

Halton Borough Council

Abstract of Accounts 2007/08

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

.....
*Councillor A. M. McDermott
Chairman of the Executive Board
and Leader of the Council*

.....
Date

Introduction

The Council's Accounts for 2007/08 are presented in the following format

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Foreword by Chief Financial Officer

Introduction

There were major changes last year in the layout of the Abstract of Accounts to meet the requirements of the United Kingdom Generally Accepted Accounting Principles (UK GAAP). Further amendments have been adopted this year in compliance with the Statement of Recommended Practice (SORP), as the SORP seeks to bring Local Authority Accounting into line with International Financial Reporting Standards (IFRS). Details of these changes are outlined in the section below 'Changes in Accounting Policies'.

The Council's accounts for 2007/08 are set in the following pages grouped as follows:

Core Financial Statements

- *Income and Expenditure Account* – this statement is fundamental to the understanding of the Local Authority's activities, in that it reports the net cost of all the functions for which the Authority is responsible, and demonstrates how that cost has been financed from general government grants and income from local taxpayers.
- *Statement of Movement on the General Fund Balance* – this statement takes the surplus or deficit from the income and expenditure account and adds items that need to be debited or credited in accordance with statute and non-statutory proper practices to determine the movement on the General Fund Balance.
- *Statement of Total Recognised Gains and Losses* – this statement brings together all gains and losses recognised in the accounting period, to assist in assessing the overall financial result for that period.
- *Balance Sheet* – this statement is fundamental to understanding the Authority's financial position at the year end.
- *Cash Flow Statement* – this statement summarises the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes.
- *Notes to the above Statements* – extensive notes to support the core statements are set out in accordance with the requirements of the Statement of Recommended Practice.

Foreword by Chief Financial Officer

Supplementary Financial Statements

- *Collection Fund Account* – this is a statutory statement which Authorities who are Billing Authorities are obligated to maintain under the Local Government Finance Act 1992.
- *Group Accounts* – this statement is required if the Authority has determined there is a need to present a consolidated position of its activities. The need for, and format of, the group accounts are set out in the Statement of Recommended Practice.

Other Statements

- *Statement of Responsibilities for the Statement of Accounts* – this statement sets out the responsibilities of the Council and the Section 151 Officer (Sections 54 and 77 of the Local Government Act 1972 respectively).
- *Annual Governance Statement* – this statement sets out the systems and framework in place which ensure that the Authority complies with its own regulatory procedures, in accordance with Regulation 4 of the Accounts and Audit Regulations 2003.
- *Statement of Accounting Policies* – this statement explains the basis for the recognition, measurement and disclosure of transactions and other events in the accounts.
- *Audit Report* – this report is required under the Audit Commission Act 1998.

Summary of the 2007/08 Year

The Council incurs both revenue and capital expenditure. Revenue expenditure is generally on items which are used in the year and is financed by the Council Tax, Government Grants and other income. Capital expenditure generally has a life beyond one year and the financing of capital is charged to revenue over a period in accordance with statutory requirements.

Foreword by Chief Financial Officer

Revenue Activities

General Fund

	Original Budget £'000	Actual £'000
Net Expenditure	95,391	95,167
Parish Precepts	27	27
Total	95,418	95,194
Financed by Local Taxpayers	(39,043)	(39,043)
Financed by Government Grants	(56,025)	(56,025)
(Surplus)/Deficit for Year	350	126
Balances brought forward	(7,110)	(7,110)
Balance carried forward	(6,760)	(6,984)

The Council has closely monitored and controlled its spending throughout the year such that total spending was £95.167m, which was £0.224m below the budget for the year. Coupled with the planned contribution from balances of £0.35m, this has resulted in a reduction in balances of £0.126m to £6.894m. Taking advantage of higher investment returns and lower financing costs the Council has been able to establish new reserves to help with strategic forward planning, and specifically in relation to the Mersey Gateway and Building Schools for the Future.

Schools

Expenditure by schools totalled £73.7m which is fully funded by Dedicated Schools Grant (DSG) and other grants. In addition, they also spent £9.8m relating to Standards Fund Grant. They carried forward balances at 31st March 2008 totalling £4.6m and £4.5m respectively.

Pension Liability

Under Financial Reporting Standard 17 (FRS17), the Authority is required to restate its accounts to reflect the activities of the two major pension providers, the Cheshire Pension Fund and the Teachers' Pension Agency. It also has a minor interest in the operations and accounts of the Merseyside Pension Fund in relation to employees in Greater Manchester Connexions Ltd body. The most notable amendment is the inclusion on the Balance Sheet of the Pension Reserve, a statutory account which records the estimated liability of the Council in the provision of pensions to its employees, based on various actuarial assumptions. The Pension Reserve Account liability reduced from £59.6m to £38.175m over the year.

Foreword by Chief Financial Officer

Single Status

The first phase of the pay and grading review of all relevant Council staff in accordance with equal pay legislation has been completed. An appeals procedure is now in place which could take some time to complete. A number of equal pay claims have been received and these are being addressed. In recent years the Council has made provision for the potential costs.

Changes in Statutory Functions or Service Delivery

There were no significant changes in 2007/08.

There were some amendments to the reporting structure under the BVACOP guidance which the Council has adopted.

Capital Schemes

The Authority spent £29.078m on capital schemes in 2007/08 compared with a planned expenditure of £31.583m. This outturn represents 92% of the programme, with slippage primarily occurring on the IT Programme, Widnes Waterfont Scheme and the alterations to Cavendish School. A more detailed analysis of the spend is included as part of Note 17 to the Balance Sheet.

Housing

As part of the housing stock transfer agreement with Halton Housing Trust (HHT) the Value Added Tax (VAT) shelter arrangement was established. It is operated by HHT and the first payment of £0.275m was received in the 2007/08 year. The stock transfer agreement also provides the Council with a share of receipts from the sale of houses under Right to Buy legislation. The sum of £1.306m was due from the Trust in 2007/08 which was received after the year end and included in the accounts as a debtor.

Capital Planning

The Council prepares a rolling capital programme to forecast the probable level of capital spend over the next 4-5 years. This forecast includes the likely sources of funding. Within this funding is an assumed level of capital receipts to be generated based on the Authority's Asset Management Plan, which identifies surplus assets which may be suitable for disposal. The Authority also maintains a Capital Reserve Account, which has been generated over the years from revenue contributions in order to support funding the capital programme. Details of the unused capital receipts and balance on the capital reserve at the year end are shown in the Notes to the Balance Sheet, together with a list of any significant contractual commitments. Councillors consider any new additions to the programme in light of the resources available. The Council has a significant capital programme over the next few years including the Mersey Gateway, 3MG Rail Freight Terminal, Building Schools for the Future.

Foreword by Chief Financial Officer

Treasury Management

The Council operates within a Treasury Management Policy, which requires that each year a strategy is prepared and prudential indicators set to form a framework for the borrowing and lending activities to be undertaken. The performance is monitored each quarter throughout the year and an outturn report is produced at the year end. The Council had another successful year and exceeded its performance targets.

Collection Fund

The transactions on this fund record the collection of Council Tax and Non Domestic Rates. The net income collected on Non Domestic Rates, less certain allowances, is paid to the Central Government. The payments from all the Councils are pooled and then redistributed back to Councils as part of Formula Grant. The balance on the Collection Fund is held in trust on behalf of the Council, Cheshire Police and Cheshire Fire. The account showed a small surplus for the year.

Changes in Accounting Policies

The SORP continues to drive towards meeting International Financial Reporting Standards (IFRS), with several significant changes in accounting policies. In relation to capital finance, the Fixed Asset Restatement Reserve and the Capital Financing account were merged into the Capital Adjustment account and a new account called the Revaluation Reserve was established. In addition, the concept of charging notional amounts to the Income & Expenditure account relating to financial instruments was introduced. The Authority has also adopted the new layout in relation to the Statement of Total Recognised Gains and Losses (STRGL).

Conclusion

The Council has continued to be successful in managing its finances to maintain a sound financial base to meet increasing demands and for future development of the Authority.

I would like to thank all Members and officers who have assisted in the year and made 2007/08 a success.

Foreword by Chief Financial Officer

Further Information

Members of the public have the statutory right to inspect the Accounts before the audit is completed. The availability of the accounts for inspection is advertised in the local press. The accounts are available for downloading from the Internet, and can be found on the Council's website at www.halton.gov.uk.

The Abstract is available in alternative formats, such as Braille, large print, spoken, or a different language, by contacting the Council's Communication and Marketing Division (0151-471-7413).

W.L.Dodd
Operational Director – Financial Services

Income and Expenditure Account

<i>Net Expenditure 2006/07 Restated</i>	<i>Services</i>	Gross Expenditure 2007/08	Gross Income 2007/08	Net Expenditure 2007/08
£'000		£'000	£'000	£'000
	CONTINUING OPERATIONS			
27,064	Children's & Education Service	149,391	(122,308)	27,083
24,621	Adult Social Care	46,492	(22,238)	24,254
13,716	Highways, Roads and Transport	19,463	(5,216)	14,247
27,001	Cultural, Environmental and Planning Services	48,930	(20,195)	28,735
2,957	Housing Services	61,065	(58,642)	2,423
5,589	Central Services	48,629	(41,859)	6,770
3,644	Corporate and Democratic Core	5,560	(1,206)	4,354
200	Non Distributed Costs	869	-	869
104,792	Total Continuing Operations	380,399	(271,664)	108,735
	DISCONTINUING OPERATIONS			
(1,106)	Public Sector Housing	-	-	-
103,685	NET COST OF SERVICES	380,399	(271,664)	108,735
	Corporate Income & Expenditure			
87	(Gains) or Losses on Disposal of Fixed Assets			(1,494)
22	Precepts Paid to Parish Councils			27
(240)	(Surplus)/Deficit from Trading Operations			(97)
976	Interest Payable			865
89	Contribution of Housing Capital Receipts to Government Pool			41
(2,109)	Interest Receivable			(2,706)
(1,020)	Pension Interest Cost and Expected Return on Pensions Assets			(1,706)
101,490	NET OPERATING EXPENDITURE			103,665
	Principal Sources of Finance			
(37,122)	Precept on Collection Fund			(39,044)
(8,846)	Revenue Support Grant			(8,051)
(45,825)	Contribution from NDR Pool			(47,974)
9,698	(SURPLUS)/DEFICIT FOR THE YEAR			8,597*

Statement of Movement on the General Fund

<i>2006/07 Restated</i>		<i>2007/08</i>
<i>£'000</i>		<i>£'000</i>
9,698	(Surplus)/Deficit brought forward from Income and Expenditure Account	8,597*
(9,113)	Net Additional Amount required by statute and non-statutory proper practices to be debited or credited to the General Fund Balance for the year	(8,471)
585	(Increase)/Decrease in General Fund Balance for the year	126
(6,561)	General Fund Balance brought forward	(7,110)
(1,134)	Transfer from Housing Revenue Account	-
(7,110)	General Fund Balance carried forward	(6,985)*
(4,221)	Amount of General Fund Balance held by Governors under schemes to finance schools	(4,639)

Statement of Total Recognised Gains and Losses

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

<i>2006/07</i>		<i>2007/08</i>
<i>£'000</i>		<i>£'000</i>
14,100	Deficit for the year on Income and Expenditure Account	8,597*
(8,668)	Any other gains and losses required to be included	2,063
-	Surplus/Deficit arising on revaluation of available for sale financial assets	197
2,904	Surplus/Loss arising on revaluation of fixed assets	(4,557)
(21,080)	Actuarial losses on pension fund assets and liabilities	(19,802)
(250)	Movement on Collection Fund Balance	(146)*
(12,993)	Total Recognised (Gains)/Losses for the Year.	(13,648)

Balance Sheet

31/3/2007 £'000 Restated		Note	£'000	31/3/2008 £'000
332,759	Net Fixed Assets	17		328,189
1,962	Intangible Assets	18	1,798	
497	Long Term Investments	19	490	
1,818	Long Term Debtors	21	1,804	4,092
337,036	Total Long Term Assets			332,281
	Current Assets			
276	Stocks	20	261	
22,917	Debtors	21	13,685	
28,215	Temporary Investments		42,707	
1,619	Prepayments		1,007	
53,027	Total Current Assets		57,661	
	Current Liabilities			
(12,067)	Temporary Loans		(14,919)	
(25,215)	Creditors	22	(20,323)	
(17,070)	Receipts in Advance		(15,367)	
(1,015)	Cash in Hand/(Overdrawn)		(913)	
(55,367)	Total Current Liabilities		(51,523)	
(2,340)	Net Current Assets/(Liabilities)			6,138
334,696				338,419
(10,069)	Long Term Borrowing	29	(11,532)	
(3,101)	Deferred Liabilities	26	(2,981)	
(2,029)	Provisions	24	(3,722)	
(39,087)	Government Grants – Deferred		(47,552)	
(59,600)	Liability Related to Defined Benefit Pension Scheme	32	(38,175)	(102,499)*
220,810	Total Assets less Liabilities			234,458
(249,300)	Capital Adjustment Account			(222,200)
-	Financial Instruments Adjustment Account			197
-	Revaluation Reserve			(4,557)
(1,421)	Capital Receipts Unapplied			(10,182)
(1,564)	Deferred Capital Receipts	23		(1,462)
59,600	Pensions Reserve	32		38,175
(16,324)	Reserves – General	25		(22,190)
(470)	– Collection Fund			(616)
(4,221)	– School			(4,639)
(7,110)	Revenue Balances – General			(6,984)
(220,810)	Total Equity	30		(234,458)

Cashflow Statement

Actual 2006/07 £'000		Actual 2007/08 £'000	Actual 2007/08 £'000	Notes
	Revenue Activities			
	<i>Cash Outflows</i>			
137,292	Cash Paid to and on behalf of Employees	138,277		
107,045	Other Operating Cash Payments	123,061		
43,837	Housing Benefit Paid Out	45,669		
4,008	Payment of Police Precept	4,339		
2,219	Payment of Fire Precept	2,281		
85	Payments to the Capital Receipts Pool	58		
41,340	Payment to NDR Pool	41,474		
335,826			355,159	
	<i>Cash Inflows</i>			
(3,788)	Rents (after Rebates)	(2,959)		
(35,607)	Council Tax Receipts	(37,817)		
(41,729)	Non Domestic Ratepayers	(43,910)		
(45,825)	Non Domestic Rate Income from National Pool	(47,974)		
(8,689)	Revenue Support Grant	(8,051)		
(40,117)	DWP Grants for Benefits	(48,484)		
(129,974)	Other Government Grants	(141,639)		33
(13,430)	Cash Received for Other Goods and Services	(14,029)		
(22,338)	Other Revenue Cash Payments/Income	(23,502)		
(341,497)			(368,365)	
	Dividends from Joint Ventures and Associates			
	<i>Cash Inflows</i>			
(140)	Dividends Received		(140)	
(5,811)	REVENUE ACTIVITIES NET CASHFLOW		(13,346)*	34
	Returns on Investments and Servicing of Finance			
	<i>Cash Outflows</i>			
977	Interest Paid	864		
	<i>Cash Inflows</i>			
(1,700)	Interest Received	(1,973)		
(723)			(1,109)	
	Capital Activities			
	<i>Cash Outflows</i>			
27,836	Purchase of Fixed Assets	27,281		
1,817	Other Capital Cash Payments	1,265		
29,653		28,546		
	<i>Cash Inflows</i>			
(1,621)	Sale of Fixed Assets	(17,692)		
(10,453)	Capital Grants Received	(13,761)		
(817)	Other Capital Cash Receipts	(440)		
(12,891)		(31,893)	(3,347)	
	Acquisitions and Disposals			
-	No transactions	-		
10,228	Net Cash (Inflow)/Outflow before Financing		(17,802)	
	Management of Liquid Resources			
(6,100)	Net (Increase)/Decrease in Short Term Deposits		13,700	
-	Net (Increase)/Decrease in Other Liquid Resources		-	
	Financing			
	<i>Cash Outflows</i>			
-	Repayment of Amounts Borrowed – Long Term	-		
(2,000)	– Short Term	-		
(2,000)		-	-	
	<i>Cash Inflows</i>			
-	New Loans Raised – PWLB	-		
-	– Other	-		
-	New Short Term Loans	4,000		
-			4,000	
2,128	(Increase)/Decrease in Cash and Cash Equivalents		(102)	35

Notes to the Core Financial Statements

Income and Expenditure Account

1. Leasing

1(a) Where Halton Borough Council is the Lessee

The Authority uses leased vehicles, wheeled bins and other equipment financed under operating leases. During 2007/08 the Authority has not arranged any new leases.

The amount paid in rental under operating leases in 2007/08 was £70,381 (2006/07 £221,024), with outstanding obligations of £259,419 (31.3.07 £313,752). The amount paid in rental under finance leases in 2007/08 was nil (2006/07 nil), with no outstanding obligations.

1(b) Where Halton Borough Council is the Lessor

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

	<i>Annual Rent due to HBC 2006/07</i>	<i>Depreciation on Assets 2006/07</i>	<i>Annual Rent due to HBC 2007/08</i>	<i>Depreciation on Assets 2007/08</i>
	£	£	£	£
Industrial Estates				
– Wholly Owned	963,330	405,993	1,047,062	405,993
– Shared Ownership with Pochins (50:50)	48,772	23,348	48,772	23,348
Offices	221,736	78,873	153,567	66,887
Other Land and Properties	244,106	221,967	306,035	222,676
Shops	150,500	141,250	170,750	140,676
Public Houses Ground Rent	54,130	-	54,530	-
Car Parks	1,744	-	1,744	-
	1,684,318	871,431	1,782,460	859,580

Notes to the Core Financial Statements continued

2. Trading Operations

The Authority operates public markets, several industrial estates and owns a successful transport undertaking. A brief summary and comparison with 2006/07 is detailed below:

The Authority has discontinued the preparation of trading statements for the direct labour and direct service operations.

Income 2007/08	Expenditure 2007/08	Trading (Surplus)/ Deficit 2007/08	Trading (Surplus)/ Deficit 2006/07	Trading Account	Asset Rentals 2007/08	Total inc. Asset Rental 2007/08
£'000	£'000	£'000	£'000		£'000	£'000
(958)	929	(29)	(70)	Markets	129	100
(1,060)	534	(526)	(588)	Industrial Estates	429	(97)

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

	<i>Restated</i> <i>2006/07</i> <i>£'000</i>	2007/08 £'000
Markets	59	100
Industrial Estates	(159)	(97)
Halton Transport Dividend	(140)	(100)
	(240)	(97)

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

Notes to the Core Financial Statements continued

3. Agency and Pooled Budget Expenditure

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

Adults with Learning Disability Services in Halton

Object: To improve the ability of people to live independently through better co-ordinated services.

Revenue 2006/07 £'000		Revenue 2007/08 £'000
(3,819)	Funding	
(8,037)	Halton & St. Helens Primary Care Trust	(4,227)
(85)	Halton Borough Council	(8,530)
-	Other Income	(41)
	Less Income Under Achieved	262
(11,941)	Total Funding	(12,536)
	Expenditure	
1,399	Nursing Care	1,142
1,081	Residential Care	1,124
2,760	Supported Living	2,842
2,231	Homecare	2,679
1,885	Day Services	1,834
1,139	Specialist Learning Disabilities Team	1,192
68	Support for Advocacy	44
7	Support for Carers	7
549	Respite	556
801	Management and Support	1,087
-	Adult Placement	20
21	Other	9
11,941	Total Expenditure	12,536
-	(Surplus)/Deficit for the Year	-
-	Balance brought forward	-
-	(Surplus)/Deficit for the Year	-
-	Balance carried forward	-

Notes to the Core Financial Statements continued

3. Agency and Pooled Budget Expenditure (continued)

Halton Integrated Community Equipment Service

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

Revenue 2006/07 £'000		Revenue 2007/08 £'000
(137)	Funding	
(186)	Halton Borough Council	(192)
	Halton & St. Helens Primary Care Trust	(209)
(323)	Total Funding	(401)
	Expenditure	
66	Management Fee	77
160	Stock	247
97	Halton & St. Helens PCT Expenditure	77
323	Total Expenditure	401
-	(Surplus)/Deficit for the Year	-
-	Balance brought forward	-
-	(Surplus)/Deficit for the Year	-
-	Balance carried forward	-

Notes to the Core Financial Statements continued

3. Agency and Pooled Budget Expenditure (continued)

Children with Disabilities

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

Revenue 2006/07 £'000		Revenue 2007/08 £'000
(83)	Funding	
(305)	Halton & St. Helens Primary Care Trust	(843)
	Halton Borough Council	(1,414)
(388)	Total Funding	(2,257)
	Expenditure	
93	Management	104
14	Halton Information Exchange	-
35	Woodview Co-ordinator	-
68	Shaping Services	801
19	Direct Payments	20
51	Grants to Voluntary Organisations	180
6	Training	11
-	Equipment Provision	17
-	Childrens Disability Scheme	435
-	Inglefield	490
286	Total Expenditure	2,058
(102)	(Surplus)/Deficit for the Year	(199)
-	Balance brought forward	-
(102)	(Surplus)/Deficit for the Year	(199)
102	Surplus Returned to Partners (63%:37%)	199
-	Balance carried forward	-

Notes to the Core Financial Statements continued

3. Agency and Pooled Budget Expenditure (continued)

Intermediate Care

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

Revenue 2006/07 £'000		Revenue 2007/08 £'000
(248)	Funding	
(686)	Halton & St. Helens Primary Care Trust	(306)
(1)	Halton Borough Council	(770)
	Interest	-
(935)	Total Funding	(1,076)
	Expenditure	
70	Management	33
331	Therapy Team	333
119	Nursing Team	117
130	Social Work Team	125
198	Care Team	267
48	Administration Team	35
-	Winter Pressures	122
39	Other Expenditure	44
935	Total Expenditure	1,076
-	(Surplus)/Deficit for the Year	-
-	Balance brought forward	-
-	(Surplus)/Deficit for the Year	-
-	Balance carried forward	-

Notes to the Core Financial Statements continued

4. S137 Expenditure

Under S137 of the Local Government Act 1972, the Authority (subject to various conditions and limits) is empowered to incur expenditure which in their opinion is in the interest of their area. This section accounts for this expenditure separately.

	2006/07 £'000 (£5.29 per head)	2007/08 £'000 (£5.48 per head)
Permitted to Spend	628	655
Actual Spend	369	310

5. S5 Expenditure on Publicity

Under S5 of the Local Government Act 1986, Local Authorities are required to account separately for their expenditure on publicity. Set out below are details for 2007/08 compared with 2006/07:

	2006/07 £'000	2007/08 £'000
Recruitment Advertising	273	277
General Advertising/Marketing	618	665
Promotional Expenditure	241	219
	1,131	1,161

6. Local Authority (Goods and Services) Act 1970

Subject to the provisions of Section 1 of the 1970 Act, a Local Authority may enter into an agreement to supply certain goods and services. In 2007/08 the Council supplied payroll services to Riverside College.

	2006/07 £'000	2007/08 £'000
The income generated from this activity was	(11)	(12)
The related costs were	11	12
Out of a total departmental budget of	475	416

Notes to the Core Financial Statements continued

7. Exceptional Items

There are no exceptional items to report.

8. Officers' Emoluments

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

Remuneration Band	2006/07 Teaching	2006/07 Non Teaching	2007/08 Teaching	2007/08 Non Teaching
£50,000-£59,999	22	16	37	25
£60,000-£69,999	9	9	7	7
£70,000-£79,999	1	16	4	12
£80,000-£89,999	1	-	1	2
£90,000-£99,999	-	3	-	2
£100,000-£109,999	-	-	-	1
£110,000-£119,999	-	-	-	-
£120,000-£129,999	-	-	-	-
£130,000-£139,999	-	1	-	-
£140,000-£149,999	-	-	-	1

9. Members' Allowances

During the year £673,210 (2006/07 £655,005) was paid to Members.

10. Related Party Transactions

The Council is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council. Central Government has effective control over the general operations of the Council – it is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. housing benefits). A summary of the material transactions with Central Government is included in the table overleaf, with additional detail included in the Cashflow Statement.

Notes to the Core Financial Statements continued

10. Related Party Transactions (continued)

	<i>Receipts £m 2006/07</i>	<i>Receipts £m 2007/08</i>	<i>Payments £m 2006/07</i>	<i>Payments £m 2007/08</i>
Central Government and Government Agency				
– General Revenue Support	<i>(54.67)</i>	<i>(56.03)</i>		
– Specific Revenue Grants	<i>(125.39)</i>	<i>(141.21)</i>		
– DSS Support to Rebates/Allowances	<i>(44.70)</i>	<i>(47.10)</i>		
– Capital	<i>(13.00)</i>	<i>(9.91)</i>		
Cheshire County Council				
– 3C Waste Rent*	<i>(0.20)</i>	<i>(0.06)</i>		
– Home Office Services			<i>0.17</i>	<i>0.14</i>
Cheshire Police Authority – Precept			<i>4.01</i>	<i>4.34</i>
Parish Councils – Precept			<i>0.02</i>	<i>0.03</i>
Cheshire Fire Authority – Precept			<i>2.22</i>	<i>2.28</i>
Environmental Agency – Levy			<i>0.05</i>	<i>0.06</i>
Government Office North West – Levy			<i>0.02</i>	<i>0.00</i>
Halton Housing Trust	<i>(3.69)</i>	<i>(2.26)</i>	<i>0.29</i>	<i>0.44</i>

*3C Waste for 2006/07 covers five quarters and 2007/08 covers three quarters.

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

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

Other statements of interest within the Abstract are Members' Allowances (Note 9 to the Income and Expenditure Account) and Pensions (Note 32 to the Balance Sheet).

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

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

For 2007/08 the system has highlighted that 13 Members had interests in various voluntary sector bodies, some of which receive grant support from the Council, and more specifically two Members were board members of Halton Housing Trust.

Notes to the Core Financial Statements continued

10. Related Party Transactions (continued)

There are two significant debtors accruals and two significant creditors accruals at the year end.

	Debtors £m	Creditors £m
Halton Housing Trust – Right to Buy	1.31	
NWDA –Capital Scheme Grant Claims	1.96	
Halton & St. Helens Primary Care Trust		2.42
ODPM – Council Tax/Housing Benefit Subsidy		0.37
	3.27	2.79

11. Building Control

The Local Authority Building Control Regulations 1998 require the disclosure of information regarding the setting of charges for the administration of the building control function. The statement below shows the total cost divided between chargeable and non-chargeable (i.e. general advice and liaising with other statutory bodies) activities.

	<i>Chargeable</i> 2006/07 £'000	Chargeable 2007/08 £'000	<i>Non Chargeable</i> 2006/07 £'000	Non Chargeable 2007/08 £'000	<i>Total</i> 2006/07 £'000	Total 2007/08 £'000
Expenditure						
Employee Expenses	170	191	142	120	312	311
Premises	7	6	13	14	20	20
Supplies & Services	28	22	8	11	36	33
Transport	4	3	3	2	7	5
Central and Support Service Charges	40	74	160	98	200	172
Total Expenditure	249	296	326	245	575	541
Income						
Building Regulation Charges	(232)	(302)	-	-	(232)	(302)
Miscellaneous Income	-	-	(1)	-	(1)	-
Total Income	(232)	(302)	(1)	-	(233)	(302)
(Surplus)/Deficit for Year	17	(6)	325	245	342	239

Notes to the Core Financial Statements continued

12. Audit Fees

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

	<i>2006/07 £'000</i>	<i>2007/08 £'000</i>
Fees Payable for		
– Audit	195	202
– Inspections	16	123
– Grants and Returns	110	81
	321	406

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

There are no transactions to report.

14. Business Improvement District Schemes (Improvements to Services Funded by Local NDR Levy)

There are no transactions to report for 2007/08.

From the 1st April 2008 the Authority will be operating two Business Improvement District Schemes at Astmoor and Halebank.

15. Disclosure of Deployment of Dedicated Schools Grant

The Council's expenditure on schools is funded by grant monies provided by the Department for Education and Skills, the Dedicated Schools Grant (DSG). DSG is ring-fenced and can only be applied to meet expenditure properly included in the Schools Budget. The Schools Budget includes elements for a restricted range of services provided on 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.

Notes to the Core Financial Statements continued

15. Disclosure of Deployment of Dedicated Schools Grant (continued)

Details of the deployment of DSG receivable for 2007/08 are as follows:

Total 2006/07		Central Expenditure 2007/08	Individual Schools Budget 2007/08	Total 2007/08
£'000		£'000	£'000	£'000
(71,088)	Original Grant Allocation to Schools Budget for the current year in the Authority's Budget	(9,278)	(66,412)	(75,690)
(708)	Adjustment to finalised grant allocation	-	125	125
(71,796)	DSG receivable for the year	(9,278)	(66,287)	(75,565)
70,330	Actual Expenditure for the year	9,665	65,870	75,535
(1,466)	Over/(Under) Spend for the year	387	(417)	(30)
-	Planned Top-up Funding of the ISB from Council Resources	-	-	-
(97)	Use of Schools Balances brought forward	-	417	417
-	Over/(Under) Spend from prior year	(1,563)	-	(1,563)
(1,563)	Over/(Under) Spend carried forward to 2008/09	(1,176)	-	(1,176)

Notes to the Core Financial Statements continued

Statement of Movement on the General Fund

16. Analysis of Movement on General Fund Balance

<i>2006/07 Restated</i>		Net Expenditure 2007/08
£'000		£'000
	<i>Amounts included in the Income and Expenditure Account but required by statute to be excluded when determining the Movement on the General Fund Balance for the year</i>	
-	Amortisation of Intangible Fixed Assets	-
(15,263)	Depreciation and Impairment of Fixed Assets	
	– Depreciation	(19,006)
-	– Impairments	(2,785)
2,201	Government Grants Deferred Amortisation	3,266
(864)	Write Downs of Deferred Charges to be financed from Capital Resources	(578)
(87)	Net Gain or Loss on Sale of Fixed Assets	1,494
(10,100)	Net Charges made for Retirement Benefits in accordance with FRS17	(8,289)
(24,113)		(25,898)
	<i>Amounts not included in the Income and Expenditure Account but required to be included by statute when determining the Movement on the General Fund Balance for the year</i>	
993	Minimum Revenue Provision for Capital Financing	1,222
415	Capital Expenditure charged in year to the General Fund Balance	468
(89)	Transfer from Usable Capital Receipts to meet payments to the Housing Capital Receipts Pool	(41)
9,220	Employer's Contributions payable to the Pension Fund and Retirement Benefits payable direct to pensioners	9,912
10,539		11,561
	<i>Transfers to and from the General Fund Balance that are required to be taken into account when determining the Movement on the General Fund Balance for the year</i>	
106	Housing Revenue Account Balance	-
4,355	Contribution to/(from) Reserves	5,866
4,461		5,866
(9,113)	AMOUNT TO BE MET FROM GOVERNMENT GRANT AND LOCAL TAXPAYERS	(8,471)

Notes to the Core Financial Statements continued

Balance Sheet

17(a) Fixed Assets

Movements in fixed assets during the year were as follows:

Total 2006/07		Operational Assets				Non Operational Assets			Intangible Assets	Total 2007/08
		Land and Buildings	Community Assets	Infrastructure Assets	Vehicles, Plant and Equipment	Investment	Under Construction/ Development	Surplus		
£'000		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
356,165 (26,127)	Gross Book Value as at 1st April Less Accumulated Depreciation	223,874 (10,490)	4,361 (129)	94,827 (26,429)	3,894 (1,412)	16,672 (999)	9,900 (13)	18,758 (54)	3,056 (1,095)	375,342 (40,621)
330,038 18,621 (2,347) - 2,903 (15,261) 767	Net Book Value as at 1st April Additions and Enhancements Disposals/Alienations Reclassifications Revaluations Depreciation for the year Depreciation on Assets Revalued	213,384 263 (154) - 1,780 (7,803) 1,211	4,232 273 - - 52 (240) -	68,398 15,625 (2,029) - - (8,746) 2,029	2,482 1,892 (351) - - (930) 351	15,673 - (250) - 522 (623) 1,070	9,887 6,280 (717) - - (7) -	18,704 - (14,021) - - (47) -	1,961* 447 (246) - - (611) 246	334,721 24,780 (17,768) - 2,354 (19,007)* 4,907
334,721	Net Book Value as at 31st March	208,681	4,317	75,277	3,444	16,392	15,443	4,636	1,797*	329,987
375,342 (40,621)	Certified Valuation as at 31st March Less Accumulated Depreciation	225,763 (17,082)	4,686 (369)	108,423 (33,146)	5,435 (1,991)	16,944 (552)	15,463 (20)	4,737 (101)	3,257 (1,460)	384,708 (54,721)
334,721	Net Book Value as at 31st March	208,681	4,317	75,277	3,444	16,392	15,443	4,636	1,797*	329,987

Notes to the Core Financial Statements continued

17(b) Financing of Capital Expenditure

	<i>2006/07 £'000</i>	<i>2007/08 £'000</i>
Expenditure during year:		
– Fixed Assets	18,621	24,778
– Other Capital Expenditure	9,126	2,785
– Advances	315	401
– Deferred Charges	1,247	1,114
	29,309	29,078
Financed by:		
– Loans – Supported	6,785	4,829
– Prudential	113	4,837
– Grant – Central Government	8,867	7,579
– Other	3,360	2,326
– Capital Receipts	8,539	8,557
– Capital Reserve	501	-
– Private Developers	729	482
– Revenue	415	468
	29,309	29,078

The analysis above shows the Council spent £29.078m during 2007/08. This represents spend at 92% of the programme compared with the target spend of 90%. The highlights of the programme were:

	£m	£m
Construction or Purchase of Assets		
Refuse Collection Fleet	1.087	
IT Rolling Programme	0.829	
Childrens Centre Phase 2	0.671	
Athletics Track	0.262	
Womens Centre	0.120	2.969

Notes to the Core Financial Statements continued

17(b) Financing of Capital Expenditure (continued)

	£m	£m
Improving, Maintaining or Extending Assets		
Highways / Bridge Maintenance	9.888	
Runcorn Town Hall Refurbishment	2.768	
Riverview Site Improvements	1.239	
Extension to Cavendish/Brookfields Schools	0.658	
Victoria Park Depot Refurbishment	0.380	
Disability Discrimination Works	0.283	
Victoria Park Refurbishment	0.151	15.367
Other Works		
Regeneration – Ditton Strategic Rail Freight Park (3MG)	2.312	
– Local Strategic Plan Programme	2.114	
– Widnes Waterfront	0.932	
– Castlefields	0.380	
Sports Pitch Improvements	0.271	
Landfill Tax Works	0.240	
Software Upgrades – Benefits System	0.041	
		6.290

Disposal of Assets/Capital Receipts

Land/Dwellings/Recovered Advances – the Authority received £15.818m from the sale of land and various properties.

Under residual arrangements, the Authority received £1.306m from the Housing Trust for the sale of homes during the year, and further £0.276m under VAT Shelter arrangements.

Notes to the Core Financial Statements continued

17(c) Contingent Liabilities – Contractual

Significant Contractual Commitments

The larger programme has led to a significant increase in the contractual liabilities of the Council at the year end. The liabilities are analysed below:

Scheme	Purpose	Approx. Value £'000	Duration
Highways			
A558/A56	Junction Improvement	1,300	1 year
Highway Improvement	Term contract	1,000	4 years
Widnes Waterfront	Gyratory Improvements	646	4 months
Property Services			
Brookfields School	Extension and Remodelling	276	3 months
Cavendish School	Extension and Remodelling	1,287	9 months
Runcorn All Saints School	Extension of School for Childrens Centre	218	3 months
Runcorn Town Hall	Refurbishment	980	4 months

17(d) Finance Leases

There are no outstanding commitments.

17(e) Operating Leases

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

	2006/07 Other £	2007/08 Other £
Less than 1 year	-	-
2 to 5 years	37,239	42,425
5 years plus	27,466	27,466
	64,705	69,891

Notes to the Core Financial Statements continued

17(f) Information on Assets Held

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

Operational Land and Buildings

Assets used in the delivery of services to the public

Cemeteries	1	Admin. Buildings	7	Community/Sports Stadium	1
Crematorium	1	Civic Centre/Theatre	1	Schools	52
Swimming Baths	1	Markets	2	Libraries	3
Leisure/Sports Centre	3	Golf Course	1	Depots	3
Youth/Community Centres	8	Public Conveniences	2	Learning Centres	1
Play Centres	2	Social Service Buildings	16		
Gypsy Site	1	Car Parks	4		

Operational Equipment

Variety of items, mainly computer equipment. The Authority owns a few ex Cheshire County Council vehicles, but the bulk of its fleet is either leased or rented.

Infrastructure Assets

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

Roads	542.5 km	Street Lighting Columns	19,500
Puffin Crossings	19	Bridges/Structures	275
Pelican Crossings	2	Traffic Signals	57
Toucan Crossings	3		

Community Assets

Land set aside for formal and informal recreation

Playing Fields	}	2,012 acres
Open Spaces		

Non-Operational Assets

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

Industrial Land	23.5 acres	Shops	64
Residential Land	72.5 acres	Industrial Units	91
Commercial Land	13.0 acres	Miscellaneous Properties	13

Notes to the Core Financial Statements continued

17(g) Method of Valuation

Operational Assets

Land and Buildings

Non specialised property is included at market value for the existing use. Specialised property is included on the basis of depreciated replacement cost.

Community Assets

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

Infrastructure

This group of assets are included on the basis of historical cost in accordance with the guidelines contained in the RICS Appraisal and Valuation Standards.

Vehicles, Plant and Equipment

The majority of the Authority's plant and equipment is included in the valuation of the buildings. The vehicles and other equipment are included at historical cost.

Non-Operational Assets

Investments/Surplus

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

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.

Notes to the Core Financial Statements continued

17(g) Method of Valuation (continued)

Intangible

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

Revaluations

Assets are subject to an annual impairment check.

A proportion of the assets will be subject to revaluation each year to allow for the workload of revaluation to be more evenly spread and the balance sheet to be more accurate. Each asset will be revalued over a 5 year cycle.

18. Intangible Assets

	<i>Balance at 1st April 2007</i>	Expenditure	Income/Grant	Amounts written-off	Balance at 31st March 2008
	£'000	£'000	£'000	£'000	£'000
Improvement Grants	-	963	(385)	(578)	-
Other Grants and Advances	-	400	(400)	-	-
Software Licences	1,962	447	-	(611)	1,798
	1,962	1,810	(785)	(1,189)	1,798

The reclassification required by the Statement of Recommended Practice highlighted the need to show separately a new category of intangible assets. The Authority has identified various software licences which fall within this category. Also see Note 17(a) to the balance sheet.

19. Investments

The investments consist of:

	<i>Balance at 31st March 2007</i>	Balance at 31st March 2008
	£'000	£'000
Halton Borough Transport Ltd.		
– Share Capital	430	430
– Debenture	67	60
Halton Development Partnership Limited – de minimus	-	-
Widnes Regeneration Limited – de minimus	-	-
	497	490

Notes to the Core Financial Statements continued

19. Investments (continued)

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

	<i>Year to 31st March 2007 £'000</i>	<i>Year to 31st March 2008 £'000</i>
Profit and Loss Account		
Turnover	(4,878)	(4,750)
Operating and Other Expenditure	4,791	4,650
Net (Profit)/Loss (after Dividend)	(87)	(100)
Dividend due to Borough Council	(140)	(100)
Balance Sheet as at 31st March		
Fixed Assets	2,754	2,820
Current Assets less Current Liabilities	(795)	(886)
Net Current Assets	1,959	1,934
Long Term Liabilities	(458)	(549)
Provisions for Liabilities and Charges	(182)	(146)
Pension Scheme Liability	(121)	(14)
	1,198	1,225
Represented by:		
Share Capital	(430)	(430)
Profit and Loss Account	(768)	(795)
	(1,198)	(1,225)

The undertaking received an unqualified audit opinion for the year ended 31st March 2008.

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

Notes to the Core Financial Statements continued

20. Stocks and Work in Progress

	<i>31st March 2007</i> £'000	<i>31st March 2008</i> £'000
Catering – Bars – Provisions	143	130
Other	118	121
Railcards	15	10
	276	261

21. Debtors

	<i>31st March 2007</i> £'000 <i>Restated</i>	<i>31st March 2008</i> £'000
<i>Short Term</i>		
Non Domestic Rates	722	976
Council Tax	3,242	3,141
Summons Costs	351	333
Central Government	8,375	3,343
General	16,830	12,627
	29,520	20,420
Less Provision for Non-Payment	(6,603)	(6,735)
	22,917	13,685
<i>Long Term</i>		
Mortgagors – Council House Sales	104	65
Housing Associations	1,144	1,130
Other	570	609
	1,818	1,804

Notes to the Core Financial Statements continued

22. Creditors

	31st March 2007 £'000 Restated	31st March 2008 £'000
Government Departments	(853)	(559)
Payroll Related	(3,145)	(3,442)
Land Sale Deposits	(1,043)	(99)
Capital	(1,710)	(1,993)
Credit Balances, Council Tax and NDR	(423)	(623)
Invoices in Payment Process	(9,472)	(4,169)
Late Invoices and Accruals	(8,569)	(9,439)
	(25,215)	(20,324)*

23. Deferred Capital Receipts

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

	31st March 2007 £'000	31st March 2008 £'000
Mortgages – Former Right to Buy	(103)	(65)
– Housing Associations	(1,144)	(1,130)
– Castlefield Equity Advances	(315)	(266)
– Other	(2)	(1)
	(1,564)	(1,462)

Notes to the Core Financial Statements continued

24. Provisions

	1st April 2007	Movement in Year	31st March 2008
	£'000	£'000	£'000
MRP Repayment	-	(1,222)	(1,222)
Care Management – CSED**	(29)	29	-
Equal Pay/Job Evaluation *	(2,000)	(500)	(2,500)
	(2,029)	(1,693)	(3,722)

* In accordance with the 2004 national pay agreement, the Council has undertaken a pay and grading review for all staff posts, and there is now an appeals process in place. However, at the time of preparing the Abstract the financial implications were still unknown. A further sum has been included in the provision in 2007/08

**CSED is an abbreviation for Care Service Efficiency Delivery programme.

25. Reserves

Significant Movements:

Building Schools for the Future – a reserve has been established in order to meet the cost of implementing the Building Schools for the Future programme over the coming three years.

Enterprise and Employment – a reserve has been established in order to support the cost of operating New Deal and other employment related services in future years, particularly as external funding for these services reduces.

Health and Community – a reserve has been established to support the Council's future contribution and to meet spending pressures in relation to the Adults with Learning Disabilities pooled budget.

Notes to the Core Financial Statements continued

25. Reserves (continued)

The Authority maintains the following Reserves:

	1st April 2007 £'000	Movement in year £'000	31st March 2008 £'000
Capital (to support Capital Programme)	(8,512)	(300)	(8,812)
Insurance General Fund (to meet future claims not covered by insurance)	(3,958)	169	(3,789)
Insurance Former HRA Properties (to offset pre LSVT claims)	(1,644)	136	(1,508)
C&YP 2007/08 Carry Forward (earmarked to support 2008/09 Revenue Budget)	-	(350)	(350)
Vehicle Maintenance (to fund future refurbishments)	(155)	155	-
Business Link (returned monies following the wind-up of Business Link)	(14)	-	(14)
Revenue Priorities Fund (earmarked funding carried forward)	(644)	287	(357)
Landfill Usage (notional value of unused allowance)	(140)	(7)	(147)
LPSA Grant (set up earmarked grant for project funding)	(147)	147	-
Health is Wealth (to improve the health and well being of people in the region)	(20)	10	(10)
Invest to Save (to fund investments in revenue saving initiatives)	(1,000)	(18)	(1,018)
Major Project Fees (to fund future major project implementation costs)	(90)	(27)	(117)
Neighbourhood Management (earmarked to fund future project costs)	-	(210)	(210)
Halton Castle Duchy of Lancaster (Halton Castle Restoration Project)	-	(116)	(116)
Supporting People (earmarked to fund future schemes)	-	(521)	(521)
Building Schools for the Future (to fund future implementation costs)	-	(2,203)	(2,203)
Halton Safeguarding Children Board (earmarked partnership contributions towards safeguarding of Halton children)	-	(100)	(100)
Alliance Board (earmarked contributions to implement the C&YP plan)	-	(72)	(72)
CYPD Grant Income (Grant to be utilised in 2008/09)	-	(3)	(3)
Enterprise and Employment (to fund E&E activities for future years)	-	(1,443)	(1,443)
Health & Community (earmarked reserve for 2008/09)	-	(750)	(750)
Mersey Gateway (to fund future planning work re Mersey Gateway)	-	(400)	(400)
Core Strategy (to fund Local Development Framework Core Strategy Costs)	-	(250)	(250)
Total All Reserves	(16,324)	(5,866)	(22,190)

Notes to the Core Financial Statements continued

26. Deferred Liabilities

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

	Balance at 31st March 2007 £'000	Balance at 31st March 2008 £'000
Private Developers Transferred Liabilities – Latent Liabilities	(3,101)	(2,981)
	(3,101)	(2,981)

Any sums received against future maintenance liabilities are now permanently set aside each year. In 2007/08 £0.267m was set aside.

27. Contingent Liabilities – Other

Under the tripartite Local Government Finance Treasurers' Agreement signed by Cheshire County Council, Halton Borough Council and Warrington Borough Council, the County Council had set aside a sum to meet claims against the County relating to events prior to 1st April 1998 which may come to light in the future.

The residual balance held by the County Council at 31st March 2008 was £7.288m (31.3.07 £9.505m). Halton's share of this is estimated at £0.74m (31.3.07 £0.97m).

The Council has completed its pay and grading review of relative staff responsibilities/ remuneration levels as a result of the Job Evaluation Single Status agreement 1997. This exercise is currently subject to the appeals procedure and potential equal pay claims, and as such it is difficult to estimate the level of any future liabilities.

Legal Claims

There are currently no legal claims of significant amounts outstanding.

Notes to the Core Financial Statements continued

27. Contingent Liabilities – Other (continued)

The Euro

General

Since the Government published the Outline National Changeover Plan in February 1999, there has been a possibility that the United Kingdom would adopt the Euro, subject to certain Economic Tests and a national referendum.

The Council has addressed the issue raised by the possible entry and has identified and assessed the areas most affected.

However, it seems likely now that the Government would not want to press on with the change in the foreseeable future.

Euro Preparation Costs

Given the uncertainty surrounding entry, the Council does not expect to incur any significant direct costs in advance of a decision to join. This is a value/risk judgement balanced against incurring costs within a very tight budgeting scenario, on a project, the results of which may never be utilised.

28. Post Balance Sheet Events

There were no significant post balance sheet events.

29. Long Term Borrowing

	<i>Outstanding at 31st March 2007 Restated £'000</i>	<i>Outstanding at 31st March 2008 £'000</i>
Source of Loans: Public Works Loan Board	<i>(10,069)</i>	<i>(11,532)</i>
	<i>(10,069)</i>	<i>(11,532)</i>
Analysis of Loans by Maturity:		
Maturing in 1-2 years	-	-
Maturing in 2-5 years	-	-
Maturing in 5-10 years	-	-
Maturing in more than 10 years	<i>(10,069)</i>	<i>(11,532)</i>
	<i>(10,069)</i>	<i>(11,532)</i>

Notes to the Core Financial Statements continued

30. Analysis of Net Assets Employed

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

	31st March 2007 £'000	31st March 2008 £'000
Total Equity	(220,810)	(234,458)
Analysis:		
General Fund	(216,119)	(229,203)
Collection Fund (in trust)	(470)	(616)
Schools	(4,221)	(4,639)
	(220,810)	(234,458)

31. Trust Funds

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

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

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

Notes to the Core Financial Statements continued

31. Trust Funds (continued)

		31.3.07	Expenditure/ Payments	Income/ Receipts	31.3.08
		£	£	£	£
(A) Funds for which the Council acts as sole Trustee					
Social Services Special Funds At 31st March the Authority was acting as a Trustee for various Social Services clients	Balance	1,724,801			1,533,222
Public Health (Control of Disease) Act 1984 At 31st March the Authority was holding various sums under the above Act in respect of public funds	Balance	18,615			18,615
(B) Funds where the Council doesn't have sole control					
<u>Registered Charities</u>					
Knights House Charity Objective: To assist the needy in the Widnes area Charity No. 218886	Assets Liabilities	459,961 (347,320)			427,029 (319,104)
		112,641	(16,686)	11,970	107,925
Runcorn General War Relief Fund Objective: To assist the needy in the Runcorn area Charity No. 505396	Assets Liabilities	29,598 (13,333)			32,006 (16,222)
		16,265	(700)	219	15,784
Widnes Educational Foundation Objective: To assist in education opportunities for students in Widnes Charity No. 526510	Assets Liabilities	25,039 (20,862)			23,728 (20,893)
		4,177	(1,790)	448	2,835
<u>Other</u>					
Norton Priory Museum This is a registered charity which has surplus cash and a Walled Garden Fund held by the Borough Council	Balance	434,314			447,479
Other Social Services Funds The Authority holds various sums on a voluntary basis for clients. The funds are mainly used to assist in providing recreational activities	Balance	120,265			111,362
Other Childrens Funds The Authority holds various sums on a voluntary basis for clients. The funds are mainly used to assist in providing recreational activities	Balance	-			13,285
Education Welfare Trust The Authority holds a small sum on a voluntary basis from various fundraising activities. The funds are used to pay for additional educational activities	Balance	784			784

Notes to the Core Financial Statements continued

32. Disclosure of Net Pensions Asset/Liability

As part of the terms and conditions of employment of its officers and other employees, the Authority offers retirement benefits. Although these will not actually be payable until employees retire, the Authority has a commitment to make the payments that need to be disclosed at the time that employees earn their future entitlement.

The Authority participates in two pension schemes, both of which offer defined benefits:

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

The Teachers Pension Scheme – This is a centralised scheme administered by Teachers 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.

Local Government Pension Scheme

In 2007/08 the Council paid an employer's contribution to the Cheshire Pension Fund of £9,906,380 (£9,212,770 in 2006/07), representing 18.3% (17.6% in 2006/07) of pensionable pay.

The Council has also made payments to fund the cost of discretionary retirement benefits paid to employees who retire on the grounds of redundancy or in the efficiency of the service. The cost of these payments is detailed on page 42, as impact of settlements and curtailments under the heading Movement in Net Pension Liability.

The contribution rate is determined by the Fund's Actuary based on triennial valuations, the last review being 31st March 2007, with the next formal valuation due as at 31st March 2010.

With effect from April 1993, contribution rates were set to meet 100% of the overall liabilities of the Fund.

The scheme's liabilities have been assessed by Hymans Robertson, an independent firm of actuaries.

Notes to the Core Financial Statements continued

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

Main Actuarial Assumptions

In order to calculate the potential future liabilities of the fund, the following assumptions were made:

Assumptions as at	2006/07 % per annum	Real % per annum	2007/08 % per annum	Real % per annum
Price Increases	3.2%	-	3.6%	-
Salary Increases	4.7%	1.5%	5.1%	1.5%
Pension Increases	3.2%	-	3.6%	-
Discount Rate	5.4%	2.1%	6.9%	3.2%

Changes to the Local Government Pension Scheme permit employees retiring on or after 6th April 2006 to take an increase in their lump sum payment on retirement in exchange for a reduction in their future annual pension. On the advice of our Actuaries, the view has been taken that there is insufficiently reliable evidence to assume a level of take-up of the change in the pension scheme. Consequently, the valuation of the Council's retirement benefit liabilities as at 31st March 2008 does not include any allowance for this change in pension scheme.

Value of Fund

Assets in the County Council Pension Fund are valued at fair value, principally market value for investments, and consist of the following categories, by proportion:

	Long Term Return	% Fund Value 31 March 2007	% Fund Value 31 March 2008
	%	%	%
Equity Investments	7.7	75.6	72.0
Bonds	5.7	12.3	13.3
Property	5.7	10.5	9.6
Cash	4.8	1.6	5.1
		100*	100

Notes to the Core Financial Statements continued

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

Net Pension Liability

In 2007/08 pensions costs have been charged to the Income and Expenditure Account on the basis of contributions payable for the year to the Cheshire County Council Pensions Fund. However, at 31st March the Authority had the following overall assets and liabilities for pensions that have not been included in the Balance Sheet.

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.

	31st March 2007 £'000	31st March 2008 £'000
Estimated Liabilities in Scheme	(333,600)	(296,756)
Estimated Assets in Scheme	274,000	258,581
Net Asset/(Liability)	(59,600)	(38,175)

The net liability shown above does not represent an immediate call on the Council's reserves. It has been prepared solely for the purposes of compliance with Financial Reporting Standard 17 and has no validity in other circumstances. In particular, they are not relevant for calculations undertaken for funding purposes, for accounting under the UK accounting standard Standard Statement of Accounting Practice 24, or international accounting standards, or for other statutory purposes under UK pensions legislation.

Movement in Net Pension Liability

The table below sets out the movement on the fund for the year.

	Year 2006/07 £'000	Year 2007/08 £'000
Deficit at beginning of year	(79,800)	(59,600)
Current Service Cost	(11,420)	(9,969)
Employers Contribution	9,720	10,755
Contributions in respect of Unfunded Benefits	-	-
Past Service Costs	(180)	(869)
Impact of Settlements and Curtailments	(20)	-
Expected Return on Assets in the Scheme	17,440	19,825
Interest on Pension Scheme Liabilities	(16,420)	(18,119)
Actuarial Gains/(Losses)	21,080	19,802
Deficit at end of year	(59,600)	(38,175)

Notes to the Core Financial Statements continued

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

Actuarial Gains and Losses

The actuarial gains/(losses) shown in the table on the previous page are analysed as follows:

	Amount in 2005/06 £'000	As a % of Assets of 31st March 2006	Amount in 2006/07 £'000	As a % of Assets of 31st March 2007	Amount in 2007/08 £'000	As a % of Assets of 31st March 2008
Difference between Expected and Actual Return on Assets	40,260	16.00%	30	0.00%	(32,434)	(12.50)%
Experience Gains/(Losses) on Liabilities	340	0.10%	20	0.00%	(4,555)	(1.50)%
Changes on the Demographic and Financial Assumptions used to Estimate Liabilities	(39,390)	-	21,030	6.30%	56,791	6.70%
Total Actuarial Gains/(Losses)	1,210		21,080		19,802	

The actuarial gains/(losses) in the table cross reference to the Statement of Total Recognised Gains and Losses.

Summary of Total Amount Charged to Income and Expenditure Account

	Year 2003/04 £'000	Year 2004/05 £'000	Year 2005/06 £'000	Year 2006/07 £'000	Year 2007/08 £'000
Net Cost of Services					
Current Service Costs	5,606	8,100	9,090	11,420	9,969
Past Service Costs	318	100	90	180	869
Impact of Settlements and Curtailments	33	100	240	20	-
Net Operating Expenditure					
Interest Costs	12,296	12,100	14,890	16,420	18,119
Expected Return on Assets of the Scheme	(10,181)	(12,700)	(13,920)	(17,440)	(19,825)
Appropriations					
Movement on Pension Reserve	(459)	600	(1,010)	(880)	1,623
Actual Amount Charged to Revenue for Pensions in the year	7,613	8,300	9,380	9,720	10,755

The actual contributions are not comparable with the data in the above table which has been provided by the Actuary.

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

Notes to the Core Financial Statements continued

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

Pension Costs – Teachers

Defined Contribution Scheme

In 2007/08, the Council paid an employer's contribution to the Teachers Pension Agency of £5,118,313 (£5,209,921 2006/07) in respect of teachers' pension costs. The contribution rate was 14.1% (13.5% and 14.1% from 01/01/2007 in 2006/07) of teachers' pensionable pay.

The Authority is responsible for any additional benefits granted upon early retirement, outside the standard terms of the scheme. For the year 2007/08 the cost was £100,549 (2006/07 £100,532).

Cashflow Statement

33. Other Government Grants

	2006/07 £'000	2007/08 £'000
Housing	2,554	2,321
Social Services	16,257	19,019
Education	98,132	107,569
SRB	71	3
European	1,774	1,556
LAA/Neighbourhood Renewal	5,500	8,180
Other	5,686	2,991
	129,974	141,639

Notes to the Core Financial Statements continued

34. Reconciliation of Deficit to Net Revenue Cashflow

	2006/07 £'000	2007/08 £'000	2007/08 £'000
Surplus/(Deficit) for Year	(585)		(126)
Non Cash Transactions			
Minimum Revenue Provision	993	1,222	
Contribution to/from Reserves	4,356	5,716	
Movement on Provisions	1,474	472	
Other	(22)	31	7,441
Items on Accruals Basis			
Decrease in Creditors	(359)	(2,334)	
Decrease in Stocks/WIP	(86)	15	
Decrease in Debtors	763	9,460	7,141
Other Items in Statement			
Loan Transactions	(723)		(1,109)
Revenue Activities Net Cashflow	5,811		13,347

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

	31.3.07 £'000	31.3.08 £'000	Movement £'000
<i>Balance Sheet Movements</i>			
Lending	27,300	41,000	(13,700)
Borrowing – Long Term	(10,000)	(10,000)	-
– Short Term	(12,000)	(16,000)	4,000
Cash at Bank	(1,015)	(913)	(102)
	4,285	14,087	(9,802)
<i>Cashflow Statement Balances</i>			
Management of Liquid Resources			(13,700)
Financing			4,000
(Increase)/Decrease in Cash and Cash Equivalents			(102)
			(9,802)

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

Notes to the Core Financial Statements continued

36. Former Housing Revenue Account

The account was formally closed on the 1st April 2007. The residual transactions in 2006/07 produced a surplus in year of £0.106m.

The cumulative surplus of £1.134m was transferred to the General Fund balance on 31st March 2007.

Collection Fund

The Collection Fund is a statutory account introduced under the Local Government Finance Act 1988 (as amended by the Local Government Finance Act 1992). The Fund records the collection and distribution of amounts due in respect of council tax and Non-Domestic Rates (NDR). A separate balance sheet is not required as Collection Fund balances are consolidated into the Council's Balance Sheet.

Actual 2006/07 £'000		Actual 2007/08 £'000	Note
	Income		
(35,545)	Council Tax Payers	(37,187)	
(8,546)	Transfer from General Fund – Council Tax Benefits	(8,804)	
(40,613)	Business Ratepayers	(40,788)	4
(84,704)		(86,779)	
	Expenditure		
4,008	Precept – Cheshire Police Authority	4,338	3
2,219	Precept – Cheshire Fire Service	2,281	3
37,122	Demand – Halton Borough Council	39,044	
40,453	Business Rate	40,627	4
160	– Payment to Pool	161	
	– Cost of Collection		
163	Provision for Doubtful/Bad Debts (Council Tax only)	421	
330	– Write-Offs	(240)	
	– Provisions		
84,455		86,632	
(249)	(Surplus)/Deficit for Year	(147)	
(220)	Balance brought forward	(469)	
(469)	(Surplus)/Deficit carried forward	(616)	7

Notes to the Collection Fund

1. Introduction of the Council Tax

The property based Council Tax was introduced on 1st April 1993, replacing the personal liability Community Charge. The Council determined its Band D equivalent tax base for 2007/08 at 37,769 (see below), with the Parishes' individual tax bases as follows: Hale 722, Daresbury 140, Moore 352 and Preston Brook 331.

2. The Council Tax Base Determination

Band	Properties	Ratio	Band D Equivalents
Disabled	47	5/9	26
A	21,509	6/9	14,339
B	9,725	7/9	7,564
C	7,032	8/9	6,251
D	4,053	9/9	4,053
E	3,066	11/9	3,747
F	849	13/9	1,226
G	306	15/9	510
H	26	18/9	53
Total	46,613		37,769
Multiply by Collection Rate (99%)			37,391

3. Precepting Authorities

Halton Borough Council has two precepting Authorities. For 2007/08 Cheshire Police Authority has set its precept at £4,338,702 the equivalent to a Band D charge of £116.03 per property. Cheshire Fire Authority has set its precept at £2,281,034 the equivalent to a Band D charge of £61.00 per property.

4. Non Domestic Rates

The non domestic rate replaced locally fixed rates from 1st April 1990. The rate in the pound is fixed by the Government and was set at 44.4p (44.1p for small businesses) in the pound for 2007/08. The Council is responsible for collecting rates within its own area, but pays the proceeds into the NDR Pool, which is administered by the Government. Sums paid into the Pool are redistributed amongst local authorities on as part of the Formula Grant arrangements. The Council's entitlement from the Pool is paid direct into the General Fund.

Notes to the Collection Fund continued

The amount payable to the Pool is as follows:

2006/07 £'000		2007/08 £'000
39,327	NDR Bills issued (Net of Voids & Transitional Relief)	38,688
1,381	Discretionary Relief and Remissions	2,082
5	Debts Written-Off or Provided For	119
(100)	General Fund Contribution to Reliefs and Remissions	(101)
40,613	Net NDR Income	40,788
(160)	Cost of Collection Allowance Payable to General Fund	(161)
40,453	Payable to NDR Pool	40,627

The total non domestic rateable value at 31st March 2008 was £111,812,004.

5. Analysis of Arrears

	Gross		Credits		Net	
	£'000 2006/07	£'000 2007/08	£'000 2006/07	£'000 2007/08	£'000 2006/07	£'000 2007/08
Council Tax	3,242	3,141	(132)	(154)	3,110	2,987
NDR	722	1,088	(427)	(581)	295	507

6. Contribution to Collection Fund Surpluses and Deficits

General

The balance on the Fund is the responsibility of the Borough Council, Cheshire Police Authority and Cheshire Fire Service, pro rata to the demand/precepts.

Notes to the Collection Fund continued

7. Movement of Collection Fund Surplus

	£'000 2006/07	£'000 2007/08
Council Tax		
Collection Fund Surplus brought forward	(220)	(469)
Deficiency/(Surplus) for the year	(579)	93
Change in Provision	330	(240)
Collection Fund Surplus carried forward	(469)	(616)

Group Accounts

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

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

For 2007/08 the consolidation involves Halton Transport only.

There have been no significant transactions between the Council and either the Development Partnership or Widnes Regeneration Ltd. this year.

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

The main effect of consolidation has been to increase revenue reserves by £0.795m, representing the Authority's 100% share of accumulated net profits in the company.

Both bodies have the financial year end 31st March.

Group Income and Expenditure Account

Net Expenditure 2006/07 Restated			Net Expenditure 2007/08
£'000			£'000
103,685	<i>Net Cost of Services</i>	108,735	
87	Gains or Losses on Disposal of Fixed Assets	(1,494)	
22	Parish Precept Paid	27	
(100)	Trading (Surplus)/Deficit	3	
976	Interest Payable	865	
89	Contribution of Housing Capital Receipts to Government Pool	41	
(2,104)	Interest Receivable	(2,699)	
(1,020)	Pension Interest	(1,706)	
(289)	Share of Surplus of Subsidiaries	(134)	
101,346	<i>Net Operating Expenditure</i>		103,638
	<i>Funded by:</i>		
(54,671)	Government Grants		(56,025)
(37,122)	Collection Fund		(39,044)
9,553	Deficit/(Surplus) for Year		8,569
(9,113)	Net Additional Amount required by statute and non-statutory proper practices to be debited or credited to the General Fund Balance of the year		(8,471)
(7,185)	Surplus 1.4.06.		(7,878)
(1,133)	Transfer from Housing Revenue Account		-
-	Dividend Paid		-
(7,877)	Surplus 31.3.07.		(7,780)
(4,221)	General Fund Balance attributable to School Budgets (not included in above)		(4,639)

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

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

<i>2006/07</i>		<i>2007/08</i>
<i>£'000</i>		<i>£'000</i>
(549)	(Surplus)/Deficit for the year on the Authority Income and Expenditure Account	126
145	Adjustment for Transactions with Other Group Entities	107
(404)	(Surplus)/Deficit in the Group Income and Expenditure Account Attributable to the Authority	233
	(Surplus)/Deficit in the Group Income and Expenditure Account Attributable to Group Entities (adjusted for Intra-Group Transactions)	
(289)	– Subsidiaries	(134)
-	– Associates	-
-	– Joint Ventures	-
(693)	(Surplus)/Deficit for the year on the Group Income and Expenditure Account	99

Group Statement of Total Recognised Gains and Losses

<i>2006/07</i>		<i>2007/08</i>
<i>£'000</i>		<i>£'000</i>
14,159	Deficit for the year on Income and Expenditure Account	8,674
(8,721)	Any other gains and losses required to be included	2,053
2,904	Surplus/Loss arising on revaluation of fixed assets	(4,557)
-	Surplus/Deficit arising on revaluation of available for sale financial assets	197
(20,802)	Actuarial losses on pension fund assets and liabilities	(19,742)
(250)	Movement on Collection Fund Balance	(146)
(12,709)		(13,521)

Group Balance Sheet

2006/07		2007/08
£'000		£'000
Restated		
335,513	Fixed Assets	331,009
1,962	Intangible Assets	1,798
497	Long Term Investments	490
1,321	Long Term Debtors	1,314
53,188	Current Assets	57,871
(56,323)	Current Liabilities	(52,620)
(10,460)	Long Term Borrowing	(12,021)
(64,912)	Other Liabilities	(45,022)
(39,086)	Government Grants Deferred	(47,552)
221,701	Total Assets less Liabilities	235,267
-	Share Capital	-
(249,300)	Capital Reserves	(222,200)
-	Capital Adjustment Account	197
-	Financial Instruments Adjustment Account	(4,557)
(1,423)	Revaluation Reserve	(10,182)
(1,564)	Capital Receipts	(1,462)
59,479	Deferred Capital Receipts	38,161
(7,878)	Pension Reserve	(7,779)
(16,324)	Revenue Balances	(22,190)
(4,221)	General Fund	(4,639)
(470)	Earmarked Reserves	(616)
(221,701)	Total Equity	(235,167)
	School Balances	
	Collection Fund	

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

Group Cashflow Statement

<i>2006/07</i>		<i>2007/08</i>	<i>2007/08</i>
<i>£'000</i>		<i>£'000</i>	<i>£'000</i>
(5,297)	Net Cash Inflow from Revenue Activities		(12,927)
-	Dividends from Joint Ventures and Associates		-
915	Returns on Investments and Servicing of Finance	807	
(1,693)	– Interest Paid	(1,970)	
	– Interest Received		(1,163)
(778)			(26)
(25)	Taxation		
28,064	Capital Expenditure and Financial Investment	27,280	
-	– Purchase of Fixed Assets	-	
1,817	– Purchase of Long Term Investments	1,265	
(1,621)	– Other Capital Cash Payments	(17,557)	
(10,453)	– Sale of Fixed Assets	(13,761)	
(823)	– Capital Grants Received	(447)	
	– Other Capital Cash Receipts		
16,984			(3,220)
(140)	Equity Dividends Paid		(140)
-	Acquisitions and Disposals		-
10,744	Net Cash Inflow before Financing		(17,476)
(6,100)	Management of Liquid Resources		
	– Net Increase/Decrease in Short Term Deposits		13,700
-	Financing		
(376)	– Repayments of Amounts Borrowed	-	
(2,000)	– Capital Element of Finance Lease Rental Payments	(309)	
	– New Loans Raised	4,000	
(2,376)			3,691
2,268	Net Increase in Cash		(85)

Notes to the Group Accounts

1. Group Cash Flow Statement

Reconciliation of Net Surplus to Revenue/Operating Activities

	2006/07	2007/08	
	£'000	£'000	£'000
Surplus for Year	(576)		(93)
Non Cash Transactions			
Minimum Revenue Provision/Depreciation	644	1,474	
Contribution to/from Reserves	4,356	5,716	
Movement on Provisions	1,474	472	
Other	(188)	22	7,684
Items on Accruals Basis			
Increase in Creditors	(331)	(2,325)	
Increase in Stocks/WIP	(85)	1	
Decrease in Debtors	726	9,468	7,144
Other Items in Statement			
Loan Transactions	(723)		(1,109)
Revenue Activities Net Cashflow	(5,297)		(13,626)

Statement of Responsibilities for the Statement of Accounts

The Authority's Responsibilities

The Authority 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 Authority, the Operational Director – Financial Services has that responsibility;
- to manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- to approve the accounts.

The Operational Director – Financial Services' Responsibilities

The Operational Director – Financial Services is responsible for the preparation of the Authority's statement of accounts which, in terms of CIPFA/LASAAC Code of Practice on Local Authority Accounting in Great Britain ("the Code"), is required to present fairly the financial position of the Authority at the accounting date and its income and expenditure for the year (ended 31st March 2007).

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

- selected suitable accounting policies and then applied them consistently;
- adopted the principle of "present fairly" regarding the Authority's financial position;
- made judgements and estimates that were reasonable and prudent;
- complied with the Code.

The Operational Director – Financial Services has also:

- kept proper accounting records which were kept up to date;
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

Signed by:

.....
Operational Director – Financial Services

Date:

.....

Annual Governance Statement

1. Scope of Responsibility

Halton Borough Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. Halton Borough Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, Halton Borough Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and which includes arrangements for the management of risk.

Halton Borough Council has not yet established a code of corporate governance. This issue is to be addressed in 2008/9 and a code of corporate governance, consistent with the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government, is to be approved and adopted.

This statement explains how Halton Borough Council has complied with the principles of good governance and reviews the effectiveness of these arrangements. It also meets the requirements of regulation 4(2) of the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit (Amendment) (England) Regulations 2006 in relation to the publication of a statement on internal control.

2. The Purpose of the Governance Framework

The governance framework comprises the systems and processes, and culture and values by which the authority is directed and controlled, and its activities through which it accounts to, engages with and leads the community. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost effective services.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives, and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Halton Borough Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place at Halton Borough Council for the year ended 31 March 2008 and up to the date of approval of the statement of accounts.

Annual Governance Statement continued

3. The Council's Governance Framework

Halton Borough Council has established the following arrangements that comprise its governance framework:

3.1 Communicating the Council's vision

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

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

- The Council aims to ensure that the roles and responsibilities for governance are defined and allocated so that accountability for decisions made and actions taken are clear. The Executive Board is the main decision-making body of the Council and is made up of ten Members who have responsibility for particular portfolios. The Board is chaired by the Leader of the Council and each Board Member has responsibility for policy development for issues that fall within their portfolio.

Annual Governance Statement continued

- The Council also appoints a number of committees to discharge the Council's regulatory and scrutiny responsibilities. These arrangements, and the delegated responsibilities of officers, are set out in the Council's Constitution.
- The Constitution also includes a Member/Officer protocol which describes and regulates the way in which Members and Officers should interact to work effectively together.
- There is a well-established overview and scrutiny framework with five Policy and Performance Boards (PPBs) aligned to the Council's six corporate plan priorities (the five shared priorities and "Efficient and Effective Services". They hold the Executive to account, scrutinise performance and develop policy proposals for consideration by the Executive.
- The Business Efficiency Board has been designated as the Council's Audit Committee. Its core functions are consistent with those identified in the CIPFA publication 'Audit Committees – Practical Guidance for Local Authorities'. It provides assurance to the Council on the effectiveness of the governance arrangements, risk management framework and internal control environment.
- The Council's Chief Executive (and Head of Paid Service) leads the Council's officers and chairs the Corporate Management Team.
- All staff, including senior management, have clear conditions of employment and job descriptions which set out their roles and responsibilities.
- The Operational Director – Financial Services, as the s151 Officer appointed under the 1972 Local Government Act, carries overall responsibility for the financial administration of the Council.
- The Monitoring Officer (Operational Director – Legal, Organisational Development & Human Resources) carries overall responsibility for legal compliance.
- The Council's significant partnerships have been identified and work is ongoing to ensure that appropriate governance arrangements are in place for those partnerships.

3.3 Promoting values and upholding high standards of conduct and behaviour

- The Council has a Standards Committee to promote high standards of conduct and support Members' observation of their Code of Conduct. Councillors have to agree to follow a Code of Conduct to ensure high standards in the way they undertake

Annual Governance Statement continued

- their duties. The Standards Committee trains and advises them on the Code of Conduct.
- Officer behaviour is governed by an Employees' Code of Conduct. The Code has been formulated to provide a set of standards of conduct expected of employees at work and the link between that work and their private lives.
- The Council takes fraud, corruption and maladministration seriously and has established policies which aim to prevent or deal with such occurrences:
 - Anti-Fraud and Anti-Corruption Strategy
 - Fraud Response Plan
 - Confidential Reporting Code (Whistleblowing Policy)
 - HR policies regarding disciplinary of staff involved in such incidents.
- A complaints procedure is in place for the Council to receive and investigate any complaint made against it, a Member or a member of staff.

3.4 Taking informed and transparent decisions and managing risk

- The Council's decision making processes are clear, open and transparent. The Council's Constitution sets out how the Council operates and the processes for policy and decision making. Key decisions are published in the Council's Forward Plan. Minutes of all Council meetings are published on the Council's website.
- A Risk Management Policy and Toolkit was adopted in 2004. The Council regularly reviews its corporate and directorate risk registers and all Board and Management Team reports include a section on risk. Risk is also monitored through the Council's quarterly performance monitoring arrangements.
- Each of the five specialist strategic partnerships has conducted a risk assessment of its objectives to form a draft Partnership Risk Register.
- A project management toolkit has been developed with help from the NW Employers Organisation, and over 200 staff have been trained in its use.
- Management Team has established a register of major projects and requires quarterly reports to check on progress and identify any capacity bottlenecks.

Annual Governance Statement continued

- The Business Efficiency Board reviews the Internal Audit work programme and oversees the implementation of audit recommendations.

3.5 Developing the capacity and capability of Members and officers

- Management of Human Resources has always been a priority for the Council. It first received accreditation as an Investor in People in 1997, with it being renewed for the third time in 2006.
- The Council has a Workforce Development Plan (2005) which helps ensure that we have the right workforce with the right skills. The plan is being reviewed and will be rolled forward as part of a new People Strategy.
- The Council's training and development programme stretches right across the organisation to include members and staff. The Council was awarded the NW Charter for Elected Member Development Exemplar Level status in May 2007, one of only two such Authorities in the North West.
- Newly elected Councillors attend a three-day induction programme with follow-up mentoring, and Councillors are offered a personal development interview.
- All new staff attend an induction programme with a more detailed programme for new managers.
- Every employee has an annual Employee Development Review (EDR) to identify key tasks and personal development needs linked to delivering our priorities. Training needs identified in this way are used to design the corporate training programme. They are also used to identify specialised professional training needs.

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

- The Council's planning and decision making processes are designed to include consultation with stakeholders and the submission of views by local people.
- Arrangements for consultation and for gauging local views include both formal and informal arrangements:
 - Formal arrangements include the Halton 2000 Citizen's Panel, the seven Area Forums, the Youth Forum, Older Person's engagement network.

Annual Governance Statement continued

- Informal arrangements include contact via our website, Halton Direct Link and magazine based customer surveys.
- Community and voluntary sector representatives have decision-making roles on the Halton Strategic Partnership Board and on all its SSPs.
- The Neighbourhood Management Partnership has developed strong resident engagement through board membership and other means, such as the staging of events.
- Within the Halton Strategic Partnership (HSP), responsibility for quarterly performance management of the five priorities rests with the five thematic partnerships (SSPs).
- The HSP produces an annual report and stages a whole partnership event each year where progress against the Community Strategy is reported and achievements are celebrated.
- Six monthly reporting has been introduced to report on progress against the Local Area Agreement.
- A presentation is also made to the Council's Policy and Performance Boards on the six monthly progress report. In November 2007, the HSP Board agreed to establish a balanced score card of indicators for quarterly reporting.
- The Council's performance reports are available on its website and BVPI performance and targets are published in the annual Best Value Performance Plan.
- The Council publishes a summary of performance information and its financial statements that is distributed with every edition of the free local newspaper – Runcorn and Widnes World.

4. Review of Effectiveness

Halton Borough Council annually reviews the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by managers within the Council who have responsibility for the development and maintenance of the governance environment, the work of the Internal Audit and by comments made by the external auditors and other inspection agencies.

The processes applied in maintaining and reviewing the effectiveness of the system of governance include:

Annual Governance Statement continued

The Council Constitution

The Operational Director – Legal, Organisational Development & Human Resources (the 'Monitoring Officer') has a duty to monitor and review the operation of the Constitution to ensure its aims and principles are given full effect. The Constitution is reviewed annually to incorporate any necessary changes, emerging best practice and new legal requirements. Amendments to the Constitution are put forward for review and approval by full Council.

Overview and Scrutiny Arrangements

The Council's Policy and Performance Boards support the work of the Executive Board and the Council as a whole, by producing reports and recommendations that advise the Executive Board and the Council on its policies, budget and service delivery. Decisions by the Executive Board are monitored by the Policy and Performance Boards who have the facility to examine them in detail. Executive Board decisions may be 'called in', which means that implementation does not take place immediately to allow an opportunity for scrutiny.

The Standards Committee

The Standards Committee have met regularly throughout the year to consider and review issues relating to the conduct of Members including referrals from the Standards Board. Their work has included reviewing the Code of Conduct for Members and preparation/training for the new requirements for dealing with investigations into Members' conduct.

The Council's Risk Management framework

The Executive Board is specifically responsible for the Council's corporate risk management functions and strategy. The Council's corporate risk procedure involves Executive Board regularly reviewing the Council's corporate risk register and making an annual report on risk issues to Full Council.

Strategic Directors are responsible for the production of departmental risk registers that identify and record the control measures put in place for each identified risk that threatens the achievement of key objectives.

The Council's system of internal audit

The Council has delegated responsibility to the Business Efficiency Board for discharging the functions of an Audit Committee. This includes responsibility for approving the audit plan and monitoring progress against that plan.

The Council's Internal Audit service is responsible for reviewing the quality and effectiveness of the Council's risk management, control and governance arrangements and has adopted a risk-based audit approach aligning audit coverage with Council priorities and risks. The Chief Internal Auditor provides an independent annual opinion on the Council's system of internal control.

Annual Governance Statement continued

The Council's Internal Audit service has recently been reviewed by External Audit and is considered to be effective and compliant with the CIPFA Code of Practice for Internal Audit in Local Government.

The Council's Performance Management Framework

Performance against key service objectives and milestones is reported quarterly to Management Team, the Policy and Performance Boards and individual portfolio holders.

The Comprehensive Performance Assessment

The Council's External Auditors assess the overall performance of the Council each year through the Comprehensive Performance Assessment (CPA) process. The most recent CPA report found the Council to be performing at the highest level (four star) and is 'improving well'.

The Annual Audit and Inspection Letter

The Council External Auditors commented that the Council continues to manage its use of resources effectively and assessed the Council as a level three organisation - performing well. Areas identified for further development are being addressed by the Council.

External Inspections

The Council receives reports from numerous inspectorates and regulators throughout the year. Robust systems have been established to respond to any issues identified through the external inspection process.

Financial Management Standard in Schools (FMSiS)

The Department for Education and Skills (DfES) has introduced a Financial Management Standard that all schools are expected to achieve by 31 March 2010. The Standard is a simple statement of the characteristics you would expect to find in a school that is well managed financially. These cover Leadership and Governance, People Management, Policy and Strategy, Partnership and Resources and Processes. The Council has established an inspection timetable to ensure that all schools will have achieved the standard within the required timescale.

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

Annual Governance Statement continued

5. Significant Governance Issues

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

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

6. Leader and Chief Executive Statement of Assurance

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

Signed: _____ Date: _____
(Chief Executive)

Signed: _____ Date: _____
(Leading Member)

Action Plan to Strengthen the Council's Governance & Control Framework

	Issue	Progress to Date / Further Action Required	Responsible	Timeframe
1.	The Council is yet to adopt a local code of corporate governance. It is recommended by CIPFA / SOLACE that each local authority should develop and maintain a local code of corporate governance appropriate to its circumstances.	During 2008/9, the Council plans to adopt a local code of corporate governance that reflects the principles and requirements of good governance set out by CIPFA.	Strategic Director – Corporate & Policy	December 2008
2.	The 2006/7 Statement on Internal Control acknowledged that constantly evolving disaster recovery and contingency procedures are vital due to the Council's ever increasing reliance upon ICT systems and software applications.	<p>A contract has been signed with an external supplier to mirror key servers off site.</p> <p>Major improvements to the network have taken place to improve overall resilience. Improvements have taken place on anti-virus, spyware and intrusion detection initiatives.</p> <p>The Council is planning to replicate applications and data offsite through the use of virtual server technologies.</p>	Strategic Director – Corporate & Policy	April 2009
3.	An internal audit of the Council's Information Governance and Records Management arrangements identified a number of opportunities to improve existing procedures. Action was proposed to help ensure that the Council manages information to a standard quality and within the law. Improved procedures will also provide assurance that privacy and confidentiality standards are followed and that employees are aware of, and comply with, their responsibilities.	<p>A Corporate Information Governance Group has been set up to address a number of issues relating to Information Governance. These include:</p> <ul style="list-style-type: none"> • Examining how the Council manages its information; • Reviewing information security arrangements; • Establishing a corporate document retention policy; • Developing Data Quality strategies. 	<p>Strategic Director – Children & Young People to lead on Information Governance.</p> <p>Strategic Director – Corporate & Policy to lead on Data Quality.</p>	Ongoing

Action Plan to Strengthen the Council's Governance & Control Framework

	Issue	Progress to Date / Further Action Required	Responsible	Timeframe
4.	To ensure delivery of key partnership objectives, the Council is looking to improve the performance management arrangements of significant partnerships. This will involve clarifying key accountabilities and responsibilities, and ensuring that action is consistently taken to manage under-performance.	<p>The Halton Strategic Partnership has adopted a performance framework and, using a risk based approach, other key partnerships have been audited.</p> <p>Improved performance management arrangements will be incorporated into the quality assurance and governance arrangements for significant partnerships.</p> <p>Internal Audit will continue to audit the Council's significant partnerships as part of its ongoing plan of work.</p>	Strategic Director – Corporate & Policy	March 2009
5.	Early feedback from the Council's corporate assessment has identified an opportunity to improve the capacity of the Council to deliver its vision and ambition by ensuring that there is a co-ordinated corporate approach to human resource management, asset management and procurement. Better coordination will maximise the impact of these key functions in helping to achieve the overall vision.	These issues will be addressed through the Action Plan to be developed in response to the Council's corporate assessment.	Strategic Director – Corporate & Policy	March 2009
6.	To improve the effectiveness of the scrutiny function, the Council is looking to enhance the role of the Policy and Performance Boards in regards to service planning and performance management.	A Scrutiny Development Plan was agreed in Feb 2008 and a review of the Council's performance management arrangements was completed in June 2008. The outcomes of those reviews will be implemented during 2008/9.	Strategic Director – Corporate & Policy	March 2009

Statement of Accounting Policies

1. General

The accounts have been prepared in accordance with “The Code of Practice on Local Authority Accounting in Great Britain: A Statement of Recommended Practice”, and “Best Value Accounting – Code of Practice 2007”, issued by the Chartered Institute of Public Finance and Accountancy (CIPFA). They have been prepared on the historical cost conventions, with a view to “presenting fairly” the Authority’s transactions and financial position.

2. Accruals of Income and Expenditure

2(a) Customer and Client Receipts

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

2(b) Employee Costs

The full cost of employees is charged to the account of the period within which the employees worked. Accruals are made for wages earned but unpaid and pay awards awaiting settlement at the year end.

2(c) Interest

Interest payable on external borrowings and interest income is accrued and accounted for in the accounts of the period to which it relates on a basis which reflects the overall economic effect of the borrowings.

The SORP 2007 has incorporated the requirements of Financial Reporting Standards (FRS) 25, 26 and 29 and as such accrued interest associated with a loan is now shown on the Balance Sheet as part of the carrying value of the loan until such a time as the accrued interest is paid.

2(d) Supplies and Services

Supplies and services are accrued and accounted for during the period in which they are consumed or received.

3. Acquired/Discontinued Operations

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

Statement of Accounting Policies continued

4. Business Improvement District Schemes

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

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

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

The billing Authority for the area of a proposed BID is required to oversee the balloting arrangements and any costs are shown in the Net Cost of Services under the relevant service in the Income and Expenditure Account.

5. Contingent Liabilities

Contingent liabilities are not accrued in the accounting statements. They are disclosed by way of the notes to the accounts (Notes 22(c) and 32 to the Balance Sheet) if there is a possible obligation which may require a payment or transfer of economic benefits.

Statement of Accounting Policies continued

6. Deferred Charges

Deferred charges are payments of a capital nature where no fixed asset is created, but which may properly be financed over a period of years. They are mainly improvement grants, but also include deferred charges which arise when there is no longer a fixed asset to back capital borrowing. This occurs when an asset is sold and the sale proceeds are not used to pay off the outstanding debt. The Authority operates a policy of alienating deferred charges in the year incurred.

7. Events After the Balance Sheet Date

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

8. Exceptional Items, Extraordinary Items and Prior Year Adjustments

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

9. Fair Value

Each category of financial assets and financial liabilities has been assessed in terms of their Fair Value as at 31st March 2008. This has then been compared to their carrying value as stated in the Balance Sheet. The assessment of Fair Value has been made by calculating the net present value of future cashflows.

10. Foreign Currency Translation

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

11. Government Grants

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

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

Statement of Accounting Policies continued

12. Group Accounts

The Council has fully adopted the 2005 Statement of Recommended Practice in relation to the presentation of Group Accounts.

13. Intangible Assets

These are regularly included on Balance Sheets and cover, in the main, Goodwill and Research and Development Expenditure, neither of which are likely items for a Local Authority. A more likely cost would be, for example, the capitalisation of software licences. The assets would be amortised out of the Balance Sheet over its economic life, with due recourse to disposal and/or impairment, and charges to revenue.

14. Investments

Investments are shown in the balance sheet at cost. The largest investment consists of the debenture and issued share capital of Halton Borough Transport Limited, a company set up under the Transport Act 1985. Further details are included under Note 3 to the balance sheet.

15. Landfill Allowance Trading Scheme

The Landfill Allowance Trading Scheme, like certain Emission Rights schemes, is a 'cap and trade' scheme, which allocates tradeable landfill allowances to each Waste Disposal Authority (WDA) up to the amount of the WDA's 'cap'. There is at present no UK Financial Reporting Standard or Urgent Issues Task Force (UITF) Abstract covering the cap and trade schemes.

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

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

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

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

Statement of Accounting Policies continued

15. Landfill Allowance Trading Scheme (continued)

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

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

- the lower of cost and net realisable value; and
- revaluation to market value.

The Authority has adopted a 'lower of cost and net realisable value' accounting policy.

16. Leases

16(a) Finance Leases

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

16(b) Operating Leases

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

17. Local Area Agreement Grant

A Local Area Agreement (LAA) is a three year agreement between Government Office Northwest and Halton Local Strategic Partnership (LSP). Under the LAA many of the central government grants received by the Authority are 'pooled' in order to give greater flexibility in the use of funding.

18. Overheads

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

Statement of Accounting Policies continued

18. Overheads (continued)

The costs of the Corporate and Democratic Core and non-distributed costs as defined by CIPFA's Best Value Accounting Code of Practice are allocated to separate objective expenditure heads and are not apportioned to other divisions of service. These items are clearly disclosed in the Income and Expenditure Account.

19. Pension Costs

General

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

Pensions Reserve

Where there is a difference between the amount charged to the Income and Expenditure Account in the year and the amount payable to the pensions funds, that sum is taken to the Pension Reserve. This additional debit or credit to the services is shown as a reconciling item in the Statement of Movement on the General Fund.

Classification of Schemes

Defined Benefit Schemes

Accounting policies set out as below apply in respect of pension costs arising from the Local Government Pension Scheme and unfunded discretionary benefits paid (irrespective of the scheme to which it relates):

- (i) the attributable assets of each Scheme are measured at their fair value at the Balance Sheet date. Scheme assets include current assets as well as investments. Any liabilities, such as accrued expenses are deducted. The attributable scheme liabilities are measured on an actuarial basis using the projected unit method. The Scheme liabilities comprise:
 - (a) any benefits promised under the formal terms of the Scheme, and
 - (b) any constructive obligations for further benefits where a public statement or past practice by the Council created a valid expectation in the employees that such benefits will be granted.

Statement of Accounting Policies continued

19. Pension Costs (continued)

- (ii) the surplus/deficit in a Scheme is the excess/shortfall of the value of assets in the Scheme over/below the present value of the Scheme liabilities. The Council recognises assets to the extent that it is able to recover a surplus either through reduced contributions in the future or through refunds from the Scheme. The Council recognises a liability to the extent that it reflects its legal or constructive obligation;
- (iii) any unpaid contributions to the scheme are presented in the Balance Sheet as a creditor due within one year;
- (iv) the change in the defined benefit asset or liability (other than that arising from contributions to the Scheme) is analysed into the following components:
 - (a) Periodic Costs
 1. Current Service Cost
 2. Interest Cost
 3. Expected Return on Assets; and
 4. Actuarial Gains and Losses

and

 - (b) Non-periodic Costs
 1. Past Service Costs; and
 2. Gains and Losses on Settlements and Curtailments
- (v) the current service cost is included within the Net Cost of Services. Both the interest and the expected return on assets are included within Net Operating Expenditure. Actuarial gains and losses arising from any new valuation and from updating the latest actuarial valuation to reflect conditions at the Balance Sheet date are recognised in the Statement of Total Reserves for the period;
- (vi) past service costs are recognised in Net Cost of Services on a straight-line basis over the period in which the benefits vest. To the extent that the benefits vest immediately, the past service cost is recognised immediately;
- (vii) losses arising on a settlement or curtailment not allowed in actuarial assumptions are measured at the date on which the Council becomes demonstrably committed to the transaction and recognised in the Net Cost of Services at that date. Gains arising on a settlement or curtailment not allowed for in the actuarial assumptions are measured at the date on which all parties whose consent is required are irrevocably committed to the transaction and are recognised in the Net Cost of Services at that date.

Statement of Accounting Policies continued

19. Pension Costs (continued)

Defined Contribution Schemes

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

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

20. Provisions

The Council set aside provisions for any liabilities of uncertain timing or amount that have been incurred. Provisions are reviewed annually and adjusted to reflect the current best estimate. Provisions are created by a charge to a service and as such appear in the Income and Expenditure Account in the Net Cost of Services. See Note 24 to the Balance Sheet.

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

21. Provisions for Bad and Doubtful Debts

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

22. Repurchase of Borrowing

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

Statement of Accounting Policies continued

23. Reserves

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

24. Stocks

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

25. Tangible Fixed Assets

24(a) Recognition

Expenditure on the acquisition, creation or enhancement of a fixed asset is capitalised on an accruals basis. Expenditure is only capitalised when it adds to or extends, and not merely maintains the value of an existing asset.

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

25(b) Measurement

All assets are initially measured at cost. Whilst infrastructure assets and community assets remain in the balance sheet at historical costs net of depreciation, other assets will be subject to periodic revaluation of no more than five years using the appropriate method for that class of asset. In the absence of historical information regarding the cost of acquisition or construction of various community assets, they have been reclassified and given a zero valuation from 1st April 2005. The Authority operates a de minimus level of £35,000, and a qualified valuer certifies the valuation.

25(c) Impairment

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

Statement of Accounting Policies continued

25(d) Accounting for Disposals

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

(i) Income and Expenditure Account

The gain or loss of a tangible asset is the amount by which the disposal proceeds are more (gain) or less (loss) than the carrying amount of the fixed asset. With the entries being debit cash/debtors and credit the Income and Expenditure Account with the disposal proceeds and credit the fixed asset account and debit the Income and Expenditure Account with the carrying amount of the tangible fixed asset.

(ii) Statement of Movement in the General Fund Balance

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

- Expenditure Account, the General Fund should be debited (in the case of a gain) or credited (in the case of a loss) with the amount equal to the gain or loss on disposal of the tangible fixed asset, with the double entries being:
 - a credit to the Usable Capital Receipts Reserve of an amount equal to the disposal proceeds;
 - a debit to the fixed Capital Adjustment Account of an amount equal to the carrying amount of the fixed asset disposal.

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

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

Statement of Accounting Policies continued

25(e) Depreciation

Depreciation is provided for on all fixed assets with a finite useful life. The provision for depreciation is calculated by allocating the cost less any estimated residual value of the asset over its useful life. The useful lives of assets are estimated on a realistic basis and reviewed on a regular basis and where necessary revised. Depreciation charges commence in the year after acquisition.

In the case of infrastructure assets, the depreciation charge is calculated over a straight line 15 year period.

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

As defined in CIPFA's Best Value Accounting Code of Practice, each service is charged with a capital charge for the consumption of all fixed assets used in the provision of the service. The charge is the annual provision for depreciation or impairment. The Authority has discontinued adding interest to this charge from 1st April 2006.

Finance costs (interest payable) are a direct charge to Net Operating Costs; whilst repairs and maintenance are charged to the appropriate service revenue account.

25(g) Revaluations

Assets are subject to an annual impairment check. A proportion of the assets will be subject to revaluation each year to allow for the workload of revaluation to be more evenly spread and the balance sheet to be more accurate. Each asset will be revalued on a 5 year cycle.

From the 1st April 2007 the Fixed Asset Restatement Account and the Capital Financing Account have been replaced with a Revaluation Reserve and Capital Adjustment Account. The requirements of these new reserves have, as suggested in the SORP 2007, only been applied prospectively and not retrospectively.

From the 1st April 2007 revaluation decreases may only be written off to the Revaluation Reserve where there is a balance on the reserve relating to the specific asset against which a decrease can be applied. Where there is no such balance or the decrease exceeds the balance the difference must be charged to the Income and Expenditure Account. As legislation does not permit revaluation losses to be charged to General Fund, the charge must be reversed by crediting the Statement of Movement on the General Fund Balance and debiting the Capital Adjustment Account.

26. Value Added Tax

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

Auditors' Report to the Members of Halton Borough Council

Independent Auditor's Report to Halton Borough Council

Opinion on the Financial Statements

We have audited the financial statements of Halton Borough Council and its Group for the year ended 31st March 2008 under the Audit Commission Act 1998, which comprise the Income and Expenditure Account, the Statement of Movement on the General Fund, the Statement of Total Recognised Gains and Losses, the Balance Sheet, the Cashflow Statement, the Group Accounts, the Housing Revenue Account, the Collection Fund, and the related notes. These financial statements have been prepared under the accounting policies set out within them.

This report is made solely to Halton Borough Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 36 of the Statement of Responsibilities of Auditors and of Audited Bodies prepared by the Audit Commission.

Respective Responsibilities of Operational Director – Financial Services (as Chief Finance Officer) and Auditors

The responsibilities of the Operational Director – Financial Services' for preparing the financial statements in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2006 are set out in the Statement of Responsibilities.

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

We report to you our opinion as to whether the financial statements present fairly the financial position of the Council in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2006.

We review whether the Annual Governance Statement reflects compliance with CIPFA's guidance The Annual Governance Statement in Local Government: Meeting the Requirements of the Accounts and Audit Regulations 2003: April 2004. We report if it does not comply with proper practices specified by CIPFA or if the statement is misleading or inconsistent with other information we are aware of from our audit of the financial statements. We are not required to consider, nor have we considered, whether the statement on internal control covers all risks and controls. We are also not required to form an opinion on the effectiveness of the Council's corporate governance procedures or its risk and control procedures.

We read other information published with the financial statements, and consider whether it is consistent with the audited financial statements. This other information comprises only the Explanatory Foreword and the Summary of the Council's Accounts. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

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

Basis of Audit Opinion

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

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements present fairly, in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007, the financial position of the Council and its Group as at 31st March 2008 and its income and expenditure for the year then ended.

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

Council's Responsibilities

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

Under the Local Government Act 1999, the Council is required to prepare and publish a Best Value Performance Plan summarising the Council's assessment of its performance and position in relation to its statutory duty to make arrangements to ensure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

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

Auditor's Responsibilities

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

We are required by Section 7 of the Local Government Act 1999 to carry out an audit of the Council's Best Value Performance Plan and issue a report:

- certifying that we have done so;
- stating whether we believe that the Plan has been prepared and published in accordance with statutory requirements set out in Section 6 of the Local Government Act 1999 and statutory guidance; and
- where relevant, making any recommendations under Section 7 of the Local Government Act 1999.

Conclusion

We have undertaken our audit in accordance with the Code of Audit Practice and we are satisfied that, having regard to the criteria for Principal Local Authorities specified by the Audit Commission and published in July 2005, in all significant respects, Halton Borough Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31st March 2008.

Best Value Performance Plan

We issued our statutory report on the audit of the Council's Best Value Performance Plan for the financial year 2007/08 on 1st December 2006. We did not identify any matters to be reported to the Council, and we made one recommendation relating to quality control procedures followed when preparing the Best Value Performance Plan for publication.

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

Certificate

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

Signature

Date

*Michael Thomas, Relationship Manager and District Auditor,
Audit Commission,
1st Floor, Block 4,
The Heath Business and Technical Park,
Runcorn,
Cheshire.
WA7 4QF.*

Glossary of Terms

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

Accruals

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

Accounting Policies

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

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

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

Accounting policies do not include estimation techniques.

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

Acquired Operations

Operations comprise services and divisions of service as defined in BVACOP. Acquired operations are those operations of the Local Authority that are acquired in the period.

Actuarial Gains and Losses

For a defined benefit pension scheme, the changes in actuarial deficits or surpluses that arise because:

- (a) events have not coincided with the actuarial assumptions made for the last valuation (experience gains and losses); or
- (b) the actuarial assumptions have changed.

Capital Expenditure

Expenditure on the acquisition of a fixed asset or expenditure which adds to and not merely maintains the value of an existing fixed asset.

Glossary of Terms continued

Class of Tangible Fixed Assets

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

Operational assets:

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

Non-operational assets:

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

Community Assets

Assets that the Local Authority 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 an Authority's actions where:

- (a) by an established pattern of past practice, published policies or a sufficiently specific current statement, the Authority has indicated to other parties that it will accept certain responsibilities; and
- (b) as a result, the Authority has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

Contingent Asset

A contingent asset is a possible asset arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Local Authority's control.

Glossary of Terms continued

Contingent Liability

A contingent liability is either:

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

Corporate and Democratic Core

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

Current Service Cost (Pensions)

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

Curtailement

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

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

Deferred Charges

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

Glossary of Terms continued

Defined Benefit Scheme

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

Defined Contribution Scheme

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

Depreciation

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

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

Discontinued Operations

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

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

Operations not satisfying all these conditions are classified as continuing.

Glossary of Terms continued

Discretionary Benefits

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

Estimation Techniques

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

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

- (a) methods of depreciation, such as straight-line and reducing balance, applied in the context of a particular measurement basis, used to estimate the proportion of the economic benefits of a tangible fixed asset consumed in a period
- (b) different methods used to estimate the proportion of debts that will not be recovered, particularly where such methods consider a population as a whole rather than individual balances.

Events After the Balance Sheet Date

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

Exceptional Items

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

Expected Rate of Return on Pensions Assets

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

Glossary of Terms continued

Extraordinary Items

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

Fair Value

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

Finance Lease

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

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

Going Concern

The concept that the Authority 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 an Authority in return for past or future compliance with certain conditions relating to the activities of the Authority.

Glossary of Terms continued

Impairment

A reduction in the value of a fixed asset below its carrying amount on the Balance Sheet.

Infrastructure Assets

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

Interest Cost (Pensions)

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

Investments (Non-Pensions Fund)

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

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

Investments (Pensions Fund)

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

Investment Properties

Interest in land and/or buildings:

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

Glossary of Terms continued

Liquid Resources

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

Long-Term Contracts

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

Net Book Value

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

Net Current Replacement Cost

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

Net Debt

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

Net Realisable Value

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

Non-Operational Assets

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

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

Glossary of Terms continued

Operating Lease

A lease other than a finance lease.

Operational Assets

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

Past Service Cost

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

Prior Period Adjustments

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

Projected Unit Method

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

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

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

Related Parties

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

- (a) one party has direct or indirect control of the other party; or
- (b) the parties are subject to common control from the same source; or

Glossary of Terms continued

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

Examples of related parties of an Authority include:

- (a) central government;
- (b) local authorities and other bodies precepting or levying demands on the Council Tax;
- (c) its subsidiary and associated companies;
- (d) its joint ventures and joint venture partners;
- (e) its members;
- (f) its chief officers; and
- (g) its pension fund.

Examples of related parties of a pension fund include its:

- (a) administering authority and its related parties
- (b) scheduled bodies and their related parties, and
- (c) trustees and advisers.

This list is not intended to be comprehensive.

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

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

Glossary of Terms continued

Related Party Transactions

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

- (a) The purchase, sale, lease, rental or hire of assets between related parties;
- (b) the provision by a pension fund to a related party of assets of loans, irrespective of any direct economic benefit to the pension fund.
- (c) the provision of a guarantee to a third party in relation to a liability or obligation of a related party;
- (d) the provision of services to a related party, including the provision of pension fund administration services.
- (e) transactions with individuals who are related parties of an Authority or a pension fund, except those applicable to other members of the community or the pension fund, such as council tax, rents and payments of benefits.

This list is not intended to be comprehensive.

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

Remuneration

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

Residual Value

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

Retirement Benefits

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

Glossary of Terms continued

Scheme Liabilities

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

Settlement

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

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

Stocks

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

- (a) goods or other assets purchased for re-sale;
- (b) consumable stores;
- (c) raw materials and components purchased for incorporation into products for sale;
- (d) products and services in intermediate stages of completion;
- (e) long-term contract balances; and
- (f) finished goods.

Tangible Fixed Assets

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

Glossary of Terms continued

Total Cost

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

Useful Life

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

Vested Rights

In relation to a defined benefit scheme, these are:

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

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

***Use of Asterisk**

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