal control aim to ensure that an accurate statement can be produced in line with the requirements of the Act. Part of the review process includes consultation with the Business Efficiency Board, which is responsible for ensuring that the Council's governance arrangements comply with best practice.

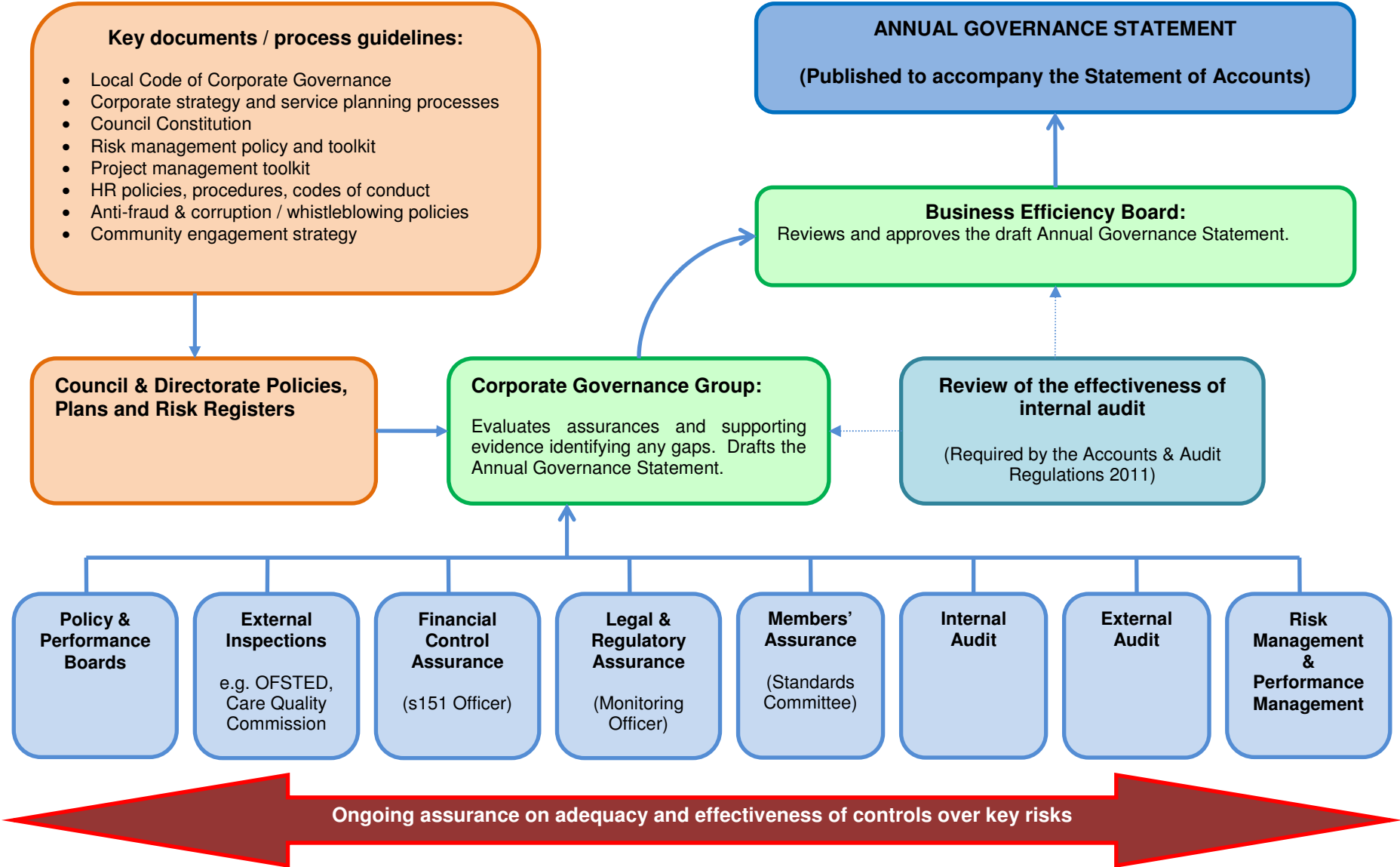
7.0 EQUALITY AND DIVERSITY ISSUES

7.1 There are no direct equality and diversity issues arising from this report.

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

Document	Place of Inspection	Contact
CIPFA / SOLACE – Delivering good governance in Local Government: Framework (2007)	Kingsway House, Widnes	Merv Murphy
CIPFA / SOLACE - Delivering good governance in Local Government: Guidance note for English authorities (2007)		
The Accounts and Audit (England) Regulations 2011		

ANNUAL GOVERNANCE STATEMENT – ASSURANCE FRAMEWORK



HALTON BOROUGH COUNCIL 2011/12 ANNUAL GOVERNANCE STATEMENT

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*'.
- 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 2012 and up to the date of approval of the statement of accounts.

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 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
 - Environment & Regeneration in Halton
 - 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.

- d) The Council has a range of performance indicators used to measure progress against its key priorities in the Corporate Plan. 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.
- 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.
- 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. They hold the Executive to account, scrutinise performance and develop policy proposals for consideration by the Executive.
- e) The Business Efficiency Board is 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 its governance arrangements, risk management framework and internal control environment. The Board regularly reviews Internal Audit's resources, work programme, results and management's implementation of its recommendations. The Head of Audit has the freedom to report directly to all officers and members.
- f) The Chief Executive (and Head of Paid Service) is accountable for the delivery of the Council's diverse services, its budget, the work of the Council's employees, the borough's community schools, and the work done for the Council by a variety of agencies and contractors who deliver a wide range of services to the community. The Chief Executive represents the Council and the borough on local and regional partnerships and at regional and national levels. The role of Chief Executive is a permanent appointment, which

requires the approval of the full Council following the recommendation of a candidate for the role by the Appointments Committee.

- 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 (2010).
- h) Section 5 of the Local Government and Housing Act 1989, as amended by paragraph 24 of schedule 5 Local Government Act 2000, requires the Council to designate one of its senior officers as the Monitoring Officer. This role is undertaken by the Operational Director – Legal and Democratic Services, who is responsible for:
- Ensuring that the Council acts and operates within the law. He or she has a duty to report to the whole Council if the Council has broken or may have broken the law;
 - Maintaining arrangements to support the Council's functions and activities, including regular reviews of the Council's Constitution;
 - Supporting the Council's Standards Committee and helping promote and maintain high standards of conduct by Council members, officers, partners and contractors;
 - Establishing and maintaining a register of interests (including receipts of gifts and hospitality) for elected and co-opted members;
 - Receiving reports and taking action under the Council's Confidential Reporting Code, which supports whistleblowing by staff.
- i) The Children Act 2004 requires every upper tier local authority to appoint a Director of Children's Services and designate a Lead Member for Children's Services. The Strategic Director – Children and Enterprise is designated as the Council's Director of Children's Services. He or she works together with the Lead Member for Children's Services to provide strategic leadership for local authority education and social care services for children. The responsibilities of the Director of Children's Services and Lead Member extend to all children receiving services in the borough, irrespective of the type of school they attend, or their home local authority area.
- j) All local authorities with social services responsibility in England are required to appoint an officer as the Director of Adult Social Services. This role has been designated to The Strategic Director – Communities. This statutory role is accountable for the delivery of local authority social services functions listed in Schedule 1 of the Local Authority Social Services Act 1970 (as amended) in respect of adults (other than those services for which the Director of Children's Services is responsible).

- k) The Strategic Director – Policy and Resources is designated as the Council's Statutory Scrutiny Officer as required under Section 31 of the Local Democracy, Economic Development and Construction Act 2009. The functions of the Statutory Scrutiny Officer are to:
- Promote the role of the authority's Overview & Scrutiny Committees;
 - Provide support to the authority's Overview & Scrutiny Committees and the members of those committees;
 - Provide support and guidance to Members of the authority, members of the Executive and officers in relation to the functions of the authority's Overview & Scrutiny Committees.
- l) All employees have clear conditions of employment and job descriptions which set out their roles and responsibilities.
- m) 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. A Scheme of Members' Allowances has been set by the Council having regard to a report of an Independent Panel made up of non-Councillors. The scheme came into effect from April 2010 and will continue for a period of three years. The Council also approved and published a 'Pay Policy Statement' in March 2012, which provides transparency with regard to the Council's approach to setting the pay of its employees. The 'Pay Policy Statement' will be reviewed annually.

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:
- Anti-Fraud and Anti-Corruption Strategy;
 - Fraud Response Plan;
 - Confidential Reporting Code (Whistleblowing Policy);
 - HR policies regarding discipline 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, which are available for public inspection;
 - 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 full and timely access to relevant information. 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 and any equality and diversity implications.
- 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. The Business Efficiency Board also reviews the risk management process and corporate risk register twice yearly. The directorate and corporate risk registers outline the key risks faced by the Council, including their impact and likelihood, along with the relevant mitigating controls and actions, and they form the basis of the Internal Audit planning process.
- d) The Halton Strategic Partnership is the Local Strategic Partnership (LSP) for the borough of Halton. The Halton Strategic Partnership Board has established five Specialist Strategic Partnerships (SSPs) – one for each of the borough's priorities. Each of the five SSPs has conducted a risk assessment of its objectives to form a Partnership Risk Register.
- e) The Business Efficiency Board approves and reviews the internal audit work programme and oversees management's implementation of audit recommendations.

3.5 Developing the capacity and capability of Members and Officers

- a) The Council recognises that the success of its business is built upon the knowledge, expertise and commitment of its workforce. Development and retention of staff therefore remains a priority for the Council. The Council first received accreditation as an Investor in People in 1997, with it being renewed for the fourth time in 2010.
- b) The Council has developed a People Plan (2012-2015), which was approved in March 2012, to assist the organisation in addressing leadership, skills development and recruitment and retention, 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.
- c) The Council's training and development programme stretches right across the organisation to include members and employees. The Council has been awarded the NW Charter for Elected Member Development Exemplar Level status.
- d) Newly elected members attend a three-day induction programme with follow-up mentoring and are offered a personal development interview.
- e) All new employees attend an induction programme with a more detailed programme for new managers.
- f) 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 Forums, Older Person's engagement network (Halton OPEN).
 - 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 an approach to locality working, which each Local Area Forum is using to encourage greater participation and involvement.
- e) Within the Halton Strategic Partnership (HSP), responsibility for quarterly performance management of the five priorities rests with the five thematic partnerships (SSPs). A performance management framework is in place to ensure that a consistent approach is taken by the SSPs and exceptions are 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.
- g) The Council publishes a summary of performance information and its financial statements in the Council newspaper, which is distributed to every household in the Borough.
- h) Council agendas, minutes and performance information are published on the Council's website. The Council also publishes details of allowances and expenses paid to elected members, details of the salaries paid to senior officers, and details of all financial payments made by the Council that are equal to or greater than £500.

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 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 Head of Audit's annual report;
 - The review of the effectiveness of internal audit;
 - 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 Information Management Group, which provides overall strategic guidance and direction to information governance, security, risks and incidents;
 - The anti-fraud and corruption and whistleblowing framework;
 - The results of external inspections by independent review bodies.
- 4.3 The Business Efficiency Board has been advised on the implications of the review of the effectiveness of the governance framework and a plan to further develop the Council's governance framework is in place.
- 4.4 The Council proposes over the coming year to take the steps identified in the Development Plan at the end of this document to further enhance its governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

David Parr - Chief Executive

Rob Polhill - Leader of the Council

Governance Arrangements – Development Plan

Issue	Actions	Responsible Officer
<p>1. With the economic outlook likely to result in very challenging financial settlements in the coming years, and the demand for some services likely to increase, the Council's finances will need to be kept under close review. The Council will therefore need to take appropriate action to ensure that it maintains its record of achieving a balanced budget and aligns its resources to corporate objectives and strategic priorities.</p>	<ul style="list-style-type: none"> • Link the budget process to service planning; • Maintain a robust overview of statutory obligations and prioritise accordingly; • Review of Corporate Priorities/Community Plan; • Communication of Priorities to Staff/Members/Managers to achieve buy-in; • Medium Term Financial Strategy; • Budget Risk Register; • Smarter procurement to generate savings; • Efficiency Programme; • Explore the potential for collaboration with neighbouring local authorities; • Equality Impact Assessment process. 	Strategic Director – Policy & Resources
<p>2. As the Council faces continuing funding pressures there is a risk that resilience in key areas of the organisation may be weakened through staffing reductions and the loss of key personnel.</p>	<ul style="list-style-type: none"> • Service reviews around more efficient ways of working, including the greater use of technology; • Focus the delivery of services on priorities and legal responsibilities through effective service planning; • Delivery of training courses in Stress Management and Managing Resilience to Change; • Risk assessing, monitoring and support mechanisms for work related stress; • Agile Working policy; • Business Continuity Planning. 	Strategic Director – Policy & Resources
<p>3. The Localism Act 2011 passes a range of new powers, freedoms and responsibilities to local government. This will necessitate the Council's governance arrangements being updated accordingly.</p>	<p>Preparations have been carried out during 2011/12 to enable the Council to meet its new statutory responsibilities under the Act in early 2012/13. These include:</p> <ul style="list-style-type: none"> • The Community Right to Challenge; • The changes to the Standards regime, including the adoption of a new Code of Conduct for Members and arrangements for dealing with complaints; • The recruitment of an Independent Person(s) to be consulted in the event of complaints being made. 	Strategic Director – Policy & Resources

Governance Arrangements – Development Plan

Issue	Actions	Responsible Officer
<p>4. The Council will take on new public health responsibilities in April 2013. This will involve responsibility for local public health leadership and commissioning transferring from the Primary Care Trust to the Council. It will also involve public health staff transferring to the Council from the PCT.</p>	<ul style="list-style-type: none"> • Shadow Health & Wellbeing Board established; • Director of Public Health appointed; • Council Constitution to be updated to reflect new roles, responsibilities and governance arrangements; • A Transition Forward Plan has been agreed. • A Transition Group has been established to oversee the transition of public health services and functions. It has representation from Public Health, Adult and Children's Services, Finance, Human Resources and Information Technology Services. 	<p>Strategic Director - Communities</p>

REPORT TO: Business Efficiency Board

DATE: 26 September 2012

REPORTING OFFICER: Operational Director – Finance

PORTFOLIO: Resources

SUBJECT: Audit Commission Update Report

WARD(S): Borough-wide

1.0 PURPOSE OF REPORT

1.1 The purpose of this paper is for the Audit Commission to update the Board in regards to:

- The progress made in delivering their responsibilities as the Council's external auditors;
- The externalisation of the Audit Practice;
- Key emerging national issues and developments which may be of interest.

2.0 RECOMMENDATION: That the Board notes the report.

3.0 SUPPORTING INFORMATION

3.1 Please see attached report.

4.0 POLICY, FINANCIAL AND OTHER IMPLICATIONS

4.1 There are no direct implications.

5.0 IMPLICATIONS FOR THE COUNCIL'S PRIORITIES

5.1 There are no direct implications.

6.0 RISK ANALYSIS

6.1 This report is for information only. There are no risks arising from it.

7.0 EQUALITY AND DIVERSITY ISSUES

7.1 None

Business

Efficiency

Board update

Halton Borough Council

Audit 2011/12

The Audit Commission is a public corporation set up in 1983 to protect the public purse.

The Commission appoints auditors to councils, NHS bodies (excluding NHS foundation trusts), local police bodies and other local public services in England, and oversees their work. The auditors we currently appoint are either Audit Commission employees (our in-house Audit Practice) or one of the private audit firms.

We also help public bodies manage the financial challenges they face by providing authoritative, unbiased, evidence-based analysis and advice.

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Introduction

- 1 The purpose of this paper is to provide the Business Efficiency Board with a report on progress in delivering our responsibilities as your external auditors. It includes an update on the externalisation of the Audit Practice.
- 2 This paper also seeks to highlight key emerging national issues and developments which may be of interest to members of the Board.
- 3 If you require any additional information regarding the issues included within this briefing, please contact me or your Audit Manager using the contact details at the end of this update.
- 4 Finally, please also remember to visit our website (www.audit-commission.gov.uk) which now enables you to sign up to be notified of any new content that is relevant to your type of organisation.

Mike Thomas

District Auditor

5 September 2012

Progress report

Financial statements

5 We have completed our work on your 2011/12 financial statements. The results of our audit are included in the Annual Governance Report being presented to this meeting of the Business Efficiency Board.

VFM conclusion

6 My value for money conclusion is included in the Annual Governance Report being presented to this meeting of the Business Efficiency Board.

Other areas of work

Whole of Government Accounts (WGA)

7 Our audit of your WGA return is in progress. Although we have not yet fully completed the procedures specified by the National Audit Office we anticipate we will complete our work and issue our audit report by the end of September 2012.

Grant claims and returns

8 Our 2011/12 grants claims programme is progressing as planned. The number of grants and returns subject to certification by us has reduced this year and should result in a lower fee than originally planned.

9 We have certified two grant claims to date, Teachers Superannuation and the National Non-Domestic Rate Return. Both grant claims were supported by appropriate working papers and were certified without qualification. Our work on your Housing Benefit Subsidy claim and your transport claim is in progress. We expect to certify both claims before the end of October 2012.

Update on outsourcing the work of the Audit Practice and the residual Audit Commission

Audit appointment from 2012/13

10 At its July 2012 meeting, the Audit Commission Board confirmed the audit appointments for the audit of the accounts of all principal bodies from 2012/13. These appointments commenced on 1 September 2012.

11 On 31 July 2012, the Director of Audit Policy and Regulation wrote to chief executives of all principal bodies to inform them of the Board's decision and to confirm their new audit provider.

12 Each firm has made its own arrangements for making initial contact with the audited bodies to which it has been appointed.

13 For our part, we remain committed to:

- fulfilling our remaining responsibilities to the high standards you expect and deserve; and
- managing a smooth transition from the Audit Practice to your new audit provider, Grant Thornton.

2012/13 audit fees

14 The proposed fee has been determined by the Audit Commission following consultation. The 2012/13 audit fee for Halton Borough Council is £139,322.

Audit Commission senior appointments

15 The Audit Commission is reducing and reshaping its workforce so that it can deliver its remaining core functions of audit regulation, contract management and sector support.

16 The Department of Communities and Local Government (DCLG) has advertised for a new Chairman of the Audit Commission to lead through the period of transition and downsizing, in advance of its proposed abolition. The new Chairman will take up post following the end of the term of office of the current Chairman in September 2012.

17 More recently, the Board of the Audit Commission has announced the appointment of Marcine Waterman as Controller of Audit with effect from 1 September 2012. Marcine is currently the Commission's Director of Audit Policy and Regulation.

Other matters of interest

Draft Local Audit Bill

18 In 2011 the Government consulted on its proposals for a new local public audit framework. It published its response in January 2012.

19 The draft Local Audit Bill was subsequently published in July 2012 for consultation and pre-legislative scrutiny.

20 This draft Bill sets out:

- the proposed new audit framework for local public bodies;
- the process for the appointment of auditors; and
- the regulatory framework for local public audit.

21 The consultation closed on 31 August 2012.

2012/13 National Fraud Initiative (NFI)

22 The NFI Team sent a request for data to all participants' directors of finance in June 2012 and also announced the launch of the Audit Commission's 2012/13 web application.

23 Participants are required to submit the required data sets, through the secure NFI web application, by 8 October 2012.

2010/11 local government claims and returns

24 The Audit Commission has recently published a report summarising the results of its certification work in 2010/11. Appointed auditors provided assurance to grant-paying bodies on 2,174 claims and returns for 2010/11, covering £51 billion of expenditure.

25 The report shows that auditors agreed amendments to claims and returns totalling £47.6 million and issued 509 qualification letters. Across all schemes, 23 per cent of auditors' certificates were qualified. At Halton none of our audit certificates were qualified and we made only very minor amendments to two claims.

26 The housing and council tax benefit subsidy scheme continues to have high levels of amendments and qualification letters. Of the 2010/11 subsidy claims, 72 per cent were amended and 73 per cent had qualification letters. At Halton we issued a clear audit certificate and commented positively on the technical expertise and professionalism of the Council's housing benefit team.

27 Auditors reported examples of authorities that had reduced the number of errors, the number of issues requiring attention and certification fees. They highlighted improved working papers, as well as the increased supervision and review of claims and returns.

Localism Act – update on standards and conduct arrangements

28 On 28 June 2012, DCLG wrote to all principal authorities confirming that the new standards and conduct arrangements apply from 1 July 2012.

29 The new arrangements, set out in the Localism Act 2011, require authorities to:

- develop a local code of conduct dealing with the conduct of members and co-opted members. DCLG has provided an illustrative example of a local code of conduct;
- maintain and publish a register of interests; and
- appoint an independent person to provide advice to the authority on any allegations it may be considering and to members who may be the subject of the allegation(s). In the letter, DCLG confirms the transitional arrangements for the appointment of the independent person.

30 DCLG has stated that it also intends to publish a guide to members' pecuniary interests.

Public sector internal audit standards

31 We have previously advised you about the collaboration of the Chartered Institute of Internal Auditors (IIA) and the Chartered Institute of Public Finance and Accountancy (CIPFA) on the development of public sector internal audit standards.

32 A draft set of standards has now been produced and have been issued for consultation. These can be found on CIPFA's website. The consultation exercise ends on 14 September 2012.

Preparing for police and crime commissioners (PCCs)

33 During early summer 2012, Her Majesty's Inspectorate of Constabulary (HMIC) examined the transition plans of all police authorities. HMIC assessed how authorities were preparing for the introduction of PCCs. Auditors contributed to this assessment by attending challenge meetings.

34 HMIC made an interim assessment of whether:

- authorities are making prudent preparations for the transition to PCCs; and
- transition planning is having a detrimental effect on normal and ongoing authority work (ie on 'business as usual').

35 HMIC summarised the national findings in its report 'Preparing for Police and Crime Commissioners', which can also be found on the HMIC website.

36 This report concludes that all police authorities are continuing to discharge their statutory duties, while simultaneously preparing for the arrival of PCCs. All police authorities have transition plans in place, and are broadly making progress against them, although some plans were less forward-looking than others.

37 In September 2012, HMIC plans to review the budget development process for PCCs and proposals for governance, accountability and decision making models.

Contact details

38 If you would like further information on any items in this briefing, please feel free to contact either your District Auditor/Engagement Lead or Audit Manager.

39 Alternatively, all Audit Commission reports – and a wealth of other material – can be found on our website: www.audit-commission.gov.uk.

Mike Thomas

District Auditor / Engagement Lead

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0844 798 7070

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The Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission explains the respective responsibilities of auditors and of the audited body. Reports prepared by appointed auditors are addressed to non-executive directors, members or officers. They are prepared for the sole use of the audited body. Auditors accept no responsibility to:

- any director/member or officer in their individual capacity; or
- any third party.



Audit Commission

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REPORT TO: Business Efficiency Board

DATE: 26th September 2012

REPORTING OFFICER: Operational Director, Finance

PORTFOLIO: Resources

SUBJECT: 2011/12 Abstract of Accounts, Annual Governance Report, and Letter of Representation

WARD(S): Borough-wide

1.0 PURPOSE OF REPORT

1.1 The purpose of this report is to seek approval for the Council's 2011/12 Abstract of Accounts (a copy of which is enclosed with the Agenda), to consider the report of the Audit Commission on the 2011/12 financial statements (The Annual Governance Report) and to approve the Council's Letter of Representation.

2.0 RECOMMENDED that;

- (i) The Letter of Representation in Appendix 1 be approved;**
- (ii) The Audit Commission's 2011/12 Annual Governance Report in Appendix 2 be received;**
- (iii) The Council's 2011/12 Abstract of Accounts be approved.**

3.0 BACKGROUND

- 3.1 The Abstract of Accounts (The Abstract) sets out the Council's financial performance for the year in terms of revenue and capital spending and presents the year-end financial position as reflected in the balance sheet.
- 3.2 The format of the Abstract is heavily prescribed by the Accounts and Audit Regulations and the Code of Practice on Local Authority Accounting (The Code), which makes it a very technical document and not particularly easy to understand. Therefore the key elements are outlined below.
- 3.3 The Abstract for 2011/12 has for the second year been prepared in full compliance with International Financial Reporting Standards (IFRS) and as a result there have been relatively few changes in the format from last year.

- 3.4 The draft 2011/12 Abstract was passed to the Audit Commission on 29th June 2012, since when they have undertaken their audit. The District Auditor will attend the meeting to present the report of their findings, the Annual Governance report, which includes their work in respect of the Council's arrangements for securing value for money, as shown in Appendix 1.
- 3.5 Each year the Council is required to provide the Audit Commission with a Letter of Representation relating to the financial statements, as shown in Appendix 2. This provides a number of assurances to the Audit Commission in connection with the preparation of the Council's accounts. The Letter is required to be signed by the Chairman of the Board on behalf of the Council.

4.0 KEY SECTIONS WITHIN THE ABSTRACT

- 4.1 The **Foreword** by the Operational Director, Finance summarises the Council's financial performance for 2011/12, including revenue and capital spending.
- 4.2 In overall net terms the Council has underspent its 2011/12 revenue budget by £198,000. The overall outturn report was presented to Executive Board on 28th June 2011 and departmental outturn reports are available on the Council's Intranet. As a result the Council's General Fund Balance will increase by £198,000 to £7,565,000.
- 4.3 Capital expenditure was £53.7m compared with planned expenditure of £61.6m. This represents 87% delivery of the capital programme for which 20% slippage was anticipated throughout the year. The main areas of slippage were in respect of Castlefields Regeneration, Wade Deacon High School, Windmill Hill Primary School (basic need), Lunts Heath Primary School (basic need) and St Bede's Infant and Junior Schools (basic need).
- 4.4 School balances have increased by £1.8m to £9.8m, of which £7.0m relates to individual school balances and £2.8m relates to devolved capital funding. In addition, £3.4m of unspent schools related funding is held centrally and will carry forward into 2012/13.
- 4.5 The **Comprehensive Income and Expenditure Account** presents gross expenditure, gross income and net expenditure for 2011/12 along with the previous year's comparison. These are shown for each of the service groupings prescribed in The Code. These service groupings do not necessarily relate directly to the Council's organisational structure, but are intended to provide consistency across all local authorities. The Net Cost of Services is adjusted by a number of appropriations to give Total Comprehensive Income and Expenditure.
- 4.6 The Council's **Balance Sheet** sets out the Council's financial position as at 31st March 2012, along with the previous year's comparison.

- 4.7 The **Movement in Reserves Statement** presents a summary of the changes in the Council's main reserves during the year.
- 4.8 The **Cashflow Statement** provides an overall analysis of the movements in cash and cash equivalents during the year.
- 4.9 Detailed notes relating to items within the Comprehensive Income and Expenditure Account, Balance Sheet, Movement in Reserves Statement and Cashflow Statement are shown under **Notes to the Core Financial Statements**.
- 4.10 The **Collection Fund** and associated notes summarise the transactions in respect of the collection of Non-Domestic Rates and Council Tax, along with the distribution to the Council's own General Fund and to the Precepting Authorities (Fire, Police and Parishes).
- 4.11 The **Group Accounts** and associated notes present the consolidation of the Council's accounts with those of Halton Transport Limited.
- 4.12 The **Statement of Responsibilities** outlines the basis upon which the Abstract has been prepared and is followed by a statement of the Council's **Accounting Policies**. There have been relatively few changes to the Council's accounting policies this year, the main one being accounting for heritage assets
- 4.13 The Audit Commission use the draft Abstract as the basis for undertaking the annual audit of accounts, for which their **Audit Report and Certificate** is included within the Abstract.
- 4.14 The final section presented within the Abstract is a **Glossary of Terms**.

5.0 NEXT STEPS

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

6.0 POLICY IMPLICATIONS

- 6.1 None.

7.0 OTHER IMPLICATIONS

- 7.1 None.

8.0 RISK ANALYSIS

8.1 The Accounts and Audit Regulations require that the Abstract is certified by the Audit Commission and published by 30th September 2012.

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

Document	Place of Inspection	Contact Officer
Accounts and Audit Regulations 2011	Municipal Building Kingsway Widnes	Ed Dawson Operational Director, Finance
Code of Practice on Local Authority Accounting in the UK 2011/12	Municipal Building Kingsway Widnes	Ed Dawson Operational Director, Finance

APPENDIX 1

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

Dear Mike

Halton Borough Council - Audit for the year ended 31 March 2012

I confirm to the best of my knowledge and belief, having made appropriate enquiries of other Directors and Officers of Halton Borough Council, the following representations given to you in connection with your audit of the Council's financial statements for the year ended 31 March 2012.

Compliance with the statutory authorities

I have fulfilled my responsibility under the relevant statutory authorities for preparing the financial statements in accordance with the Accounts and Audit (England) Regulations 2011 and the Code of Practice on Local Authority Accounting in the United Kingdom which give a true and fair view of the financial position and financial performance of the Council, for the completeness of the information provided to you, and for making accurate representations to you.

Uncorrected misstatements

The effects of uncorrected financial statements misstatements summarised in the attached schedule are not material to the financial statements, either individually or in aggregate. These misstatements have been discussed with those charged with governance within the Council. The reasons for not correcting these items are, the amounts although significant are not material in terms of total spending, and are considered to reflect the prudent approach taken by the Council to managing its finances given the exceptional financial environment we are currently experiencing.

Supporting records

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

Internal control

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

Irregularities

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

I also confirm that I have disclosed:

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

Law, regulations, contractual arrangements and codes of practice

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

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

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

Accounting estimates including fair values

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

Related party transactions

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

Subsequent events

I have adjusted for or disclosed in the financial statements all relevant events subsequent to the date of the financial statements.

Signed on behalf of Halton Borough Council:

I confirm that this letter has been discussed and agreed by the Business Efficiency Board on 26 September 2012.

Signed

Name Councillor Martha Lloyd Jones

Position Vice Chairman

Date 26th September 2012

Schedule of Uncorrected Misstatements

Collection Fund Provision for Doubtful Debts (Council Tax)

The provision for council tax bad debts of £3.420m includes £0.527m related to the impact of a potential fall in future recovery rates. Accounting standards do not allow expected losses arising from future events to be provided for no matter how likely.

Whilst significant this amount is not material to total spending. Therefore given the current economic climate and the potential impact upon collection rates of the forthcoming welfare reforms and changes to council tax support, this is considered to be a prudent approach to managing the Council's finances.

Balance Sheet Debtors

The provision for impairment of debtors of £7.623m includes £0.850m as a "cushion" for the potential future effects of a fall in recovery rates. As above, expected losses arising from future events cannot be provided for no matter how likely.

Whilst significant this amount is not material to total spending. Therefore given the current economic climate this is considered to be a prudent approach to managing the Council's finances.

Balance Sheet Creditors

The 2011/12 closing balance includes a land deposits creditor of £0.099m. This creditor balance has not decreased in value for a number of years. It is unlikely that the Council will be liable to pay this amount in the future.

The deposit is being held as a liability in case of a repayment condition whilst the Council's Legal Services obtain further information with regard to the potential liability. This amount is not material to total spending and therefore the Council will determine whether these monies can be released to capital receipts during 2012/13.

Mersey Gateway Development Costs

Mersey Gateway development costs totalling £0.513m have been incorrectly categorised as capital rather than revenue expenditure.

Whilst significant this amount is not material to total spending.

Annual governance report

Halton Borough Council

Audit 2011/12



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Key messages

This report summarises the findings from the 2011/12 audit which is substantially complete. It includes the messages arising from my audit of your financial statements and the results of the work I have undertaken to assess your arrangements to secure value for money in your use of resources.

Financial statements

As at 7 September, and subject to my final review procedures, I expect to issue an unqualified audit opinion on the Council's 2011/12 financial statements. My audit identified three material errors in the Cashflow Statement, all of which have been amended. None of the errors had an impact on the Council's year end financial position. My audit has not identified any other material errors or uncertainties in the financial statements and the Operational Director Finance has agreed to amend the accounts for the majority of the other errors identified during the audit. The uncorrected misstatements are not material and therefore I anticipate being able to issue an unqualified audit opinion by the required deadline of 30 September.

Finance officers worked well to produce the financial statements and submit them for audit by the 30 June deadline. The statements were substantially more complete than last year with evidence that some quality assurance had been built into the closedown process. However, the quality of the accounts submitted for audit once again indicates that officers were pushed to achieve the 30 June deadline, an indicator of capacity pressures within the finance team. Workings papers were of a high standard and we received excellent co-operation from the finance team during the audit.

Value for money (VFM)

I expect to conclude that you have made proper arrangements to secure economy, efficiency and effectiveness in your use of resources. The Council continues to have effective arrangements in place to secure financial resilience and manage risks but these arrangements will be severely tested over coming years as budget pressures increase. During 2011/12 the Council planned and managed its finances effectively, once again keeping expenditure levels within budget. It also continues to show a healthy financial position with general fund balances totalling some £7.565m at 31 March 2012. The future however is even more challenging. The current economic climate and changes to funding streams places significant pressure on the Council to generate efficiencies and work within reduced resources. Savings of £11m are required for 2012/13, with further savings of some £14m in

2013/14. Early indications are that the Council's 2012/13 budget will be delivered but the pressures around continuing care and reducing income levels will need to be carefully managed and monitored through the remainder of the year.

The Mersey Gateway project represents a huge opportunity for the Council but with it comes some significant risks that need to be carefully managed. It is a hugely complex and costly project which will have significant financial and value for money implications for the Council for generations to come. The Council needs to continue to closely review and manage the risks and costs of the project to ensure its ongoing affordability and delivery. The project is now entering a critical stage in its development. It is important that any project assurance is available to officers and members on a timely basis so that any identified risks and issues can be addressed as quickly as possible.

Before I give my opinion and conclusion

My report includes only matters of governance interest that have come to my attention in performing my audit. I have not designed my audit to identify all matters that might be relevant to you.

Independence

I can confirm that I have complied with the Auditing Practices Board's ethical standards for auditors, including ES 1 (revised) - Integrity, Objectivity and Independence.

I am not aware of any relationships that may affect the independence and objectivity of the Audit Commission, the audit team or me, that I am required by auditing and ethical standards to report to you.

The Audit Commission's Audit Practice has not undertaken any non-audit work for the Council during 2011/12.

I ask the Business Efficiency Board to:

- take note of the adjustments to the financial statements included in this report (appendices 2 and 3);
- approve the letter of representation (appendix 4), on behalf of the Council before I issue my opinion and conclusion; and
- agree your response to the proposed action plan (appendix 6).

Financial statements

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

Opinion on the financial statements

Subject to satisfactory clearance of outstanding matters, and in particular my final review procedures, I plan to issue an audit report including an unqualified opinion on the financial statements. Appendix 1 contains a copy of my draft audit report.

At 7 September my audit is substantially complete although there is a small amount of additional testing on Mersey Gateway expenditure still ongoing. If any matters arise as a result of this work I will report this to you verbally at the Business Efficiency Board meeting on 26 September.

The financial statements submitted for audit were more substantially complete than last year with evidence of some quality assurance built into the accounts closedown process. However, the first version of the statements omitted some significant notes as well as internal cross references and page numbers.

Subject to the completeness issues above, the accounts were generally of a good quality. However there continue to be a number of formatting and presentational issues, including the continued use of irrelevant disclosure notes. I suggest officers review their current financial statements against those of other councils with a view to updating their format and content in 2012/13.

Uncorrected errors

There are four uncorrected errors set out at Appendix 2.

Mersey Gateway development costs totalled £7.435m in 2011/12, of which £4.803m (65%) has been capitalised. My testing of a sample of development costs capitalised this year identified £0.513m of costs incorrectly categorised as capital expenditure. In my view these costs should be charged to revenue expenditure. As the error cannot be classed as an isolated instance our audit approach requires extrapolation of the error across

the full population. The extrapolated error is £2.288m. Officers are currently testing an additional sample of Mersey Gateway costs to try to reduce the size of the error. My audit team will review the outcome of this additional testing. The accounts have not been amended to correct this error.

The council tax bad debt provision of £3.420m within the Collection Fund includes an overstatement of £0.527m. The Council has inflated its 2011/12 bad debt provision for potential future debts arising from the changes to council tax benefit support which will take place in 2013/14. Accounting rules specifically state that expected losses as a result of future events, no matter how likely, should not be recognised. The accounts have not been amended to correct this error.

The sundry debtors impairment (previously known as the bad debt provision) of £7.623m has been reviewed by each department and assessed as having a 'cushion' of some £0.850m. A decision was taken to keep this cushion in light of future pressures on recovery rates. As above this is not in line with accounting rules. The debtors impairment is overstated by £0.850m. The accounts have not been amended to correct this error.

The 2011/12 creditor balance includes a land deposits creditor of £0.099m. This creditor balance has not decreased in value for a number of years. It is unlikely that the Council will be liable to pay this amount in the future. The accounts have not been amended to reduce the creditor balance.

Corrected errors

There are a number of corrected errors as set out at Appendix 3. The material and more significant corrections are highlighted below.

Three lines within the Cash Flow Statement were incorrect, as were the supporting notes. Officers had used the wrong figures in calculating the required entries. Net cash flows within the Cash Flow Statement have been amended. Operating activities have reduced from £(53.622)m to £(2.043)m; investing activities have reduced from £106.698m to £69.252m and financing activities have increased from £(59.757)m to £(73.890)m. None of these amendments had an impact on the Comprehensive Income and Expenditure Statement or the Balance Sheet.

There were several omissions from the initial set of financial statements submitted for audit. The most significant were the Property, Plant and Equipment note, the full year comparator for the Movement in Reserves Statement and the comparator supporting note on adjustments between accounting basis and funding basis under regulation. Additionally, my team identified errors in the opening balances on the 2011/12 Movement in Reserves Statement. The accounts have been amended for these issues.

There were a significant number of internal inconsistencies between statements and notes, and typographical errors in the accounts. These have been amended where appropriate and have no overall effect on the Comprehensive Income and Expenditure Statement or the Balance Sheet.

Other Matters

In addition to the above I identified a number of other matters I wish to bring to your attention and these are set out below.

Significant risks and my findings

I reported to you in my January 2012 Audit Plan the significant risks that I identified relevant to my audit of your financial statements. In Table 1 I report to you my findings against each of these risks.

Table 1: Risks and findings

Risk	Findings
<p>Mersey Gateway Project</p> <p>The Council has established a development cost budget of £12.37 million for the Mersey Gateway project covering the period January 2011 to April 2013. It has classified the majority of these costs as capital. The accounting treatment is being considered by my audit team. If more of the expected costs are deemed to be revenue rather than capital in nature it will be a further pressure on the Council's 2011/12 and 2012/13 budgets.</p>	<p>Mersey Gateway is a unique scheme with high value transactions. It is also a complex accounting area where I have required material changes to accounting treatment in previous years.</p> <p>My work on Mersey Gateway is ongoing. This year I continued to review the Council's accounting treatment of development costs against the financial reporting standards. This included discussion of the principles applied with the Council's external financial advisers.</p> <p>Mersey Gateway development costs totalled £7.435m in 2011/12. Of this £4.803m (65%) has been capitalised and £2.633m (35%) charged to revenue. I sample tested development costs of £1.077m. I concluded that £0.513m (47.6%) was incorrectly categorised as capital rather than revenue expenditure, an error rate of 47.64%. As this error cannot be classed as an isolated error our audit approach requires extrapolation of the error across the full population. The extrapolated error based on the sample tested totals some £2.288m. In my view 2011/12 capital expenditure is overstated by £2.288m and revenue expenditure understated by the same amount.</p> <p>Officers have declined to amend the accounts for this misstatement. They are carrying out some additional testing to prove to me that the actual error is less than £2.288m. The results of this testing are currently outstanding.</p> <p>As I reported in last year's governance report, the Council's 2011/12 accounts included £0.812m of Mersey Gateway development costs as capital expenditure. I did not request an amendment to the accounts because the costs involved were not material and I was still discussing the appropriate accounting treatment with officers. Based on my findings this year, it is unlikely that all of last year's costs were capital in nature. I need to consider this potential mis-statement in the context of this year's audit findings.</p> <p>Over the past couple of years I have had a significant involvement in discussing and reviewing the accounting treatment of the costs associated with the Mersey Gateway project. Although there has been finance team involvement with the project at a</p>

Risk	Findings
<p>Financial pressures</p> <p>The Council continues to face significant financial pressures. In year monitoring reports indicate the Council is in a good position to achieve its approved 2011/12 budget reductions of £13.8 million. However, the pressures continue with a forecast budget gap for 2012/13 of £15 million.</p>	<p>strategic level, there has been limited input at an operational level. Given the complexities and potential financial consequences of this project, it is critical that a qualified accountant is involved with the project team to help determine relevant accounting treatment in a prompt and timely manner. This would help minimise the risk of incorrect accounting treatment going forward. It would also help ensure that appropriate processes are in place to capture and record costs.</p> <p>I reviewed management oversight of material accounting estimates and changes to accounting policies. I requested several amendments to your accounting policies to bring them more in line with financial reporting requirements.</p> <p>I reviewed in-year financial reporting compared with the year-end financial position. I identified no issues to bring to your attention.</p> <p>I carried out tests of detail on year-end journals, accruals, provisions and cut-off (the allocation of income and expenditure between financial years). My testing of journals and accruals identified no issues. As mentioned above my testing of provisions noted overstatements on the sundry debtors impairment of debt and on the council tax bad debt provision. In addition to this I found that the methodology for calculating the council tax bad debt provision was inadequate. The provision was based on the previous years figure rather than calculated on a review of actual recovery rates and year end arrears.</p>
<p>Heritage Assets</p> <p>The 2011/12 Code adopts the requirements of FRS 30 Heritage Assets. There is a risk that the Council may be unable to identify, appropriately value and account for all heritage assets.</p> <p>A heritage asset is a tangible asset with historical, artistic, scientific, technological, geophysical or environmental qualities that is held and maintained principally for its contribution to knowledge and culture. For Halton BC this is likely to include your civic regalia, works of art and other cultural assets.</p>	<p>Heritage assets total some £1.067m and as such are not material to the accounts. My review of management's controls to recognise and value heritage assets concluded that they were appropriate and proportionate to the value of the assets.</p> <p>I tested a sample of heritage assets to check that the Council had accounted for them in accordance with FRS 30 and the CIPFA Code. I identified no issues to bring to your attention.</p>

Risk

Valuation of Property, Plant and Equipment (PPE)

The Council is required to value PPE at fair value (with some exceptions). There is a risk that the values reported in the financial statements will be materially misstated due to:

- valuation and depreciation values include an element of subjectivity and estimation which, when applied to the total PPE balance gives rise to an inherent risk;
- the risk that valuations between planned revaluation dates are not updated to reflect material changes since the last revaluation (a fifth of the Council's asset base is revalued each year);
- failure to derecognise the carrying value of assets or components that are replaced or restored; and
- in 2010/11 there was no year end reconciliation between the general ledger and the asset register.

Schools

In most local authorities schools are managed through a variety of governance arrangements. There are also some schools which continue (because of timing) to be funded through the Building Schools for the Future programme. The differences in these arrangements have implications for the accounting treatment. In 2009/10 I requested your accounts be amended to reflect the correct accounting treatment for several voluntary aided and controlled schools. Schools are a material part of the Council's overall PPE balance. There may be a risk that the Council has misstated its PPE due to the incorrect inclusion or omission of schools in its balance sheet.

Findings

PPE totals some £328.423m on the Council's 2011/12 balance sheet. My testing of valuation and depreciation on a sample of property, plant and equipment assets found no errors.

My audit testing of impairments (reductions in the value of PPE) highlighted no issues for me to bring to your attention.

In line with other local authorities, componentisation was applied to the Council's assets for the first time this year. My review of your approach and application of componentisation found it to be compliant with accounting standards. My testing of a sample of detailed transactions found no errors.

The reconciliation between the general ledger and the asset register is a critical control to ensure the completeness and accuracy of the asset (property, plant and equipment) information disclosed in the accounts. Last year I recommended that officers reconcile the general ledger to the asset register as part of the accounts closedown process and use this information to complete the accounts. I am pleased to note that officers have acted on that recommendation. The year end reconciliation between the general ledger and the asset register was completed with no issues arising.

The accounting treatment of schools continues to be an ongoing, high profile and uncertain issue. CIPFA have recently published a consultation paper on the 2012/13 Code of Practice on Local Council Accounting (the Code) which included some detailed criteria to consider when determining the accounting treatment of schools. It is expected that more definitive guidance will be published as part of the 2012/13 Code.

The Council has used CIPFA's criteria in assessing which schools should be included on its balance sheet this year. As part of this process it has removed four schools totalling some £22.642m from the balance sheet (three academies and one voluntary controlled primary school). My review of the Council's assessment has not identified any material misstatements or omissions of schools in this year's financial statements. Officers plan to review and update their assessment once the 2012/13 Code is published.

Risk	Findings
<p>Upgrade to the general ledger system (Agresso)</p> <p>The general ledger system is being upgraded in January 2012. This will involve significant changes to both the accounts payable and accounts receivable systems. There is a risk that system controls may not be effective.</p>	<p>My testing of the general ledger pre and post upgrade identified no issues to bring to your attention.</p>

Significant weaknesses in internal control

It is the responsibility of the Council to develop and implement systems of internal financial control and to put in place proper arrangements to monitor their adequacy and effectiveness in practice. My responsibility as your auditor is to consider whether the Council has put adequate arrangements in place to satisfy itself that the systems of internal financial control are both adequate and effective in practice.

I have tested the controls of the Council only to the extent necessary for me to complete my audit. I am not expressing an opinion on the overall effectiveness of internal control. I have reviewed the Annual Governance Statement and, following amendment, can confirm that:

- it complies with the requirements of CIPFA/SOLACE Delivering Good Governance in Local Government Framework; and
- it is consistent with other information that I am aware of from my audit of the financial statements.

The following weaknesses in internal control are only those I have identified during the audit that are relevant to preparing the financial statements.

Table 2: **Internal control issues and my findings**

Description of weakness	Potential impact	Management action
<p>For the major part of the 2011/12 year income reconciliations were not completed in line with the Council's procedures. This followed a major restructure of income collection processes including the closure of all cash offices, and was as a result of problems with the new cash collection services and loss of knowledge and expertise of key staff. Month end reconciliations</p>	<p>There was a significant level of un-posted items and un-investigated differences in the daily balancing of receipts at bank with the fund analyses from the cash receipting system. As a result income recorded in the accounts in-year was incomplete and potentially incorrect.</p>	<p>Officers began to investigate the issue in October 2011. In December 2011 officers started reworking daily reconciliations with effect from 1 April 2011. This work was completed in time for the year end ledger close. The March 2012 reconciliation was fully balanced. Subsequent management actions include additional training for the Income</p>

Description of weakness	Potential impact	Management action
of the receipts bank account were not prepared and accounts and fund-holders (such as council tax, NNDR, sundry debtors) were not able to confirm the cash recorded with their records.		Control Officer, enhanced procedure notes and the introduction of a review checklist for the section supervisor.

Other matters

I am required to communicate to you significant findings from the audit and other matters that are significant to your oversight of the Council's financial reporting process including the following.

- Qualitative aspects of your accounting practices
- Matters specifically required by other auditing standards to be communicated to those charged with governance. For example, issues about fraud, compliance with laws and regulations, external confirmations and related party transactions.
- Other audit matters of governance interest

The table below sets out the matters I wish to report to you.

Table 3: **Other matters**

Issue	Findings
Related party transactions – note 18	I have evaluated the Council's arrangements for identifying and disclosing related parties within its financial statements. Following my comments last year arrangements have been strengthened and additional guidance issued to officers and members. However, my review of the related party declaration forms found that members are returning nil declarations when directorships are held. Officers should consider amending the declaration forms and the guidance provided to make it clear that all directorships and employments with potential related party organisations should be disclosed even if the value of transactions is unknown.
Accounting policies – critical judgements: capitalising development costs	The Council apportions total development cost expenditure on the Mersey Gateway project between capital and revenue using a Net Present Value (NPV) approach. This

Issue	Findings
	<p>approach estimates the proportion of capital and revenue expenditure to be incurred during the letting of the operational contract. For 2011/12, the Council estimated the weighting at 65% capital and 35% revenue, and then capitalised 65% of most of the 2011/12 Mersey Gateway development costs.</p> <p>Development costs can only be capitalised if they meet strict accounting criteria. [The cost of an item of property, plant and equipment comprises its purchase price and any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.] The classification of development costs incurred should therefore be assessed by a detailed review of actual invoiced costs against these accounting criteria. In my view, the application of this 'percentage' approach is not a reliable or appropriate method for estimating the level of capital costs within the wide range of project development costs incurred on the Mersey Gateway project.</p>
Evidence to support staff costs charged to capital	<p>My review of Mersey Gateway development costs identified that 65% of the costs within the 'Core Team Consultants', 'Core Team HBC Staff' and 'Commercial Director' cost categories have been capitalised. This proportion is based on a calculation of the total capital/revenue percentage split when all of the other development costs are assessed as capital or revenue. This approach is based on the assumption that the work done by these staff and consultants is directly in proportion to the capital/revenue split of other costs. Again, in my view, the application of this general 'percentage' approach is not a reliable or appropriate method for estimating the level of capital costs within these cost categories.</p> <p>In order to justify capitalising elements of these costs, particularly during the procurement phase when it is more difficult to demonstrate that costs/activities relate to capital expenditure, the Council needs to support the capitalisation with detailed time records for individuals, setting out the specific areas being worked on and how the costs satisfy the accounting capitalisation criteria. If an estimation technique is used then it needs to be robust.</p>
Borrowing and waivers	During the year the Council entered into a loan agreement with an individual for

Issue	Findings
	<p>£0.516m to fund a new artificial pitch at Halton Stadium. The potential source of funding for the pitch was reported to Members in August 2011. Officers have satisfied themselves that this arrangement is legal and provides value for money. Standing orders (SOs) were waived for the procurement of the new pitch due to the urgency and specialist nature of the project although this has yet to be reported back to members as required by the Council's standing orders. Also I have been uncertain as to how this loan fitted in to the Council's treasury management strategy. The scope for local authorities to enter into loan arrangements is quite wide but it must have regard to CIPFA's Treasury Management in the Public Services and Cross-Sectoral Guidance Notes 2011.</p>
Recommendation	
<p>R1 Undertake a full review of the presentation and content of the financial statements in advance of completion of the 2012/13 financial statements.</p>	
<p>R2 Base the calculation of the council tax bad debt provision on actual recovery rates and levels of arrears.</p>	
<p>R3 Ensure appropriate and timely input from qualified finance staff in the accounting arrangements for costs associated with the Mersey Gateway project.</p>	
<p>R4 Amend the related party declaration form to clearly specify that all directorships and employments (other than those with the Council) should be included within the related party form.</p>	
<p>R5 Ensure that Mersey Gateway development costs are only capitalised when they satisfy the relevant accounting capitalisation criteria (Code/IAS 16) and make this assessment based on a review of individual costs/invoices.</p>	
<p>R6 Where costs of Halton BC staff and consultants working on the Mersey Gateway project are capitalised, this should be supported by detailed evidence which demonstrates that the time relates to eligible capital expenditure.</p>	
<p>R7 For any future such borrowings the Council should explicitly consider how it has paid regard to CIPFA's treasury management guidance under Regulation 24 of The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 (SI 2003/3146) (as amended).</p>	

Recommendation

R8 Ensure all waivers of standing orders are reported to the Executive Board Sub Committee.

Whole of Government Accounts

Alongside my work on the financial statements, I also review and report to the National Audit Office on your Whole of Government Accounts return. As at 7 September I have not completed the procedures specified by the National Audit Office. I expect to complete my report by 30 September.

Value for money

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

I assess your arrangements against the two criteria specified by the Commission. In my January 2012 Audit Plan I reported to you the significant risks that were relevant to my conclusion. I have set out below my conclusion on the two criteria, including the findings of my work addressing each of the risks I identified.

I intend to issue an unqualified conclusion stating that the Council has proper arrangements to secure economy, efficiency and effectiveness in the use of its resources. I include my draft conclusion in Appendix 1.

Table 4: **Value for money conclusion criteria and my findings**

Criteria	Findings
<p>1. Financial resilience</p> <p>The organisation has proper arrangements in place to secure financial resilience.</p> <p>Focus for 2011/12:</p> <p>The organisation has robust systems and processes to manage effectively financial risks and opportunities, and to secure a stable financial position that enables it to continue to operate for the foreseeable future.</p>	<p>The Council has a proven track record of keeping expenditure within budget and securing financial resilience. Systems and processes are well established and a structured approach to identifying and managing budget pressures is in place. As in previous years, the Council once again managed its 2011/12 spending within its revenue budget. The planned savings of £13.8m were achieved.</p> <p>General fund balances at 31 March 2012 totalled £7.565m, just over 6 per cent of net expenditure.</p> <p>The Council's 2012/13 budget includes savings of £11m. First quarter monitoring reports indicate the Council is largely on track to achieve its budget. Pressures are evident though, particularly around continuing care and reducing levels of income. Continued close control and monitoring of spend is required through the remainder of the year to minimise the risk of a budget overspend at year end.</p> <p>The financial challenges continue into 2013/14. The Council is currently working through savings options to identify its required savings target of £14m. As at the end of August 2012, work is ongoing</p>

Criteria	Findings
<p>2. Securing economy efficiency and effectiveness</p> <p>The organisation has proper arrangements for challenging how it secures economy, efficiency and effectiveness.</p> <p>Focus for 2011/12:</p> <p>The organisation is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity.</p>	<p>to put together a full savings plan and prepare a balanced budget for 2013/14.</p> <p>The Council has managed its finances to achieve its planned budget in 2011/12. Officers have worked hard to deliver the 2011/12 planned savings target of just under £14m but there remain considerable financial challenges ahead.</p> <p>The most significant issue for the Council in terms of ongoing financial resilience and value for money is the Mersey Gateway project. It is a huge opportunity for the Council but it is also a complex and costly project which has current and long term financial implications for the Council. The Council will need to continue to review and manage the risks and costs of the project to ensure its ongoing affordability.</p> <p>The project is overseen by the Mersey Gateway Executive Board and is supported on a day to day basis by a Project Team of consultants and council staff. Members of the Board are drawn from a range of backgrounds with relevant skills in the development of major projects. The Project Team includes a number of consultants, and relies heavily on specialist advisor input. Whilst this is not unusual in high profile projects of this nature the Council needs to ensure it maintains ownership, control and oversight of the project to ensure that the procurement fits within the Council's legal and strategic framework and resource availability.</p> <p>The project has now entered a critical phase in its development. Written confirmation of Conditional Funding Approval was received from Department for Transport (DfT) in October 2011. This triggered the start of the formal procurement process. The Council issued the Invitation to Participate in Dialogue (ITPD) to three pre-qualified bidders in February 2012, and has now entered the dialogue stage of the procurement for a private sector body to design, build, finance, maintain and operate a new six-lane toll bridge across the Mersey via a Public Private Partnership (PPP). The 30 year contract would also cover the provision of tolling services on the existing Silver Jubilee Bridge (SJB).</p> <p>The Conditional Funding Approval confirmed the availability of Government funding for the project with the Council expected to make a significant capital contribution to the project at the end of the construction period. The Council plans to fund this by prudential borrowing. The Council will also pay an annual unitary charge to the operator. The unitary charge payment will only be partly funded by the Government's revenue support grant, with the balance funded by toll revenues. The Council will retain the toll revenue risk under the proposed arrangement. There a number of significant risks attached to</p>

Criteria

Findings

this arrangement not least the uncertainty around traffic volumes under a tolling regime over a 30 year period and the potentially higher incidence of non-payment under the proposed open road tolling system. Whilst the Board is aware of and monitoring these risks, Members need to continue to ensure that any residual risks are being managed to an acceptably low level by the Council and fit within the Council's overall affordability envelope.

The Council has continued to make good progress in its land assembly and remediation of early works arrangements for the new bridge, and is currently forecasting an underspend on its DfT grant for this aspect of the project. The Council is currently in talks with the DfT about the availability and allocation of grant beyond December 2012.

The procurement period has so far extended beyond the original timetable because of additional information requests from Government and the later than anticipated start to the procurement process. The Project Team and the Mersey Gateway Executive Board is aware of an expected shortfall in the development cost budget due to these delays, but has deferred further consideration of alternative funding until it has more information about the affordability position of the overall project.

During 2011/12 the Project Team identified the need for a post contract close structure to manage the project's ongoing risks and responsibilities. As a result the Crossings Board was established. The Council will need to continue to develop these arrangements during the procurement phase.

The 2011/12 Internal Audit (IA) plan included two pieces of work on Mersey Gateway: governance, risk management and use of consultants; and land acquisitions. IA's field work began in March 2011 but has yet to be completed due partly to difficulties in gaining access to Project Team members at a very busy time in the project cycle. IA has an important role to play in monitoring and reporting on the management and control of this major, complex, high risk project. It is critical that this project assurance is available to members and officers on a timely basis so that risks to the Council and any issues identified can be addressed as quickly as possible. There have not been any other sources of independent project assurance for the Mersey Gateway project since the March 2011 Gateway 2 Review (Delivery Strategy). I understand IA have included a review of the Mersey Gateway procurement process in the 2012/13 Internal Audit Plan. It is important that this work is completed and reported promptly.

As with many other local government organisations, the level of cost reductions needed to achieve a balanced budget has meant job losses and re-organisation of structures and responsibilities. With this

Criteria**Findings**

come risks around capacity and loss of corporate knowledge and experience. Officers are fully aware of the risks associated with reducing staff numbers and capacity risk is included within the corporate risk register. Officers will need to continue to monitor these risks and mitigate their impact wherever possible.

Building Schools for the Future (BSF) was identified in my audit plan as a specific risk. My review of the Council's much reduced BSF programme did not identify any areas of concern.

Fees

I reported my planned audit fee in the January 2012 Audit Plan.

I have agreed with the Operational Director Finance a revision to the 2011/12 audit fee. I agreed an additional fee of £10,000 to accommodate the audit work required on the Mersey Gateway project, in particular the review of the development costs and associated meetings.

Table 5: Fees

	Original scale fee 2011/12 £	Planned fee 2011/12 (£)	Expected fee 2011/12 (£)
Audit	232,204	232,204	242,204
Claims and returns	33,852	33,852	33,852
Non-audit work	0	0	0
Total		266,056	276,056

Appendix 1 – Draft independent auditor’s report

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

Opinion on the financial statements

I have audited the financial statements of Halton Borough Council for the year ended 31 March 2012 under the Audit Commission Act 1998. The financial statements comprise the Council and Group Movement in Reserves Statement, the Council and Group Comprehensive Income and Expenditure Statement, the Council and Group Balance Sheet, the Council and Group Cash Flow Statement, and Collection Fund and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12.

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

Respective responsibilities of the Operational Director Finance and auditor

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

Scope of the audit of the financial statements

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

Opinion on financial statements

In my opinion the financial statements:

- give a true and fair view of the financial position of Halton Borough Council as at 31 March 2012 and of its expenditure and income for the year then ended;
- give a true and fair view of the financial position of the Group as at 31 March 2012 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12.

Opinion on other matters

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

Matters on which I report by exception

I report to you if:

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

- I exercise any other special powers of the auditor under the Audit Commission Act 1998.

I have nothing to report in these respects.

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

Respective responsibilities of the Council and the auditor

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

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

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

Basis of conclusion

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

- securing financial resilience; and
- challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those necessary for me to consider under the Code of Audit Practice in satisfying myself whether the Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2012.

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

Conclusion

On the basis of my work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2011, I am satisfied that, in all significant respects, Halton Borough Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2012.

Certificate

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

Michael Thomas

District Auditor

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

Appendix 2 – Uncorrected errors

I identified the following errors during the audit which management have not addressed in the revised financial statements.

Item of account	Nature of error	Statement of comprehensive income and expenditure		Balance sheet	
		Dr £'000s	Cr £'000s	Dr £'000s	Cr £'000s
Capital expenditure	Mersey Gateway development costs totalling £0.513m have been incorrectly categorised as capital rather than revenue expenditure. The extrapolated error of £2.288m is the subject of additional testing by officers. I have not requested amendment for this extrapolated amount.	513			513
Collection Fund- Provision for Doubtful Debts (Council Tax)	The provision for council tax bad debts of £3.420m includes £0.527m related to the impact of a potential fall in future recovery rates. Accounting standards do not allow expected losses arising from future events to be provided for no matter how likely. The provision £0.527m should be credited back to CIES.		527	527	
Balance Sheet- Debtors- Note 27	The provision for impairment of debtors of £7.623m includes £0.850m as a "cushion" for the potential future effects of a fall in recovery		850	850	

		Statement of comprehensive income and expenditure	Balance sheet
	rates. As above, expected losses arising from future events cannot be provided for no matter how likely. The provision £0.850m should be credited back to CIES.		
Balance Sheet- Creditors- note 30	The 2011/12 closing balance includes a land deposits creditor of £0.099m. This creditor balance has not decreased in value for a number of years. It is unlikely that the Council will be liable to pay this amount in the future and as such it should consider writing this amount back to the CIES.	99	99

Appendix 3 – Corrected errors

I identified the following errors during the audit which management have addressed in the revised financial statements.

		Statement of comprehensive income and expenditure		Balance sheet	
Item of account	Nature of error	Dr £'000s	Cr £'000s	Dr £'000s	Cr £'000s
Cash Flow Statement (CFS)	<p>The (CFS) has been amended significantly. This is due to the identification of a £0.608m error (balancing figure) in Cash flows from Financing Activities and the discovery by officers part way through the audit that a number of incorrect figures had been used to calculate the CFS entries.</p> <p>Net cash flows from Operating Activities (note 48) have reduced from £(53.622)m to £(2.283)m. Net cash flows from Investing Activities (note 49) have reduced from £106.698m to £69.252m. Net cash flows from Financing Activities (note 50) have increased from £(59.757)m to £(73,651)m.</p> <p>Individual lines on supporting notes to CFS (notes 48, 49 and 50) have also been revised to ensure internal</p>	N/A	N/A	N/A	N/A

		Statement of comprehensive income and expenditure		Balance sheet	
	<p>consistency.</p> <p>Note 48 on operating activities has also been amended to include disclosures incorrectly omitted from the initial version of the accounts. The note was amended for both 2011/12 and 2010/11(comparator year) to include Other receipts (11/12 £29.117m 10/11 £33.473m) and Other payments (11/12 £23.684m 10/11 £25.485m).</p>				
Balance Sheet- Provisions - Note 34	Note amended to remove the Sundry Debtor Impairment of £7.623m. The £7.623m relates to the impairment of a financial asset and as such does not fulfil the criteria of a provision under FRS12.	N/A	N/A	N/A	N/A
Contingent Liabilities - Note 42	<p>Note 42 was amended to remove inappropriate disclosures. The contingent liabilities relating to Building Schools for Future, Onerous Contracts and Redundancy Costs did not meet the accounting criteria for a contingent liability.</p> <p>Audit enquiries identified a contingent liability which was subsequently added to the note. This related to potential liabilities relating to Municipal Mutual</p>	N/A	N/A	N/A	N/A

		Statement of comprehensive income and expenditure		Balance sheet	
	Insurance.				
Financial Instruments - Note 36	<p>A number of amendments were made to the financial instruments note and its supporting detail to correct categorisation and disclosure errors and internal inconsistencies. Most notably,</p> <ul style="list-style-type: none"> £50.000m was reclassified from Current Assets (loans and receivables) to Current Investments (loans and receivables) £(1,515)m was reclassified from Long-term Investments to Long-term Assets . finance lease liabilities were increased from £0.800m to £1.017m. the prior year comparator for Current Assets (loans and receivables) was reduced from £25.253m to £23.745m. <p>The fair value analyses were also updated to ensure internal consistency within the note. The text on impairments was enhanced and the section on valuation of available for sale assets was deleted as it was not</p>	N/A	N/A	N/A	N/A

		Statement of comprehensive income and expenditure		Balance sheet	
	relevant.				
Movement in Reserves Statement (MIRS)	The MIRS has been amended to correct an inconsistency found between the audited 2010/11 balance sheet and the opening balances in the Movement in Reserves Statement for 2011/12. This resulted from the incorrect treatment of two prior year audit adjustments. A £0.224m adjustment was also required in year for an error in the treatment of revaluation gains and losses (Dr Capital Adjustment account £0.224m Cr CIES £0.224m).		224	224	
Capital Expenditure and Capital Financing – Note 21	The disclosure at note 21 has been amended to ensure consistency with other aspects of the accounts. Purchase of Plant, Property & Equipment now disclosed as £51.874m (was £51.737m) and Minimum Revenue Provision is now £(3.004)m (previously £(2.867)m).	N/A	N/A	N/A	N/A
Balance Sheet-Long Term Borrowings - Note 33	Amendment made to note 33 to correct an error in the maturity analysis. A £0.474m loan was originally included as maturing between 5-10 years. This has now been split to reflect payments due in	N/A	N/A	N/A	N/A

		Statement of comprehensive income and expenditure		Balance sheet	
	the next five years.				
Capital Commitments- Note 20	Several significant capital commitments were initially omitted from this disclosure. The note has been amended to include the £4.2m commitment for Silver Jubilee Bridge repairs and £1.9m commitment for the PFI capital scheme at the Grange School.	N/A	N/A	N/A	N/A
Collection Fund	<p>Several amendments have been made to the Collection Fund disclosures in the accounts. Incorrect figures were used for the 2012/13 precept demands in the Collection Fund disclosures. Figures for Halton BC and Cheshire Police Council have been adjusted to agree with the actual precept demands for 2012/13.</p> <p>Inconsistencies were also identified between different Collection Fund disclosures. Amendments have been made to the cash and surplus balances in the Collection Fund Balance Sheet to ensure consistency with other disclosures and prior year figures. Total cash has been amended from £0.640m to £0.332m and total surplus adjusted from (£0.356m) to £(0.048)m. Related apportionments</p>				

		Statement of comprehensive income and expenditure		Balance sheet	
	between the Council, Police and Fire Authorities for both items have also been amended.				
Accounting Policies	Amendments were made to the Council's disclosed accounting policies on senior officer remuneration and the treatment of Mersey Gateway development costs. In both cases the Council had excluded the detail required to sufficiently understand what these costs are and how they have been treated.	N/A	N/A	N/A	N/A
Overall Accounts	<p>The Abstract of Accounts presented for audit on 29 June 2012 was incomplete and contained a number of internal inconsistencies and typographical errors. Omissions included:</p> <ul style="list-style-type: none"> • the Property, Plant and Equipment note (note 20) and its supporting information • the Exit Packages note (note 4) • the 2010/11 comparator Movement in Reserves Statement • the 2010/11 comparator note on adjustments between accounting basis and funding basis under regulation (note 44) 	N/A	N/A	N/A	N/A

**Statement of comprehensive
income and expenditure**

Balance sheet

The Debtors note (27) was incomplete and no page numbers and cross references were provided. These omissions have been corrected in the audited version of the accounts.

The foreword has been amended to correct a number of typographical errors.

A number of internal inconsistencies between the core statements and notes, incorrect comparators and typographical errors have been amended.

Appendix 4 – Draft letter of management representation

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

Dear Mike

Halton Borough Council - Audit for the year ended 31 March 2012

I confirm to the best of my knowledge and belief, having made appropriate enquiries of other Directors and Officers of Halton Borough Council, the following representations given to you in connection with your audit of the Council's financial statements for the year ended 31 March 2012.

Compliance with the statutory authorities

I have fulfilled my responsibility under the relevant statutory authorities for preparing the financial statements in accordance with the Accounts and Audit (England) Regulations 2011 and the Code of Practice on Local Authority Accounting in the United Kingdom which give a true and fair view of the financial position and financial performance of the Council, for the completeness of the information provided to you, and for making accurate representations to you.

Uncorrected misstatements

The effects of uncorrected financial statements misstatements summarised in the attached schedule are not material to the financial statements, either individually or in aggregate. These misstatements have been discussed with those charged with governance within the Council. The reasons for not correcting these items are, the amounts although significant are not material in terms of total spending, and are considered to reflect the prudent approach taken by the Council to managing its finances given the exceptional financial environment we are currently experiencing.

Supporting records

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

Internal control

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

Irregularities

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

I also confirm that I have disclosed:

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

Law, regulations, contractual arrangements and codes of practice

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

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

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

Accounting estimates including fair values

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

Related party transactions

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

Subsequent events

I have adjusted for or disclosed in the financial statements all relevant events subsequent to the date of the financial statements.

Signed on behalf of Halton Borough Council

I confirm that this letter has been discussed and agreed by the Business Efficiency Board on 26 September 2012.

Signed

Name

Position

Date

Schedule of Uncorrected Misstatements

Collection Fund Provision for Doubtful Debts (Council Tax)

The provision for council tax bad debts of £3.420m includes £0.527m related to the impact of a potential fall in future recovery rates. Accounting standards do not allow expected losses arising from future events to be provided for no matter how likely.

Whilst significant this amount is not material to total spending. Therefore given the current economic climate and the potential impact upon collection rates of the forthcoming welfare reforms and changes to council tax support, this is considered to be a prudent approach to managing the Council's finances.

Balance Sheet Debtors

The provision for impairment of debtors of £7.623m includes £0.850m as a "cushion" for the potential future effects of a fall in recovery rates. As above, expected losses arising from future events cannot be provided for no matter how likely.

Whilst significant this amount is not material to total spending. Therefore given the current economic climate this is considered to be a prudent approach to managing the Council's finances.

Balance Sheet Creditors

The 2011/12 closing balance includes a land deposits creditor of £0.099m. This creditor balance has not decreased in value for a number of years. It is unlikely that the Council will be liable to pay this amount in the future.

The deposit is being held as a liability in case of a repayment condition whilst the Council's Legal Services obtain further information with regard to the potential liability. This amount is not material to total spending and therefore the Council will determine whether these monies can be released to capital receipts during 2012/13.

Mersey Gateway Development Costs

Mersey Gateway development costs totalling £0.513m have been incorrectly categorised as capital rather than revenue expenditure. Additional testing is being carried out of the extrapolated error of £2.288m.

Whilst significant this amount is not material to total spending.

Appendix 5 – Glossary

Annual Audit Letter

Letter issued by the auditor to the Council after the completion of the audit that summarises the audit work carried out in the period and significant issues arising from auditors' work.

Annual Governance Report

The auditor's report on matters arising from the audit of the financial statements presented to those charged with governance before the auditor issues their opinion and conclusion.

Annual Governance Statement

The annual report on the Council's systems of internal control that supports the achievement of the Council's policies aims and objectives.

Audit of the accounts

The audit of the accounts of an audited body comprises all work carried out by an auditor under the Code to meet their statutory responsibilities under the Audit Commission Act 1998.

Audited body

A body to which the Audit Commission is responsible for appointing the external auditor.

Auditing Practices Board (APB)

The body responsible in the UK for issuing auditing standards, ethical standards and associated guidance to auditors. Its objectives are to establish high standards of auditing that meet the developing needs of users of financial information and to ensure public confidence in the auditing process.

Auditing standards

Pronouncements of the APB that contain basic principles and essential procedures with which auditors must comply, except where otherwise stated in the auditing standard concerned.

Auditor(s)

Auditors appointed by the Audit Commission.

Code (the)

The Code of Audit Practice for local government bodies issued by the Audit Commission and approved by Parliament.

Commission (the)

The Audit Commission for Local Authorities and the National Health Service in England.

Ethical Standards

Pronouncements of the APB that contain basic principles relating to independence, integrity and objectivity that apply to the conduct of audits and with which auditors must comply, except where otherwise stated in the standard concerned.

Financial statements

The annual statement of accounts that the Council is required to prepare, which report the financial performance and financial position of the Council in accordance with the Accounts and Audit (England) Regulations 2011 and the Code of Practice on Local Authority Accounting in the United Kingdom.

Group accounts

Consolidated financial statements of a Council and its subsidiaries, associates and jointly controlled entities.

Internal control

The whole system of controls, financial and otherwise, that the Council establishes to provide reasonable assurance of effective and efficient operations, internal financial control and compliance with laws and regulations.

Materiality

The APB defines this concept as 'an expression of the relative significance or importance of a particular matter in the context of the financial statements as a whole. A matter is material if its omission would reasonably influence the decisions of an addressee of the auditor's report; likewise a misstatement is material if it would have a similar influence. Materiality may also be considered in the context of any individual primary statement

within the financial statements or of individual items included in them. Materiality is not capable of general mathematical definition, as it has both qualitative and quantitative aspects’.

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

Significance

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

Those charged with governance

Those entrusted with the supervision, control and direction of the Council. This term includes the members of the Council and its Audit Committee.

Whole of Government Accounts

A project leading to a set of consolidated accounts for the entire UK public sector on commercial accounting principles. The Council must submit a consolidation pack to the department for Communities and Local Government which is based on, but separate from, its financial statements.

Appendix 6 – Action plan

Recommendations

Recommendation 1

Undertake a full review of the presentation and content of the financial statements in advance of completion of the 2012/13 financial statements.

Responsibility

Priority

Date

Comments

Recommendation 2

Base the calculation of the council tax bad debt provision on actual recovery rates and levels of arrears.

Responsibility

Priority

Date

Comments

Recommendation 3

Ensure appropriate and timely input from qualified finance staff in the accounting arrangements for costs associated with the Mersey Gateway project.

Responsibility

Priority

Date

Comments

Recommendation 4

Amend the related party declaration form to clearly specify that all directorships and employments (other than those with the Council) should be included within the related party form.

Responsibility

Priority

Date

Comments

Recommendation 5

Ensure that Mersey Gateway development costs are only capitalised when they satisfy the relevant accounting capitalisation criteria (Code/IAS 16) and make this assessment based on a review of individual costs/invoices.

Responsibility

Priority

Date

Comments

Recommendation 6

Where costs of Halton BC staff and consultants working on the Mersey Gateway project are capitalised, this should be supported by detailed evidence which demonstrates that the time relates to eligible capital expenditure.

Responsibility

Priority

Date

Comments

Recommendation 7

For any future such borrowings the Council should explicitly consider how it has paid regard to CIPFA's treasury management guidance under Regulation 24 of The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 (SI 2003/3146) (as amended).

Responsibility

Priority

Date

Comments

Recommendation 8

Ensure all waivers of standing orders are reported to the Executive Board Sub Committee.

Responsibility

Priority

Date

Comments

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0844 798 7070

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The Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission explains the respective responsibilities of auditors and of the audited body. Reports prepared by appointed auditors are addressed to non-executive directors, members or officers. They are prepared for the sole use of the audited body. Auditors accept no responsibility to:

- any director/member or officer in their individual capacity; or
- any third party.



Halton Borough Council

Abstract of Accounts 2011/12

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

.....

Councillor A. Lowe
Chairman of Business Efficiency Board

.....

Date

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

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Introduction

The Council's Accounts for 2011/12 are presented in the following format

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Foreword by Operational Director - Finance

Introduction

The Council's Abstract of Accounts has been prepared in accordance with the Code of Practice on Local Authority Accounting 2011/12 (The Code) and is the second year of full compliance with International Financial Reporting Standards (IFRS). There have only been minor changes in the Council's accounting policies this year as outlined in the section below 'Changes in Accounting Policies'.

The Council's accounts for 2011/12 are set out in the following pages and grouped as follows:

Core Financial Statements

Comprehensive Income and Expenditure Statement – this statement is fundamental to the understanding of the Council's activities, in that it reports the net cost of all the functions for which the Council is responsible, and demonstrates how that cost has been financed from general government grants and income from local taxpayers. It brings together expenditure and income relating to all the Council's functions in three distinct sections, the first relating to the Council's different service areas, the second comprises items which relate to the Council as a whole and the third shows the principal sources of finance.

Balance Sheet – this statement is 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.

Movement in Reserves Statement – this statement shows the movement in the year on the different reserves held by the Council, analysed into "Usable Reserves" i.e. those which can be used to fund expenditure or reduce Council Tax, and "Unusable Reserves". The Surplus or (Deficit) on the Provision of Services line shows the cost of providing the Council's services, more details of which are shown in the Comprehensive Income and Expenditure Statement.

Cash Flow Statement – this statement summarises the inflows and outflows of cash and cash equivalents arising from transactions with third parties for revenue and capital purposes.

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

Supplementary Financial Statements

Collection Fund Account – is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate fund for the collection of Council Tax and non domestic rates. The statement shows the transactions of the Council and the distribution of Council Tax income to Cheshire Police and Cheshire Fire and non domestic rates to Government.

Foreword by Operational Director – Finance continued

Group Accounts – this statement presents the consolidated position of the Council's activities, in accordance with the Code of Practice. The Group Accounts consolidate the accounts of Halton Borough Transport Limited with the Council's accounts by grossing up the Comprehensive Income and Expenditure Statement and the Balance Sheet whilst eliminating intra group transactions. The Group Accounts reflect the Council's 100% ownership of Halton Borough Transport Limited.

Other Statements

Statement of Responsibilities for the Statement of Accounts – this statement sets out the responsibilities of the Council and the Chief Financial Officer (Section 151 Officer).

Statement of Accounting Policies – this statement explains the basis for the recognition, measurement and disclosure of transactions and other events in the accounts.

Independent Auditor's Report to Members – this is the Audit Commission'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. Its purpose is to ensure that resources are properly targeted towards the Council's priorities, to avoid excessive Council Tax rises, to deliver a balanced and sustainable budget, and to continue to identify efficiencies.

The downturn in the UK economy and subsequent austerity measures introduced by the Government, have had a significant impact upon the Council's finances during the year and this has been reflected in the MTFS.

The Council's Efficiency Programme has continued to review services across the Council, changing the way in which the Council delivers services in order to realise efficiencies. In addition, the Council has continued to seek improved procurement, better utilisation of assets, changes to staff terms and conditions and changes to service delivery in order to manage costs within the funding constraints imposed by Government.

The MTFS reported to the Council's Executive Board in November 2011 identified potential shortfalls in funding for the Council over the following three years of approximately £15m (12/13), £14m (13/14), and £11m (14/15). This is after having addressed a funding shortfall for 2011/12 of £20m. The Local Government Finance Settlement announced on 31st January 2012 confirmed a 5.3% reduction in the Council's grant funding for 2012/13 and confirmed a shortfall in funding for 2012/13 of £15m.

Foreword by Operational Director - Finance continued

In March 2011 the Government announced it was to review local government finance, with a series of consultations and reports being issued during 2011/12 and 2012/13 with a new system coming into effect from 2013/14.

The major changes announced so far relate to business rate retention and localisation of Council Tax support. Half of the business rates collected will be retained by Councils with 50% being passed to Government and then redistributed in the form of Revenue Support Grant. Depending upon the basis used by Government for setting the baseline rates across Councils, Halton could lose up to £10m in grant funding once the system comes into effect.

Council Tax benefit is currently funded by Government and administered by Councils. From 1st April 2013, Council's will be responsible for providing a locally determined scheme of Council Tax Support and will receive grant funding in this respect. However, Government have announced that the grant funding will be cut by 10%. This is coupled with an assumption that claimant numbers will fall, whereas experience in Halton suggests the opposite. As a result it is estimated that Halton may receive a shortfall in grant funding of approximately £1.4m to fund the cost of Council Tax Support. This will be introduced alongside other major changes to the Welfare System including the transfer of responsibility for Crisis Loans and Community Grants to Councils and the introduction of a Benefits Cap which will impact upon Housing Benefit payments.

These changes make the Council's grant funding for 2013/14 onwards particularly uncertain.

Summary of the 2011/12 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	110,487	110,289
Parish Precepts	51	51
Total	110,538	110,340
Financed by Local Taxpayers	(43,519)	(43,519)
Financed by Government Grants	(67,019)	(67,019)
(Surplus)/Deficit for Year	-	(198)
Balances brought forward	(7,367)	(7,367)
Balance carried forward	(7,367)	(7,565)

Foreword by Operational Director - Finance continued

The Council has closely monitored and controlled its spending throughout the year such that total spending was £110.3m, £0.198m below the budget for the year (compared to £0.192m in the previous year). As a result the Council's General Fund Balance has increased to £7.565m.

In light of the pressures facing the Council, Executive Board implemented an Action Plan in September 2011. The aim of the Action Plan was to restrict spending to the absolute essential.

On 14th December 2011 the Council approved the early implementation of £5.6m of savings proposals for 2012/13. The early implementation of these savings has also helped deliver part-year savings in 2011/12.

Staffing expenditure is below budget across the Council, as posts were held vacant to assist with achieving a balanced budget and in many cases to provide budget savings for 2012/13. Redundancy costs totalled £1.215m in 2011/12 of which £0.800m was met from the Transformation Fund which the Council established in 2010/11 to meet the costs associated with structural changes.

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

Net expenditure on Community Care was £1.2m above budget, as a result of the increasing demand for services. Action has been taken throughout the year to closely monitor and control costs, resulting in a net overspend which is significantly less than anticipated earlier in the year. Action will continue to reduce costs further during 2012/13.

The economic downturn continued to have an impact upon the Council's finances, with shortfalls in income in a number of areas particularly industrial estate rents.

Schools

Expenditure incurred in relation to the Schools budget, both by individual schools and the Council totalled £90.66m and is shown in more detail in Note 17.

School balances at 31st March 2012 have increased by £1.8m to £9.8m in total. This comprises of £7.0m on Individual School Budgets and £2.8m of Devolved Formula Capital. In addition, £3.4m of unspent schools related funding is held centrally and will carry forward into 2012/13.

During 2011/12 Palacefields Primary and The Heath schools converted to academy status and Wade Deacon High School has applied for academy status from September 2012.

Foreword by Operational Director - Finance continued

Pension Liability

Under International Accounting Standard 19, the Council is required to restate its accounts to reflect the activities of the two major pension providers, the Cheshire Pension Fund and the Teachers' Pension Agency. It also has a minor interest in the operations and accounts of the Merseyside Pension Fund in relation to employees in Greater Merseyside Connexions Limited and nursing health professionals who pay into the NHS pension scheme. The Council is also liable for the past service deficit of the Cheshire Pension Fund relating to Halton Borough Transport Ltd.

The Government have recently announced significant changes to the Local Government Pension Scheme which will take effect from 1st April 2014. The overall effect of these changes will be to reduce the cost of pensions to the Fund in future years and thereby employers' contributions.

Equal Pay

Following completion of the first phase of the pay and grading review of all relevant Council staff in accordance with equal pay legislation, 931 equal pay claims have been received. A number of claims have been resolved during the year and agreement is close to being reached in respect of others for which provision has been made for the potential costs within the 2011/12 accounts. Other claims are still being addressed, for which the Council has made a provision for and committed resources into an earmarked reserve which now stand at £5.4m to meet any potential costs.

Changes in Statutory Functions or Service Delivery

As part of the on-going Efficiency Programme a number of structural changes have been implemented on different Council services. The Council have entered into a joint procurement scheme with Warrington, St Helens and Knowsley Councils for the provision of School Improvement Services by an external organisation 'Serco'. In addition the Council currently has a contract with Cheshire West and Chester Council for Halton to manage their Children's Services, which has been awarded the "Best Shared Services" award at the Municipal Journal Local Government Awards.

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, 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.

Foreword by Operational Director – Finance continued

Details of the unused capital receipts and balance on the capital reserve at 31st March 2012 are shown in the Notes to the Balance Sheet, together with a list of any significant contractual commitments. The Council considers any new additions to the capital programme in light of the resources available. The Council has a significant capital programme over the next few years within which the largest schemes are the Mersey Gateway Bridge land acquisitions and development costs.

Capital Expenditure

The Council spent £53.7m on capital schemes in 2011/12 compared with planned expenditure of £61.6m. This outturn represents 87% of the total programme for which 20% slippage was anticipated throughout the year. The main areas of slippage were in respect of Castlefields Regeneration, Wade Deacon High School, Windmill Hill Primary School (basic need), Lunts Heath Primary School (basic need) and St Bede's Infant and Junior Schools (basic need). A more detailed analysis of the expenditure is included as part of the notes to the financial statements.

Housing

As part of the housing stock transfer agreement with Halton Housing Trust (HHT) the Value Added Tax (VAT) shelter arrangement was established. It is operated by HHT and £0.631m was due to the Council for the 2011/12 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 £0.223m was due from the Trust for 2011/12. Some of these sums were received after the year-end and are included in the accounts as a debtor.

Treasury Management

The Council operates within a Treasury Management framework, which requires that each year a strategy is prepared including setting prudential indicators to form a framework for the Council's borrowing and lending activities. The Council has adopted the CIPFA Code of Practice on Treasury Management. Performance is monitored each quarter throughout the year and an outturn report is produced at the year end.

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

The Council did undertake new long term borrowing in the year. At the year-end, borrowing totalled £87.52m (fair value £87.06m), well within its authorised borrowing limit of £92.0m. Borrowing comprises loans from the Public Works Loan Board and the market of £77.0m and a Lenders Option Borrowers Option loan from the Euro Hypo bank for £10m.

Foreword by Operational Director – Finance continued

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 2012 the Council had £76.85m (fair value £77.67m) invested. None of the Council's investments are with foreign banks.

The Council approved the Minimum Revenue Provision Policy Statement as part of its Treasury Management Strategy in March 2012 effective from 1st April 2012.

Collection Fund

The transactions on this fund record the collection of Council Tax and Non Domestic Rates. The net income collected on Non Domestic Rates, less certain allowances, is paid to Central Government. The payments from each of the Council's are pooled and then redistributed back to Council's as part of Formula Grant. The balances on the Collection Fund are distributed at the end of the financial year between the Council, Cheshire Police Authority and Cheshire Fire Authority. The changes to local government funding from 1st April 2013 with the retention of 50% of business rates collected, will affect the operation of the Collection Fund.

Changes in Accounting Policies

This is the second year in which the Council's year-end accounts comply fully with International Financial Reporting Standards (IFRS). The Council's accounts have therefore been prepared in accordance with the Code of Practice on Local Authority Accounting 2011/12.

There have been few changes to the Council's Accounting Policies this year. The principal change has centred around the requirement to account for Heritage Assets, and as a result, restate the Council's Balance Sheet and provide the relevant disclosures.

In accordance with the 2011 Accounts and Audit Regulations, the Annual Governance Statement will be considered separately by the Council when approving the 2011/12 Abstract of Accounts. The draft Abstract of Accounts will be certified by the Chief Finance Officer as at 29th June 2012 and then considered by the Council on the 26th September 2012 following audit.

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 2011/12 another success.

Foreword by Operational Director – Finance continued

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 (0151-511-6005).

P.E.Dawson
Operational Director – Finance

Comprehensive Income & Expenditure Statement

Comprehensive Income and Expenditure Statement as at 31st March 2011

<i>Services</i>	<i>Note</i>	<i>Gross Expenditure 2010/11 Restated £'000</i>	<i>Gross Income 2010/11 Restated £'000</i>	<i>Net Expenditure 2010/11 Restated £'000</i>
CONTINUING OPERATIONS				
Children's & Education Service		168,835	(137,238)	31,597
Adult Social Care		55,273	(15,719)	39,554
Highways and Transport		25,425	(1,169)	24,256
Cultural & Related Services		19,787	(4,006)	15,781
Environmental & Regulatory Services		16,233	(3,198)	13,035
Planning Services		10,510	(3,510)	6,999
Housing Services		70,529	(68,052)	2,477
Central Services		21,688	(10,554)	11,134
Corporate and Democratic Core		5,356	(1,130)	4,226
Non Distributed Costs		5,242	(50)	5,192
Exceptional Item – Negative Past Service Cost	1	(42,038)	-	(42,038)
NET COST OF SERVICES	2,5	356,840	(244,627)	112,213*
Other Operating Activities	8			(678)
Financing and Investment Income & Expenditure	9			4,569
Taxation and Non-Specific Grant Income	10			(144,189)
(Surplus) or Deficit on the Provision of Services	2			(28,086)*
(Surplus) or Deficit on revaluation of Property, Plant & Equipment				(28,231)
(Surplus) or Deficit on revaluation of Available for Sale Financial Assets				-
Actuarial (Gains)/Losses on Pension Assets/Liabilities	47			(116,275)
Other Comprehensive Income & Expenditure				(144,506)
TOTAL COMPREHENSIVE INCOME & EXPENDITURE				(172,592)

Comprehensive Income & Expenditure Statement

Comprehensive Income and Expenditure Statement as at 31st March 2012

<i>Services</i>		Gross Expenditure 2011/12	Gross Income 2011/12	Net Expenditure 2011/12
	Note	£'000	£'000	£'000
CONTINUING OPERATIONS				
Children's & Education Service		139,393	(112,188)	27,206
Adult Social Care		51,636	(14,970)	36,666
Highways and Transport		28,245	(6,589)	21,656
Cultural & Related Services		17,543	(3,941)	13,602
Environmental & Regulatory Services		15,747	(2,913)	12,835
Planning Services		8,978	(3,214)	5,764
Housing Services		69,188	(67,297)	1,891
Central Services		12,590	(10,612)	1,977
Corporate & Democratic Core		4,538	(4,487)	52
Non Distributable Costs		811	-	811
Exceptional Item	1	-	-	-
NET COST OF SERVICES	2,5	348,670	(226,211)	122,459*
Other Operating Activities	8			20,699
Financing and Investment Income & Expenditure	9			4,299
Taxation and Non-Specific Grant Income	10			(145,263)
(Surplus) or Deficit on the Provision of Services	2			2,195
(Surplus) or Deficit on revaluation of Property, Plant & Equipment				(19)
(Surplus) or Deficit on revaluation of Available for Sale Financial Assets				-
Actuarial (Gains)/Losses on Pension Assets/Liabilities	47			32,546
Other Comprehensive Income & Expenditure				32,527
TOTAL COMPREHENSIVE INCOME & EXPENDITURE				34,722

Balance Sheet

Balance Sheet as at 31st March 2012

01/04/2010 £'000 <i>Restated</i> 304,219	31/3/2011 £'000 <i>Restated</i> 336,328		Note	£'000	30/3/2012 £'000
		Non-Current Assets - Property Plant & Equipment	20		328,423
1,029	1,030	Heritage Assets	22	1,067	
10,321	9,707	Investment Properties	23	15,007	
2,267	2,047	Intangible Assets	24	1,657	
-	-	Assets Held for Sale > 12 months		-	
476	469	Long Term Investments	26	12,465	
1,554	1,596	Long Term Debtors	27	1,515	31,711
319,866	351,177	Total Long Term Assets			360,134
		Current Assets			
386	362	Inventories	28	371	
-	1,055	Assets Held for Sale < 12 months	25	4,476	
22,670	12,544	Short Term Debtors	27	24,124	
-	186	Intangible Current Assets		-	
15,407	-	Short Term Investments		50,000	
2,554	11,201	Cash/Cash Equivalents	29	17,882	
41,017	25,348	Total Current Assets		96,852*	
		Current Liabilities			
(12,131)	(10,000)	Short Term Borrowing		(47,043)	
(42,895)	(43,236)	Short Term Creditors	30	(45,113)	
-	-	Bank Overdraft		-	
(55,026)	(53,236)	Total Current Liabilities		(92,156)	
(14,009)	(27,889)	Net Current Assets/(Liabilities)			4,697
305,857	323,289				364,831
(10,000)	(10,000)	Long Term Borrowing	33	(40,474)	
(871)	(1,844)	Provisions > 1 year	34	(1,784)	
(165)	(4,204)	Capital Grants Receipts in Advance	5	(20,528)	
(214,853)	(61,634)	Other Long Term Liabilities		(91,160)	(153,946)
79,968	245,606*	Total Assets less Liabilities			210,885
(53,497)	(47,411)	Usable Reserves	46	(47,379)	
(26,471)	(198,196)	Unusable Reserves	47	(163,506)	
(79,968)	(245,606)*	Total Equity			(210,885)

The unaudited accounts were authorised for issue on the 29th June 2012 and the audited accounts were authorised for issue on the 26th September 2012.

Movement in Reserves Statement

Movement in Reserves Statement as at 31st March 2011 (Restated)

	General Fund	Other Earmarked Reserves	Capital Receipts Reserve	Capital Grants Unapplied	TOTAL USABLE RESERVES	TOTAL UNUSABLE RESERVES	TOTAL COUNCIL RESOURCES
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
General Fund	(7,175)	(26,834)	(10,099)	(6,004)	(50,112)	(26,471)	(76,583)
General Fund - Schools	(3,385)	-	-	-	(3,385)	-	(3,385)
Balance as at 31st March 2010	(10,560)	(26,834)	(10,099)	(6,004)	(53,497)	(26,471)	(79,968)
Movement in Reserves during 2010/11							
(Surplus) or Deficit on the Provision of Services	(28,086)	-	-	5,091	(22,995)	-	(22,995)
Other Comprehensive Income and Expenditure	-	-	-	-	-	(144,506)	(144,506)
Total Comprehensive Income and Expenditure	(28,086)	-	-	5,091	(22,995)	(144,506)	(167,501)
Adjustments between Accounting Basis and Funding Basis under Regulations (note 44a)	25,163	-	2,084	-	27,246	(27,246)	-
Net (Increase)/Decrease before Transfers to Other Reserves	(2,923)	-	2,084	5,091	4,252	(171,752)	(167,501)
Transfers to/from other Earmarked Reserves (note 45)	1,094	(1,094)	-	-	-	-	-
Other Movements	1,857	-	(24)	-	1,834	24	1,857
(Increase)/Decrease in the year	28	(1,094)	2,060	5,091	6,085	(171,728)	(165,644)
Balance as at 31st March 2011	(10,532)	(27,928)	(8,039)	(912)	(47,411)	(198,196)	(245,607)*
General Fund	(7,367)						
General Fund - Schools	(3,165)						
	<u>(10,532)</u>						

Movement in Reserves Statement

Movement in Reserves Statement as at 31st March 2012

	General Fund	Other Earmarked Reserves	Capital Receipts Reserve	Capital Grants Unapplied	TOTAL USABLE RESERVES	TOTAL UNUSABLE RESERVES	TOTAL COUNCIL RESOURCES
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
General Fund	(7,367)	(27,928)	(8,039)	(912)	(44,246)	(198,196)	(242,443)
General Fund - Schools	(3,165)	-	-	-	(3,165)	-	(3,165)
Balance as at 31st March 2011	(10,532)	(27,928)	(8,039)	(912)	(47,411)	(198,196)	(245,607)
Movement in Reserves during 2011/12							
(Surplus) or Deficit on the Provision of Services	2,195	-	-	-	2,195	-	2,195
Other Comprehensive Income and Expenditure	-	-	-	-	-	32,527	32,527
Total Comprehensive Income and Expenditure	2,195	-	-	-	2,195	32,527	34,722
Adjustments between Accounting Basis and Funding Basis under Regulations (note 44b)	(5,378)	-	5,481	(2,241)	(2,138)	2,138	-
Net (Increase)/Decrease before Transfers to Other Reserves	(3,183)	-	5,481	(2,241)	56*	34,666*	34,722
Transfers to/from other Earmarked Reserves (note 45)	(129)	129	-	-	-	-	-
Other Movements	-	-	(24)	-	(24)	24	-
(Increase)/Decrease in the year	(3,312)	129	5,457	(2,241)	32	34,690	34,722
Balance as at 31st March 2012	(13,844)	(27,799)	(2,582)	(3,154)	(47,379)*	(163,506)	(210,885)
General Fund	(7,565)						
General Fund - Schools	(6,279)						
	<u>(13,844)</u>						

Cash Flow Statement

Cash flow Statement as at 31st March 2012

2010/11 £'000		Note	2011/12 £'000
(7,424)	Net cash flows from Operating Activities	48	(2,282)
17,902	Net cash flows from Investing Activities	49	69,252
(19,125)	Net cash flows from Financing Activities	50	(73,651)
(8,647)	Net (increase)/decrease in cash and cash equivalents		(6,681)
(2,554)	Cash and Cash Equivalents at the beginning of the reporting period	29	(11,201)
(11,201)	Cash and Cash Equivalents at the end of the reporting period	29	(17,882)

Notes to the Core Financial Statements

1. Exceptional Items

There are no transactions to report under this heading in 2011/12. In 2010/11, a past service gain of £42.04m was recognised in the Comprehensive Income and Expenditure Statement regarding pension uplifts. This had no effect on the General Fund.

2. Amounts Reported for Resource Allocation Decisions

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

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

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

Directorate income and expenditure 2010/11

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

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

	2010/11 £'000
Cost of Services in Service Analysis	129,402
Add services not included in main analysis	(2,001)
Add amounts not reported to management	(32,606)
Remove amounts reported to management not included in Comprehensive Income and Expenditure Statement	17,418
Net Cost of Services in Income and Expenditure Statement	112,213

Notes to the Core Financial Statements continued

2. Amounts Reported for Resource Allocation Decisions – continued

Directorate income and expenditure 2011/12

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

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

	2011/12 £'000
Cost of Services in Service Analysis	107,175
Add services not included in main analysis	1,448
Add amounts not reported to management	(6,873)
Remove amounts reported to management not included in Comprehensive Income and Expenditure Statement	20,708
Net Cost of Services in Income and Expenditure Statement	122,459*

Notes to the Core Financial Statements continued

2. Amounts Reported for Resource Allocation Decisions - continued

Reconciliation to Subjective Analysis

This reconciliation shows how the figures in the analysis of directorate income and expenditure relate to a subjective analysis of the Surplus or Deficit on the Provision of Services included in the Comprehensive Income and Expenditure Statement.

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

Notes to the Core Financial Statements continued

2. Amounts Reported for Resource Allocation Decisions – continued

Reconciliation to Subjective Analysis - continued

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

Notes to the Core Financial Statements continued

3. Officers' Remuneration

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

Remuneration Band		2010/11		2011/12	
		Number of Employees <i>Restated</i>		Number of Employees	
		<i>Teaching</i>	<i>Non-Teaching</i>	<i>Teaching</i>	<i>Non-Teaching</i>
£ 50,000	£ 54,999	33	37	30	16
£ 55,000	£ 59,999	29	24	24	26
£ 60,000	£ 64,999	19	16	12	9
£ 65,000	£ 69,999	6	3	8	7
£ 70,000	£ 74,999	3	6	2	3
£ 75,000	£ 79,999	1	3	1	4
£ 80,000	£ 84,999	1	6	2	7
£ 85,000	£ 89,999	1	9	2	3
£ 90,000	£ 94,999		3		
£ 95,000	£ 99,999				
£100,000	£104,999			1	
£105,000	£109,999	2	3		3
£110,000	£114,999		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				
£145,000	£149,999	1			
£150,000	£154,999			1	
£155,000	£159,999				
£160,000	£164,999				
£165,000	£169,999		1		
£170,000	£174,999				1
£175,000	£179,999				
		96	112	83	80

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

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

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

Notes to the Core Financial Statements continued

3. Officers' Remuneration - continued

These notes refer to the detailed disclosure note overleaf:

Note 1: In 2010/11 the Chief Executive's remuneration package contained a salary and performance related elements, bringing his remuneration package to be paid in the year to £184,000. The Chief Executive voluntarily waived £15,000 of the performance related element. Following a review by the Council, the performance elements were removed from April 2011 and a spot salary of £169,000 introduced.

Note 2: During 2011/12, the Strategic Director Children and Enterprise performed the additional role of Director of Children's Services at Cheshire West and Chester Council on a part-time basis at a cost of £62,000. None of the payments in relation to that additional role have been made by Halton Borough Council and are not disclosed in the salary or remuneration figures detailed below.

Note 3: The Strategic Director Environment & Economy and the Operational Directors for Policy & Performance, Environment & Regulatory services and Prevention & Commissioning retired on 31/03/2011. Their responsibilities were shared amongst the relevant senior officers within the Council.

Note 4: The Operational Director Learning & Achievement Services resigned on the 22/06/2010, their annualised salary was £83,700. They were replaced on the 01/10/2010 with their annualised salary being £75,200.

Note 5: The Operational Director Community retired on the 31/03/2011. They were replaced on the 01/04/11.

Notes to the Core Financial Statements continued

3. Officers' Remuneration - continued

Post Title		Salary (including fees & Allowances)		Compensation for loss of employment		Benefits in Kind		Total Remuneration excluding pension contributions		Employers Pension contributions		Total Remuneration including pension contributions	
		<i>Restated</i>						<i>Restated</i>				<i>Restated</i>	
		2010/11	2011/12	2010/11	2011/12	2010/11	2011/12	2010/11	2011/12	2010/11	2011/12	2010/11	2011/12
Chief Executive - David Parr	1	161,700	169,000	-	-	5,800	3,500	167,500	172,500	32,200	33,200	199,700	205,700
Children & Enterprise	2	103,500	104,600	-	-	600	6,000	104,100	110,600	19,200	20,000	123,300	130,600
Policy & Resources	3	105,700	105,700	-	-	3,300	3,200	109,000	108,900	19,700	20,200	128,700	129,100
Environment & Economy	3	106,800	-	-	-	4,500	-	111,300	-	19,900	-	131,200	-
Communities	3	109,700	108,800	-	-	-	-	109,700	108,800	19,700	20,200	129,400	129,000
Policy, Planning & Transportation	3	78,200	79,700	-	-	2,200	2,000	80,400	81,700	14,400	15,200	94,800	96,900
Legal & Democratic Services		81,800	81,800	-	-	3,400	2,800	85,200	84,600	15,200	15,600	100,400	100,200
Learning & Achievement Services	4	19,100	-	-	-	-	-	19,100	-	3,400	-	22,500	-
Learning & Achievement Services	4	37,600	74,300	-	-	-	2,400	37,600	76,700	-	14,000	37,600	90,700
Policy & Performance	3	85,800	-	-	-	-	-	85,800	-	15,200	-	101,000	-
Environment & Regulatory Services	3	84,400	-	-	-	6,600	-	91,000	-	15,600	-	106,600	-
Prevention & Assessment	3	79,400	80,600	-	-	-	-	79,400	80,600	14,000	14,800	93,400	95,400
Children & Families Services		81,600	82,500	-	-	-	-	81,600	82,500	14,400	15,200	96,000	97,700
Prevention & Commissioning	3	85,800	-	-	-	-	-	85,800	-	15,200	-	101,000	-
Commissioning & Complex Care	3	85,800	84,900	-	-	-	-	85,800	84,900	15,200	15,600	101,000	100,500
Community	5	87,900	-	-	-	-	-	87,900	-	15,600	-	103,500	-
Children's Organisation & Provision		79,700	81,500	-	-	3,300	2,200	83,000	83,700	14,800	15,600	97,800	99,300
Finance		87,900	87,000	-	-	-	-	87,900	87,000	15,600	16,000	103,500	103,000
ICT & Support Services		85,500	84,900	-	-	-	-	85,500	84,900	15,200	15,600	100,700	100,500
Economy, Enterprise & Property		75,200	76,100	-	-	-	-	75,200	76,100	13,200	14,000	88,400	90,100
Community & Environment	3,5	-	77,600	-	-	-	4,800	-	82,400	-	14,800	-	97,200
		1,723,100	1,379,000	-	-	29,700	26,900	1,752,800	1,405,900	307,700	260,000	2,060,500	1,665,900

Notes to the Core Financial Statements continued

4. Exit Packages

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

Exit package cost band	Number of compulsory redundancies		Number of voluntary redundancies		Number of early retirements		Total number of exit packages by cost band		Total cost of exit packages in each band £'000	
	2010/11	2011/12	2010/11	2011/12	2010/11	2011/12	2010/11	2011/12	2010/11	2011/12
£0 - £20,000	34	14	46	59	33	12	113	85	822	639
£20,001 - £40,000	1	-	12	18	9	-	22	18	600	531
£40,001 - £60,000	-	-	3	3	13	4	16	7	798	333
£60,001 - £80,000	-	-	-	1	9	1	9	2	644	137
£80,001 - £100,000	-	-	-	-	7	1	7	1	602	80
£100,001 - £150,000	-	-	-	-	8	1	8	1	931	131
£150,001 - £200,000	-	-	-	-	2	-	2	-	345	-
£200,001 - £250,000	-	-	-	-	3	-	3	-	688	-
£250,001 - £300,000	-	-	-	-	1	-	1	-	266	-
Total	35	14	61	81	85	19	181	114	5,696	1,851

The number of early retirements included in the table is the number of employees who have left the Council under the terms of early retirement in 2010/11 and 2011/12. The cost of employees taking early retirement in 2011/12 is £0.636m (2010/11 - £4.732m). Early retirement costs are charged to the Council's Comprehensive Income & Expenditure Statement over a period of 5 years.

The cost of voluntary redundancies in 2011/12 is £1.215m (2010/11 - £0.964m), funded from reserves in year.

In addition to the amounts in the table, the Council's 2011/12 Comprehensive Income & Expenditure Statement includes a redundancy provision for £0.02m which has been agreed and is payable to three officers.

Notes to the Core Financial Statements continued

5. Grant Income

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

	31st March 2011 £'000	31st March 2012 £'000
Capital Grants Receipts in Advance		
Grant – Communities and Local Government	(1,779)	(665)
Grant – Department of Health	(118)	(552)
Grant – Department for Environment, Food & Rural Affairs	(10)	(380)
Grant – Department for Education	(213)	(16,840)
Grant – Other Grants	(995)	(310)
Contributions	(1,089)	(1,781)
	(4,204)	(20,528)

	31st March 2011 £'000	31st March 2012 £'000
Revenue Grants Receipts in Advance		
Grant – Department for Education	(39)	(2,801)
Grant – Department for Work & Pensions	(66)	(16)
Grant – Communities and Local Government	(225)	(88)
Grant – Department for Environment, Food & Rural Affairs	-	(105)
Grant – Other Grants	(1,148)	(1,511)
Grant – Education Standards Fund	(5,613)	-
Grant – Dedicated Schools Grant	(2,182)	(3,441)
Grant – Performance Reward Grant	(550)	-
Contributions	(404)	(618)
Other Creditors	(886)	(1,130)
	(11,113)	(9,710)

Notes to the Core Financial Statements continued

5. Grant Income – continued

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2011/12

	2010/11 £'000 Restated	2011/12 £'000
Credited to Services		
Revenue Grant – Communities and Local Government	(2,161)	(1,981)
Revenue Grant – Dedicated Schools Grant	(80,969)	(89,393)
Revenue Grant – Department for Education	(27,521)	(12,246)
Revenue Grant – Department for Environment, Food & Rural Affairs	(210)	(154)
Revenue Grant – Department for Transport	(538)	(34)
Revenue Grant – Department for Work & Pensions	(13,053)	(12,705)
Revenue Grant – Department of Health	(996)	(4,461)
Revenue Grant – Home Office	(387)	(142)
Revenue Grant – Other Grants	(8,515)	(3,049)
Revenue Grant – Rent Allowance Subsidy	(48,707)	(51,568)
Contribution – PCT & Other Local Authorities	(2,103)	(1,544)
Other Contributions	(11,380)	(9,114)
Reimbursements	(11,564)	(6,288)
Sales, Fees & Rents	(14,231)	(17,184)
External Interest	(3)	(3)
Other Income	(8,723)	(13,018)
Capital Grants Impaired	(4,666)	(1,714)
Revenue Expenditure Funded by Capital Grants Under Statute	(3,530)	(1,613)
Reversal of Previous Loss on Revaluation	(5,366)	-
	(244,625)*	(226,211)

Notes to the Core Financial Statements continued

6. Acquired and Discontinued Operations

There are no transactions to report under this heading in 2011/12.

7. Material items of Income and Expense

During 2011/12, 3 Academy Schools were removed from the Council's Balance Sheet due to changes in their status and the extent to which the Council no longer had a right to receive economic benefits or control the service potential through each of the schools. As a consequence, the Council recorded a loss on the disposal of these assets of £21.29m. This does not have any effect on the Council's General Fund Balance for the year as it is transferred to the Capital Adjustment Account via the Movement in Reserves Statement.

8. Other Operating Expenditure

2010/11 £'000		2011/12 £'000
45	Parish council precepts	51
238	Levies	272
4	Payments to the Government Housing Capital Receipts pool	4
(965)	(Gains)/Losses on the Disposal on non-current assets	20,371
(678)		20,699*

9. Financing and Investment Income and Expenditure

2010/11 £'000		2011/12 £'000
900	Interest payable and similar charges	1,507
5,272	Pension interest cost and expected return on pensions assets	(857)
(617)	Interest receivable and similar charges	(943)
(432)	Income & expenditure in relation to investment properties and changes in fair value	5,130
(554)	Other investment income	(538)
4,569		4,299

10. Taxation and Non Specific Grant Income

2010/11 £'000		2011/12 £'000
(43,482)	Council tax income	(43,559)
(55,858)	Non domestic rates	(51,194)
(28,048)	Non-ring fenced government grants	(15,824)
(16,801)	Capital grants & contributions	(34,685)
(144,189)		(145,263)*

Notes to the Core Financial Statements continued

11. Trading Operations

The Council operates public markets, several industrial estates and owns a successful transport undertaking. A brief summary and comparison with 2010/11 is detailed below:

Income	Expenditure	Trading (Surplus) /Deficit	Trading (Surplus)/ Deficit	Trading Account	Asset Rentals	Total Inc Asset Rental
2011/12 £'000	2011/12 £'000	2011/12 £'000	2010/11 £'000		2011/12 £'000	2011/12 £'000
(813)	629	(184)	58	Markets	(254)	(438)
(821)	382	(438)*	(463)	Industrial Estates	-	(438)

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

	2010/11 £'000	2011/12 £'000
Markets	107	(438)
Industrial Estates	(463)	(438)
Halton Transport Dividend	(100)	(100)
	(456)	(976)

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

12. Agency Services

Subject to the provision of Section 1 of the 1970 Act, a Local Authority may enter into an agreement to supply certain goods and services. In 2011/12 the Council continued to supply payroll services to the Riverside College and entered into an agreement in September with Ormiston Bollingbroke Academy also to supply payroll services.

	2010/11 £'000	2011/12 £'000
Expenditure incurred in providing payroll services	14	40
Management fee payable	(14)	(40)
Net surplus arising from agreement	-	-

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

There are no transactions to report under this heading in 2011/12.

Notes to the Core Financial Statements continued

14. Pooled Budgets

Intermediate Care

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

The Council and Halton & St Helens PCT contributed funds equal to 48% and 52% of the budget for 2011/12. The same proportions are used to meet any deficit or share any surplus arising on the pooled budget at the end of each financial year.

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

	<i>2010/11</i> £'000	<i>2011/12</i> £'000
Funding provided to the pooled budget:		
- Halton Borough Council	(2,441)	(2,687)
- Halton & St Helens Primary Care Trust	(2,622)	(2,645)
	(5,063)	(5,332)
Expenditure met from the pooled budget:		
- Halton Borough Council	2,336	2,648
- Halton & St Helens Primary Care Trust	2,896	2,601
	5,232	5,249
Net (surplus)/deficit arising on the pooled budget during the year	169	(83)
Share of the (surplus)/deficit for the year:		
Weighting		
- Halton Borough Council	48%	78
- Halton & St Helens Primary Care Trust	52%	91
	100%	169
		(83)

Halton Integrated Community Equipment Service

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

The Council, St Helens Council and Halton & St Helens PCT contributed funds equal to 18%, 36% and 46% of the budget for 2011/12. The same proportions are used to meet any deficit or share any surplus arising on the pooled budget at the end of each financial year.

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

Notes to the Core Financial Statements continued

14. Pooled Budgets - continued

		<i>2010/11</i> <i>£'000</i>	<i>2011/12</i> <i>£'000</i>
Funding provided to the pooled budget:			
- Halton Borough Council		(233)	(218)
- St Helens Council		-	(427)
- Halton & St Helens Primary Care Trust		(249)	(545)
		(482)	(1,190)
Expenditure met from the pooled budget:			
- Halton Borough Council		249	229
- St Helens Council		-	451
- Halton & St Helens Primary Care Trust		249	575
		498	1,255
Net (surplus)/deficit arising on the pooled budget during the year		<i>16</i>	<i>65</i>
Share of the (surplus)/deficit for the year:			
	Weighting		
- Halton Borough Council	18%	<i>16</i>	<i>12</i>
- St Helens Council	36%	-	<i>23</i>
- Halton & St Helens Primary Care Trust	46%	-	<i>30</i>
	100%	<i>16</i>	<i>65</i>

15. Members' Allowances

During the year £711,053 (2010/11 £710,036) was paid to Members including Mayoral and Deputy Mayoral allowances.

Notes to the Core Financial Statements continued

16. External Audit Costs

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

	2010/11 £'000	2011/12 £'000
Fees Payable for		
– Audit	258	214
– Inspections	-	-
– Grants and Returns	36	83
– Other	4	-
	298	297

17. Disclosure of Deployment of Dedicated Schools Grant

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

Details of the deployment of DSG receivable for 2011/12 are as follows:

Total 2010/11		Central Expenditure 2011/12	Individual Schools Budget 2011/12	Total 2011/12
£'000		£'000	£'000	£'000
(81,045)	Final DSG for 2011/12	(10,550)	(78,934)	(89,484)
(510)	Brought Forward from 2010/11	(1,177)	-	(1,177)
-	Carry Forward to 2012/13 agreed in advance	-	-	-
(81,555)	Agreed budget distribution in 2011/12	(11,727)	(78,934)	(90,661)
-	In Year Adjustments	103	(103)	-
(81,555)	Final Budget Distribution in 2011/12	(11,624)	(79,037)	(90,661)
9,203	Less actual central expenditure	9,671	-	9,671
71,175	Less actual ISB Deployed to Schools	-	79,037	79,037
-	Plus Council Contribution for 2011/12	-	-	-
(1,177)	Carry Forward to 2012/13	(1,953)	-	(1,953)

Notes to the Core Financial Statements continued

18. Related Party Transactions

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

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

Central Government

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

Grants received from government departments are set out in the subjective analysis in note 2 on reporting for resource allocation decisions and year end government grant debtors and creditors are shown in notes 27 and 30.

Members and Officers

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

For 2011/12 the system has highlighted that 10 Members had interests in various organisations and voluntary sector bodies involving transactions worth £1.639m for works and services and grant payments of £0.058m. More specifically, 2 Members sat on the boards of Halton Housing Trust. Transactions between HBC and HHT totalled £1.165m in 2011/12. The declarations also showed that 1 Executive Officer represented the Council on the boards of 3 bodies within the borough. Transactions between HBC and those bodies totalled £7.701m in 2011/12. Further details of Members and Senior Officers remuneration can be found in notes 3 and 15.

Other Public Bodies

The Council had 2 pooled budget arrangements with Halton and St Helens Primary Care Trust and St Helens Council during 2011/12 under s75 of the Health Act 2006. Transactions and balances are highlighted in note 14.

Notes to the Core Financial Statements continued

18. Related Party Transactions - continued

Entities Controlled or Significantly Influenced by the Council

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

19. Events after the Balance Sheet Date

These accounts have been authorised for issue by the Operational Director Finance, on the 29th June 2012 and reflect all known events for the financial year. Events taking place after this date are not reflected in the financial statements or notes.

Where events taking place before this date provided information about conditions existing at 31st March 2012, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

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

Notes to the Core Financial Statements continued

20. Non-Current Assets Property, Plant and Equipment

Movements in fixed assets during 2009/10 (Restated)

	Land and Buildings £'000	Community Assets £'000	Infrastructure Assets £'000	Vehicles, Plant and Equipment £'000	Surplus £'000	Under Construction/Development £'000	Total 2009/10 £'000
Cost or Valuation							
As at 31 st March 2009	181,091	4,504	116,415	8,449	19,381	1,057	330,897
Additions and Enhancements	8,097	828	12,191	2,260	945	5,844	30,165
Disposals/Alienations	-	-	-	-	-	-	-
Reclassifications	(38)	-	-	-	1,085	(1,047)	-
Revaluation Increases	12,425	-	-	-	5	-	12,430
Revaluation Decreases	(6,641)	-	-	-	(267)	(3,838)	(10,746)
As at 31 st March 10	194,934	5,332	128,606	10,709	21,149	2,017*	362,746
Depreciation							
As at 31 st March 2009	(2,724)	(717)	(40,145)	(2,277)	-	-	(45,863)
Depreciation for the year	(5,243)	(293)	(8,993)	(1,565)	(451)	-	(16,543)*
Disposals /Alienations	-	-	-	-	-	-	-
Reclassifications	24	-	-	-	(24)	-	-
Depreciation on Assets Revalued	3,881	-	-	-	-	-	3,881
As at 31 st March 10	(4,060)*	(1,010)	(49,138)	(3,842)	(475)	-	(58,525)
Balance Sheet Amount as at 31st March 10	190,873*	4,321*	79,468	6,868*	20,674	2,017*	304,219*
Balance Sheet Amount as at 1st April 09	178,367	3,787	76,270	6,172	19,381	1,057	285,034

Notes to the Core Financial Statements continued

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

Movements in fixed assets during 2010/11 (Restated)

	Land and Buildings £'000	Community Assets £'000	Infrastructure Assets £'000	Vehicles, Plant and Equipment £'000	Surplus £'000	Under Construction/Development £'000	Total 2010/11 £'000
Cost or Valuation							
As at 31 st March 2010	194,934	5,332	128,606	10,709	21,149	2,017	362,746*
Additions and Enhancements	5,323	923	15,151	1,439	5,629	10,813	39,278
Revaluations Recognised in the Revaluations Reserve	19,831	-	-	-	-	1,659	21,490
Revaluations Recognised in the Provision Services	(5,134)	-	-	-	(5,768)	-	(10,902)
Derecognition – Disposals	-	-	-	-	(572)	-	(572)
Derecognition – Others	-	-	-	(29)	-	-	(29)
Assets Reclassified (to)/from held for sale	(155)	-	-	-	(5,532)	-	(5,687)
Other Movements	1,539	-	-	-	278	(1,539)	278
As at 31 st March 11	216,338	6,255	143,757	12,119	15,184	12,950	406,602
Depreciation							
As at 31 st March 2010	(4,060)	(1,010)	(49,138)	(3,842)	(475)	-	(58,525)
Depreciation for the Year	(5,571)	(348)	(9,811)	(1,947)	(1,087)	-	(18,764)
Depreciation written out to revaluation reserve	6,778	-	-	-	-	-	6,778
Depreciation written out to Surplus/Deficit on the Provision of Services	102	-	-	-	-	-	102
Derecognition - Disposals	-	-	-	-	-	-	-
Derecognition – Other	-	-	-	17	-	-	17
Other movements in depreciation	-	-	-	-	116	-	116
As at 31 st March 11	(2,751)	(1,358)	(58,949)	(5,772)	(1,446)	-	(70,276)
Balance Sheet Amount as at 31st March 11	213,586*	4,896*	84,808	6,348*	13,738	12,950	336,328*
Balance Sheet Amount as at 1st April 10	190,873*	4,321*	79,468*	6,868	20,674	2,017	304,219*

Notes to the Core Financial Statements continued

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

Movements in fixed assets during 2011/12

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

Notes to the Core Financial Statements continued

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

Depreciation

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

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

Capital Commitments

At 31st March 2012, the Council has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment.

The major commitments are:

Wade Deacon High School	£16.98m
The Grange School	£1.90m
Castlefields Regeneration	£2.27m
Silver Jubilee Bridge Major Maintenance	£4.240m
Mersey Gateway Land Acquisitions	£50.61m

Revaluations

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

All assets are subject to an annual impairment check.

Land & Buildings

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

Community Assets

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

Infrastructure

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

Notes to the Core Financial Statements continued

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

Vehicles, Plant and Equipment

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

Surplus Assets

Assets held for sale have strict criteria to be met before any assets can be included under this heading. Where assets are not in use but do not meet the criteria, they are accommodated within surplus assets. They are held at Fair Value - Existing Use Value (FV – EUV)

Assets under Construction/Development

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

Intangible Assets

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

De-minimis Assets

At 31st March 2012, the Council had 181 assets that fell below its de-minimis level of £35,000 which totalled £1.132m. These assets are not recorded on the Balance Sheet.

21. Capital Expenditure and Capital Financing

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

Notes to the Core Financial Statements continued

21. Capital Expenditure and Capital Financing - continued

	<i>2010/11 Restated £'000</i>	2011/12 £'000
Opening Capital Financing Requirement	78,278	90,878
Capital Investment:		
Property, Plant & Equipment	39,268	51,874
Investment Properties	-	-
Intangible Assets	485	336
Revenue Expenditure funded from Capital under Statute	3,530	1,614
Sources of Finance:		
Capital Receipts	(3,810)	(8,502)
Government Grants & Other Contributions	(23,142)	(35,771)
Direct Revenue Contributions	(971)	(816)
Minimum Revenue Provision	(2,760)	(3,004)
Closing Capital Financing Requirement	90,878	96,609
Explanation of movement in year:		
Increase in underlying need to borrow (supported by Government)	3,644	-
Increase in underlying need to borrow (unsupported by Government)	11,396	7,828
Minimum Revenue Provision statutory set a side	(2,760)	(3,004)
Deferred Liability Voluntary set a side	-	-
Assets acquired under Finance Leases	320	907
Assets acquired under PFI/PPP contracts	-	-
Increase/(Decrease) in Capital Financing Requirement	12,600	5,731

The table above shows the Council spent £53.687m on capital during 2011/12 (including £0.77m for assets acquired under finance leases). This represents spend at 87% of the programme compared with target spend of 80%. The highlights of the programme are detailed below:

Notes to the Core Financial Statements continued

21. Capital Expenditure and Capital Financing - continued

	£'000	£'000
Construction or Purchase of Assets		
Mersey Gateway Acquisitions	9,721	
Mersey Gateway Development Costs	4,890	
The Hive	7,735	
IT Rolling Programme	1,300	
Fleet Replacements	367	24,013
Improving, Maintaining or Extending Assets		
Highways/Bridge Maintenance	7,742	
Wade Deacon – Building Schools for the Future Scheme	11,322	
Runcorn Library Replacement	450	
Re-Design Oakmeadow Communal Spaces	101	19,615
Other Works		
Regeneration - Ditton Strategic Rail Freight Park	190	
- Castlefields	2,643	
- Widnes Waterfront	175	
Stadium Capital Works	709	
Playgrounds/Open Spaces	434	
Stairlift Programme	252	
Risk Management	75	4,478

Disposal of Assets/Capital Receipts

Land/Dwellings/Recovered Advances – the Council received £2.171m from the sale of land and various properties.

Under residual arrangements, the Council received £0.223m (£0.227m in 2010/11) from Halton Housing Trust for the sale of homes during the year, and a further £0.631m (£0.748m in 2010/11) under VAT Shelter arrangements.

Notes to the Core Financial Statements continued

22. Heritage Assets

The Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 introduced a change to the treatment in accounting for Heritage Assets held by the Council. As set out in our accounting policies, the Council now requires Heritage Assets to be held at valuation on the balance sheet.

Prior to the above change in policy Heritage Assets were either recognised as Community Assets or within the infrastructure category of the Property, Plant and Equipment classification in the balance sheet or were not recognised in the balance sheet as it was not possible to obtain cost information on the assets. The Council's accounting policies for recognition and measurement of Heritage Assets are set out in the Council's Accounting Policies.

In applying the new accounting policy as at the 1st April 2010 the Council identified assets held within Community Assets at £824k and £27k within infrastructure that should be recognised as Heritage Assets. The April 2010 and March 31st 2011 balance sheets have been restated in the 2011/12 Statement of Accounts to reflect the change in policy.

The effects of the restatement are as follows:

Effects on Opening Balance sheet 1st April 2010

	Opening balance	Restatement	Restatement Required to Opening Balances as at
	01/04/2010		01/04/2010
	£'000	£'000	£'000
Property, Plant & Equipment	305,248	304,219	(1,029)
Heritage Assets	-	1,029	1,029
Long Term Assets	305,248	305,248	-

Effects on Opening Balance sheet 31st March 2011

	Opening balance	As restatement	Restatement 2011
	31/03/2011	31/03/2011	
	£'000	£'000	£'000
Property, Plant & Equipment	337,358	336,328	(1,030)
Heritage Assets	-	1,030	1,030
Long Term Assets	337,358	337,358	-

Notes to the Core Financial Statements continued

22. Heritage Assets – continued

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

	2009/10			2010/11			2011/12		
	<i>Civic Regalia</i>	<i>Art</i>	<i>Total</i>	<i>Civic Regalia</i>	<i>Art</i>	<i>Total</i>	<i>Civic Regalia</i>	<i>Art</i>	<i>Total</i>
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation									
01 April	824	27	851	824	205	1,029	824	206	1,030
Additions	-	178	178	-	1	1	-	4	4
Disposals	-	-	-	-	-	-	-	-	-
Revaluations	-	-	-	-	-	-	34	-	34
Impairment Losses/(reversals) Recognised in the Revaluation Reserve	-	-	-	-	-	-	-	-	-
Impairment Losses/(reversals) Recognised in the Surplus or Deficit on the Provision of Services	-	-	-	-	-	-	-	-	-
31st March	824	205	1,029	824	206	1,030	858	210	1,067*

Civic Regalia

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

Outdoor Sculpture

As part of the Widnes Waterfront regeneration scheme undertaken by the Council a sculpture was erected at the side of the river Mersey. The sculpture is known as the Future Flower and was completed this year. It is held in the balance sheet at cost.

Additions

Final phase of construction of Future Flower 2011/12 £4,000 (2010/11 £0)

Disposals

There were no disposals during 2011/12.

Notes to the Core Financial Statements continued

22. Heritage Assets – continued

Heritage Assets 5 year summary of transactions

	2007/08 £'000	2008/09 £'000	2009/10 £'000	2010/11 £'000	2011/12 £'000
Cost of Acquisition / Construction of Heritage Assets					
Civic Regalia	-	-	-	-	-
Outdoor Sculpture	-	27	178	1	4
Total Cost of Purchases	-	27	178	1	4

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

The Council has not disposed of any heritage assets.

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

Management and Maintenance

The Council does not have a formal scheme of maintenance for its Heritage Assets. Repair and maintenance is done as and when necessary.

Other Heritage Assets

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

War Memorials

The Council has two war memorials one in Runcorn on Moughland Lane and the other in Widnes in Victoria Park. The memorials are considered to be Heritage Assets because of the historical significance in the community and to ensure future generations are aware of the role members of their community played in conflicts.

Duck Decoy

The Duck Decoy in Hale village is considered to be of historic importance, it has been restored for use as a nature reserve with assistance from the Heritage Lottery Fund. The site is owned by Hale Estates and has been leased to Halton Borough Council for a period of 25 years commencing 1st April 2010. The annual rent is £1,770 and it is reviewed every 3 years, the next review is due in April 2013. No valuations are held by the Council for this site.

Outdoor works of Art

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

Notes to the Core Financial Statements continued

22. Heritage Assets – continued

Halton Castle

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

23. Investment Properties

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

2010/11 £'000		2011/12 £'000
1,141	Rental income from investment property	821
(584)	Direct operating expenses arising from investment property	(383)
556*	Net gain/(loss)	438

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

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

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

2010/11 £'000		2011/12 £'000
10,321	Balance at start of year	9,707
	Additions:	
-	- Purchases	-
-	- Construction	7,735
-	- Subsequent expenditure	-
(150)	Disposals	(304)
(186)	Net gains/losses from fair value adjustments	(5,716)
	Transfers:	
-	- To/from Inventories	-
(278)	To/from Property, Plant & Equipment	3,585
-	- Other Charges	-
9,707	Balance at the end of the year	15,007

Notes to the Core Financial Statements continued

24. Intangible Assets

The Council accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and Equipment. The intangible assets include purchased licenses but no internally generated software.

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

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

The carrying amounts of intangible assets are amortised on a straight-line basis. The amortisation of £0.726m charged to revenue in 2011/12 was charged to various cost centres and then absorbed as an overhead across all service headings in the Net Cost of Services.

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

	2010/11			2011/12		
	Internally Generated Assets £'000	Other Assets £'000	Total £'000	Internally Generated Assets £'000	Other Assets £'000	Total £'000
Balance at start of year:						
Gross carrying amounts	-	4,134	4,134	-	4,620	4,620
Accumulated amortisation	-	(1,867)	(1,867)	-	(2,573)	(2,573)
Net carrying amount at start of year	-	2,267	2,267	-	2,047	2,047
Additions:						
Purchases	-	486	486	-	336	336
Amortisation for the period	-	(706)	(706)	-	(726)	(726)
Net carrying amount at end of year	-	2,047	2,047	-	1,657	1,657
Comprising:						
Gross carrying amounts	-	4,620	4,620	-	4,956	4,956
Accumulated amortisation	-	(2,573)	(2,573)	-	(3,299)	(3,299)
		2,047	2,047		1,657	1,657

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

Description	Carrying Amount 30/03/2012 £'000	Remaining amortisation period
Software Licenses 2007/08	89	1 year
Software Licenses 2008/09	524	2 years
Software Licenses 2009/10	319	3 years
Software Licenses 2010/11	389	4 years
Software Licenses 2011/12	336	5 years

Notes to the Core Financial Statements continued

25. Assets Held for Sale

	Current		Non-Current	
	2010/11 £'000	2011/12 £'000	2010/11 £'000	2011/12 £'000
Balance outstanding at start of Year	-	1,055	-	-
Assets newly classified as held for sale:				
Property, Plant & Equipment	5,571	3,862	-	-
Intangible Assets	-	-	-	-
Revaluation Losses	(4,516)	(281)	-	-
Revaluation Gains	-	-	-	-
Impairment Losses	-	-	-	-
Assets declassified as held for sale:				
Property, Plant & Equipment	-	-	-	-
Intangible Assets	-	-	-	-
Assets Sold	-	(160)	-	-
Transfers from non-current to current	-	-	-	-
Other Movements	-	-	-	-
Balance outstanding at year-end	1,055	4,476	-	-

26. Investments

The investments consist of:

	Balance at 31/03/2011 £'000	Balance at 30/03/2012 £'000
Halton Borough Transport Ltd.		
– Share Capital	430	430
– Debenture	39	35
Halton Development Partnership Limited – de minimus	-	-
Widnes Regeneration Limited – de minimus	-	-
Long Term Deposits	-	12,000
	469	12,465

Halton Borough Transport Ltd was set up in October 1986 as a public transport undertaking, with an issued share capital of £430,100, wholly owned by Halton Borough Council. The debenture is currently being repaid with interest at a rate of £7,000 per annum. Extracts from their accounts are detailed overleaf:

Notes to the Core Financial Statements continued

26. Investments - continued

	Year to 31st March 2011 £'000	Year to 31st March 2012 £'000
Profit and Loss Account		
Turnover	(5,668)	(5,645)
Operating and Other Expenditure	5,867	5,740
Net (Profit)/Loss (before Dividend)	199	95
Dividend due to Halton Borough Council	(100)	(100)
Balance Sheet as at 31st March		
Fixed Assets	3,395	3,044
Current Assets less Current Liabilities	(1,382)	(1,620)
Net Current Assets	2,013	1,424
Long Term Liabilities	(951)	(558)
Provisions for Liabilities and Charges	(93)	(60)
Pension Scheme Liability	-	-
	969	806
Represented by:		
Share Capital	(430)	(430)
Profit and Loss Account	(539)	(376)
	(969)	(806)

The undertaking received an unqualified audit opinion for the year ended 31st March 2012.

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

Notes to the Core Financial Statements continued

27. Debtors

	<i>Gross Debtors</i>	<i>Impairment</i>	<i>Net Debtors</i>	<i>Gross Debtors</i>	<i>Impairment</i>	<i>Net Debtors</i>
	31st March 2011			31st March 2012		
	£'000	£'000	£'000	£'000	£'000	£'000
Short Term						
Central Government Bodies	5,244	(17)	5,227	18,227	-	18,227
Other Local Authorities	1,383	20	1,403	607	-	607
NHS Bodies	2,065	965	3,030	1,232	(112)	1,120
Public Corporations & Trading Funds	105	(7)	98	101	-	101
Other Entities & Individuals	11,098	(8,312)	2,786	11,579	(7,511)	4,069*
	19,895	(7,351)	12,544	31,747	(7,623)	24,124
Long Term						
Mortgagors – Council House Sales	22	-	22	16	-	16
Housing Associations	1,346	-	1,346	1,328	-	1,328
Other	228	-	228	171	-	171
	1,596	-	1,596	1,515	-	1,515

28. Inventories

	Catering, Bars and Provisions		Railcards		Other	
	2010/11	2011/12	2010/11	2011/12	2010/11	2011/12
	£'000	£'000	£'000	£'000	£'000	£'000
Opening balance	127	138	12	12	247	212
Purchased	16	10	-	5	12	49
Expensed in the year	(5)	(2)	-	-	(47)	(45)
Written-off balances	-	(5)	-	-	-	(3)
Reversals of write-offs in previous years	-	-	-	-	-	-
Closing Balance	138	141	12	17	212	213

Notes to the Core Financial Statements continued

29. Cash and Cash Equivalents

31/03/2011		30/03/2012
£'000		£'000
52	Cash held by the Council	48
1,599	Bank current accounts	2,984
9,550	Short-term deposits with building societies	14,850
11,201		17,882

30. Creditors

	31/03/2011	31/03/2012
	£'000	£'000
Central Government Bodies	(12,667)	(10,707)
Other Local Authorities	(4,853)	(3,860)
NHS Bodies	(4,018)	(1,376)
Public Corporations & Trading Funds	(274)	(19)
Other Entities & Individuals	(21,424)	(29,152)
	(43,236)	(45,113)*

31. Trust Funds

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

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

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

Notes to the Core Financial Statements continued

31. Trust Funds – continued

		31.03.11 £	Expenditure / Payments £	Income/ Receipts £	31.03.12 £
(A) Funds for which the Council acts as sole trustee					
Social Services Special Funds					
At 31 st March the Council was acting as a Trustee for various Social Services clients	Balance	2,065,407			2,364,711
Public Health (Control of Disease) Act 1984					
At the 31 st March the Council was holding various sums under the above act in respect of public funds.	Balance	18,615	(2,298)	-	16,318*
(B) Funds where the Council doesn't have sole control					
<u>Registered Charities</u>					
Knights House Charity					
Objective: To assist the needy in the Widnes area. Charity No. 218886	Assets Liabilities	320,201 (203,865)			303,881 (183,319)
		116,335	(6,271)	10,498	120,562
Runcorn General War Relief					
Objective: To assist the needy in the Runcorn area. Charity No. 505396	Assets Liabilities	33,739 (18,225)			34,211 (18,603)
		15,514	-	94	15,608
Widnes Education Foundation					
Objective: To assist in education opportunities for students in Widnes. Charity No. 526510	Assets Liabilities	21,867 (19,976)			21,286 (19,121)
		1,891	-	273	2,165
<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	144,782	(138,524)	181,394	187,652
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

32. Leases

Where Halton Borough Council is the Lessee

Finance Leases

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

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

	<i>31/03/2011</i> £'000	<i>30/03/2012</i> £'000
Vehicles, Plant, Furniture and Equipment	2,404	2,399

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

	<i>31/03/2011</i> £'000	<i>30/03/2012</i> £'000
Finance Lease liabilities (net present value of minimum lease payments):		
Vehicles, Plant, Furniture and Equipment	791	796
Finance costs payable in future years	77	60
Minimum Lease Payments	868	856

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

	Minimum Lease Payments		Finance Lease Liabilities	
	<i>31/03/2011</i> £'000	<i>30/03/2012</i> £'000	<i>Restated</i> <i>31/03/2011</i> £'000	<i>30/03/2012</i> £'000
Not later than one year	786	976	(731)	(935)
Later than one year and not later than five years	1,139	750	(1,123)	(1,017)
Later than five years	-	-	-	-
	1,925	1,726	(1,854)	(1,952)

Notes to the Core Financial Statements continued

32. Leases – continued

Operating Leases

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

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

	31/03/2011 £'000	31/03/2012 £'000
Not later than one year	1,714	1,290
Later than one year and not later than five years	2,307	1,998
Later than five years	12,431	11,511
	16,452	14,799

Where lease cars acquired under operating leases are sub-let, the Council is required to disclose the future minimum sub-lease payments expected to be received under non-cancellable sub-leases at the 30th March:

	31/03/2011 £'000	30/03/2012 £'000
Not later than one year	268	281
Later than one year and not later than five years	444	268
Later than five years	-	-
	712	549

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

	31/03/2011 £'000	30/03/2012 £'000
Children's & Education Service	174	140
Adult Social Care	122	110
Highways and Transport	68	73
Cultural, Environmental, Regulatory and Planning	156	125
Housing Services	63	42
Central Services	1,391	1,262
Corporate and Democratic Core	23	23
Non Distributed Costs	-	-
Net Cost of Services	1,997	1,775
(Surplus)/Deficit from Trading Operations	3	3
	2,000	1,778

Notes to the Core Financial Statements continued

32. Leases – Continued

Where Halton Borough Council is the Lessor

Finance Leases

There are no transactions to report under this heading for 2011/12.

Operating Leases

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

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

	31/03/2011	30/03/2012
	£'000	£'000
Not later than one year	1,495	2,322
Later than one year and not later than five years	2,044	3,721
Later than five years	8,788	12,788
	12,328*	18,831

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

In 2011/12 £11,497 contingent rents were receivable by the Council (2010/11 £17,163)

33. Long Term Borrowing

	Outstanding 31st March 2011 Restated £'000	Outstanding 31st March 2012 £'000
Source of loans:-		
Public Works Loan Board	(10,000)	(30,000)
Cherwell District Council	-	(5,000)
Wirral Metropolitan Borough Council	-	(5,000)
Other	-	(474)
	(10,000)	(40,474)
Analysis of loans by maturity:-		
Maturing in 1-2 years	-	(10,045)
Maturing in 2-5 years	-	(20,197)
Maturing in 5-10 years	-	(232)
Maturing in more than 10 years	(10,000)	(10,000)
	(10,000)	(40,474)

Notes to the Core Financial Statements continued

34. Provisions

Equal Pay Provision

The Council is in receipt of 931 Equal Pay claims, a provision has been made for settlement offers which have been forwarded to the claimants for consideration.

Land Search Charge Claim

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

Efficiency Costs

As part of the current efficiency review a number of staff have taken voluntary redundancy, a provision has been made for outstanding redundancy payments as at the 31st March 2012.

Bad Debt Provision

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

	Provisions > 12 months		
	Equal Pay £'000	Land Search Charge Claim £'000	Efficiency Costs £'000
Balance as at 1 April 2011	(1,510)	(160)	(174)
Additional provisions made in year	(515)	-	(20)
Amounts used in year	420	-	174
Unused amounts reversed in year	-	-	-
Balance at 31 March 2012	(1,605)	(160)	(20)*

35. Pension Schemes

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

Notes to the Core Financial Statements continued

35. Pensions - continued

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 defined benefit final salary scheme, meaning that the Council and its employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.

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

The NHS pension scheme which relates to 2 employees. The scheme operates on a similar basis to the teacher's pension scheme

Local Government Pension Scheme

Halton Borough Transport Ltd

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

Transactions Relating to Post-Employment Benefits

In 2011/12, the Council paid an employer's contribution to the Cheshire Pension Fund of £12.502m (£12.674m in 2010/11), representing 19.1% (18.6% in 2010/11) 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 Assets and Liabilities in Relation to Post-Employment Benefits

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

Notes to the Core Financial Statements continued

35. Pension Schemes – continued

	2010/11	2011/12
	£'000	£'000
Comprehensive Income & Expenditure Statement		
Cost of Services		
Current Service Costs	12,694	9,913
Past Service Costs/(Gain)	(42,038)	488
Losses/(Gains) on Settlements & Curtailments	415	79
Finance & Investment Income & Expenditure		
Interest Costs on Obligation	25,979	20,697
Expected Return on Assets of the Scheme	(20,707)	(21,554)
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	(23,657)	9,623
Movement in Reserves Statement		
Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post-employment benefits in accordance with the Code	23,657	9,623
Actual amount charged against the General Fund Balance for pensions in the year:		
Employers' contributions payable to scheme	12,674	12,502

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to 31st March 2012 was a loss of £74.390m (£41.844m in 2010/11)

Assets and Liabilities in Relation to Post-Employment Benefits

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

	2010/11	2011/12
	£'000	£'000
Opening Balance at 1 st April	503,597	377,284
Current Service Cost	12,694	9,913
Interest Cost on Obligation	25,979	20,697
Contributions by Members	3,852	3,406
Actuarial Losses/(Gains)	(113,203)	21,921
Losses / (Gains) on Curtailments	415	79
Estimated Benefits Paid	(14,011)	(15,856)
Past Service Costs/(Gains)	(42,039)	489
Closing Balance at 30 th March	377,284	417,933

Notes to the Core Financial Statements continued

35. Pension Schemes – continued

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

	2010/11 £'000	2011/12 £'000
Opening Balance at 1 st April	290,647	316,940
Expected Return on Assets	20,707	21,554
Actuarial Gains/(Losses)	3,072	(10,625)
Contributions by the Employer	12,674	12,502
Contributions by Members	3,852	3,406
Benefits Paid	(14,012)	(15,856)
Closing Balance at 30 th March	316,940	327,921

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 £10.929m (2010/11 £24.758m).

Scheme History

	2007/08 £'000	2008/09 £'000	2009/10 £'000	2010/11 £'000	2011/12 £'000
Present value of liabilities	(296,756)	(292,265)	(503,597)	(377,284)	(417,933)
Fair value of assets	257,500	205,764	290,647	316,940	327,921
Surplus/(Deficit) in scheme	(39,256)	(86,501)	(212,950)	(60,344)	(90,012)

The liabilities show the underlying commitments that the Council has in the long run to pay post-employment (retirement) benefits. The total liability of £417.933m has a substantial impact on the net worth of the Council as recorded in the Balance Sheet, resulting in a negative overall balance of £90.012m.

There are a number of reasons why there is a significant change in the funding of the pension fund from a deficit of £60.344m in 2010/11 to £90.012m in 2011/12. This is mainly due to financial assumptions at 31st March 2012 being less favourable than they were at 31st March 2011. Some of the headline issues that have contributed to the increase in the deficit in 2011/12 are:

- A change in the approach for setting the discount rate has led to a higher value being placed on the pension liabilities resulting in an increase from around 6% to 10%.
- Future pension increases are assumed to be linked to CPI which is approximately 0.8% below RPI on average.

Notes to the Core Financial Statements continued

35. Pension Schemes – continued

- The salary increase assumption for IAS19 purposes has changed in line with public sector pay restrictions put in place by the Government in 2010 and extended in the Chancellor's statement in November 2011. This change to the salary increase assumption has led to a reduction in the value of active members liabilities during the year.
- The actual investment return on LGPS funds during 2011/12 was typically in the region of 0% to 0.5%. This is lower than the expected level at the start of the year of between 6% and 7%.

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

The total contributions expected to be made to the scheme by the council in the year to 31st March 2013 is £10.108m.

Basis for Estimating Assets and Liabilities

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

The principal assumptions used by the actuary are shown below:

	2010/11	2011/12
Long-term expected rate of return on assets in the scheme:		
Equity Investments	7.5%	6.2%
Bonds	4.9%	3.3%
Property	5.5%	4.4%
Cash	4.6%	3.5%
Mortality Assumptions:		
Longevity at 65 for current pensioners:		
Men	22.9 years	22.9 years
Women	25.7 years	25.7 years
Longevity at 65 for future pensioners:		
Men	24.9 years	24.9 years
Women	27.7 years	27.7 years
Rate of inflation	2.8%	2.5%
Rate of increase of salaries	5.1%	4.8%
Rate of increase of pensions	2.8%	2.5%
Rate for discounting scheme liabilities	5.5%	4.8%
Take-up of option to convert annual pension into retirement lump sum	75%-50%	75%-50%

Notes to the Core Financial Statements continued

35. Pension Schemes – continued

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

	31/03/2011	30/03/2012
	%	%
Equity Investments	72	72
Bonds	15	14
Property	6	7
Cash	7	7
	100	100

The scheme's asset values as at 31st March 2012 are at bid value

	31/03/2011	30/03/2012
	£'000	£'000
Equity Investments	228,197	236,104
Bonds	47,541	45,909
Property	19,016	22,954
Cash	22,186	22,954
	316,940	327,921

History of experience gains and losses

The actuarial gains identified as movements on the Pensions Reserve in 2011/12 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31st March 2012:

	2007/08	2008/09	2009/10	2010/11	2011/12
	%	%	%	%	%
Experience gains and losses on scheme assets	(15.13)	(36.22)	23.04	0.97	(3.24)
Experience gains and losses on scheme liabilities	(0.69)	0.00	0.92	(17.84)	1.11

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.

Teacher's Pension Scheme

Defined Contribution Scheme

In 2011/12, the Council paid an employer's contribution to the Teacher's Pension Agency of £5.072m (£5.593m in 2010/11) in respect of teachers' pension costs. The contribution rate was 14.10% (14.10% in 2010/11) of teachers' pensionable pay.

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

Notes to the Core Financial Statements continued

35. Pension Schemes – continued

statement of accounts, it is therefore accounted for on the same basis as a defined contribution scheme.

The Council is responsible for any additional benefits granted upon early retirement, outside the standard terms of the scheme. For the year 2011/12 the cost was £0.157m (£0.157m 2010/11).

NHS Pension Scheme

Defined Contribution Scheme

In 2011/12 the Council paid an employer's contribution to the National Health Service Pensions Scheme in respect of 2 employees, the amount paid was £0.005m (£0.007m in 2010/11) in respect of these former NHS employees' pension costs. The contribution rate was 14.0% (14.0% in 2010/11) of pensionable pay.

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

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

36. Financial Instruments

Nature and Extent of Risks arising from Financial Instruments

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

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

Liquidity risk - the possibility that the Council might not have enough funds available to meet its commitments to make payments.

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

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

Notes to the Core Financial Statements continued

36. Pension Schemes – continued

Fair Value

The Code requires that each class of financial asset and liability should disclose the “fair value” in a way that permits it to be compared with 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 2012.

Credit Risk

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

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

The Council's maximum exposure to credit risk in relation to its investments held in banks and building societies of £76.85m cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all Council deposits, but there was no evidence at the 31st March 2012 that this was likely to crystallise.

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

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

Maximum Deposit per Institution for placing >3 months £M Limit	Counterparties	Exposure at 30/03/2012 £'000
7.50 - 15.00	Banks	71,850
7.50 - 10.00	Building Societies	5,000
2.50	Other Local Authorities	-
2.50	Debt Management Office	-
		76,850

Notes to the Core Financial Statements continued

36. Financial Instruments – continued

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

The following table analyses the Council's potential maximum exposure to credit risk on other financial assets, based on experience of default and uncollectability over recent financial years, adjusted to reflect current market conditions:

	<i>Estimated maximum exposure to default and uncollectability at 31/03/2011</i> £'000	Amount Outstanding at 30/03/2012 £000s	Historical experience of default %	Estimated maximum exposure to default and uncollectability at 30/03/2012 £000's
Deposits with Banks	47.75	71,850	0.50	359.25
Deposits with Building Societies	0.00	5,000	0.00	0.00
Customers/Clients	187.21	5,924	2.50	148.10
	234.96			507.35

None of the Council's counterparties had any difficulty in repaying their liabilities during 2011/12. 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). £3.094m of the £5.924m customer/client debt shown above is overdue. An analysis of the debt is shown below:

	31/03/2011 £'000	30/03/2012 £'000
Less than 3 months	4,476	2,830
3 to 6 months	760	684
6months to 1 year	557	398
More than 1 year	1,695	2,012
	7,488	5,925
Provision for non-payment	(3,824)	(3,646)

Liquidity Risk

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

Notes to the Core Financial Statements continued

36. Financial Instruments – continued

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

The maturity analysis of financial liabilities is as follows:

	31/03/2011	30/03/2012
	£'000	£'000
Less than 1 year	31,863	82,856
Between 1 and 2 years	693	10,552
Between 2 and 5 years	404	20,198
More than 5 years	20,000	10,474
	52,960	124,080

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

Market Risk

Interest Rate Risk

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

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

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

Investment at variable rates - the interest income credited to the Comprehensive Income & Expenditure Statement will rise

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

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

The Council has a number of strategies for managing interest rate risk. The Annual Treasury Management Strategy draws together the Council's prudential and treasury indicators and its

Notes to the Core Financial Statements continued

36. Financial Instruments – continued

expected treasury operations, including an expectation of interest rate movements. From this strategy, a treasury indicator is set which provides maximum limits for fixed and variable interest rate exposure. The treasury management section monitor interest rates within the year and adjust exposures accordingly. During periods of falling interest rates, and where economic circumstances make it favourable, fixed rate loans will be repaid early to limit exposure to losses and fixed rate investments may be taken for longer periods to secure better long term returns, similarly the drawing of longer term fixed rate borrowing would be postponed.

According to an assessment strategy at 31st March 2012, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

	£000s
Increase in interest payable on variable rate borrowings	(389)
Increase in interest receivable on variable rate investments	542
Impact upon Comprehensive Income and Expenditure Statement	153

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

Price Risk

The Council does not have any holdings in investments which would be subject to potential gains and losses based on market volatility, an example of which would be shares traded on the equity market.

Foreign Exchange Risk

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

Notes to the Core Financial Statements continued

36. Financial Instruments – continued

Financial Instrument Balances

Categories of Financial Instrument

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

	<i>Long Term 31/03/2011 Restated £'000</i>	<i>Current 31/03/2011 Restated £'000</i>	<i>Long Term 30/03/2012 £'000</i>	<i>Current 30/03/2012 £'000</i>
Investments				
Loans and receivables	1,596	-	12,000	50,000
Unquoted equity investment at cost	469	-	465	-
Total	2,065	-	12,465	50,000
Assets				
Loans and receivables	-	23,745	1,515	42,005
Borrowings				
Financial liabilities at amortised cost	(10,000)	(10,000)	(40,474)	(47,043)
Other liabilities				
Finance lease liabilities	(1,123)	(732)	(1,017)	(935)
Current Liabilities				
Financial liabilities at amortised cost	-	(42,504)	-	(44,178)

Material Soft Loans Made by the Council

There were no transactions to report under this heading for 2011/12.

Reclassifications

There were no transactions to report under this heading for 2011/12.

Income, Expense, Gains and Losses

	<i>Financial Liabilities measured at amortised cost £'000</i>	<i>Financial Assets: Loans and Receivables £'000</i>	<i>2010/11 Total £'000</i>	<i>Financial Liabilities measured at amortised cost £'000</i>	<i>Financial Assets: Loans and Receivables £'000</i>	<i>2011/12 Total £'000</i>
Interest expense	900		900	1,507		1,507
Interest income		(617)	(617)		(943)	(943)
Net Gain/(Loss) for the Year	900	(617)	283	1,507	(943)	564

Notes to the Core Financial Statements continued

36. Financial Instruments – continued

Fair Values of Assets and Liabilities

Financial liabilities, financial assets represented by loans and receivables and long-term debtors and creditors are carried in the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using the following assumptions:

Estimated ranges of interest rates at 31 March 2012 for loans from the PWLB and other loans receivable and payable, based on new lending rates for equivalent loans at that date.

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

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

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

The fair values calculated are as follows:

	2010/11		2011/12	
	<i>Restated Carrying Amount</i> £'000	<i>Restated Fair Value</i> £'000	<i>Carrying Amount</i> £'000	<i>Fair Value</i> £'000
Loans & Payables	(53,236)	(54,986)	(92,156)	(92,705)
Long-term Loans	(10,000)	(9,251)	(40,474)	(39,464)

The fair value of the liabilities is lower than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is lower than the prevailing rates at the Balance Sheet date. This shows a notional future gain (based on economic conditions at 31 March 2012) arising from a commitment to pay interest to lenders below current market rates.

	2010/11		2011/12	
	<i>Restated Carrying Amount</i> £'000	<i>Restated Fair Value</i> £'000	<i>Carrying Amount</i> £'000	<i>Fair Value</i> £'000
Investments & Receivables	23,745	23,761	92,005	92,458
Long-term Investments & Receivables	2,065	2,065	13,980	14,351

The fair value of assets is higher than the carrying amount because the Council's portfolio of investments includes a number of fixed rate loans where the interest rate receivable is higher than the rates available for similar loans at the Balance Sheet date. This shows a notional future gain (based on economic conditions at the 31st March 2012) attributable to the commitment to receive interest above current market rates.

Notes to the Core Financial Statements continued

36. Financial Instruments - continued

Available for sale assets and assets and liabilities at fair value through profit or loss are carried in the Balance Sheet at their fair value. These fair values are based on public price quotations where there is an active market for the instrument.

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

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

37. Construction Contracts

There were no transactions to report under this heading for 2011/12.

38. PFI and Similar Contracts

There are no transactions to report under this heading for 2011/12.

39. Impairment Losses

There were no material impairment losses to report in 2011/12.

40. Capitalisation of Borrowing Costs

There are no transactions to report under this heading for 2011/12

41. Termination Benefits

As part of the Council's on-going efficiency review there were a total number of 95 redundancies (inclusive of 25 school posts) and 19 early retirements in 2011/12, incurring liabilities of £4.59m (2010/11 - £2.56m). In addition the Council incurs liabilities for past early retirements, which are charged to the Council's Comprehensive Income and Expenditure Statement over a period of 5 years. Please see note 4 for the number of exit packages and the cost per band.

Notes to the Core Financial Statements continued

41. Termination Benefits - continued

Termination costs are split between service areas as follows:

	£'000
Adult Social Care	426
Central Services	1,482
Children's & Education Services	768
Corporate & Democratic Core	253
Culture & Related Services	303
Environmental & Regulatory Services	299
Highways & Transport Services	449
Housing Services	68
Planning Services	546
Total	4,594

42. Contingent Liabilities

At 31st March 2012, the Council had 2 categories of material Contingent Liabilities:

Legal Claims

There are currently 10 outstanding legal claims of varying descriptions against the Council. These legal claims range from £15,000 to £200,000.

Municipal Mutual Insurance (MMI)

During 1992/93 the Council's insurers, MMI, ceased to accept new business and it subsequently made a scheme of agreement with its creditors. This means that if MMI have insufficient assets to meet its future liabilities a claw back clause will be triggered and the Council will be liable for payment. A recent judgement by the Supreme Court regarding the trigger of litigation claims has increased the likelihood that the scheme of arrangement will be invoked during 2012/13.

As at 31 March 2012 the claims totalled £1.236m with 2 claims outstanding with an estimated value of £6,300. At the 31st March it is not known what percentage of claw back against the £1.236m will be applied to the scheme and therefore the extent of the Council's liability.

43. Contingent Assets

There are no transactions to report under this heading for 2011/12.

Notes to the Core Financial Statements continued

44 (a). Adjustments between Accounting Basis and Funding Basis under regulation – for year ended 31/03/2011 Restated

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

	USABLE RESERVES				UNUSABLE RESERVES									
	General Fund Balance £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Movement in Usable Reserves £'000	Revaluation Reserve £'000	Available for Sale Financial Instruments Reserve £'000	Financial Instruments Adjustment Account £'000	Pension Reserve £'000	Capital Adjustment Account £'000	Deferred Capital Receipts £'000	Collection Fund Adjustment Account £'000	Unequal Pay Adjustment Account £'000	Accumulated Absences Account £'000	Movement in Unusable Reserves £'000
Capital Adjustment Account Reversal of items debited or credited to the CIES:														
Charges for depreciation and impairment of non-current assets	(18,736)	-	-	(18,736)	-	-	-	-	18,736	-	-	-	-	18,736
Revaluation losses on Property, Plant and Equipment	(10,650)	-	-	(10,650)	-	-	-	-	10,650	-	-	-	-	10,650
Movements in the Market Value of Investment Properties	(125)	-	-	(125)	-	-	-	-	125	-	-	-	-	125
Amortisation of Intangible Assets	(706)	-	-	(706)	-	-	-	-	706	-	-	-	-	706
Capital Grants and Contributions applied	14,944	-	-	14,944	-	-	-	-	(14,944)	-	-	-	-	(14,944)
Movement in the Donated Assets Account	-	-	-	-	-	-	-	-	-	-	-	-	-	-
REFCUS	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Notes to the Core Financial Statements continued

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

	General Fund Balance £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Movement in Usable Reserves £'000	Revaluation Reserve £'000	Available for Sale Financial Instruments Reserve £'000	Financial Instruments Adjustment Account £'000	Pension Reserve £'000	Capital Adjustment Account £'000	Deferred Capital Receipts £'000	Collection Fund Adjustment Account £'000	Unequal Pay Adjustment Account £'000	Accumulated Absences Account £'000	Movement in Unusable Reserves £'000
Insertion of items not debited or credited to the CIES:														
Statutory provision for the financing of Capital investment	2,759	-	-	2,759	-	-	-	-	(2,759)	-	-	-	-	(2,759)
Capital expenditure charged against the General Fund Balance	971	-	-	971	-	-	-	-	(971)	-	-	-	-	(971)
Other														
Transfer between CAA and RR for depreciation that is based on CV rather than HC	-	-	-	-	1,141	-	-	-	(1,141)	-	-	-	-	-
Capital Grants Unapplied Account														
Capital Grants and Contributions unapplied credited to the CIES	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Application of Grants to Capital Financing transferred to the Capital Adjustment Account	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Capital Receipts Reserve														
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the CIES	965	(965)	-	-	-	-	-	-	-	-	-	-	-	-
Use of Capital Receipts Reserve to Finance new Capital Expenditure	-	3,045	-	3,045	-	-	-	-	(3,045)	-	-	-	-	(3,045)
Contribution from the Capital Receipts Reserve towards the administration cost of non-current asset disposals	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Contribution from the Capital Receipts Reserve to finance the payments to the Government Capital Receipts pool	(4)	4	-	-	-	-	-	-	-	-	-	-	-	-
Transfer from the Deferred Capital Receipts Reserve upon receipt of cash	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Notes to the Core Financial Statements continued

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

	General Fund Balance £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Movement in Usable Reserves £'000	Revaluation Reserve £'000	Available for Sale Financial Instruments Reserve £'000	Financial Instruments Adjustment Account £'000	Pension Reserve £'000	Capital Adjustment Account £'000	Deferred Capital Receipts £'000	Collection Fund Adjustment Account £'000	Unequal Pay Adjustment Account £'000	Accumulated Absences Account £'000	Movement in Unusable Reserves £'000
Deferred Capital Receipts Reserve														
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the CIES	-	-	-	-	-	-	-	-	-	-	-	-	-	-
FIAA														
Amount by which finance costs charged to the CIES are different from the finance costs chargeable in year in accordance with statutory requirement	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Pensions Reserve														
Reversal of items relating to retirement benefits debited/credited to the CIES	23,658	-	-	23,658	-	-	-	(23,658)	-	-	-	-	-	(23,658)
Employers pension contributions and direct payments to pensioners payable in the year	12,675	-	-	12,675	-	-	-	(12,675)	-	-	-	-	-	(12,675)
Collection Fund Adjustment Account														
Amount by which council tax income credited to the CIES is different from council tax income calculated for the year in accordance with statutory requirements	(30)	-	-	(30)	-	-	-	-	-	-	30	-	-	30
Unequal Pay Back-Pay Account														
Amount by which amounts charged for equal pay claims to the CIES are different from the cost of settlements chargeable in the year in accordance with statutory requirements	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Accumulated Absences Account														
Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(558)	-	-	(558)	-	-	-	-	-	-	-	-	558	558
TOTAL ADJUSTMENTS	25,163	2,084	-	27,246*	1,141	-	-	(36,333)	7,356*	-	30	-	558	(27,246)

Notes to the Core Financial Statements continued

44 (b). Adjustments between Accounting Basis and Funding Basis under regulation – for year ended 31/03/2012

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

	USABLE RESERVES				UNUSABLE RESERVES									
	General Fund Balance £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Movement in Usable Reserves £'000	Revaluation Reserve £'000	Available for Sale Financial Instruments Reserve £'000	Financial Instruments Adjustment Account £'000	Pension Reserve £'000	Capital Adjustment Account £'000	Deferred Capital Receipts £'000	Collection Fund Adjustment Account £'000	Unequal Pay Adjustment Account £'000	Accumulated Absences Account £'000	Movement in Unusable Reserves £'000
Capital Adjustment Account Reversal of items debited or credited to the CIES:														
Charges for depreciation and impairment of non-current assets	(22,575)	-	-	(22,575)	-	-	-	-	22,575	-	-	-	-	22,575
Revaluation losses on Property, Plant and Equipment	2,227	-	-	2,227	-	-	-	-	(2,227)	-	-	-	-	(2,227)
Movements in the Market Value of Investment Properties	(5,716)	-	-	(5,716)	-	-	-	-	5,716	-	-	-	-	5,716
Amortisation of Intangible Assets	(726)	-	-	(726)	-	-	-	-	726	-	-	-	-	726
Capital Grants and Contributions applied	32,444	-	-	32,444	-	-	-	-	(32,444)	-	-	-	-	(32,444)
Movement in the Donated Assets Account	-	-	-	-	-	-	-	-	-	-	-	-	-	-
REFCUS	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	(20,224)	(3,025)	-	(23,249)	4,964	-	-	-	18,284	-	-	-	-	23,249

Notes to the Core Financial Statements continued

44 (b). Adjustments between Accounting Basis and Funding Basis under regulation – for year ended 31/03/2012 continued

	General Fund Balance £'000	Capital Receipts Reserve £'000	Capital Grants unapplied £'000	Movement in Usable Reserves £'000	Revaluation Reserve £'000	Available for Sale Financial Instruments Reserve £'000	Financial Instruments Adjustment Account £'000	Pension Reserve £'000	Capital Adjustment Account £'000	Deferred Capital Receipts £'000	Collection Fund Adjustment Account £'000	Unequal Pay Adjustment Account £'000	Accumulated Absences Account £'000	Movement in Unusable Reserves £'000
Insertion of items not debited or credited to the CIES:														
Statutory provision for the financing of Capital investment	3,004	-	-	3,004	-	-	-	-	(3,004)	-	-	-	-	(3,004)
Capital expenditure charged against the General Fund Balance	816	-	-	816	-	-	-	-	(816)	-	-	-	-	(816)
Other														
Transfer between CAA and RR for depreciation that is based on CV rather than HC	-	-	-	-	2,392	-	-	-	(2,392)	-	-	-	-	-
Capital Grants Unapplied Account														
Capital Grants and Contributions unapplied credited to the CIES	2,241	-	(2,241)	-	-	-	-	-	-	-	-	-	-	-
Application of Grants to Capital Financing transferred to the Capital Adjustment Account	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Capital Receipts Reserve														
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the CIES	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Use of Capital Receipts Reserve to Finance new Capital Expenditure	-	8,502	-	8,502	-	-	-	-	(8,502)	-	-	-	-	(8,502)
Contribution from the Capital Receipts Reserve towards the administration cost of non-current asset disposals	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Contribution from the Capital Receipts Reserve to finance the payments to the Government Capital Receipts pool	(4)	4	-	-	-	-	-	-	-	-	-	-	-	-
Transfer from the Deferred Capital Receipts Reserve upon receipt of cash	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Notes to the Core Financial Statements continued

44 (b). Adjustments between Accounting Basis and Funding Basis under regulation – for year ended 31/03/2012 continued

	General Fund Balance £'000	Capital Receipts Reserve £'000	Capital Grants unapplied £'000	Movement in Usable Reserves £'000	Revaluation Reserve £'000	Available for Sale Financial Instruments Reserve £'000	Financial Instruments Adjustment Account £'000	Pension Reserve £'000	Capital Adjustment Account £'000	Deferred Capital Receipts £'000	Collection Fund Adjustment Account £'000	Unequal Pay Adjustment Account £'000	Accumulated Absences Account £'000	Movement in Unusable Reserves £'000
Deferred Capital Receipts Reserve														
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the CIES FIAA	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Amount by which finance costs charged to the CIES are different from the finance costs chargeable in year in accordance with statutory requirement Pensions Reserve	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reversal of items relating to retirement benefits debited/credited to the CIES Pensions Reserve	(9,623)	-	-	(9,623)	-	-	-	9,623	-	-	-	-	-	9,623
Employers pension contributions and direct payments to pensioners payable in the year Collection Fund Adjustment Account	12,502	-	-	12,502	-	-	-	(12,502)	-	-	-	-	-	(12,502)
Amount by which council tax income credited to the CIES is different from council tax income calculated for the year in accordance with statutory requirements Collection Fund Adjustment Account	40	-	-	40	-	-	-	-	-	-	(40)	-	-	(40)
Unequal Pay Back-Pay Account														
Amount by which amounts charged for equal pay claims to the CIES are different from the cost of settlements chargeable in the year in accordance with statutory requirements Accumulated Absences Account	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements Accumulated Absences Account	217	-	-	217	-	-	-	-	-	-	-	-	(217)	(217)
TOTAL ADJUSTMENTS	(5,378)	5,481	(2,241)	(2,138)	7,580	-	-	(2,879)	(2,306)	-	(40)	-	(217)	2,138

Notes to the Core Financial Statements continued

45. Transfers to/from Earmarked Reserves

This note sets out the amounts set aside from the General Fund in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2011/12

General Fund	Balance at 31st March 2010 £'000	Transfers Out 2010/11 £'000	Transfers In 2010/11 £'000	Balance at 31st March 2011 £'000	Transfers Out 2011/12 £'000	Transfers In 2011/12 £'000	Balance at 31st March 2012 £'000
Balances held by schools under the scheme of delegation	(3,386)	220	-	(3,165)*	737	(3,851)	(6,279)
Capital (To support Capital programme)	(2,898)	3,194	(1,950)	(1,654)	2,670	(3,584)	(2,568)
Insurance General Fund (To offset major fire claims)	(3,411)	-	(504)	(3,915)	-	(400)	(4,315)
Insurance Former HRA Properties (To offset pre LSVT claims)	(1,392)	68	-	(1,324)	68	-	(1,256)
Performance Grant (Grant to be utilised in 2012/13)	-	-	(865)	(865)	462	-	(403)
Building Schools for the Future Capital (To fund future capital costs)	(981)	-	-	(981)	23	(72)	(1,030)
Integrated Community Equipment (Share of pooled budget with Halton & St Helens PCT)	(35)	35	-	-	-	-	-
Working Neighbourhood's Fund (Grant to be utilised in 2012/13)	(1,329)	1,329	(1,613)	(1,613)	1,663	(595)	(545)

Notes to the Core Financial Statements continued

45. Transfers to/from Earmarked Reserves - continued

General Fund	Balance at 31st March 2010 £'000	Transfers Out 2010/11 £'000	Transfers In 2010/11 £'000	Balance at 31st March 2011 £'000	Transfers Out 2011/12 £'000	Transfers In 2011/12 £'000	Balance at 31st March 2012 £'000
Adults with Learning Difficulties (Share of pooled budget with Halton & St Helens PCT)	(100)	102	(6)	(4)	4	-	-
Business Link (Returned monies following the wind up of Business Link)	(14)	-	-	(14)	-	-	(14)
Children's Disabilities (Previously the balance of the pooled budget with Halton & St Helens PCT)	(369)	-	(303)	(672)	160	-	(512)
Revenue Priorities Fund (Earmarked funding carried forward)	(71)	56	(185)	(200)	73	(79)	(205)*
Landfill Usage (Notional value of unused allowance)	-	-	(54)	(54)	54	-	-
Invest to Save (To fund investments in revenue saving initiatives)	(1,287)	89	-	(1,198)	378	(273)	(1,093)
Major Projects Fees (To fund future major project implementation costs)	(132)	-	-	(132)	132	-	-
Neighbourhood Management (Earmarked to fund future project costs)	(51)	50	-	(1)	-	(1)	(1)*

Notes to the Core Financial Statements continued

45. Transfers to/from Earmarked Reserves - continued

General Fund	Balance at	Transfers	Transfers	Balance at	Transfers	Transfers	Balance at
	31st March 2010 £'000	Out 2010/11 £'000	In 2010/11 £'000	31st March 2011 £'000	Out 2011/12 £'000	In 2011/12 £'000	31st March 2012 £'000
Halton Castle Duchy of Lancaster (Halton Castle restoration project)	(92)	12	-	(80)	12	-	(68)
Supporting People (Earmarked to fund future schemes)	(1,027)	80	-	(947)	-	-	(947)
Building Schools for the future (To fund future inflation costs)	(719)	-	(114)	(833)	578	-	(255)
Enterprise and Employment (To fund E&E activities for future years)	(1,639)	143	-	(1,496)	302	(117)	(1,310)*
Health & Community (To support 2012/13 revenue budget)	(962)	1,059	(626)	(529)	251	(181)	(460)*
Mersey Gateway (To fund future planning work re Mersey Gateway)	(985)	1	-	(984)	984	-	-
Local Development Framework (To fund local development core strategy costs)	(250)	-	(120)	(370)	-	-	(370)
Equal Pay (To fund costs arising from equal pay claims)	(4,073)	1,273	(1,650)	(4,450)	1,091	(500)	(3,859)

Notes to the Core Financial Statements continued

45. Transfers to/from Earmarked Reserves - continued

General Fund	Balance at 31st March 2010 £'000	Transfers Out 2010/11 £'000	Transfers In 2010/11 £'000	Balance at 31st March 2011 £'000	Transfers Out 2011/12 £'000	Transfers In 2011/12 £'000	Balance at 31st March 2012 £'000
Intermediate Care Pool (Share of pooled budget with Halton and St Helens PCT)	(162)	413	(324)	(73)	284	(327)	(116)
Housing Planning Delivery Grant (To fund on-going projects)	(128)	128	-	-	-	-	-
Growth Points (To fund future initiatives to be identified by the Growth Points Partnership)	(949)	1,000	(81)	(30)	1	-	(29)
PCT Drug Treatment (Funding for drug and alcohol misuse treatment)	(786)	305	-	(481)	89	(21)	(413)
Olympic Legacy Fund (To support the on-going development of sports in Halton)	(181)	53	-	(128)	3	-	(125)
Arts Development Strategy Fund (To support the medium term arts development strategy)	(140)	14	-	(126)	11	-	(115)
Agresso Development (To expect upgrade costs to the financial database)	(150)	28	-	(122)	45	-	(77)
IFRS (To fund expected costs of the implementation of new financial reporting requirements)	(50)	50	-	-	-	-	-
S106 Grants (Developers contributions towards planning applications)	(349)	349	-	-	-	(37)	(37)

Notes to the Core Financial Statements continued

45. Transfers to/from Earmarked Reserves - continued

General Fund	Balance at 31st March 2010 £'000	Transfers Out 2010/11 £'000	Transfers In 2010/11 £'000	Balance at 31st March 2011 £'000	Transfers Out 2011/12 £'000	Transfers In 2011/12 £'000	Balance at 31st March 2012 £'000
Revenue Grants (Earmarking of Revenue grant balances with restrictions)	(2,121)	2,121	-	-	-	-	-
Carefirst (To finance staffing posts within ICT)	-	-	(64)	(64)	-	(120)	(184)
Revenues & Benefits System Development (To fund systems development throughout 2012/13)	-	-	(258)	(258)	-	-	(258)
Merseyside Information Service (To finance the termination costs of the MIS subscription)	-	-	(182)	(182)	-	-	(182)
Open Spaces Rolling Projects (To finance the Open Spaces strategy in 2012/13)	-	-	(176)	(176)	215	(324)	(285)
Climate Change (To part finance the Solar Panel Scheme)	-	-	(23)	(23)	23	-	-
Home Office Community Safety (To be spent on specified community safety initiatives)	-	-	(142)	(142)	142	(215)	(215)
Leisure Management Contract Contingency (Contingency compensation for leisure management contract)	-	-	(10)	(10)	-	(10)	(20)

Notes to the Core Financial Statements continued

45. Transfers to/from Earmarked Reserves - continued

General Fund	Balance at 31st March 2010 £'000	Transfers Out 2010/11 £'000	Transfers In 2010/11 £'000	Balance at 31st March 2011 £'000	Transfers Out 2011/12 £'000	Transfers In 2011/12 £'000	Balance at 31st March 2012 £'000
Learning & Achievement (To finance budgets which span the academic year into 2012/13)	-	-	(969)	(969)	969	(644)	(643)
Children's Organisation & Provision (To finance specialist services and projects that run into 2012/13)	-	-	(772)	(772)	772	(1,457)	(1,457)
Saffron (To finance new catering manager software)	-	-	(60)	(60)	55	(10)	(15)
A&C Care Financials (Contribution to upgrade Carefirst 6 system)	-	-	(350)	(350)	60	(75)	(365)
A&C Section 256 Monies (Contribution from H&StH PCT with joint outcomes)	-	-	(118)	(118)	61	(254)	(311)
A&C 2011/12 Savings (To help finance the 2012/13 budget)	-	-	(250)	(250)	326	(842)	(766)
A&C Stroke Services (To help finance the delivery of services with H&StHPCT)	-	-	(180)	(180)	-	-	(180)
Transformation Fund (To fund costs arising from future efficiency reviews)	-	178	(1,275)	(1,097)	695	(1,690)	(2,092)
Policy & Resources (Contribution to Savings Target)	-	-	-	-	-	(545)	(545)
Cremators (Contribution to future purchase of new cremators)	-	-	-	-	-	(59)	(59)

Notes to the Core Financial Statements continued

45. Transfers to/from Earmarked Reserves - continued

General Fund	Balance at 31st March 2010 £'000	Transfers Out 2010/11 £'000	Transfers In 2010/11 £'000	Balance at 31st March 2011 £'000	Transfers Out 2011/12 £'000	Transfers In 2011/12 £'000	Balance at 31st March 2012 £'000
Bus Stop (Provision of local bus services)	-	-	-	-	-	(60)	(60)
Planning (Contribution 2012/13 staffing)	-	-	-	-	-	(40)	(40)
Total All Reserves	(30,219)	12,350	(13,224)	(31,092)*	13,394	(16,381)	(34,079)*

Notes to the Core Financial Statements continued

46. Usable Reserves

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

General Fund Balance

The General Fund balance records the Council's accumulated income over expenditure for each financial year. The fund manages the reversal of a number of transactions that are required to be included in the preparation of the financial statements but then subsequently removed under statutory mitigation. The General Fund Balance also includes unspent school balances of budgets delegated to individual schools. The opening and closing General Fund Balance is split between the Council and Schools in the Movement in Reserves Statement.

Earmarked Reserves

These reserves help to meet specific known or predicted future requirements and are legally part of the General Fund Reserve.

The movements in earmarked reserves are analysed in note 45.

Capital Receipts Reserve

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

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

47. Unusable Reserves

31 March 2011 £'000		31 March 2012 £'000
(64,140)	Revaluation Reserve	(56,803)
-	Available for Sale Financial Instruments Reserve	-
-	Financial Instruments Adjustment Account	-
60,344	Pensions Reserve	90,011
(195,150)	Capital Adjustment Account	(197,232)
(1,368)	Deferred Capital Receipts	(1,344)
(260)	Collection Fund Adjustment Account	(299)
-	Unequal Back Pay Account	-
2,377	Short Term Accumulated Compensated Absences Account	2,160
(198,196)*	Total Unusable Reserves	(163,506)*

Notes to the Core Financial Statements continued

47. Unusable Reserves - continued

Revaluation Reserve

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

- revalued downwards or impaired and the gains are lost
- used in the provision of services and the gains are consumed through depreciation, or
- disposed of and the gains are realised.

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

2010/11 £'000		£'000	2011/12 £'000
(37,051)	Balance at 1 April		(64,140)
(29,150)	Upward revaluation of assets	(3,678)	
920	Downward revaluation of assets and impairment losses not charged to the Surplus/(Deficit) on the Provision of Services	3,660	
(28,230)	Surplus or deficit on revaluation of non-current assets not posted to the Surplus/(Deficit) on the Provision of Services		(19)*
1,141	Difference between fair value depreciation and historical cost depreciation	2,392	
-	Accumulated gains on assets sold or scrapped	4,964	
1,141	Amount written off to the Capital Adjustment Account		7,356
(64,140)	Balance at 30 March		(56,803)

Capital Adjustment Account

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

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

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

Notes to the Core Financial Statements continued

47. Unusable Reserves - continued

Capital Adjustment Account - continued

2010/11 £'000 <i>Restated</i> (202,505)		£'000	2011/12 £'000 (195,150)
	Balance at 1 April		
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
18,736	Charges for depreciation and impairment of non-current assets	22,575	
10,650	Revaluation losses on Property, Plant and Equipment	(2,227)	
706	Amortisation of intangible assets	726	
-	Revenue expenditure funded from capital under statute	-	
-	Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	18,284	
30,092 (1,141)	Adjusting amounts written out of the Revaluation Reserve		39,359 (2,392)
28,951	Net written out amount of the cost of non-current assets consumed in the year		36,967
	Capital financing applied in the year:		
(3,045)	Use of the Capital Receipts Reserve to finance new capital expenditure	(8,502)	
(14,946)	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(32,444)	
-	Application of grants to capital financing from the Capital Grants Unapplied Account	-	
(2,759)	Statutory provision for the financing of capital investment charged against the General Fund	(3,004)	
(971)	Capital expenditure charged against the General Fund	(816)	
(21,721) 125	Movements in the market value of investment properties debited or credited to the Comprehensive Income and Expenditure Statement		(44,766) 5,716
-	Movement in the Donated Assets Account credited to the Comprehensive Income and Expenditure Statement		-
(195,150)	Balance at 30 March		(197,232)

Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The Council accounts for post-employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to

Notes to the Core Financial Statements continued

47. Unusable Reserves - continued

Pensions Reserve – continued

reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs.

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

2010/11 £'000		2011/12 £'000
212,950	Balance at 1 April	60,344
(116,275)	Actuarial gains or losses on pensions assets and liabilities	32,546
(23,657)	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	9,623
(12,674)	Employers pensions contributions and direct payments to pensioners payable in the year	(12,502)
60,344	Balance at 30 March	90,011

Deferred Capital Receipts Reserve

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

	31st March 2011 £'000	31st March 2012 £'000
Mortgages – Former Right to Buy	(22)	(16)
Housing Associations	(1,080)	(1,062)
Castlefields Equity Advances	(266)	(266)
	(1,368)	(1,344)

Notes to the Core Financial Statements continued

47. Unusable Reserves - continued

Deferred Capital Receipts Reserve - continued

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

2010/11 £'000		2011/12 £'000
(1,392)	Balance at 1 April	(1,368)
-	Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-
24	Transfer to the Capital Receipts Reserve upon receipt of cash	24
(1,368)	Balance at 30 March	(1,344)

Collection Fund Adjustment Account

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

2010/11 £'000		2011/12 £'000
(290)	Balance at 1 April	(260)
30	Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income collected in the year in accordance with statutory requirements	(40)
(260)	Balance at 30 March	(299)*

Notes to the Core Financial Statements continued

47. Unusable Reserves – continued

Accumulated Absences Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund balance form accruing for compensated absences earned but not yet taken in the year, e.g. annual leave entitlement carried forward at 30th March. Statutory arrangements require that the impact on the General Fund balance is neutralised by transfers to or from the account.

2010/11		2011/12
£'000		£'000
1,820	Balance at 1 April	2,377
-	Settlement or cancellation of accrual made at the end of the preceding year	-
557	Amounts accrued at the end of the current year	(217)
-	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	-
2,377	Balance at 30 March	2,160

48. Cash Flow Statement - Operating Activities

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

31/03/2011		30/03/2012
£'000		£'000
	Operating Receipts	
(35,064)	Council Tax - HBC Share	(34,887)
(245,303)	Grants	(240,907)
(1,017)	Interest Received	(531)
(33,473)	Other Receipts	(29,177)
(314,856)*	Cash Inflows generated from Operating Activities	(305,502)
	Operating Payments	
125,956	Cash paid to and on behalf of employees	120,456
60,821	Housing Benefit Paid	63,615
94,270	Cash paid to suppliers of goods and services	94,468
900	Interest Paid	997
25,485	Other Payments	23,684
307,432	Cash Outflows generated from Operating Activities	303,220
(7,424)*	Net Cash Flows from Operating Activities	2,282

Notes to the Core Financial Statements continued

49. Cash Flow Statement - Investing Activities

31/03/2011 £'000		30/03/2012 £'000
39,902	Purchase of property, plant and equipment, investment property and intangible assets	51,237
-	Purchase of short term and long term investments	61,997
4,068	Other payments for investing activities	-
(937)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(3,050)
(661)	Proceeds from short term and long term investments	(4)
(24,471)	Other receipts from investing activities	(40,928)
17,902*	Net cash flows from Investing Activities	69,252

50. Cash Flow Statement - Financing Activities

31/03/2011 £'000		30/03/2012 £'000
-	Cash receipts of short and long term borrowing	(119,016)
(25,650)	Other receipts from financing activities	(6,964)
791	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on balance sheet PFI contracts	795
2,000	Repayments of short and long term borrowing	51,534
3,734	Other payments for financing activities	-
(19,125)	Net Cash flows from Financing Activities	(73,651)

Collection Fund

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

Collection Fund Statement

Actual 2010/11 £'000		Actual 2011/12 £'000	Note
	Income		
(40,939)	Council Tax Payers	(41,070)	
(11,051)	Transfer from General Fund – Council Tax Benefits	(11,085)	
(44,152)	Business Ratepayers	(48,827)	4
(96,142)		(100,982)	
	Expenditure		
	<u>Council Tax</u>		
5,521	Precept – Cheshire Police Authority	5,521	3
2,538	Precept – Cheshire Fire Authority	2,538	3
43,513	Demand – Halton Borough Council & Parishes	43,519	
	<u>Business Rate</u>		
43,993	– Payment to Pool	48,664	4
159	– Cost of Collection	163	
	Provision for Doubtful/Bad Debts (Council Tax only)		
183	– Write-Offs	75	
270	– Provision for Doubtful Debts	454	
96,177		100,934	
35	(Surplus)/Deficit for Year	(48)	
-	Balance brought forward	-	
35	(Surplus)/Deficit Distributed	(48)	7

Collection Fund

Collection Fund Balance Sheet

2010/11					2011/12			
Halton BC £'000	Cheshire Police £'000	Cheshire Fire £'000	Total £'000		Halton BC £'000	Cheshire Police £'000	Cheshire Fire £'000	Total £'000
2,848	373	170	3,391	Council Tax Arrears	2,931	386	171	3,489*
(2,491)	(326)	(148)	(2,965)	Provision for Doubtful Debts	(2,873)	(379)	(168)	(3,420)
(371)	(49)	(22)	(442)	Council Tax Over/Prepayments	(297)	(39)	(17)	(353)
(29)	(4)	(2)	(35)	Surplus/Deficit	(40)	(7)	(2)	(48)*
43	6	2	51	Cash	278	38	16	332
-	-	-	-		-	-	-	-

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

2011/12 Demand £'000	Ratio		2012/13 Demand £'000	Ratio
43,519	0.84	Halton BC & Parishes	43,527	0.84
5,521	0.11	Cheshire Police Authority	5,738	0.11
2,538	0.05	Cheshire Fire Authority	2,538	0.05
51,578	1.00		51,803	1.00

Notes to the Collection Fund

1. Introduction of the Council Tax

The property based Council Tax was introduced on the 1st April 1993, replacing the personal liability Community Charge. The Council determined its Band D equivalent tax base for 2011/12 at 38,200 (see below), with the Parishes' individual tax bases as follows: Hale 733, Daresbury 147, Moore 343, Preston Brook 345, Halebank 600 and Sandymoor 973.

2. The Council Tax Base Determination

Band	Properties	Ratio	Band D Equivalents
Disabled	50	5/9	28
A	21,815	6/9	14,543
B	10,295	7/9	8,007
C	7,063	8/9	6,278
D	4,257	9/9	4,257
E	3,043	11/9	3,719
F	927	13/9	1,339
G	311	15/9	519
H	31	18/9	63
Total	47,792		38,753
Multiply by Collection Rate (99%)			38,200*

*The Councils Council Tax Base has been set at 38,200 for 2011/12

3. Precepting Authorities

Halton Borough Council has two precepting authorities. For 2011/12 Cheshire Police Authority set its precept at £5,521,061 the equivalent to a Band D charge of £144.53 per property. Cheshire Fire Authority set its precept at £2,537,626 the equivalent to a Band D charge of £66.43 per property.

4. Non-Domestic Rates

The non-domestic rate replaced locally fixed rates from 1st April 1990. The rate in the pound is fixed by the Government and was set at 43.3p (42.6p for small businesses) in the pound for 2011/12. The Council is responsible for collecting rates within its own area on an agency basis and pays the proceeds into the NDR Pool, which is administered by the Government. Sums paid into the Pool are redistributed amongst local authorities on the basis of a fixed amount per head of population. The Council's entitlement from the pool is paid direct into the General Fund.

Notes to the Collection Fund continued

The amount payable to the Pool is as follows:

2010/11 £'000		2011/12 £'000
46,698	NDR Bills issued (Net of Voids & Transitional Relief)	51,279
(1,856)	Discretionary Relief and Remissions	(2,111)
(822)	Debts Written-Off or Provided For	(495)
106	General Fund Contribution to Reliefs and Remissions	114
(66)	Interest Payable	(12)
92	Deferral Scheme	52
44,152	Net NDR Income	48,827
(159)	Cost of Collection Allowance Payable to General Fund	(163)
43,993	Payable to NDR Pool	48,664
<i>The total non-domestic rateable value at 31st March 2012 was £128,692,276</i>		

5. Analysis of Arrears

	Gross		Credits		Prepayments	
	£'000 2010/11	£'000 2011/12	£'000 2010/11	£'000 2011/12	£'000 2010/11	£'000 2011/12
Council Tax	3,391	3,489	188	149	253	204
NDR	3,043	3,287	762	655	9	103

6. Treatment of Collection Fund Surpluses and Deficits

General

Prior year's balances on the Collection Fund have been apportioned to preceptors and Halton Borough Council pro-rata to demands on the Collection Fund. The surplus on the fund for 2011/12 has also been apportioned and there is therefore no balance on the Collection Fund.

Notes to the Collection Fund continued

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

Distribution of (Surplus)/Deficit

2010/11 £'000		2011/12 £'000
4	Cheshire Police Authority	(7)
2	Cheshire Fire Authority	(2)
29	Halton Borough Council & Parishes	(39)
35		(48)

Precepts and Demands on the Collection Fund

2010/11 Total £'000		Precept/ Demand £'000	30.03.12 Share of Deficit £'000	2011/12 Total £'000
5,517	Cheshire Police Authority	5,521	7	5,528
2,536	Cheshire Fire Authority	2,538	2	2,540
43,484	Halton Borough Council & Parishes	43,519	39	43,558
51,537		51,578	48	51,626

Group Accounts

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

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

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

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

For 2011/12 the consolidation involves Halton Borough Transport Ltd only.

The main effect of consolidation has been to increase revenue reserves by £0.359m, 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, 0151-423 3333.

Both bodies have the same financial year end of the 30th March for 2011/12.

Group Comprehensive Income and Expenditure Statement

Group Comprehensive Income and Expenditure Statement as at 31st March 2012

Net Expenditure 2010/11 £'000		Net Expenditure 2011/12 £'000
112,213	<i>Net Cost of Services</i>	122,459
(678)	<i>Other Operating Expenditure</i>	20,701
4,829	<i>Financing & Investment Income & Expenditure</i>	4,460
(144,190)	<i>Taxation & Non-Specific Grant Income</i>	(145,263)
(27,826)	(Surplus)/Deficit for the Year	2,358*
(144,506)	<i>Other Comprehensive Income and Expenditure</i>	32,528
(172,332)	Total Comprehensive Income and Expenditure	34,886*
28,114	Net additional amount required by statute and non-statutory proper practices to be debited or credited to the General Fund Balance of the year	(5,507)
(7,974)	Surplus 01.04.11 Council	(7,906)
(3,385)	Surplus 01.04.11 Schools	(3,164)
(7,906)	Surplus 30.03.12 Council	(7,941)
(3,164)	Surplus 30.03.12 Schools	(6,279)

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

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

Reconciliation of Council and Group Surplus/Deficit for the year as at 31st March 2012

2010/11 £'000		2011/12 £'000
(28,086)	(Surplus)/Deficit for the year on the Council Income and Expenditure Account	2,195
100	Adjustment for Transactions with Other Group Entities	100
(27,986)	(Surplus)/Deficit in the Group Income and Expenditure Account Attributable to the Council	2,295
	(Surplus)/Deficit in the Group Income and Expenditure Account Attributable to Group Entities (adjusted for Intra-Group Transactions)	
160	– Subsidiaries	63
-	– Associates	-
-	– Joint Ventures	-
(27,826)	(Surplus)/Deficit for the year on the Group Income and Expenditure Account	2,358

Group Balance Sheet

Group Balance Sheet as at 31st March 2012

2009/10 Restated £'000	2010/11 Restated £'000		2011/12 £'000
307,378	339,724	Non- Current Assets - Property Plant & Equipment	331,467
1,030	1,030	Heritage Assets	1,067
10,321	9,707	Investment Properties	15,007
2,267	2,047	Intangible Assets	1,657
-	-	Long Term Investments	12,000
1,554	1,596	Long Term Debtors	1,515
41,254	25,634	Current Assets	97,070
(56,315)	(54,905)	Current Liabilities	(93,994)
(10,719)	(10,912)	Long Term Borrowing	(40,997)
(986)	(1,937)	Provisions > 1 year	(1,844)
(165)	(4,204)	Capital Grants Receipts in Advance	(20,528)
(214,852)	(61,634)	Other Liabilities	(91,159)
80,767	246,145*	Total Assets less Liabilities	211,261
(54,296)	(47,950)	Usable Reserves	(47,755)
(26,471)	(198,196)	Unusable Reserves	(163,506)
(80,767)	(246,145)*	Total Equity	(211,261)

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

Group Movement in Reserves Statement

Group Movement in Reserves Statement as at 31st March 2011 (Restated)

	General Fund	Other Earmarked Reserves	Capital Receipts Reserve	Capital Grants Unapplied	TOTAL USABLE RESERVES	TOTAL UNUSABLE RESERVES	Reserves of Group Entities	TOTAL COUNCIL RESOURCES
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
General Fund	(7,175)	(26,834)	(10,099)	(6,004)	(50,112)	(26,471)	(799)	(77,382)
General Fund - Schools	(3,385)	-	-	-	(3,385)	-	-	(3,385)
Balance as at 31st March 2010	(10,560)	(26,834)	(10,099)	(6,004)	(53,497)	(26,471)	(799)	(80,767)
Movement in Reserves during 2010/11								
(Surplus) or Deficit on the Provision of Services	(27,826)	-	-	5,091	(22,735)	-	-	(22,735)
Other Comprehensive Income and Expenditure	-	-	-	-	-	(144,506)	-	(144,506)
Total Comprehensive Income and Expenditure	(27,826)	-	-	5,091	(22,735)	(144,506)	-	(167,242)*
Adjustments between Accounting Basis and Funding Basis under Regulations	25,163	-	2,084	-	27,246	(27,246)	-	-
Net (Increase)/Decrease before Transfers to Other Reserves	(2,663)	-	2,084	5,091	4,511	(171,752)	-	(167,242)
Subsidiary Entities	(260)	-	-	-	(260)	-	260	-
Group Contributions to/from Reserves	-	-	-	-	-	-	260	-
Transfers to/from other Earmarked Reserves	1,094	(1,094)	-	-	-	-	-	-
Other Movements	1,857	-	(24)	-	1,834	24	-	1,857
(Increase)/Decrease in the year	28	(1,094)	2,060	5,091	6,085	(171,728)	260	(165,384)
Balance as at 31st March 2011	(10,532)	(27,928)	(8,039)	(912)*	(47,411)*	(198,197)*	(539)	(246,146)*

Group Movement in Reserves Statement continued

Group Movement in Reserves Statement as at 31st March 2012

	General Fund	Other Earmarked Reserves	Capital Receipts Reserve	Capital Grants Unapplied	TOTAL USABLE RESERVES	TOTAL UNUSABLE RESERVES	Reserves of Group Entities	TOTAL COUNCIL RESOURCES
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
General Fund	(7,367)	(27,928)	(8,039)	(912)	(44,246)	(198,197)*	(539)	(242,982)
General Fund - Schools	(3,165)	-	-	-	(3,165)	-	-	(3,165)
Balance as at 31st March 2011	(10,532)	(27,928)	(8,039)	(912)	(47,411)	(198,197)	(539)	(246,146)*
Movement in Reserves during 2011/12								
(Surplus) or Deficit on the Provision of Services	2,358	-	-	-	2,358	-	-	2,358
Other Comprehensive Income and Expenditure	-	-	-	-	-	32,527	-	32,527
Total Comprehensive Income and Expenditure	2,358	-	-	-	2,358	32,527	-	34,885
Adjustments between Accounting Basis and Funding Basis under Regulations	(5,378)	-	5,481	(2,241)	(2,138)	2,138	-	-
Net (Increase)/Decrease before Transfers to Other Reserves	(3,020)	-	5,481	(2,241)	220	34,665	-	34,885
Subsidiary Entities	(163)	-	-	-	(163)	-	163	-
Group Contributions to/from Reserves	(163)	-	-	-	(163)	-	163	-
Transfers to/from other Earmarked Reserves	(129)	129	-	-	-	-	-	-
Other Movements	-	-	(24)	-	(24)	24	-	-
(Increase)/Decrease in the year	(3,312)	129	5,457	(2,241)	32*	34,690*	163	34,885
Balance as at 31st March 2012	(13,844)	(27,799)	(2,582)	(3,154)*	(47,378)*	(163,507)*	(376)	(211,261)

Group Cash Flow Statement

Group Cash Flow Statement as at 31st March 2012

Group 2010/11		Group 2011/12
£'000		£'000
(7,488)	Net Cash flows from Operating Activities	(2,599)
18,011	Net Cash flows from Investing Activities	69,384
(18,897)	Net Cash flows from Financing Activities	(73,266)
(8,374)	Net increase/decrease in cash and cash equivalents	(6,441)
(2,554)	Cash and Cash Equivalents at the beginning of the reporting period	(10,928)
(10,928)	Cash and Cash Equivalents at the end of the reporting period	(17,369)

Notes to the Group Accounts

Adjustments between group accounts and Council accounts as at 31st March 2012

2010/11 Restated £'000		2011/12 £'000
160	(Profit)/Loss on ordinary activities for the year	63
100	Dividend to HBC	100
260	Total adjustments for the year	163
(799)	Profit/(Loss) Reserves brought forward	(539)
(539)	Profit/(Loss) Reserves carried forward	(376)
(79,965)	Council Reserves brought forward	(245,607)
(245,607)	Council Reserves carried forward	(210,885)
(80,762)	Total Group Reserves brought forward	(246,146)
(246,146)	Total Group Reserves carried forward	(211,261)

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 2012).

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

selected suitable accounting policies and then applied them consistently;

adopted the principle of "True and Fair" regarding the Council's financial position;

made judgements and estimates that were reasonable and prudent;

complied with the Code of Practice.

The Operational Director – Finance has also:

kept proper accounting records which were kept up to date;

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

Signed by:
Operational Director – Finance

Date:

Statement of Accounting Policies

1. General

The Statement of Accounts summarises the Council's transactions for the 2011/12 financial year and its position at the year-ending 31 March 2012.

Halton Borough Council prepares its accounts in accordance with "Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 and the Service Reporting Code of Practice 2011/12 supported by International Financial Reporting Standards" (IFRS), issued by the Chartered Institute of Public Finance and Accountancy (CIPFA).

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

2. Changes to 2011/12 Accounting Policies from 2010/11

The Council's accounting policies are subject to regular review arising from changes in the way costs are accounted for and changes in the requirements of the Code of Practice. There have been no changes to the Accounting Policies from the 2010/11 accounts.

3. Accruals of Income and Expenditure

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

3(a) Revenue Recognition

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

3(b) Employee Costs

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

Statement of Accounting Policies

Accruals of Income and Expenditure (continued)

3(c) Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officers employment before the normal retirement date or an officers decision to accept voluntary redundancy. A charge is made on an accruals basis to the Comprehensive Income and Expenditure Statement when the Council is demonstrably committed to the termination of employment.

3(d) Capital Receipts Income

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

3(e) Interest

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

3(f) Supplies and Services

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

3(g) Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours.

Cash equivalents are investments that mature within 3 months or less from the date of acquisition and are readily convertible to known amounts of cash with insignificant risk of change in value.

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

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

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

Statement of Accounting Policies continued

Accruals of Income and Expenditure (continued)

3(h) Debtors and Creditors

Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down through the Bad Debt Provision and a charge made to revenue for the income that might not be collected.

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

4. Acquired/Discontinued Operations

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

5. Contingent Assets

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

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

6. Contingent Liabilities

Contingent liabilities are not recognised in the accounting statements. They are disclosed by way of the notes to the accounts if there is a possible obligation which may require a payment or transfer of economic benefits, which will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. For each class of contingent liability the Council discloses the nature of the contingency, a brief description, an estimate of its financial effect, an indication of the uncertainties relating to the amount or timing of any outflow and the possibility of any reimbursement.

Statement of Accounting Policies continued

7. Council Tax Income

7(a) the Collection Fund

The Council is required by statute to maintain a separate fund for the collection and distribution of amounts due in respect of Council Tax and National Non-Domestic Rates. The funds key features relevant to accounting for council tax in the core financial statements are:

- In its capacity as a billing authority the council acts as an agent: it collects council tax income on behalf of the major preceptors and itself.
- While the council tax income for the year credited to the Collection Fund is the accrued income for the year, regulations determine when it should be released from the Collection Fund and transferred to the General Fund. The amount credited to the General Fund under statute is the Councils demand for the year plus the Councils share of the surplus (or less its share of the deficit) on the Collection Fund for the year.

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

The council tax included in the Comprehensive Income and Expenditure Statement for the year is the accrued income for the year.

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

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

8. Equal Pay Claims

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

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

Statement of Accounting Policies continued

9. Events after the Balance Sheet Date

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

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

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

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

10. Exceptional Items

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

11. Financial Instruments

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

The Council 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.

11(a) Financial Liabilities

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

Statement of Accounting Policies continued

11. Financial Instruments continued

11(b) Financial Assets

Financial assets are classified into two types:

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

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

In accordance with the requirements of IFRS 7 the Council will transfer all or a part of a financial asset (the transferred financial asset), if, and only, if it either:

- (i) Transfers the contractual rights to receive the cash flows of that financial asset; or
- (ii) Retains the contractual rights to receive the cash flows of that financial asset, but assumes a contractual obligation to pay the cash flows to one or more recipients in an arrangement.

11(c) Receivables

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

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, Other Contributions and Donated Assets

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

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

Statement of Accounting Policies continued

13. Government Grants, Other Contributions and Donated Assets continued

Amounts credited to Taxation and Non-Specific Grant Income will be charged out, through Movement in Reserves, to either the Capital Adjustment Account to fund capital expenditure or to Capital Grant Unapplied to be available to fund future capital expenditure.

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

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

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

14. Interests in Companies and Other Entities

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

15. Intangible Assets

These are regularly included on Balance Sheets and cover, in the main, the acquisition of software licences. The software licences acquired are capitalised as Intangible Assets. The assets are amortised out of the Balance Sheet over their economic life, with due recourse to disposal and/or impairment, and charged to revenue.

16. Inventories

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

17. Leases

17(a) Finance Leases

Leases are classified as Finance Leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. Although the Code is not prescriptive it gives examples of situations which would lead to a lease being classified as a finance lease. These are:

Statement of Accounting Policies continued

17. Leases (Continued)

17(a) Finance Leases – (continued)

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

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

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

Rental payments under finance leases are apportioned between the finance charge and the reduction of the outstanding liability, with the finance charge being allocated and charged to Finance and Investment Income in the Comprehensive Income and Expenditure Statement over the term of the lease. Minimum revenue provision is made in respect of the write down of the outstanding liability through the Movement in Reserves Statement and the Capital Adjustment Account. Depreciation is charged to cost of services over the life of the asset. Any receipts are subject to the same test, whereby the writing down of the debtor's obligation will, with effect from 1 April 2010 for leases granted from that date be a capital receipt.

17(b) Operating Leases

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

Statement of Accounting Policies continued

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

18(a) Recognition

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

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

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.

18(b) Measurement

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

The method of valuing assets is as follows:

- Fair Value - Market Value (MV) - Investment Properties, Investment Land and Buildings in the course of development (where fair value of the investment property can be reliably measured) See separate Note 19g
- Fair Value - Existing Use Value (EUV) – operational and non-specialised property and non specialised surplus land and buildings.
- Fair Value - Depreciated Replacement Cost (DRC) – specialised operational assets and specialised surplus land and buildings

Historic cost (HC) – Infrastructure assets, vehicles, plant & equipment, community assets and assets under construction

- Fair Value (lease interest) – Finance Leases
- For Sale Assets – Lower of Carrying Amount and Fair Value (MV) less disposal costs.

Statement of Accounting Policies continued

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

18(b) Measurement - 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.

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

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

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

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

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

18(c) Impairment

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

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

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

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

Statement of Accounting Policies continued

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

18(d) Non-Current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell.

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

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

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

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

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

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

Statement of Accounting Policies continued

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

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

(ii) *Movement in Reserves*

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

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

- a credit to the Usable Capital Receipts Reserve of an amount equal to the disposal proceeds;
- a debit to the Capital Adjustment Account of an amount equal to the carrying amount of the asset disposal.

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

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

18(e) Depreciation

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

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

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

Statement of Accounting Policies continued

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

18(e) Depreciation - continued

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.

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

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

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

18(g) Investment Property

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

- (a) Use in the production or supply of goods or services or for administrative purposes; or
- (b) Sale in the ordinary course of operations.

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

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

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

A gain or loss arising from a change in the fair value of investment property shall be recognised in the Comprehensive Income & Expenditure Statement (Financing and Investment Income & Expenditure) for the period in which it arise.

Statement of Accounting Policies continued

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

18(h) Componentisation

The objective of component accounting is to follow proper accounting practice by ensuring that items of Property, Plant and Equipment are accurately and fairly included in the Balance Sheet and the Comprehensive Income and Expenditure Statement properly reflects the consumption of economic benefits of those assets (i.e.: the cost of their use) over their individual useful lives, through depreciation charges

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

Having identified individual material assets or groups of similar assets with similar characteristics, each component part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the asset shall be depreciated separately. The Council has set a de-minimis threshold of £500,000 above which it will consider assets for componentisation.

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

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

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

Statement of Accounting Policies continued

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

18(h) Componentisation - continued.

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

When an asset is enhanced or replaced, the cost of the replacement component is compared with the cost of the total asset. If the cost of the enhancement or replacement is above 15% or £35,000 of the overall cost of the asset, a proportion of

the relevant component's carrying value is derecognised and replaced by the cost of the new replacement asset.

When an asset is acquired or revalued, the cost of its component parts will be broken down into Superstructure and Substructure, Internal Finishes and Fittings and Services providing that the asset exceeds the de-minimis threshold of £500,000. Land will be identified as a separate component in its own right.

18(i) Mersey Gateway Capitalisation of Development Costs

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

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

In accordance with IAS16 Property, Plant and Equipment and the CIPFA Code of Practice on Local Authority Accounting based on International Financial Reporting Standards, the cost of an item of Property, Plant and Equipment shall only be recognised (and hence capitalised) as an asset on the local authority balance sheet if, and only if:

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

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

The measurement of cost comprises:

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

Statement of Accounting Policies continued

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

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

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

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

18(j) Charges to Revenue for Non-Current Assets

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

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

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

18(k) Schools

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

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

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

The Council has concluded that only a) Community Schools and d) Community Special Schools will form part of the Councils Non-Current Assets.

Statement of Accounting Policies continued

19. National Non Domestic Rates

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

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

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

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

20. Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply of service in accordance with the costing principles of the CIPFA Service Reporting Code of Practice 2011/12. The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received.

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

The costs of the Corporate and Democratic Core and Non-Distributed Costs as defined by CIPFA's Service Reporting Code of Practice 2011/12 are allocated to separate objective expenditure heads and are not apportioned to other divisions of service. These items are clearly disclosed in the Comprehensive Income and Expenditure Statement.

21. Pension Costs

General

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

Pensions Reserve

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

Statement of Accounting Policies continued

21. Pension Costs - continued

Classification of Schemes

Defined Benefit Schemes

Accounting policies set out as below apply in respect of pension costs arising from the Local Government Pension Scheme and unfunded discretionary benefits paid (irrespective of the scheme to which it relates):

- (i) the attributable assets of each scheme are measured at their fair value at the Balance Sheet date. Scheme assets include current assets as well as investments. Any liabilities, such as accrued expenses are deducted. The attributable scheme liabilities are measured on an actuarial basis using the projected unit method. The Scheme liabilities comprise:
 - (a) any benefits promised under the formal terms of the Scheme, and
 - (b) any constructive obligations for further benefits where a public statement or past practice by the Council created a valid expectation in the employees that such benefits will be granted.
- (ii) the surplus/deficit in a scheme is the excess/shortfall of the value of assets in the Scheme over/below the present value of the scheme liabilities. The Council recognises assets to the extent that it is able to recover a surplus either through reduced contributions in the future or through refunds from the Scheme. The Council recognises a liability to the extent that it reflects its legal or constructive obligation;
- (iii) any unpaid contributions to the scheme are presented in the Balance Sheet as a creditor due within one year;
- (iv) the change in the defined benefit liability (other than that arising from contributions to the Scheme) is analysed into the following components:
 - (a) Periodic Costs
 - 1. Current Service Cost - the increase in liabilities as result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the revenue accounts of services to which the employees worked.
 - 2. Interest Cost - the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to (Surplus) or Deficit on Provision of Services in the Comprehensive Income and Expenditure Statement.

Statement of Accounting Policies continued

21. Pension Costs (continued)

Defined Benefit Schemes - continued

3. Expected Return on Assets - the annual investment return on the fund assets attributable to the council, based on an average of the expected long-term return – credited to (Surplus) or Deficit on Provision of Services in the Comprehensive Income and Expenditure Statement.
 4. Actuarial Gains and Losses - changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – debited to the Comprehensive Income and Expenditure Statement.
 5. Contributions paid to the Cheshire pension Fund – cash paid as employer's contributions to the pension fund.
- (b) Non-periodic Costs
1. Past Service Costs - the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Cost of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.
 2. Gains and Losses on Settlements and Curtailments - the result of actions to relieve the council of liabilities or events that reduce the expected future service or accrual of benefits of employees, debited to the Cost of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.
- (v) the current service cost is included within the Cost of Services. Both the interest and the expected return on assets are included within Operating Expenditure. Actuarial gains and losses arising from any new valuation and from updating the latest actuarial valuation to reflect conditions at the Balance Sheet date are recognised in the Comprehensive Income and Expenditure Statement for the period;
- (vi) past service costs are recognised in Cost of Services on a straight-line basis over the period in which the benefits vest. To the extent that the benefits vest immediately, the past service cost is recognised immediately;
- (vii) losses arising on a settlement or curtailment not allowed in actuarial assumptions are measured at the date on which the Council becomes demonstrably committed to the transaction and recognised in the Cost of Services at that date. Gains arising on a settlement or curtailment not allowed for in the actuarial assumptions are measured at the date on which all parties whose consent is required are irrevocably committed to the transaction and are recognised in the Cost of Services at that date.

Statement of Accounting Policies continued

21. Pension Costs (continued)

Defined Contribution Schemes

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

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

22. Pooled Budgets

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

23. Prior Period Adjustments

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

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

24. Provisions

The Council set aside provisions for any liabilities of uncertain timing or amount that have been incurred. Provisions are reviewed annually and adjusted to reflect the current best estimate. Provisions are created by a charge to a service and as such appear in the Comprehensive Income and Expenditure Statement in the Cost of Services (See Notes to the core Financial Statements). Where it becomes

apparent that a lower settlement is now anticipated, the provision is reversed and credited back to the relevant service.

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

Statement of Accounting Policies continued

24. Provisions (continued)

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

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

25. Repurchase of Borrowing

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

26. Reserves

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

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

The Council maintains two kinds of reserve, Useable and Unusable.

Useable reserves comprise:

- Usable Capital Receipts Reserve
- General Fund Balance
- Schools Balance
- Earmarked Reserves
- Capital Grant Unapplied

Unusable reserves comprise:

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

Statement of Accounting Policies continued

26. Reserves (continued)

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

27. Revenue Expenditure Funded From Capital under Statute

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

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

28. Segmental Reporting

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

The Council's chief operating decision maker is the Chief Officers Management Team comprising of the Chief Executive supported by three Strategic Directors. In order to provide more meaningful information the cost of services shown in the CIES is presented in the Segmental Analysis in line with this decision making structure. As specified in the Code this includes over 75% of the net expenditure of continuing operations. A summary reconciliation is provided to balance it back to the Net Cost of Services in the CIES.

The subjective analysis represents a more detailed reconciliation between segmental reporting and the CIES. This identifies the differences between internal management reporting and the requirements of the Code. For example neither, adjustments for IAS19 (Accounting for Retirement Benefits) or capital charges (with the exception of depreciation) are reported to

management however, they are included within the CIES. Internal recharges are reported within the management structure but are removed from the CIES.

29. Senior Officers

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

Statement of Accounting Policies continued

30. Service Concessions

IFRIC12 Service Concessions aims to identify public sector services performed by private sector organisations. Essentially assets need to be brought 'on balance sheet' as PFI type arrangements and accounted for differently from any other asset held on the balance sheet. Halton Borough Council has conducted a review of its services and has found no examples of IFRIC 12 service concessions in existence during 2011/12.

31. Value Added Tax

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

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

The Code of Practice on Local Authority Accounting in the United Kingdom 2012/13 (the code) has introduced a change in accounting policy in relation to IFRS 7 Financial Instruments: Disclosures (transfer of financial assets).

33. Heritage Assets

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

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

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

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

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

Statement of Accounting Policies continued

34. Carbon Reduction Commitment

The Council is required to participate in the Carbon Reduction Commitment (CRC) Energy Efficiency Scheme. This scheme is currently in its introductory phase which will last until 31 March 2014. The Council is required to purchase and surrender allowances, currently retrospectively, on the basis of emissions i.e. carbon dioxide produced as energy is used. As carbon dioxide is emitted (i.e. as energy is used), a liability and an expense are recognised. The liability will be discharged by surrendering allowances. The liability is measured at the best estimate of the expenditure required to meet the obligation, normally at the current market price of the number of allowances required to meet the liability at the reporting date. The cost to the Council is recognised and reported in the costs of the Council's services and is apportioned to services on the basis of energy consumption.

The 2011/12 financial year is the first year for which there will be an obligation to purchase and surrender CRC Allowances. The retrospective purchase of allowances is anticipated to take place from 1 June 2012, an accrued amount has been charged to the cost of services for the year.

35. Critical Judgements in Applying Accounting Policies

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

Local Government Funding

The government is undertaking a review to how local authorities are funded from 2013/14, the review will focus on retention of business rates. As a net receiver of business rates this places great uncertainty on future levels of funding for Halton. The Council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Council might be impaired as a result of a need to close facilities and reduce levels of service provision.

Mersey Gateway Development Costs

The Council apportions total development expenditure between capital and revenue using a Net Present Value (NPV) approach. This approach estimates the proportion of capital and revenue expenditure to be incurred during the letting of the operational contract. For 2011/12, the weighting is estimated at 65% capital and 35% revenue. The percentage attributed to capital expenditure is judged to be reflective of the proportion of development cost expenditure which is capitalisable under the 'directly attributable' accounting criteria. The percentage weighting will be reviewed and amended accordingly as the project progresses.

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

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

Statement of Accounting Policies continued

36. Assumptions made about the future and other major sources of estimation uncertainty (continued)

The items in the Council's Balance Sheet at 31st March 2012 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Property, Plant and Equipment

The carrying amount in the Balance Sheet at the 31st March 2012 is £328.42m.

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

If the useful life of assets is reduced, depreciation increases and the carrying amount of the asset falls. It is estimated that the annual depreciation charge for buildings could increase between 10%-15% equating to an additional £2.16m - £3.259m for every year that useful lives had been reduced.

Pensions Liability

The carrying amount in the Balance Sheet at the 31st March 2012 is £90.012m.

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

Equal Pay Initiative

The Council has made a provision of £1.605m for the settlement of claims for back pay arising from the Equal Pay Initiative, based on the number of claims received and a calculation based on each claimant's circumstances. It is not certain that all valid claims have yet been received by the Council or that precedents set by other councils in the settlement of claims will be applicable.

An increase over the forthcoming year of 10% in either the total number of claims or the estimated average settlement would have the effect of adding £0.160m to the provision needed.

Impairment of Debtors

The carrying amount in the Balance Sheet at the 31st March 2012 is £7.623m

At 31st March 2012, the Council had a balance of sundry debtors of £24.123m. A review of significant balances suggested that the provision for impairment of debtors was appropriate. However, in the current economic climate it is not certain that such an allowance would be sufficient.

Statement of Accounting Policies continued

36. Assumptions made about the future and other major sources of estimation uncertainty (continued)

Impairment of Debtors - continued

If collection rates were to deteriorate, the Council would review the provision for impairments of debtors. An increase of 5% -10% would require an additional £0.381m - £0.762m to be set aside as a revised provision.

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

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

Opinion on the Authority and Group accounting statements

I have audited the financial statements of Halton Borough Council for the year ended 31 March 2012 under the Audit Commission Act 1998. The financial statements comprise the Council and Group Movement in Reserves Statement, the Council and Group Comprehensive Income and Expenditure Statement, the Council and Group Balance Sheet, the Council and Group Cash Flow Statement, and Collection Fund and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12.

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

Respective responsibilities of the Operational Director - Finance and auditor

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

Scope of the audit of the financial statements

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

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

Opinion on accounting statements

In my opinion the accounting statements:

- give a true and fair view of the financial position of Halton Borough Council as at 31 March 2012 and of its expenditure and income for the year then ended;
- give a true and fair view of the financial position of the Group as at 31 March 2012 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12.

Opinion on other matters

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

Matters on which I report by exception

I report to you if:

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

I have nothing to report in these respects.

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

Respective responsibilities of the Council and the auditor

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

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

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

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

Basis of conclusion

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

- securing financial resilience; and
- challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those necessary for me to consider under the Code of Audit Practice in satisfying myself whether the Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2012.

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

Conclusion

On the basis of my work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2011, I am satisfied that, in all significant respects, Halton Borough Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2012.

Certificate

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

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

Date:

Glossary of Terms

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

Accruals

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

Accounting Policies

Those 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 SerCOP. Acquired operations are those operations of the Council that are acquired in the period.

Actuarial Gains and Losses

For a defined benefit pension scheme, the changes in actuarial deficits or surpluses that arise because:

- (a) events have not coincided with the actuarial assumptions made for the last valuation (experience gains and losses); or
- (b) the actuarial assumptions have changed.

Capital Expenditure

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

Glossary of Terms continued

Class of Non Current Assets

The classes of non current assets required to be included in the accounting statements are: Property, Plant and Equipment:

- Other land and buildings
- Vehicles, plant, furniture and equipment
- Infrastructure assets
- Community assets
- Assets under construction
- Surplus assets

Other classes of assets:

- Investment properties
- Assets held for sale
- Heritage assets

Community Assets

Assets that the Council intends to hold in perpetuity, that have no determinable useful life, and that may have restrictions on their disposal. Examples of community assets are parks and historic buildings.

Consistency

The concept that the accounting treatment of like items within an accounting period and from one period to the next are the same.

Constructive Obligation

An obligation that derives from a Council's actions where:

- (a) by an established pattern of past practice, published policies or a sufficiently specific current statement, the Council has indicated to other parties that it will accept certain responsibilities; and
- (b) as a result, the Council has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

Contingent Asset

A contingent asset is a possible asset arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Local Authority's control.

Glossary of Terms continued

Contribution

A contribution may be received from a partner to help perform a particular function (i.e. PCT and third sector in health/education, S106 developers etc...)

Contingent Liability

A contingent liability is either:

- (a) a possible obligation arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Council's control; or
- (b) a present obligation arising from past events where it is not probable that a transfer of economic benefits will be required or the amount of the obligation cannot be measured with sufficient reliability.

Corporate and Democratic Core

The corporate and democratic core comprises all activities which Local Authorities engage in specifically because they are elected multi-purpose Authorities. The cost of these activities are thus over and above those which would be incurred by a series of independent, single purpose, nominated bodies managing the same services. There is therefore no basis for apportioning these costs over or across services.

Current Service Cost (Pensions)

The increase in the present value of a defined benefit scheme's liabilities expected to arise from employee service in the current period.

Curtailment

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

- (a) termination of employees' services earlier than expected, for example as a result of closing a factory or discontinuing a segment of a business; and
- (b) termination of, or amendment to the terms of, a defined benefit scheme so that some or all future service by current employees will no longer qualify for benefits or will qualify only for reduced benefits.

Deferred Charges

Expenditure which may properly be deferred, but which does not result in, or remain matched with, tangible assets. Examples of deferred charges are expenditure on items such as improvement grants and the expenses of private acts.

Glossary of Terms continued

Defined Benefit Scheme

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

Defined Contribution Scheme

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

Depreciation

The measure of the cost or revalued amount of the benefits of the fixed asset that have been consumed during the period.

Consumption includes the wearing out, using up or other reduction in the useful life of a fixed asset whether arising from use, effluxion of time or obsolescence through either changes in technology or demand for the goods and services produced by the asset.

Discontinued Operations

Operations comprise services and divisions of service as defined in CIPFA's Standard Classification of Income and Expenditure. An operation should be classified as discontinued if all of the following conditions are met:

- (a) the termination of the operation is completed either in the period or before the earlier of three months after the commencement of the subsequent period and the date on which the financial statements are approved;
- (b) the activities related to the operation have ceased permanently;
- (c) the termination of the operation has a material effect on the nature and focus of the Local Authority's operations and represents a material reduction in its provision of services resulting either from its withdrawal from a particular activity (whether a service or division of service or its provision in a specific geographical area) or from a material reduction in net expenditure in the Local Authority's continuing operations;
- (d) the assets, liabilities, income and expenditure of operations and activities are clearly distinguishable physically, operationally and for financial reporting purposes.

Operations not satisfying all these conditions are classified as continuing.

Glossary of Terms continued

Discretionary Benefits

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

Estimation Techniques

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

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

- (a) methods of depreciation, such as straight-line and reducing balance, applied in the context of a particular measurement basis, used to estimate the proportion of the economic benefits of a tangible fixed asset consumed in a period
- (b) different methods used to estimate the proportion of debts that will not be recovered, particularly where such methods consider a population as a whole rather than individual balances.

Events After the Balance Sheet Date

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

Exceptional Items

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

Exit Packages

Exit packages are defined as amounts payable as a result of either an employer's decision to terminate an employee's employment before the normal retirement date, or an employee's decision to accept voluntary redundancy in exchange for those benefits. Exit packages also include enhancement of retirement benefits, when an employee retires early without actuarial reduction of pension.

Glossary of Terms continued

Expected Rate of Return on Pensions Assets

For a funded defined benefit scheme, the average rate of return, including both income and changes in fair value but net of scheme expenses, expected over the remaining life of the related obligation on the actual assets held by the scheme.

Extraordinary Items

Material items, possessing a high degree of abnormality, which derive from events or transactions that fall outside the ordinary activities of the Council and which are not expected to recur. They do not include exceptional items nor do they include prior period items merely because they relate to a prior period.

Fair Value

The fair value of an asset is the price at which it could be exchanged in an arm's length transaction less, where applicable, any grants receivable towards the purchase or use of the asset.

Finance Lease

A finance lease is one where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. A lease would be classified as a finance lease if:

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

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

Going Concern

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

Glossary of Terms continued

Government Grants

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

Heritage Assets

Heritage assets are assets that have historical, artistic, scientific, technological, geophysical or environmental qualities. Examples of heritage assets held by the council include civic regalia, paintings and artefacts.

Impairment

A reduction in the value of a fixed asset below its carrying amount on the Balance Sheet.

Infrastructure Assets

Fixed assets that are inalienable, expenditure on which is recoverable only by continued use of the asset created. Examples of infrastructure assets are highways and footpaths

Interest Cost (Pensions)

For a defined benefit scheme, the expected increase during the period of the present value of the scheme liabilities because the benefits are one period closer to settlement.

Inventories

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.

Glossary of Terms continued

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, councils 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.

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.

Glossary of Terms continued

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.

Operating Lease

A lease other than a finance lease.

Past Service Cost

For a defined benefit scheme, the increase in the present value of the scheme liabilities related to employee service in prior periods arising in the current period as a result of the introduction of, or improvement to, retirement benefits.

Prior Period Adjustments

Those material adjustments applicable to prior years arising from changes in accounting policies or from the correction of fundamental errors. A fundamental error is one that is of such significance as 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.

Glossary of Terms continued

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.

Examples of related parties of a Council include:

- (a) central government;
- (b) local authorities and other bodies precepting or levying demands on the Council Tax;
- (c) its subsidiary and associated companies;
- (d) its joint ventures and joint venture partners;
- (e) its members;
- (f) its chief officers; and
- (g) its pension fund.

Examples of related parties of a pension fund include its:

- (a) administering authority and its related parties
- (b) scheduled bodies and their related parties, and
- (c) trustees and advisers.

This list is not intended to be comprehensive.

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

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

Glossary of Terms continued

Related Party Transactions (continued)

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

- (a) The purchase, sale, lease, rental or hire of assets between related parties;
- (b) the provision by a pension fund to a related party of assets or loans, irrespective of any direct economic benefit to the pension fund.
- (c) the provision of a guarantee to a third party in relation to a liability or obligation of a related party;
- (d) the provision of services to a related party, including the provision of pension fund administration services.
- (e) transactions with individuals who are related parties of a Council or a pension fund, except those applicable to other members of the community or the pension fund, such as council tax, rents and payments of benefits.

This list is not intended to be comprehensive.

The materiality of related party transactions should be judged not only in terms of their significance to the Council, but also in relation to its related party.

Remuneration

All sums paid to or receivable by an employee and sums due by way of expenses allowances and the money value of any other benefits received other than in cash. Pension contributions payable by the employer are excluded.

Residual Value

The net realisable value of an asset at the end of its useful life. Residual values are based on prices prevailing at the date of the acquisition (or revaluation) of the asset and do not take account of expected future price changes.

Retirement Benefits

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

Glossary of Terms continued

Scheme Liabilities

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

Settlement

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

- (a) a lump-sum cash payment to scheme members in exchange for their rights to receive specified pension benefits;
- (b) the purchase of an irrevocable annuity contract sufficient to cover vested benefits; and
- (c) the transfer of scheme assets and liabilities relating to a group of employees leaving the scheme.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy.

Total Cost

The total cost of a service or activity includes all costs which relate to the provision of the service (directly or bought in) or to the undertaking of the activity. Gross total cost includes employee costs, expenditure relating to premises and transport, supplies and services, third party payments, transfer payments, support services and capital charges. This includes an appropriate share of all support services and overheads, which need to be apportioned.

Useful Life

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

Glossary of Terms continued

Vested Rights

In relation to a defined benefit scheme, these are:

- (a) 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.*

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