

# Halton Borough Council

## Abstract of Accounts 2011/12

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

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*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

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# Foreword by Operational Director - Finance

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## 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

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- *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 31<sup>st</sup> 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

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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 1<sup>st</sup> 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

	<b>Original Budget £'000</b>	<b>Actual £'000</b>
Net Expenditure	110,487	110,289
Parish Precepts	51	51
<b>Total</b>	<b>110,538</b>	<b>110,340</b>
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)
<b>Balance carried forward</b>	<b>(7,367)</b>	<b>(7,565)</b>

## **Foreword by Operational Director - Finance continued**

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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 14<sup>th</sup> 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**

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## ***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 1<sup>st</sup> 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**

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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

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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 1<sup>st</sup> 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 1<sup>st</sup> 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 29<sup>th</sup> June 2012 and then considered by the Council on the 26<sup>th</sup> 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

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## 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](http://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 31<sup>st</sup> 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>
<b>CONTINUING OPERATIONS</b>				
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	<b>1</b>	(42,038)	-	(42,038)
<b>NET COST OF SERVICES</b>	<b>2,5</b>	<b>356,840</b>	<b>(244,627)</b>	<b>112,213*</b>
Other Operating Activities	<b>8</b>			(678)
Financing and Investment Income & Expenditure	<b>9</b>			4,569
Taxation and Non-Specific Grant Income	<b>10</b>			(144,189)
<b>(Surplus) or Deficit on the Provision of Services</b>	<b>2</b>			<b>(28,086)*</b>
(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	<b>47</b>			(116,275)
<b>Other Comprehensive Income &amp; Expenditure</b>				<b>(144,506)</b>
<b>TOTAL COMPREHENSIVE INCOME &amp; EXPENDITURE</b>				<b>(172,592)</b>

# Comprehensive Income & Expenditure Statement

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

<i>Services</i>		<b>Gross Expenditure 2011/12</b>	<b>Gross Income 2011/12</b>	<b>Net Expenditure 2011/12</b>
	<b>Note</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>CONTINUING OPERATIONS</b>				
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	<b>1</b>	-	-	-
<b>NET COST OF SERVICES</b>	<b>2,5</b>	<b>348,670</b>	<b>(226,211)</b>	<b>122,459*</b>
Other Operating Activities	<b>8</b>			20,699
Financing and Investment Income & Expenditure	<b>9</b>			4,299
Taxation and Non-Specific Grant Income	<b>10</b>			(145,263)
<b>(Surplus) or Deficit on the Provision of Services</b>	<b>2</b>			<b>2,195</b>
(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	<b>47</b>			32,546
<b>Other Comprehensive Income &amp; Expenditure</b>				<b>32,527</b>
<b>TOTAL COMPREHENSIVE INCOME &amp; EXPENDITURE</b>				<b>34,722</b>

# 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
<b>319,866</b>	<b>351,177</b>	<b>Total Long Term Assets</b>			<b>360,134</b>
		<b>Current Assets</b>			
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	
<b>41,017</b>	<b>25,348</b>	<b>Total Current Assets</b>		<b>96,852*</b>	
		<b>Current Liabilities</b>			
(12,131)	(10,000)	Short Term Borrowing		(47,043)	
(42,895)	(43,236)	Short Term Creditors	30	(45,113)	
-	-	Bank Overdraft		-	
<b>(55,026)</b>	<b>(53,236)</b>	<b>Total Current Liabilities</b>		<b>(92,156)</b>	
<b>(14,009)</b>	<b>(27,889)</b>	<b>Net Current Assets/(Liabilities)</b>			<b>4,697</b>
<b>305,857</b>	<b>323,289</b>				<b>364,831</b>
(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)
<b>79,968</b>	<b>245,606*</b>	<b>Total Assets less Liabilities</b>			<b>210,885</b>
(53,497)	(47,411)	Usable Reserves	46	(47,379)	
(26,471)	(198,196)	Unusable Reserves	47	(163,506)	
<b>(79,968)</b>	<b>(245,606)*</b>	<b>Total Equity</b>			<b>(210,885)</b>

The unaudited accounts were authorised for issue on the 29<sup>th</sup> June 2012 and the audited accounts were authorised for issue on the 26<sup>th</sup> 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)
<b>Balance as at 31<sup>st</sup> March 2010</b>	<b>(10,560)</b>	<b>(26,834)</b>	<b>(10,099)</b>	<b>(6,004)</b>	<b>(53,497)</b>	<b>(26,471)</b>	<b>(79,968)</b>
<b>Movement in Reserves during 2010/11</b>							
(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)
<b>Total Comprehensive Income and Expenditure</b>	<b>(28,086)</b>	<b>-</b>	<b>-</b>	<b>5,091</b>	<b>(22,995)</b>	<b>(144,506)</b>	<b>(167,501)</b>
Adjustments between Accounting Basis and Funding Basis under Regulations ( <b>note 44a</b> )	25,163	-	2,084	-	27,246	(27,246)	-
<b>Net (Increase)/Decrease before Transfers to Other Reserves</b>	<b>(2,923)</b>	<b>-</b>	<b>2,084</b>	<b>5,091</b>	<b>4,252</b>	<b>(171,752)</b>	<b>(167,501)</b>
Transfers to/from other Earmarked Reserves ( <b>note 45</b> )	1,094	(1,094)	-	-	-	-	-
Other Movements	1,857	-	(24)	-	1,834	24	1,857
<b>(Increase)/Decrease in the year</b>	<b>28</b>	<b>(1,094)</b>	<b>2,060</b>	<b>5,091</b>	<b>6,085</b>	<b>(171,728)</b>	<b>(165,644)</b>
<b>Balance as at 31st March 2011</b>	<b>(10,532)</b>	<b>(27,928)</b>	<b>(8,039)</b>	<b>(912)</b>	<b>(47,411)</b>	<b>(198,196)</b>	<b>(245,607)*</b>
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)
<b>Balance as at 31<sup>st</sup> March 2011</b>	<b>(10,532)</b>	<b>(27,928)</b>	<b>(8,039)</b>	<b>(912)</b>	<b>(47,411)</b>	<b>(198,196)</b>	<b>(245,607)</b>
<b>Movement in Reserves during 2011/12</b>							
(Surplus) or Deficit on the Provision of Services	2,195	-	-	-	2,195	-	2,195
Other Comprehensive Income and Expenditure	-	-	-	-	-	32,527	32,527
<b>Total Comprehensive Income and Expenditure</b>	<b>2,195</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,195</b>	<b>32,527</b>	<b>34,722</b>
Adjustments between Accounting Basis and Funding Basis under Regulations ( <b>note 44b</b> )	(5,378)	-	5,481	(2,241)	(2,138)	2,138	-
<b>Net (Increase)/Decrease before Transfers to Other Reserves</b>	<b>(3,183)</b>	<b>-</b>	<b>5,481</b>	<b>(2,241)</b>	<b>56*</b>	<b>34,666*</b>	<b>34,722</b>
Transfers to/from other Earmarked Reserves ( <b>note 45</b> )	(129)	129	-	-	-	-	-
Other Movements	-	-	(24)	-	(24)	24	-
<b>(Increase)/Decrease in the year</b>	<b>(3,312)</b>	<b>129</b>	<b>5,457</b>	<b>(2,241)</b>	<b>32</b>	<b>34,690</b>	<b>34,722</b>
<b>Balance as at 31st March 2012</b>	<b>(13,844)</b>	<b>(27,799)</b>	<b>(2,582)</b>	<b>(3,154)</b>	<b>(47,379)*</b>	<b>(163,506)</b>	<b>(210,885)</b>
General Fund	(7,565)						
General Fund - Schools	(6,279)						
	<u>(13,844)</u>						

# Cash Flow Statement

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## Cash flow Statement as at 31st March 2012

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

# 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)
<b>Total Income</b>	<b>(38,390)</b>	<b>(127,556)</b>	<b>(24,610)</b>	<b>(112,313)</b>	<b>(302,870)</b>
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
<b>Total Operating Expenses</b>	<b>89,622</b>	<b>157,641*</b>	<b>62,981</b>	<b>122,027</b>	<b>432,272</b>
<b>Cost of Services</b>	<b>51,232</b>	<b>30,086</b>	<b>38,371*</b>	<b>9,713*</b>	<b>129,402*</b>

### 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
<b>Net Cost of Services in Income and Expenditure Statement</b>	<b>112,213</b>

## 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)
<b>Total Income</b>	<b>(34,550)</b>	<b>(129,380)</b>	<b>(142,570)</b>	<b>(306,500)</b>
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
<b>Total Operating Expenses</b>	<b>100,762</b>	<b>162,278</b>	<b>150,634</b>	<b>413,674</b>
<b>Cost of Services</b>	<b>66,212</b>	<b>32,898</b>	<b>8,064</b>	<b>107,175</b>

#### 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
<b>Net Cost of Services in Income and Expenditure Statement</b>	<b>122,459*</b>

## 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.

<b>2010/11</b>	<b>Service Analysis £'000</b>	<b>Services Not in Analysis £'000</b>	<b>Amounts Not Reported to Management £'000</b>	<b>Amounts not Included in I&amp;E £'000</b>	<b>Allocation of Recharges £'000</b>	<b>Net Cost of Services £'000</b>	<b>Corporate Amounts £'000</b>	<b>Total £'000</b>
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)
<b>Total Income</b>	<b>(302,870)</b>	<b>(406)</b>	<b>(15,010)</b>	<b>22,611</b>	<b>44,500</b>	<b>(251,175)</b>	<b>(145,792)</b>	<b>(396,967)</b>
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)
<b>Total Operating Expenses</b>	<b>432,272</b>	<b>(1,595)</b>	<b>(17,596)</b>	<b>(5,193)</b>	<b>(44,500)</b>	<b>363,388</b>	<b>5,494</b>	<b>368,882</b>
<b>(Surplus)/ Deficit on Provision of Services</b>	<b>129,402</b>	<b>(2,001)</b>	<b>(32,606)</b>	<b>17,418</b>	<b>-</b>	<b>112,213</b>	<b>(140,298)</b>	<b>(28,085)*</b>

## 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)
<b>Total Income</b>	<b>(306,500)</b>	<b>2,071</b>	<b>6,756</b>	<b>25,976</b>	<b>42,886</b>	<b>(228,810)</b>	<b>(141,613)</b>	<b>(370,423)</b>
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
<b>Total Operating Expenses</b>	<b>413,674</b>	<b>(623)</b>	<b>(13,630)</b>	<b>(5,268)</b>	<b>(42,886)</b>	<b>351,268*</b>	<b>21,349</b>	<b>372,617*</b>
<b>(Surplus)/ Deficit on Provision of Services</b>	<b>107,175</b>	<b>1,448</b>	<b>(6,873)</b>	<b>20,708</b>	<b>-</b>	<b>122,458</b>	<b>(120,263)</b>	<b>2,195*</b>

## 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				
		<b>96</b>	<b>112</b>	<b>83</b>	<b>80</b>

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

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### 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
		<b>1,723,100</b>	<b>1,379,000</b>	<b>-</b>	<b>-</b>	<b>29,700</b>	<b>26,900</b>	<b>1,752,800</b>	<b>1,405,900</b>	<b>307,700</b>	<b>260,000</b>	<b>2,060,500</b>	<b>1,665,900</b>

## 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	-
<b>Total</b>	<b>35</b>	<b>14</b>	<b>61</b>	<b>81</b>	<b>85</b>	<b>19</b>	<b>181</b>	<b>114</b>	<b>5,696</b>	<b>1,851</b>

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:

	<b>31st March 2011</b> <b>£'000</b>	<b>31st March 2012</b> <b>£'000</b>
<b>Capital Grants Receipts in Advance</b>		
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)
	<b>(4,204)</b>	<b>(20,528)</b>

	<b>31st March 2011</b> <b>£'000</b>	<b>31st March 2012</b> <b>£'000</b>
<b>Revenue Grants Receipts in Advance</b>		
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)
	<b>(11,113)</b>	<b>(9,710)</b>

## 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)	-
	<b>(244,625)*</b>	<b>(226,211)</b>

## 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

<b>2010/11</b> <b>£'000</b>		<b>2011/12</b> <b>£'000</b>
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
<b>(678)</b>		<b>20,699*</b>

### 9. Financing and Investment Income and Expenditure

<b>2010/11</b> <b>£'000</b>		<b>2011/12</b> <b>£'000</b>
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)
<b>4,569</b>		<b>4,299</b>

### 10. Taxation and Non Specific Grant Income

<b>2010/11</b> <b>£'000</b>		<b>2011/12</b> <b>£'000</b>
(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)
<b>(144,189)</b>		<b>(145,263)*</b>

## 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> <b>£'000</b>	<i>2011/12</i> <b>£'000</b>
<b>Funding provided to the pooled budget:</b>		
- Halton Borough Council	(2,441)	(2,687)
- Halton & St Helens Primary Care Trust	(2,622)	(2,645)
	<b>(5,063)</b>	<b>(5,332)</b>
<b>Expenditure met from the pooled budget:</b>		
- Halton Borough Council	2,336	2,648
- Halton & St Helens Primary Care Trust	2,896	2,601
	<b>5,232</b>	<b>5,249</b>
<b>Net (surplus)/deficit arising on the pooled budget during the year</b>	<b>169</b>	<b>(83)</b>
<b>Share of the (surplus)/deficit for the year:</b>		
- Halton Borough Council	78	(40)
- Halton & St Helens Primary Care Trust	91	(43)
<b>Weighting</b>		
48%		
52%		
<b>100%</b>	<b>169</b>	<b>(83)</b>

### 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>
<b>Funding provided to the pooled budget:</b>			
- Halton Borough Council		(233)	(218)
- St Helens Council		-	(427)
- Halton & St Helens Primary Care Trust		(249)	(545)
		(482)	(1,190)
<b>Expenditure met from the pooled budget:</b>			
- Halton Borough Council		249	229
- St Helens Council		-	451
- Halton & St Helens Primary Care Trust		249	575
		498	1,255
<b>Net (surplus)/deficit arising on the pooled budget during the year</b>		<i>16</i>	<i>65</i>
<b>Share of the (surplus)/deficit for the year:</b>			
	<b>Weighting</b>		
- 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.

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

### 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:

<b>Total 2010/11</b>		<b>Central Expenditure 2011/12</b>	<b>Individual Schools Budget 2011/12</b>	<b>Total 2011/12</b>
<b>£'000</b>		<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
(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	-	-	-
<b>(1,177)</b>	<b>Carry Forward to 2012/13</b>	<b>(1,953)</b>	<b>-</b>	<b>(1,953)</b>

## **Notes to the Core Financial Statements continued**

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### **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**

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### **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 29<sup>th</sup> 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
<b>Cost or Valuation</b>							
As at 31 <sup>st</sup> 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 <sup>st</sup> March 10	194,934	5,332	128,606	10,709	21,149	2,017*	362,746
<b>Depreciation</b>							
As at 31 <sup>st</sup> 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 <sup>st</sup> March 10	(4,060)*	(1,010)	(49,138)	(3,842)	(475)	-	(58,525)
<b>Balance Sheet Amount as at 31<sup>st</sup> March 10</b>	<b>190,873*</b>	<b>4,321*</b>	<b>79,468</b>	<b>6,868*</b>	<b>20,674</b>	<b>2,017*</b>	<b>304,219*</b>
<b>Balance Sheet Amount as at 1<sup>st</sup> April 09</b>	<b>178,367</b>	<b>3,787</b>	<b>76,270</b>	<b>6,172</b>	<b>19,381</b>	<b>1,057</b>	<b>285,034</b>

## 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
<b>Cost or Valuation</b>							
As at 31 <sup>st</sup> 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 <sup>st</sup> March 11	216,338	6,255	143,757	12,119	15,184	12,950	406,602
<b>Depreciation</b>							
As at 31 <sup>st</sup> 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 <sup>st</sup> March 11	(2,751)	(1,358)	(58,949)	(5,772)	(1,446)	-	(70,276)
<b>Balance Sheet Amount as at 31<sup>st</sup> March 11</b>	<b>213,586*</b>	<b>4,896*</b>	<b>84,808</b>	<b>6,348*</b>	<b>13,738</b>	<b>12,950</b>	<b>336,328*</b>
<b>Balance Sheet Amount as at 1<sup>st</sup> April 10</b>	<b>190,873*</b>	<b>4,321*</b>	<b>79,468*</b>	<b>6,868</b>	<b>20,674</b>	<b>2,017</b>	<b>304,219*</b>

# 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
<b>Cost or Valuation</b>							
As at 31 <sup>st</sup> 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 <sup>st</sup> March 12	193,298	6,631	152,666	14,601	10,462	40,536*	418,194
<b>Depreciation</b>							
As at 31 <sup>st</sup> 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 <sup>st</sup> March 12	(9,736)*	(1,768)	(69,252)	(7,801)*	(1,216)*	-	(89,773)
<b>Balance Sheet Amount as at 31<sup>st</sup> March 12</b>	<b>183,562</b>	<b>4,863</b>	<b>83,414</b>	<b>6,800</b>	<b>9,245*</b>	<b>40,536*</b>	<b>328,423*</b>
<b>Balance Sheet Amount as at 1<sup>st</sup> April 11</b>	<b>213,586*</b>	<b>4,896</b>	<b>84,808</b>	<b>6,348*</b>	<b>13,738</b>	<b>12,950</b>	<b>336,328*</b>

## Notes to the Core Financial Statements continued

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### 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**

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### **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
<b>Opening Capital Financing Requirement</b>	<b>78,278</b>	<b>90,878</b>
<b>Capital Investment:</b>		
Property, Plant & Equipment	39,268	51,874
Investment Properties	-	-
Intangible Assets	485	336
Revenue Expenditure funded from Capital under Statute	3,530	1,614
<b>Sources of Finance:</b>		
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)
<b>Closing Capital Financing Requirement</b>	<b>90,878</b>	<b>96,609</b>
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	-	-
<b>Increase/(Decrease) in Capital Financing Requirement</b>	<b>12,600</b>	<b>5,731</b>

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
<b>Construction or Purchase of Assets</b>		
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
<b>Improving, Maintaining or Extending Assets</b>		
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
<b>Other Works</b>		
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 1<sup>st</sup> 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 31<sup>st</sup> 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 1<sup>st</sup> April 2010

	<b>Opening balance</b>	<b>Restatement</b>	<b>Restatement Required to Opening Balances as at</b>
	<b>01/04/2010</b>		<b>01/04/2010</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
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 31<sup>st</sup> March 2011

	<b>Opening balance</b>	<b>As restatement</b>	<b>Restatement 2011</b>
	<b>31/03/2011</b>	<b>31/03/2011</b>	
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
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
<b>Cost or Valuation</b>									
<b>01 April</b>	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	-	-	-	-	-	-	-	-	-
<b>31<sup>st</sup> March</b>	<b>824</b>	<b>205</b>	<b>1,029</b>	<b>824</b>	<b>206</b>	<b>1,030</b>	<b>858</b>	<b>210</b>	<b>1,067*</b>

#### Civic Regalia

The Council's collection of Civic Regalia includes pictures, manuscripts, ceramics, glassware and sculptures which are valued at Insurance value. Items of jewellery are valued at Current Replacement Value and silverware at Antique Replacement Value. These valuations are updated on a 5 yearly basis, a full valuation was carried out by Bonhams dated 26<sup>th</sup> 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
<b>Total Cost of Purchases</b>	<b>-</b>	<b>27</b>	<b>178</b>	<b>1</b>	<b>4</b>

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 1<sup>st</sup> 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:

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

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:

<b>2010/11</b> <b>£'000</b>		<b>2011/12</b> <b>£'000</b>
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	-
<b>9,707</b>	<b>Balance at the end of the year</b>	<b>15,007</b>

## 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
<b>Balance at start of year:</b>						
Gross carrying amounts	-	4,134	4,134	-	4,620	4,620
Accumulated amortisation	-	(1,867)	(1,867)	-	(2,573)	(2,573)
<b>Net carrying amount at start of year</b>	<b>-</b>	<b>2,267</b>	<b>2,267</b>	<b>-</b>	<b>2,047</b>	<b>2,047</b>
<b>Additions:</b>						
Purchases	-	486	486	-	336	336
Amortisation for the period	-	(706)	(706)	-	(726)	(726)
<b>Net carrying amount at end of year</b>	<b>-</b>	<b>2,047</b>	<b>2,047</b>	<b>-</b>	<b>1,657</b>	<b>1,657</b>
<b>Comprising:</b>						
Gross carrying amounts	-	4,620	4,620	-	4,956	4,956
Accumulated amortisation	-	(2,573)	(2,573)	-	(3,299)	(3,299)
		<b>2,047</b>	<b>2,047</b>		<b>1,657</b>	<b>1,657</b>

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
<b>Balance outstanding at start of Year</b>	-	<b>1,055</b>	-	-
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	-	-	-	-
<b>Balance outstanding at year-end</b>	<b>1,055</b>	<b>4,476</b>	-	-

### 26. Investments

The investments consist of:

	<b>Balance at 31/03/2011 £'000</b>	<b>Balance at 30/03/2012 £'000</b>
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
	<b>469</b>	<b>12,465</b>

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

	<b>Year to 31<sup>st</sup> March 2011 £'000</b>	<b>Year to 31st March 2012 £'000</b>
<b>Profit and Loss Account</b>		
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)
<b>Balance Sheet as at 31st March</b>		
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	-	-
	<b>969</b>	<b>806</b>
Represented by:		
Share Capital	(430)	(430)
Profit and Loss Account	(539)	(376)
	<b>(969)</b>	<b>(806)</b>

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>
	<b>31<sup>st</sup> March 2011</b>			<b>31st March 2012</b>		
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Short Term</b>						
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*
	<b>19,895</b>	<b>(7,351)</b>	<b>12,544</b>	<b>31,747</b>	<b>(7,623)</b>	<b>24,124</b>
<b>Long Term</b>						
Mortgagors – Council House Sales	22	-	22	16	-	16
Housing Associations	1,346	-	1,346	1,328	-	1,328
Other	228	-	228	171	-	171
	<b>1,596</b>	<b>-</b>	<b>1,596</b>	<b>1,515</b>	<b>-</b>	<b>1,515</b>

### 28. Inventories

	<b>Catering, Bars and Provisions</b>		<b>Railcards</b>		<b>Other</b>	
	<b>2010/11</b>	<b>2011/12</b>	<b>2010/11</b>	<b>2011/12</b>	<b>2010/11</b>	<b>2011/12</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
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	-	-	-	-	-	-
<b>Closing Balance</b>	<b>138</b>	<b>141</b>	<b>12</b>	<b>17</b>	<b>212</b>	<b>213</b>

## Notes to the Core Financial Statements continued

### 29. Cash and Cash Equivalents

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

### 30. Creditors

	<b>31/03/2011</b>	<b>31/03/2012</b>
	<b>£'000</b>	<b>£'000</b>
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)
	<b>(43,236)</b>	<b>(45,113)*</b>

### 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 £
<b>(A) Funds for which the Council acts as sole trustee</b>					
<b>Social Services Special Funds</b>					
At 31 <sup>st</sup> March the Council was acting as a Trustee for various Social Services clients	Balance	2,065,407			2,364,711
<b>Public Health (Control of Disease) Act 1984</b>					
At the 31 <sup>st</sup> March the Council was holding various sums under the above act in respect of public funds.	Balance	18,615	(2,298)	-	16,318*
<b>(B) Funds where the Council doesn't have sole control</b>					
<u>Registered Charities</u>					
<b>Knights House Charity</b>					
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
<b>Runcorn General War Relief</b>					
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
<b>Widnes Education Foundation</b>					
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>					
<b>Other Social Services Funds</b>					
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
<b>Education Welfare Trust</b>					
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	<b>868</b>	<b>856</b>

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	-	-	-	-
	<b>1,925</b>	<b>1,726</b>	<b>(1,854)</b>	<b>(1,952)</b>

## 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:

	<b>31/03/2011</b> <b>£'000</b>	<b>31/03/2012</b> <b>£'000</b>
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
	<b>16,452</b>	<b>14,799</b>

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:

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

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

	<b>31/03/2011</b> <b>£'000</b>	<b>30/03/2012</b> <b>£'000</b>
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	-	-
<b>Net Cost of Services</b>	<b>1,997</b>	<b>1,775</b>
(Surplus)/Deficit from Trading Operations	3	3
	<b>2,000</b>	<b>1,778</b>

## 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:

	<b>31/03/2011</b>	<b>30/03/2012</b>
	<b>£'000</b>	<b>£'000</b>
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
	<b>12,328*</b>	<b>18,831</b>

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

	<b>Outstanding 31st March 2011 Restated £'000</b>	<b>Outstanding 31st March 2012 £'000</b>
Source of loans:-		
Public Works Loan Board	(10,000)	(30,000)
Cherwell District Council	-	(5,000)
Wirral Metropolitan Borough Council	-	(5,000)
Other	-	(474)
	<b>(10,000)</b>	<b>(40,474)</b>
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)
	<b>(10,000)</b>	<b>(40,474)</b>

## 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
<b>Balance as at 1 April 2011</b>	<b>(1,510)</b>	<b>(160)</b>	<b>(174)</b>
Additional provisions made in year	(515)	-	(20)
Amounts used in year	420	-	174
Unused amounts reversed in year	-	-	-
<b>Balance at 31 March 2012</b>	<b>(1,605)</b>	<b>(160)</b>	<b>(20)*</b>

### 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

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## 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

	<b>2010/11</b>	<b>2011/12</b>
	<b>£'000</b>	<b>£'000</b>
<b>Comprehensive Income &amp; Expenditure Statement</b>		
<b>Cost of Services</b>		
Current Service Costs	12,694	9,913
Past Service Costs/(Gain)	(42,038)	488
Losses/(Gains) on Settlements & Curtailments	415	79
<b>Finance &amp; Investment Income &amp; Expenditure</b>		
Interest Costs on Obligation	25,979	20,697
Expected Return on Assets of the Scheme	(20,707)	(21,554)
<b>Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services</b>	<b>(23,657)</b>	<b>9,623</b>
<b>Movement in Reserves Statement</b>		
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
<b>Actual amount charged against the General Fund Balance for pensions in the year:</b>		
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)

	<b>2010/11</b>	<b>2011/12</b>
	<b>£'000</b>	<b>£'000</b>
Opening Balance at 1 <sup>st</sup> 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
<b>Closing Balance at 30<sup>th</sup> March</b>	<b>377,284</b>	<b>417,933</b>

## Notes to the Core Financial Statements continued

### 35. Pension Schemes – continued

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

	<b>2010/11</b> <b>£'000</b>	<b>2011/12</b> <b>£'000</b>
Opening Balance at 1 <sup>st</sup> 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 <sup>th</sup> March	<b>316,940</b>	<b>327,921</b>

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*

	<b>2007/08</b> <b>£'000</b>	<b>2008/09</b> <b>£'000</b>	<b>2009/10</b> <b>£'000</b>	<b>2010/11</b> <b>£'000</b>	<b>2011/12</b> <b>£'000</b>
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
<b>Surplus/(Deficit) in scheme</b>	<b>(39,256)</b>	<b>(86,501)</b>	<b>(212,950)</b>	<b>(60,344)</b>	<b>(90,012)</b>

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 31<sup>st</sup> 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 31<sup>st</sup> 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:

	<b>2010/11</b>	<b>2011/12</b>
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
	<b>100</b>	<b>100</b>

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
	<b>316,940</b>	<b>327,921</b>

### *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

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## 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	-
		<b>76,850</b>

## 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 £'000</i>	<b>Amount Outstanding at 30/03/2012 £000s</b>	<b>Historical experience of default %</b>	<b>Estimated maximum exposure to default and uncollectability at 30/03/2012 £000's</b>
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
	<b>234.96</b>			<b>507.35</b>

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:

	<b>31/03/2011 £'000</b>	<b>30/03/2012 £'000</b>
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
	<b>7,488</b>	<b>5,925</b>
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:

	<b>31/03/2011</b>	<b>30/03/2012</b>
	<b>£'000</b>	<b>£'000</b>
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
	<b>52,960</b>	<b>124,080</b>

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

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### 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
<b>Impact upon Comprehensive Income and Expenditure Statement</b>	<b>153</b>

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>
<b>Investments</b>				
Loans and receivables	1,596	-	12,000	50,000
Unquoted equity investment at cost	469	-	465	-
<b>Total</b>	<b>2,065</b>	<b>-</b>	<b>12,465</b>	<b>50,000</b>
<b>Assets</b>				
Loans and receivables	-	23,745	1,515	42,005
<b>Borrowings</b>				
Financial liabilities at amortised cost	(10,000)	(10,000)	(40,474)	(47,043)
<b>Other liabilities</b>				
Finance lease liabilities	(1,123)	(732)	(1,017)	(935)
<b>Current Liabilities</b>				
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)
<b>Net Gain/(Loss) for the Year</b>	<b>900</b>	<b>(617)</b>	<b>283</b>	<b>1,507</b>	<b>(943)</b>	<b>564</b>

## 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**

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### **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

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### 41. Termination Benefits - continued

Termination costs are split between service areas as follows:

	<b>£'000</b>
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
<b>Total</b>	<b>4,594</b>

### 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
<b>Capital Adjustment Account Reversal of items debited or credited to the CIES:</b>														
Charges for depreciation and impairment of non-current assets	(18,736)	-	-	<b>(18,736)</b>	-	-	-	-	18,736	-	-	-	-	<b>18,736</b>
Revaluation losses on Property, Plant and Equipment	(10,650)	-	-	<b>(10,650)</b>	-	-	-	-	10,650	-	-	-	-	<b>10,650</b>
Movements in the Market Value of Investment Properties	(125)	-	-	<b>(125)</b>	-	-	-	-	125	-	-	-	-	<b>125</b>
Amortisation of Intangible Assets	(706)	-	-	<b>(706)</b>	-	-	-	-	706	-	-	-	-	<b>706</b>
Capital Grants and Contributions applied	14,944	-	-	<b>14,944</b>	-	-	-	-	(14,944)	-	-	-	-	<b>(14,944)</b>
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
<b>Deferred Capital Receipts Reserve</b>														
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the CIES	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>FIAA</b>														
Amount by which finance costs charged to the CIES are different from the finance costs chargeable in year in accordance with statutory requirement	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Pensions Reserve</b>														
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)
<b>Collection Fund Adjustment Account</b>														
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
<b>Unequal Pay Back-Pay Account</b>														
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	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Accumulated Absences Account</b>														
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
<b>TOTAL ADJUSTMENTS</b>	<b>25,163</b>	<b>2,084</b>	<b>-</b>	<b>27,246*</b>	<b>1,141</b>	<b>-</b>	<b>-</b>	<b>(36,333)</b>	<b>7,356*</b>	<b>-</b>	<b>30</b>	<b>-</b>	<b>558</b>	<b>(27,246)</b>

## 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
<b>Capital Adjustment Account Reversal of items debited or credited to the CIES:</b>														
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
<b>Insertion of items not debited or credited to the CIES:</b>														
Statutory provision for the financing of Capital investment	3,004	-	-	<b>3,004</b>	-	-	-	-	(3,004)	-	-	-	-	<b>(3,004)</b>
Capital expenditure charged against the General Fund Balance	816	-	-	<b>816</b>	-	-	-	-	(816)	-	-	-	-	<b>(816)</b>
<b>Other</b>														
Transfer between CAA and RR for depreciation that is based on CV rather than HC	-	-	-	-	2,392	-	-	-	(2,392)	-	-	-	-	-
<b>Capital Grants Unapplied Account</b>														
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	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Capital Receipts Reserve</b>														
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	-	<b>8,502</b>	-	-	-	-	(8,502)	-	-	-	-	<b>(8,502)</b>
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
<b>Deferred Capital Receipts Reserve</b>														
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the CIES <b>FIAA</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Amount by which finance costs charged to the CIES are different from the finance costs chargeable in year in accordance with statutory requirement	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Pensions Reserve</b>														
Reversal of items relating to retirement benefits debited/credited to the CIES	(9,623)	-	-	(9,623)	-	-	-	9,623	-	-	-	-	-	9,623
Employers pension contributions and direct payments to pensioners payable in the year	12,502	-	-	12,502	-	-	-	(12,502)	-	-	-	-	-	(12,502)
<b>Collection Fund Adjustment Account</b>														
Amount by which council tax income credited to the CIES is different from council tax income calculated for the year in accordance with statutory requirements	40	-	-	40	-	-	-	-	-	-	(40)	-	-	(40)
<b>Unequal Pay Back-Pay Account</b>														
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	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Accumulated Absences Account</b>														
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	217	-	-	217	-	-	-	-	-	-	-	-	(217)	(217)
<b>TOTAL ADJUSTMENTS</b>	<b>(5,378)</b>	<b>5,481</b>	<b>(2,241)</b>	<b>(2,138)</b>	<b>7,580</b>	<b>-</b>	<b>-</b>	<b>(2,879)</b>	<b>(2,306)</b>	<b>-</b>	<b>(40)</b>	<b>-</b>	<b>(217)</b>	<b>2,138</b>

## 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

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

# Notes to the Core Financial Statements continued

## 45. Transfers to/from Earmarked Reserves - continued

<b>General Fund</b>	<b>Balance at 31st March 2010 £'000</b>	<b>Transfers Out 2010/11 £'000</b>	<b>Transfers In 2010/11 £'000</b>	<b>Balance at 31st March 2011 £'000</b>	<b>Transfers Out 2011/12 £'000</b>	<b>Transfers In 2011/12 £'000</b>	<b>Balance at 31st March 2012 £'000</b>
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

<b>General Fund</b>	<b>Balance at 31st March 2010 £'000</b>	<b>Transfers Out 2010/11 £'000</b>	<b>Transfers In 2010/11 £'000</b>	<b>Balance at 31st March 2011 £'000</b>	<b>Transfers Out 2011/12 £'000</b>	<b>Transfers In 2011/12 £'000</b>	<b>Balance at 31st March 2012 £'000</b>
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	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
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

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

## Notes to the Core Financial Statements continued

### 45. Transfers to/from Earmarked Reserves - continued

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

## 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

<b>31 March 2011 £'000</b>		<b>31 March 2012 £'000</b>
(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
<b>(198,196)*</b>	<b>Total Unusable Reserves</b>	<b>(163,506)*</b>

## 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.

<b>2010/11</b> <b>£'000</b>		<b>£'000</b>	<b>2011/12</b> <b>£'000</b>
(37,051)	<b>Balance at 1 April</b>		(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
<b>(64,140)</b>	<b>Balance at 30 March</b>		<b>(56,803)</b>

#### 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)
	<b>Balance at 1 April</b>		
	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)	Movements in the market value of investment properties debited or credited to the Comprehensive Income and Expenditure Statement		(44,766)
125	Movement in the Donated Assets Account credited to the Comprehensive Income and Expenditure Statement		5,716
-			-
<b>(195,150)</b>	<b>Balance at 30 March</b>		<b>(197,232)</b>

#### 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.

<b>2010/11 £'000</b>		<b>2011/12 £'000</b>
212,950	<b>Balance at 1 April</b>	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)
<b>60,344</b>	<b>Balance at 30 March</b>	<b>90,011</b>

#### 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.

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

## 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.

<b>2010/11</b> <b>£'000</b>		<b>2011/12</b> <b>£'000</b>
(1,392)	<b>Balance at 1 April</b>	(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
<b>(1,368)</b>	<b>Balance at 30 March</b>	<b>(1,344)</b>

#### 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.

<b>2010/11</b> <b>£'000</b>		<b>2011/12</b> <b>£'000</b>
(290)	<b>Balance at 1 April</b>	(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)
<b>(260)</b>	<b>Balance at 30 March</b>	<b>(299)*</b>



## 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 30<sup>th</sup> March. Statutory arrangements require that the impact on the General Fund balance is neutralised by transfers to or from the account.

<b>2010/11</b>		<b>2011/12</b>
<b>£'000</b>		<b>£'000</b>
1,820	<b>Balance at 1 April</b>	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	-
<b>2,377</b>	<b>Balance at 30 March</b>	<b>2,160</b>

### 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:

<b>31/03/2011</b>		<b>30/03/2012</b>
<b>£'000</b>		<b>£'000</b>
	<b>Operating Receipts</b>	
(35,064)	Council Tax - HBC Share	(34,887)
(245,303)	Grants	(240,907)
(1,017)	Interest Received	(531)
(33,473)	Other Receipts	(29,177)
<b>(314,856)*</b>	<b>Cash Inflows generated from Operating Activities</b>	<b>(305,502)</b>
	<b>Operating Payments</b>	
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
<b>307,432</b>	<b>Cash Outflows generated from Operating Activities</b>	<b>303,220</b>
<b>(7,424)*</b>	<b>Net Cash Flows from Operating Activities</b>	<b>2,282</b>

## Notes to the Core Financial Statements continued

### 49. Cash Flow Statement - Investing Activities

<b>31/03/2011</b> <b>£'000</b>		<b>30/03/2012</b> <b>£'000</b>
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)
<b>17,902*</b>	<b>Net cash flows from Investing Activities</b>	<b>69,252</b>

### 50. Cash Flow Statement - Financing Activities

<b>31/03/2011</b> <b>£'000</b>		<b>30/03/2012</b> <b>£'000</b>
-	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	-
<b>(19,125)</b>	<b>Net Cash flows from Financing Activities</b>	<b>(73,651)</b>

# 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

<b>Actual 2010/11 £'000</b>		<b>Actual 2011/12 £'000</b>	<b>Note</b>
	<b>Income</b>		
(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
<b>(96,142)</b>		<b>(100,982)</b>	
	<b>Expenditure</b>		
	<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	
<b>96,177</b>		<b>100,934</b>	
35	(Surplus)/Deficit for Year	(48)	
-	Balance brought forward	-	
<b>35</b>	<b>(Surplus)/Deficit Distributed</b>	<b>(48)</b>	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
<b>51,578</b>	<b>1.00</b>		<b>51,803</b>	<b>1.00</b>

# 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
<b>Total</b>	<b>47,792</b>		<b>38,753</b>
Multiply by Collection Rate (99%)			<b>38,200*</b>

\*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:

<b>2010/11 £'000</b>		<b>2011/12 £'000</b>
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)
<b>43,993</b>	<b>Payable to NDR Pool</b>	<b>48,664</b>
<i>The total non-domestic rateable value at 31st March 2012 was £128,692,276</i>		

### 5. Analysis of Arrears

	<b>Gross</b>		<b>Credits</b>		<b>Prepayments</b>	
	<b>£'000 2010/11</b>	<b>£'000 2011/12</b>	<b>£'000 2010/11</b>	<b>£'000 2011/12</b>	<b>£'000 2010/11</b>	<b>£'000 2011/12</b>
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

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

#### Precepts and Demands on the Collection Fund

<b>2010/11 Total £'000</b>		<b>Precept/ Demand £'000</b>	<b>30.03.12 Share of Deficit £'000</b>	<b>2011/12 Total £'000</b>
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
<b>51,537</b>		<b>51,578</b>	<b>48</b>	<b>51,626</b>

# Group Accounts

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

<b>Company</b>	<b>Interest %</b>
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 30<sup>th</sup> March for 2011/12.



# Group Comprehensive Income and Expenditure Statement

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

<b>Net Expenditure 2010/11 £'000</b>		<b>Net Expenditure 2011/12 £'000</b>
112,213	<i>Net Cost of Services</i>	122,459
(678)	<i>Other Operating Expenditure</i>	20,701
4,829	<i>Financing &amp; Investment Income &amp; Expenditure</i>	4,460
(144,190)	<i>Taxation &amp; 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
<b>(172,332)</b>	<b>Total Comprehensive Income and Expenditure</b>	<b>34,886*</b>
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)
<b>(7,906)</b>	Surplus 30.03.12 Council	<b>(7,941)</b>
<b>(3,164)</b>	Surplus 30.03.12 Schools	<b>(6,279)</b>

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

<b>2010/11 £'000</b>		<b>2011/12 £'000</b>
(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	-
<b>(27,826)</b>	<b>(Surplus)/Deficit for the year on the Group Income and Expenditure Account</b>	<b>2,358</b>

# Group Balance Sheet

Group Balance Sheet as at 31st March 2012

<b>2009/10 Restated £'000</b>	<b>2010/11 Restated £'000</b>		<b>2011/12 £'000</b>
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)
<b>80,767</b>	<b>246,145*</b>	<b>Total Assets less Liabilities</b>	<b>211,261</b>
(54,296)	(47,950)	Usable Reserves	(47,755)
(26,471)	(198,196)	Unusable Reserves	(163,506)
<b>(80,767)</b>	<b>(246,145)*</b>	<b>Total Equity</b>	<b>(211,261)</b>

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)
<b>Balance as at 31<sup>st</sup> March 2010</b>	<b>(10,560)</b>	<b>(26,834)</b>	<b>(10,099)</b>	<b>(6,004)</b>	<b>(53,497)</b>	<b>(26,471)</b>	<b>(799)</b>	<b>(80,767)</b>
<b>Movement in Reserves during 2010/11</b>								
(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)
<b>Total Comprehensive Income and Expenditure</b>	<b>(27,826)</b>	<b>-</b>	<b>-</b>	<b>5,091</b>	<b>(22,735)</b>	<b>(144,506)</b>	<b>-</b>	<b>(167,242)*</b>
Adjustments between Accounting Basis and Funding Basis under Regulations	25,163	-	2,084	-	27,246	(27,246)	-	-
<b>Net (Increase)/Decrease before Transfers to Other Reserves</b>	<b>(2,663)</b>	<b>-</b>	<b>2,084</b>	<b>5,091</b>	<b>4,511</b>	<b>(171,752)</b>	<b>-</b>	<b>(167,242)</b>
Subsidiary Entities	(260)	-	-	-	(260)	-	260	-
<b>Group Contributions to/from Reserves</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>260</b>	<b>-</b>
Transfers to/from other Earmarked Reserves	1,094	(1,094)	-	-	-	-	-	-
Other Movements	1,857	-	(24)	-	1,834	24	-	1,857
<b>(Increase)/Decrease in the year</b>	<b>28</b>	<b>(1,094)</b>	<b>2,060</b>	<b>5,091</b>	<b>6,085</b>	<b>(171,728)</b>	<b>260</b>	<b>(165,384)</b>
<b>Balance as at 31st March 2011</b>	<b>(10,532)</b>	<b>(27,928)</b>	<b>(8,039)</b>	<b>(912)*</b>	<b>(47,411)*</b>	<b>(198,197)*</b>	<b>(539)</b>	<b>(246,146)*</b>

# 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)
<b>Balance as at 31<sup>st</sup> March 2011</b>	<b>(10,532)</b>	<b>(27,928)</b>	<b>(8,039)</b>	<b>(912)</b>	<b>(47,411)</b>	<b>(198,197)</b>	<b>(539)</b>	<b>(246,146)*</b>
<b>Movement in Reserves during 2011/12</b>								
(Surplus) or Deficit on the Provision of Services	2,358	-	-	-	2,358	-	-	2,358
Other Comprehensive Income and Expenditure	-	-	-	-	-	32,527	-	32,527
<b>Total Comprehensive Income and Expenditure</b>	<b>2,358</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,358</b>	<b>32,527</b>	<b>-</b>	<b>34,885</b>
Adjustments between Accounting Basis and Funding Basis under Regulations	(5,378)	-	5,481	(2,241)	(2,138)	2,138	-	-
<b>Net (Increase)/Decrease before Transfers to Other Reserves</b>	<b>(3,020)</b>	<b>-</b>	<b>5,481</b>	<b>(2,241)</b>	<b>220</b>	<b>34,665</b>	<b>-</b>	<b>34,885</b>
Subsidiary Entities	(163)	-	-	-	(163)	-	163	-
<b>Group Contributions to/from Reserves</b>	<b>(163)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(163)</b>	<b>-</b>	<b>163</b>	<b>-</b>
Transfers to/from other Earmarked Reserves	(129)	129	-	-	-	-	-	-
Other Movements	-	-	(24)	-	(24)	24	-	-
<b>(Increase)/Decrease in the year</b>	<b>(3,312)</b>	<b>129</b>	<b>5,457</b>	<b>(2,241)</b>	<b>32*</b>	<b>34,690*</b>	<b>163</b>	<b>34,885</b>
<b>Balance as at 31st March 2012</b>	<b>(13,844)</b>	<b>(27,799)</b>	<b>(2,582)</b>	<b>(3,154)*</b>	<b>(47,378)*</b>	<b>(163,507)*</b>	<b>(376)</b>	<b>(211,261)</b>

# 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)
<b>(10,928)</b>	<b>Cash and Cash Equivalents at the end of the reporting period</b>	<b>(17,369)</b>

## 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
<b>260</b>	<b>Total adjustments for the year</b>	<b>163</b>
(799)	Profit/(Loss) Reserves brought forward	(539)
<b>(539)</b>	<b>Profit/(Loss) Reserves carried forward</b>	<b>(376)</b>
(79,965)	Council Reserves brought forward	(245,607)
(245,607)	Council Reserves carried forward	(210,885)
<b>(80,762)</b>	<b>Total Group Reserves brought forward</b>	<b>(246,146)</b>
<b>(246,146)</b>	<b>Total Group Reserves carried forward</b>	<b>(211,261)</b>

# Statement of Responsibilities for the Statement of Accounts

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## 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

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## 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

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## 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

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## 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

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## 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**

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### **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

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## 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**

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### **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

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### 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

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## 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

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### 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 1<sup>st</sup> 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

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### 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

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## 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**

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### **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

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### 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

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### 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 20<sup>th</sup> 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**

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### **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 20<sup>th</sup> 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

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### 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

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## 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

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### 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

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### 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**

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### **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**

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### **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

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### 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

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### 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**

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### **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**

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### **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**

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## **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**

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## **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**

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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, 2<sup>nd</sup> Floor, Aspinall House, Aspinall Close, Middlebrook, Horwich,  
Bolton BL6 6QQ

Date:

# Glossary of Terms

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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**

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### **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**

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### **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**

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### **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**

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### **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**

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### **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**

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### **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**

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### **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**

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### **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

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## 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**

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### **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 of loans, irrespective of any direct economic benefit to the pension fund.
- (c) the provision of a guarantee to a third party in relation to a liability or obligation of a related party;
- (d) the provision of services to a related party, including the provision of pension fund administration services.
- (e) transactions with individuals who are related parties of a Council or a pension fund, except those applicable to other members of the community or the pension fund, such as council tax, rents and payments of benefits.

This list is not intended to be comprehensive.

The materiality of related party transactions should be judged not only in terms of their significance to the Council, but also in relation to its related party.

### **Remuneration**

All sums paid to or receivable by an employee and sums due by way of expenses allowances and the money value of any other benefits received other than in cash. Pension contributions payable by the employer are excluded.

### **Residual Value**

The net realisable value of an asset at the end of its useful life. Residual values are based on prices prevailing at the date of the acquisition (or revaluation) of the asset and do not take account of expected future price changes.

### **Retirement Benefits**

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

## **Glossary of Terms continued**

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### **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**

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### **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.*