



STATEMENT OF ACCOUNTS
2016/17

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Narrative Report by Operational Director - Finance

Introduction

The aim of this narrative is to provide an understandable guide to the Council's year-end financial position and future outlook which are relevant to the performance of the Council.

The Statement of Accounts sets out the Council's income and expenditure for the year and also provides a snapshot of the financial position as at 31 March 2017. Included are core financial statements supported by supplementary statements, which will help provide an analysis of the financial performance of the Council over the financial year 2016/17.

Whilst the publication of the Statement of Accounts is a statutory requirement, the purpose behind the requirement is to provide stakeholders with clear information regarding the Council's financial performance over the past year. The Council has continued the work of past years in reviewing the style and content of the information included within the Statement of Accounts to ensure the content included is relevant and material from both a quantitative and qualitative viewpoint.

The format and content of the financial statements is prescribed by the CIPFA Code of Practice on Local Authority Accounting 2016/17 (known as The Code), which in turn is underpinned by International Financial Reporting Standards.

The Core Statements are:

- **Comprehensive Income and Expenditure Statement** – this statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount which is funded from taxation. The end result is a very different position to how net outturn spend compared to budget is reported. A reconciliation between the two is provided as part of this narrative statement and the Expenditure and Funding Analysis Statement, included within Note 1 (Page 19)
- **Balance Sheet** – this statement shows the value as at the 31 March 2017 of the assets, liabilities and cash balances recognised by the Council.
- **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 that can be applied to fund expenditure (both capital and revenue) or reduce local taxation, and “Unusable Reserves”, reserves which highlight changes to unrealisable gains or losses.

- **Cash Flow Statement** – this statement shows the changes in cash and cash equivalents (cash invested for 3 months or under) of the Council during the reporting period. The statement shows how the authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Council.
- **Notes to the above Statements** – extensive notes to support the core statements are set out in accordance with the requirements of the Code. The notes shall:
 1. Present information about the basis of preparation of the financial statements and the specific accounting policies used.
 2. Disclose the information required by the Code that is not presented elsewhere in the core financial statements.

The Supplementary Financial Statements are:

- **Collection Fund Account** – this is a statement that reflects the statutory obligation for the Council as a billing authority to maintain a separate Collection Fund. The statements show the transactions of the Council in relation to the collection from taxpayers and distribution to major and local preceptors and the Government of council tax and non-domestic rates.
- **Pension Fund Account** – reports the contributions received, payment to pensioners and the value of net assets invested in the Local Government Pension scheme on behalf of Council employees.
- **Group Accounts** – the purpose of this statement is to present the consolidated position of the Council’s activities, in accordance with the Code. This would involve consolidating the accounts of the group entities with the Council’s accounts by grossing up the Comprehensive Income and Expenditure Statement and the Balance Sheet whilst eliminating intra group transactions. For 2016/17 the group account statements are excluded as the transactions relating to the group entities are not considered material.
- The materiality of the transactions has been assessed based on quantitative and qualitative factors. Activities of the group entities are not significant to the representation of the operational activities of the Council. In addition the Council does not depend significantly on the group entities for continued provision of statutory services and grouping the accounts would not provide any more useful disclosures than already included.

Other Statements:

- **Statement of Responsibilities for the Statement of Accounts** – this statement sets out the responsibilities of the Council and the Chief Financial Officer (Section 151 Officer).
- **Statement of Accounting Policies** – this statement explains the basis for the recognition, measurement and disclosure of transactions and other events in the accounts.
- **Independent Auditor’s Report to Members** – this is the report and certificate following the external audit of the Council’s accounts, carried out by Grant Thornton UK LLP.

Financial Performance 2016/17

The Council incurs both revenue and capital expenditure. Revenue expenditure is generally on items which are used in the year and net expenditure is financed by the Council Tax, Retained Business Rates, Top-Up Funding and Revenue Support Grant. 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.

On 2 March 2016 Council set the original budget for 2016/17 of £98.460m. At the same time Council approved a council tax requirement for the year of £41.217m, setting the Band D rate at £1,250.97.

With continuing reduced levels of grant funding from Government together with increased service demand particularly from Children’s and Adult Social Care, pressures have started to show on the Council’s spend position for the past year in comparison to the available budget. Whilst the Council continues to closely monitor the spend position on operational activities, total spending for 2016/17 was £99.027m, £0.559m above the budget for the year (compared to £0.067m below budget in the previous year). Taking account of the overspend position the Council’s General Fund Balance has decreased to £4.830m.

The table below shows the movement on the Council’s General Fund position compared to budget.

General Fund

	2016/17 Original Budget £000	2016/17 Actual £000
Net Expenditure	98,460	99,027
Parish Precepts	84	84
Total	98,544	99,111
Financed by Local Taxpayers – Council Tax	(41,301)	(41,301)
Financed by Local Taxpayers – Business Rates	(25,681)	(25,681)
Financed by Local Taxpayers – Collection Fund Surplus	(1,800)	(1,808)
Financed by Top-Up Funding	(7,511)	(7,511)
Financed by Revenue Support Grant	(22,251)	(22,251)
(Surplus)/Deficit for Year	-	559
General Fund Balance Brought Forward	(5,389)	(5,389)
General Fund Balance Carried Forward	(5,389)	(4,830)

Budget savings for 2017/18 were implemented over two sets, the first of which consisted of savings of £7.9m which were approved by Council in December 2016. As a result of some of these savings being implemented early they have helped reduce the overall overspend position which was forecasted at higher levels during the year.

The biggest pressure on the budget during the year related to children social care costs. The outturn position reported an overspend against budget of £4.570m, the biggest pressure on the budget being out of borough residential placements, although out of borough fostering, special guardianship and direct payments are additional budget pressures. Steps are being taken to address the budget pressures within these areas, including an efficiency programme review. However, there is no immediate solution and this will be a continuing concern in terms of achieving a balanced budget position in the short to medium term.

Due to the aging population, service demand pressures and associated costs upon Adult Social Care continue to be a threat to the Council. The Spring 2017 Budget announcement of additional funding for this area, via the Improved Better Care Fund was welcome news but the temporary nature of the funding only defers the problems to a later point. The Council will continue to address the problems across both Children and Adult Social Care services through its Medium Term Financial Strategy.

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 efficiency savings for

2017/18. Over the past two years the Council has made a conscious effort to reduce spend and reliance on agency employee placements. Spend on agency staff for the past year totalled £1.878m, roughly half of what costs were in 2014/15.

Redundancy costs incurred during the year totalled £0.364m (2015/16 - £3.258m). These were met from the Transformation Fund Reserve which the Council established to meet the costs associated with structural changes. Posts vacated from staff electing to take up voluntary redundancy terms have been deleted from the Council's staffing structure to provide on-going savings. Further details on exit packages can be found in supporting note 11 to the financial statements.

Given the financial challenges the Council has had to deal with over the past 5 years and the continued public spending austerity measures it is vital that high quality financial management is provided to the Council. Quarterly financial spending reports are presented to Members and the Council's Management Team giving details of budget pressures as they develop during the year. A budget risk register is maintained on a quarterly basis, key risks are evaluated and control measures put in place.

Schools

Expenditure incurred in relation to the Schools budget, both by individual schools and the Council totalled £77.643m and is shown in more detail in Note 8.

School balances at 31 March 2017 total £4.8m (£5.7m 31 March 2016). In addition, £1.6m (£1.6m 31 March 2016) of unspent schools related funding is held centrally and will carry forward into 2017/18

Comprehensive Income & Expenditure Statement

Whilst the General Fund shows a net deficit for the year of £0.559m, the accounting position presented in the Comprehensive Income & Expenditure Statement (CIES) (Page 15) shows a deficit for the year of £59.777m. The CIES takes a wider view of financial performance than that shown in the General Fund and shows the true accounting position for the year. This deficit represents the total amount by which the Council's equity has decreased over the year as shown in the Balance Sheet (Page 16).

Supporting the CIES is the Expenditure and Funding Analysis included at Note 1 to the accounts. It shows the movement by Council Directorate from the year-end outturn position reported to the Council's Executive Board to what is included to the deficit position on the provision of services, included as part of the CIES.

The table below reconciles the General Fund overspend via the deficit position on the provision of services to the total deficit for 2016/17 on the Comprehensive Income &

Expenditure Statement. Included below the table are supporting notes to the amounts within the table.

	2016/17
	£000
General Fund Overspend	559
Accounting Adjustments Provision of Services:	
Adjustment for Capital Purposes	
- Depreciation and Impairment of Non-Current Assets	40,155
- Capital Grant Income	(19,681)
- Revenue Expenditure Funded from Capital	6,791
- Minimum Revenue Provision	(2,471)
- Other Capital Adjustments	(262)
Pension Adjustments	3,318
Movement in Reserves	(1,390)
Other Differences	(3,041)
Deficit on the Provision of Services	23,978
Accounting Adjustments Other:	
Surplus on Revaluation of PP&E	(5,464)
Gain on Pension Asset	(56,603)
Loss on Pension Assumptions (Demographic, Financial and Other)	97,581
Revaluation of Available for Sale Financial Instruments	285
Total Comprehensive Income & Expenditure	59,777

- **Adjustment for Capital Purposes**
 - Depreciation and Impairment of Non-Current Assets – Reflects the annual cost of assets consumed during the year.
 - Capital Grant Income – Used to help fund the capital programme, recognised in the CIES in line with proper accounting practice.
 - Revenue Expenditure Funded from Capital – Capital funded expenditure charged to the CIES under statute.
 - Minimum Revenue Position – Amount set aside in the General Fund to recognise the repayment of debt. In line with proper accounting practice this is not required to be included in the CIES.
- **Pension Adjustments** - denotes the difference between the accounting cost of pensions (included in the CIES) and the actual employer contributions to the pension fund. More information on pensions is included elsewhere within the narrative report.

- **Movement in Reserves** - As per proper accounting practice, changes to earmarked reserves are not required to be included in the CIES.
- **Other Differences** - Includes the Collection Fund adjustment, difference between amounts credited to the CIES and amounts to be recognised under statutory provisions relating to Council Tax and Business Rates.
- **Surplus on Revaluation of PP&E** - Increase in the value of those non-current assets that have been revalued during the year.
- **Gain on Pension Assets / Loss on Pension Adjustments** – Information on these adjustments is included within the Pension Liability heading as part of the narrative report.
- **Revaluation of Available for Sale Financial Instruments** – Decrease in the value of available for sale financial instruments held, in-year decrease has no impact on the Council's general fund.

Capital Planning

The Council prepares and reports a rolling capital programme to forecast the probable level of capital spend over the next three years, along with the likely sources of funding. The Council also maintains a capital reserve, which has been generated from revenue contributions in order to support funding the capital programme. The forecast shows that there are sufficient resources over the medium term to cover the current capital programme, funded from borrowings, grants, revenue contributions, capital receipts and use of reserves.

At 31st March 2017 unused capital receipts were £9.9m, and the balance on the capital reserves was £4.5m. A significant percentage of the capital receipts are earmarked for future capital projects, the forecast level of receipts as at 31 March 2018 is £2.0m

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, of which the largest schemes relate to the Mersey Gateway, including a contribution towards construction costs and land acquisition costs.

Capital Expenditure

The Council spent £84.747m on capital schemes (excluding finance leases) in 2016/17 compared with planned expenditure of £122.003m. The main reason for capital expenditure being below budget was due to a delay in the making of a second payment in connection with the Mersey Gateway Crossing. Excluding Mersey Gateway, capital spending was £38.822m, which is £5.064m below the revised budget figure of £43.886. This represents

11% slippage of the capital programme. The approved budget and outturn capital position together with the various sources of funding are as follows:

	2016/17 Budget £000	2016/17 Actual £000	2016/17 Variance £000
Expenditure:			
Schools Related	3,254	3,148	106
People Directorate	2,745	1,877	868
Enterprise, Community and Resources Directorate	37,887	33,797	4,090
Mersey Gateway	78,117	45,925	32,192
Total Expenditure	122,003	84,747	37,256
Funded By:			
Borrowing	(91,395)	(58,759)	(32,636)
Capital Receipts	(8,639)	(5,548)	(3,091)
Revenue	(1,385)	(759)	(626)
Grants and Other Contributions	(20,584)	(19,681)	(903)
Total Funding	(122,003)	(84,747)	(37,256)

Analysis of capital expenditure is included as part of the notes to the financial statements, Note 16, page 36.

Non-Current Assets Valuation

The Balance Sheet shows the current value of property, plant & equipment as £398.137m as at 31 March 2017 compared to £367.359m at the same a year ago. This shows an increase of £30.778m (8%) over the year, recognising the investment in the capital programme over the last year, less revaluation and disposal of assets.

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

As at 31 March 2017 the Council has defined pension net liabilities of £109.015m, this is an increase to the net liabilities of £64.719m from last year. The difference in the amounts is in the main due to a significant decrease in the discount rate used in calculating future financial assumptions. There was a reported loss of £106.789m on this in 2016/17 compared

to a gain of £54.359m in 2015/16, although this has been partially offset by much greater than expected return on assets.

Funding levels of the pension fund are monitored on an annual basis, there was a planned triennial review of the funding levels of the Cheshire Pension Fund over the past year. Council has approved the payment of past service deficit costs as a lump sum for the period 2017-2020, rather than paying these on a monthly basis as has been the historical preferred method. This will result in a cash saving over the period given the forecast low level of investment returns and strong cashflow position of the Council.

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 regularly monitored throughout the year with reports presented to the Council's Executive Board at the halfway point of the year and a report on the final outturn position. The Council has had another successful year and actual borrowing costs for the year were less than budgeted whilst income from investments exceeded the budgeted income target.

The Council's Treasury Management Strategy for 2016/17 was approved by Council on 02 March 2016. The aim of the treasury management operation is to ensure that cash flow is adequately planned, with cash being available when it is needed. Surplus monies are invested in low risk counterparties or instruments, security being prioritised over yield.

As at 31 March 2017 borrowing totalled £158m (£158m in 2015/16), well within the authorised borrowing limit of £250m. Borrowing comprises loans from the Public Works Loan Board and the market of £143m, a Lenders Option Borrowers Option loan from with Commerzbank for £10m and a Liverpool City Region loan of £5.4m.

Of the £158m total borrowing £113m relates to long term borrowing undertaken for the contribution from the Council towards the Mersey Gateway Bridge construction costs. Borrowing was taken in advance of need as the Council took advantage of historically low borrowing ahead of the Council making a number of payments from September 2016.

The Council's cashflow position continues to be well managed, cash held and short term deposits total £54.221m (£22.046m in 2015/16). The increase in balance is due to delay in receipt and payment of invoices associated with the Council's capital programme. As at the balance sheet date debtors total £19.996m a reduction of 0.1% from 2015/16 and creditors total £40.025m, an increase of 30.4% from the previous year. The increase in creditors is in the main due to the Council waiting on a number of invoices associated with larger capital

projects and business rates due to Central Government following the reconciliation of the Collection Fund account. The Council has a prompt payment discount scheme where in agreement with suppliers it will arrange early payment of invoices in return for a percentage discount on the invoice total, a scheme that is equally beneficial to both parties.

All transactions relating to investments and borrowings complied with the approved guidelines for the year. Further details of these transactions are contained in notes 22, 26 and 33 to the core financial statements.

Collection Fund

The transactions on this fund record the collection of Council Tax and Non Domestic Rates.

The Business Rate Retention Scheme was implemented on 1st April 2013. As part of the scheme the Council acts as an agent and collects Non Domestic Rates on behalf of Central Government, Cheshire Fire & Rescue Service and itself.

The Council as the Billing Authority collects Council Tax on behalf of Cheshire Fire & Rescue Service, Cheshire Police & Crime Commissioner and itself.

The balance on the Collection Fund as at 31 March 2017 is a surplus position of £11.430m compared to a surplus position of £4.448m from the previous year. Further details on the Collection Fund can be found within the supplementary financial statements (page 92). The Collection Fund position will be reviewed during 2017/18 and estimates will be provided in the second half of the financial year of the value of the balance which will be available for distribution in the following financial year. The value of the surplus position which is attributable to the Council only is £6.938m, of this £1.710m has been used in balancing the 2017/18 budget. In addition the increase in gross business rates has been taken into account in setting and balancing the Council's 2017/18 budget position.

In accordance with accounting guidelines, the Collection Fund is required to identify a provision for NNDR valuation appeal claims. The provision as at 31 March 2017 is £8.028m, a decrease of £2.176m from the previous year. The reduction in the appeals provision together with billed business rates for the year being greater than initially forecast has helped grow the value of the surplus position.

From 01 April 2017 the Council as part of the Liverpool City Region agreed to pilot retention of 99% of business rates as opposed to 49% retention in place for 2016/17. As in previous years Cheshire Fire & Rescue Service will continue to retain 1% of these funds but the 50% central government share will now be retained by the Council. The additional rates will replace in full the non-receipt of Revenue Support Grant and a share of top-up funding. Government have confirmed the pilot of the scheme will be at no detriment to the Council,

so whilst there is increased risk in being funded from business rates any loss in funding compared to the old scheme will be fully reimbursed.

Performance Measures 2016/17

The vision of the Council and its partners is “Halton will be a thriving and vibrant borough where people can learn and develop their skills; enjoy a good quality of life with good health; a high quality, modern urban environment; the opportunity for all to fulfil their potential; greater wealth and equality; sustained by a thriving business community; and safer, stronger and more attractive neighbourhoods.”

The Council’s Corporate Plan 2015 – 18 identifies the Council’s vision, values and principles and six strategic themes which underpin the work of the various departments and service areas across the authority.

These strategic themes provide the basis for the development of key actions and activities, and performance measures, which are reported on a quarterly basis to the Policy and Performance Board with responsibility for scrutiny in each of these strategic areas. These Priority Based Performance Reports also contain information concerning the key developments and emerging issues that have arisen during the period of reporting.

These reports are placed on public deposit and are available on the Council’s website via the relevant Policy and Performance Board agenda packs. The reports identify what progress is being made throughout the year in relation to the delivery of predetermined actions and the progress of a range of measures including direction of travel and achievement of targets.

The reports provide financial statements identifying variation in planned spend during the quarter and providing an explanatory comment.

Policy and Performance Boards also receive a mid-year update concerning the implementation of mitigation measures for those risks contained within the Directorate Risk Registers which have been assessed as high.

This approach allows the opportunity for the effective scrutiny of the Council’s performance during the course of the year in order that any underperformance can be addressed in a timely manner and or resources can be realigned in response to prevailing conditions or pressures.

Listed below are a number of key performance indicators used in assessing the Council putting in place economy, efficiency and effectiveness in its use of resources:

- The number of working days lost during the year due to sickness absence has reduced from 9.05 in 2015/16 to 8.66. This is below the set target of 10 days.
- Collection of council tax for 2016/17 was 95.04% ahead of the set target of 94.75%, although it is a slight decrease from the 2015/16 collection rate of 95.21%. The collection of council tax continues to be adversely affected by 2013 national reforms to council tax benefit.
- The percentage of business rates collected during the year that should have been received was 97.65% against a target of 95.00%, this is an improvement on the 2015/16 collection rate of 96.89%.
- The total of usable reserves held by the Council as at 31 March 2017 totals £46.902m (31 March 2016 £46.069m). The Council's value of usable reserves as a percentage of gross expenditure as at 31 March 2017 was 13.2%, compared to 13.7% for the previous year.

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 financial constraints over the medium term. Its purpose is to ensure that resources are properly targeted towards Council priorities, to avoid excessive council tax rises, to deliver a balanced and sustainable budget, and to continue to identify efficiencies.

The public spending austerity programme has had and will continue to have a significant impact upon the Council's finances over the medium term and this has been reflected in the MTFS.

The Council's Efficiency Programme has continued to review services across the Council, changing the way in which the Council delivers services in order to realise efficiencies. In addition, the Council has continued to seek improved procurement, better utilisation of assets, changes to staff terms and conditions, collaborative working with other Councils and partner agencies and increased income from external sources in order to manage costs within the funding constraints imposed by Government.

The MTFS was reported to the Council's Executive Board in November 2016 and subsequently updated as part of the budget report in March 2017. The latest report identified potential shortfalls in funding for the Council over the following three years of approximately £10.0m (18/19), £8.7m (19/20) and £4.8m (20/21).

The 2017/18 net budget requirement of £103.249m was approved by Council on 8 March 2017. The budget will be funded from £44.379m of Council Tax (increase of 4.9% on the 2016/17 Band D level and inclusive of a 3% precept towards the funding shortfall for Adult

Social Care), business rates local share of £49.722m, top-up funding of £7.437m and share of the collection fund surplus of £1.711m.

In October 2016 the Council published an Efficiency Plan which set out how it would put in place and develop efficiencies over the four year period from 2016/2020 to deliver a balanced budget. In return Government confirmed details of a four year settlement agreement, giving Councils certainty of available funding for the period to March 2020. The Settlement Funding Assessment provided by Government results in a loss of funding for the Council of £5.349m (10.6%) over the two years 2018/19 and 2019/20. In addition the cost of providing an increasing demand for services continues to rise which result in the budget shortfalls mentioned earlier.

Over the same timeframe there will be cuts to other local government funding including Public Health, Education Services Grant and New Homes Bonus. From 2018/19 the local funding formula covering Dedicated Schools Grant will be replaced by the National Funding Formula, work is being undertaken on this to fully understand the impact on the Council and its schools. More funds are being provided for Adult Social Care over the next three years through the Improved Better Care Fund but this is not considered to be sufficient to meet the increasing demands on social care services

The funding outlook for Halton over the medium term continues to be bleak and significant budget savings will again need to be found, which are likely to have a considerable impact upon the services delivered by the Council. A review of Local Government finance is currently being undertaken which will include changes to the business rate retention system and a review of distribution of funds according to relevant needs.

Conclusion

Despite reduced levels of funding, escalating demand for services and increasing costs the Council has continued to manage its finances well and continued to deliver essential public services. The overspend position on the revenue budget for the past year is an indication of how tough the challenge is to continue to deliver a balanced budget position after seven years of funding cuts with ever increasing demands. I would like to thank all Members and Officers that have assisted with help over the past year which has helped contribute and form this set of financial statements.

Ed Dawson

Operational Director – Finance

Core Financial Statements

Comprehensive Income & Expenditure Statement as at 31st March 2016

		Gross Expenditure 2015/16 Restated £000	Gross Income 2015/16 Restated £000	Net Expenditure 2015/16 Restated £000
Services	Note			
CONTINUING OPERATIONS				
Enterprise, Community and Resources		130,664	(77,182)	53,482
People		118,295	(48,287)	70,008
Schools		84,571	(84,415)	156
Corporate and Democracy		2,211	(6,101)	(3,890)
Net Expenditure of Continuing Operations		335,741	(215,985)	119,756
Other Operating Expenditure	3			(1,877)
Financing and Investment Income & Expenditure	4			5,660
Taxation and Non-Specific Grant Income	5			(115,615)
(Surplus) or Deficit on the Provision of Services				7,924
(Surplus) or Deficit on revaluation of Non-Current Assets	36			(33,769)
(Surplus) or Deficit on revaluation of Available for Sale of Financial Assets	37			88
Remeasurement of net defined benefit liability	36			(70,517)
Other Comprehensive Income & Expenditure				(104,198)
TOTAL COMPREHENSIVE INCOME & EXPENDITURE				(96,274)

Comprehensive Income & Expenditure Statement as at 31st March 2017

		Gross Expenditure 2016/17 £000	Gross Income 2016/17 £000	Net Expenditure 2016/17 £000
Services	Note			
CONTINUING OPERATIONS				
Enterprise, Community and Resources		132,111	(81,486)	50,625
People		127,656	(61,506)	66,150
Schools		92,879	(80,542)	12,337
Corporate and Democracy		3,159	(5,707)	(2,548)
Net Expenditure of Continuing Operations		355,805	(229,241)	126,564
Other Operating Expenditure	3			(397)
Financing and Investment Income & Expenditure	4			5,742
Taxation and Non-Specific Grant Income	5			(107,931)
(Surplus) or Deficit on the Provision of Services				23,978
(Surplus) or Deficit on revaluation of Non-Current Assets	36			(5,464)
(Surplus) or Deficit on revaluation of Available for Sale of Financial Assets	37			285
Remeasurement of net defined benefit liability	36			40,978
Other Comprehensive Income & Expenditure				35,799
TOTAL COMPREHENSIVE INCOME & EXPENDITURE				59,777

Balance Sheet as at 31st March 2017

31/03/2016 £000		Note	31/03/2017 £000
367,359	Net Fixed Assets – Property Plant & Equipment	17	398,137
1,168	Heritage Assets	18	1,185
1,679	Investment Properties	19	1,541
2,873	Intangible Assets	20	3,011
-	Assets Held of Sale > 12 months		-
7,413	Long Term Investments	22	5,119
866	Long Term Debtors	23	11,521
381,358	Total Long Term Assets		420,514
	Current Assets		
239	Inventories		254
19,347	Assets held for Sale < 12 months	21	9,394
20,032	Short Term Debtors	23	19,996
-	Intangible Current Assets		-
143,013	Short Term Investments	22	68,000
22,046	Cash/Cash Equivalents	24	54,221
204,677	Total Current Assets		151,865
	Current Liabilities		
(10,000)	Short Term Borrowing	26	(10,000)
(30,684)	Short Term Creditors	25	(40,025)
(10,465)	Revenue Grants Receipts in Advance	7	(4,666)
(5,653)	Provisions < 1 year	27	(4,440)
-	Bank Overdraft		-
(56,802)	Total Current Liabilities		(59,131)
147,875	Net Current Assets/(Liabilities)		92,734
529,233	Total Net Assets		513,248
(148,664)	Long Term Borrowing	26	(148,401)
-	Provisions > 1 year	27	-
(21,800)	Capital Grants Receipts in Advance	7	(22,297)
(85,822)	Other Long Term Liabilities	29	(129,380)
272,947	Total Assets Less Liabilities		213,170
(54,059)	Usable Reserves	35	(59,097)
(218,888)	Unusable Reserves	37	(154,073)
(272,947)	Total Equity		(213,170)

Movement in Reserves Statement

	General Fund	Capital Receipts Reserve	Capital Grants Unapplied	TOTAL USABLE RESERVES (Note 35)	TOTAL UNUSABLE RESERVES (Note 37)	TOTAL COUNCIL RESOURCES
	£000	£000	£000	£000	£000	£000
Balance as at 31st March 2015	(52,385)	(3,390)	(2,659)	(58,434)	(118,239)	(176,673)
Movement in Reserves during 2015/16						
Total Comprehensive Income and Expenditure	7,924	-	-	7,924	(104,198)	(96,274)
Adjustments between Accounting Basis and Funding Basis under Regulations (note 34a)	(1,610)	(912)	(33)	(2,555)	2,555	-
Other Adjustments	2	(996)	-	(994)	994	-
(Increase)/Decrease in the year	6,316	(1,908)	(33)	4,375	(100,649)	(96,274)
Balance at 31 March 2016 carried forward	(46,069)	(5,298)	(2,692)	(54,059)	(218,888)	(272,947)
Balance as at 31st March 2016	(46,069)	(5,298)	(2,692)	(54,059)	(218,888)	(272,947)
Movement in Reserves during 2016/17						
Total Comprehensive Income and Expenditure	23,978	-	-	23,978	35,799	59,777
Adjustments between Accounting Basis and Funding Basis under Regulations (note 34b)	(24,807)	(3,513)	430	(27,890)	27,890	-
Other Movements	(4)	(1,122)	-	(1,126)	1,126	-
(Increase)/Decrease in the year	(833)	(4,635)	430	(5,038)	64,815	59,777
Balance at 31 March 2017 carried forward	(46,902)	(9,933)	(2,262)	(59,097)	(154,073)	(213,170)

Cash Flow Statement as at 31st March 2017

2015/16 £000		Note	2016/17 £000
7,924	Net (surplus) or deficit on the provision of services		23,978
(23,514)	Adjustments to net (surplus) or deficit on the provision of services for non-cash movements	38	(60,962)
23,035	Adjust for items in the net (surplus) or deficit on the provision of services	38	18,905
7,445	Net cash flows from Operating Activities		(18,079)
(13,226)	Net cash flows from Investing Activities	39	(12,816)
27,926	Net cash flows from Financing Activities	40	(1,278)
22,145	Net (increase)/decrease in cash and cash equivalents		(32,173)
(44,191)	Cash and Cash Equivalents at the beginning of the reporting period	24	(22,048)
(22,046)	Cash and Cash Equivalents at the end of the reporting period	24	(54,221)

Notes to the Core Financial Statements

1. Expenditure and Funding Analysis

The Expenditure and Funding Analysis demonstrates how the funding available to the Council for the year (including government grants, Council Tax and Business Rates) has been used to provide services in comparison with those resources consumed or earned under generally accepted accounting practices. This also shows how this expenditure is allocated for decision making purposes between the Council's Directorates.

Expenditure and Funding Analysis 2015/16

	Net Expenditure Chargeable to the General Fund Balances	Adjustments between the Funding and Accounts Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement
	2015/16 £000	2015/16 £000	2015/16 £000
Enterprise, Community and Resources	48,184	5,298	53,482
People	75,810	(5,802)	70,008
Schools	-	156	156
Corporate and Democracy	(22,611)	18,721	(3,890)
Net Cost of Services	101,383	18,373	119,756
Other Income and Expenditure	(101,451)	(10,381)	(111,832)
Surplus or Deficit	(68)	7,992	7,924
General Fund (excluding Earmarked Reserves)	(8,822)		
Earmarked Reserves	(43,563)		
Opening General Fund Balance	(52,385)		
Less/Plus (Surplus) or Deficit on General Fund Balance in Year	(68)		
Add General Fund used to balance budget Movement (to)/from General Fund to/(from) Earmarked Reserves	3,500		
	2,883		
Movement on General Fund Balance	6,315		
General Fund (excluding Earmarked Reserves)	(5,389)		
Earmarked Reserves	(40,680)		
Closing General Fund Balance at 31st March	(46,069)		

Note to Expenditure and Funding Analysis 2015/16

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Other Income and Expenditure £000	Movement in Reserves £000	Adjustments for Capital Purposes £000	Net change for the Pension Adjustments £000	Other Differences £000	Total Adjustments £000
Enterprise, Community and Resources	481	1,879	2,095	1,259	(416)	5,298
People	(17)	(64)	(6,660)	974	(35)	(5,802)
Schools	-	1,742	(2,110)	570	(46)	156
Corporate and Democracy	(2,644)	3,327	17,398	640	-	18,721
Net Cost of Services	(2,180)	6,884	10,723	3,443	(497)	18,373
Other Income and Expenditure from the Expenditure and Funding Analysis	2,180	(387)	(14,839)	4,139	(1,474)	(10,381)
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	-	6,497	(4,116)	7,582	(1,971)	7,992

Expenditure and Funding Analysis 2016/17

	Net Expenditure Chargeable to the General Fund Balances	Adjustments between the Funding and Accounts Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement
	2016/17 £000	2016/17 £000	2016/17 £000
Enterprise, Community and Resources	47,477	3,148	50,625
People	73,394	(7,244)	66,150
Schools	-	12,337	12,337
Corporate and Democracy	(21,843)	19,295	(2,548)
Net Cost of Services	99,028	27,536	126,564
Other Income and Expenditure	(98,469)	(4,117)	(102,586)
Surplus or Deficit	559	23,419	23,978
General Fund (excluding Earmarked Reserves)	(5,389)		
Earmarked Reserves	(40,680)		
Opening General Fund Balance	(46,069)		
Less/Plus (Surplus) or Deficit on General Fund Balance in Year	559		
Movement (to)/from General Fund to/(from) Earmarked Reserves	(1,392)		
Movement on General Fund Balance	(833)		
General Fund (excluding Earmarked Reserves)	(4,830)		
Earmarked Reserves	(42,072)		
Closing General Fund Balance at 31st March	(46,902)		

Note to Expenditure and Funding Analysis 2016/17

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Other Income and Expenditure £000	Movement in Reserves £000	Adjustments for Capital Purposes £000	Net change for the Pension Adjustments £000	Other Differences £000	Total Adjustments £000
Enterprise, Community and Resources	184	1,144	1,427	378	15	3,148
People	(17)	(3,846)	(3,746)	376	(11)	(7,244)
Schools	-	904	11,029	208	196	12,337
Corporate and Democracy	(2,570)	412	21,379	74	-	19,295
Net Cost of Services	(2,403)	(1,386)	30,089	1,036	200	27,536
Other Income and Expenditure from the Expenditure and Funding Analysis	2,403	(4)	(5,557)	2,282	(3,241)	(4,117)
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	-	(1,390)	24,532	3,318	(3,041)	23,419

2. Expenditure and Income Analysed by Nature

2015/16 £000		2016/17 £000
	Expenditure	
136,630	Employee Benefits	134,326
180,648	Other service expenses	183,560
19,214	Depreciation, amortisation and impairment	40,155
3,357	Interest Payments	3,239
344	Precepts and levies	373
340,193	Total Expenditure	361,653
	Income	
(45,709)	Fees and charges and other service income	(59,245)
(2,239)	Loss on disposal of non-current assets	(1,270)
(67,528)	Income from Council Tax and Business Rates	(72,033)
(215,558)	Government grants income	(204,274)
(1,235)	Interest and investment income	(853)
(332,269)	Total Income	(337,675)
7,924	Surplus or Deficit on the Provision of Services	23,978

3. Other Operating Expenditure

2015/16 £000		2016/17 £000
62	Parish Council Precepts	84
282	Levies	289
1	Payments to the Government Housing Capital Receipts Pool	-
17	Movement in value of Assets Held for Sale	500
(2,239)	(Gains)/Losses on the Disposal of non-current assets	(1,270)
(1,877)	Total	(397)

4. Financing and Investment Income

2015/16		2016/17
£000		£000
3,357	Interest payable and similar charges	3,239
4,139	Net interest on the net defined benefit liability	2,282
(1,235)	Interest receivable and similar charges	(853)
(506)	Income & Expenditure in relation to Investment Properties and changes in their fair value	(46)
-	Loss on transfer of academies	1,199
(95)	Other investment income	(79)
5,660	Total	5,742

5. Taxation and Non Specific Grant Income

2015/16		2016/17
£000		£000
(40,282)	Council Tax income	(42,774)
(27,246)	Non domestic rates	(29,259)
(28,261)	Non-ringfenced government grants	(22,251)
(7,449)	NNDR Top Up Grant	(7,511)
(12,377)	Capital grants and contributions	(6,136)
(115,615)	Total	(107,931)

6. Material Items of Income and Expenditure

There are no individually material items of Income and Expenditure to report beyond those disclosed on the face of the Comprehensive Income and Expenditure Statement and supporting notes.

7. 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:

	31 March 2016 £000	31 March 2017 £000
Capital Grants Receipts in Advance		
Grant – Communities and Local Government	(13,097)	(12,632)
Grant – Department of Health	-	(1,278)
Grant – Department for Environment, Food & Rural Affairs	(46)	(46)
Grant – Department for Education	(386)	(366)
Grant – Other Grants	(1,269)	(226)
Contributions	(7,002)	(7,749)
	(21,800)	(22,297)

	31 March 2016 £000	31 March 2017 £000
Revenue Grants Receipts in Advance		
Grant – Department for Education	(8,147)	(2,285)
Grant – Department for Environment, Food & Rural Affairs	(42)	(42)
Grant – Dedicated Schools Grant	(22)	-
Grant - Department of Health	(100)	(150)
Grant - Department for Work & Pensions	(31)	-
Grant - Department for Transport	(107)	(368)
Grant – Other Grants	(658)	(274)
Contributions	(281)	(320)
Other Creditors	(1,077)	(1,227)
	(10,465)	(4,666)

The Council credited the following grants to the Comprehensive Income and Expenditure Statement in 2016/17. Due to additional income information being disclosed in Note 2, this note has been shortened in the 16/17 accounts to avoid duplication.

	2015/16	2016/17
	£000	£000
Revenue Grants Credited to Services		
Communities & Local Government	(5,968)	(5,637)
Dedicated Schools Grant	(77,624)	(77,695)
Department for Education	(17,271)	(22,970)
Department for Environment, Food & Rural Affairs	(23)	(31)
Department for Transport	(1,014)	(907)
Department for Works & Pensions	(2,020)	(1,794)
Department of Health	(9,790)	(10,929)
Home Office	(91)	(39)
Department of Energy & Climate Change	(16)	(67)
Rent Allowance Subsidy	(51,871)	(46,685)
Other Grants	(1,783)	(1,622)
Total	(167,471)	(168,376)

8. 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 an authority-wide basis and for the Individual Schools Budget, which is divided into a budget share for each school. Overspends and underspends on the two elements are required to be accounted for separately.

Details of the deployment of DSG receivable for 2016/17 are shown below:

Total 2015/16 £000		Central Expenditure 2016/17 £000	Individual Schools Budget 2016/17 £000	Total 2016/17 £000
(102,799)	Final DSG before academy recoupment			(103,567)
25,175	Academy figure recouped in year			25,872
(77,624)	Total DSG after academy recoupment			(77,695)
(2,388)	Plus brought forward			(1,584)
-	Less carry forward agreed in advance			-
(80,012)	Agreed budgeted distribution	(15,000)	(64,279)	(79,279)
-	In Year Adjustments	1,416	(1,416)	-
(80,012)	Final Budget Distribution	(13,584)	(65,695)	(79,279)
12,081	Less actual central expenditure	11,948	-	11,948
66,347	Less actual ISB deployed to schools Plus Council Contribution	-	65,695	65,695
		-	-	-
(1,584)	Carry Forward	(1,636)	-	(1,636)

9. Pooled Budgets

Better Care

In 2015 the Government introduced a £3.8 billion Better Care Fund, a pooled budget for health and social care services, shared between the NHS and local authorities, to deliver better outcomes and greater efficiencies through more integrated services for older and disabled people.

From April 2015 the pool budget between Halton Borough Council (HBC) and the Halton Clinical Commissioning Group (CCG) was expanded to incorporate this Better Care Fund (BCF) under a Section 75 agreement for health and social care services provided to the residents of Halton. The pooled budget continued to provide a fully integrated system enabling resources to be used efficiently and effectively in the delivery of personalised, responsive and holistic care to those who are most in need within the community. This results in the alignment of systems, improve pathways, speeding up discharge processes, transforming patient/care satisfaction and ensuring the future sustainability of meeting the needs of people with complex needs.

In addition to the BCF allocation, the Council and Clinical Commissioning Group each contributed funds equal to 63% and 37% respectively of the Better Care Pool budget for 2016/17. In accordance with the partnership agreement, the same proportions are used to meet any deficit or share any surplus arising on the pooled budget at the end of the financial year unless agreement is given by the partners to carry the deficit/surplus to the following financial year.

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

	2015/16		2016/17
	£000		£000
Balance Brought Forward	(7)		(3)
Funding provided to the pooled budget:			
- Halton Borough Council	(18,583)		(20,452)
- Halton Clinical Commissioning Group	(12,346)		(12,196)
- Better Care Fund	(9,450)		(9,491)
	(40,379)		(42,139)
Income raised through the pooled budget:			
- Halton Borough Council	(7,338)		(8,280)
	(7,338)		(8,280)
Expenditure met from the pooled budget:			
- Halton Borough Council	25,923		28,769
- Halton Clinical Commissioning Group	12,348		12,217
- Better Care Fund	9,450		9,491
	47,721		50,477
Net (surplus)/deficit arising on the pooled budget during the year	4		58
Share of the (surplus)/deficit for the year:			
- Halton Borough Council	60%	2	63%
- Halton Clinical Commissioning Group	40%	2	37%
		4	58

10. Officers Remuneration

The number of employees whose remuneration, inclusive of redundancy payments and 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		2015/16		2016/17	
		Number of Employees		Number of Employees	
		Teaching	Non-Teaching	Teaching	Non - Teaching
£50,000	£54,999	33	16	33	16
£55,000	£59,999	21	19	23	11
£60,000	£64,999	11	14	13	13
£65,000	£69,999	8	8	8	4
£70,000	£74,999	4	2	4	3
£75,000	£79,999	2	5	1	-
£80,000	£84,999	-	5	1	4
£85,000	£89,999	-	7	1	4
£90,000	£94,999	-	2	-	3
£95,000	£99,999	1	-	-	-
£100,000	£104,999	-	-	-	-
£105,000	£109,999	1	-	-	-
£110,000	£114,999	-	2	1	-
£115,000	£119,999	-	-	-	1
£120,000	£124,999	-	-	-	1
£125,000	£129,999	-	-	-	-
£130,000	£134,999	-	-	-	-
£135,000	£139,999	-	-	-	-
£140,000	£144,999	-	1	-	-
£145,000	£149,999	-	-	-	-
£150,000	£154,999	-	-	-	-
£155,000	£159,999	-	-	-	-
£160,000	£164,999	-	-	-	-
£165,000	£169,999	-	1	-	-
£170,000	£174,999	-	-	-	1
£175,000	£179,999	-	-	-	-
		81	82	85	61

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

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

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

These notes refer to the detailed note overleaf:

Note 1: The Strategic Director People & Economy performed the additional role of Director of Children's Services at Cheshire West and Chester Council on a part-time basis at a total remuneration cost of £23,700 before he left Halton Borough Council on 30/06/16. The payments in relation to this additional role have been made by Halton Borough Council and are included in the salary and remuneration figures detailed overleaf. This has been reimbursed by Cheshire West and Chester Council. Following his departure there was a restructure and the post of Strategic Director People was filled on 24/10/16.

Note 2: The Strategic Director Communities left on 13/09/15 and wasn't directly replaced due to the restructure.

Note 3: During 2016/17, the Operational Director Prevention & Assessment was re-designated as Statutory Director of Adult Services.

Note 4: During 2016/17, the Operational Director Children & Families Services was re-designated Statutory Director of Children's Services. She held this title until March 2017 at which point the Strategic Director People undertook this role.

Note 5: The Operational Director for Commissioning & Complex Care took redundancy on 31/12/16.

Note 6: During 2015/16 & 2016/17, the Operational Director ICT & Support Services continued the implementation of a new finance system at Sefton Council. He was awarded an honorarium for this which is included in the remuneration figures overleaf. This will be reimbursed from Sefton Council.

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	
		2015/16	2016/17	2015/16	2016/17	2015/16	2016/17	2015/16	2016/17	2015/16	2016/17	2015/16	2016/17
		£	£	£	£	£	£	£	£	£	£	£	£
Chief Executive - David Parr		168,900	170,600	-	-	-	-	168,900	170,600	35,100	3,100	204,000	173,700
Strategic Director - People & Economy	1	138,500	39,800	-	-	1,900	-	140,400	39,800	29,100	7,500	169,500	47,300
Strategic Director - People	1	-	51,300	-	-	-	-	-	51,300	-	11,000	-	62,300
Strategic Director - Enterprise, Communities & Resources		114,000	120,200	-	-	-	-	114,000	120,200	23,800	25,700	137,800	145,900
Operational Director - Communities (before restructure)	2	63,700	-	-	-	-	-	63,700	-	13,100	-	76,800	-
Operational Director - Policy, Planning & Transportation		82,600	84,100	-	-	2,600	2,600	85,200	86,700	17,300	18,000	102,500	104,700
Operational Director - Legal & Democratic Services		83,800	84,200	-	-	3,500	3,500	87,300	87,700	17,700	18,000	105,000	105,700
Operational Director - Prevention & Assessment	3	88,800	94,600	-	-	-	-	88,800	94,600	18,500	20,200	107,300	114,800
Operational Director - Children & Families Services	4	78,900	91,600	-	-	-	-	78,900	91,600	16,400	19,600	95,300	111,200
Operational Director - Commissioning & Complex Care	5	47,000	52,000	-	-	-	-	47,000	52,000	9,700	6,700	56,700	58,700
Operational Director - Children's Organisation & Provision		83,100	84,200	-	-	-	-	83,100	84,200	17,300	18,200	100,400	102,400
Operational Director - Finance		79,000	82,100	-	-	-	-	79,000	82,100	16,400	17,500	95,400	99,600
Operational Director - ICT & Support Services	6	92,500	93,200	-	-	-	-	92,500	93,200	19,200	19,700	111,700	112,900
Operational Director - Economy, Enterprise & Property		82,500	83,700	-	-	2,700	2,700	85,200	86,400	17,300	18,000	102,500	104,400
Operational Director - Community & Environment		83,100	84,200	-	-	-	-	83,100	84,200	15,400	15,900	98,500	100,100
Operational Director - Public Health		92,500	87,900	-	-	-	-	92,500	87,900	12,900	12,400	105,400	100,300
		1,378,900	1,303,700	-	-	10,700	8,800	1,389,600	1,312,500	279,200	231,500	1,668,800	1,544,000

11. Exit Packages and Termination Benefits

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

Exit package cost band	Number of compulsory redundancies		Number of voluntary redundancies		Number of early retirements		Total of number of exit packages by cost band		Total cost of exit packages in each band	
	2015/16	2016/17	2015/16	2016/17	2015/16	2016/17	2015/16	2016/17	2015/16 £000	2016/17 £000
£0 - £20,000	5	3	40	5	-	-	45	8	456	42
£20,001 - £40,000	-	-	25	4	-	-	25	4	713	105
£40,001 - £60,000	-	1	10	-	-	-	10	1	445	57
£60,001 - £80,000	-	-	6	-	-	-	6	-	416	-
£80,001 - £100,000	-	-	5	-	-	-	5	-	447	-
£100,001 - £150,000	-	-	3	-	-	-	3	-	353	-
£150,001 - £200,000	-	-	-	1	-	-	-	1	-	160
£200,001 - £250,000	-	-	2	-	-	-	2	-	428	-
£250,001 - £300,000	-	-	-	-	-	-	-	-	-	-
Total	5	4	91	10	-	-	96	14	3,258	364

The total cost of exit packages in 2016/17 is £0.364m (2015/16 - £3.258m) charged to the authority's Comprehensive Income and Expenditure Statement (CIES). Costs associated with redundancies include officers aged 55 or over being able to access their pensions immediately, the costs of which amounted to £0.216m, charged to the CIES in 2016/17. There were no early retirements taken in 2016/17 (2015/16 - £0.000m).

Termination Benefits

In addition to the cost of exit packages the Council incurred liabilities of £0.201m relating to past early retirements charged to the Comprehensive Income and Expenditure Statement. Resulting in total costs for the year of £0.565m.

12. Members Allowances

During the year £760,843 (2015/16 £748,232) was paid to Members including Mayoral and Deputy Mayoral allowances.

13. Related Party Transactions

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

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

Central Government

UK Central Government has significant influence over the general operations of the Council. It is responsible for providing the statutory framework within which the Council operates, provides 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, business rates, housing benefits).

Grants received from government departments are set out in Note 7.

Members and Officers

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

The total of members allowances paid in 2016/17 is shown in Note 12. The total of senior officers remuneration paid in 2016/17 is shown in Note 10.

For 2016/17 the system has highlighted that 21 Members had interests in various organisations and voluntary sector bodies involving payments worth £2.218m and receipts worth £1.891m for various works and services.

In 2016/17, the declarations also showed that one Executive Officer represented the Council on the boards of two bodies within the borough. Payments between HBC and those bodies totalled £2.101m and receipts totalled £0.045m in 2016/17.

Other Public Bodies

The Council had one pooled budget arrangement with Halton Clinical Commissioning Group during 2016/17 under section 75 of the Health Act 2006. Transactions and balances are highlighted in Note 9.

Entities Controlled or Significantly Influenced by the Council

Details of the Council's interests in companies are disclosed in Note 41 – Interest in Companies and Other Entities.

14. External Audit Fees

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

	2015/16	2016/17
	£000	£000
Fees payable for		
- Audit	105	105
- Grants and returns	24	13
- Other	-	-
- Non-audit work	11	14
	140	132

Due to the timing of the audit of grant claims, the audit fee for Grants and Returns is based on an estimate and may include amounts relating to previous years.

15. Events after the Balance Sheet Date

These accounts have been authorised for issue by the Operational Director Finance, on the 30th June 2017 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 2017, 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.

16. Capital Expenditure and 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.

	2015/16	2016/17
	£000	£000
Opening Capital Financing Requirement	107,660	111,606
Capital Investment:		
Property, Plant & Equipment	26,991	77,210
Investment Properties	-	-
Intangible Assets	2,264	827
Revenue Expenditure funded from Capital under Statute	586	6,791
Source of Finance:		
Capital Receipts	(4,494)	(5,548)
Government Grants & Other Contributions	(15,974)	(19,681)
Direct Revenue Contributions	(2,279)	(759)
Minimum Revenue Provision	(3,148)	(2,471)
Closing Capital Financing Requirement	111,606	167,975
Explanation of movement in year:		
Increase in underlying need to borrow	6,740	58,759
Minimum Revenue Provision statutory set a side	(3,148)	(2,471)
Deferred Liability Voluntary set a side	-	-
Assets acquired under Finance Leases	354	81
Assets acquired under PFI/PPP contracts	-	-
Increase/(Decrease) in Capital Financing Requirement	3,946	56,369

The table above shows the Council spent £84.83m on capital during 2016/17 (including £0.81m for assets acquired under finance leases).

Disposal of Assets/Capital Receipts

Land/Dwellings/Recovered Advances – the Council received £22.026 from the sale of land and various properties.

Under residual arrangements, the Council received £0.170m (£0.178m in 2015/16) from Halton Housing Trust for the sale of homes during the year, and a further £0.235m (£0.342m in 2015/16) under VAT Shelter arrangements.

Capitalisation of Borrowing Costs

The Council had undertaken borrowing of £113m in 2014-15 in advance of need to secure favourable interest rates available from the Public Works Loans Board. These loans will be invested until the payments are made to Merseylink Consortium to fund the contribution from the Council towards Mersey Gateway Crossing construction costs. The Council's final contribution payment is expected to be made in Autumn 2017.

The interest capitalised during 2016/17 is shown below:

2015/16		2016/17
£000		£000
(786)	Interest received	(695)
4,382	Interest paid	4,370
3,596	Net interest capitalised	3,675

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

Movements during 2015/16

	Land and Buildings £000	Community Assets £000	Infrastructure Assets £000	Vehicles, Plant and Equipment £000	Surplus £000	Under Construction / Development £000	Total 2015/16 £000	Service Concession Assets included in PPE £000
Cost or Valuation								
As at 31 st March 2015	181,236	7,863	167,469	17,552	19,040	72,392	465,552	17,705
Additions and Enhancements	1,751	868	4,913	2,213	741	16,512	26,998	-
Revaluations Recognised in the Revaluations Reserve	19,282	-	-	-	1,099	-	20,381	37
Revaluations Recognised in the Provision Services	3,963	-	-	-	861	(4,806)	18	4,821
Derecognition – Disposals	(972)	-	-	(173)	(2,797)	-	(3,942)	-
Derecognition – Others	-	-	-	-	-	-	-	-
Assets Reclassified (to)/from held for sale	(3,164)	-	-	-	(14,971)	-	(18,135)	-
Other Movements	10,575	173	-	-	(23)	(2,054)	8,671	-
As at 31st March 2016	212,671	8,904	172,382	19,592	3,950	82,044	499,543	22,563
Depreciation								
As at 31 st March 2015	(17,228)	(3,115)	(96,190)	(10,737)	(636)	-	(127,906)	(482)
Depreciation for the year	(9,250)	(519)	(8,722)	(2,160)	(1,142)	-	(21,793)	(482)
Depreciation written out to revaluation reserve	13,089	-	-	-	300	-	13,389	-
Depreciation written out to Surplus/Deficit on the Provision of Services	2,619	-	-	-	293	-	2,912	964
Derecognition – Disposals	240	-	-	50	924	-	1,214	-
Derecognition – Other	-	-	-	-	-	-	-	-
Other movements in depreciation	-	-	-	-	-	-	-	-
As at 31st March 2016	(10,530)	(3,634)	(104,912)	(12,847)	(261)	-	(132,184)	-
Balance Sheet Amount as at 31st March 16	202,141	5,270	67,470	6,745	3,689	82,044	367,359	22,563
Balance Sheet Amount as at 1st April 15	164,008	4,748	71,279	6,815	18,404	72,392	337,646	17,223

Movements during 2016/17

	Land and Buildings £000	Community Assets £000	Infrastructure Assets £000	Vehicles, Plant and Equipment £000	Surplus £000	Under Construction / Development £000	Total 2016/17 £000	Service Concession Assets included in PPE £000
Cost or Valuation								
As at 31st March 2016	212,671	8,904	172,382	19,592	3,950	82,044	499,543	22,563
Additions and Enhancements	8,571	177	5,507	3,551	-	59,385	77,191	-
Revaluations Recognised in the Revaluations Reserve	2,484	2	-	-	1,221	-	3,707	-
Revaluations Recognised in the Provision Services	(11,164)	-	-	-	(561)	(8,558)	(20,283)	-
Derecognition – Disposals	(9,487)	-	-	-	-	-	(9,487)	-
Derecognition – Others	-	-	-	-	-	-	-	-
Assets Reclassified (to)/from held for sale	(1,115)	-	-	-	(1,495)	-	(2,610)	-
Other Movements	1,677	-	-	-	764	(1,675)	766	-
As at 31st March 2017	203,637	9,083	177,889	23,143	3,879	131,196	548,827	22,563
Depreciation								
As at 31st March 2016	(10,530)	(3,634)	(104,912)	(12,847)	(261)	-	(132,184)	-
Depreciation for the year	(11,023)	(577)	(8,709)	(2,179)	(75)	-	(22,563)	(680)
Depreciation written out to revaluation reserve	567	-	-	-	-	-	567	-
Depreciation written out to Surplus/Deficit on the Provision of Services	3,451	-	-	-	-	-	3,451	-
Derecognition – Disposals	30	-	-	-	-	-	30	-
Derecognition – Other	-	-	-	-	-	-	-	-
Other movements in depreciation	(37)	(1)	(2)	(1)	50	-	9	-
As at 31st March 2017	(17,542)	(4,212)	(113,623)	(15,027)	(286)	-	(150,690)	(680)
Balance Sheet Amount as at 31st March 17	186,095	4,871	64,266	8,116	3,593	131,196	398,137	21,883
Balance Sheet Amount as at 1st April 16	202,141	5,270	67,470	6,745	3,689	82,044	367,359	22,563

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 and Equipment	3-10 years
Intangible Assets	5 years

Capital Commitments

At 31st March 2017, the Council has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment.

The major commitments are:

3MG Regeneration	£ 4.6m
Venture Fields	£ 6.0m
Street Lighting upgrades	£ 3.5m
Mersey Gateway	£96.0m
Silver Jubilee Bridge Major Maintenance	£ 9.8m

At 31st March 2017 the capital commitments totalled £130.8m (£154.5m at 31st March 2016).

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 using the rota below with 2016/17 being year 1 in the cycle. All valuations are carried out internally by the Council's in-house valuer Peter O'Donnell MRICS. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institute of Chartered Surveyors. Valuations of vehicles, plant and equipment are based on current prices where there is an active second-hand market or latest list prices adjusted for the condition of the asset.

Year 1 – Amendments and general updates

Year 2 – Corporate Properties

Year 3 – Children's centres, Children's homes and miscellaneous properties, land and open spaces

Year 4 – Day care centres, homes, leisure centres, sports fields and changing rooms, allotments, community centres, libraries and cemeteries

Year 5 – Nursery, infant, junior, primary, secondary, special and PRU schools.

All assets are subject to an annual review to ensure valuations have not materially changed in the years they are not valued and that the carrying value is not significantly different to their fair value.

Assets which were subject to a revaluation in 2016/17 are dated the 1st April 2016. The valuation report which is used in the preparation of the Council's Statement of Accounts takes account of all known events throughout 2016/17 which could subsequently affect the assets value and is therefore dated the 31st March 2017.

Land & Buildings

Non specialised property is valued at Fair Value – Existing Use Value. Specialised Property is valued on the basis of Depreciated Replacement Costs.

Community Assets

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

Infrastructure

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

Vehicles, Plant and Equipment

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

Intangible Assets

This group consists mainly of software licences for computer systems held at Depreciated Historical Cost.

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 highest and best use value.

Assets under Construction/Development

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

Fair Value Hierarchy for Investment Properties, Surplus Assets and Assets Held for Sale

Investment Properties, Surplus Assets and Assets Held for Sale have been value assessed as Level 2 on the fair value hierarchy for valuation purposes (see Statement of Accounting Policies 10 – Fair Value).

Valuation Techniques Used to Determine Level 2 Fair Values.

The fair value of Investment Properties, Surplus Assets and Assets Held for Sale have been measured using a market approach, which takes into account quoted prices for the existing or similar assets in active markets, existing lease terms and rentals, research into market evidence including market rentals and yields, the covenant strength for existing tenants, and data and market knowledge gained in managing the Council's Asset portfolio. This

information is contained within the Valuation Assumptions and Evidence note agreed between the authority's Asset Manager and professional staff. Market conditions are such that similar properties are actively purchased and sold and the level of observable inputs are significant, leading to the properties being categorised as level 2 on the fair value hierarchy.

There has been no change in the valuation techniques used during the year for Investment Properties, Surplus Assets or Assets Held for Sale.

Highest and Best Use

In estimating the fair value of the Council's Investment Properties, the highest and best use is their current use, though Assets Held for Sale have been valued taking their development potential into account.

De-minimis Assets

At 31st March 2017, the Council had 165 assets that fell below its de-minimis level of £35,000 which totalled £1.267m. These assets are not recorded on the Balance Sheet.

18. Heritage Assets

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

	2015/16			2016/17		
	Civic Regalia	Outdoor Sculpture	Total	Civic Regalia	Outdoor Sculpture	Total
	£000	£000	£000	£000	£000	£000
Cost or Valuation						
1st April	858	310	1,168	858	310	1,168
Additions	-	-	-	-	17	17
Disposals	-	-	-	-	-	-
Revaluations	-	-	-	-	-	-
Impairment Losses/(reversals) Recognised in the Revaluation Reserve	-	-	-	-	-	-
Impairment Losses/(reversals) Recognised in the Surplus or Deficit on the Provision of Services	-	-	-	-	-	-
31st March	858	310	1,168	858	327	1,185

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
 Duck Decoy (Hale Village)
 Outdoor works of Art
 Halton Castle

19. Investment Properties

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

2015/16		2016/17
£000		£000
(848)	Rental income from Investment Property	(327)
616	Direct operating expenses arising from investment property	209
(232)		(118)

Investment Properties are not directly involved in the delivery of a service. They are valued annually by the Council's in-house valuer.

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

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

	2015/16	2016/17
	£000	£000
Balance at the start of the year	10,895	1,679
Additions:		
- Purchases	-	
- Construction	-	
- Subsequent expenditure	-	
Disposals	(818)	
Net gain/losses from fair value adjustments	279	(138)
Transfers:		
- (To)/from Inventories	-	
- (To)/from Property, Plant and Equipment	(8,677)	
Other changes		
	1,679	1,541

For details of the fair value valuations used for Investment Properties, see Note 17.

20. Intangible Assets

The Council accounts for its software as intangible assets, with the exception of software which is an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and Equipment.

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

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

The carrying amounts of intangible assets are amortised on a straight-line basis. The amortisation of £0.689m charged to revenue in 2016/17 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 as follows:

	2015/16 £000	2016/17 £000
Balance at start of year:		
Gross carrying amounts	5,801	8,064
Accumulated amortisation	(4,858)	(5,191)
Net carrying amount at start of year	943	2,873
Additions:		
Purchases	2,263	827
Amortisation for the period	(333)	(689)
Net carrying amount at end of year	2,873	3,011
Comprising:		
Gross carrying amounts	8,064	8,891
Accumulated amortisation	(5,191)	(5,880)
	2,873	3,011

21. Assets Held for Sale

	2015/16 £000	2016/17 £000
Balance outstanding at start of Year	1,753	19,347
Assets newly classified as held for sale:		
- Property, Plant and Equipment	18,135	2,609
- Intangible Assets	-	-
Revaluation Losses	(17)	(500)
Revaluation Gains	-	1,607
Impairment Losses	-	-
Assets declassified as held for sale:		
- Property, Plant and Equipment	-	-
- Intangible Assets	-	-
Assets Sold	(524)	(12,903)
Transfers from non-current to current	-	-
Other Movements	-	(766)
Balance outstanding at year-end	19,347	9,394

For details of the fair value valuations used for Assets Held for Sale, see Note 17.

Please note all Assets Held for Sale are due to be sold within a year and are shown as Current Assets on the Balance sheet.

22. Investments

Long term investments consist of:

	Balance at 31/03/2016 £000	Balance at 31/03/2017 £000
Halton Borough Transport Ltd		
- Share Capital	430	430
- Debenture 1	4	-
- Debenture 2	57	43
Municipal Bonds Agency	10	10
CCLA Property Fund	1,912	4,626
Mersey Gateway Share Capital - de minimis	-	-
Halton Development Partnership Limited – de minimis	-	-
Widnes Regeneration Limited – de minimis	-	-
Long Term Deposits	5,000	10
	7,413	5,119

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. There is

one debenture remaining which is being repaid at £14,286 per annum with interest. Extracts from their accounts are detailed below:

	31/03/2016	31/03/2017
	£000	£000
Profit and Loss Account		
Turnover	(6,295)	(6,415)
Operating and Other Expenditure	6,310	6,486
Net (Profit)/Loss (before Taxation)	15	71
Taxation	(2)	(20)
(Profit) / Loss for Financial Year	13	51
Balance Sheet as at 31st March		
Fixed Assets	2,555	2,297
Current Assets less Current Liabilities	(750)	(634)
Net Assets	1,805	1,663
Long Term Liabilities	(1,007)	(936)
Provisions for Liabilities and Charges	(115)	(95)
Pension Scheme Liability	-	
	683	632
Represented by:		
Share Capital	(430)	(430)
Profit and Loss Account	(253)	(202)
	(683)	(632)

Please note that as the Halton Borough Transport Ltd's accounts were not finalised when the Council's accounts were published, the figures above have been produced using draft accounts from Halton Borough Transport.

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

Mersey Gateway Crossings Board Limited was set up in October 2013 with an issued share capital of £100, wholly owned by Halton Borough Council. Extracts from their accounts are detailed below:

	31/03/2016	31/03/2017
	£000	£000
Profit and Loss Account		
Turnover	(2,478)	(2,872)
Operating and Other Expenditure	2,517	2,735
Net (Profit)/Loss	39	(137)
Other Comprehensive Income	(296)	287
Total Comprehensive loss	(257)	150
Balance Sheet as at 31st March		
Fixed Assets	1	1
Current Assets less Current Liabilities	(1)	-
Net Current Assets	-	1
Long Term Liabilities	-	-
Provisions for Liabilities and Charges	-	-
Pension Scheme Liability	(289)	(440)
	(289)	(439)
Represented by:		
Share Capital	-	-
Profit and Loss Account	289	439
	289	439

Please note that as Mersey Gateway Crossing Board Limited's accounts were not finalised when the Council's accounts were published, figures above have been produced using draft accounts for 2016/17.

Further details can be obtained from Mersey Gateway Crossings Board Limited, Municipal Building, Kingsway, Widnes. Telephone 0151 511 8377.

Short term investments consist of:

	31/03/2016	31/03/2017
	£000	£000
Nationalised Banks		
Royal Bank of Scotland Plc	10,000	-
UK Banks & Building Societies		
Coventry Building Society	15,000	-
Goldman Sachs	8,000	8,000
Leeds Building Society	5,000	-
Lloyds/Bank of Scotland Plc	10,000	20,000
Nationwide	20,000	-
Santander	10,013	10,000
Non-UK Banks		
Bank of Nova Scotia	10,000	-
Commonwealth Bank Australia	10,000	-
National Australia Bank	10,000	-
Rabobank	10,000	-
Toronto Dominion	10,000	10,000
United Overseas Bank	5,000	5,000
Local Authorities		
Lancashire County Council	10,000	5,000
Birmingham City Council	-	10,000
	143,013	68,000

23. Debtors

	Gross Debtors	Impairment	Net Debtors	Gross Debtors	Impairment	Net Debtors
	31 st March 2016			31 st March 2017		
	£000	£000	£000	£000	£000	£000
Short Term						
Central Government Bodies	3,011	-	3,011	2,236	-	2,236
Mersey Gateway Grant (DfT)	-	-	-	-	-	-
Other Local Authorities	1,440	-	1,440	1,838	-	1,838
NHS Bodies	995	-	995	482	-	482
Public Corporations & Trading Funds	-	-	-	-	-	-
Other Entities & Individuals	22,413	(7,827)	14,586	23,882	(8,442)	15,440
	27,859	(7,827)	20,032	28,438	(8,442)	19,996
Long Term						
Housing Associations	266	-	266	266	-	266
Mersey Gateway working capital	600	-	600	600	-	600
Non Current Assets	-	-	-	10,655	-	10,655
	866	-	866	11,521	-	11,521

24. Cash and Cash Equivalents

	31/03/2016	31/03/2017
	£000	£000
Cash held by the Council	46	50
Bank current accounts	2,895	1,521
Short-term deposits	19,105	52,650
	22,046	54,221

25. Creditors

	31/03/2016	31/03/2017
	£000	£000
Central Government Bodies	(10,194)	(14,452)
Other Local Authorities	(3,616)	(3,265)
NHS Bodies	(2,369)	(1,883)
Public Corporations & Trading Funds	(2)	(1,212)
Other Entities & Individuals	(14,503)	(19,213)
	(30,684)	(40,025)

26. Borrowings

Short term borrowings consist of:

	31/03/2016	31/03/2017
	£000	£000
Source of loans:		
Public Works Loans Board	(10,000)	(10,000)
	(10,000)	(10,000)

Long term borrowings consist of:

	31/03/2016	31/03/2017
	£000	£000
Source of loans:		
Public Works Loan Board	(133,000)	(133,000)
Eurohypo	(10,000)	(10,000)
Liverpool City Region - LEP	(5,664)	(5,401)
	(148,664)	(148,401)
Analysis of loans by maturity:		
Maturing in 1-2 years	(10,000)	(5,401)
Maturing in 2-5 years	(5,664)	-
Maturing in 5-10 years	-	-
Maturing in more than 10 years	(133,000)	(143,000)
	(148,664)	(148,401)

27. Provisions

	NNDR Appeals £000	Other Short Term Provisions £000	Long Term Provisions
Balance at 1 April 2016	(4,999)	(654)	-
Movement in use of provision in year	1,064	149	-
Amounts reclassified as <12 months	-	-	-
Amounts reclassified from >12 months	-	-	-
Balance at 31 March 2017	(3,935)	(505)	-

NNDR Appeals

The Council is required to make a provision for NNDR valuation appeal claims. It is thought that all these claims will be settled during 2017/18.

28. Contingent Liabilities

At 31st March 2017, the Council had 2 categories of material Contingent Liabilities:

Mersey Gateway

The Mersey Gateway project is a major capital scheme currently progressing with the construction of a new six lane toll bridge over the river Mersey. The new bridge will provide a multitude of economic and regional benefits whilst relieving the congested and ageing Silver Jubilee Bridge.

Under an agreement with Merseylink, the organisation awarded the contract to deliver the Mersey Gateway Project, Halton Borough Council have a maximum liability of £7m towards the cost of remediation work in respect of contamination on any of the land that falls within the Mersey Gateway Project. As construction of the Mersey Gateway project nears completion (expected Autumn 2017) this liability becomes less likely to materialise.

Halton Borough Council also have a maximum liability of £3m in respect of additional project costs arising from changes in technology used by Merseyside Integrated Transport Authority in the tolling of the Mersey Tunnels, in so far as such changes impact on the technology to be used for the tolling of the Mersey Gateway and Silver Jubilee Bridge. Again, as construction of the Mersey Gateway project nears completion this liability becomes less likely to materialise.

At the 31st March 2017, the actual amount of any possible obligations is unknown.

NHS and Foundation Trusts Applications for Mandatory Relief from Business Rates

A hereditament that is wholly or mainly used for charitable purposes is entitled to 80% mandatory relief from business rates. There is an ongoing issue as to whether NHS and Foundation trusts fall into this category. Under Local Government Act 1988 the central issue is whether a foundation trust or NHS trust is an “institution or other organisation established for charitable purposes only.” If so such establishments would be entitled to 80% mandatory relief.

Legal advice has been received from the Local Government Association (LGA) which concludes that NHS Trusts and Foundations are not charities and therefore are not entitled to mandatory rating relief regardless of the precise use being made of the hereditament in question. The Council has received a small number of applications from health trusts for mandatory relief which have to date all been refused. However, if any applications were successful there would be a potential liability of approximately £0.860m with claims being backdated over seven years. The LGA are acting on behalf of Councils nationally in defending the current position on these applications.

29. Other Long Term Liabilities

	31/03/2016	31/03/2017
	£000	£000
Defined Benefit Pension liability	(64,719)	(109,015)
Finance PFI Lease liability due more than 12 months	(20,494)	(19,942)
Finance Leases liability due more than 12 months	(531)	(363)
Deferred liabilities	(78)	(60)
	(85,822)	(129,380)

30. Leases

Operating Leases – Authority as lessee

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

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

	31/03/2016	31/03/2017
	£000	£000
Not later than one year	366	366
Later than one year not later than five years	1,069	877
Later than five years	10,789	10,640
	12,224	11,883

Operating Leases - Authority as a Lessor

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

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

	31/03/2016	31/03/2017
	£000	£000
Not later than one year	2,057	2,010
Later than one year not later than five years	2,961	2,808
Later than five years	12,833	11,830
	17,851	16,648

31. Private Finance Initiatives

Halton Grange School PFI Scheme

On 20 June 2011 the council entered into a 25 year Private Finance Initiative (PFI) arrangement with HTP Grange Ltd for the provision of 1 new high school. The arrangement is for the construction, maintenance, and facilities management of Grange School. The new school building was handed over to the Council on 15th April 2013. The school is one of the Council's Community Schools.

The contract specifies minimum standards for the services provided by the contractor to the school. The contractor took on the obligation to construct the school and maintain it in a minimum acceptable condition and to procure and maintain the plant and equipment needed to operate the school. The buildings and any plant and equipment installed in them at the end of the contract will be transferred to the Council for nil consideration. The Council only has rights to terminate the contract if it compensates the contractor in full for the costs incurred and future profits that would have been generated over the remaining term of the contract.

Property, Plant and Equipment

The assets used to provide services at the school are recognised on the Council's Balance Sheet.

Payments

The Council makes an agreed payment each year which is increased annually by inflation and can be reduced if the contractor fails to meet availability and performance standards in any year but which is otherwise fixed.

Payments remaining to be made under the PFI contract at 31 March 2017 (excluding any estimation of inflation and availability/performance deductions) are as follows:

	Payment for Services £000	Reimbursements of Capital Expenditure £000	Interest £000	Total £000
Payment in 2017/18	968	554	1,758	3,280
Payable within 2-5 years	4,363	2,215	6,541	13,119
Payable within 6-10 years	5,970	3,345	7,084	16,399
Payable within 11-15 years	5,884	5,173	5,343	16,400
Payable within 16-20 years	6,363	7,215	2,822	16,400
Payable within 21-25 years	1,117	1,993	171	3,281
Total	24,665	20,495	23,719	68,879

Although the payments made to the contractor are described as unitary payments, they have been calculated to compensate the contractor for the fair value for the services they provide, the capital expenditure incurred and interest payable whilst the capital expenditure remains to be reimbursed. The liability outstanding to the contractor for capital expenditure incurred is as follows:

	£000
Balance outstanding at 1st April 2016	21,031
Payments during the year	(536)
Capital expenditure incurred in the year	-
Balance outstanding at 31st March 2017	20,495

The carrying value of the PFI liability is the present value of the payments due using the interest rate implicit in the contract. It is considered, therefore, that the carrying value of the liability is the same as the fair value.

32. Pension Schemes

Disclosure of Net Pensions Asset/Liability

Participation in 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.

The Council participates in three pension schemes, all of which offer defined benefit schemes:

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

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

The NHS pension scheme relates to 43 employees. The scheme operates on a similar basis to the Teacher's pension scheme

Local Government Pension Scheme

Transactions Relating to Post-Employment Benefits

In 2016/17, the Council paid an employer's contribution to the Cheshire Pension Fund of £12.936m (£13.084m in 2015/16), representing 21.6% (21.1% in 2015/16) of pensionable pay.

The cost of retirement benefits is recognised in the Net Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge that is required to be made 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:

	2015/16 £000	2016/17 £000
Comprehensive Income & Expenditure Statement		
Cost of Services		
Current Service Costs	15,887	13,898
Past Service Costs/(Gain)	761	127
Losses/(Gains) from Settlements	(121)	(53)
Finance & Investment Income & Expenditure		
Net interest expense	4,139	2,282
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	20,666	16,254
Other Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement		
Re-measurement of the net defined benefit liability comprising:		
Return on plan assets (excluding the amount included in the net interest expense)	(9,178)	(56,603)
Actuarial (gains) and losses arising on changes in demographic assumptions	-	(567)
Actuarial (gains) and losses arising on changes in financial assumptions	(54,358)	106,789
Other experience	(6,981)	(8,641)
Total Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement	(70,517)	40,978
Movement in Reserves Statement		
Reversal of net charges made to the Surplus or Deficit on the provision of Services for post-employment benefits in accordance with the Code	(20,666)	(16,254)
Actual amount charged against the General Fund Balance for pensions in the year:		
Employers' contributions payable to scheme	13,084	12,936

Pension Assets and Liabilities Recognised in the Balance Sheet

The amount included in the Balance Sheet arising from the Council's obligation in respect of its defined benefit plans is as follows

	2015/16 £000	2016/17 £000
Present value of the defined benefit obligation	541,510	657,746
Fair value of plan assets	(476,791)	(548,731)
Sub Total	64,719	109,015
Other movement in the liability / (asset)	-	-
Net liability arising from defined benefit obligation	64,719	109,015

Reconciliation of the Movements in the Fair Value of Scheme (Plan) Assets

	2015/16 £000	2016/17 £000
Opening fair value of scheme assets	452,166	476,791
Interest income	14,483	16,654
Remeasurement gain / (loss)	-	-
The return on plan assets, excluding the amount included in the net interest expense	9,178	56,603
Contributions from employer	13,084	12,936
Contribution from employees into the scheme	3,455	3,516
Benefits Paid	(15,403)	(17,475)
Effect of Settlements	(172)	(294)
Closing fair value of scheme assets	476,791	548,731

Reconciliation of Present Value of the Scheme Liabilities (Defined Benefit Obligation)

	2015/16	2016/17
	£000	£000
Opening balance at 1 April	579,821	541,510
Current service cost	15,887	13,898
Interest Cost	18,622	18,936
Contribution from scheme participants	3,455	3,516
Remeasurement (gains) and losses:		
- Actuarial gains / losses arising from changes in demographic assumptions	-	(567)
- Actuarial gains / losses arising from changes in financial assumptions	(54,359)	106,789
- Other	(6,981)	(8,641)
Past service cost	761	127
Benefits paid	(15,403)	(17,475)
Liabilities extinguished on settlements	(293)	(347)
Closing balance at 31 March	541,510	657,746

Local Government Pension Scheme assets comprised

	Fair value of scheme assets 2015/16			Fair value of scheme assets 2016/17		
	Quoted prices in active markets £000	Quoted prices not in active markets £000	Total £000	Quoted prices in active markets £000	Quoted prices not in active markets £000	Total £000
Cash and cash equivalents	-	10,248	10,248	-	12,854	12,854
Equity securities						
- Consumer	14,568	-	14,568	17,577	-	17,577
- Manufacturing	11,124	-	11,124	13,127	-	13,127
- Energy & utilities	2,873	-	2,873	2,737	-	2,737
- Financial institutions	14,342	-	14,342	15,090	-	15,090
- Health & Care	3,866	-	3,866	4,140	-	4,140
- Information technology	42,754	-	42,754	47,830	-	47,830
- Other	1,954	-	1,954	2,113	-	2,113
Sub-total equity	91,481	-	91,481	102,614	-	102,614
Debt Securities						
- Corporate Bonds	-	-	-	-	-	-
- Government Bonds	-	-	-	-	-	-
- Other	-	-	-	-	-	-
Sub-total bonds	-	-	-	-	-	-
Property						
- UK property	-	37,689	37,689	-	36,178	36,178
- Overseas property	-	828	828	-	953	953
Sub-total property	-	38,517	38,517	-	37,131	37,131
Private Equity	-	25,080	25,080	-	24,173	24,173
Other investment funds						
- Equities	60,444	-	60,444	80,227	-	80,227
- Bonds	129,361	33,331	162,692	158,881	39,912	198,793
- Hedge funds	-	62,996	62,996	-	66,936	66,936
- Other	-	25,333	25,333	-	26,003	26,003
Sub-total investment funds	189,805	121,660	311,465	239,108	132,851	371,959
Total Assets	281,286	195,505	476,791	341,722	207,009	548,731

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:

	2015/16	2016/17
Long-term expected rate of return on assets in the scheme		
Investment Returns		
- Equity Investments	3.5%	2.6%
- Bonds	3.5%	2.6%
- Property	3.5%	2.6%
- Cash	3.5%	2.6%
Mortality Assumptions		
Longevity at 65 for current pensioners:		
- Men	22.3 years	22.3 years
- Women	24.4 years	24.5 years
Longevity at 65 for future pensioners:		
- Men	24.1 years	23.9 years
- Women	26.7 years	26.5 years
Rate of inflation	2.2%	2.4%
Rate of increase in salaries	3.2%	2.7%
Rate of increase in pensions	2.2%	2.4%
Rate for discounting scheme liabilities	3.5%	2.6%
Take-up of option to convert annual pension into retirement lump sum		
- Service to April 2008	50%	50%
- Service from April 2008	75%	75%

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis overleaf did not change from those used in the previous period.

	Approximate % increase to Employer Liability	Approximate monetary amount £000
Change in assumptions at 31 March 2017		
0.5% decrease in Real Discount Rate	10%	64,266
0.5% increase in the Salary Increase Rate	2%	11,454
0.5% increase in the Pension Increase Rate	8%	51,769

Impact on the Authority's Cash Flows

The objectives of the scheme are to keep employers' contribution at a constant rate as possible. The Council has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over the 20 years following the last valuation. Funding levels are monitored on an annual basis and the next triennial valuation will be completed on 31 March 2019.

The scheme will need to take account of the national changes to the scheme under the Public Pensions Services Act 2013. Under the Act, the Local Government Pension Scheme in England and Wales and other main existing public service schemes may not provide benefits in relation to service after 31 March 2014 (or service after 31 March 2015 for other main existing public service pension schemes in England and Wales). The Act provides for scheme regulations to be made within a common framework, to establish new career average revalued earnings schemes to pay pensions and other benefits.

The authority is anticipated to pay contributions of £16.983m to the scheme in 2017/18.

The weighted average duration of the defined benefit obligation for scheme members is 18.7 years in 2016/17 (18.5 years in 2015/16)

Further information can be found in Cheshire West and Chester Borough Council's Pension Funds Annual Report which is available from Cheshire Pension Fund, Cheshire West and Chester Council, HQ, Nicholas Street, Chester, CH1 2NP.

Teachers' Pension Scheme

Defined Contribution Scheme

In 2016/17, the Council paid an employers' contribution to the Teachers' Pension Agency of £4.864m (£4.526m in 2015/16) in respect of teachers' pension costs. The contribution rate for 2016/17 was 16.5% (16.5% in 2015/16) of teachers' pensionable pay.

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

The Council is responsible for any additional benefits granted upon early retirement, outside the standard terms of the scheme. For the year 2016/17 the cost was £0.131m (£0.131m in 2015/16).

NHS Pension Scheme

Defined Contribution Scheme

In 2016/17 the Council paid an employers' contribution to the National Health Service Pensions Scheme in respect of 43 employees, the amount paid was £0.171m (£0.169m in 2015/16) in respect of these former NHS employees' pension costs. The contribution rate was 14.3% (14.3% in 2015/16) 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.

33. Financial Instrument

Nature and Extent of Risks from Financial Instruments

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

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

Liquidity Risk – the possibility that the Council might not have enough funds available to meet its commitments to make payments

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

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

Fair Value

The Code requires that each class of financial asset and liability should disclose the “fair value” in a way that permits it to be compared with its carrying amount, as well as the method used in determining such fair values. The Council has used Capita Asset Services, its treasury management advisors to calculate these values and they have based the calculation on the appropriate PWLB rate for new loans as at 31st March 2017.

Credit Risk

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

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

Customers for goods and services are assessed, taking into account their financial position, past experience and other factors, with individual credit limits being set in accordance with parameters set by the Council.

The Council’s maximum exposure to credit risk in relation to its investments held in banks and building societies of £120.5m cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of non-recoverability applies to all Council deposits, but there was no evidence at 31st March 2017 that this was likely to crystallise.

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

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

Maximum Deposit per institution £000	Counterparties	Exposure at 31/03/2017 £000
40,000	UK Government	-
	Nationalised and Part Nationalised Banks	
40,000	- Minimum Rating A	-
20,000	- Minimum Rating BBB	-
	UK Banks and Building Societies	
30,000	- Minimum Rating AAA	-
25,000	- Minimum Rating AA	-
20,000	- Minimum Rating A	55,500
10,000	- Minimum Rating BBB	-
	Foreign Banks (with Sovereign Rating of AAA)	
20,000	- Minimum Rating AAA	-
10,000	- Minimum Rating AA	25,000
5,000	- Minimum Rating A	-
	Money Market Funds	
20,000	- Minimum Rating AAA	-
10,000	- Minimum Rating AA	-
40,000	Local Authorities	40,000
		120,500

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 non-collection over recent financial years, adjusted to reflect current market conditions.

	Estimated maximum exposure to default and non-collection at 31/03/2016 £000	Amount Outstanding at 31/03/2017 £000	Historical experience of default %	Estimated maximum exposure to default and non-collection at 31/03/2017 £000
Deposits with Banks	-	80,500	0.00	-
Deposits with Building Societies	-	-	0.00	-
Deposits with Local Authorities	-	40,000	0.00	-
Deposits with Property Funds	-	4,626	0.00	-
Customers/Clients	204	8,984	2.50	225
	204			225

None of the Council's counterparties had any difficulty in repaying their liabilities during 2016/17. There has been no impairment of any financial assets during the course of the year. The Council does not anticipate any losses due to non-performance of its counterparties.

An analysis of the customer/client debt is shown below. As at 31st March 2017 £8.867m of this debt is overdue:

	31/03/2016 £000	31/03/2017 £000
Less than 3 months	3,961	4,825
3 to 6 months	846	541
6 months to 1 year	737	1,127
More than 1 year	2,597	2,491
	8,141	8,984
Provision for non-payment	(2,925)	(2,880)

Liquidity Risk

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

The maturity analysis of financial liabilities is as follows:

	31/03/2016	31/03/2017
	£000	£000
Less than 1 year	31,304	37,986
Between 1 and 2 years	10,000	5,401
Between 2 and 5 years	5,664	-
More than 5 years	133,000	143,000
	179,968	186,387

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 and Expenditure Statement will rise

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

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

The Council has a number of strategies for managing interest rate risk. The Annual Treasury Management Strategy draws together the Councils' prudential and treasury indicators and its expected treasury operations, including an expectation of interest rate movements. From this strategy, a treasury management section monitor interest rates within the year and adjust exposures accordingly. During periods of falling interest rates, and where economic circumstances make it favourable, fixed rate loans will be repaid early to limit exposure to losses and fixed rate investments may be taken for longer periods to secure better long term results, similarly the drawing of longer term fixed rate borrowing would be postponed.

According to an assessment strategy at 31st March 2017, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

	2016/17
	£000
Increase in interest payable on variable rate borrowings	4
Increase in interest receivable on variable rate investments	(1,633)
Impact upon Comprehensive Income and Expenditure Statement	(1,629)

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

Price Risk

The Council has invested £5m in the CCLA property fund as at 31st March 2017. The price of the investment is subject to potential gains and losses based on market volatility. The investment is shown in the accounts at its value as at 31st March 2017 and any gains or losses relating to this investment are shown in the Available for Sale reserve (see Note 37).

The Council have no other holdings that are subject to market volatility, an example of which would be shares traded on the equity market.

Foreign Exchange Risk

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

Financial Instrument Balances

Categories of Financial Instrument

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

	Long Term 31/03/2016 £000	Current 31/03/2016 £000	Long Term 31/03/2017 £000	Current 31/03/2017 £000
Investments				
Loans and receivables	5,000	143,013	10	68,000
Available for Sale Financial Assets	1,912	-	4,626	-
Unquoted equity investment at cost	501	-	483	-
Total	7,413	143,013	5,119	68,000
Assets				
Cash & Cash Equivalents	-	22,046	-	54,221
Loans and receivables	774	13,035	11,395	15,610
Total	774	35,081	11,395	69,831
Borrowings				
Financial liabilities at amortised cost	(148,664)	(10,000)	(148,401)	(10,000)
Other liabilities				
Finance lease liabilities & PFI	(20,670)	(909)	(20,221)	(777)
Current Liabilities				
Financial liabilities at amortised cost	-	(21,304)	-	(27,986)

Material Soft Loans Made by the Council

There were no material soft loans made by Halton Borough Council in 2016/17 (£0 2015/16)

Reclassifications

There were no reclassifications of financial instruments made by Halton Borough Council in 2016/17 (£0 2015/16).

Income, Expense, Gains and Losses

	2015/16			2016/17		
	Financial Liabilities measured at amortised cost £000	Financial Assets: Loans and Receivables £000	Total £000	Financial Liabilities measured at amortised cost £000	Financial Assets: Loans and Receivables £000	Total £000
Interest expense	7,739	-	7,739	7,609	-	7,609
Interest income	-	(2,021)	(2,021)	-	(1,548)	(1,548)
Net Gain/(Loss)	7,739	(2,021)	5,718	7,609	(1,548)	6,061

Fair values of Financial Assets

Some of the authority's financial assets are measured at fair value on a recurring basis and are described in the following table, including the valuation techniques used to measure them:

Recurring fair value measurements	Input level in fair value hierarchy £000	Valuation technique used to measure fair value £000	31/03/2016 £000	31/03/2017 £000
Available for Sale: Property Fund	Level 1	Unadjusted quoted prices in active markets for identical shares	1,912	4,626

Gains and losses included in Other Comprehensive Income and Expenditure for the current year relate to the valuation of the above asset and are taken to the Available for Sale Financial Instruments Reserve. These are reported in the surplus or deficit on the revaluation of available for sale financial assets line in the Comprehensive Income and Expenditure Statement

There have been no transfers between input levels during the year, and no change in the valuation technique used.

The fair values of Financial Assets and Financial Liabilities that are not measured at Fair Value (but for which Fair Value disclosures are required)

Except for the financial assets carried at fair value (described in the table above), all other financial liabilities and financial assets held by the authority 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 (Level 2), using the following assumptions:

- Estimated ranges of interest rates at 31st March 2017 for loans from PWLB and other loans receivable and payable based on new lending rates for equivalent loans at that date.
- PFI Valuation is assumed to be carried at fair value (see Note 31 for further details).
- No early repayment or impairment is recognised for loans or investments.
- Cash and Cash Equivalents are held at carrying value.

- The fair value of trade and other receivables is taken to be the invoiced or billed amount less a provision for impairment.
- Short term creditors are carried at cost.

The fair values are shown below:

	2015/16		2016/17	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£000	£000	£000	£000
Financial Liabilities - short term				
Borrowings	(10,000)	(10,155)	(10,000)	(10,086)
Finance lease liabilities & PFI	(909)	(909)	(777)	(777)
Other financial liabilities	(21,304)	(21,304)	(27,986)	(27,986)
Financial Liabilities - long term				
Borrowings	(148,664)	(170,573)	(148,401)	(188,060)
Finance lease liabilities & PFI	(20,670)	(20,670)	(20,221)	(20,221)
Other financial liabilities	-	-	-	-

The fair values of the liabilities is higher than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the prevailing rates at the Balance Sheet date. This shows a notional future loss (based on economic conditions at 31st March 2017) arising from a commitment to pay interest to lenders above current market rates.

Please note that the 2015/16 comparative figures for long-term loans and receivables have been restated due to an error in the 2015/16 accounts.

	2015/16		2016/17	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	Restated	Restated		
	£000	£000	£000	£000
Financial Assets - short term				
Investments - loans and receivables	143,013	143,569	68,000	68,247
Cash and Cash Equivalents	22,046	22,046	54,221	54,221
Loans and receivables	13,035	13,035	15,610	15,610
Financial Assets - long term				
Unquoted equity investment at cost	501	501	483	483
Loans and receivables	5,774	5,774	11,405	11,405

The fair value of assets is higher than the carrying amount because the Council's portfolio of investments includes a number of fixed rate investments where the interest receivable is higher than the rates available for similar loans at the Balance Sheet date. This shows a

notional future gain (based on economic conditions at the 31st March 2017) attributable to the commitment to receive interest above current market rates.

34. Adjustments between Accounting Basis and Funding Basis under regulation

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.

2015/16

	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Movement in Usable Reserves £000	Movement in Unusable Reserves £000
Capital adjustment account reversal of items debited or credited to the CIES:					
Charges for depreciation and impairment on non-current assets	(21,793)	-	-	(21,793)	21,793
Revaluation losses on Property, Plant and Equipment	2,912	-	-	2,912	(2,912)
Movements in the Market Value of Investment Properties	279	-	-	279	(279)
Amortisation of Intangible Assets	(333)	-	-	(333)	333
Capital Grants and Contributions applied	15,974	-	-	15,974	(15,974)
REFCUS	(586)	-	-	(586)	586
Amounts written off on disposal of Academies to CIES	-	-	-	-	-
Amounts of non-current assets written off on disposal or sale as gain/loss on disposal to the CIES	2,235	(5,407)	-	(3,172)	3,172
Insertion of items not debited or credited to the CIES:					
Statutory provision for the financing of Capital investment	3,148	-	-	3,148	(3,148)
Capital expenditure charged against the General Fund Balance	2,279	-	-	2,279	(2,279)
Other					
Transfer between CAA and RR for depreciation that is based on CV rather than HC	-	-	-	-	-
Capital Grants Unapplied Account					
Capital Grants and Contributions unapplied credited to the CIES	33	-	(33)	-	-
Application of Grants to Capital Financing transferred to the Capital Adjustment Account	-	-	-	-	-

	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Movement in Usable Reserves £000	Movement in Unusable Reserves £000
Capital Receipts Reserve					
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the CIES	-	-	-	-	-
Use of Capital Receipts Reserve to Finance new Capital Expenditure	-	4,494	-	4,494	(4,494)
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	(1)	1	-	-	-
Transfer from the Deferred Capital Receipts Reserve upon the receipt of cash	-	-	-	-	-
Pensions Reserve					
Reversal of items relating to retirement benefits debited/credited to the CIES	(20,666)	-	-	(20,666)	20,666
Employers pension contributions and direct payments to pensioners	13,084	-	-	13,084	(13,084)
Collection Fund Adjustment					
Amount by which council tax income credited to the CIES is different from council tax income calculated for the year in accordance with statutory requirements	1,724	-	-	1,724	(1,724)
Accumulated Absences Account					
Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration with statutory requirements	101	-	-	101	(101)
TOTAL ADJUSTMENTS	(1,610)	(912)	(33)	(2,555)	2,555

2016/17

	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Movement in Usable Reserves £000	Movement in Unusable Reserves £000
Capital adjustment account reversal of items debited or credited to the CIES:					
Charges for depreciation and impairment on non-current assets	(22,563)	-	-	(22,563)	22,563
Revaluation losses on Property, Plant and Equipment	(16,903)	-	-	(16,903)	16,903
Movements in the Market Value of Investment Properties	(138)	-	-	(138)	138
Amortisation of Intangible Assets	(689)	-	-	(689)	689
Capital Grants and Contributions applied	19,681	-	-	19,681	(19,681)
REFCUS	(6,791)	-	-	(6,791)	6,791
Amounts written off on disposal of Academies to CIES	(1,199)	-	-	(1,199)	1,199
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	1,269	(9,061)	-	(7,792)	7,792
Insertion of items not debited or credited to the CIES:					
Statutory provision for the financing of Capital investment	2,471	-	-	2,471	(2,471)
Capital expenditure charged against the General Fund Balance	759	-	-	759	(759)
Other					
Transfer between CAA and RR for depreciation that is based on CV rather than HC	-	-	-	-	-
Capital Grants Unapplied Account					
Capital Grants and Contributions unapplied credited to the CIES	(430)	-	430	-	-
Application of Grants to Capital Financing transferred to the Capital Adjustment Account	-	-	-	-	-

	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Movement in Usable Reserves £000	Movement in Unusable Reserves £000
Capital Receipts Reserve					
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the CIES	-	-	-	-	-
Use of Capital Receipts Reserve to Finance new Capital Expenditure	-	5,548	-	5,548	(5,548)
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	-	-	-	-	-
Transfer from the Deferred Capital Receipts Reserve upon the receipt of cash	-	-	-	-	-
Pensions Reserve					
Reversal of items relating to retirement benefits debited/credited to the CIES	(16,254)	-	-	(16,254)	16,254
Employers pension contributions and direct payments to pensioners	12,936	-	-	12,936	(12,936)
Collection Fund Adjustment					
Amount by which council tax income credited to the CIES is different from council tax income calculated for the year in accordance with statutory requirements	3,243	-	-	3,243	(3,243)
Accumulated Absences Account					
Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration with statutory requirements	(199)	-	-	(199)	199
TOTAL ADJUSTMENTS	(24,807)	(3,513)	430	(27,890)	27,890

35. 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, any earmarked reserves under the General Fund umbrella, the Capital Receipts Reserve and any Capital Grants Unapplied.

General Fund Balance

The General Fund Balance records the Council's accumulated income over expenditure for each financial year. The fund manages the reversal of a number of transactions that are required to be included in the preparation of the financial statements but the subsequently removed under statutory mitigation.

Earmarked Reserves

These reserves help to meet specific known or predicted future requirements and are legally part of the General Fund Reserve. The earmarked reserves also include unspent school balances of budgets delegated to individual schools.

The movements in earmarked reserves are analysed in Note 36.

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

Capital Grants Unapplied

This reserve holds Capital Grants income for which all conditions have been met, but the funding has yet to be used to finance capital expenditure.

2015/16		2016/17
£000		£000
	General Fund	
(5,389)	- Excluding Earmarked Reserves	(4,830)
(40,680)	- Earmarked Reserves	(42,072)
	Capital Reserves	
(5,298)	- Capital Receipts Reserve	(9,933)
(2,692)	- Capital Grants Unapplied	(2,262)
(54,059)	Total Usable Reserves	(59,097)

36. 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 2016/17.

	Balance at 31 st March 2015 £000	Movement (to) / from Reserve £000	Balance at 31 st March 2016 £000	Movement (to) / from Reserve £000	Balance at 31 st March 2017 £000
General Fund					
Schools Reserves (Balances held by schools under the scheme of delegation)	(7,461)	1,743	(5,718)	944	(4,774)
Capital (To support Capital Programme)	(3,866)	(1,180)	(5,046)	518	(4,528)
Insurance General Fund (To fund self possible self insured claims)	(4,102)	717	(3,385)	28	(3,357)
Building Schools for the Future Capital (To fund future capital costs)	(1,472)	(259)	(1,731)	(280)	(2,011)
Invest to Save (To fund investments in revenue saving initiatives)	(1,208)	471	(737)	126	(611)
Supporting People (Earmarked to fund future schemes)	(711)	(92)	(803)	600	(203)
Enterprise and Employment (To fund E&E activities for future years)	(649)	(174)	(823)	279	(544)
Health & Community (To support future revenue budgets)	(1,098)	(456)	(1,554)	989	(565)
Equal Pay (To fund costs arising from equal pay claims)	(2,864)	500	(2,364)	581	(1,783)
Revenues & Benefits Development (To fund ongoing systems development and benefits reform changes)	(736)	-	(736)	-	(736)
Learning & Achievement (To finance budgets which span the academic year)	(592)	351	(241)	241	-

	Balance at 31st March 2015	Movement (to) / from Reserve	Balance at 31st March 2016	Movement (to) / from Reserve	Balance at 31st March 2017
General Fund	£000	£000	£000	£000	£000
A&C Section 256 Monies (Contribution from H&StH PCT with joint outcomes)	(770)	-	(770)	-	(770)
A&C Savings (To help finance A&C budget)	(1,620)	(951)	(2,571)	(662)	(3,233)
Transformation Fund (To fund costs arising from future efficiency reviews)	(2,327)	1,580	(747)	286	(461)
Enterprise, Resources & Resources (Contribution to Savings Target)	(2,759)	163	(2,596)	(482)	(3,078)
Public Health (To fund the public health responsibilities of the Council)	(1,374)	22	(1,352)	515	(837)
Records Management Unit (To fund the dedicated records management unit for the Council)	(1,030)	1,030	-	-	-
Fleet Replacement (Rolling replacement programme for Council fleet vehicle)	(1,441)	(327)	(1,768)	90	(1,678)
Superfast Broadband (To provide matched funding to the Superfast Broadband project)	(522)	3	(519)	518	(1)
European Match Funding 2014-2020 (Contribution to the European 2014-2020 Programme)	(1,935)	(181)	(2,116)	396	(1,720)
Discretionary Social Fund (To continue to provide the hardship fund once Government support ceases)	(942)	9	(933)	101	(832)
Troubled Families (Will be utilised during 16/17 to deliver various services)	(505)	46	(459)	83	(376)
Pension Past Service Deficit (To enable pension deficits to be funded as a lump sum, resulting in finance efficiencies)	-	-	-	(5,635)	(5,635)
Revenue Efficiencies (To help fund budget gaps over the medium term)	-	-	-	(550)	(550)
Other Earmarked Reserves (Total of reserves under £500k)	(3,579)	(132)	(3,711)	(78)	(3,789)
TOTAL ALL RESERVES	(43,563)	2,883	(40,680)	(1,392)	(42,072)

In order to streamline the note any reserves under £500k have been summarised as 'Other Earmarked Reserves' in the table above.

37. Unusable Reserves

2015/16		2016/17
£000		£000
(83,044)	Revaluation Reserve	(75,076)
88	Available for Sale Financial Instruments Reserve	373
64,720	Pensions Reserve	109,016
(197,772)	Capital Adjustment Account	(170,219)
(1,164)	Deferred Capital Receipts	(13,412)
(3,616)	Collection Fund Adjustment Account	(6,859)
1,905	Accumulated Absences Account	2,104
(5)	Rounding Adjustment	-
(218,888)	Total Unusable Reserves	(154,073)

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.

Disposed of and the gains are realised.

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

2015/16 £000		£000	2016/17 £000
(58,907)	Balance at 1 April		(83,044)
(35,530)	Upward revaluation of assets	(6,755)	
1,761	Downward revaluation of assets and impairment losses not charged to the Surplus/(Deficit) on the Provision of Services	1,291	
(33,769)	Surplus or deficit on revaluation of non-current assets not posted to the Surplus/(Deficit) on the Provision of Services		(5,464)
8,354	Difference between fair value depreciation and historical cost depreciation	9,539	
-	Accumulated gain on academies transferred	192	
1,278	Accumulated gains on assets sold or scrapped	3,701	
9,632	Amount written off to the Capital Adjustment Account		13,432
(83,044)	Balance at 31 March		(75,076)

Capital Adjustment Account

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

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

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

2015/16 £000		£000	2016/17 £000
(185,836)	Balance at 1 April		(197,772)
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
21,793	Charges for depreciation and impairment of non-current assets	22,563	
(2,912)	Revaluation losses on Property, Plant and Equipment	16,903	
333	Amortisation of intangible assets	689	
586	Revenue expenditure funded from capital under statute	6,791	
-	Carrying value of Academies transferred	1,199	
4,070	Carrying amount of non-current assets sold	21,161	
23,870			69,306
(9,632)	Adjusting amounts written out of the Revaluation Reserve		(13,432)
14,238	Net written out amount of the cost of non-current assets consumed in the year		55,874
	Capital financing applied in the year:		
(4,494)	Use of the Capital Receipts Reserve to finance new capital expenditure	(5,548)	
(15,974)	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(19,681)	
(3,148)	Application of grants to capital financing from the Capital Grants Unapplied Account		
(2,279)	Statutory provision for the financing of capital investment charged against the General Fund	(2,471)	
(25,895)	Capital expenditure charged against the General Fund	(759)	
(279)	Movements in the market value of investment properties debited or credited to the Comprehensive Income and Expenditure Statement		138
-	Movement in the Donated Assets Account credited to the Comprehensive Income and Expenditure Statement		-
(197,772)	Balance at 31st March		(170,219)

Pension Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The Council accounts for post-employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs.

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

2015/16		£000	2016/17
£000		£000	£000
127,655	Balance at 1st April		64,720
	Re-measurement of the net defined benefit liability comprising:		
-	Changes in demographic assumptions	(567)	
(54,358)	Changes in financial assumptions	106,789	
(6,981)	Other experience	(8,641)	
(9,178)	Returns on assets excluding amounts included in net interest	(56,603)	
(70,517)			40,978
20,666	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		16,254
(13,084)	Employers pensions contributions and direct payments to pensioners payable in the year		(12,936)
64,720	Balance at 31st March		109,016

Deferred Capital Receipts Reserve

Deferred Capital Receipts are amounts derived from the sale of assets which will be received in instalments over agreed periods of time.

2015/16		2016/17
£000		£000
(266)	Castlefields Equity Advances	(266)
(898)	Former recreation ground, Liverpool Road	-
-	Castlefields Lakeside	(522)
-	Former Fairfield High School Land	(3,550)
-	3MG - Mersey Multi Modal Gateway	(1,454)
-	Scitech Daresbury Lease	(7,620)
(1,164)		(13,412)

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

2015/16		2016/17
£000		£000
(1,262)	Balance at 1 April	(1,164)
(898)	Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(13,370)
996	Transfer to the Capital Receipts Reserve upon receipt of cash	1,122
(1,164)	Balance at 31 March	(13,412)

Collection Fund Adjustment

The Collection Fund Adjustment Account manages the differences arising from the recognition of Council Tax and Non Domestic Rates 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

2015/16 £000		2016/17 £000
(1,892)	Balance at 1 April	(3,616)
980	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	334
(2,704)	Amount by which Non Domestic Rates income credited to the Comprehensive Income and Expenditure Statement is different from Non Domestic Rates income collected in the year in accordance with statutory requirements	(3,577)
(3,616)	Balance at 31 March	(6,859)

Accumulated Absences Account

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

2015/16 £000		2016/17 £000
2,006	Balance at 1 April	1,905
(2,006)	Settlement or cancellation of accrual made at the end of the preceding year	(1,905)
1,905	Amount accrued at the end of the current year	2,104
(101)	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	
1,905	Balance at 31 March	2,104

Available for Sale Financial Instruments Reserve

The Available for Sale Financial Instruments Reserves contains the gains and losses made by the Authority arising from changes in the value of its investments that have quoted market prices or otherwise do not have fixed or determinable payments. The gain or loss will not be realised until the investments are sold (though the asset could be impaired if there is a prolonged decline in the unit price under which the asset was purchased.)

2015/16		2016/17
£000		£000
-	Balance at 1 April	88
-	Upward revaluation of investments	
-	Downward revaluation of investments not charged to the	
88	Surplus/Deficit on the Provision of Services	285
-	Accumulated gains on assets sold and maturing assets written out to the Comprehensive Income and Expenditure Statement as part of Other Investment	
-	Income	-
88	Balance at 31 March	373

38. Cash Flow Statement – Operating Activities

The surplus or deficit on the provision of services has been adjusted for the following non-cash movements:

2015/16		2016/17
£000		£000
(21,793)	Depreciation	(22,563)
4,774	Impairment and downward valuation	(16,903)
(333)	Amortisation of Intangible Assets	(689)
279	Movement in market value of investment properties	(138)
(476)	Impairment Debtors	(616)
8,646	(Increase)/Decrease in Creditors and Receipts in Advance	(1,066)
(1,469)	Increase/(Decrease) in Debtors	11,235
17	Increase/(Decrease) in Inventories	15
(7,582)	Movement in Pension Liability	(3,318)
(142)	Contributions (to)/from Provisions	1,213
(4,070)	Carrying amount of non-current assets and non-current assets held for sale, sold or de-recognised	(21,161)
-	Loss on transfer to academies	(1,199)
(1,365)	Other non-cash adjustments	(5,772)
(23,514)	Total non-cash movements	(60,962)

The surplus or deficit on the provision of services has been adjusted for the following items that are investing and financing activities:

2015/16		2016/17
£000		£000
13,993	Capital Grants credited to the surplus or deficit on the provisions of services	10,779
6,305	Proceeds from the sale of non-current assets	9,061
2,737	Billing Authorities - Council Tax and NDR adjustments	-
-	Other cash flows from investing or financing activities	(935)
23,035	Net Cash flows from investing or financing activities	18,905

Please note that the presentation of the 'Billing Authorities - Council Tax and NDR adjustments' and 'Other cash flows from investing and financing activities' have changed in the 2016/17 figures above. As this is not considered to be material the 2015/16 figures above have not been restated to reflect this.

The cash flows for operating activities include the following items:

2015/16		2016/17
£000		£000
(1,620)	Interest received	(1,724)
6,004	Interest paid	5,974
-	Dividends received	-
4,384		4,250

39. Cash Flow Statement – Investing Activities

2015/16		2016/17
£000		£000
29,487	Purchase of property, plant and equipment, investment property and intangible assets	84,828
227,925	Purchase of short term and long term investments	143,724
-	Other payments for investing activities	-
(6,305)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(9,061)
(248,021)	Proceeds from short term and long term investments	(221,031)
(16,312)	Other receipts from investing activities	(11,276)
(13,226)	Net Cash flows from Investing Activities	(12,816)

40. Cash Flow Statement – Financing Activities

2015/16		2016/17
£000		£000
Restated		
(215)	Cash receipts of short and long term borrowing	(15,800)
(2,737)	Other receipts from financing activities	(2,476)
878	Cash payments from the reduction of the outstanding liabilities relating to finance leases and on balance sheet PFI contracts	935
30,000	Repayments of short term and long term borrowing	16,063
-	Other payments for financing activities	-
27,926	Net Cash flows from Financing Activities	(1,278)

Please note that the 2015/16 figures have been restated, this only relates to a change within the note and has had no effect on total or the main cash flow statement.

41. Interest in Companies and Other Entities

The Council is involved with several companies over which it has varying degrees of control and influence. The Council is required to classify the entities according to whether they are subsidiaries, associates or joint ventures

Subsidiary

An entity is only a subsidiary if the Council has power over the entity, exposure, or rights, to variable returns from its involvement with the entity and ability to use its power over the entity to affect the amount of the Council's returns.

As at 31st March 2017 the following were subsidiaries of the Council:-

- Halton Borough Transport Ltd - In accordance with the Transport Act 1985, Halton Borough Transport became a separate legal entity from the Council, with the Council holding 100% of the shares within the company. The principal activity of the company is the provision of local bus services in the Halton area.
- Mersey Gateway Crossings Board Ltd - The principal activity of the company is to deliver the Mersey Gateway Bridge project, and to administer and oversee the construction and maintenance of the new tolled crossings, including the tolling of the existing Silver Jubilee Bridge. The Council holds 100% of the shares issued by the company. An amount of £600k is held as a long term debtor on the Council's Balance Sheet, this is the amount which has been passed to Mersey Gateway Crossings Board Ltd as working capital.

In accordance with paragraph 9.1.1.6 of the Code, the subsidiaries have not been consolidated into group accounts as they are not considered to be of material value.

For more information on the financial performance of the above two companies, see Note 22, where a summary of the companies accounts are provided.

Joint Ventures

These are arrangements under which two or more parties have contractually agreed to share control, such that decisions about activities that significantly affect returns require the unanimous consent of the parties sharing control, and joint parties have rights to the net assets of the arrangement.

As at 31st March 2017 the Council were party to the following joint ventures:-

- Daresbury Science & Innovation Campus Ltd - The principal activity of the company was to assist, promote, encourage, and develop the Science Park at Daresbury, Cheshire. The company is incorporated as a company limited by guarantee having no share capital. The Council is currently in the process of terminating the joint venture.

- Daresbury Science & Innovation Campus (Pub Sec) LLP - The principal activity of the company during the year was to assist, promote, encourage, and secure the development of the International Science Park at Daresbury, Cheshire. Members of the partnership are Halton Borough Council and the Science and Technology Facilities Council.

In accordance with paragraph 9.1.1.6 of the Code, the Council's equity within the joint ventures has not been consolidated into group accounts as it is not considered to be of material value.

Associates

Associates are entities for which the Council is an investor and has significant influence. The Council can have an associate relationship with an entity that is a joint venture under the control of other investors.

As at 31st March 2017 the Council had associate relationships with the following:-

- Daresbury Science & Innovation Campus LLP - The principal activity of the LLP is the management and development of the Sci-Tech Daresbury Campus. Designated members of the partnership are Langtree Daresbury Ltd and Daresbury Science & Innovation Campus (Pub Sec) LLP, for which the Council is an equal partner in. An amount of £7.62m is held as a long term debtor on the Council's Balance Sheet. This relates to a long term lease agreement between the Council and the company for a property asset based at the Sci-Tech Daresbury Campus.

In accordance with paragraph 9.1.1.6 of the Code, the Council's equity within the associate relationship has not been consolidated into group accounts as it is not considered to be of material value.

The cumulative value of non-current assets held by group entities is £8.158m which is equivalent to 1.9% of non-current assets held by the Council and therefore considered to be not of material value to be consolidated into group accounts. The value of cumulative equity held by the group entities is £5.758m

Note that although the Council does have an investment in Widnes Regeneration Ltd and Halton Development Partnership, it was determined that there is no group relationship as the Council does not have a significant influence over the organisations and holds only a minority shareholding in the entities.

42. Prior Period Adjustments

Removal of internal recharges

When analysing Comprehensive Income and Expenditure Statement it was found that the 2015/16 figures included £5.638m relating to internal recharges that had not been removed. Although this has net nil effect on the Net Expenditure, £5.638m was double counted in the Gross Income and Expenditure figures and this has been removed from the restated 2015/16 figures as shown below:

	As reported in the CIES 2015/16 £000	Adjustment £000	Restated 2015/16 £000
CONTINUING OPERATIONS			
Gross Expenditure			
Children's & Education Service	135,691	(902)	134,789
Adult Social Care	57,124	-	57,124
Public Health Services	9,203	-	9,203
Highways and Transport	20,054	-	20,054
Cultural & Related Services	23,199	(274)	22,925
Environmental & Regulatory Services	13,576	(85)	13,491
Planning Services	8,962	-	8,962
Housing Services	57,539	-	57,539
Central Services	13,017	(4,154)	8,863
Corporate & Democratic Core	3,789	(223)	3,566
Non Distributable Costs	(777)	-	(777)
Total	341,377	(5,638)	335,739
Gross Income			
Children's & Education Service	(104,091)	902	(103,189)
Adult Social Care	(20,224)	-	(20,224)
Public Health Services	(9,623)	-	(9,623)
Highways and Transport	(2,246)	-	(2,246)
Cultural & Related Services	(5,432)	274	(5,158)
Environmental & Regulatory Services	(1,875)	85	(1,790)
Planning Services	(2,979)	-	(2,979)
Housing Services	(56,102)	-	(56,102)
Central Services	(12,867)	4,154	(8,713)
Corporate & Democratic Core	(6,182)	223	(5,959)
Non Distributable Costs	-	-	-
Total	(221,621)	5,638	(215,983)

Restatement of Income and Expenditure per CIPFA Code of Practice

Expenditure on services and income relating from those services is classified in the Comprehensive Income and Expenditure Statement in accordance with the CIPFA Code of Local Authority Accounting in the UK. The 2016/17 Code requires that authorities present expenditure and income on services on the basis of its reportable segments, based on the internal management reporting structure. This is a change from the previous requirement to present expenditure and income in accordance with the Service Expenditure Code of Practice (SeRCOP). The note shows how the net expenditure and income has been restated.

Please note the 2015/16 CIES figures have been adjusted for the removal of internal recharges as shown in the previous note.

	Adjustments between SeRCOP classifications and internal reporting classifications				
	As reported in the CIES 2015/16 £000	Enterprise, Communities & Resoucrs £000	People £000	Schools £000	Corporate and Democracy £000
CONTINUING OPERATIONS					
Net Expenditure					
Children's & Education Service	31,600	247	31,198	156	-
Adult Social Care	36,900	(36)	36,936	-	-
Public Health Services	(420)	1	(421)	-	-
Highways and Transport	17,808	17,808	-	-	-
Cultural & Related Services	17,767	17,767	-	-	-
Environmental & Regulatory Services	11,701	10,131	1,570	-	-
Planning Services	5,983	6,070	-	-	(87)
Housing Services	1,437	694	743	-	-
Central Services	150	172	(18)	-	(4)
Corporate & Democratic Core	(2,393)	595	-	-	(2,989)
Non Distributable Costs	(777)	33	-	-	(810)
Total	119,756	53,482	70,008	156	(3,890)
Gross Expenditure					
Children's & Education Service	134,789	590	49,630	84,571	-
Adult Social Care	57,124	(36)	57,160	-	-
Public Health Services	9,203	1	9,202	-	-
Highways and Transport	20,054	20,054	-	-	-
Cultural & Related Services	22,925	22,925	-	-	-
Environmental & Regulatory Services	13,491	11,715	1,776	-	-
Planning Services	8,962	8,918	-	-	44
Housing Services	57,539	56,492	1,047	-	-
Central Services	8,863	9,327	(520)	-	56
Corporate & Democratic Core	3,566	645	-	-	2,921
Non Distributable Costs	(777)	33	-	-	(810)
Total	335,739	130,664	118,295	84,571	2,211
Gross Income					
Children's & Education Service	(103,189)	(343)	(18,432)	(84,415)	-
Adult Social Care	(20,224)	-	(20,224)	-	-
Public Health Services	(9,623)	-	(9,623)	-	-
Highways and Transport	(2,246)	(2,246)	-	-	-
Cultural & Related Services	(5,158)	(5,158)	-	-	-
Environmental & Regulatory Services	(1,790)	(1,584)	(206)	-	-
Planning Services	(2,979)	(2,848)	-	-	(131)
Housing Services	(56,102)	(55,798)	(304)	-	-
Central Services	(8,713)	(9,155)	502	-	(60)
Corporate & Democratic Core	(5,959)	(50)	-	-	(5,910)
Non Distributable Costs	-	-	-	-	-
Total	(215,983)	(77,182)	(48,287)	(84,415)	(6,101)

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 in relation to Council Tax and Non-Domestic Rates.

As from 1st April 2014, Warrington, Halton and St Helens authorities formed a business rates pooling arrangement known as the Mid Merseyside Pool. This arrangement allows the pool to keep any excess growth that had previously been paid over to the government as a levy. But, it also means that any breach of the safety net arrangements by the pool would be met by the pool authorities, rather than Central Government. Warrington is the administrating authority for the pool. During 2016/17 Halton received £182k from the distribution of the 2015/16 levy saving and there was no breach of the safety net arrangements.

Collection Fund Statement

2015/16				2016/17		
Council Tax £000	Non Domestic Rates £000	Total £000		Council Tax £000	Non Domestic Rates £000	Total £000
(48,525)		(48,525)	Income			
			Council Tax	(51,458)		(51,458)
	(57,291)	(57,291)	Non Domestic Rates		(58,627)	(58,627)
	90	90	Transitional Protection Payment		85	85
(48,525)	(57,201)	(105,726)		(51,458)	(58,542)	(110,000)
			Expenditure			
			<u>Precepts, Demands & Shares</u>			
-	26,112	26,112	Central Government	-	26,048	26,048
38,649	25,747	64,396	Halton Borough Council	41,217	25,681	66,898
5,015		5,015	Cheshire Police Authority	5,312	-	5,312
2,262	525	2,787	Cheshire Fire Service	2,368	524	2,892
63		63	Parish Precept	84	-	84
			<u>Apportionment of Previous Year's Surplus</u>			
-	(1,230)	(1,230)	Central Government	-	-	-
2,551	(1,206)	1,345	Halton Borough Council	1,808	-	1,808
330	-	330	Cheshire Police Authority	235	-	235
148	(25)	123	Cheshire Fire Service	106	-	106
			<u>Charges to Collection Fund</u>			
229	(4)	225	Write off uncollectable amounts	153	746	899
441	433	874	Increase / (Decrease) in Bad Debt Provision	586	2	588
	994	994	Increase / (Decrease) in Appeals Provision		(2,174)	(2,174)
	166	166	Cost of Collection		165	165
	160	160	Disregarded Amounts		157	157
49,688	51,672	101,360		51,869	51,149	103,018
(5,116)	5,034	(82)	Balance Brought Forward	(3,953)	(495)	(4,448)
1,163	(5,529)	(4,366)	Movement on Fund Balance	411	(7,393)	(6,982)
(3,953)	(495)	(4,448)	Balance Carried Forward	(3,542)	(7,888)	(11,430)

Collection Fund Balance Sheet

2015/16				Council Tax				2016/17			
Halton BC £000	Cheshire P&CC £000	Cheshire Fire £000	Total £000		Halton BC £000	Cheshire P&CC £000	Cheshire Fire £000	Total £000			
4,865	628	279	5,772	Arrears	5,606	702	313	6,621			
(2,832)	(365)	(163)	(3,360)	Provision for Doubtful Debts	(3,341)	(418)	(186)	(3,945)			
(455)	(59)	(26)	(540)	Overpayments / Prepayments	(475)	(59)	(24)	(558)			
(3,329)	(432)	(194)	(3,955)	(Surplus)/Deficit	(2,993)	(381)	(168)	(3,542)			
1,751	228	104	2,083	Cash	1,203	156	65	1,424			
-	-	-	-		-	-	-	-			

2015/16				Non-Domestic Rates				2016/17			
Central Gov £000	Halton BC £000	Cheshire Fire £000	Total £000		Central Gov £000	Halton BC £000	Cheshire Fire £000	Total £000			
2,205	2,161	44	4,410	Arrears	2,062	2,020	41	4,123			
(1,393)	(1,365)	(28)	(2,786)	Provision for Doubtful Debts	(1,394)	(1,366)	(28)	(2,788)			
(5,102)	(5,000)	(102)	(10,204)	Appeals Provision	(4,015)	(3,934)	(79)	(8,028)			
(471)	(462)	(9)	(942)	Overpayments / Prepayments	(205)	(201)	(5)	(411)			
(201)	(287)	(6)	(494)	(Surplus)/Deficit	(3,945)	(3,864)	(79)	(7,888)			
4,962	4,953	101	10,016	Cash	7,497	7,345	150	14,992			
-	-	-	-		-	-	-	-			

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 2016/17 at 32,948 (2015/16 – 32,100)

2. The Council Tax Base Determination

Band	Properties	Ratio	Band D Equivalents
Disabled	85	5/9	47
A	22,559	6/9	15,039
B	10,769	7/9	8,376
C	7,175	8/9	6,378
D	4,455	9/9	4,455
E	3,245	11/9	3,966
F	1,024	13/9	1,480
G	352	15/9	586
H	30	18/9	60
Total	49,694		40,387
Reductions relating to Non-Collection and changes in assumptions			(7,439)
Tax Base set for 2016/17			32,948

The parishes' individual tax bases are shown below:

	2015/16	2016/17
Hale	649	659
Daresbury	153	159
Moore	320	326
Preston Brook	324	336
Halebank	488	499
Sandymoor	948	966

3. Precepting Authorities

Halton Borough Council has two precepting authorities, Cheshire Police & Crime Commissioner and Cheshire Fire Authority. The Band D charge and total precept are shown in the table below:

	2015/16	2016/17
	£	£
Cheshire Police and Crime Commissioner		
- Band D Charge	156.23	161.23
- Precept	5,014,983	5,312,206
Cheshire Fire Authority		
- Band D Charge	70.46	71.86
- Precept	2,261,766	2,367,643

4. Non-Domestic Rates

The non-domestic rate replaced locally fixed rates from 1st April 1990. The rateable value at 31st March and the business rate multiplier, which is fixed by the Government, are shown in the table below:

	2015/16	2016/17
	£	£
Rateable value at 31st March	135,810,326	135,800,761
Non Domestic rating multiplier	49.3	49.7
Small Business Non Domestic rating multiplier	48.0	48.4

Statement of Responsibilities for the Statement of Accounts

The Council's Responsibilities

The Council is required:

To make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Council, the Operational Director – Finance 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 2017).

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

Selected suitable accounting policies and then applied them consistently;

Adopted the principal of "True and Fair" regarding the Council's financial position;

Made judgements and estimates that were reasonable and prudent;

Complied with the Code of Practice.

The Operational Director – Finance has also:

Kept proper accounting records which were kept up to date;

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

I certify that this Statement of Accounts presents a true and fair view of the financial position and income and expenditure of Halton Borough Council for the year ended 31 March 2017

There are a number of accounting standards which will be adopted by the code in 2017/18. It is not anticipated these will have a material impact on the Council's financial statements.

Signed by:


Operational Director – Finance

Date:

28th June 2017

Statement of Accounting Policies

1. General

The Statement of Accounts summarises the Council's transactions for the 2016/17 financial year and its position at the year-ending 31 March 2017.

Halton Borough Council is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2015, which is required to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice of Local Authority Accounting in the United Kingdom 2016/17 and the Service Reporting Code of Practice 2016/17, supported by International Financial Reporting Standards (IFRS).

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

2. Changes to the 2016/17 Accounting Policies

The Council's accounting policies are subject to regular review arising from changes in the way costs are accounted for and changes in the requirements of the Code of Practice.

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

3(c) Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy. A charge is made on an accruals basis to the

Comprehensive Income and Expenditure Statement when the Council is committed to the termination of employment.

3(d) Interest

Interest payable on external borrowings and interest receivable on investments is accrued and accounted for on a basis which reflects the costs and benefits of the treasury management activity during the period.

3(e) Supplies and Services

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

3(f) Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature within 3 months or less from the date of acquisition and are readily convertible to known amounts of cash with insignificant risk of change of value.

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

3(g) Debtors and Creditors

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

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

4. Acquired/Discontinued Operations

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

5. 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 on the Balance Sheet but by way of notes to the accounts where it is probable that there will be an inflow of economic benefit or service potential.

6. Contingent Liabilities

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

Contingent liabilities are not recognised on the Balance Sheet but disclosed by way of notes to the accounts.

7. The Collection Fund

The Council is required by statute to maintain a separate fund (i.e. The Collection Fund) for the collection and distribution of amounts due in respect of Council Tax and National Non-Domestic Rates.

7(a) Council Tax Income

In its capacity as a billing authority the Council acts as an agent. It collects council tax income on behalf of the major preceptors (The Police and Crime Commissioner for Cheshire and Cheshire Fire & Rescue Service) and itself.

7(b) National Non-Domestic Rates (NNDR)

As part of Business Rate Retention Scheme the Council acts as an agent and collects National Non Domestic Rates on behalf of Central Government, Cheshire Fire & Rescue Service and itself.

7(c) Accounting for Council Tax and Non-Domestic Rates

While the council tax and non-domestic rates 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 Council's demand for the year plus the Council's share of the surplus (or less its share of the deficit) on the Collection Fund 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 Council's Cash Flow Statement includes within Net Cash Flows from Operating Activities, only its share of council tax and NNDR cash collected from the debtors in the year.

8. Events after the Reporting Period

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

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

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

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

9. Financial Instruments

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

The Council uses Capita Asset Services to provide independent valuations of the position at the period end.

Capita uses the Net Present Value valuation technique to value borrowings. The discount rate used within the calculation is the Public Works Loans Board new borrowing rate.

9(a) Financial Liabilities

Financial liabilities are initially measured at fair value and carried at their amortised cost. Annual charges to the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. Financial liabilities due to be settled within 12 months of the Balance Sheet date, along with accrued interest on all financial liabilities is recorded as a current liability.

9(b) Financial Assets

Financial assets are classified into two types:

Loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market.

Available-for-sale assets – assets that have a quoted market price and/or do not have fixed or determinable payments.

9(c) Loans and Receivables

Loans and receivables are recognised on the Balance Sheet when the Council becomes party to the contractual provisions of a financial instrument and are initially measured at fair value and carried at their amortised cost.

10. Fair Value

The Council measures some of its assets and liabilities at fair value at the end of the reporting period. Fair value is the price that would be received to sell an asset or paid to

transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

- a) in the principal market for the asset or liability, or
- b) in the absence of a principal market, in the most advantageous market for the asset or liability.

The Council measures the fair value of an asset or liability using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

When measuring the fair value of a non-financial asset, the Council takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest or best use.

Inputs to the valuation techniques in respect of the Council's fair value measurement of its assets and liabilities are categorised within the fair value hierarchy as follows:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that the authority can access at the measurement date.
- Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 – unobservable inputs for the asset or liability

11. Government Grants, Other Contributions and Donated Assets

Whether paid on account, by instalments or arrears, government grants and third party contributions and donations are recognised as due to the Council when there is reasonable assurance that:

- The Council will comply with the conditions attached to the payments, and
- The grants or contributions will be received.

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential are required to be consumed by the Council as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants or contributions for which conditions have not been satisfied are carried on the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-specific Grant Income (non-ring-fenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund in the Movement in Reserves Statement. Where the grant is yet to be used to finance capital expenditure, it is posted to

the Capital Grants Unapplied reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied reserve are transferred to the Capital Adjustment Account once they have been applied to fund expenditure.

12. Interest in Companies and Other Entities

The Council has an interest in subsidiaries, joint ventures and associated entities that would require it to prepare group accounts. As the transactions relating to group entities are not material, no group financial statements are being produced for the 2016/17 accounts.

The definition of materiality as per the Code of Practice on Local Authority Accounting is:

The relevance of information contained in the financial statements is affected by its nature and materiality. Omissions or misstatements of items are material if they could, individually or collectively, influence the decisions or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatement judged in the surrounding circumstances. The nature or size of the item, or a combination of both, could be the determining factor. Therefore, materiality provides a threshold or cut-off point rather than a primary qualitative characteristic which information must have if it is to be useful. An authority need not comply with the Code, as to both disclosure and accounting principles, if the information is not material to the true and fair view of the financial statements and to the understanding of users.

In assessing the materiality of group entities an assessment has been undertaken of the following quantitative and qualitative factors:

Quantitative Factor

- The activities of group entities are not significant to the representation of the operational activities of the authority as a whole.
- Gross Value of the investments in gross entities are not significant in terms of the balance sheet of HBC.
- Gross Value of the borrowings or other liabilities of group entities are not significant to the balance sheet of HBC.
- An adjustment to usable reserves that would arise on consolidation would not be significant.

Qualitative Factor

- The authority does not depend significantly on group entities for continued provision of statutory services.
- There is no concern to which the Council has passed on control of its assets to other parties.
- There is no concern about the extent to which the Council is exposed to commercial risk.
- Not consolidating group entities does not mask significant trends.
- Grouping the accounts would not provide any more useful disclosures.

13. Intangible Assets

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Council as a result of past events (e.g.: software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Council.

Intangible assets are initially measured at cost. Amounts are only revalued where the fair value of the assets held by the Council can be determined with reference to an active market. In practice, no intangible asset held by the Council meets these criteria, and they are therefore carried at amortised cost. The depreciable amount of any intangible asset is amortised over its useful life to the relevant service line in the Comprehensive Income and Expenditure Statement.

14. Inventories

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

15. Leases

15(a) Finance Leases

Leases are classified as Finance Leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

Although the Code is not prescriptive it gives examples of situations which would lead to a lease being classified as a finance lease. These are:

1. The lease transfers ownership of the asset to the lessee by the end of the lease term
2. The lessee has the option to purchase the asset at a price that is expected to be sufficiently lower than the fair value so as to make it reasonably certain the option will be exercised
3. The lease term is for the major part of the economic life of the asset
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.

Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the leases inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Council are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Rental payments under finance leases are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to the Finance and Investment Income line in the Comprehensive Income and Expenditure Statement. Depreciation is charged to cost of services over the life of the asset. Any receipts are subject to the same test.

For the purposes of assessment of finance leases for plant, vehicles and equipment it is taken that consumption of greater than 75% of the economic life of the asset will constitute the major part of the economic life of the asset. There is also a de-minimis of £5,000 net present value of the future lease payments at the inception of the lease where the lease will not be treated as a finance lease.

15(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.

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

16(a) Recognition

Non-current assets are assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment.

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.

16(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 cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (ie it will not lead to a variation in the cash flows of the Council). Where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Council.

Assets are then carried on the Balance Sheet using the following measurement bases:

- Infrastructure is measured on the basis of depreciated historic cost.
- Assets under construction are measured on the basis of historic cost.

- Community assets (assets that the Council intends to hold in perpetuity and have no determinable useful life) are valued at historic cost or a nominal value where the historic cost is not known.
- Surplus asset, investment properties and assets held for sale are based on their fair value, estimated at highest and best use from a market participant's perspective. (See Policy 10 – Fair Value).
- All other assets are measured at current value which is determined as the amount that would be paid for the asset in its existing use ("existing use value" – EUV).

Where there is no market-based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of fair value. For non-property assets (e.g. vehicles, plant and equipment) that have short useful lives or low values (or both) depreciated historical cost basis is used as a proxy for fair value.

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 re-valued on a 5 year cycle.

All assets are subject to an annual review to ensure valuations have not materially changed in the years they are not valued and that the carrying value is not significantly different to their fair value.

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 at acquisition, 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.

16(c) Impairment

Assets are assessed at year end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, the carrying amount of the asset is written down first against the accumulated gains in the revaluation reserve.

Where there is no longer a balance in the revaluation reserve to consume the loss, the carrying amount of the asset is written down against the relevant service lines in the Comprehensive Income and Expenditure Statement.

When an impairment loss is reversed, the reversal is credited to the relevant services lines in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss and adjusted for depreciation that would have been charged if the loss had never been recognised.

16(d) Non-Current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered through the sale of a transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value at highest and best use, less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previous losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

To be classified as held for sale an asset must meet all of the following criteria:

- The asset (or disposal group) must be available for immediate sale in its present condition subject to terms that are usual and customary for sales of such assets (or disposal groups).
- The sale must be highly probable; the appropriate level of management must be committed to a plan to sell the asset (or disposal group) and an active programme to locate a buyer and complete the plan must have been initiated.
- The asset (or disposal group) must be actively marketed for a sale at a price that is reasonable in relation to its current value.
- The sale should be expected to qualify for recognition as a completed sale within one year of the date of classification and action required to complete the plan should indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn.

If assets no longer meet the criteria to be classified as assets held for sale, they are reclassified back to non-current assets and valued at the lower of carrying amount before they were classified as held for sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had the asset not been classified as held for sale, and their recoverable amount at the date of the decision not to sell.

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

16(e) Depreciation

Depreciation is provided for on all assets with a finite useful life. The provision for depreciation is calculated by allocating the cost less any estimated residual value of the

asset over its useful life. The useful lives of assets are estimated on a realistic basis and reviewed regularly, and where necessary revised.

The estimated useful lives of assets by class are as follows:

Buildings & Other Operational Properties	Up to 60 years
Infrastructure and Community Assets	15 years
Vehicles, Plant and Equipment	3-10 years
Intangible Assets	5-10 years
Finance Leases – vehicles, plant and equipment of lease	3-10 years equal to length
Finance Leases – buildings	Up to 60 years

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

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

An exception to depreciation is made for assets without a determinable finite useful life (ie freehold land and certain community assets) and assets that are not yet available for use (ie assets under construction), these are not depreciated.

16(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.

16(g) Investment Property

Investment property is property (land or a building – or part of a building – or both) held solely to earn rentals or for capital appreciation or both, rather than for:

- (a) Use in the production or supply of goods or services or for administrative purposes; or
- (b) Sale in the ordinary course of operations.

Investment properties are initially measured at cost and subsequently at fair value, being the price that would be received to sell such an asset in an orderly transaction between market participants at the measurement date. As a non-financial asset, investment

properties are measured at highest and best use. Properties are not depreciated but revalued annually according to market conditions at the year end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain to the General Fund balance. Revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund balance. The gains and losses are reversed out of the General Fund in the Movement in Reserves Statement and posted to the Capital Adjustment Account.

16(h) Componentisation

The objective of component accounting is to follow proper accounting practice by ensuring that items of Property, Plant and Equipment are accurately and fairly included in the Balance Sheet and the Comprehensive Income and Expenditure Statement. Consumption of economic benefits should be properly reflected over the assets individual useful lives, through depreciation charges.

The overall value of an asset must be fairly apportioned over significant components, which need to be accounted for separately, with their useful lives and the method of depreciation being determined on a reasonable and consistent basis.

Having identified individual material assets or groups of similar assets with similar characteristics, each component part of an item of Property, Plant and Equipment with a cost that is significant in relation to the total cost of the asset shall be depreciated separately.

Once individual material assets and asset groups have been identified, items of Property, Plant and Equipment will be categorised as follows based on their significance, useful life and depreciation method:

Component	Detail
Superstructure and substructure	Frame, upper floors, roof, stairs, external walls, external windows and doors, internal walls and partitions, internal doors
Internal Finishes and Fittings	Wall, floor, ceiling finishes, fittings and furnishings
Services	Sanitary appliances, services equipment, disposal installations, water installations, heat source, space heating and air conditioning, ventilating systems, electrical installations, fuel installations, fire and lightening protection, communication and security installations, builders work in connection and management and commissioning of services
Land	Land upon which the property is constructed

The basis upon which the calculation of the value of components will be made is replacement cost. The actual split will be determined following individual valuation of the property.

Land is a separate component in its own right, but is not considered for depreciation purposes. Generally, land is considered to have an infinite life.

When an asset is enhanced or replaced, the cost of the replacement component is compared with the cost of the total asset. If the cost of the enhancement or replacement is above 15% or £35,000 of the overall cost of the asset, a proportion of the relevant component's carrying value is derecognised and replaced by the cost of the new replacement asset.

When an asset is acquired or re-valued, the cost of its component parts will be broken down into Superstructure and Substructure, Internal Finishes and Fittings and Services. Land will be identified as a separate component in its own right.

16(i) 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 non-current assets.

The Council does not raise council tax to fund depreciation, revaluation and impairment losses or amortisations. However, the Council is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis determined by the Council in accordance with statutory guidance.

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

16(j) Schools (Land & Buildings)

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 Council's Balance Sheet, the Council has followed the recognition criteria of the Code and determined the extent to which the Council has control of the service potential associated with the schools assets.

The Council has concluded that a) Community Schools and d) Community Special Schools will form part of the Council's non-current Assets.

For all other schools the Council is merely using the non-current asset under licence. A licence passes no interest in the non-current asset to the Council and is always revocable, therefore these schools will not form part of the Council's non-current assets.

16(k) Accounting for Schools Transferring to Academy Status

The new accounting standards on group accounts and consolidation mean all types of school are now considered to be entities controlled by the Council. When a school transfers to academy status this control is transferred to a third party. As a result the school as an entity needs to be derecognised in the Council's accounts by writing off the net assets of the school to the Comprehensive Income and Expenditure Statement.

17 Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply and service in accordance with the costing principals of the CIPFA Service Reporting Code of Practice 2016/17. The total absorption costing principal is used – the full cost of overheads and support services are shared between users in proportion to the benefits received.

The costs of the Corporate and Democratic Core and Non-Distributed Costs 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.

18 Pension Costs

General

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

Pensions Reserve

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

Classification of Schemes

Defined Benefit Schemes

Accounting policies set out as below apply in respect of pension costs arising from the Local Government Pension Scheme and unfunded discretionary benefits paid:

- (i) The liabilities of the Cheshire Pension Fund attributable to the Authority are included in the Balance Sheet on an actuarial basis using the projected unit method – ie an assessment of the future payments that will be made in relation to

- retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of projected earnings for current employees.
- (ii) Liabilities are discounted to their value at current prices, using a discount rate of 3.5%
 - (iii) The assets of Cheshire pension fund attributable to the Authority are included in the Balance Sheet at their fair value
 - a. Quoted securities – current bid price
 - b. Unquoted securities – professional estimate
 - c. Unitised securities – current bid price
 - d. Property – market value
 - (iv) The change in the net pensions liabilities is analysed into the following components:
 - a. Service cost comprising:
 - i. Current services cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement of the services for which the employees worked
 - ii. Past service cost – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of services earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
 - iii. Net interest on the net defined benefit liability (asset), ie net interest expense for the authority – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period – taking into account any changes in the net defined benefit liability (asset) during the period as a result of the contribution and benefit payments.
 - b. Remeasurements comprising:
 - i. The return on plan assets – excluding amounts included in net interest on the net defined benefit liability (asset) – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
 - ii. 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 associations – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
 - c. Contribution paid to the Cheshire Pension Fund – cash paid as employer's contributions to the pension fund in settlement of liabilities: not accounted for as an expense.
 - (v) In relation to retirement benefits, statutory provision require the General Fund Balance to be charged with the amount payable by the Authority to the pension fund or directly to pensions in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are transfers to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for

the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year end. The negative balance that arises on the Pension Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

Defined Contribution Schemes

The arrangements for the Teacher's Pension Scheme and the NHS Pension Scheme means that liabilities for these benefits cannot ordinarily be specified by the Council. The scheme is therefore accounted for as if it were a defined contribution scheme and no liability for future payments or benefits is recognised on the Balance Sheet. The relevant service line in the Comprehensive Income and Expenditure Statement is charged with the Council's contributions payable to Teachers Pensions and NHS Pension Scheme in the year.

19 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 Council's accounts reflect only the Council's share of the overall pot and exclude the share attributable to partner organisations.

20 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.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

21 Provisions

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. Provisions are created by a charge to a service and as such appear in the Comprehensive Income and Expenditure Statement in the Cost of Services in the year the Council becomes aware of the obligation, and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking account of risks and uncertainties.

Where it becomes apparent that a lower settlement is anticipated than first thought, the provision is reversed and credited back to the relevant service.

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

22 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.

23 Reserves

The Council sets aside specific amounts as reserves for future policy purposes to cover contingencies. Reserves are created by apportioning amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from the reserve is incurred, it is charged to the apportionment service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement.

The reserve is then appropriated back in the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against Council Tax for the expenditure.

The Council maintains two kinds of reserve, Usable and Unusable Reserves.

Usable reserves comprise:

- Usable Capital Receipts Reserve
- General Fund Balance
- Schools Balances
- Earmarked Reserves
- Capital Grants Unapplied

Unusable reserves comprise:

- Revaluation Reserve
- Available for sale Financial Instruments Reserve
- Capital Adjustment Account
- Financial Instruments Adjustment Account
- Pensions Reserve
- Collection Fund Adjustment Account
- Deferred Capital Receipts Reserve
- Employee Benefit Reserve

Usable reserves are available to fund expenditure, either revenue or capital incurred by the Council. Unusable reserves are not available to fund expenditure since they do not represent new resources available to the Council.

24 Revenue Expenditure Funded from Capital under Statute

Legislation allows some expenditure to be classified as capital for funding purposes when it does not result in the creation on a non-current asset on the Balance Sheet. Such expenditure is charged to the appropriate service account within the Comprehensive Income and Expenditure Statement in accordance with the provisions of the Code.

Where the Council has determined to meet the cost of this expenditure from existing capital resources or borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses the amounts charged so that there is no impact on the Council Tax.

25 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.

26 Service Concessions

PFI and similar contracts are agreements to receive services, where the responsibility for making available the property, plant and equipment needed to provide the services passes to the PFI contractor. As the Council is deemed to control the services that are provided under PFI schemes, and as ownership of the property, plant and equipment will pass to the Council at the end of the contracts for no additional charge, the Council carries the assets used under the contracts on its Balance Sheet as part of Property, Plant and Equipment.

The original recognition of these assets at fair value (based on the cost to purchase the property, plant and equipment) is balanced by the recognition of a liability for amounts due to the scheme operator to pay for the capital investment.

Non-current assets recognised on the Balance Sheet are re-valued and depreciated in the same way as property, plant and equipment owned by the Council.

The amounts payable to the PFI operators each year are analysed into five elements:

- Fair value of the services received during the year – debited to the relevant service in the Comprehensive Income and Expenditure Statement
- Finance cost – an interest charge on the outstanding Balance Sheet liability, debited to the financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
- Contingent rent – increases in the amount to be paid for the property arising during the contract, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
- Payment towards liability – applied to write down the Balance Sheet liability towards the PFI operator (the profile of write-downs is calculated using the same principles as for a finance lease)

- Life cycle replacement costs – where material, a proportion of the amounts payable is posted to the Balance Sheet as a prepayment and then recognised as additions to Property, Plant and Equipment when the relevant works are eventually carried out.

27 Value Added Tax

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

28 Heritage Assets

Where applicable, heritage assets are measured at insurance valuation on the Balance Sheet.

Unlike other non-current assets depreciation is not required on heritage assets which have infinite useful lives. Similarly, impairment reviews are only required in limited circumstances, for example if a heritage asset has suffered breakage of physical deterioration.

29 Accounting Standards that have been issued but not yet adopted

Under the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 (the Code), the Council is required to disclose information setting out the impact of an accounting change required by a new accounting standard that has been issued but not yet adopted by the Code. The following amendments will be adopted and will apply from 01 April 2017.

There are a number of accounting standards which will be adopted by the code in 2017/18. It is not anticipated these will have a material impact on the Council's financial statements.

30 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:

30(a) Future levels of funding

There is a high degree of uncertainty about future levels of funding for local government. The Council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Council might be impaired as a result of a need to close facilities and reduce levels of service provision.

30(b) Mersey Gateway Development Costs

A prudent approach has been taken to the capitalisation of development expenditure for 2016/17. The Council has analysed development expenditure into different areas of work. Each area of work has been reviewed in order to decide whether the expenditure is capital or revenue in nature and has been accounted for accordingly.

For all areas of work that were considered to be capital in nature, invoices have been reviewed and discussions held to ascertain whether the work carried out would form part of

the final asset and could therefore be fully or part capitalised as per the Code. Areas of work that were considered to be mainly revenue have been treated as revenue expenditure.

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

The Statement of Accounts contains estimated figures that are based on assumptions made by the Council about the future or that are otherwise uncertain. Estimates are made by taking into account historical experience, current trends and other relevant factors. However, because some balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the Council's Balance Sheet at 31 March 2017 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

31(a) Property, Plant and Equipment

The carrying amount in the Balance Sheet at the 31 March 2017 is £398.1m

Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Council will be able to sustain its spending on repairs and maintenance, bringing into doubt the useful lives of those assets.

If the useful life of assets is reduced, depreciation increases and the carrying amount of the asset falls. It is estimated that the annual depreciation charge for buildings could increase between 10%-15% equating to an additional £2.26m to £3.38m for every year that useful lives had been reduced.

31(b) Pensions Liability

The carrying amount in the Balance Sheet at the 31 March 2017 is £109.0m

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.

Glossary of Terms

For the purposes of the Code of Practice the following definitions have been adopted:

Accruals

The concept that income and expenditure are recognised as they are earned or incurred, not as money is received or paid.

Accounting Policies

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

- (a) 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 non-current asset or expenditure which adds to and not merely maintains the value of an existing non-current asset.

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.

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 contingency liability is either:

- (a) A possible obligation arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Council's control; or
- (b) A present obligation arising from past events where it is not probable that a transfer of economic benefits will be required or the amount of the obligation cannot be measured with sufficient reliability.

Corporate and Democratic Core

The corporate and democratic core comprises all activities which Local Authorities engage in specifically because they are elected multi-purpose Authorities. The cost of these activities are thus over and above those which would be incurred by a series of independent, single purpose, nominated bodies managing the same services. There is therefore no basis for apportioning these costs over or across services.

Current Service Cost (Pensions)

The increase in the present value of a defined benefit scheme's liabilities expected to arise from employee service in the current period.

Curtailment

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

- (a) Termination of employees' services earlier than expected, for example as a result of closing a factory or discontinuing a segment of a business; and
- (b) Termination of, or amendment to the terms of, a defined benefit scheme so that some or all future service by current employees will no longer qualify for benefits or will qualify only for reduced benefits.

Deferred Charges

Expenditure which may properly be deferred, but which does not result in, or remain matched with, tangible assets. Examples of deferred charges are expenditure on items such as improvement grants and the expenses of private acts.

Defined Benefit Scheme

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

Defined Contribution Scheme

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

Depreciation

The measure of cost or revalued amount of the benefits of the non-current asset that have been consumed during the period.

Consumption includes the wearing out, using up or other reduction in the useful life of a non-current asset whether arising from use, effluxion of time or obsolescence through either changes in technology or demand for the goods or services produced by the asset.

Discontinued Operations

Operations comprise services and divisions of service as defined in CIPFA's Standard Classification of Income and Expenditure. An operation should be classified as discontinued if all of the following conditions are met:

- (a) The termination of the operation is completed either in the period before the earlier of three months after the commencement of the subsequent period and the date on which the financial statements are approved;
- (b) The activities related to the operation have ceased permanently;
- (c) The termination of the operation has a material effect on the nature and focus of the Local Authority's operations and represents a material reduction in its provision of services resulting either from its withdrawal from a particular activity (whether a service or division of service or its provision in a specific geographical area) or from a material reduction in net expenditure in the Local Authority's continuing operations;
- (d) The assets, liabilities, income and expenditure of operations and activities are clearly distinguishable physically, operationally and for financial reporting purposes

Operations not satisfying all the conditions are classified as continuing.

Discretionary Benefits

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

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 non-current 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 a fair presentation of the accounts.

Exit Packages

Exit packages are defined as amounts payable as a result of either an employer's decision to terminate an employee's employment before the normal retirement date, or an employee's decision to accept voluntary redundancy in exchange for those benefits. Exit packages also include enhancement of retirement benefits, when an employee retires early without actuarial reduction of pension.

Expected Rate of Return on Pensions Assets

For a funded defined benefit scheme, the average rate of return, including both income and changes in fair value but net of scheme expenses, expected over the remaining life of the related obligation on the actual assets held by the scheme.

Extraordinary Items

Material items, possessing a high degree of abnormality, which derive from events or transactions that fall outside the ordinary activities of the Council and which are not expected to recur. They do not include exceptional items nor do they include prior period items merely because they relate to a prior period.

Fair Value

The fair value of an asset is the price at which it could be exchanged in an arm's length transaction less, where applicable, any grants receivable towards the purchase of use of the asset.

Finance Lease

A finance lease is one where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. A lease would be classified as finance lease if:

- The lease transfers ownership of the asset to the lessee by the end of the lease term.
- The lessee has the option to purchase the asset at a price that is expected to be sufficiently lower than the fair value so as to make it reasonably certain the option will be exercised.
- The lease term is for the major part of the economic life of the asset.
- The present value of minimum lease payments amounts to at least substantially all of the fair value of the leased asset.
- The leased assets are of such a specialised nature that only the lessee can use them without major modifications.

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

Going Concern

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

Government Grants

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

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 non-current asset below its carrying amount on the Balance Sheet.

Infrastructure Assets

Non-current assets that are inalienable, expenditure on which is recoverable only by continued use if the asset created. Examples of infrastructure assets are highways and footpaths.

Interest Cost (Pensions)

For a defined benefit scheme, the expected increase during the period of present value of the scheme liabilities because the benefits are one period closer to settlement.

Inventories

The amount of unused or unconsumed stocks held in 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.

Investments (Non-Pensions Fund)

A long-term investment is an investment that is intended to be held for use on a continuing basis in the activities of the Council. Investments should be classified only where an intention to hold the investment for the long term can clearly be demonstrated or where there are restrictions as to the investor's ability to dispose of the investment.

Investments, other than those in relation to the pensions fund, that do not meet the above criteria should be classified as current assets.

Investments (Pensions Fund)

The investments of the Pensions Fund will be accounted for in the statements of that Fund. However, councils are also required to disclose, as part of the transitional disclosures relating to retirement benefits, the attributable share of the pension scheme assets associated with their underlying obligations.

Investments Properties

Interest in land and/or buildings:

- (a) In respect of which construction work and development have been completed; and
- (b) Which is held for its investment potential, and rental income being negotiated at arm's length.

Liquid Resources

Current asset investments that are readily disposable by the Council without disrupting its business and are either readily convertible to known amounts of cash or close to the carrying amount, or traded in an active market.

Long-Term Contracts

A contract entered into for the design, manufacture or construction of a single substantial asset or the provision of a service (or a combination of assets or services which together constitute a single project), where the time taken substantially to complete the contract is such that the contract activity falls into different accounting periods. Some contracts with a shorter duration than one year should be accounted for as long-term contracts if they are sufficiently material to the activity of the period.

Net Book Value

The amount at which non-current assets are included in the balance sheet, i.e. their historical cost or current value less the cumulative amounts provided for depreciation.

Net Current Replacement Cost

The cost of replacing or recreating the particular asset in its existing condition and in its existing use, i.e. the cost of replacement or of the nearest equivalent asset, adjusted to reflect the current condition of the existing asset.

Net Debt

The Council's borrowings less cash and liquid resources. Where cash and liquid resources exceed borrowings, reference should be to net funds rather than debt.

Net Realisable Value

The open market value of the asset in its existing use (or open market value in case of non-operational assets), less the expenses to be incurred in realising the asset.

Operating Lease

A lease other than a finance lease.

Past Service Cost

For a defined benefit scheme, the increase in the present value of the scheme liabilities related to employee service in prior periods arising in the current period as a result of the introduction of, or improvements to, retirement benefits.

Prior Period Adjustments

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

Projected Unit Method

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

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

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

Related Parties

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

- (a) A party has direct or indirect control of the other party; or
- (b) The parties are subject to common control from the same source; or
- (c) One party has influence over the financial and operational policies of the other party to an extent that the other party might be inhibited from pursuing at all times its own separate interests; or
- (d) The parties, in entering a transaction, are subject to influence from the same source to such an extent that one of the parties to the transaction has subordinated its own separate interest.

Examples of related parties of a Council include:

- (a) Central government;
- (b) Local authorities and other bodies precepting or levying demands on the Council Tax;
- (c) Its subsidiary and associated companies;
- (d) Its joint ventures and joint ventures 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 advisors

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.

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 the Council or a pension fund, except those applicable to other members of the community or the pension fund, such as council tax, rents and repayments of benefits.

This list is not intended to be comprehensive.

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

Remuneration

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

Residual Value

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

Retirement Benefits

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

Scheme Liabilities

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

Settlement

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

- (a) A lump-sum cash payment to scheme members in exchange for their rights to receive specified pension benefits;
- (b) The purchase of an irrevocable annuity contract sufficient to cover vested benefits; and
- (c) The transfer of scheme assets and liabilities relating to a group of employees leaving the scheme.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy.

Total Cost

The total cost of a service or activity includes all costs which relate to the provision of the service (directly or bought in) or to the undertaking of the activity. Gross total cost includes employee costs, expenditure relating to premises and transport, supplies and services, third party payments, transfer payments, support services and capital charges. This includes an appropriate share of all support services and overheads, which need to be apportioned.

Useful Life

The period over which the Council will derive benefits from the use of a non-current asset.

Vested Rights

In relation to a defined benefit scheme, these are:

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

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