



**Business Efficiency Board**

**Thursday, 28 June 2007 at 6.30 p.m.  
Civic Suite, Town Hall, Runcorn**

A handwritten signature in black ink that reads 'David W R'.

**Chief Executive**

**BOARD MEMBERSHIP**

<b>Councillor Dave Leadbetter (Chairman)</b>	<b>Labour</b>
<b>Councillor Martha Lloyd Jones (Vice-Chairman)</b>	<b>Labour</b>
<b>Councillor Carl Cross</b>	<b>Conservative</b>
<b>Councillor David Findon</b>	<b>Conservative</b>
<b>Councillor Eddie Jones</b>	<b>Labour</b>
<b>Councillor Alan Lowe</b>	<b>Labour</b>
<b>Councillor Ulfar Norddahl</b>	<b>Liberal Democrat</b>
<b>Councillor Shaun Osborne</b>	<b>Labour</b>
<b>Councillor Ged Philbin</b>	<b>Labour</b>
<b>Councillor Tim Sly</b>	<b>Liberal Democrat</b>
<b>Councillor Philip Worrall</b>	<b>Liberal Democrat</b>

*Please contact Caroline Halpin on 0151 471 7394 or e-mail [caroline.halpin@halton.gov.uk](mailto:caroline.halpin@halton.gov.uk) for further information.*

*The next meeting of the Board is on Wednesday, 5 September 2007*

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

**Part I**

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<b>2. DECLARATIONS OF INTEREST</b>	
<b>3. STATEMENT OF INTERNAL CONTROL 2006/7</b>	<b>1 - 10</b>
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**PART II**

**ITEMS CONTAINING "EXEMPT" INFORMATION FALLING  
WITHIN SCHEDULE 12A OF THE LOCAL GOVERNMENT ACT  
1972 AND THE LOCAL GOVERNMENT (ACCESS TO  
INFORMATION) ACT 1985**

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

<b>8. ANNUAL INTERNAL AUDIT REPORT FOR 2006/7</b>	<b>147 - 157</b>
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***In accordance with the Health and Safety at Work Act the Council is required to notify those attending meetings of the fire evacuation***

***procedures. A copy has previously been circulated to Members and instructions are located in all rooms within the Civic block.***

**REPORT TO:** Business Efficiency Board

**DATE:** 28 June 2007

**REPORTING OFFICER:** Strategic Director – Corporate and Policy

**SUBJECT:** 2006/7 Statement of Internal Control

**WARD(S):** Borough-wide

### **1.0 PURPOSE OF REPORT**

1.1 The purpose of this report is to seek Members' approval for the Council's 2006/7 Statement on Internal Control.

**2.0 RECOMMENDED that the 2006/7 Statement on Internal Control be approved.**

### **3.0 SUPPORTING INFORMATION**

#### Background

3.1 Regulation 4 of the Accounts and Audit Regulations 2003 requires each local authority to conduct a review, at least once a year, of the effectiveness of its system of internal control and to publish a Statement on Internal Control (SIC) with its financial statements.

3.2 The Chartered Institute of Public Finance and Accountancy (CIPFA) has produced guidance which local authorities are obliged to follow in preparing the SIC. This guidance requires the Chief Executive and the Leader of the Council to sign the SIC to demonstrate corporate ownership. The document must also be signed by the Section 151 Officer who is responsible for the administration of the financial affairs of the Council.

3.3 The purpose of the SIC is to provide assurance on the effectiveness of the Council's internal control and risk management systems. It also provides a framework for the improvement of risk management and corporate governance issues.

3.4 Internal control is the means of providing assurance that:

- The Council's policies are put into practice;
- Laws and regulations are complied with;
- The Council's values are met;

- Published information is accurate and reliable;
- Agreed procedures are followed;
- Human, financial and other resources are managed efficiently and effectively;
- High quality services are delivered.

### Statement on Internal Control 2006/7

- 3.5 The SIC for 2006/7 is attached at Appendix 1. The document is based upon the best practice format as determined by CIPFA.
- 3.6 The compilation of the SIC involves the Council:
- Reviewing the adequacy of its governance arrangements;
  - Knowing where it needs to improve these arrangements;
  - Communicating to users and stakeholders how better governance leads to better quality public services.
- 3.7 The production of the SIC has been co-ordinated through a management group containing key officers with responsibility for evaluating assurances and supporting evidence.
- 3.8 The sources of assurance that have informed the SIC include:
- The Comprehensive Performance Assessment (CPA);
  - The annual audit and inspection letter;
  - The Council's risk management framework;
  - The work of Internal Audit;
  - The Council's performance management framework;
  - The results of external inspections;
  - The results of the Financial Management Standard in Schools external assessment process.
- 3.9 The SIC approved by the Business Efficiency Board in 2006 identified four areas where further work was required to strengthen control. Section 5 of the 2006/7 SIC provides a summary of the action that has been taken to strengthen control in these areas.
- 3.10 The Council's overall system of control is considered to be robust. No further significant control weaknesses have been identified through this year's review.

## **4.0 POLICY, FINANCIAL AND OTHER IMPLICATIONS**

- 4.1 There are no direct financial implications arising from this report. However, there will inevitably be cost implications in terms of strengthening the Council's system of internal control, particularly in respect of developing robust information technology disaster recovery arrangements.

## **5.0 RISK ANALYSIS**

- 5.1 The SIC is not audited by the External Auditors but it is reviewed for compliance with proper practice. External Audit will also review the disclosures in the document for consistency with their knowledge of the Council.
- 5.2 Under the Code of Audit Practice, the Audit Commission provides a formal conclusion on whether the Council has put into place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. One of the key sources of assurance that will be considered in discharging this responsibility will be the system of internal control as reported in the SIC.
- 5.3 The SIC is a key document in the Council's risk management process and sets out how the Council has managed risk during 2006/7.

## **6.0 EQUALITY AND DIVERSITY ISSUES**

- 6.1 None.

## **7.0 LIST OF BACKGROUND PAPERS UNDER SECTION 100D OF THE LOCAL GOVERNMENT ACT 1972**

- 7.1 None.

# Statement of Internal Control

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## 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 its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, Halton Borough Council is also responsible for ensuring that there is a sound system of internal control which facilitates the effective exercise of the Council's functions and which includes arrangements for the management of risk.

## 2. THE PURPOSE OF THE SYSTEM OF INTERNAL CONTROL

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore provide only 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,
- evaluate the likelihood of those risks being realised and the impact should they be realised, and
- manage them efficiently, effectively and economically.

The system of internal control has been in place at Halton Borough Council for the year ended 31 March 2007 and up to the date of approval of the Statement of Accounts.

### 3. THE INTERNAL CONTROL ENVIRONMENT

The system of internal control is based on a framework of regular management information, the Council Constitution, administrative procedures, management supervision, and a system of delegation and accountability. Development and maintenance of the system of internal control is the responsibility of managers within the Council.

Key elements of the internal control environment include:

- Clearly defined strategic objectives detailed in the Corporate Plan which feed into departmental service plans and the budget allocation process;
- A Constitution which sets out how the Council operates, how decisions are made and the procedures followed to ensure that decisions are efficient, transparent and accountable to local people;
- Policy and Performance Boards which review and scrutinise decisions made or actions taken in connection with the discharge of the Council's functions;
- A Standards Committee which promotes and maintains high standards of conduct by councillors;
- A Monitoring Officer whose functions include maintaining the Constitution, supporting the Standards Committee and ensuring lawfulness of decision making;
- An Internal Audit service responsible for the continuous review of the Council's risk, governance and internal control systems;
- A risk management framework to help identify, assess and respond to opportunities and threats that affect the achievement of the Council's objectives;
- A Business Efficiency Board that co-ordinates the Council's mechanisms for achieving efficiencies and is responsible for developing a co-ordinated and targeted programme of efficiency reviews. The Board also acts as the Council's Audit Committee;
- A Best Value review programme that reflects the Council's strategic priorities and ensures that proper arrangements exist to secure year on year improvements to services;
- Financial management of the Council conducted in accordance with the Standing Orders relating to Finance set out in the Constitution. The Council has designated the Operational



Director – Financial Services as Chief Finance Officer in accordance with Section 151 of the Local Government Finance Act 1972. Financial management is underpinned by comprehensive budgeting and budget monitoring systems, medium term financial forecasts, clearly defined capital expenditure guidelines, and the regular reconciliation of the ledger to the Council’s bank account and key financial systems;

- Human resource policies, procedures and strategy designed to ensure the proper conduct of staff and to ensure the workforce is appropriately skilled to deliver the Council’s aims and objectives;
- A performance management framework used to monitor the progress achieved against the Council’s objectives;
- Publicised procedures for the reporting and resolution of suspected fraudulent activities.

#### 4. REVIEW OF EFFECTIVENESS

Halton Borough Council has responsibility for conducting, at least annually, a review of the effectiveness of the system of internal control. The Council is satisfied that, except for the issues identified in section five, a sound system of internal control was in place throughout the financial year and is ongoing. This conclusion has been informed by:

- **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 and is improving well. The CPA report commented that the Council:

*‘...has sustained improvements in most services and is contributing to improving the quality of life for local people. Education attainment is increasing, public satisfaction with libraries and leisure facilities has improved, more older people are being helped to live in their homes and more people are accessing jobs and improving their skills. It is also easier for local communities to access the services they need.....The Council continues to work well with partners to improve outcomes for the wider community. Overall, the Council provides value for money and has clearly identified and is delivering its improvement priorities. It has robust plans to continue to improve the services it provides for its residents and continues to make efficiency savings’.*

- **The Annual Audit and Inspection Letter**

In the Annual Audit and Inspection letter, the Council's External Auditor commented that:

*'The Council has good systems of financial control and maintains its expenditure within available resources. Its financial management arrangements are effective...'*

- **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. Strategic directors are also responsible for producing annual certificates to provide assurance that their departmental risks are being actively managed.

- **The Council's Internal Audit arrangements**

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.

Internal Audit 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.

The Accounts and Audit Regulations 2006 introduced a requirement for each local authority to carry out a review, at least once in each year, of the effectiveness of its system of internal audit. The Council's s151 Officer has undertaken this review and concluded that Internal Audit is performing effectively. This conclusion is based upon:

- A self-assessment against the Cipfa Code of Practice for Internal Audit in Local Government in the United Kingdom;
- Performance and benchmarking data relating to Internal Audit;
- Continued External Audit reliance on the work of Internal Audit;

- The contribution made by Internal Audit throughout the year in maintaining and enhancing the internal control environment.
- **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.
- **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)**  
During 2006/7, the Department for Education and Skills (DfES) introduced a Financial Management Standard that all secondary schools were expected to achieve by 31 March 2007. 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. An external assessment process identified that all secondary schools within the borough met the Standard within the required timescale.

## 5. SIGNIFICANT INTERNAL CONTROL ISSUES

Halton Borough Council has identified the following areas where action is being taken to further strengthen the system of internal control:

### **Risk Management**

Significant progress has been made in embedding risk management into the Council's culture and processes. Further work is however required to ensure that risk management also becomes an embedded feature of the Council's partnership working arrangements.

### **Information Technology – Disaster Recovery / Corporate Contingency Plan**

Constantly evolving disaster recovery and contingency procedures are vital due to the Council's ever increasing reliance upon ICT systems and software applications.

Responsibility for the assessment of corporate disaster recovery and the continuity requirement has been allocated to the Divisional

Manager for Analysis and Development within ICT services. This process will involve assessing and developing the formal strategy, plans and procedures related to corporate applications such as e-mail, the Internet and the main infrastructure control solutions.

A process of maintaining and improving the range of measures and solutions to protect the information technology infrastructure is being implemented. Efforts have been concentrated upon reducing the risk of disaster through ongoing improvements to the resilience and reliability of the infrastructure, control systems and network solutions.

Disaster recovery and business continuity management solutions related to the corporate infrastructure will also be closely aligned with the disaster recovery and business continuity management plans and strategies of the individual directorates. This will help maintain and generate in-house and outsourced solutions that offer cost effective capacity for the increasing demands in these areas.

### **Community engagement**

Customer focus and community engagement continue to have an extremely high profile in terms of the policy direction of central Government. As the new Local Government Bill reflects, local authorities that want to be at the leading edge of public service provision need to place customer focus and community engagement at the heart of corporate service planning and delivery. The Council has responded to this agenda by developing an overarching community engagement strategy for the borough with its partners, to help ensure that the views of all sections of the community can be taken into account.

The strategy provides a standard of how engagement should be carried out, allows for better co-ordination between partners and enables greater consistency in delivery. A Community Engagement Practitioners Network has been set up to provide direction, guidance and advice on community engagement and fulfil an evaluation and monitoring role for all engagement activities. The underlying rationale is to provide greater strategic coherence to underpin and enhance the excellent operational practice that already exists. Recent steps to raise the game on engagement include:

- Agreement of a statement of community involvement with the CVS to support the development and implementation of Halton's local area agreement;
- Development of neighbourhood management in our most deprived areas with strong resident involvement;
- Development of engagement with Children & Young People through area youth forums, online surveys, and the extensive consultation around the review of the Children's Plan;

- The first steps to establish networks with other hard to reach groups such as BME and faith communities, and migrant workers;
- Development of engagement with older people through OPEN (older people's engagement network);
- Review of effectiveness of area forums as one part of our engagement toolkit, and a thorough ongoing review of community cohesion in Halton.

**Partnership working**

The Council continues to recognise the risks and opportunities presented by partnership working. During 2006/7, significant progress was made to strengthen the governance arrangements for the partnerships that the Council is involved in. This has included the production of a guide to partnership working that will provide a corporate framework for staff involved in considering new partnership working. It will also assist Members and officers when reviewing existing arrangements.

The Council intends to further strengthen its financial management arrangements through inclusion of an assessment of the financial impact of joint work with significant partners in its medium term financial strategy. Work will also take place to further embed risk and performance management across all aspects of partnership working.

We are satisfied that these actions will enhance the system of internal control and we will continue to review their implementation and operation.

**Signed** \_\_\_\_\_  
**(Chief Executive)**

**Date:** \_\_\_\_\_

**Signed** \_\_\_\_\_  
**(s151 Officer)**

**Date:** \_\_\_\_\_

**Signed** \_\_\_\_\_  
**(Leading Member)**

**Date:** \_\_\_\_\_

**REPORT TO:** Business Efficiency Board

**DATE:** 28 June 2007

**REPORTING OFFICER:** Operational Director, Financial Services

**SUBJECT:** 2006/07 Draft Abstract of Accounts

**WARD(S):** Borough-wide

### **1.0 PURPOSE OF REPORT**

1.1 The purpose of this report is to seek approval for the Council's 2006/07 Draft Abstract of Accounts, a copy of which is enclosed with the Agenda.

**2.0 RECOMMENDED that the 2006/07 Draft Abstract of Accounts be approved.**

### **3.0 SUPPORTING INFORMATION**

3.1 The Abstract of Accounts (The Abstract) sets out the Council's financial performance for the year in terms of revenue and capital spending and presents the year-end financial position as reflected in the balance sheet.

3.2 The format of the Abstract is heavily prescribed by the Accounts and Audit Regulations, which makes it a very technical document and not particularly easy to understand. Therefore the key elements are outlined below.

3.3 The Regulations have required several significant changes to the content and layout of the Abstract this year. These are intended to bring Local Authority Accounts more into line with the requirements for Accounts across all sectors in the UK.

3.4 In the Foreword on pages 1 to 6, the Operational Director, Financial Services (Chief Financial Officer) summarises the Council's financial performance for 2006/07, including revenue and capital spending.

3.5 In overall terms the Council has underspent its 2006/07 revenue budget by £765,000. The outturn report was presented to Executive Board Sub-Committee on 21<sup>st</sup> June 2007. The Council has also established an Invest to Save Fund of £1m which was not budgeted for, but will be funded from the final balance of the Housing Revenue Account. In addition, the Council approved the use of £350,000 from General Fund Balances when setting the 2006-07 revenue budget. The net result of these items is that General Fund Balances will be increased by £549,000 to £7,110,000.

- 3.6 Capital expenditure was £29.3m compared with the revised programme of £31.6m. This represents almost full delivery of the revised programme with the only significant slippage being on the very large and complex Widnes Waterfront and 3MG regeneration schemes.
- 3.7 School balances have reduced by £0.8m to £6.9m, however, £2.7m of this relates to unspent Standards Fund Grants which must be spent by 31<sup>st</sup> August 2007.
- 3.8 The Housing Revenue Account (HRA) has now been formally closed following the Housing stock transfer on 5<sup>th</sup> December 2005 and the resolution of all residual issues and final subsidy claims. The final balance on the HRA of £1.1m has been transferred to the General Fund Balances and will provide funding for the Council's new Invest to Save Fund.
- 3.9 The Income and Expenditure Account on page 7 (previously called the Consolidated Revenue Account) presents gross expenditure, gross income and net expenditure for 2006/07 along with a comparison to 2005/06, for each of the service groupings prescribed in the Accounting Code of Practice. These groupings do not necessarily relate directly to the Council's organisational structure, but are intended to provide consistency across all local authorities.
- 3.10 The total net cost of services is adjusted by a number of appropriations, to give total net operating expenditure of £104,514, which is funded from Government Grant and Local Taxpayers. This is considerably less than for 2005/06 due to the introduction of the Direct Schools Grant in 2006/07. Detailed notes relating to items within the Income and Expenditure Account are shown on pages 12 to 22.
- 3.11 The net balance is then taken into the Statement of Movement on the General Fund on page 8, where after adjustment for a number of items in accordance with the Regulations totalling £12,136,000, the resulting General Fund Balances carried forward of £7,110,000 is presented. Detailed notes relating to the adjusted items are shown on page 23.
- 3.12 On page 9 the Statement of Total Recognised Gains and Losses presents some technical adjustments designed to remove some of the anomalies between Local Authority Accounts and the requirements for accounts across all sectors in the UK. Detailed notes relating to the Statement of Total Recognised Gains and Losses are shown on page 24 to 26.
- 3.13 The Council's Balance Sheet on page 10 sets out the Council's financial position as at 31st March 2007, along with the previous year's comparison. Detailed notes relating to items within the Balance Sheet are shown on pages 27 to 47. These include the movement in fixed assets, capital financing, contingent liabilities, assets and asset

valuation, investments, stocks, debtors, creditors, provisions, reserves, borrowing, trust funds, and pensions.

- 3.14 The Cashflow Statement on page 11 provides an overall analysis of the movements in cash and cash equivalents during the year. Detailed notes relating to items within the Cashflow Statement are shown on pages 47 and 48.
- 3.15 Details of the Housing Revenue Account (HRA) are presented on pages 49 to 53. As referred to earlier, the HRA has now been formally closed following the Housing stock transfer on 5<sup>th</sup> December 2005 and the resolution of all residual issues and final subsidy claims. The final balance on the HRA of £1.1m has been transferred to the General Fund Balances.
- 3.16 The Collection Fund and associated notes on pages 54 to 57, summarise the transactions in respect of the collection of Non-Domestic Rates and Council Tax, along with the distribution to General Fund and the precepting authorities.
- 3.17 The Group Accounts and associated notes on pages 58 to 64 present the consolidation of the Council's accounts with those of its related companies.
- 3.18 A Statement of Responsibilities appears on page 65 outlining the basis upon which the Abstract has been prepared, which is followed by the Statement of Internal Control (presented in an earlier item on the Agenda) on pages 66 to 72 and Accounting Policies on pages 73 to 83.
- 3.19 The Audit Commission uses the draft Abstract as the basis for undertaking the annual audit of accounts, for which their draft audit certificate is shown on pages 84 to 87. This will be completed once the audit has been finalised.
- 3.20 A glossary of terms is presented on pages 88 to 99.
- 3.21 The Abstract is still subject to external audit, but requires the Council's approval under the Accounts and Audit Regulations by 30<sup>th</sup> June 2007. Once the audit is completed the Audit Commission are expected to report their findings to the Executive Board during September 2007.

#### **4.0 POLICY IMPLICATIONS**

- 4.1 None.

#### **5.0 OTHER IMPLICATIONS**

- 5.1 None.



**6.0 RISK ANALYSIS**

6.1 There are no risks associated with this report.

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

<b>Document</b>	<b>Place of Inspection</b>	<b>Contact Officer</b>
Accounts and Audit Regulations	Accountancy Division, Municipal Building	Ed Dawson, Chief Accountant

# **Halton Borough Council**

## **Draft Abstract of Accounts 2006/07**

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

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

.....  
*Chair of the Business Efficiency Board*

.....  
*Date*

# Introduction

The Council's Accounts for 2006/07 are presented in the following format

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# Foreword by Operational Director – Financial Services

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## Introduction

There have been several significant changes to the form, content and layout of the Abstract of Accounts for 2006/07. The Consolidated Revenue Account has been replaced by a new statement, the Income and Expenditure Account (and its companion the Statement of Movement on the General Fund Balance), and the Statement of Total Movement in Reserves has been replaced by the Statement of Total Recognised Gains and Losses. These changes remove some of the anomalies in Local Authority Accounts when compared with the recommended format for the compliance with the requirements of the United Kingdom Generally Accepted Accounting Principles (UK GAAP). The statements appear in a completely different order, so as to place more emphasis on the major statements by placing them at the front of the publication. The Income and Expenditure Account, whilst improving accounting disclosure has resulted in the requirement to produce the Statement of Movement on the General Fund Balance, to convert the outturn back to the overall surplus or deficiency, by showing the statutory debits and credits Local Authorities have to make in their accounts.

The Council's accounts for 2006/07 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 Operational Director – Financial Services continued**

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### ***Supplementary Financial Statements***

- *Housing Revenue Account* – this is a statutory statement which Authorities with housing provision are obligated to maintain in accordance with part 6 of the Local Government and Housing Act 1989.
- *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).
- *Statement on Internal Control and the Statement on the System of Internal Control* – 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 2006/07 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 Operational Director – Financial Services continued

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### Revenue Activities

#### – General Fund

	<b>Original Budget £'000</b>	<b>Actual £'000</b>
Net Expenditure	92,121	92,356
Parish Precepts	22	22
<b>Total</b>	<b>92,143</b>	<b>92,378</b>
Financed by Local Taxpayers	(37,122)	(37,122)
Financed by Government Grants	(54,671)	(54,671)
(Surplus)/Deficit for Year	350	585
<b>Balance transferred from HRA</b>	<b>-</b>	<b>(1,134)</b>
Balances brought forward	(6,561)	(6,561)
<b>Balance carried forward</b>	<b>(6,211)</b>	<b>(7,110)</b>

The Council has closely monitored and controlled its spending such that total spending, before the establishment of the Invest to Save Fund, was £91.356m, which is £0.765m below the budget for the year. A further £1.0m charge has been made in order to establish an Invest to Save Fund, which was not planned for when setting the 2006/07 budget. However, this will be funded from the final balance transferred from the Housing Revenue Account (HRA). Bringing these figures together, along with the planned contribution from balances of £0.35m, has resulted in an increase in balances of £0.549m to £7.110m.

#### – Housing Revenue Account

The Council transferred its stock to the Halton Housing Trust on 5th December 2005. Transactions in the year 2006/07 represent the net effect of residual issues, like the unwinding of debtors and creditors from 2005/06, settlement of transferred debtors and the setting up of a provision to meet potential future liabilities. The Department of Communities and Local Government have now formally closed the account, and the balance has been merged with the General Fund revenue balance.

## **Foreword by Operational Director – Financial Services continued**

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The Valued Added Tax (VAT) shelter has not yet produced any income for the Council due to a slow start in the Trust's improvements programme and the agreement to offset the transferred pension fund costs first before any gains are distributed. However, the sale of council house stock post transfer has generated a net capital receipt of £2.6m to the Council for the 15 month period to 31st March 2007, which was received after the year end and has been included in the accounts as a debtor.

### **– *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 and redistributed back to Councils as non-domestic rate income. The Council, on behalf of itself and the two preceptors, Cheshire Police and Cheshire Fire, holds the balance on the Collection Fund in trust. The account showed a small surplus for the year.

### ***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. 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 £79.8m to £59.6m over the year.

### ***Single Status***

Over the past two years the Council has made provision for the potential costs arising from undertaking job evaluation for all relevant Council staff, in accordance with Equal Pay legislation. The job evaluation exercise has been completed; however, whilst the detailed results have yet to be announced, it is anticipated that the overall cost will be within the Council's provision.

### ***Changes in Statutory Functions or Service Delivery***

There were no significant changes in 2006/07, however two organisational changes are worthy of mention. The Council reorganised its internal structure to change from six Directorates, each controlled by an Executive Director, down to four Directorates, each headed by a Strategic Director. Whilst the Government introduced a new Direct Schools Grant (DSG), which effectively top sliced a large portion of the previous general Revenue Support Grant and credited it direct to the Education service. This new grant is ring fenced to schools and is subject to a separate note in the accounts.

## **Foreword by Operational Director – Financial Services continued**

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### ***Capital Schemes***

The Authority spent £29.309m on capital schemes in 2006/07 compared with a planned expenditure of £31.682m. This outturn represents 92% of the programme, with the only areas of significant slippage being on the IT Rolling Programme, Ditton Rail Freight Park, and Widnes Waterfront. A more detailed analysis of the spend is included as part of Note 1 to the Balance Sheet.

### ***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.

### ***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. There were no significant transactions in the year. The plan did include the receipt of a large sum of cash from the sale of a piece of land, the receipt of which has been delayed, and as a result may impact on treasury management activities in 2007/08.

### **Changes in Accounting Policies**

The only significant change in accounting policies was the discontinuation of the charging of interest on asset rentals. This amendment was in accordance with the Statement of Recommended Practice and for comparison purposes the 2005/06 Income and Expenditure Account figures have been restated.

### **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 2006/07 a success.



## **Foreword by Operational Director – Financial Services continued**

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### **Further Information**

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

Should you require this document in an alternative format, such as Braille, large print, spoken, or a different language, please contact the Council's Communication and Marketing Division (0151-424 2061).

***P. E. Dawson***  
*Acting Operational Director – Financial Services*

## Income and Expenditure Account

<b>Net Expenditure 2005/06 Restated</b>	<b>Services</b>	<b>Gross Expenditure 2006/07</b>	<b>Gross Income 2006/07</b>	<b>Net Expenditure 2006/07</b>
<b>£'000</b>		<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
	<b>CONTINUING OPERATIONS</b>			
77,489	Education Services	118,933	(103,841)	15,092
35,151	Social Services	60,306	(23,827)	36,479
12,987	Highways, Roads and Transport	18,972	(3,150)	15,822
25,762	Cultural, Environmental and Planning Services	46,840	(19,137)	27,703
2,611	Housing Services	58,366	(55,067)	3,299
6,226	Central Services	45,869	(38,968)	6,901
3,197	Corporate and Democratic Core	6,125	(2,559)	3,566
330	Non Distributed Costs	200	-	200
<b>163,752</b>	<b>Total Continuing Operations</b>	<b>355,611</b>	<b>(246,549)</b>	<b>109,062</b>
	<b>DISCONTINUING OPERATIONS</b>			
4,793	Public Sector Housing	(537)	(569)	(1,106)
<b>168,545</b>	<b>NET COST OF SERVICES</b>	<b>355,074</b>	<b>(247,118)</b>	<b>107,956</b>
	<i>Corporate Income &amp; Expenditure</i>			
(502)	Gains or Losses on Disposal of Fixed Assets			(1,190)
21	Precepts Paid to Parish Councils			22
(755)	(Surplus)/Deficit from Trading Operations			(210)
1,382	Interest Payable			976
2,632	Contribution of Housing Capital Receipts to Government Pool			89
(1,783)	Interest Receivable			(2,109)
970	Pension Interest Cost and Expected Return on Pensions Assets			(1,020)
<b>170,510</b>	<b>NET OPERATING EXPENDITURE</b>			<b>104,514</b>
	<i>Principal Sources of Finance</i>			
(35,137)	Precept on Collection Fund			(37,122)
(79,579)	Revenue Support Grant			(8,846)
(39,465)	Contribution from NDR Pool			(45,825)
<b>16,329</b>	<b>(SURPLUS)/DEFICIT FOR THE YEAR</b>			<b>12,721</b>

## Statement of Movement on the General Fund

<i>2005/06 Restated</i>		<b>2006/07</b>
<b>£'000</b>		<b>£'000</b>
16,329	<b>(Surplus)/Deficit brought forward from Income and Expenditure Account</b>	12,721
(16,071)	Net Additional Amount required by statute and non-statutory proper practices to be debited or credited to the General Fund Balance for the year	(12,136)
258	(Increase)/Decrease in General Fund Balance for the year	585
(6,819)	General Fund Balance brought forward	(6,561)
-	Transfer from Housing Revenue Account	(1,134)
(6,561)	General Fund Balance carried forward	(7,110)
(4,318)	<b>Amount of General Fund Balance held by Governors under schemes to finance schools</b>	<b>(4,221)</b>

## Statement of Total Recognised Gains and Losses

	2005/06	2006/07	
	£'000	£'000	£'000
<b>GENERAL</b>			
Surplus/(Deficit) for the year			
– General Fund	(258)	549	
– Housing Revenue Account (Closure of Account)	588	(1,027)	
Add Back Movements on Specific Revenue Reserves/Balances	(1,689)	152	
Movements on Other Reserves	1,526	4,357	
Deduct Appropriation to/from Pensions Reserve	(1,010)	(880)	
Actuarial Gains and Losses relating to Pensions	1,210	21,080	
<b>Total Increase/(Decrease) in Revenue Resources (Note 1)</b>	<b>367</b>		<b>24,231</b>
Increase/(Decrease) in Useable Capital Receipts	(5,155)	(4,112)	
Increase/(Decrease) in Unapplied Capital Grants and Contributions	-	-	
<b>Total Increase/(Decrease) in Realised Capital Resources (Note 2)</b>	<b>(5,155)</b>		<b>(4,112)</b>
Gains/(Losses) on Revaluation of Fixed Assets	106,376	2,904	
Impairment Losses on Fixed Assets Due to General Changes In Prices	-	-	
<b>Total Increase/(Decrease) in Unrealised Value of Fixed Assets (Note 3)</b>	<b>106,376</b>		<b>2,904</b>
<b>Value of Assets Sold, Disposed of or Decommissioned (Note 4)</b>	<b>(251,087)</b>		<b>(11,030)</b>
Capital Receipts Set Aside	37,955	8,539	
Revenue Resources Set Aside	30,521	(7,538)	
Movement on Government Grants Deferred	950	-	
<b>Total Increase/(Decrease) in Amounts Set Aside to Finance Capital Investment (Note 5)</b>	<b>69,426</b>		<b>1,001</b>
<b>Total Recognised Gains and (Losses)</b>	<b>(80,073)</b>		<b>12,994*</b>

# Balance Sheet

<b>31/3/2006 £'000 Restated</b>		<b>Note</b>	<b>£'000</b>	<b>31/3/2007 £'000</b>
328,487	Net Fixed Assets	1		332,759
1,552	Intangible Assets	2	1,962	
504	Long Term Investments	3	497	
1,482	Long Term Debtors	5	1,818	4,276
<b>332,025</b>	<b>Total Long Term Assets</b>			<b>337,036</b>
	<b>Current Assets</b>			
190	Stocks	4	276	
17,150	Debtors	5	23,832	
33,400	Temporary Investments		27,300	
2,960	Prepayments		1,619	
<b>53,700</b>	<b>Total Current Assets</b>		<b>53,027</b>	
	<b>Current Liabilities</b>			
(14,000)	Temporary Loans		(12,000)	
(25,246)	Creditors	6	(25,351)	
(13,205)	Receipts in Advance		(17,070)	
1,113	Cash in Hand/(Overdrawn)		(1,015)	
<b>(51,338)</b>	<b>Total Current Liabilities</b>		<b>(55,436)</b>	
<b>2,362</b>	<b>Net Current Assets/(Liabilities)</b>			<b>(2,409)</b>
<b>334,387</b>				<b>334,627</b>
(10,000)	Long Term Borrowing	14	(10,000)	
(3,222)	Deferred Liabilities	11	(3,101)	
(555)	Provisions	8	(2,029)	
(32,993)	Government Grants – Deferred		(39,086)	
-	Deferred Credits	9	-	
(79,800)	Liability Related to Defined Benefit Pension Scheme	17	(59,600)	(113,816)
<b>207,817</b>	<b>Total Assets less Liabilities</b>			<b>220,810</b>
(97,108)	Fixed Asset Restatement Account			(88,982)
(159,317)	Capital Financing Account			(160,318)
(5,718)	Capital Receipts Unapplied			(1,423)
(1,381)	Deferred Capital Receipts	7		(1,564)
79,800	Pensions Reserve	17		59,600
(11,967)	Reserves – General	10		(16,324)
(220)	– Collection Fund			(470)
(4,318)	– School			(4,221)
(6,561)	Revenue Balances – General			(7,110)
(1,027)	– Housing Revenue Account			-
<b>(207,817)</b>	<b>Total Equity</b>	15		<b>(220,810)</b>

## Cashflow Statement

Actual 2005/06 £'000		Actual 2006/07 £'000	Actual 2006/07 £'000	Notes
	<b>Revenue Activities</b>			
	<i>Cash Outflows</i>			
129,811	Cash Paid to and on behalf of Employees	137,292		
131,742	Other Operating Cash Payments	99,733		
33,423	Housing Benefit Paid Out	43,837		
3,749	Payment of Police Precept	4,008		
2,131	Payment of Fire Precept	2,219		
3,752	Payments to the Capital Receipts Pool	85		
36,403	Payment to NDR Pool	41,340		
341,011			328,513	
	<i>Cash Inflows</i>			
(8,972)	Rents (after Rebates)	(3,788)		
(33,798)	Council Tax Receipts	(35,607)		
(41,972)	Non Domestic Ratepayers	(41,370)		
(39,465)	Non Domestic Rate Income from National Pool	(45,825)		
(79,599)	Revenue Support Grant	(8,689)		
(32,941)	DWP Grants for Benefits	(40,117)		
(64,259)	Other Government Grants	(129,974)		1
(13,716)	Cash Received for Other Goods and Services	(13,430)		
(24,740)	Other Revenue Cash Payments/Income	(22,338)		
(339,462)			(341,137)	
	<b>Dividends from Joint Ventures and Associates</b>			
	<i>Cash Inflows</i>			
(140)	Dividends Received		(140)	
1,408	REVENUE ACTIVITIES NET CASHFLOW		(12,764)	2
	<b>Returns on Investments and Servicing of Finance</b>			
	<i>Cash Outflows</i>			
1,986	Interest Paid	977		
	<i>Cash Inflows</i>			
(1,735)	Interest Received	(1,700)		
251			(723)	
	<b>Capital Activities</b>			
	<i>Cash Outflows</i>			
30,260	Purchase of Fixed Assets	27,809		
1,199	Other Capital Cash Payments	2,200		
31,459		30,009		
	<i>Cash Inflows</i>			
(3,993)	Sale of Fixed Assets	(1,621)		
(12,444)	Capital Grants Received	(7,857)		
(1,597)	Other Capital Cash Receipts	(816)		
(18,034)		(10,294)	19,715	
	<b>Acquisitions and Disposals</b>			
-	No transactions		-	
15,084	Net Cash (Inflow)/Outflow before Financing		6,228	
	<b>Management of Liquid Resources</b>			
5,250	Net (Increase)/Decrease in Short Term Deposits		(6,100)	
-	Net (Increase)/Decrease in Other Liquid Resources		-	
	<b>Financing</b>			
	<i>Cash Outflows</i>			
(31,000)	Repayment of Amounts Borrowed – Long Term	-		
-	– Short Term	-		
(31,000)			-	
	<i>Cash Inflows</i>			
10,000	New Loans Raised – PWLB	-		
-	– Other	-		
1,000	New Short Term Loans	2,000		
11,000			2,000	
334	<b>(Increase)/Decrease in Cash and Cash Equivalents</b>		<b>2,128</b>	3

## 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 2006/07 the Authority has not arranged any new leases.

The amount paid in rental under operating leases in 2006/07 was £221,024 (2005/06 £326,154), with outstanding obligations of £313,752 (31.3.06. £534,776). The amount paid in rental under finance leases in 2006/07 was nil (2005/06 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 2005/06</i>	<i>Depreciation on Assets 2005/06</i>	<i>Annual Rent due to HBC 2006/07</i>	<i>Depreciation on Assets 2006/07</i>
	£	£	£	£
Industrial Estates				
– Wholly Owned	918,514	249,750	963,330	405,993
– Shared Ownership with Pochins (50:50)	48,772	20,407	48,772	23,348
Offices	288,581	51,409	221,736	78,873
Other Land and Properties	183,698	140,545	244,106	221,967
Shops	150,875	117,503	150,500	141,250
Public Houses Ground Rent	63,030	-	54,130	-
Car Parks	18,504	-	1,744	-
	<b>1,671,974</b>	<b>579,614</b>	<b>1,684,318</b>	<b>871,431</b>

## 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 2005/06 is detailed below:

Income 2006/07	Expenditure 2006/07	Trading (Surplus)/ Deficit 2006/07	Trading (Surplus)/ Deficit 2005/06	Trading Account	Asset Rentals 2006/07	Total inc. Asset Rental 2006/07
£'000	£'000	£'000	£'000		£'000	£'000
(976)	906	(70)	(276)	Markets	129	59
(1,027)	439	(588)	(790)	Industrial Estates	429	(159)
-	-	-	-	DLO – Construction	-	-
(3,611)	3,853	242	68	DSO – School Meals	-	242
(270)	309	39	64	Catering	-	39
(2,996)	2,940	(56)	(23)	Street Cleansing /Refuse	-	(56)
(714)	661	(53)	-	School Cleaning	-	(53)
(781)	768	(13)	(40)	Building Cleaning	-	(13)
(2,564)	2,411	(153)	(40)	Grounds Maintenance	65	(88)
(2,722)	2,554	(168)	(229)	Vehicle Management	127	(41)

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

	<b>Restated 2005/06 £'000</b>	<b>2006/07 £'000</b>
Markets	(149)	59
Industrial Estates	(520)	(159)
DLO – Construction	-	-
DSOs	54	30
Halton Transport Dividend	(140)	(140)
	<b>(755)</b>	<b>(210)</b>

Halton Transport is a wholly owned subsidiary of the Authority and further details of its operations are shown in Balance Sheet Note 3.



## 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 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.*

<b>Revenue 2005/06 £'000</b>		<b>Revenue 2006/07 £'000</b>
	<b>Funding</b>	
(3,374)	Halton Primary Care Trust	(3,819)
(9,419)	Halton Borough Council	(8,037)
-	Learning Disability Development Fund	-
49	Other Income	(85)
-	Interest	-
<b>(12,744)</b>	<b>Total Funding</b>	<b>(11,941)</b>
	<b>Expenditure</b>	
1,310	Nursing Care	1,399
1,357	Residential Care	1,081
2,636	Supported Living	2,760
2,937	Homecare	2,231
1,898	Day Services	1,885
1,168	Specialist Learning Disabilities Team	1,139
25	Support for Advocacy	68
7	Support for Carers	7
307	Respite	549
923	Senior Managers	801
176	Supported Employment	-
-	Other	21
<b>12,744</b>	<b>Total Expenditure</b>	<b>11,941</b>
-	<b>(Surplus)/Deficit for the Year</b>	-
-	<b>Balance brought forward</b>	-
-	(Surplus)/Deficit for the Year	-
-	<b>Balance carried forward</b>	-

## 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 .*

<b>Revenue 2005/06 £'000</b>		<b>Revenue 2006/07 £'000</b>
(173)	<b>Funding</b>	
(190)	Halton Borough Council	(137)
	Halton Primary Care Trust	(186)
<b>(363)</b>	<b>Total Funding</b>	<b>(323)</b>
	<b>Expenditure</b>	
-	Management Fee	66
193	Stock	160
170	Halton PCT Expenditure	97
<b>363</b>	<b>Total Expenditure</b>	<b>323</b>
-	<b>(Surplus)/Deficit for the Year</b>	-
-	<b>Balance brought forward</b>	-
-	(Surplus)/Deficit for the Year	-
-	<b>Balance carried forward</b>	-

## 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.*

<b>Revenue 2005/06 £'000</b>		<b>Revenue 2006/07 £'000</b>
	<b>Funding</b>	
(101)	Halton Primary Care Trust	(83)
(345)	Halton Borough Council	(305)
-	NRF	-
(3)	Interest	-
<b>(449)</b>	<b>Total Funding</b>	<b>(388)</b>
	<b>Expenditure</b>	
89	Management	93
8	Halton Information Exchange	14
142	ESP	-
29	Woodview Co-ordinator	35
47	Shaping Services – Staff	63
7	Shaping Services – Playschemes	-
2	Shaping Services – Personal/Family Assistants	-
20	Shaping Services – Direct Payments	19
1	Shaping Services – Family Support	5
74	Grants to Voluntary Organisations	51
-	Training	6
13	Equipment Provision through HES	-
<b>432</b>	<b>Total Expenditure</b>	<b>286</b>
<b>(17)</b>	<b>(Surplus)/Deficit for the Year</b>	<b>(102)</b>
-	<b>Balance brought forward</b>	-
(17)	(Surplus)/Deficit for the Year	(102)
17	Surplus Returned to Partners (77%:23%)	102
-	<b>Balance carried forward</b>	-

## 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.*

<b>Revenue 2005/06 £'000</b>		<b>Revenue 2006/07 £'000</b>
-	<b>Funding</b>	
-	Halton Primary Care Trust	(248)
-	Halton Borough Council	(686)
-	Interest	(1)
-	<b>Total Funding</b>	<b>(935)</b>
	<b>Expenditure</b>	
-	Management	70
-	Therapy Team	331
-	Nursing Team	119
-	Social Work Team	130
-	Care Team	198
-	Administration Team	48
-	Other Expenditure	39
-	<b>Total Expenditure</b>	<b>935</b>
-	<b>(Surplus)/Deficit for the Year</b>	<b>-</b>
-	<b>Balance brought forward</b>	<b>-</b>
-	(Surplus)/Deficit for the Year	-
-	<b>Balance carried forward</b>	<b>-</b>

## 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.

The Council was permitted to spend £5.29 per head of population, a total of £628,452 in 2006/07, and its actual was £369,447 (2005/06 £380,054). The expenditure was mainly grants to voluntary organisations.

### 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 2006/07 compared with 2005/06:

	<b>2005/06 £'000</b>	<b>2006/07 £'000</b>
Recruitment Advertising	511	502
General Advertising/Marketing	542	522
Promotional Expenditure	389	232
	<b>1,442</b>	<b>1,256</b>

### 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 2006/07 the Council supplied payroll services to Riverside College.

	<b>2005/06 £'000</b>	<b>2006/07 £'000</b>
The income generated from this activity was	(4)	(11)
The related costs were	4	11
Out of a total departmental budget of	476	475

## **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.

	<i>2005/06</i>	<i>2006/07</i>
Remuneration Band		
£50,000-£59,999	30	31
£60,000-£69,999	23	17
£70,000-£79,999	3	17
£80,000-£89,999	1	1
£90,000-£99,999	3	3
£100,000+	2	1

### **9. Members' Allowances**

During the year £655,005 (2005/06 £619,532) 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 2005/06</i>	<i>Receipts £m 2006/07</i>	<i>Payments £m 2005/06</i>	<i>Payments £m 2006/07</i>
Central Government and Government Agency				
– General Revenue Support	(119.04)	(54.67)		
– Specific Revenue Grants	(64.25)	(125.39)		
– DSS Support to Rebates/Allowances	(32.95)	(44.70)		
– Capital	(12.50)	(13.00)		
Cheshire County Council				
– 3C Waste Rent*	(0.11)	(0.20)		
– Home Office Services			0.12	0.17
Cheshire Police Authority – Precept			3.75	4.01
Parish Councils – Precept			0.02	0.02
Cheshire Fire Authority – Precept			2.13	2.22
Environmental Agency – Levy			0.05	0.05
Government Office North West – Levy			0.01	0.02
Halton Housing Trust	(0.50)	(3.69)	0.00	0.29

\*3C Waste for 2006/07 covers five 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 17 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 2006/07 the system has highlighted that seven 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 the newly formed Halton Housing Trust.

There are three significant debtors accruals at the year end.

Halton Housing Trust – Right to Buy	£m 2.60
NWDA – Bridge Support Grant	3.50
ODPM – Council Tax/Housing Benefit Subsidy Underpayment	2.94
	9.04

## Notes to the Core Financial Statements continued

### 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> 2005/06 £'000	<i>Chargeable</i> 2006/07 £'000	<i>Non Chargeable</i> 2005/06 £'000	<i>Non Chargeable</i> 2006/07 £'000	<i>Total</i> 2005/06 £'000	<i>Total</i> 2006/07 £'000
<b>Expenditure</b>						
Employee Expenses	187	170	112	142	299	312
Premises	8	7	16	13	24	20
Supplies & Services	45	28	10	8	55	36
Transport	6	4	4	3	10	7
Central and Support Service Charges	83	40	156	160	239	200
Total Expenditure	329	249	298	326	627	575
<b>Income</b>						
Building Regulation Charges	(329)	(232)	-	-	(329)	(232)
Miscellaneous Income	-	-	-	(1)	-	(1)
Total Income	(329)	(232)	-	(1)	(329)	(233)
<b>(Surplus)/Deficit for Year</b>	<b>-</b>	<b>17</b>	<b>298</b>	<b>325</b>	<b>298</b>	<b>342</b>

### 12. Audit Fees

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

	<b>2005/06 £'000</b>	<b>2006/07 £'000</b>
Fees Payable for		
– Audit	189	195
– Inspections	17	16
– Grants and Returns	90	110
– Other Services	4	-
	<b>300</b>	<b>321</b>



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

### **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.

### **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. Over- and under-spends on the two elements are required to be accounted for separately.

Details of the deployment of DSG receivable for 2006/07 are as follows:

	<b>Central Expenditure 2006/07</b>	<b>Individual Schools Budget 2006/07</b>	<b>Total 2006/07</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Original Grant Allocation to Schools Budget for the current year in the Authority's Budget	(8,057)	(63,031)	(71,088)
Adjustment to finalise grant allocation	(708)	-	(708)
DSG receivable for the year	(8,765)	(63,031)	(71,796)
Actual Expenditure for the year	7,202	63,128	70,330
Over/(Under) Spend for the year	(1,563)	97	(1,466)
Planned Top-up Funding of the ISB from Council Resources	-	-	-
Use of Schools Balances brought forward	-	(97)	(97)
Over/(Under) Spend from prior year	-	-	-
Over/(Under) Spend carried forward to 2007/08	(1,563)	-	(1,563)

## Notes to the Core Financial Statements continued

### Statement of Movement on the General Fund

#### Reconciling Items

<i>2005/06 Restated</i>		<b>Net Expenditure 2006/07</b>
<b>£'000</b>		<b>£'000</b>
	<b><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></b>	
-	Amortisation of Intangible Fixed Assets	-
(9,828)	Depreciation and Impairment of Fixed Assets	(15,263)
(5,916)	– General Fund	-
(2,060)	– Housing Revenue Account	(2,201)
(855)	Government Grants Deferred Amortisation	(864)
502	Write Downs of Deferred Charges to be financed from Capital Resources	1,190
(9,843)	Net Gain or Loss on Sale of Fixed Assets	(10,100)
	Net Charges made for Retirement Benefits in accordance with FRS17	
(28,000)		(27,238)
	<b><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></b>	
3,895	Minimum Revenue Provision for Capital Financing	993
362	Capital Expenditure charged in year to the General Fund Balance	415
(2,632)	Transfer from Usable Capital Receipts to meet payments to the Housing Capital Receipts Pool	(89)
8,833	Employer's Contributions payable to the Pension Fund and Retirement Benefits payable direct to pensioners	9,220
10,458		10,539
	<b><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></b>	
588	Housing Revenue Account Balance	106
883	Contribution to/(from) Reserves	4,457
1,471		4,563
<b>(16,071)</b>	<b>AMOUNT TO BE MET FROM GOVERNMENT GRANT AND LOCAL TAXPAYERS</b>	<b>(12,136)</b>

## Notes to the Core Financial Statements continued

### Statement of Total Recognised Gains and Losses

#### 1. Movements in Revenue Reserves

	General Fund	HRA Balances	Earmarked Revenue Reserves	Other Revenue Balances	Pension
	£'000	£'000	£'000	£'000	£'000
Surplus/Deficit for 2006/07	549	(1,027)	-	-	-
Appropriations to/from Revenue	-	-	4,357	152	(880)
Actuarial Gains and Losses relating to Pensions	-	-	-	-	21,080
Balance brought forward 1st April 2006	6,561	1,027	11,966	4,539	(79,800)
<b>Balance carried forward 31st March 2007</b>	<b>7,110</b>	<b>-</b>	<b>16,323</b>	<b>4,691</b>	<b>(59,600)</b>

A detailed analysis of the earmarked reserves is shown under Balance Sheet Note 10.

#### 2. Movements in Realised Capital Resources

	Usable Capital Receipts	Deferred Capital Receipts	Unapplied Capital Grants and Contributions	Total
	£'000	£'000	£'000	£'000
Amounts Receivable in 2006/07	4,244	(132)	-	4,112
Amounts Applied to Finance New Capital Investment in 2006/07	(8,539)	315	-	(8,224)
Total Increase/(Decrease) in Realised Capital Resources in 2006/07	(4,295)	183	-	(4,112)
Balance brought forward at 1st April 2006	5,718	1,381	-	7,099
<b>Balance carried forward at 31st March 2007</b>	<b>1,423</b>	<b>1,564</b>	<b>-</b>	<b>2,987</b>

The amounts receivable in 2006/07 are net of the payments due to the government under the pooling arrangements for housing capital receipts. See the Income and Expenditure Account for details.

## Notes to the Core Financial Statements continued

### 3. Movements in Unrealised Value of Fixed Assets

	<b>Fixed Asset Restatement Account £'000</b>
Gains/(Losses) on Revaluation of Fixed Assets in 2006/07	2,904
Impairment Losses on Fixed Assets due to General Changes in Prices in 2006/07	-
<b>Total Increase/(Decrease) in Unrealised Capital Resources in 2006/07</b>	<b>2,904</b>

### 4. Value of Assets Sold, Disposed of or Decommissioned

	<b>Fixed Asset Restatement Account £'000</b>
Amounts written-off Fixed Asset Balances for Disposals in 2006/07	(11,030)
Total Movement on Reserves in 2006/07	(8,126)
Balance brought forward at 1st April 2006	97,108
<b>Balance carried forward at 31st March 2007</b>	<b>88,982</b>

## Notes to the Core Financial Statements continued

### 5. Movements on Amounts Set Aside to Finance Capital Investment

	<b>Capital Financing Account</b>
	<b>£'000</b>
Capital Receipts Set Aside in 2006/07	
– Reserved Receipts	-
– Useable Receipts Applied	8,539
<b>Total Capital Receipts Set Aside in 2006/07</b>	<b>8,539</b>
Revenue Resources Set Aside in 2006/07	
– Capital Expenditure Financed from Revenue	415
– Reconciling Amount for Provisions for Loan Repayment	(7,953)
<b>Total Revenue Resources Set Aside in 2006/07</b>	<b>(7,538)</b>
Grants Applied to Capital Investment in 2006/07	-
Amounts Credited to the Asset Management Revenue Account in 2006/07	-
Movement on Government Grants Deferred	-
<b>Total Increase/(Decrease) in Amounts Set Aside to Finance Capital Investment</b>	<b>-</b>
Total Movement on Account on 2006/07	1,001
Balance brought forward at 1st April 2006	159,317
<b>Balance carried forward at 31st March 2007</b>	<b>160,318</b>

## Notes to the Core Financial Statements continued

### Balance Sheet

#### 1(a) Fixed Assets

Movements in fixed assets during the year were as follows:

Total 2005/06		Operational Assets				Non Operational Assets			Intangible Assets	Total 2006/07
		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
492,582 (50,053)	Gross Book Value as at 1st April Less Accumulated Depreciation	216,138 (2,917)	2,459 (17)	86,247 (20,715)	3,467 (1,397)	16,110 (377)	9,891 (6)	19,610 (7)	2,243 (691)	356,165 (26,127)
442,529 8,979 (251,773) - 106,376 (12,345) 36,272	Net Book Value as at 1st April Additions and Enhancements Disposals/Alienations Reclassifications Revaluations Depreciation for the year Depreciation on Assets Revalued	213,221 4,210 (521) 8 4,039 (7,582) 9	2,442 1,827 - 75 - (112) -	65,532 8,675 (87) (8) - (5,743) 29	2,070 1,129 (702) - - (699) 684	15,733 - (140) - 702 (622) -	9,885 1,922 - (75) (1,838) (7) -	19,603 - (852) - - (47) -	1,552 858 (45) - - (449) 45	330,038 18,621 (2,347) - 2,903 (15,261) 767
330,038	Net Book Value as at 31st March	213,384	4,232	68,398	2,482	15,673	9,887	18,704	1,961	334,721
356,165 (26,127)	Certified Valuation as at 31st March Less Accumulated Depreciation	223,866 (10,490)	4,286 (129)	94,835 (26,429)	3,894 (1,412)	16,672 (999)	9,975 (13)	18,758 (54)	3,056 (1,095)	375,342 (40,621)
330,038	Net Book Value as at 31st March	213,376	4,157	68,406	2,482	15,673	9,962	18,704	1,961	334,721

## Notes to the Core Financial Statements continued

### 1(b) Financing of Capital Expenditure

	<b>2005/06</b> <b>£'000</b>	<b>2006/07</b> <b>£'000</b>
Expenditure during year:		
– Fixed Assets	8,980	18,621
– Other Capital Expenditure – Housing Revenue Account	2,746	-
– Other Capital Expenditure – General Fund	17,308	9,126
– Advances	-	315
– Deferred Charges	1,172	1,247
	<b>30,206</b>	<b>29,309</b>
Financed by:		
– Loans – Supported	6,101	6,785
– Prudential	1,271	113
– Grant – Central Government	5,873	8,867
– Other	6,630	3,360
– Capital Receipts – General Fund	6,515	8,539
– Housing	293	-
– Reserve – Housing Major	2,453	-
– Capital	-	501
– Private Developers	708	729
– Revenue	362	415
	<b>30,206</b>	<b>29,309</b>

The analysis above shows the Council spent £29.309m during 2006/07. This represents spend at 92% of the programme compared with the target spend of 90%. The highlights of the programme were:

	<b>£m</b>	<b>£m</b>
<b>Construction or Purchase of Assets</b>		
Nursery at Warrington Road	1.453	
Grange Extension	0.678	
Rebuilding Halton Lodge Primary School	0.500	
Wade Deacon Science Laboratory	0.635	
Athletics Track	1.373	
New Changing Pavilion at The Heath	0.459	
IT Rolling Programme	0.648	
Wigg Island Visitor Centre	0.553	
		6.299

## Notes to the Core Financial Statements continued

### 1(b) Financing of Capital Expenditure (continued)

	£m	£m
<b>Improving, Maintaining or Extending Assets</b>		
Highways / Bridge Maintenance	8.423	
School Modernisation Programme	3.617	
Victoria Park Refurbishment	1.030	
Disability Discrimination Works	0.332	
Laying Out Runcorn HDL and Refurbishing Ditton HDL	0.838	
Bredon (Refurbishment and New Layout)	0.391	14.631
<b>Other Works</b>		
Sports Pitch Improvements	0.339	
Regeneration – Castlefields	1.382	
– Widnes Waterfront	0.231	
– Ditton Strategic Rail Freight Park	0.779	
– Local Strategic Plan Programme	1.047	
Software Upgrades – Benefits System	0.436	
– Social Care System	0.172	4.386

#### *Disposal of Assets*

Land – the Authority received £1.645m from the sale of land and various properties.

Houses – Under residual arrangements, the Authority received £2.596m from the Housing Trust for the sale of homes during the period December 2005 to March 2007.



## Notes to the Core Financial Statements continued

### 1(c) Contingent Liabilities – Contractual and Legal

#### *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			
Infrastructure Services	Maintenance	8,000	3 years
Widnes Waterfront Link Road	Construction	500	6 months
Halton Lea North Bus Station	Refurbishment Works	400	6 months
Carriage and Footway Surface Treatment	Term Contract Surface Dressing	200	5 years

### 1(d) Finance Leases

There are no outstanding commitments.

### 1(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.

	2005/06 Other £	2006/07 Other £
Less than 1 year	156,319	-
2 to 5 years	37,239	37,239
5 years plus	27,466	27,466
	<b>221,024</b>	<b>64,705</b>

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

### **1(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**

### **1(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 last valued in November 2002. They are included on the balance sheet at insurance valuations. They will be revalued during 2007.

##### *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

### 1(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.

### 2. Intangible Assets

	<i>Balance at 1st April 2006</i>	<i>Expenditure</i>	<i>Income/Grant</i>	<i>Amounts written-off</i>	<i>Balance at 31st March 2007</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Improvement Grants	-	1,247	(383)	(864)	-
Software Licences	1,552	858	-	(448)	1,962
	<b>1,552</b>	<b>2,105</b>	<b>(383)</b>	<b>(1,314)</b>	<b>1,962</b>

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 1(a) to the balance sheet.

### 3. Investments

The investments consist of:

	<i>Balance at 31st March 2006 £'000</i>	<i>Balance at 31st March 2007 £'000</i>
The investments consist of:		
Halton Borough Transport Ltd.		
– Share Capital	430	430
– Debenture	74	67
Halton Development Partnership Limited – de minimus	-	-
Widnes Regeneration Limited – de minimus	-	-
	<b>504</b>	<b>497</b>

## Notes to the Core Financial Statements 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:

	<b>Year to 31st March 2006 Restated £'000</b>	<b>Year to 31st March 2007 £'000</b>
<b>Profit and Loss Account</b>		
Turnover	(4,886)	(4,878)
Operating and Other Expenditure	4,963	4,791
Net (Profit)/Loss (after Dividend)	77	(87)
Dividend due to Borough Council	(140)	(140)
<b>Balance Sheet as at 31st March</b>		
Fixed Assets	3,248	2,754
Current Assets less Current Liabilities	(792)	(795)
Net Current Assets	2,456	1,959
Long Term Liabilities	(828)	(458)
Provisions for Liabilities and Charges	(194)	(182)
Pension Scheme Liability	(380)	(121)
	<b>1,054</b>	<b>1,198</b>
Represented by:		
Share Capital	(430)	(430)
Profit and Loss Account	(624)	(768)
	<b>(1,054)</b>	<b>(1,198)</b>

The undertaking received an unqualified audit opinion for the year ended 31st March 2007.

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

## Notes to the Core Financial Statements continued

### 4. Stocks and Work in Progress

	<b>31st March 2006 £'000</b>	<b>31st March 2007 £'000</b>
Catering – Bars – Provisions	138	144
DLO/DSO – Stores	-	-
Other	42	118
Railcards	10	15
	<b>190</b>	<b>276</b>

### 5. Debtors

	<b>31st March 2006 £'000</b>	<b>31st March 2007 £'000</b>
<i>Short Term</i>		
Non Domestic Rates	1,094	722
Council Tax	2,804	3,242
Summons Costs	347	351
Housing Rents	31	-
Central Government General	3,768	8,375
	15,320	17,745
	23,364	30,435
Less Provision for Non-Payment	(6,214)	(6,603)
	<b>17,150</b>	<b>23,832</b>
<i>Long Term</i>		
Mortgagors – Council House Sales	151	104
– Housing Act Advances	-	-
Housing Associations	1,157	1,144
Other	174	570
	<b>1,482</b>	<b>1,818</b>

## Notes to the Core Financial Statements continued

### 6. Creditors

	<b>31st March 2006</b> <b>£'000</b>	<b>31st March 2007</b> <b>£'000</b>
Government Departments	(2,524)	(853)
Payroll Related	(3,148)	(3,145)
Land Sale Deposits	(953)	(1,043)
Capital	(1,484)	(1,710)
Credit Balances, Council Tax and NDR	(1,145)	(423)
Invoices in Payment Process	(8,189)	(9,472)
Late Invoices and Accruals	(7,803)	(8,705)
	<b>(25,246)</b>	<b>(25,351)</b>

### 7. 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.

	<b>31st March 2006</b> <b>£'000</b>	<b>31st March 2007</b> <b>£'000</b>
Mortgages – Former Right to Buy	(149)	(103)
– Housing Associations	(1,157)	(1,144)
– Castlefield Equity Advances	-	(315)
– Other	(75)	(2)
	<b>(1,381)</b>	<b>(1,564)</b>

## Notes to the Core Financial Statements continued

### 8. Provisions

	1st April 2006 £'000	Movement in Year £'000	31st March 2007 £'000
Highways Energy Costs	(55)	55	-
Care Management – CSED**	-	(29)	(29)
Job Evaluation *	(500)	(1,500)	(2,000)
	<b>(555)</b>	<b>(1,474)</b>	<b>(2,029)</b>

\* In accordance with the 2004 national pay agreement, the Council is currently undertaking job evaluation for all staff posts, due for completion by April 2007. However, at the time of preparing the Abstract the financial implications were still unknown. It has been decided to place a further sum in the provision in 2006/07.

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

### 9. Deferred Credits

The Council has no deferred credits.



## Notes to the Core Financial Statements continued

### 10. Reserves

The Authority maintains the following Reserves:

	<b>1st April 2006 £'000</b>	<b>Movement in year £'000</b>	<b>31st March 2007 £'000</b>
Capital (to support Capital Programme)	(6,493)	(2,019)	(8,512)
Insurance General Fund (to offset major fire claims)	(3,896)	(62)	(3,958)
Insurance Former HRA Properties	(800)	(844)	(1,644)
Vehicle Maintenance (to fund future refurbishments)	(155)	-	(155)
Sewerage Maintenance (to help fund future bids)	(32)	32	-
New Deal Contracts (for future losses on contracts)	(58)	58	-
Healthy Living Project (earmarked funding)	(107)	107	-
Business Link (returned monies following the wind-up of Business Link)	(17)	3	(14)
Revenue Priorities Fund (earmarked funding carried forward)	(366)	(278)	(644)
Landfill Usage (notional value of unused allowance)	(43)	(97)	(140)
LPSA Grant (earmarked project funding for future years)	-	(147)	(147)
Health is Wealth (to improve the health and well being of people in the region)	-	(20)	(20)
Invest to Save (to fund investments in revenue saving initiatives)	-	(1,000)	(1,000)
Major Project Fees (to help to fund future major project administration costs)	-	(90)	(90)
<b>Total All Reserves</b>	<b>(11,967)</b>	<b>(4,357)</b>	<b>(16,324)</b>

Significant Movements:

Capital – continued strengthening of balance to aid future programme.

Insurance General Fund – has funded shortfall on two major fires at Wade Deacon and Halton Lodge in 2006/07, to the value of £1.44m, offset by new contributions in year of £1.5m.

Insurance Former HRA Properties – the reserve has been substantially increased (by £1m) to provide against possible future claims on transferred stock. In year settlements cost £0.156m.

Invest to Save – a new reserve, set up from former HRA revenue surplus to promote savings initiatives involving significant investment.

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

### **11. Deferred Liabilities**

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

	<b>Balance at 31st March 2006 £'000</b>	<b>Balance at 31st March 2007 £'000</b>
Private Developers Transferred Liabilities – Latent Liabilities	(3,222)	(3,101)
	<b>(3,222)</b>	<b>(3,101)</b>

Any sums received against future maintenance liabilities are now permanently set aside each year. In 2006/07 £0.191m was set aside.

### **12. 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 2007 was £9.505m (31.3.06. £14.781m). Halton's share of this is estimated at £0.97m (31.3.06. £1.517m).

The Council is currently undergoing a review of relative staff responsibilities/remuneration levels as a result of the Job Evaluation Single Status agreements 1997. This potentially could result in a significant level of additional expenditure for the Council over the next few years.

#### *Legal Claims*

There are currently no legal claims of significant amounts outstanding.

## Notes to the Core Financial Statements continued

### 12. 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.

### 13. Post Balance Sheet Events

There were no significant post balance sheet events.

### 14. Long Term Borrowing

	<b>Outstanding at 31st March 2006 Restated £'000</b>	<b>Outstanding at 31st March 2007 £'000</b>
Source of Loans: Public Works Loan Board	(10,000)	(10,000)
	<b>(10,000)</b>	<b>(10,000)</b>
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	(10,000)	(10,000)
	<b>(10,000)</b>	<b>(10,000)</b>

A money market loan was renegotiated in January 2005. As a result, it has been reclassified as a temporary borrowing and the accounts restated accordingly.

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

### **15. Analysis of Net Assets Employed**

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

	<b>31st March 2006 £'000</b>	<b>31st March 2007 £'000</b>
Total Equity	(207,817)	(220,810)
Analysis:		
General Fund	(202,252)	(216,119)
Housing Revenue Account	(1,027)	-
Collection Fund (in trust)	(220)	(470)
Schools	(4,318)	(4,221)
	<b>(207,817)</b>	<b>(220,810)</b>

### **16. 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

### 16. Trust Funds (continued)

		31.3.06.	Expenditure/ Payments	Income/ Receipts	31.3.07.
		£	£	£	£
<b>(A) Funds for which the Council acts as sole Trustee</b>					
<b>Social Services Special Funds</b>					
At 31st March the Authority was acting as a Trustee for various Social Services clients	Balance	1,687,742			1,724,801
<b>Public Health (Control of Disease) Act 1984</b>					
At 31st March the Authority was holding various sums under the above Act in respect of public funds	Balance	20,717			18,615
<b>(B) Funds where the Council doesn't have sole control</b>					
<u>Registered Charities</u>					
<b>Knights House Charity</b>					
Objective: To assist the needy in the Widnes area Charity No. 218886	Assets Liabilities	354,400 (243,829)			459,961 (347,320)
		110,571	(9,025)	11,096	112,641
<b>Runcorn General War Relief Fund</b>					
Objective: To assist the needy in the Runcorn area Charity No. 505396	Assets Liabilities	29,929 (13,238)			29,598 (13,333)
		16,691	(979)	554	16,265
<b>Widnes Educational Foundation</b>					
Objective: To assist in education opportunities for students in Widnes Charity No. 526510	Assets Liabilities	24,744 (19,637)			25,039 (20,862)
		5,107	(1,200)	272	4,177
<u>Other</u>					
<b>Norton Priory Museum</b>					
This is a registered charity which has surplus cash and a Walled Garden Fund held by the Borough Council	Balance	423,526			434,314
<b>Other Social Services Funds</b>					
The Authority holds various sums on a voluntary basis for clients. The funds are mainly used to assist in providing recreational activities	Balance	112,178			120,265

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

### **17. 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 2006/07 the Council paid an employer's contribution to the Cheshire Pension Fund of £9,212,770 (£8,861,138 in 2005/06), representing 17.6% (16.8% in 2005/06) 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 below, 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 2004, with the next formal valuation due as at 31st March 2007.

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

### 17. 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:

<b>Assumptions as at</b>	<b>2005/06 % per annum</b>	<b>Real % per annum</b>	<b>2006/07 % per annum</b>	<b>Real % per annum</b>
Price Increases	3.1%	-	3.2%	-
Salary Increases	4.6%	1.5%	4.7%	1.5%
Pension Increases	3.1%	-	3.2%	-
Discount Rate	4.9%	1.7%	5.4%	2.1%

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, we have taken the view 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 2007 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:

	<b>Long Term Return</b>	<b>Fund Value at 31st March 2006</b>	<b>% Fund Value</b>	<b>Long Term Return</b>	<b>Fund Value at 31st March 2007</b>	<b>% Fund Value</b>
	<b>%</b>	<b>£'000</b>	<b>%</b>	<b>%</b>	<b>£'000</b>	<b>%</b>
Equity Investments	7.4	1,661,900	77	7.8	1,781,500	76
Bonds	4.6	234,100	11	4.9	289,700	12
Property	5.5	182,300	9	5.8	247,500	11
Cash	4.6	56,200	3	4.9	38,100	2
		<b>2,134,500</b>	<b>100</b>		<b>2,356,800</b>	<b>100*</b>

## Notes to the Core Financial Statements continued

### 17. Disclosure of Net Pensions Asset/Liability (continued)

#### *Net Pension Liability*

In 2006/07 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.

	<b>31st March 2006</b> <b>£'000</b>	<b>31st March 2007</b> <b>£'000</b>
Estimated Liabilities in Scheme	(332,100)	(333,600)
Estimated Assets in Scheme	252,300	274,000
<b>Net Asset/(Liability)</b>	<b>(79,800)</b>	<b>(59,600)</b>

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.

	<b>Year 2005/06</b> <b>£'000</b>	<b>Year 2006/07</b> <b>£'000</b>
Deficit at beginning of year	(80,000)	(79,800)
Current Service Cost	(9,090)	(11,420)
Employers Contribution	9,380	9,720
Contributions in respect of Unfunded Benefits	-	-
Past Service Costs	(90)	(180)
Impact of Settlements and Curtailments	(240)	(20)
Expected Return on Assets in the Scheme	13,920	17,440
Interest on Pension Scheme Liabilities	(14,890)	(16,420)
Actuarial Gains/(Losses)	1,210	21,080
<b>Deficit at end of year</b>	<b>(79,800)</b>	<b>(59,600)</b>



## Notes to the Core Financial Statements continued

### 17. Disclosure of Net Pensions Asset/Liability (continued)

#### Actuarial Gains and Losses

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

	<b>Amount in 2004/05 £'000</b>	<b>As a % of Assets of 31st March 2005</b>	<b>Amount in 2005/06 £'000</b>	<b>As a % of Assets of 31st March 2006</b>	<b>Amount in 2006/07 £'000</b>	<b>As a % of Assets of 31st March 2007</b>
Difference between Expected and Actual Return on Assets	6,300	3.20%	40,260	16.00%	30	0.00%
Experience Gains/(Losses) on Liabilities	4,905	1.80%	340	0.10%	20	0.00%
Changes on the Demographic and Financial Assumptions used to Estimate Liabilities	(46,500)	-	(39,390)	-	21,030	6.30%
<b>Total Actuarial Gains/(Losses)</b>	<b>(35,295)</b>		<b>1,210</b>		<b>21,080</b>	

The actuarial gains/(losses) in the table cross reference to the Statement of Total Movement in Reserves.

#### Summary of Total Amount Charged to Income and Expenditure Account

	<b>Year 2002/03 £'000</b>	<b>Year 2003/04 £'000</b>	<b>Year 2004/05 £'000</b>	<b>Year 2005/06 £'000</b>	<b>Year 2006/07 £'000</b>
<b>Net Cost of Services</b>					
Current Service Costs	5,078	5,606	8,100	9,090	11,420
Past Service Costs	338	318	100	90	180
Impact of Settlements and Curtailments	410	33	100	240	20
<b>Net Operating Expenditure</b>					
Interest Costs	11,938	12,296	12,100	14,890	16,420
Expected Return on Assets of the Scheme	(11,524)	(10,181)	(12,700)	(13,920)	(17,440)
<b>Appropriations*</b>					
Movement on Pension Reserve	473	(459)	600	(1,010)	(880)
Actual Amount Charged to Revenue for Pensions in the year	6,713	7,613	8,300	9,380	9,720

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

### 17. Disclosure of Net Pensions Asset/Liability (continued)

#### *Pension Costs – Teachers*

##### *Defined Contribution Scheme*

In 2006/07, the Council paid an employer's contribution to the Teachers Pension Agency of £5,209,921 (£5,012,911 2005/06) in respect of teachers' pension costs. The contribution rate was 13.5% and 14.1% from 1st January 2007 (13.5% 2005/06) 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 2006/07 the cost was £100,532 (2005/06 £90,241).

### Cashflow Statement

#### 1. Other Government Grants

	<b>2005/06</b> <b>£'000</b>	<b>2006/07</b> <b>£'000</b>
Housing	10,010	2,554
Social Services	16,551	16,257
Education	26,270	98,132
SRB	836	71
European	3,880	1,774
Neighbourhood Renewal	5,559	5,500
Other	1,153	5,686
	<b>64,259</b>	<b>129,974</b>

## Notes to the Core Financial Statements continued

### 2. Reconciliation of Deficit to Net Revenue Cashflow

	2005/06 £'000	2006/07 £'000	2006/06 £'000
Surplus/(Deficit) for Year	(258)		(585)
Non Cash Transactions			
Minimum Revenue Provision	1,835	993	
Contribution to/from Reserves	1,525	4,356	
Movement on Provisions	523	1,474	
Other	39	497	7,320
Items on Accruals Basis			
Decrease in Creditors	(8,362)	3,479	
Decrease in Stocks/WIP	97	(86)	
Decrease in Debtors	2,942	3,359	6,752
Other Items in Statement			
Loan Transactions	251		(723)
<b>Revenue Activities Net Cashflow</b>	<b>1,408</b>		<b>(12,764)</b>

### 3. Reconciliation of Financing, Liquid Resources, Cash and Cash Equivalents

	31.3.06. £'000	31.3.07. £'000	Movement £'000
<i>Balance Sheet Movements</i>			
Lending	33,400	27,300	6,100
Borrowing – Long Term	(10,000)	(10,000)	-
– Short Term	(14,000)	(12,000)	(2,000)
Cash at Bank	1,113	-	1,113
	<b>10,513</b>	<b>5,300</b>	<b>5,213</b>
<i>Cashflow Statement Balances</i>			
Management of Liquid Resources			6,100
Financing			(2,000)
(Increase)/Decrease in Cash and Cash Equivalents			2,128
			<b>6,228</b>

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

## Housing Revenue Account Operating Account

Transactions on this account arise from the provision, management and maintenance of purpose built and acquired Council dwellings. Following the transfer of the housing stock to the Halton Housing Trust in December 2005, the Council received Secretary of State approval to close the account from 1st April 2007.

### Revenue Transactions

<b>Actual 2005/06 £'000</b>		<b>Actual 2006/07 £'000</b>	<b>Note</b>
	<b>Income</b>		
	Gross Rental Income		
(11,619)	– Dwelling Rents (Gross)	-	
(286)	– Non Dwelling Rents (Gross)	-	
(223)	Charges for Services and Facilities	-	
-	HRA Subsidy Receivable	-	
(167)	Other Income	(569)	5
(12,295)	Sub Total	(569)	
	<b>Expenditure</b>		
	Repairs, Maintenance and Management		
2,872	– General	22	
773	– Special	-	
3,685	– Transfer to Housing Repairs Account	-	
5	Rents, Rates, Taxes and Other Charges	-	
1,139	Negative Subsidy – Payments to Secretary of State	(559)	1
-	Rent Rebates	-	
233	Provision for Bad or Doubtful Debts	-	
5,916	Cost of Capital	-	
2,453	Depreciation – Dwellings	-	
65	Depreciation – Other Assets	-	
12	Debt Management Expenses	-	
17,153	Sub Total	(537)	
4,858	<b>Net Cost of Services</b>	(1,106)	
	Adjusting Transfer from AMRA		
(5,916)	Capital Charges – Interest	-	
564	Loan Charges – Interest	-	
(29)	Interest Receivable	-	
(523)	<b>Net Operating Expenditure/(Income)</b>	(1,106)	
	<b>Appropriations</b>		
-	Transfer to Insurance Reserve	1,000	
(65)	Transfer from Major Repairs Reserve	-	
(588)	<b>(Surplus)/Deficit</b>	<b>(106)</b>	
	<b>Housing Revenue Account Balance</b>		
(439)	(Surplus)/Deficit at beginning of year	(1,027)	
(588)	(Surplus)/Deficit for year	(106)	
(1,027)	<b>(Surplus)/Deficit at end of year</b>	<b>(1,134)*</b>	
-	Transfer to General Fund	1,134*	
(1,207)	(Surplus)/Deficit at end of year	-	

## Repairs Reserve

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### Function:

To record all transactions relating to the repair and maintenance of the Housing Stock.

Note: The reserve must not go into deficit.

<b>Actual 2005/06 £'000</b>		<b>Actual 2006/07 £'000</b>
(158)	Balance brought forward 1st April 2006	
	<b>Plus: Income</b>	Not Applicable
(3,685)	Contribution from Housing Revenue Account	
(6)	Commuted Sums etc. – Council House Sales	
-	Repairs Recharged (Net of Provision for Bad Debts)	
(3,849)		
	<b>Less: Expenditure</b>	
3,849	General Repairs	
-	<b>Balance carried forward 31st March 2007</b>	

## Major Repairs Reserve

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### Function:

To assist in the provision of funds for the refurbishment of the Housing Stock.

<b>Actual 2005/06 £'000</b>		<b>Actual 2006/07 £'000</b>
-	Balance brought forward 1st April 2006	
	<b>Plus: Income</b>	Not Applicable
(2,453)	Contribution from Housing Revenue Account	
(65)	Transferred in from Capital Financing Account	
(2,518)		
	<b>Less: Expenditure</b>	
65	Transferred to Housing Revenue Account	
2,453	Financing Capital Programme	
-	<b>Balance carried forward 31st March 2007</b>	

# Housing Statistics

	2005/06 £'000	2006/07 £'000
<b>1. Government Subsidy</b>		
Management Allowance	2,131	
Maintenance Allowance	3,804	
Major Repairs Allowance	2,397	
Charges for Capital	1,155	
Other Items of Reckonable Expenditure	-	
Admissible Allowance	19	
Anti-Social Behaviour Allowance	-	
Interest on Receipts	(13)	
Guideline Rent Income	(10,375)	
	(882)	
Housing Element Entitlement		796
Final Subsidy Calculation		
*Rent Rebate Subsidy Limitation	(257)	(237)
<b>HRA Subsidy Entitlement</b>	<b>(1,139)</b>	<b>559</b>

The final claim for 2005/06 has been audited and settled.

\*Under the new accounting arrangements, Rent Rebates are now a charge to General Fund, however the cost of RRSL must be borne by the HRA.

## 2. Capital Expenditure

(a)	There was no capital expenditure in the year (residual payments offset by accruals)			
	(i)	Borrowing	-	Not applicable
	(ii)	Usable Capital Receipts	293	
	(iii)	Revenue Contributions	-	
	(iv)	Major Repairs Reserve	2,453	
	(v)	Recycled Resources	-	
			<b>2,746</b>	

	2005/06 £'000	2006/07 £'000
(b)	Total Capital Receipts Summary (minor receipts from mortgages/ reclaimed discounts)	
	(177)	(803)
	Balance at beginning of year	
	Plus: Receipts in Year	
	(3,392)	
	(87)	(46)
	-	
	(76)	(72)
	(3,555)	(118)
	Less: Paid to ODPM	
	2,632	89
	Less: To Finance Capital Expenditure	
	(1,100)	(832)
	293	
	4	
	-	832
	(803)	-
	<b>Balance at end of year</b>	

## Housing Statistics continued

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The statement of recommended practice requires that any surpluses or losses on the disposal of assets should be shown separately on the face of the revenue account. Since this would be a retrospective amendment to this account for 2005/06 only, it has been decided that it would offer no meaningful additional information to the accounts and has not been calculated for that year.

### VAT Shelter/Share of Post Transfer Receipts under Right to Buy Regulations

A VAT Shelter arrangement exists between the Council and Halton Housing Trust in respect of the Trust's future housing maintenance costs and the Council is also entitled to a share of any receipts generated from sales of properties, post transfer, under the Right to Buy regulations. However, these arrangements will only begin to generate capital receipts for the Council from 2007/08.

### 3. Item 8 Debit/Credit

Explanations of calculations in accordance with Item 8 Debit/Credit

(i)	Cost of Capital Charge Net HRA Operational Assets at beginning of year = Not applicable		
		<b>2005/06</b> £	<b>2006/07</b> £
(ii)	Capital Asset Charges Accounting Adjustment		
	= J - R		
	J = (G x H) + (I x H) + L		
	G = Mid Year Credit Ceiling	16,161,386	Not applicable
	H = Consolidated Rate of Interest	5.37%	
	I = Average Notional Cash Balance (if debit)	-	
	L = Credit arrangements etc.	-	
		-----	
	J =	591,506	
	R = £0 x 3.5% (HRA Assets)	- R	
		(8,671,363)	
		-----	
		<b>(8,079,857)</b>	
		=====	

## Housing Statistics continued

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### 4. Depreciation

Depreciation Charges Calculation

(a) Operational Assets – Equivalent to MRA = £0 (2005/06 £2,452,580).	}	Not applicable
(b) Non Operational Assets = £0 (2005/06 £65,339).		

### 5. Other Income

	£'000
Settlement of Arrears at Transfer Date	(493)
Debts Written Off	86
Provision Written Back	(162)
	(569)
	(569)

This statement of recommended practice requires that any significant prior year adjustments must be clearly shown and the accounts restated where necessary. The settlement of arrears with the Housing Trust took place in September 2006, but refers to the 2005/06 year. This would have resulted in a revised surplus of £1.081m compared with the stated surplus of £0.588m.



## 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.

<b>Actual 2005/06 £'000</b>		<b>Actual 2006/07 £'000</b>	<b>Note</b>
	<b>Income</b>		
(33,362)	Council Tax Payers	(35,545)	
(8,247)	Transfer from General Fund – Council Tax Benefits	(8,546)	
(33,879)	Business Ratepayers	(40,613)	4
<b>(75,488)</b>		<b>(84,705)</b>	
	<b>Expenditure</b>		
3,749	Precept – Cheshire Police Authority	4,008	3
2,131	Precept – Cheshire Fire Service	2,219	3
35,137	Demand – Halton Borough Council	37,122	
33,716	Business Rate	40,453	4
163	– Payment to Pool	160	
	– Cost of Collection		
271	Provision for Doubtful/Bad Debts (Council Tax only)	163	
220	– Write-Offs	330	
	– Provisions		
<b>75,387</b>		<b>84,456</b>	
(101)	(Surplus)/Deficit for Year	(249)	
(119)	Balance brought forward	(220)	
<b>(220)</b>	<b>(Surplus)/Deficit carried forward</b>	<b>(469)</b>	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 2006/07 at 37,315 (see below), with the Parishes' individual tax bases as follows: Hale 710, Daresbury 134, Moore 350 and Preston Brook 326.

### 2. The Council Tax Base Determination

Band	Properties	Ratio	Band D Equivalents
Disabled	45	5/9	25
A	21,619	6/9	14,412
B	9,447	7/9	7,348
C	6,952	8/9	6,180
D	4,003	9/9	4,003
E	3,017	11/9	3,687
F	811	13/9	1,171
G	267	15/9	445
H	22	18/9	44
<b>Total</b>	<b>46,183</b>		<b>37,315</b>
Multiply by Collection Rate (99%)			<b>36,942</b>

### 3. Precepting Authorities

Halton Borough Council has two precepting Authorities. For 2006/07 Cheshire Police Authority has set its precept at £4,007,814, the equivalent to a Band D charge of £108.49 per property. Cheshire Fire Authority has set its precept at £2,219,142, the equivalent to a Band D charge of £60.07 per property.

### 4. Non Domestic Rates

The non domestic rate replaced locally fixed rates from 1st April 1990. The rate in the pound is fixed by the Government and was set at 43.3p (42.6p for small businesses) in the pound for 2006/07. 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 the basis of a fixed amount per head of population. The Council's entitlement from the Pool is paid direct into the General Fund.

## Notes to the Collection Fund continued

The amount payable to the Pool is as follows:

<b>2005/06 £'000</b>		<b>2006/07 £'000</b>
32,928	NDR Bills issued (Net of Voids & Transitional Relief)	39,327
1,139	Discretionary Relief and Remissions	1,381
(90)	Debts Written-Off or Provided For	5
(98)	General Fund Contribution to Reliefs and Remissions	(100)
<b>33,879</b>	Net NDR Income	<b>40,613</b>
<b>(163)</b>	Cost of Collection Allowance Payable to General Fund	<b>(160)</b>
<b>33,716</b>	<b>Payable to NDR Pool</b>	<b>40,453</b>
<p>The total non domestic rateable value at 31st March 2007 was £110,961,474.</p>		

### 5. Analysis of Arrears

	Gross		Credits		Net	
	£'000 2005/06	£'000 2006/07	£'000 2005/06	£'000 2006/07	£'000 2005/06	£'000 2006/07
Council Tax	2,804	3,242	(172)	(132)	2,632	3,110
NDR	1,094	722	(1,184)	(427)	(90)	295

### 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

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### 7. Movement of Collection Fund Surplus

	<b>£'000 2005/06</b>	<b>£'000 2006/07</b>
Council Tax		
Collection Fund Surplus brought forward	(119)	(220)
Deficiency/(Surplus) for the year	(321)	(579)
Change in Provision	220	330
<b>Collection Fund Surplus carried forward</b>	<b>(220)</b>	<b>(469)</b>

## Group Accounts

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

		% Interest
<b><u>Companies</u></b>		
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 2006/07 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 £0.624m, 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**

<b>Net Expenditure 2005/06 Restated</b>			<b>Net Expenditure 2006/07</b>
<b>£'000</b>			<b>£'000</b>
168,168	<i>Net Cost of Services</i>	107,956	
(502)	Gains or Losses on Disposal of Fixed Assets	(1,190)	
21	Parish Precept Paid	22	
(238)	Trading (Surplus)/Deficit	(70)	
1,382	Interest Payable	976	
2,632	Contribution of Housing Capital Receipts to Government Pool	89	
(1,777)	Interest Receivable	(2,104)	
970	Pension Interest	(1,020)	
(245)	Share of Surplus of Subsidiaries	(289)	
<b>170,411</b>	<i>Net Operating Expenditure</i>		104,370
	<i>Funded by:</i>		
(119,044)	Government Grants		(54,671)
(35,137)	Collection Fund		(37,122)
<b>16,230</b>	Deficit/(Surplus) for Year		12,577
(16,071)	Net Additional Amount required by statute and non-statutory proper practices to be debited or credited to the General Fund Balance of the year		(12,136)
(7,344)	Surplus 1.4.06.		(7,185)
-	Transfer from Housing Revenue Account		(1,133)
-	Dividend Paid		-
(7,185)	Surplus 31.3.07.		(7,877)
<b>(4,318)</b>	<b>General Fund Balance attributable to School Budgets (not included in above)</b>		<b>(4,221)</b>

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

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

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<b>2005/06</b>		<b>2006/07</b>
<b>£'000</b>		<b>£'000</b>
258	(Surplus)/Deficit for the year on the Authority Income and Expenditure Account	(549)
146	Adjustment for Transactions with Other Group Entities	145
404	(Surplus)/Deficit in the Group Income and Expenditure Account Attributable to the Authority	(404)
	(Surplus)/Deficit in the Group Income and Expenditure Account Attributable to Group Entities (adjusted for Intra-Group Transactions)	
(245)	– Subsidiaries	(289)
-	– Associates	-
-	– Joint Ventures	-
<b>159</b>	<b>(Surplus)/Deficit for the year on the Group Income and Expenditure Account</b>	<b>(693)</b>

## Group Statement of Total Recognised Gains and Losses

	Fixed Asset Restatement Account	Usable Capital Receipts	Deferred Capital Receipts	Capital Financing Account	General Fund	Pensions Reserve	HRA Balance	Group Profit and Loss	Group Other Reserves	Total Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Balance brought forward</b>										
– Group	(97,108)	(5,718)	(1,381)	(159,317)	(6,561)	79,420	(1,027)	(624)	(16,505)	(208,821)
– Associates & Joint Ventures	-	-	-	-	-	-	-	-	-	-
<b>Net Surplus/Deficit for year</b>										
– Group	-	-	-	-	(549)	(19,941)	1,027	(144)	-	(19,607)
– Associates & Joint Ventures	-	-	-	-	-	-	-	-	-	-
<b>Unrealised Gains/Losses on Revaluation of Fixed Assets</b>										
– Group	(2,904)	-	-	-	-	-	-	-	-	(2,904)
– Associates & Joint Ventures	-	-	-	-	-	-	-	-	-	-
<b>Impairment Losses arising from Revaluations</b>										
– Group	-	-	-	7,953	-	-	-	-	-	7,953
– Associates & Joint Ventures	-	-	-	-	-	-	-	-	-	-
<b>Effects of Disposal of Fixed Assets</b>										
– Group	11,030	(4,244)	132	-	-	-	-	-	-	6,918
– Associates & Joint Ventures	-	-	-	-	-	-	-	-	-	-
<b>Financing of Fixed Assets</b>										
– Group	-	8,539	(315)	(8,954)	-	-	-	-	(4,510)	(5,240)
– Associates & Joint Ventures	-	-	-	-	-	-	-	-	-	-
<b>Balance carried forward</b>	<b>(88,982)</b>	<b>(1,423)</b>	<b>(1,564)</b>	<b>(160,318)</b>	<b>(7,110)</b>	<b>59,479</b>	<b>-</b>	<b>(768)</b>	<b>(21,015)</b>	<b>(221,701)</b>



## Group Balance Sheet

<b>2005/06</b>		<b>2006/07</b>
<b>£'000</b>		<b>£'000</b>
<b>Restated</b>		
331,735	Fixed Assets	335,513
1,552	Intangible Assets	1,962
-	Long Term Investments	497
1,482	Long Term Debtors	1,321
54,069	Current Assets	53,188
(42,499)	Current Liabilities	(56,392)
(20,754)	Long Term Borrowing	(10,391)
(83,771)	Other Liabilities	(64,912)
(32,993)	Government Grants Deferred	(39,086)
<b>208,821</b>	<b>Total Assets less Liabilities</b>	<b>221,701</b>
-	Share Capital	-
(97,108)	Capital Reserves	(88,982)
(159,317)	Fixed Asset Replacement Accounts	(160,318)
(5,718)	Capital Accounting	(1,423)
(1,381)	Capital Receipts	(1,564)
79,420	Deferred Capital Receipts	59,479
	Pension Reserve	
	Revenue Balances	
(7,185)	General Fund	(7,878)
(1,027)	Housing Revenue	-
(11,967)	Earmarked Reserves	(16,324)
(4,318)	School Balances	(4,221)
(220)	Collection Fund	(470)
<b>(208,821)</b>	<b>Total Equity</b>	<b>(221,701)</b>

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

## Group Cashflow Statement

2005/06 £'000		2006/07 £'000	2006/07 £'000
2,031	<b>Net Cash Inflow from Revenue Activities</b>		(12,249)
-	<b>Dividends from Joint Ventures and Associates</b>		-
1,905	<b>Returns on Investments and Servicing of Finance</b>	915	
(1,729)	- Interest Paid	(1,693)	
	- Interest Received		
176			(778)
(25)	<b>Taxation</b>		(25)
	<b>Capital Expenditure and Financial Investment</b>		
30,416	- Purchase of Fixed Assets	28,037	
-	- Purchase of Long Term Investments	-	
1,199	- Other Capital Cash Payments	2,200	
(3,993)	- Sale of Fixed Assets	(1,621)	
(12,444)	- Capital Grants Received	(7,857)	
(1,604)	- Other Capital Cash Receipts	(823)	
13,574			19,936
(140)	<b>Equity Dividends Paid</b>		(140)
-	<b>Acquisitions and Disposals</b>		-
15,616	<b>Net Cash Inflow before Financing</b>		6,744
	<b>Management of Liquid Resources</b>		
5,250	- Net Increase/Decrease in Short Term Deposits		(6,100)
	<b>Financing</b>		
(31,000)	- Repayments of Amounts Borrowed	-	
(430)	- Capital Element of Finance Lease Rental Payments	(376)	
11,000	- New Loans Raised	2,000	
(20,430)			1,624
436	<b>Net Increase in Cash</b>		2,268

## Notes to the Group Accounts

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### 1. Group Cash Flow Statement

Reconciliation of Net Surplus to Revenue/Operating Activities

	2005/06	2006/07	
	£'000	£'000	£'000
Surplus for Year	(295)		(576)
Non Cash Transactions			
Minimum Revenue Provision/Depreciation	1,467	644	
Contribution to/from Reserves	1,525	4,356	
Movement on Provisions	523	1,474	
Other	15	330	6,804
Items on Accruals Basis			
Increase in Creditors	(8,400)	3,507	
Increase in Stocks/WIP	87	(85)	
Decrease in Debtors	2,936	3,322	6,744
Other Items in Statement			
Loan Transactions	111		(723)
<b>Revenue Activities Net Cashflow</b>	<b>2,031</b>		<b>(12,249)</b>

# Statement of Responsibilities for the Statement of Accounts

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## 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, that officer is the Operational Director – Financial Services;
- 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;
- 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:* .....

# Statement of Internal Control

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## 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 its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, Halton Borough Council is also responsible for ensuring that there is a sound system of internal control which facilitates the effective exercise of the Council's functions and which includes arrangements for the management of risk.

## 2. The Purpose of the System of Internal Control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore provide only 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;
- evaluate the likelihood of those risks being realised and the impact should they be realised; and
- manage them efficiently, effectively and economically.

The system of internal control has been in place at Halton Borough Council for the year ended 31st March 2007 and up to the date of approval of the Statement of Accounts.

## 3. The Internal Control Environment

The system of internal control is based on a framework of regular management information, the Council Constitution, administrative procedures, management supervision, and a system of delegation and accountability. Development and maintenance of the system of internal control is the responsibility of managers within the Council.

## **Statement of Internal Control continued**

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Key elements of the internal control environment include:

- Clearly defined strategic objectives detailed in the Corporate Plan which feed into departmental service plans and the budget allocation process;
- A Constitution which sets out how the Council operates, how decisions are made and the procedures followed to ensure that decisions are efficient, transparent and accountable to local people;
- Policy and Performance Boards which review and scrutinise decisions made or actions taken in connection with the discharge of the Council's functions;
- A Standards Committee which promotes and maintains high standards of conduct by Councillors;
- A Monitoring Officer whose functions include maintaining the Constitution, supporting the Standards Committee and ensuring lawfulness of decision making;
- An Internal Audit service responsible for the continuous review of the Council's risk, governance and internal control systems;
- A risk management framework to help identify, assess and respond to opportunities and threats that affect the achievement of the Council's objectives;
- A Business Efficiency Board that co-ordinates the Council's mechanisms for achieving efficiencies and is responsible for developing a co-ordinated and targeted programme of efficiency reviews. The Board also acts as the Council's Audit Committee;
- A Best Value review programme that reflects the Council's strategic priorities and ensures that proper arrangements exist to secure year on year improvements to services;
- Financial management of the Council conducted in accordance with the Standing Orders relating to Finance set out in the Constitution. The Council has designated the Operational Director – Financial Services as Chief Finance Officer in accordance with Section 151 of the Local Government Finance Act 1972. Financial management is underpinned by comprehensive budgeting and budget monitoring systems, medium term financial forecasts, clearly defined capital expenditure guidelines, and the regular reconciliation of the ledger to the Council's bank account and key financial systems;
- Human resource policies, procedures and strategy designed to ensure the proper conduct of staff and to ensure the workforce is appropriately skilled to deliver the Council's aims and objectives;

## Statement of Internal Control continued

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- A performance management framework used to monitor the progress achieved against the Council's objectives;
- Publicised procedures for the reporting and resolution of suspected fraudulent activities.

### 4. Review of Effectiveness

Halton Borough Council has responsibility for conducting, at least annually, a review of the effectiveness of the system of internal control.

The Council is satisfied that, except for the issues identified in section five, a sound system of internal control was in place throughout the financial year and is ongoing. This conclusion has been informed by:

#### *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 and is improving well. The CPA report commented that the Council: *'...has sustained improvements in most services and is contributing to improving the quality of life for local people. Education attainment is increasing, public satisfaction with libraries and leisure facilities has improved, more older people are being helped to live in their homes and more people are accessing jobs and improving their skills. It is also easier for local communities to access the services they need....The Council continues to work well with partners to improve outcomes for the wider community. Overall, the Council provides value for money and has clearly identified and is delivering its improvement priorities. It has robust plans to continue to improve the services it provides for its residents and continues to make efficiency savings.'*

#### *The Annual Audit and Inspection Letter*

In the Annual Audit and Inspection letter, the Council's External Auditor commented that: *'The Council has good systems of financial control and maintains its expenditure within available resources. Its financial management arrangements are effective.....'*

#### *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. Strategic directors are also responsible for producing annual certificates to provide assurance that their departmental risks are being actively managed.

## **Statement of Internal Control continued**

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### *The Council's Internal Audit Arrangements*

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.

Internal Audit 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.

The Accounts and Audit Regulations 2006 introduced a requirement for each Local Authority to carry out a review, at least once in each year, of the effectiveness of its system of internal audit. The Council's S151 Officer has undertaken this review and concluded that Internal Audit is performing effectively. This conclusion is based upon:

- A self-assessment against the CIPFA Code of Practice for Internal Audit in Local Government in the United Kingdom;
- Performance and benchmarking data relating to Internal Audit;
- Continued External Audit reliance on the work of Internal Audit;
- The contribution made by Internal Audit throughout the year in maintaining and enhancing the internal control environment.

### *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.

### *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)*

During 2006/07, the Department for Education and Skills (DfES) introduced a Financial Management Standard that all secondary schools were expected to achieve by 31st March 2007. 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. An external assessment process identified that all secondary schools within the Borough met the Standard within the required timescale.



## Statement of Internal Control continued

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### 5. Significant Internal Control Issues

Halton Borough Council has identified the following areas where action is being taken to further strengthen the system of internal control:

#### *Risk Management*

Significant progress has been made in embedding risk management into the Council's culture and processes. Further work is, however, required to ensure that risk management also becomes an embedded feature of the Council's partnership working arrangements.

#### *Information Technology – Disaster Recovery/Corporate Contingency Plan*

Constantly evolving disaster recovery and contingency procedures are vital due to the Council's ever increasing reliance upon ICT systems and software applications.

Responsibility for the assessment of corporate disaster recovery and the continuity requirement has been allocated to the Divisional Manager for Analysis and Development within ICT services. This process will involve assessing and developing the formal strategy, plans and procedures related to corporate applications such as e-mail, the Internet and the main infrastructure control solutions.

A process of maintaining and improving the range of measures and solutions to protect the information technology infrastructure is being implemented. Efforts have been concentrated upon reducing the risk of disaster through ongoing improvements to the resilience and reliability of the infrastructure, control systems and network solutions.

Disaster recovery and business continuity management solutions related to the corporate infrastructure will also be closely aligned with the disaster recovery and business continuity management plans and strategies of the individual directorates. This will help maintain and generate in-house and outsourced solutions that offer cost effective capacity for the increasing demands in these areas.

#### *Community Engagement*

Customer focus and community engagement continue to have an extremely high profile in terms of the policy direction of Central Government. As the new Local Government Bill reflects, Local Authorities that want to be at the leading edge of public service provision need to place customer focus and community engagement at the heart of corporate service planning and delivery. The Council has responded to this agenda by developing an overarching community engagement strategy for the Borough with its partners, to help ensure that the views of all sections of the community can be taken into account.

## Statement of Internal Control continued

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The strategy provides a standard of how engagement should be carried out, allows for better co-ordination between partners and enables greater consistency in delivery. A Community Engagement Practitioners Network has been set up to provide direction, guidance and advice on community engagement and fulfil an evaluation and monitoring role for all engagement activities. The underlying rationale is to provide greater strategic coherence to underpin and enhance the excellent operational practice that already exists. Recent steps to raise the game on engagement include:

- Agreement of a statement of community involvement with the CVS to support the development and implementation of Halton's local area agreement;
- Development of neighbourhood management in our most deprived areas with strong resident involvement;
- Development of engagement with Children & Young People through area youth forums, online surveys, and the extensive consultation around the review of the Children's Plan;
- The first steps to establish networks with other hard to reach groups such as BME and faith communities, and migrant workers;
- Development of engagement with older people through OPEN (older people's engagement network);
- Review of effectiveness of area forums as one part of our engagement toolkit, and a thoroughgoing review of community cohesion in Halton.

### *Partnership Working*

The Council continues to recognise the risks and opportunities presented by partnership working. During 2006/07, significant progress was made to strengthen the governance arrangements for the partnerships that the Council is involved in. This has included the production of a guide to partnership working that will provide a corporate framework for staff involved in considering new partnership working. It will also assist Members and officers when reviewing existing arrangements.

The Council intends to further strengthen its financial management arrangements through inclusion of an assessment of the financial impact of joint work with significant partners in its medium term financial strategy. Work will also take place to further embed risk and performance management across all aspects of partnership working.

## **Statement of Internal Control continued**

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We are satisfied that these actions will enhance the system of internal control and we will continue to review their implementation and operation.

Signed: \_\_\_\_\_  
(Chief Executive)

Date: \_\_\_\_\_

Signed: \_\_\_\_\_  
(S151 Officer)

Date: \_\_\_\_\_

Signed: \_\_\_\_\_  
(Leading Member)

Date: \_\_\_\_\_

## **Statement of Accounting Policies**

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### **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”, issued by the Chartered Institute of Public Finance and Accountancy (CIPFA).

### **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.

#### **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**

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### **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 1(c) and 12 to the Consolidated Balance Sheet) if there is a possible obligation which may require a payment or transfer of economic benefits.

## **Statement of Accounting Policies continued**

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### **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. 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.

### **10. 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.

### **11. Group Accounts**

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

## Statement of Accounting Policies continued

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### 12. 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.

### 13. 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.

### 14. 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 should adopt 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, should be recognised as assets and classified as current assets. They should be measured initially at their fair value.

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

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

## **Statement of Accounting Policies continued**

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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.

### **15. Leases**

#### **15(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.

#### **15(b) Operating Leases**

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

### **16. Overheads**

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

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

### **17. 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.



## **Statement of Accounting Policies continued**

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### **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.
- (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;

## Statement of Accounting Policies continued

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- (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.

### *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.

## **Statement of Accounting Policies continued**

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### **18. 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 8 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.

### **19. Provisions for Bad and Doubtful Debts**

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

### **20. 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.

### **21. 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.

### **22. Stocks**

Stocks and stores held by the Council at the year end are included in the accounts on the basis of cost price.

## **Statement of Accounting Policies continued**

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### **23. Tangible Fixed Assets**

#### **23(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.

#### **23(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.

#### **23(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.

#### **23(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.

## **Statement of Accounting Policies continued**

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### (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 Asset Restatement 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.

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.

### **23(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.

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

### **23(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.

## **Statement of Accounting Policies continued**

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### **23(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.

### **24. 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.

# **Draft Auditors' Report to the Members of Halton Borough Council**

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## **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 2007 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 Operational Director – Financial Services' responsibilities 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 2005 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 Authority in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2005.

We review whether the Statement on Internal Control reflects compliance with CIPFA's guidance The Statement on Internal Control 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 Authority'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)**

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### **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 Authority in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Authority'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 2005, the financial position of the Authority and its Group as at 31st March 2007 and its income and expenditure for the year then ended.

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

#### ***Authority's Responsibilities***

The Authority 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 Authority is required to prepare and publish a Best Value Performance Plan summarising the Authority'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)**

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### ***Auditor's Responsibilities***

We are required by the Audit Commission Act 1998 to be satisfied that proper arrangements have been made by the Authority 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 Authority has made such proper arrangements. We are not required to consider, nor have we considered, whether all aspects of the Authority'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 Authority'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 2007.

### **Best Value Performance Plan**

We issued our statutory report on the audit of the Authority's Best Value Performance Plan for the financial year 2006/07 on 1st December 2006. We did not identify any matters to be reported to the Authority, 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)**

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### **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**

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

## **Glossary of Terms**

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

### **Accruals**

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

### **Accounting Policies**

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

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

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

Accounting policies do not include estimation techniques.

Accounting policies define the process whereby transactions and other events are reflected in financial statements.

### **Acquired Operations**

Operations comprise services and divisions of service as defined in CIPFA's Standard Classification of Income and Expenditure. 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**

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### **Class of Tangible Fixed Assets**

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

Operational assets:

- Council dwellings
- 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**

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### **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 logical basis for apportioning these costs.

### **Current Service Cost (Pensions)**

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

### **Curtailment**

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

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

### **Deferred Charges**

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

## **Glossary of Terms continued**

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### **Defined Benefit Scheme**

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

### **Defined Contribution Scheme**

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

### **Depreciation**

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

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

### **Discontinued Operations**

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

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

Operations not satisfying all these conditions are classified as continuing.

## **Glossary of Terms continued**

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### **Discretionary Benefits**

Retirement benefits which the employer has no legal, contractual or constructive obligation to award and which are awarded under the 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.

### **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.

### **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.

## **Glossary of Terms continued**

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### **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.

### **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.



## **Glossary of Terms continued**

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### **Investments (Non-Pensions Fund)**

A long-term investment is an investment that is intended to be held for use on a continuing basis in the activities of the 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 (other than Town Parish and Community Councils and District Councils in Northern Ireland) are also required to disclose, as part of the transitional disclosures relating to retirement benefits, the attributable share of pension scheme assets associated with their underlying obligations.

### **Investment Properties**

Interest in land and/or buildings:

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

### **Liquid Resources**

Current asset investments that are readily disposable by the 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.

## **Glossary of Terms continued**

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### **Net Current Replacement Cost**

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

### **Net Debt**

The 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.

### **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. They do not include normal recurring corrections or adjustments of accounting estimates made in prior years.

## **Glossary of Terms continued**

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### **Projected Unit Method**

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

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

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

### **Related Parties**

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

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

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.

## **Glossary of Terms continued**

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This list is not intended to be comprehensive.

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

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

### **Related Party Transactions**

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

- (a) The purchase, sale, lease, rental or hire of assets between related parties;
- (b) the provision by a pension fund to a related party of assets of loans, irrespective of any direct economic benefit to the pension fund.
- (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.

## **Glossary of Terms continued**

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### **Retirement Benefits**

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

### **Scheme Liabilities**

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

### **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**

Comprise the following categories:

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

## **Glossary of Terms continued**

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### **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.

### **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.*

**REPORT TO:** Business Efficiency Board

**DATE:** 6 June 2007

**REPORTING OFFICER:** Operational Director – Financial Services

**SUBJECT:** Internal Audit Plan for 2007/8

**WARDS:** Borough-wide

### **1.0 PURPOSE OF THE REPORT**

- 1.1 This report provides details of the proposed Internal Audit annual plan for 2007/8. The annual plan outlines the programme of work to be completed by Internal Audit during the year.
- 1.2 The Code of Practice for Internal Audit in Local Government requires that the annual Internal Audit plan is considered and approved by the Council's Audit Committee.

**2.0 RECOMMENDATION: That the Business Efficiency Board is recommended to approve the proposed Internal Audit plan for 2007/8.**

### **3.0 SUPPORTING INFORMATION**

- 3.1 The Accounts and Audit Regulations 2006 require that a local authority 'shall maintain an adequate and effective system of internal audit'. To fulfil this statutory function, Internal Audit reviews the Council's management and service delivery arrangements, in addition to its financial control systems.
- 3.2 The work undertaken by Internal Audit is intended to provide one of the key sources of assurance to the Chief Executive and Leader of the Council who are jointly required to sign an annual Statement on Internal Control, which is published with the financial statements.
- 3.3 The draft 2007/8 Internal Audit Plan is attached at Appendix A. This provides a summary of how Internal Audit resources are to be utilised during the year.
- 3.4 The total number of days to be delivered in 2007/8 is broadly consistent with that planned in recent years. As Internal Audit resources are not sufficient to provide assurance over all areas of Council activity, a risk-based approach is adopted to prioritise coverage.
- 3.5 In compiling the programme of work for 2007/8, Internal Audit has:

- Considered the Council's corporate and directorate risk registers;
- Consulted with senior management within each Directorate to discuss their respective priorities and risk areas;
- Carried out its own assessment of the risks faced by the Council;
- Consulted with the Council's external auditors to minimise any potential for duplication and to maximise the benefit the Council receives from the total audit resource.

3.6 The Audit Plan will be kept under review throughout the year and quarterly progress reports will be provided to the Business Efficiency Board. Changes to planned work may be necessary to reflect the Council's changing risks and priorities. Any significant matters that jeopardise completion of the plan or require substantial changes to it will be reported to members.

#### **4.0 POLICY, FINANCIAL AND OTHER IMPLICATIONS**

4.1 The Council is required to 'maintain an adequate and effective system of internal audit' under Regulation 6 of the Accounts and Audit Regulations 2006. This responsibility is delegated to the Operational Director – Financial Services.

4.2 The cost of providing the Internal Audit Service is incorporated into the Council's budget. There are no additional resource implications arising from this report.

#### **5.0 RISK ANALYSIS**

5.1 The work of Internal Audit forms a key element of the Council's overall system of internal control. An effective internal audit service also helps to promote and implement best practice and process improvements in the management of risks.

#### **6.0 EQUALITY AND DIVERSITY ISSUES**

6.1 None.

#### **7.0 LIST OF BACKGROUND PAPERS UNDER SECTION 100D OF THE LOCAL GOVERNMENT ACT 1972**

None.





**INTERNAL AUDIT PLAN**

**2007/8**

## Internal Audit Plan 2007/8

### Summary Analysis

The Audit Plan is stated in terms of the number of days input which is estimated as accurately as possible based on existing staff numbers. However, the resources available and the exact time required for each piece of audit work cannot be estimated precisely at this stage. The plan therefore represents the best estimate of the audit resources available and the ways in which they will be deployed.

The analysis below is based upon a format used by the Institute of Public Finance. The adoption of this format facilitates participation in benchmarking exercises with other Councils.

<b>Areas of Audit Activity</b>		<b>Planned days</b>
1.	Fundamental financial systems	250
2.	Strategic risks	60
3.	Operational Risks:	
	<i>a) Schools</i>	153
	<i>b) Other establishment audits</i>	20
	<i>c) Contract audits</i>	125
	<i>d) Assurance work on other systems</i>	675
4.	Corporate Governance	110
5.	Computer audit	118
6.	Fraud / probity	40
7.	Consultancy / advice	44
8.	Grant certification	47
9.	Follow up	60
10.	Contingency – Unplanned work	130
	<b>Total audit days – Halton Borough Council</b>	<b>1832</b>
11.	External work – Manchester Port Health Authority	2
	<b>TOTAL</b>	<b>1834</b>

## **Detailed Analysis**

### **1. Fundamental financial systems**

As part of Internal Audit's joint working agreement with the Audit Commission, work is undertaken annually on the systems that are considered 'fundamental' by External Audit. These systems compile the material disclosures for the Council's financial statements. In 2007/8, detailed system reviews are planned for:

- Payroll
- Business rates
- Council Tax
- Housing Benefit
- Creditors

'Lighter touch' key control reviews will be undertaken on all the Council's other fundamental financial systems:

- Loans & Investments
- Cash & Bank
- Accounting journals
- Sundry debtors
- Fixed assets
- Care packages
- Property management system
- Schools' delegated budgets

### **2. Strategic risks**

Reviews are planned to examine the following two areas that are included in the Council's corporate risk register:

- Mersey Gateway
- Major Projects

### 3. **Operational Risks**

Reviews are planned in the following areas which are considered to be of an operational nature.

#### a) **Schools**

The schools audit plan for the year includes:

- 12 Primary schools
- 2 Special schools
- 3 Secondary schools

We also have made provision to carry out the Financial Management Standard in Schools (FMSiS) accreditation visits at the 24 primary/special schools that are due to be assessed this year. Where possible, accreditation visits will be planned to coincide with a routine audit visit to make the process more efficient.

#### b) **Establishment Audits**

An audit of the newly configured Halton Day Services is planned.

#### c) **Contract Audit**

Internal Audit will be involved in auditing the following new or ongoing contracts:

- Commercial vehicles contract
- Building cleaning contract
- Runcorn Town Hall refurbishment
- Gypsy site
- Cavendish school
- St. Peter & Paul / Wade Deacon running track
- Refuse collection vehicle contract
- DC Leisure contract
- Energy contract

Audits examining compliance with the Council's Constitution will also be undertaken by randomly sampling a range of contracts let by each Directorate.

A range of checks will also be undertaken on contract final account payments.

**d) Assurance work on other systems**

Full system reviews provide assurance as to whether management has established satisfactory systems of control to ensure:

- Compliance with statutory requirements and Council / Departmental policies and procedures;
- Achievement of objectives in service plans;
- Safeguarding of assets;
- Maintenance of complete and accurate records;
- Efficient, economic and effective use of resources.

The specific system reviews planned for 2007/8 are summarised below:

**Corporate issues**

- Income – charging for services
- Grants to voluntary organisations
- Procurement – use of consultants
- Health & Safety

**Children & Young People Directorate**

- Safe recruitment in schools
- Recharges for legal services work – care proceedings
- Sure Start Children's Centres / Extended Schools
- Directorate Sickness Management procedures
- Preventative Services Children's Mini Trust
- Special educational Needs – Out of Borough Placements
- Child Care Teams and S17 Funding
- Payments to Foster parents

**Corporate & Policy Directorate**

- Halton Direct Link
- Insurance
- Purchasing Cards
- Elections / Electoral Registration
- Credit card receipts – new legislation

**Health & Community**

- Care in the community - budgetary control
- Continuing Care
- Vulnerable Adults Task Force
- Intermediate Care
- Financial Services Team
- E-Forms
- ALD Pooled Budget
- Community Centres
- Drug Action Team
- Domiciliary Care
- 'In Control' Pilot
- Adult Placement Service
- Procurement of care packages

**Environment**

- Grounds Maintenance
- Directorate Administration
- Halton People into Jobs
- Adult learning Team
- Waste Recycling

**4. Corporate Governance**

Planned work comprises:

- Annual review of the Council's risk management arrangements
- Internal Audit review of the Council's 'high risk' BVPIs (prior to inspection by External Audit)
- Review of the Council's governance controls (to provide assurance for the Statement on Internal Control)
- A review of the Council's Records Management and Information Governance arrangements
- Input to the annual review of the Council Constitution

**5. Computer Audit**

Consultation with the Operational Director – ICT Services has resulted in reviews being planned in the following areas:

- Outsourced contracts
- Halton4Udevelopment
- Data sharing with external organisations
- Business case process
- Oracle database

Internal Audit will also have an advisory role in the implementation of:

- Carefirst 6
- Contact Point
- Trent

**6. Fraud / Probity audits**

Where full systems reviews are inappropriate or uneconomic, probity audits may be undertaken. These audits involve detailed examination of transactions and records to ensure they comply with the Council's Standing Orders and other established procedures.

The CPA process has also introduced an expectation that proactive anti-fraud work is undertaken by Councils. This can be done by adopting a similar approach to probity audits, carrying out detailed testing of transactions and using data matching techniques in areas considered to be 'high risk'.

Planned fraud and probity work for 2007/2008 covers:

- Review of Members' allowances and expense claims (required by External Audit to be tested annually)
- Investigation of the output from the National Fraud Initiative 2006.
- Review of claims for overtime payments.

## **7. Consultancy / advice**

Internal Audit has a consultancy role in addition to the assurance services it provides. This role includes providing advice on control analysis and design, guidance in developing new systems and the sharing of knowledge and best practice across the Council.

In 2007/2008, Internal Audit will contribute to the following corporate issues:

- Corporate Risk Management Group
- Procurement & Commissioning Group
- Schools Liaison Group
- Efficiency Strategy Group
- Agency staff working party
- The CPA review
- Free school meals project

## **8. Certification / Grants work**

Internal Audit is required to carry out verification work in the following areas:

- Local Area Agreement
- Sports Development Grant
- Safer & Stronger Communities Fund

## **9. Follow up**

Internal audit routinely carries out follow up work to provide assurance that all previous audit recommendations that were agreed are actually implemented. Follow up reviews are normally undertaken shortly after the date agreed in the Action Plan for the implementation of recommendations has passed.

**10. Contingency – Unplanned Work**

Provision is made in the Audit Plan to accommodate any unplanned work that may arise during the year. This may range from requests for advice or assistance from service areas to responding to incidences of fraud.

**11. Fee earning work for other bodies**

Internal Audit undertakes a small amount of audit work for the Manchester Port Health Authority. This provides a minor source of income but is also seen as a development opportunity in terms of broadening experience and knowledge of systems and procedures that operate in other organisations



**REPORT TO:** Business Efficiency Board

**DATE:** 28 June 2007

**REPORTING OFFICER:** Strategic Director – Corporate and Policy

**SUBJECT:** Annual Efficiency Statement - Forward Look 2007/8

**WARD(S):** Borough-wide

### **1.0 PURPOSE OF REPORT**

1.1 The purpose of this report is to provide Members with details of the Annual Efficiency Statement - Forward Look 2007/8, which was submitted to Government in April 2007.

**2.0 RECOMMENDED that the Annual Efficiency Statement - Forward Look 2007/8 be noted.**

### **3.0 BACKGROUND**

3.1 A target of £6.45bn in efficiency gains has been set by Central Government for the local government sector. This has to be achieved over a three year period to 31 March 2008. Each local authority is required to make 2.5% efficiency gains each year. For Halton, the target equates to annual gains of £2.5m and a total of £7.5m over the three years.

3.2 Guidance from Government explains that efficiency gains can be achieved by the following actions:

- 1) Reducing inputs (money, people, assets etc.) for the same outputs;
- 2) Reducing prices (procurement, labour costs etc.) for the same outputs;
- 3) Getting greater outputs or improved quality (extra service, productivity etc.) for the same inputs, or
- 4) Getting proportionately more outputs or improved quality in return for an increase in resources.

- 3.3 At least half the annual efficiency gains must be cashable. The actions described in 1 and 2 produce cashable gains. These gains allow resources to be diverted to other services or to be used in holding down council tax increases. The actions described in 3 and 4 are classed as non-cashable efficiency gains.
- 3.4 Efficiency gains can be achieved in any Council service and in 'cross-cutting' functions, such as procurement. Councils are free to decide how to meet the target. However, creating additional income through increasing fees or charges, or cutting services are not valid efficiency gains and cannot be claimed as such.
- 3.5 To distinguish between an efficiency gain and a service cut, local authorities are required to provide a quality crosscheck for every sector in which an efficiency gain is claimed. The aim of the crosscheck is to compare the quality of service provided in one year to the next, with a view to providing assurance that it has not fallen. A list of approved quality crosschecks has been produced for each service sector, although local authorities may elect to use their own non-approved crosschecks should they wish to do so.
- 3.6 All Councils are required to complete an Annual Efficiency Statement (AES), which comprises three parts:
- The Forward Look, which is an action plan that provides details of the strategy, key actions and expected efficiency gains for the year.
  - The Mid-Year Update, which provides an explanation for any significant differences in expected efficiency gains compared with the Forward Look.
  - The Backward Look, which provides details of the actual efficiency gains achieved in the year.
- 3.7 This report focuses on the 2007/8 Forward Look, which was submitted in April 2007. The 2006/7 Backward Look is due to be submitted to Government by 5 July. The 2005/6 Backward Look submission reported that the Council had achieved cumulative efficiency gains of £2.82m, of which £1.47m were cashable.

#### **4.0 2007/8 AES FORWARD LOOK**

- 4.1 All Councils were required to submit their 2007/8 AES Forward Look by 12 April 2007. Submissions are required to have the approval of the Leader of the Council, the Chief Executive and the Section 151 Officer.
- 4.2 The Department for Communities and Local Government has issued guidance on measuring and reporting efficiency gains. The AES submission is based upon a self-assessment, however, clear

instructions have been given with regard to best practice and issues for consideration.

- 4.3 To meet the submission timetable, officers of the Efficiency Strategy Group have identified the expected efficiency gains arising from the 2007/8 budget setting process, the service planning process and other ongoing developments across the Council. These have been incorporated into the AES Forward Look, which is attached at Appendix 1. This shows that £2.59m of efficiency gains are forecast for 2007/8, of which £1.84m are cashable.

## **5.0 POLICY, FINANCIAL AND OTHER IMPLICATIONS**

- 5.1 The cashable efficiencies outlined in the 2007/8 AES Forward Look have already been incorporated into the Council's budget plans.

## **6.0 RISK ANALYSIS**

- 6.1 There is a risk that the savings identified in the AES Forward Look will not be achieved. Consequently, progress in realising the efficiency gains will be monitored through the Efficiency Strategy Group, which meets on a monthly basis.

## **7.0 EQUALITY AND DIVERSITY ISSUES**

- 7.1 None.

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

Document	Place of Inspection	Contact
DCLG - Measuring and Reporting Efficiency Gains (March 2007)	6 <sup>th</sup> Floor, Municipal Building, Kingsway, Widnes	Mervyn Murphy

## **Annual Efficiency Statement - 2007/8 Forward Look**

### **Strategy for period to 2007/08**

The Council has a good track record in making efficiency savings and has, over the past six years, redirected over £10m of those savings towards its priorities. It has also been able to levy the third lowest council tax in the North West and the 26th lowest level of tax in the country.

However, it recognises that in a tight financial framework it needs to continually look for further efficiency savings. In order to ensure that the organisation remains focused on the need for greater efficiency the Council has established an Efficiency Strategy Group to steer the development of a three-year Business Efficiency Programme that is aligned to the Medium Term Financial Forecast. The Business Efficiency Board will be responsible for monitoring the performance and the delivery of the programme with its delivery being the responsibility of the Executive Board Portfolio holder for Quality.

The mapping of back office process will be extended to allow the identification of further efficiencies to be made. This will be facilitated through the roll out of the Council's new process mapping software and the development of corporate business process re-engineering that will reflect a strategic approach to service redesign.

This will be complemented by the further embedding of a systematic project management process across the authority and the establishment of a common framework for the management of programmes that will help to clarify whole life costs and generate opportunities for efficiencies.

Whilst the service planning process is now substantially embedded, with clear links to corporate priorities, individual responsibilities and staff appraisals, the alignment between it and the budget planning process will be further strengthened to ensure that the Council generates maximum efficiency and value for money from service delivery.

Attention will also be paid to new ways of working, such as home working arrangements and the further development of Halton Direct Link facilities, to ensure that human resources are used to their best effect. The implementation of the Workforce Development Plan, a new medium-term Human Resource Strategy and the conclusion of the Job Evaluation process, will ensure that that the business needs of the organisation are clearly reconciled with staff skills and competencies.

Training for staff and Elected Members will be extended to further develop a strategic approach to procurement practice and supply chain management that will help to create efficiency gains by minimising the costs and/or

maximising the value of goods or services acquired by the authority in the course of its business.

The Council will also seek to exploit the potential of ICT solutions and e-government initiatives to further enhance the customer experience, through for example interactive web pages, whilst reducing existing and future operating costs.

### Key actions in 2007/08

	Expected annual efficiency gains (£)	...of which cashable (£)
<b>Adult social services</b>	380,000	342,000
	<p><b>Strategy:</b></p> <ul style="list-style-type: none"> <li>a) Deletion of managerial and other posts</li> <li>b) Improved efficiency in Direct Payments Team</li> <li>c) Re-tendering for domiciliary and residential contracts on block basis</li> <li>d) Cease Continuing Care commissioning</li> <li>e) Reconfigure mental health services</li> <li>f) Transport</li> </ul> <p><b>Key actions:</b></p> <ul style="list-style-type: none"> <li>a) Quality Cross Check: Strategic Objectives of “Your Health, Your Care, Your Say” and CSCI Delivery Improvement targets delivered as noted in Directorate Plan and quarterly performance monitoring milestones for PPB.</li> <li>b) Recognised increase in service user take up, improved working practices.</li> <li>c) Quality crosscheck: Reduction in Unit Costs. Savings evaluated financially.</li> <li>d) Service to be provided by Halton &amp; St Helen’s PCT in future. Stopped providing a service, which was not our responsibility. Staff time £30K free to engage in other activities.</li> <li>e) Mental Health Day services reconfigured following the Bridge building initiative, generating savings as access now provided to mainstream opportunities, which also promotes social inclusion. Quality Cross Check: Performance not affected re number of mentally ill people helped to live at home.</li> <li>f) Accessible transport promoted in HBC. Quality Cross Check: Usage of transport services monitored in conjunction with attendance at day services. Good Satisfaction survey by Transport services per SLA.</li> </ul>	

	Expected annual efficiency gains (£)	...of which cashable (£)
<b>Children's services</b>	171,000	143,000
	<p><b>Strategy:</b></p> <p>Invest in Foster Care provision for Looked After Children.</p> <p><b>Key actions:</b></p> <p>Reduce reliance on agency and out of borough placements. Streamline administrative processes.</p>	
<b>Culture and sport</b>	110,000	70,000
	<p><b>Strategy:</b></p> <p>a) Community Centre modernisation  b) Deletion of post within Parks &amp; Countryside  c) Improved efficiency in the Community Development Team  d) Admin Savings through Admin Review</p> <p><b>Key actions:</b></p> <p>a) Services relocated to other local centres with spare capacity and Centre usage has increased through modernising ALD day services. Also a new contract was signed with the Youth Service undertaken by the same staff. Cashable &amp; non-cashable split stated.</p> <p>b) Gershon saving provided anti social behaviour maintained at existing levels or improved. Green flag status maintained.</p> <p>c) New services provided to Neighbourhood services with the same Community Development Team staff team for the next two years. Quality Cross Check: Satisfaction survey response good for the level of support provided from the voluntary sector</p> <p>d) Capacity of Admin Office Reduced. Quality Cross check- Services still judged by satisfactory by Manager survey in follow up report to SMT.</p>	
<b>Environmental services</b>	267,000	50,000
	<p><b>Strategy:</b></p> <p>Improve services within existing resources.</p> <p><b>Key actions:</b></p> <p>Reduce overheads and absorb additional responsibilities.</p>	

	Expected annual efficiency gains (£)	...of which cashable (£)
<b>Local transport (highways)</b>	297,000	196,000
	<p><b>Strategy:</b></p> <p>Absorb additional costs of work and reduce overheads.</p> <p><b>Key actions:</b></p> <p>a) Highways Division Re-organisation - The re-organisation has resulted in the overall loss of 5 posts.</p> <p>b) Highways Supervision - This work was previously carried out by consultants/contract staff and is now carried out internally.</p> <p>c) Highway Works - Saving by re-tendering Highway Improvement Term Contract, which results in Price Fluctuation surcharge being removed.</p> <p>d) High Mast Lighting - Replacement of high mast lighting with conventional lighting reduces ongoing maintenance cost.</p> <p>e) Education Initiative - Working on projects for Silver Jubilee Bridge and Mersey Gateway.</p> <p>f) Maintenance Contract - maintaining level of service following reduction in resources in real terms.</p> <p>g) New Roads - Absorbing cost of maintaining additional newly adopted roads within existing budgets.</p>	
<b>Local transport (non-highways)</b>	9,000	0
	<p><b>Strategy:</b></p> <p>Reduce overheads and tender service.</p> <p><b>Key actions:</b></p> <p>Re-design service provision.</p>	
<b>Non-school educational services</b>	110,000	110,000
	<p><b>Strategy:</b></p> <p>Reduce overheads and streamline administrative process.</p> <p><b>Key actions:</b></p> <p>Restructure services.</p>	

	Expected annual efficiency gains (£)	...of which cashable (£)
<b>Supporting people</b>	250,000	250,000
	<p><b>Strategy:</b></p> <p>Review costs of services.</p> <p><b>Key actions:</b></p> <p>Negotiate cost with providers whilst maintaining service levels to individuals.</p>	
<b>Other cross-cutting efficiencies not covered above</b>		
<b>Corporate services</b>	574,000	522,000
	<p><b>Strategy:</b></p> <p>Reduce overheads.</p> <p><b>Key actions:</b></p> <p>Restructure support services</p>	
<b>Procurement - goods and services</b>	150,000	143,000
	<p><b>Strategy:</b></p> <p>Develop mixed economy and a co-ordinated approach supporting the National Procurement Strategy.</p> <p><b>Key actions:</b></p> <p>Consolidate purchasing arrangements.</p>	
<b>Productive time</b>	202,000	0
	<p><b>Strategy:</b></p> <p>Re-design processes.</p> <p><b>Key actions:</b></p> <p>Remote working</p>	



	Expected annual efficiency gains (£)	...of which cashable (£)
<b>Transactions</b>	60,000	0
	<b>Strategy:</b> Minimise administrative processes.  <b>Key actions:</b> Implement electronic trading.	
<b>Miscellaneous efficiencies</b>	13,000	12,000
	<b>Strategy:</b> Cost reductions.  <b>Key actions:</b> Savings on Council Tax billing through reduction on printing and stationery costs.	
<b>Total</b>	<b>2,593,000</b>	<b>1,838,000</b>

**REPORT TO:** Business Efficiency Board

**DATE:** 28 June 2007

**REPORTING OFFICER:** Strategic Director Corporate & Policy

**SUBJECT:** CPA 2007 to CAA 2009

### **1.0 PURPOSE OF THE REPORT:**

To provide a summary of the Audit Commission's consultation on the move from the current Comprehensive Performance Assessment (CPA) regime to the new Comprehensive Area Assessment (CAA) in 2009.

### **2.0 RECOMMENDATION:**

**That the Board notes the contents of the report and the consultation response submitted by the authority.**

### **3.0 SUPPORTING INFORMATION:**

The recent Local Government White Paper announced that from 1 April 2009 the current CPA would be replaced by a new performance framework, the Comprehensive Area Assessment (CAA). The Audit Commission believes that CPA still has an important part to play in continuing to support improvement, and that the last set of CPA results in 2008/09 will aid in making the first set of new CAA judgments in 2009/10.

The Audit Commission published a consultation document on 4<sup>th</sup> April 2007. It covers the arrangements for CPA in 2007/08, outline proposals for CAA in 2009/10, and proposals for the transitional year 2008/09. The consultation also details the draft service assessment framework for the Environment, Housing and Culture Service Blocks in CPA 2007. Annex 4 of this report highlights performance indicators that are judged to be high risk for Halton in 2007 under the service assessment framework now being proposed.

The consultation closed on 14<sup>th</sup> June 2007. On 7 June 2007, Executive Board agreed a response to the consultation.

The consultation, and the Council's response is described in more detail in the annexes to this report as follows;

Annex 1: Summary of arrangements for CPA 2007 and consultation questions.

Annex 2: Summary of the approach to CPA assessment for the transitional year 2008/09 and consultation questions.

Annex 3: Summary of principles for developing Comprehensive Area Assessment to commence April 2009 and consultation question.

Annex 4: CPA 2007 critical indicators update.

**4.0 POLICY IMPLICATIONS**

None identified at this stage

**5.0 OTHER IMPLICATIONS**

None identified at this stage

**6.0 RISK ANALYSIS**

1) Failure to prepare the council, individual services and key partners for the transition from CPA to CAA would result in a lack of awareness and possible non-compliance with the new regulatory framework when it is introduced in April 2009.

2) There is an overall risk that a reduction in the individual Level 2 service block scores will increase the possibility of Halton achieving a lower overall CPA score, and star rating, in the 2007 assessment.

**7.0 EQUALITY AND DIVERSITY ISSUES**

N/A

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

N/A

**Annex 1:  
Summary of arrangements for the assessment of CPA 2007**

The Audit Commission has indicated a desire to maintain a level of consistency and minimise disruption as work begins on formulating the 'new' performance framework.

The arrangements for CPA 2007 are proposed as;

- **CPA 2007 will be reported in February 2008:**  
This is to allow more time to verify and communicate data used in the assessments.
- **Corporate Assessments:**  
No change to the current approach.
- **Use of Resources Assessments:**  
The Key Lines of Enquiry (KLOEs) have already been published for the 2006/07 assessments. There are no further changes planned.
- **Direction of Travel Assessments:**  
The approach will remain broadly the same, but it is intended to increase the focus on customer and resident satisfaction and engagement within the Key Lines of Enquiry.
- **Service block assessments:**  
Children's Services, Adult Social Services and Benefits; there are no substantial changes anticipated.

Environment, Housing in the Community and Culture blocks; there has been a significant rethink since the publication of proposals in August 2006. It was planned that the PI sets would be expanded, however the Commission have now issued draft service assessment frameworks that are largely similar to the ones used in 2006.

The Commission's overarching approach to service assessments is that in view of comments received during previous consultations, and the publication of the White Paper, it would not be appropriate to significantly add to the number of PI's currently being used.

The consultation questions are;

**Q. Overall, do you support the proposal not to now introduce most of the performance indicators previously signalled for adding in 2007?**

*RESPONSE: Yes*

**Q. Overall, do you support the much smaller number of proposed additions and deletions?**

*RESPONSE: Support the smaller number of proposed additions and deletions. Do not support changes to thresholds for certain indicators however. When thresholds were introduced it was to bring certainty to the process, so that authorities could plan their improvement in advance.*

*Changing the thresholds now for performance in the 2006/07 year that has already ended takes us back to trying to hit a moving target.*

NOTE: the main changes are: the measure of kerbside recycling changes from 1 recyclable collected to 2; the measure of progress with the development plan is updated; deletion of the indicator for speed of planning searches; addition of indicators for fly-posting and graffiti; updating of repeat homelessness indicator; deletion of private sector unfitness indicator; and deletion of library stock level and stock turn indicator.

**Q. Overall, do you support the proposals for minimal change overall to the CPA framework for 2007 (to be reported in February 2008)?**

*RESPONSE: Refer to previous answers.*

## **Annex 2:**

### **Summary of the approach to CPA assessment for the transitional year 2008/09**

The Commission have stated that they will apply two principles to managing the transition from CPA to CAA;

- To keep changes to CPA to a minimum, reflecting only necessary updating and addressing any significant external factors.
- To concentrate more clearly on those aspects of CPA that will continue under CAA, for example by strengthening the focus on citizens and service users and value for money.

There is a desire to use the final year of CPA to highlight the aspects of CPA that will be central to CAA;

- Engagement with citizens and users
- Partnership working and cross sector collaboration
- Local performance management
- Improving value for money

The Commission indicate that effort should be directed into devising a robust and reliable framework for the new scheme, rather than attempting to continue to strengthen the current framework (BVPI's, etc). The importance of designing robust and reliable local performance indicators, with sound data to support baselines and targets is clearly paramount. Data Quality is an issue that should be pursued in parallel to the events and actions covered in this report.

The exact make up of a core dataset is as yet unknown, although we do know that it will consist of 200 national indicators across all services with up to 35 local improvement indicators agreed through new generation LAA's, and 18 statutory education / early years targets. The contents of the dataset will be linked to the outcomes of CSR 2007 this coming autumn

Key points from the consultation document relating to the approach to the separate components of CPA during 2008/09 are detailed below;

- **Corporate Assessments:**  
Overall comparability will be maintained, however there will be an aim to ensure that future corporate assessments pay particular attention to those issues in the current methodology that are most relevant to CAA, such as partnership working and risk management.
- **JARs:**  
The programme of Joint Area Reviews of Services for Children & Young People (JAR) will continue to be completed on the same timetable as the Corporate Assessments. Arrangements have been revised and from April 2007 JAR will focus on services for vulnerable people and those services where the Annual Performance Assessment (APA) identifies issues, with fieldwork proportionate to the APA score.

- **Use of Resources Assessments:**

Use of Resources (UoR) assessments will continue under CAA and will be specific to individual organisations. UoR assessments are carried out in PCT's, police forces and other health bodies and the Commission will work to align the assessments more closely across the sectors to enable a more consistent picture that will readily feed into area assessments under the new CAA regime. Although the consultation document does not indicate this, it may mean that the format of the assessment changing slightly to fit with that of other sectors.

Some revisions will be proposed to the Use of Resources Key Lines of Enquiry (KLOE) for 2007/08. A consultation document will be published late April 2007. Some of these revisions will be to emphasise aspect of the new performance framework. Examples given are sustainable commissioning and procurement, asset management and partnership working. The KLOE will also be more outcome-based with a reduction on those focusing on processes.

Within the Financial Reporting, Financial Management, Financial Standing and Internal Control themes, it will be proposed that all criteria at Level 2 and Level 3 should have 'must have' status, thereby requiring that all criteria must be met at the relevant level of performance in order to achieve it.

It will be proposed that some of the criteria currently at Level 4 will be moved to Level 3 due to the fact that as performance across councils has improved, some of the Level 4 measures no longer demonstrate innovation or best practice but have become accepted routine activity.

- **Direction of Travel assessments:**

These will continue under CAA, as mentioned in Part 1, but there will be an intention to increase the focus on customer and resident satisfaction and engagement within the KLOE.

- **Service block assessments:**

OFSTED and CSCI will continue to assess Children's Services and Adult Social Services until the end of 2008 to derive Level 1 service assessment scores.

From April 2008, the assessment of Housing Benefit performance will pass from the Benefit Fraud Inspectorate to the Audit Commission. Further details are subject to discussion and confirmation.

Paragraph 65 of the consultation document states that *"the Commission will consider carefully the position with the remaining service assessments that we carry out for housing, environment and culture"*

Four options are presented for these assessments;

1. Retain the current format with minimal changes. This is the most consistent and least disruptive approach, but lacks an opportunity to begin the transformation to a new framework and CAA

2. Continue the current format, but make it more responsive to local circumstances. This would require local judgement in the form of a narrative assessment to complement the Performance Indicator (PI) based element of the score (similar to the CSCI and OFSTED formats used in Annual Performance Assessments). This approach would be more costly and requires an increase in regulatory activity – a move that would be contrary to the current agenda.
3. Stop using the current format and replace with a greater focus on performance improvement in the Direction of Travel Assessment. The Commission indicate that this may remove comparability over time, and may also affect the ability of some government departments to monitor performance against Public Service Agreements and other objectives.
4. Move away from Level 2 service assessments and trial comparative reporting using those elements of a new national indicator set that relate to these service areas. Focus could be placed on those indicators for which targets have been set through the current Local Area Agreement (LAA). This would give a nationally consistent approach with a local focus.

With regard to option 3, it has not been indicated that any of the other statutory performance reporting requirements will be discontinued prior to the introduction of CAA, and as such all the data that we currently report as an authority should be available in the respective systems / domains. The way that the KLOE are set up for the Direction of Travel assessments could ensure comparability and consistency over time. Any PI's that are designated to continue into the new performance framework following the Comprehensive Spending Review in 2007 (CSR07) could continue to be monitored through CPA if desired. As such a variation of option 3 and 4 combined may be possible.

The Commission make the point that the adoption of option 3 or 4 would require a change to the way in which the overall star category is derived, as currently Level 2 service assessment scores are a contributing factor.

The consultation emphasises that the need for robust and reliable data will continue to be important in the new framework, and it will be even more vital for partners to be basing decisions on reliable evidence and timely information. The issue of data quality standards is the subject of a separate consultation and will continue to be given priority by the Commission in the run up to the new performance framework.

Paragraph 72 of the consultation indicates the possibility of taking a more proportionate performance related approach to service assessments. An example given is that if option 1 or 2 is preferred, then 4 star councils that are improving well or improving strongly could be exempted from Level 2 service assessments in 2008/09.

If Halton retains its current 4 star status and continues to improve well in the CPA 2007 assessment, this could be a concession that the council would benefit from, providing an opportunity to focus on building and strengthening a framework of local performance indicators to be taken forward into CAA, rather than concentrating on



the backward look at the existing statutory indicators used in the service assessment framework.

The consultation questions are;

**Q. Which of the above options for Level 2 service assessments for single tier and county councils in CPA 2008/09 would you prefer?**

*RESPONSE: Prefer Option 3(abandon assessments for housing environment and transport) - if necessary retain 2007 scores in the model for 2008. If not acceptable, second preference is for option 1 (stay as we are). Option 2 (introduce a narrative assessment) is a waste of time and effort, Option 4 may be impractical if national indicator set delayed due to deferral of CSR, and new LAAs not signed off until June 2008, but could continue to report on existing indicators carried through into the new framework as suggested above.*

**Q. Are there other options for the service assessments that we should consider for 2008/09?**

*RESPONSE: No*

**Q. Should we cease making level 2 service assessments for those single tier and county councils that remain at 4 stars and are assessed as improving well or improving strongly in the February 2008 CPA reporting?**

*RESPONSE: Yes this would be welcome, but better to drop for all councils to reduce the burden.*

**Annex 3:**

**Summary of principles for developing Comprehensive Area Assessment to commence April 2009**

The consultation document sets out a vision for the CAA framework. Although not highly specific, it details the key principles of a framework designed to deliver more effective improvements in local public services for citizens.

These key principles are that CAA will be;

- **Relevant to the quality of life of local people** – focusing on what matters in the locality, and to whom. It will check that local priorities have been set on the basis of a genuine understanding of diverse local needs. It will also continue to provide local people with assurances that local services are well run. (Use of resources assessments)
- **Area and outcome focused** – looking more at outcomes in the area than processes employed to achieve them. It will look at what happens rather than how it happens.
- **Constructive and forward-looking** – there will be a forward-looking assessment of risk, not a sole reliance on past performance. The assessment will highlight risks that appear inherent given the course of action being taken by local service providers at the time of the assessment, and their potential impact. This is designed to drive improvement and support innovation.
- **Joint and Participative** – CAA will be jointly developed by all key regulators, government departments, and sectors. It will seek to develop a shared view of the challenges facing an area by drawing on the views of local people and the partner organisations that commission and provide local services. It is designed to foster shared ownership of the changes that will be required to secure improvement.

**Q. Do you support this vision for the Comprehensive Area Assessment?**

*RESPONSE: Yes, but only if the reporting makes it clear that this is an assessment of all public services in the area, and not an assessment of the Council. Care should also be taken to ensure that there is a balanced approach to developing national outcomes, and that the resulting framework reflects national priorities for all communities. Disproportionate weighting towards the activity of a single government department would be unwelcome and impractical. (C.f. DCMS influence on 'CPA - The Harder Test' through the expansion of the Culture block)*

The key elements of the new performance framework, to which CAA will contribute significantly, are;

- Strengthening accountability to citizens and communities – the Best Value duty will be expanded so that authorities must secure the participation of citizens in their activities where appropriate.
- Providing citizens and communities with regular, transparent and timely information and reporting

- Measuring and focusing upon citizen's perspectives, experiences and viewpoints
- Facilitating streamlined reporting to government.
- Promoting the use of real-time information in local performance management.

CAA will effectively replace CPA, Joint Area Reviews, Annual Performance Assessment's in Children's Services and Adult Social Services and social services star ratings. It will report performance against the national indicator set for each locality.

The CAA framework will retain the Use of Resources assessment and Direction of Travel assessment from CPA.

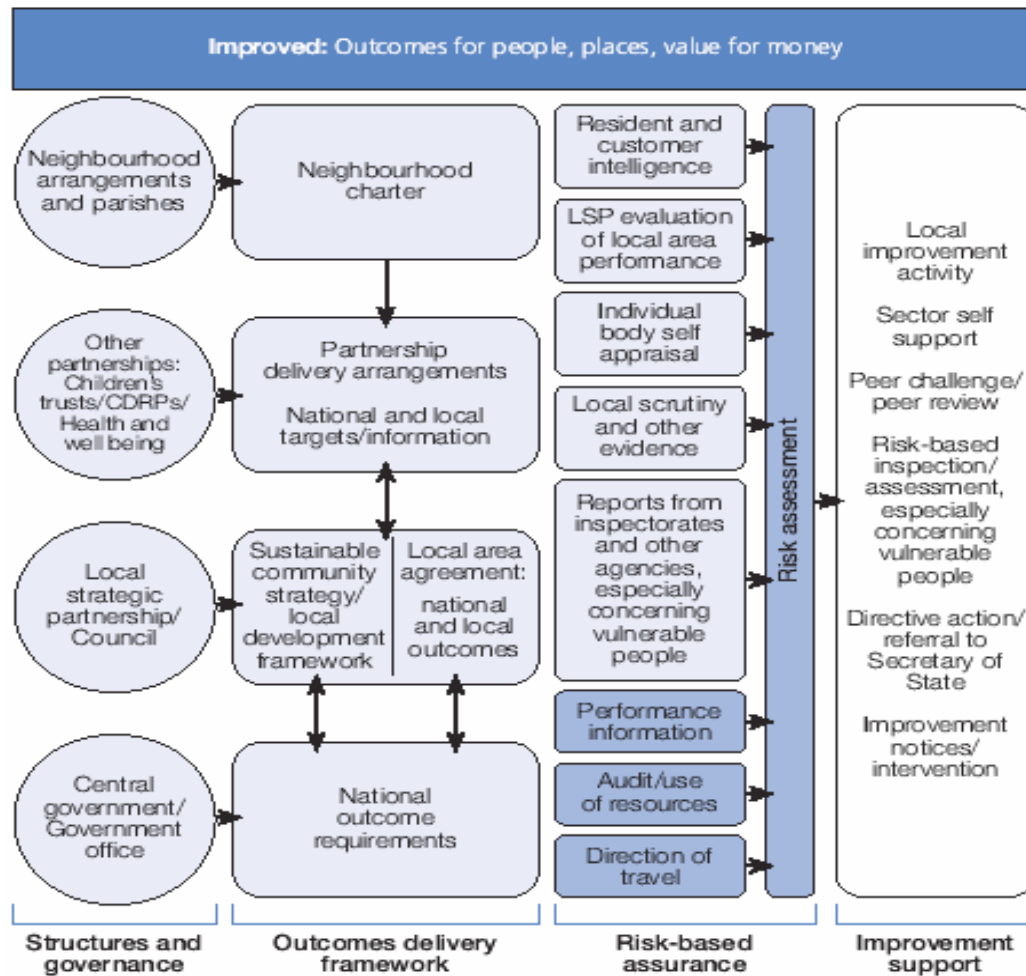
There will be increased emphasis on the Local Strategic Partnership (LSP) as the 'main' partnership in an area, supported by other relevant partnerships (Crime and Disorder Reduction Partnership, Children's Trusts, etc). Importantly, there will be an expectation on all partners to cooperate effectively with each other on the agreement and achievement of LAA targets. This will be backed by a statutory duty on some.

Each council, in consultation with the LSP, will be required to develop and publish a 'Sustainable Community Strategy' (SCS). The council will continue to negotiate a LAA with regional government office to reflect how the SCS will be delivered, with up to 35 targets representing national and local priorities from the set of 200 indicators yet to be developed. The LAA may include additional locally significant targets that are outside of the set of 200.

The requirement for the LSP and the council to report annual performance will remain.

The diagram on the page below is taken from the consultation document. The darker shaded boxes in the third column are the key elements of CAA.

## The new performance framework



The consultation question is;

**Q. Does the diagram capture all the key elements of the new performance framework and the key relationships within it?**

*RESPONSE: The diagram is misleading because:*

- 1. It implies that Neighbourhood Charters are mandatory and may lead to a one size fits all prescription*
- 2. It shows Children's trusts and CDRPs as "other partnerships" separate from the LSP. It is clear in the white paper that the LSP is seen as a partnership of partnerships, and that Children's Trusts and CDRPs sit within the LSP framework, not outside it.*

*The proposal for a self appraisal feeding into the risk assessment would be burdensome if a full, annual self appraisal is required in addition to the annual LSP performance appraisal against the LAA, and self assessments for Direction of Travel and Use of Resources. Careful thought needs to be given to the relationship between self assessments both within and outside the CAA model.*

**Annex 4:  
CPA 2007 critical indicators update.**

The draft service assessment framework for CPA 2007 introduces some indicators not used in the assessment for 2006, which are particularly challenging for Halton. There are also a small number of indicators that have been included in the CPA assessment in previous years, for which Halton's performance has not kept pace with that of other authorities and as a result, Halton's performance is now nearer to the lower threshold level than it was previously.

Many indicators have some element of risk attached to them, however a number of indicators are judged to be high risk, these are: -

- **BVPI 84a – Kilograms of household Waste collected per head of population.**
- **BVPI 91b - Kerbside recycling of 2 or more commodities.**
- **BVPI 64 – Number of private sector vacant properties returned to occupation or demolished as a result of local authority action.**
- **BVPI 213 - Number of households considering themselves homeless who approached the LA for advice and for whom housing advice casework intervention resolved their situation.**
- **CPA reference C4 – Active library borrowers as a percentage of population**
- **CPA reference C2 – Public Library Service Standards on Access.**

As the performance information used will be for the year just ended (2006/07) there is nothing we can do now to change the outcome. Despite the fact that the draft service assessment framework for CPA 2007 contains fewer 'critical' indicators than the originally proposed framework did (August 2006), the indicators designated 'high risk' present specific challenges to the authority.

It is almost certain there will be one or more performance indicators falling into the lower threshold category in both the Environment service block and in the Housing in the Community service block. In the overall CPA framework this may place greater pressure on the other elements of the CPA assessment in order to maintain a four star rating.

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A  
of the Local Government Act 1972.

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