

Public Document Pack



Business Efficiency Board

Wednesday, 12 August 2009 at 6.30 a.m.
Civic Suite, Town Hall, Runcorn

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

Chief Executive

BOARD MEMBERSHIP

Councillor Dave Leadbetter (Chairman)	Labour
Councillor Martha Lloyd Jones (Vice-Chairman)	Labour
Councillor Diane Inch	Liberal Democrat
Councillor Eddie Jones	Labour
Councillor Alan Lowe	Labour
Councillor Peter Murray	Conservative
Councillor Ulfar Norddahl	Liberal Democrat
Councillor Shaun Osborne	Labour
Councillor Ged Philbin	Labour
Councillor Geoffrey Swift	Conservative
Councillor Philip Worrall	Liberal Democrat

Please contact Michelle Simpson on 0151 907 8300 Ext. 1126 or e-mail michelle.simpson@halton.gov.uk for further information.

The next meeting of the Board is on Wednesday, 23 September 2009

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

Part I

Item No.	Page No.
1. MINUTES	
2. DECLARATION OF INTEREST	
<p>Members are reminded of their responsibility to declare any personal or personal and prejudicial interest which they have in any item of business on the agenda, no later than when that item is reached and, with personal and prejudicial interests (subject to certain exceptions in the Code of Conduct for Members), to leave the meeting prior to discussion and voting on the item.</p>	
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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: 12 August 2009
REPORTING OFFICER: Strategic Director – Corporate & Policy
SUBJECT: Annual Governance Statement 2008/9
WARD(S): Borough-wide

1.0 PURPOSE OF REPORT

- 1.1 The purpose of this report is to:
- (a) Outline the approach taken to produce the Council's 2008/9 Annual Governance Statement; and
 - (b) Present the Council's Annual Governance Statement for review and approval.

2.0 RECOMMENDATION:

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

3.0 SUPPORTING INFORMATION

Background to the Annual Governance Statement

- 3.1 The Accounts and Audit (Amendment) Regulations 2006 require Councils 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 each year with the authority's financial statements.
- 3.2 CIPFA and SOLACE have advised that it is proper practice to publish this statement as an Annual Governance Statement (AGS) in a prescribed format. The AGS should be signed by the Council's Leader and Chief Executive.
- 3.3 The AGS must be reviewed and approved at a meeting of the Council or a delegated committee prior to publication with the financial statements. At Halton, this responsibility is assigned to the Business Efficiency Board.
- 3.4 The best practice framework provides guidance on what the AGS should contain. This includes:

- An acknowledgement of responsibility for ensuring that the Council has established a sound system of governance (incorporating the system of internal control);
- An indication of the level of assurance that the systems and processes that comprise the Council's governance arrangements can provide;
- A brief description of the key elements of the governance framework;
- A brief description of the process that has been applied in maintaining and reviewing the effectiveness of the governance framework including reference to the roles of various members/officers in this process.
- An outline of the actions taken, or proposed, to deal with any significant governance issues, including an agreed action plan.

Approach taken to produce the Annual Governance Statement

- 3.5 The production of the AGS has been co-ordinated through a Corporate Governance Group led by the Strategic Director – Corporate & Policy. This group has been responsible for evaluating the sources of assurance and identifying any areas where the Council's governance arrangements could be strengthened. A flowchart summarising the process followed in preparing the AGS is shown in Appendix 1.
- 3.6 The AGS has been drafted in accordance with the guidance in the CIPFA / SOLACE framework document.
- 3.7 To demonstrate ownership of the AGS at corporate level, it is to be signed on behalf of the authority by the Chief Executive and Leader of the Council.
- 3.8 Following approval, the AGS will be included within the authority's published Statement of Accounts and be available on the Council's website.

Developments in the Council's Governance Framework

- 3.9 Since the 2007/8 AGS was published, there have been a number of developments that have further strengthened the Council's overall governance framework:
- The Council has formally adopted a local code of corporate governance. This provides a public statement setting out how the Council will demonstrate its commitment to the highest standards of governance.
 - The role of the Business Efficiency Board has been expanded to include responsibility for risk management and the Council's approach

to countering fraud and corruption. This ensures that the terms of reference for the Board are consistent with CIPFA guidance on Audit Committees.

- A programme of fraud awareness training is being rolled out to all employees and members.
- The Council's Information Governance Group is reviewing how the Council administers the legal, security, regulatory and standards framework for information management.
- The first annual report of the Standards Committee has been produced, which summarises its work from 2008/9.
- Annual reports have been produced summarising declarations of interests and offers of gifts and hospitality received by members and employees.
- The Council has an overview and scrutiny (O&S) development plan that continues to evolve in response to changes in the O&S environment. Developments in 2008/9 included the introduction of question and answer sessions to hold Executive Board portfolio holders and Strategic Directors to account.
- The Council's asset management plan was updated in 2008 and formally approved by the Council in January 2009 this now provides the framework for the corporate management and reporting of the Councils' assets.

Annual Governance Statement 2008/9

- 3.10 The AGS is intended to identify any areas where the Council's governance arrangements are not in line with best practice or are not working effectively, together with action plans for improvement.
- 3.11 The 2008/9 review of the Council's governance framework has concluded that there are no significant weaknesses in the Council's governance arrangements. However, the following areas have been identified where action is proposed to further strengthen the overall arrangements:
- The Council is implementing a major Efficiency Programme to enable it to meet the significant budgetary pressures it faces in the coming years. The programme aims to reduce costs to the Council while maintaining and improving the quality of services provided to the community. Maintenance of the Council's governance and control framework in a period of significant change will be essential to the success of the programme.

- In 2009/10, the Council is aiming to become compliant with the Code of Connection (CoCo), which defines the minimum standards and processes that an authority must comply with before being able to connect to Government Connect Secure Extranet. If the Council fails to meet these standards it will lose the ability to transact electronically with organisations such as the DWP and other public bodies. This would have a significant impact on the delivery of important services such as the processing of Housing Benefit applications.
- The Council is continuing to develop its IT disaster recovery arrangements and aims to jointly deliver a disaster recovery service with another unitary authority of a similar size to Halton located over 200 miles away. Costing and feasibility assessments are currently under development with an aim of connecting both corporate networks and delivering a disaster recovery and shared services opportunity solution by 2010.
- Following the collapse of the Icelandic banks, local authority treasury management has come under the spotlight. CIPFA intends to revise both the Treasury Management Code and Guidance Notes in light of the lessons to be learnt. Although the Council had not invested any funds in Icelandic banks, it will review its treasury management policy and strategy once the guidance is published.
- In respect of the use of natural resources the Council is continuing on a programme to reduce energy consumption across its estate in line with the targets set in our carbon management plan. A number of projects have been implemented in 2008/09 and many more are planned in 2009/10.
- The asset management plan together with the asset register will be reviewed on a regular basis to ensure that they are updated as necessary to reflect any changes in the Council's asset base. The asset management working group will also continue to meet on an ongoing regular basis in order to ensure that a corporate approach to asset management becomes embedded within the authority.
- In 2009/10 the Council will take steps to ensure that its processes and arrangements adequately reflect the provisions of the Local Government and Public Involvement in Health Act 2007, the Police and Justice Act 2006 and other relevant legislation that may come into force, as they affect overview and scrutiny. This will involve revisiting, and where necessary revising, relevant aspects of the existing processes and arrangements, and developing new ones where this is indicated by the official guidance that will become available during the year. Since the 2007 Act, officers have been giving early consideration to how the duties under the Act will need to change the Constitution but until detailed guidance and regulations are in place, and the relevant scrutiny provisions are in force, this cannot be taken any further.

- 3.12 A copy of the draft AGS is attached at Appendix 2. A summary of the further action that is being taken to strengthen the Council's control and governance arrangements is included at the end of the document.

4.0 POLICY, FINANCIAL AND OTHER IMPLICATIONS

- 4.1 The Accounts and Audit (Amendment) Regulations 2006 include a statutory requirement to prepare a statement on internal control in accordance with 'proper practice'. Proper practice is defined by the CIPFA/SOLACE Framework as an Annual Governance Statement.

- 4.2 There are no direct financial implications arising from this report.

5.0 IMPLICATIONS FOR THE COUNCIL'S PRIORITIES

5.1 Children and Young People in Halton

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

5.2 Employment, Learning and Skills in Halton

See 5.1 above.

5.3 A Healthy Halton

See 5.1 above.

5.4 A Safer Halton

See 5.1 above.

5.5 Halton's Urban Renewal

See 5.1 above.

6.0 RISK ANALYSIS

- 6.1 The Council is legally required to 'conduct a review at least once in a year of the effectiveness of its system of internal control' and include a statement on internal control in its statement of accounts in accordance with the requirements of the Accounts and Audit (Amendments) Regulations 2006. The annual governance review process aims to ensure that an accurate statement can be produced in line with these

requirements. Part of the review process includes consultation with the Business Efficiency Board, which is responsible for ensuring that the Council's governance arrangements comply with best practice.

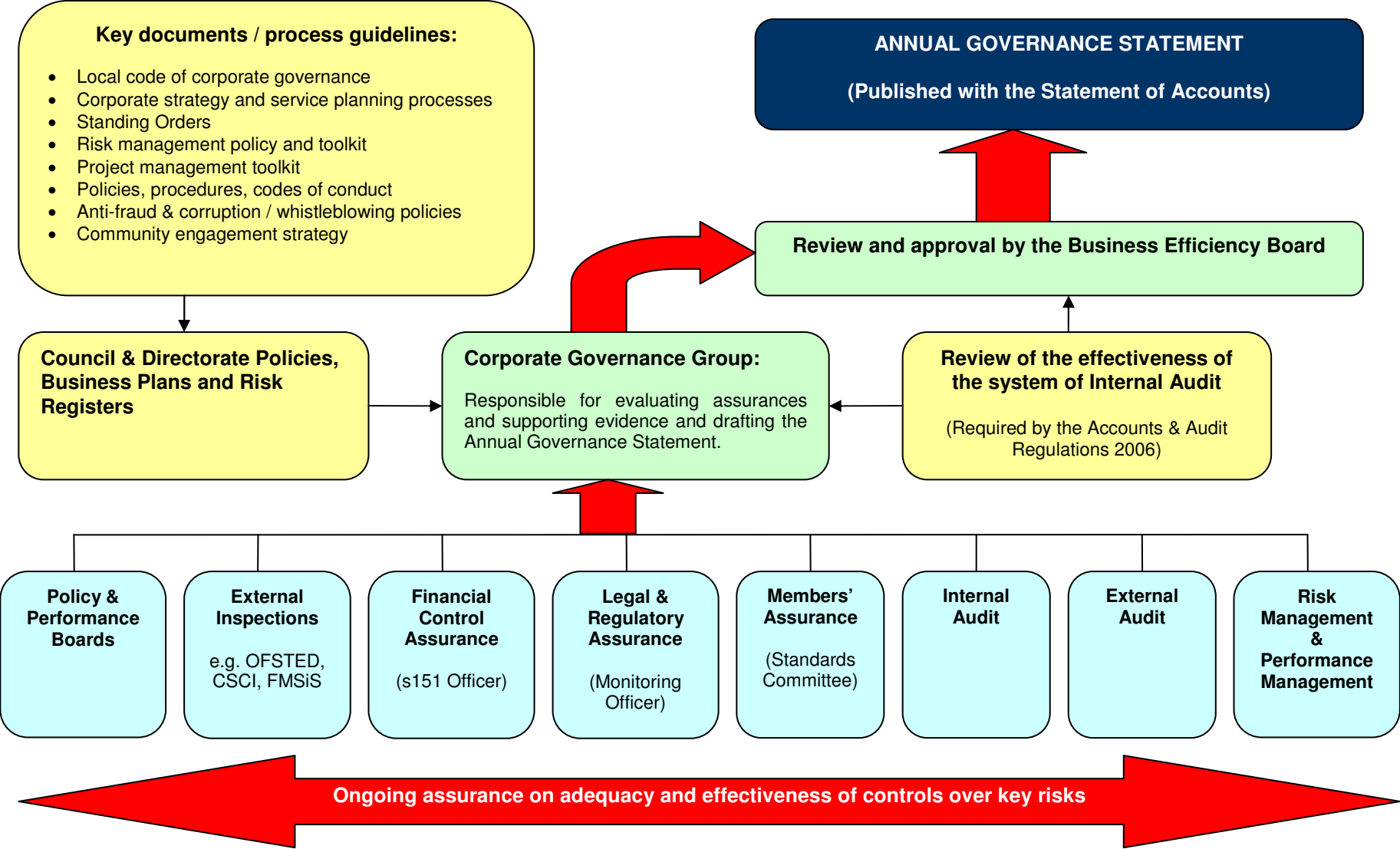
7.0 EQUALITY AND DIVERSITY ISSUES

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

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

Document	Place of Inspection	Contact
CIPFA / SOLACE – Delivering good governance in Local Government: Framework (2007)	6 th Floor, Municipal Building, Kingsway, Widnes	Mervyn Murphy
CIPFA / SOLACE - Delivering good governance in Local Government: Guidance note for English authorities (2007)		
The Accounts and Audit (Amendment) (England) Regulations 2006 (Statutory Instrument 2006 No. 564).		

ANNUAL GOVERNANCE STATEMENT – ASSURANCE FRAMEWORK



ANNUAL GOVERNANCE STATEMENT

for the year ended 31 March 2009

1. Scope of Responsibility

- 1.1 Halton Borough Council is responsible for ensuring that:
- its business is conducted in accordance with the law and proper standards;
 - public money is safeguarded and properly accounted for; and
 - public money is used economically, efficiently and effectively.
- 1.2 Halton Borough Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
- 1.3 In discharging this overall responsibility, Halton Borough Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and which includes arrangements for the management of risk.
- 1.4 The Council has adopted a local code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*. In 2008/9, the local code was submitted to the Business Efficiency Board and Standards Committee for referral to full Council for endorsement, adoption and incorporation into the Council's constitution. A copy of the code is on our website at halton.gov.uk.
- 1.5 This statement explains how Halton Borough Council has complied with the principles of good governance and reviews the effectiveness of these arrangements. It also meets the requirements of regulation 4(2) of the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit (Amendment) (England) Regulations 2006 in relation to the publication of a statement on internal control.

2. The Purpose of the Governance Framework

- 2.1 The governance framework comprises the systems and processes, and culture and values by which the authority is directed and controlled, and its activities through which it accounts to, engages with and leads the community. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost effective services.
- 2.2 The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives, and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Halton Borough Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.
- 2.3 The governance framework has been in place at Halton Borough Council for the year ended 31 March 2009 and up to the date of approval of the statement of accounts.

3. The Council's Governance Framework

The key elements and processes that comprise the Council's governance framework are described below. Documents referred to may be viewed on the Council's website and are available from the Council on request.

3.1 Communicating the Council's vision

- a) The long-term vision for Halton is set out in the Sustainable Community Strategy 'Making it happen in Halton 2006-2011' and the Council's own Corporate Plan.
- b) To deliver this vision, the Council has identified five key priorities that underpin all aspects of the Council's work:
- A Healthy Halton
 - Halton's Urban Renewal
 - Children & Young People in Halton
 - Employment Learning and Skills in Halton
 - A Safer Halton

- c) The Corporate Plan is built on these five shared priorities, plus a sixth priority about the way we run the business. There are clear objectives and targets for each priority that are common to the two plans. The Local Area Agreement (LAA) is also structured around the same five priorities.
- d) The Council has a range of performance indicators used to measure progress against its key priorities in the Corporate Plan and in the Local Area Agreement. Quarterly monitoring reports record progress against key service plan objectives and targets. These are reported to the Corporate Management Team and to the Policy and Performance Boards.
- e) The Council's medium term financial strategy, capital programme, and budget process ensure that financial resources are directed to the Council's priorities.

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

- a) Roles and responsibilities for governance are defined and allocated so that accountability for decisions made and actions taken are clear. The Executive Board is the main decision-making body of the Council and is made up of ten members who have responsibility for particular portfolios. The Board is chaired by the Leader of the Council and each Board member has responsibility for policy development for issues that fall within their portfolio.
- b) The Council also appoints a number of committees to discharge the Council's regulatory and scrutiny responsibilities. These arrangements, and the delegated responsibilities of officers, are set out in the Council's Constitution.
- c) The Constitution also includes a Member/Officer protocol which describes and regulates the way in which members and officers should interact to work effectively together.
- d) There is a well-established overview and scrutiny framework with six Policy and Performance Boards (PPBs) aligned to the Council's six corporate plan priorities (the five shared priorities and "Efficient and Effective Services"). They hold the Executive to account, scrutinise performance and develop policy proposals for consideration by the Executive.
- e) The Business Efficiency Board has been designated as the Council's Audit Committee. Its core functions are consistent with those identified in the CIPFA publication 'Audit Committees – Practical Guidance for Local Authorities'. It provides assurance to the Council on the

effectiveness of the governance arrangements, risk management framework and internal control environment.

- f) The Chief Executive (and Head of Paid Service) is responsible for and accountable to the Council for all aspects of operational management.
- g) The Operational Director – Financial Services, as the s151 Officer appointed under the 1972 Local Government Act, carries overall responsibility for the financial administration of the Council.
- h) The Monitoring Officer (Operational Director – Legal, Organisational Development & Human Resources) carries overall responsibility for legal and regulatory compliance.
- i) All employees have clear conditions of employment and job descriptions which set out their roles and responsibilities.
- j) The Council has clearly set out terms and conditions for the remuneration of members and officers and there is an effective structure for managing the process.

3.3 Promoting values and upholding high standards of conduct and behaviour

- a) The Council has a Standards Committee to promote high standards of conduct and support members' observation of their Code of Conduct. Elected members have to agree to follow a Code of Conduct to ensure high standards in the way they undertake their duties. The Standards Committee trains and advises them on the Code of Conduct.
- b) Officer behaviour is governed by the Employees' Code of Conduct. The Code has been formulated to provide a set of standards of conduct expected of employees at work and the link between that work and their private lives.
- c) The Council takes fraud, corruption and maladministration seriously and has established policies which aim to prevent or deal with such occurrences:
 - Anti-Fraud and Anti-Corruption Strategy;
 - Fraud Response Plan;
 - Confidential Reporting Code (Whistleblowing Policy);
 - HR policies regarding disciplinary of staff involved in such incidents.

- d) A corporate complaints procedure exists to receive and respond to any complaints received.
- e) Arrangements exist to ensure that members and employees are not influenced by prejudice, bias or conflicts of interest in dealing with different stakeholders. These include:
 - Registers of interests;
 - Declarations of personal or prejudicial interests at the start of each meeting in which discussions involve a matter in which a member has an interest;
 - Registers of gifts and hospitality;
 - Equal opportunities policy.

3.4 Taking informed and transparent decisions and managing risk

- a) The Council's decision-making processes are clear, open and transparent. The Council's Constitution sets out how the Council operates and the processes for policy and decision-making. Key decisions are published in the Council's Forward Plan. Minutes of all Council meetings are published on the Council's website.
- b) The Council provides decision-makers with information that is fit for purpose. The executive report template requires information to be provided explaining the legal, financial and risk implications of decisions, as well as implications for each of the corporate priorities.
- c) The Council has a Risk Management Policy and Toolkit and regularly reviews its corporate and directorate risk registers. The management of risk is monitored through the Council's quarterly performance monitoring arrangements.
- d) Each of the five specialist strategic partnerships (SSPs) has conducted a risk assessment of its objectives to form a Partnership Risk Register.
- e) A project management toolkit has been developed with help from the NW Employers Organisation, and over 200 employees have been trained in its use.
- f) The Business Efficiency Board reviews the Internal Audit work programme and oversees the implementation of audit recommendations.

3.5 Developing the capacity and capability of Members and Officers

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

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

- a) The Council's planning and decision-making processes are designed to include consultation with stakeholders and the submission of views by local people.
- b) Arrangements for consultation and for gauging local views include both formal and informal arrangements:
 - Formal arrangements include the Halton 2000 Citizens' Panel, the seven Area Forums, the Youth Forum, Older Person's engagement network.
 - Informal arrangements include contact via our website, Halton Direct Link and magazine based customer surveys.
- c) Community and voluntary sector representatives have decision-making roles on the Halton Strategic Partnership Board and on all its SSPs.

- d) The Neighbourhood Management Partnership has developed strong resident engagement through board membership and other means, such as the staging of events.
- e) Within the Halton Strategic Partnership (HSP), responsibility for quarterly performance management of the five priorities rests with the five thematic partnerships (SSPs). A new performance management framework was approved in May 2009 to ensure that a consistent approach is taken by the SSPs and exceptions reported to the Strategic Partnership Board.
- f) The HSP produces an annual report and stages a whole partnership event each year where progress against the Community Strategy is reported and achievements are celebrated.
- g) Six monthly reporting has been introduced to report on progress against the Local Area Agreement.
- h) The Council's publishes a summary of performance information and its financial statements in the Council newspaper, which is distributed to every household in the Borough.
- i) Council agendas, minutes and performance information are published on the Council's website.

4. Review of Effectiveness

- 4.1 Halton Borough Council annually reviews the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by managers within the Council who have responsibility for the development and maintenance of the governance environment, the work of the Internal Audit and by comments made by the external auditors and other inspection agencies.
- 4.2 The processes applied in maintaining and reviewing the effectiveness of the system of governance include:
 - The work of the Business Efficiency Board as the Council's Audit Committee;
 - The work of the Standards Committee;
 - The role of the Policy and Performance Boards in holding the Executive to account;

- The operation of the Council's risk management and performance management frameworks;
 - The work of internal audit and the Chief Internal Auditor's annual report;
 - The Comprehensive Performance Assessment (CPA) framework;
 - The Annual Audit and Inspection Letter, which provides an overall summary of the Audit Commission's assessment of the Council;
 - The external auditor's opinion report on the Council's financial statements;
 - The corporate complaints procedure;
 - The roles of the Council's Statutory Officers;
 - The work of the Corporate Governance Group;
 - The anti-fraud and corruption and whistleblowing framework;
 - The results of external inspections and the FMSiS (Financial Management Standard in Schools) assessments.
- 4.3 The Business Efficiency Board has been advised on the implications of the results of the review of the effectiveness of the governance framework and a plan to address weaknesses and ensure continuous improvement of the system is in place.

5. Significant Governance Issues

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

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

6. Leader and Chief Executive Statement of Assurance

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

Tony McDermott
Leader of the Council

Date:

David Parr
Chief Executive

Date:

Governance & Control Framework - Action Plan

	Issue	Further action planned
1.	Implementation of the Efficiency Programme	<p>The Efficiency Programme has been established with the Council's efficiency partner KPMG. It covers all the Council's services and the programme aims to reduce costs whilst maintaining or improving services to the community; work more flexibly whilst maintaining the Council's excellent performance rating; minimise the impact of any changes on front line services and improve management and support processes whilst providing opportunities for skills and capability development.</p> <p>There are a number of workstreams currently underway covering management structures, transactional support services, non-transactional support services, customer relations and ICT, property, and the pilot service delivery option covering green spaces. The approach is to develop a detailed analysis of the current position then move forward to develop and implement in this year a transition to a more efficient and effective service. A Programme Board has been established to oversee the programme and a Programme Office is in place to co-ordinate and support the delivery of the current programme and to develop further service delivery options in the future.</p>
2.	Compliance with the Code of Connection	<p>The aim of the Code of Connection is to ensure the Council operates a secure network that enables the delivery of GCSX secure email and the transfer of data relating to both employees and clients between all local authorities and Government departments. The Council has already put in place many of the background technologies required to meet the deadline of 30 June 2009. In addition, a corporate ICT Strategy Board has been established with one of its main tasks being to govern and enable compliance with any further requirements expected by April 2010 and beyond.</p>
3.	Development of robust IT disaster recovery arrangements	<p>The Council is continuing to develop its IT disaster recovery arrangements and aims to jointly deliver a disaster recovery service with another unitary authority of a similar size to Halton located over 200 miles away. Costing and feasibility assessments are currently under development with an aim of connecting both corporate networks and delivering a disaster recovery and shared services opportunity solution by 2010.</p>
4.	Review of Treasury Management policy and strategy	<p>Following the collapse of the Icelandic banks, local authority treasury management has come under the spotlight. CIPFA intends to revise both the Treasury Management Code and Guidance Notes in light of the lessons to be learnt. Although the Council had not invested any funds in Icelandic banks, it will review its treasury management policy and strategy once the guidance is published.</p>

	Issue	Further action planned
5.	Developing the Council's approach to ensure the effective use of natural resources	<p>The Council has continued to implement the programme of works outlined in our carbon management plan over the past year. Many more projects are planned for 2009/10, all of which will help to reduce the Council's CO2 emissions.</p> <p>In 2009/10, the Council is planning to move to AMR (automatic meter reading) technology in order to obtain accurate data across the whole property estate and to facilitate improvements in energy management.</p> <p>An Environment Sub-Group has been set up under the Urban Renewal Specialist Strategic Partnership. The group is multi-agency and will respond to the environmental agenda and associated risks within the Council and the wider area</p> <p>A Natural Assets Strategy and Biodiversity action plan have been developed which outline how the Council will protect manage and enhance the natural assets within the area.</p> <p>The Council has signed up to the Envirolink Northwest 'Buy Recycled Code' indicating its commitment to improve in the area the sustainable procurement.</p>
6.	Strengthening the Council's asset management arrangements to help deliver strategic priorities and service needs	<p>The asset management plan and asset register will be reviewed on a regular basis to ensure that they are updated as necessary to reflect changes that occur within the Council's asset base. The asset management working group will continue to ensure that a corporate approach to asset management becomes embedded within the Council.</p>
7.	Developing the Council's overview and scrutiny arrangements	<p>The Council will take steps to ensure that its processes and arrangements adequately reflect the provisions of the Local Government and Public Involvement in Health Act 2007, the Police and Justice Act 2006 and other relevant legislation that may come into force, as they affect overview and scrutiny. This will involve revisiting, and where necessary revising, relevant aspects of the existing processes and arrangements, and developing new ones where this is indicated by the official guidance that will become available during the year. Since the 2007 Act, officers have been giving early consideration to how the duties under the Act will need to change the Constitution but until detailed guidance and regulations are in place, and the relevant scrutiny provisions are in force, this cannot be taken any further.</p>

REPORT TO: Business Efficiency Board

DATE: 12th August 2009

REPORTING OFFICER: Operational Director, Financial Services

SUBJECT: 2008/09 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 2008/09 Draft Abstract of Accounts, a copy of which is enclosed with the Agenda.

2.0 RECOMMENDED that;

- (i) **the 2008/09 Draft Abstract of Accounts be approved for submission to the Audit Commission; and**
- (ii) **the Operational Director Financial Services be authorised, in consultation with the Chairman of the Business Efficiency Board, to make such changes as are necessary prior to the Abstract of Accounts being re-submitted to the next meeting of the Board.**

3.0 SUPPORTING INFORMATION

Introduction

- 3.1 The Abstract of Accounts (The Abstract) sets out the Council's financial performance for the year in terms of revenue and capital spending and presents the year-end financial position as reflected in the balance sheet.
- 3.2 The format of the Abstract is heavily prescribed by the Accounts and Audit Regulations and the Statement of Recommended Practice (SORP), 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 further changes to the content and layout of the Abstract this year. These bring Local Authority accounts more into line with International Financial Reporting Standards (IFRS), for which full compliance is required from 2010/11. The changes are outlined on page 6 within the section titled 'Changes in Accounting Policies'.

Capital Direction

- 3.4 Members will recall that as part of the 2007/08 audit of accounts process, it was agreed that specialist advice would be sought on the accounting treatment of the development costs of the Mersey Gateway project. As a result of that advice an application for capital direction was made in December 2008.
- 3.5 The Department for Communities and Local Government (DCLG) had not come to its final conclusion in sufficient time for the draft Abstract to be submitted to the Board at its meeting on 25th June 2009 and the meeting was therefore postponed. The District Auditor was kept informed of the reasons for the delay.
- 3.6 The Council were informed of the DCLG's final decision on 23rd July 2009. In essence, the DCLG agreed to capitalise that part of the Council's expenditure in 2008/09 that was not funded by grant. In addition, the grant was converted to a revenue grant. The consequential changes to the accounts as a result of this decision have now been incorporated into the draft Abstract.
- 3.7 Under the terms of the Regulations, the DCLG were unable to consider the application for capital direction for past expenditure on the project. Further work will therefore be necessary to amend prior year figures and an amended Abstract will be submitted to the Board in September.

2008/09 Abstract

- 3.8 In the Foreword on pages 1 to 6, the Chief Financial Officer (Operational Director, Financial Services) summarises the Council's financial performance for 2008/09, including revenue and capital spending.
- 3.9 In overall terms the Council has underspent its 2008/09 revenue budget by £281,000. This is after having made the £2m planned transfer to the Invest to Save Fund as set out in the Budget Strategy. The overall outturn report was presented to Executive Board Sub-Committee on 18th June 2009 and Departmental outturn reports were made available on the Council's Intranet. In addition, the Council approved the use of £350,000 from General Fund Balances when setting the 2008-09 revenue budget. Along with an additional £6,000 received in Government Grant, the net result is that General Fund Balances will be reduced by £63,000 to £6,921,000.
- 3.10 Capital expenditure was £38.5m compared with the revised programme of £44.8m. This represents 86% delivery of the revised programme, with the only significant slippage being on the ICT infrastructure programme, Widnes Waterfront and Castlefields regeneration schemes.
- 3.11 School balances have reduced by £0.8m to £8.3m, of which £3.9m relates to unspent Standards Fund grants which must be spent by 31st August 2009.

- 3.12 The Income and Expenditure Account on page 7 presents gross expenditure, gross income and net expenditure for 2008/09 along with a comparison to 2007/08, 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 Councils.
- 3.13 The total net cost of services is adjusted by a number of appropriations, to give total net operating expenditure of £166m, which is funded from Government Grant and Local Taxpayers. Detailed notes relating to items within the Income and Expenditure Account are shown on pages 11 to 22.
- 3.14 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 the resulting General Fund Balances carried forward of £6.921m is presented. Detailed notes relating to the adjusted items are shown on page 23.
- 3.15 The Statement of Recognised Gains and Losses on page 8, brings together all the gains and losses of the Council for the year in order to show the aggregate increase in its "net worth". In addition to the surplus generated on the Income and Expenditure Account, the Statement reflects other gains and losses during the year such as those relating to the revaluation of fixed assets.
- 3.16 The Council's Balance Sheet on page 9 sets out the Council's financial position as at 31st March 2009, along with the previous year's comparison. Detailed notes relating to items within the Balance Sheet are shown on pages 24 to 49. These include the movement in fixed assets, capital financing, contingent liabilities, leases, assets and asset valuation, investments, stocks, debtors, creditors, deferred capital receipts, provisions, reserves, deferred liabilities, contingent liabilities, borrowing, trust funds, pensions and financial instruments.
- 3.17 The Cashflow Statement on page 10 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 49 and 50.
- 3.18 The Collection Fund and associated notes on pages 51 to 54, 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.
- 3.19 The Group Accounts and associated notes on pages 55 to 60 present the consolidation of the Council's accounts with those of its related companies.

- 3.20 A Statement of Responsibilities appears on page 61 outlining the basis upon which the Abstract has been prepared. This is followed by the Annual Governance Statement on pages 62 to 72 (also reported elsewhere on the Agenda) and Accounting Policies on pages 73 to 84.
- 3.21 The Audit Commission uses the draft Abstract as the basis for undertaking the annual audit of accounts, for which their draft Audit Report and Certificate is shown on pages 85 to 88. This will be completed once the audit has been finalised.
- 3.22 A Glossary of Terms is presented on pages 89 to 101.

Next Steps

- 3.23 As outlined in paragraph 3.7 above, further work will be necessary to prior year figures as a result of the capitalisation direction. This will be undertaken shortly and the necessary amendments will be made to the draft Abstract. It is still subject to external audit and once the audit is completed the Audit Commission will report their findings to the Board on 30th September 2009 and the Abstract will then be published.

4.0 POLICY AND OTHER IMPLICATIONS

- 4.1 None.

5.0 IMPLICATIONS FOR THE COUNCIL'S PRIORITIES

- 5.1 There are no direct implications, however, the revenue budget and capital programme support the delivery and achievement of all the Council's priorities.

6.0 RISK ANALYSIS

- 6.1 The Council must have internal controls and processes in place to ensure that spending remains in line with budget.

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 Officer
Accounts and Audit Regulations	Accountancy Division, Municipal Building	Ed Dawson, Chief Accountant

Halton Borough Council

Abstract of Accounts 2008/09

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

.....

*Councillor D. Leadbetter
Chairman of Business Efficiency Board*

.....

Date

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

Introduction

The Council's Accounts for 2008/09 are presented in the following format

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Foreword by Operational Director - Financial Services

Introduction

There have been further amendments in the layout of the Abstract of Accounts this year, in compliance with the Statement of Recommended Practice (SORP), as the SORP seeks to bring Local Authority Accounting into line with International Financial Reporting Standards (IFRS). Details of these changes are outlined in the section below 'Changes in Accounting Policies'.

The Council's accounts for 2008/09 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 Council's activities, in that it reports the net cost of all the functions for which the Council is responsible, and demonstrates how that cost has been financed from general government grants and income from local taxpayers.
- *Statement of Movement on the General Fund* – 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.
- *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 Council's financial position at the year end. The layout follows the standard format which is designed to produce totals of the long and short term assets and liabilities, reserves and other balances and an indication of the overall net equity 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

Supplementary Financial Statements

- *Collection Fund Account* – this is a statutory statement which Councils who are Billing Authorities are obligated to maintain under the Local Government Finance Act 1992.
- *Group Accounts* – this statement is required if the Council 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. The group accounts consolidate the accounts of the Halton Borough Transport Ltd with the Council's by grossing up the income and expenditure account and balance sheet whilst eliminating intra group transactions. The group accounts reflect the Council's 100% ownership of the transport company.

Other Statements

- *Statement of Responsibilities for the Statement of Accounts* – this statement sets out the responsibilities of the Council and the Section 151 Officer (Sections 54 and 77 of the Local Government Act 1972 respectively).
- *Annual Governance Statement* – this statement sets out the systems and framework in place which ensure that the Council complies with its own regulatory procedures, in accordance with Regulation 4 of the Accounts and Audit Regulations 2006.
- *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 to Members* – this is the District Auditor's report and certificate following the external audit of the Council's accounts, as required under the Audit Commission Act 1998 and in accordance with the Audit Commission Code of Practice.

Financial Planning

The Medium Term Financial Strategy (MTFS) is a major element of the Council's corporate planning process. It brings together resources and spending plans and identifies the financial constraints over the following three years, in order that resources are properly targeted to the council's priorities, to avoid excessive Council Tax rises, to deliver a balanced and sustainable budget, and to continue to identify efficiencies.

The global "credit crunch" and consequent inflationary pressures and economic downturn began to have an impact upon the Council's finances during the year and this has been reflected in the MTFS. As part of the MTFS for 2008-11 the Council commissioned an Efficiency Review across all Council Services, in order to review the way in which the Council delivers Services and to identify efficiencies. Outline proposals have been approved by the Council and detailed implementation plans are in the process of being prepared.

Foreword by Operational Director - Financial Services continued

Summary of the 2008/09 Year

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

General Fund

	Original Budget £'000	Actual £'000
Net Expenditure	101,895	101,614
Parish Precepts	36	36
Total	101,931	101,650
Financed by Local Taxpayers	(40,818)	(40,818)
Financed by Government Grants	(60,763)	(60,769)
(Surplus)/Deficit for Year	350	63
Balances brought forward	(6,984)	(6,984)
Balance carried forward	(6,634)	(6,921)

The Council has closely monitored and controlled its spending throughout the year such that total spending was £101.614m, which was £0.281m below the budget for the year (compared to £0.224m in the previous year). Coupled with the planned contribution from balances of £0.35m, this has resulted in a reduction in balances of £0.063m to £6.921m.

Schools

Expenditure by schools totalled £78.1m which is fully funded by Dedicated Schools Grant (DSG) and other grants. In addition, they also spent £11.7m relating to Standards Fund Grant. They carried forward balances at 31st March 2009 totalling £4.4m and £3.9m respectively, which are marginally lower than the previous year.

Pension Liability

Under Financial Reporting Standard 17 (FRS17), the Council is required to restate its accounts to reflect the activities of the two major pension providers, the Cheshire Pension Fund and the Teachers' Pension Agency. It also has a minor interest in the operations and accounts of the Merseyside Pension Fund in relation to employees in Greater Merseyside Connexions Ltd. 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 increased from £39.256m (restated) to £86.501m over the year.

Foreword by Operational Director - Financial Services continued

Single Status

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

Changes in Statutory Functions or Service Delivery

From 1st December 2008 a contract was entered into with Warrington Borough Council, for the delivery of the Consumer Protection Service within Halton for a period of five years.

There were some amendments to the reporting structure under the Best Value Code of Practice (BVACOP) guidance which the Council has adopted.

Capital Planning

The Council prepares a rolling capital programme to forecast the probable level of capital spend over the next 4-5 years, along with the likely sources of funding. The Council also maintains a Capital Reserve Account, which has been generated over the years from revenue contributions in order to support funding the capital programme. The Forecast shows that there are sufficient resources to cover the current capital programme. However, in the current economic climate it is unlikely that the Council will receive significant levels of capital receipts and therefore the opportunities for additional capital spending in future years will be severely limited.

Details of the unused capital receipts and balance on the capital reserve at the year end are shown in the Notes to the Balance Sheet, together with a list of any significant contractual commitments. Councillors consider any new additions to the programme in light of the resources available. The Council has a significant capital programme over the next few years including the Mersey Gateway, 3MG, Primary Capital Programme and Building Schools for the Future.

Capital Expenditure

The Council spent £38.458m on capital schemes in 2008/09 compared with a planned expenditure of £44.833m. This outturn represents 86% of the programme, with slippage primarily occurring on the ICT Programme, Widnes Waterfront, and Castlefields Schemes. A more detailed analysis of the spend is included as part of the notes to the core financial statements. The figures include that part of the development costs of the Mersey Gateway project that were not funded by grant following the council's successful application for capital direction.

Foreword by Operational Director - Financial Services continued

Housing

As part of the housing stock transfer agreement with Halton Housing Trust (HHT) the Value Added Tax (VAT) shelter arrangement was established. It is operated by HHT and £1.543m was due for the 2008/09 financial year. The stock transfer agreement also provides the Council with a share of receipts from the sale of houses under Right to Buy legislation. The sum of £0.385m was due from the Trust for 2008/09. Some of these sums were received after the year end and included in the accounts as a debtor.

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. Despite the global "credit crunch" and downturn in the financial markets, the Council had another successful year and exceeded its performance targets. This was primarily due, in the early part of the year, to having secured advantageous fixed rates on a number of investments for up to three years.

The Council did not undertake any long term borrowing in the year and at the year end was borrowing £40.97m (fair value £40.27m) , well within its authorised borrowing limit of £53.1m. The £40.97m comprised a long term loan from the Public Works Loan Board for £10m, a Lenders Option Borrowers Option loan from the Euro Hypo bank for £10m and seven short term borrowings for £20.97m. All transactions relating to investments and borrowings complied with the approved guidelines for the year. Further details of these transactions are contained in the notes to the core financial statements.

At 31st March 2009 the Council had £39m (fair value 41.72m) invested, over an average period of 7.2 months. None of the Council's investments are with foreign banks.

The Council has based the 2008/09 Statutory General Fund MRP provision on 4% of the opening capital financing requirement. This is in line with regulation implemented under the Local Government Act 2003. These regulations have been replaced with a more flexible MRP system based on statutory guidance. The Council approved the Minimum Revenue Policy Statement as part of its Treasury Management procedures in March 2009 effective from 1st April 2008.

Collection Fund

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

Foreword by Operational Director - Financial Services continued

Changes in Accounting Policies

The SORP continues to drive towards meeting International Financial Reporting Standards (IFRS) due to be fully implemented by 2010/11. More detailed notes are required to explain the complex nature of financial assets and liabilities. One of the major changes is the charging of interest to the Income & Expenditure account in a way that reflects the effective interest rate for an instrument over its life rather than the normal cash flow accrual method.

Preparations are already underway to assess the implications of full compliance with IFRS from 2010/11, with transitional arrangements being required from 2009/10. This will result in significant changes to the Abstract of Accounts, both in terms of accounting treatments, the volume of disclosure notes and the time required for the preparation of the Abstract.

The accounts for 2007/08 have been restated (for consistency) to reflect the reclassification of a loan from short term to long term liabilities and an amendment to the deficiency on the pension fund reserve explained in detail in the pension note.

Conclusion

The Council has continued to be successful in managing its finances to maintain a sound financial base, to meet increasing demands for services arising from the current economic situation and to sustain the future development of the Council.

I would like to thank all Members and officers who have assisted in the year and made 2008/09 a success.

Further Information

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

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

W.L.Dodd
Operational Director – Financial Services

Income and Expenditure Account

<i>Net Expenditure 2007/08 Restated</i>	<i>Services</i>	Gross Expenditure 2008/09	Gross Income 2008/09	Net Expenditure 2008/09
£'000		£'000	£'000	£'000
	CONTINUING OPERATIONS			
26,665	Children's & Education Service	165,956	(115,908)	50,048
24,254	Adult Social Care	41,791	(12,249)	29,542
14,247	Highways and Transport	21,353	(5,094)	16,259
28,530	Cultural, Environmental Regulatory and Planning Services	58,213	(20,856)	37,357
2,420	Housing Services	64,169	(61,925)	2,244
6,585	Central Services	41,597	(15,422)	26,175
1,854	Corporate and Democratic Core	4,041	(853)	3,188
1,062	Non Distributed Costs	3,036	-	3,036
105,617	NET COST OF SERVICES	400,156	(232,307)	167,849
	<i>Corporate Income & Expenditure</i>			
(3,300)	(Gains) or Losses on Disposal of Fixed Assets			(1,843)
27	Precepts Paid to Parish Councils			36
(97)	(Surplus)/Deficit from Trading Operations			(108)
865	Interest Payable			865
41	Contribution of Housing Capital Receipts to Government Pool			16
(2,706)	Interest Receivable			(2,983)
(1,706)	Pension Interest Cost and Expected Return on Pensions Assets			2,081
98,741	NET OPERATING EXPENDITURE			165,913
	<i>Principal Sources of Finance</i>			
(39,044)	Precept on Collection Fund			(40,818)
(8,051)	General Government Grants			(21,322)
(47,974)	Contribution from NDR Pool			(53,338)
3,673*	(SURPLUS)/DEFICIT FOR THE YEAR			50,435

Statement of Movement on the General Fund

2007/08 Restated £'000		2008/09 £'000
3,673	(Surplus)/Deficit brought forward from Income and Expenditure Account	50,435
(3,965)	Net Additional Amount required by statute and non-statutory proper practices to be debited or credited to the General Fund for the year	(50,124)
126 (418)	(Increase)/Decrease in General Fund balance for the year (Increase)/Decrease in School balances for the year	63 248
(7,110)	General Fund balance brought forward	(6,985)
(4,221)	Schools balances brought forward	(4,639)
(6,984)	General Fund balance carried forward	(6,921)
(4,639)	School balances carried forward	(4,391)
(11,623)	Balances Carried Forward	(11,312)

Statement of Total Recognised Gains and Losses

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

2007/08 Restated £'000		2008/09 £'000
3,673 (431)	(Surplus)/Deficit for the year on Income and Expenditure Account (Surplus)/Deficit arising on revaluation of available for sale financial assets	50,435 (1,426)
(4,557)	(Surplus)/Deficit arising on revaluation of fixed assets	(16,317)
(20,883)	Actuarial (gains)/losses on pension fund assets and liabilities	46,095
(147)	(Surplus)/Deficit on Collection Fund Balance	(75)
(22,345)	Total Recognised (Gains)/Losses for the Year.	78,712

Balance Sheet

31/3/2008 £'000 Restated		Note	£'000	31/3/2009 £'000
328,190	Net Fixed Assets	18		310,149
1,797	Intangible Assets	19	2,456	
490	Long Term Investments	20	483	
1,804	Long Term Debtors	22	1,572	4,511
332,281	Total Long Term Assets			314,660
	Current Assets			
261	Stocks	21	339	
13,685	Debtors	22	24,268	
42,707	Temporary Investments		41,720	
1,007	Prepayments		1,223	
57,661*	Total Current Assets		67,550	
	Current Liabilities			
(6,001)	Temporary Loans		(20,967)	
(20,473)	Creditors	23	(22,705)	
(15,368)	Receipts in Advance		(15,541)	
(763)	Cash in Hand/(Overdrawn)		(1,077)	
(42,605)	Total Current Liabilities		(60,290)	
15,056	Net Current Assets/(Liabilities)			7,260
347,337				321,920
(19,822)	Long Term Borrowing	30	(19,302)	
(2,981)	Deferred Liabilities	27	(1,760)	
-	Provisions	25	-	
(44,286)	Government Grants – Deferred		(52,077)	
(39,256)	Liability Related to Defined Benefit Pension Scheme	33	(86,501)	(159,640)
240,992	Total Assets less Liabilities			162,280
(226,687)	Capital Adjustment Account	26		(176,770)
(431)	Financial Instruments Adjustment Account	26/34		(1,857)
(4,557)	Revaluation Reserve	26		(20,874)
(10,182)	Capital Receipts Unapplied	26		(6,955)
(1,462)	Deferred Capital Receipts	24		(1,428)
39,256	Pensions Reserve	33		86,501
(24,690)	Reserves – General	26		(28,894) *
(616)	– Collection Fund			(691)
(4,639)	– School			(4,391)
(6,984)	Revenue Balances – General			(6,921)
(240,992)	Total Equity	31		(162,280)

Cashflow Statement

Actual 2007/08 £'000		Actual 2008/09 £'000	Actual 2008/09 £'000	Notes
	Revenue Activities			
	<i>Cash Outflows</i>			
138,277	Cash Paid to and on behalf of Employees	144,026		
130,528	Other Operating Cash Payments	136,793		
45,669	Housing Benefit Paid Out	50,422		
4,339	Payment of Police Precept	5,126		
2,281	Payment of Fire Precept	2,368		
58	Payments to the Capital Receipts Pool	24		
41,474	Payment to NDR Pool	43,612		
362,626			382,372	
	<i>Cash Inflows</i>			
(2,959)	Rents (after Rebates)	(3,118)		
(37,817)	Council Tax Receipts	(39,700)		
(43,910)	Non Domestic Ratepayers	(47,645)		
(47,974)	Non Domestic Rate Income from National Pool	(53,338)		
(8,051)	Revenue Support Grant	(7,425)		
(48,484)	DWP Grants for Benefits	(47,206)		
(141,639)	Other Government Grants	(138,886)		35
(14,029)	Cash Received for Other Goods and Services	(13,961)		
(23,502)	Other Revenue Cash Payments/Income	(27,375)		
(368,365)			(378,654)	
	Dividends from Joint Ventures and Associates			
	<i>Cash Inflows</i>			
(140)	Dividends Received		(100)	
(5,879)	REVENUE ACTIVITIES NET CASHFLOW		3618	36
	Returns on Investments and Servicing of Finance			
	<i>Cash Outflows</i>			
864	Interest Paid	978		
	<i>Cash Inflows</i>			
(1,973)	Interest Received	(3,043)		
(1,109)			(2,065)	
	Capital Activities			
	<i>Cash Outflows</i>			
27,281	Purchase of Fixed Assets	37,697		
1,648	Other Capital Cash Payments	1,931		
28,929		39,628		
	<i>Cash Inflows</i>			
(17,692)	Sale of Fixed Assets	(3,289)		
(13,761)	Capital Grants Received	(21,251)		
(440)	Other Capital Cash Receipts	(211)		
(31,893)		(24,751)	14,877	
	Acquisitions and Disposals			
-	No transactions	-		
(9,952)	Net Cash (Inflow)/Outflow before Financing		16,430	
	Management of Liquid Resources			
13,700	Net Increase/(Decrease) in Short Term Deposits		(2,000)	
-	Net Increase/(Decrease) in Other Liquid Resources		-	
	Financing			
	<i>Cash Outflows</i>			
-	Repayment of Amounts Borrowed – Long Term	-		
-	– Short Term	-		
-		-		
	<i>Cash Inflows</i>			
-	New Loans Raised – PWLB	-		
-	– Other	-		
(4,000)	New Short Term Loans	(14,700)		
(4,000)			(14,700)	
(252)*	(Increase)/Decrease in Cash and Cash Equivalents		(270)	37

Notes to the Core Financial Statements

Income and Expenditure Account

1. Leasing

1(a) Where Halton Borough Council is the Lessee

The Council uses leased vehicles, wheeled bins and other equipment financed under operating leases. During 2008/09 the Council has arranged 4 new leases of vans, grounds maintenance equipment, minibuses and gritters with a total value of £1,383,910.

The amount paid in rental under operating leases in 2008/09 was £215,420 (2007/08 £70,381), with outstanding obligations of £1,199,782 (31.3.08 £259,419). The amount paid in rental under finance leases in 2008/09 was nil (2007/08 nil), with no outstanding obligations.

1(b) Where Halton Borough Council is the Lessor

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

	<i>Annual Rent due to HBC 2007/08</i>	<i>Depreciation on Assets 2007/08</i>	<i>Annual Rent due to HBC 2008/09</i>	<i>Depreciation on Assets 2008/09</i>
	£	£	£	£
Industrial Estates				
– Wholly Owned	1,047,062	405,993	962,736	426,507
– Shared Ownership with Pochins (50:50)	48,772	23,348	52,601	45,920
Offices	153,567	66,887	176,016	120,789
Other Land and Properties	306,035	222,676	434,332	222,676
Shops	170,750	140,676	162,100	160,613
Public Houses Ground Rent	54,530	-	53,600	-
Car Parks	1,744	-	2,674	-
	1,782,460	859,580	1,844,059	976,505

Notes to the Core Financial Statements continued

2. Trading Operations

The Council operates public markets, several industrial estates and owns a successful transport undertaking. A brief summary and comparison with 2007/08 is detailed below:

Income 2008/09	Expenditure 2008/09	Trading (Surplus)/ Deficit 2008/09	Trading (Surplus)/ Deficit 2007/08	Trading Account	Asset Rentals 2008/09	Total inc. Asset Rental 2008/09
£'000	£'000	£'000	£'000		£'000	£'000
(900)	848	(52)	(29)	Markets	137	85
(1138)	451	(688)	(526)	Industrial Estates	594	(93)

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

	2007/08 £'000	2008/09 £'000
Markets	100	85
Industrial Estates	(97)	(93)
Halton Transport Dividend	(100)	(100)
	(97)	(108)

Halton Transport is a wholly owned subsidiary of the Council and further details of its operations are shown in Balance Sheet Note 20.

Notes to the Core Financial Statements continued

3. Agency and Pooled Budget Expenditure

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

Adults with Learning Disability Services in Halton

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

Revenue 2007/08 £'000		Revenue 2008/09 £'000
	Funding	
(4,227)	Halton & St. Helens Primary Care Trust	(2,513)
(8,530)	Halton Borough Council	(10,057)
(41)	Other Income	(413)
262	Less Income Under Achieved	395
(12,536)	Total Funding	(12,588)
	Expenditure	
1,142	Nursing Care	1,099
1,124	Residential Care	1,112
2,842	Supported Living	2,827
2,679	Homecare	2,382
1,834	Day Services	1,864
1,192	Specialist Learning Disabilities Team	916
44	Support for Advocacy	40
7	Support for Carers	-
556	Respite	419
1,087	Senior Managers	1,319
20	Adult Placement	40
9	Other	46
12,536	Total Expenditure	12,064
-	(Surplus)/Deficit for the Year	(524)
-	Balance brought forward	-
-	(Surplus)/Deficit for the Year	(524)
-	Surplus Returned to Partners (80%:20%)	524
-	Balance carried forward	-

Notes to the Core Financial Statements continued

3. Agency and Pooled Budget Expenditure (continued)

Halton Integrated Community Equipment Service

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

Revenue 2007/08 £'000		Revenue 2008/09 £'000
(192)	Funding	
(209)	Halton Borough Council	(445)
	Halton & St. Helens Primary Care Trust	(195)
(401)	Total Funding	(640)
	Expenditure	
77	Management Fee	120
247	Stock	291
77	Halton & St. Helens PCT Expenditure	120
401	Total Expenditure	531
-	(Surplus)/Deficit for the Year	(109)
-	Balance brought forward	-
-	(Surplus)/Deficit for the Year	(109)
-	Surplus Returned to Partners (70%:30%)	109
-	Balance carried forward	-

Notes to the Core Financial Statements continued

3. Agency and Pooled Budget Expenditure (continued)

Children with Disabilities

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

Revenue 2007/08 £'000		Revenue 2008/09 £'000
(843) (1,414)	Funding Halton & St. Helens Primary Care Trust Halton Borough Council	(1,313) (1,073)
(2,257)	Total Funding	(2,386)
104 - 801 20 180 11 17 435 490	Expenditure Management Commissioned Services Shaping Services Direct Payments Grants to Voluntary Organisations Training Equipment Provision Childrens Disability Scheme Inglefield	108 175 735 23 19 - 27 513 510
2,058	Total Expenditure	2,110
(199)	(Surplus)/Deficit for the Year	(276)
- (199) 199	Balance brought forward (Surplus)/Deficit for the Year Surplus Returned to Partners (55%:45%)	- (276) 276
-	Balance carried forward	-

Notes to the Core Financial Statements continued

3. Agency and Pooled Budget Expenditure (continued)

Intermediate Care

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

Revenue 2007/08 £'000		Revenue 2008/09 £'000
(306)	Funding	
(770)	Halton & St. Helens Primary Care Trust	(592)
	Halton Borough Council	(665)
(1,076)	Total Funding	(1,257)
	Expenditure	
33	Management	66
333	Therapy Team	270
117	Nursing Team	119
125	Social Work Team	129
267	Care Team	261
35	Administration Team	37
122	Winter Pressures	65
44	Other Expenditure	126
1,076	Total Expenditure	1,073
-	(Surplus)/Deficit for the Year	(184)
-	Balance brought forward	-
-	(Surplus)/Deficit for the Year	(184)
-	Surplus Returned to Partners (53%:47%)	184
-	Balance carried forward	-

Notes to the Core Financial Statements continued

4. S137 Expenditure

Under S137 of the Local Government Act 1972, as amended, the Council (subject to various conditions and limits) is empowered to make contributions to certain charitable funds, not-for-profit bodies providing a public service in the United Kingdom and mayoral appeals. The Council's expenditure under this power was mainly on donations to voluntary bodies working in the local area as detailed below:

	2007/08 £'000 (£5.48 per head)	2008/09 £'000 (£5.70 per head)
Permitted to Spend	655	681
Actual Spend	310	269

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 2008/09 compared with 2007/08:

	2007/08 £'000	2008/09 £'000
Recruitment Advertising	277	388
General Advertising/Marketing	665	839
Promotional Expenditure	219	314
	1,161	1,541

6. Local Authority (Goods and Services) Act 1970

Subject to the provisions of Section 1 of the 1970 Act, a Council may enter into an agreement to supply certain goods and services. In 2008/09 the Council supplied payroll services to Riverside College.

	2007/08 £'000	2008/09 £'000
The income generated from this activity was	(12)	(15)
The related costs were	12	15
Out of a total departmental budget of	416	1,228

Notes to the Core Financial Statements continued

7. Exceptional Items

There are no exceptional items to report.

8. Officers' Emoluments

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

Remuneration Band	2007/08 Teaching	2007/08 Non Teaching Restated	2008/09 Teaching	2008/09 Non Teaching
£50,000-£59,999	37	29	67	27
£60,000-£69,999	7	7	12	24
£70,000-£79,999	4	13	3	9
£80,000-£89,999	1	3	2	13
£90,000-£99,999	-	1	1	-
£100,000-£109,999	-	2	1	3
£110,000-£119,999	-	-	-	1
£120,000-£129,999	-	-	-	-
£130,000-£139,999	-	-	-	-
£140,000-£149,999	-	-	-	-
£150,000-£159,999	-	1	-	-
£160,000-£169,999	-	-	-	1

9. Members' Allowances

During the year £702,900 (2007/08 £673,210) was paid to Members and includes mayoral and deputy allowances.

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 2007/08</i>	<i>Receipts £m 2008/09</i>	<i>Payments £m 2007/08</i>	<i>Payments £m 2008/09</i>
Central Government and Government Agency				
– General Revenue Support	(56.03)	(74.66)		
– Specific Revenue Grants	(141.21)	(124.49)		
– DSS Support to Rebates/Allowances	(47.10)	(51.31)		
– Capital	(9.91)	(21.11)		
Cheshire County Council				
– 3C Waste Rent*	(0.06)	(0.07)		
– Home Office Services			0.14	0.14
Cheshire Police Authority – Precept			4.34	5.13
Parish Councils – Precept			0.03	0.04
Cheshire Fire Authority – Precept			2.28	2.37
Environmental Agency – Levy			0.06	0.06
Halton Housing Trust	(2.26)	(2.66)	0.44	0.49

*3C Waste for 2007/08 covers three quarters and 2008/09 covers four quarters.

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

The significant accruals for debtors and creditors outstanding at the year end and regarding related parties are summarised below.

	Debtors £m	Creditors £m
Department of Transport – Section 31 Grant Claims	3.20	
Department of Transport – Revenue Support	3.00	
Govt. Office North West – Grant Claims	2.88	
HMRC – VAT Reimbursement	2.44	
DCLG – Council Tax/Housing Benefit Subsidy	2.14	
HHT – Right to Buy/VAT Shelter	0.62	
Inland Revenue – March Income Tax Deductions		2.67
DCLG – NDR Contribution to Pool		1.17
Halton & St. Helens PCT – various		0.80
Teachers Pensions Agency – March Contributions		0.62
Warrington & Halton NHS Trust – Various		0.07
St. Helens MBC – various		0.05
	14.28	5.38

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 33 to the Balance Sheet).

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

Notes to the Core Financial Statements continued

10. Related Party Transactions (continued)

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 2008/09 the system has highlighted that twelve Members had interests in various voluntary sector bodies, some of which receive grant support from the Council, and more specifically one Member was on the board of Halton Housing Trust. The declarations also showed that two Executive Officers represent the Council on the boards of various bodies within the borough, some of which receive grant assistance.

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> 2007/08 £'000	<i>Chargeable</i> 2008/09 £'000	<i>Non Chargeable</i> 2007/08 £'000	<i>Non Chargeable</i> 2008/09 £'000	<i>Total</i> 2007/08 £'000	<i>Total</i> 2008/09 £'000
Expenditure						
Employee Expenses	191	182	120	114	311	296
Premises	6	15	14	11	20	26
Supplies & Services	22	23	11	11	33	34
Transport	3	2	2	2	5	4
Central and Support Service Charges	74	96	98	98	172	194
Total Expenditure	296	318	245	236	541	554
Income						
Building Regulation Charges	(302)	(236)	-	-	(302)	(236)
Miscellaneous Income	-	-	-	-	-	-
Total Income	(302)	(236)	-	-	(302)	(236)
(Surplus)/Deficit for Year	(6)	82	245	236	239	318

12. Audit Fees

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

	<i>2007/08</i> £'000	<i>2008/09</i> £'000
Fees Payable for		
– Audit	202	229
– Inspections	123	22
– Grants and Returns	81	71
	406	322

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)

Two BID schemes have been set up in Halton for the purpose of providing additional service or improvements to Astmoor and Halebank industrial areas. These are funded by a levy additional to the non-domestic rate on ratepayers in the BID area. The BID schemes became operational in April 2008 and will involve investment in the areas over the next 5 years. In accordance with the relevant guidance the Council as billing authority is acting as an agent and therefore most BID transactions would not be recognised in the Income and Expenditure Account but be dealt with as Balance Sheet items. The exceptions being BID levy collection costs and associated reimbursement income and income from services supplied by the billing authority for the BID project on a paid basis. Under the Local Government Act 2003, the council must keep a separate BID revenue account for each BID.

Astmoor BID Revenue Account	2007/08 £'000	2008/09 £'000
Income		
BID Levy Income	-	(164)
Other Income	-	(13)
Total Income	-	(177)
Expenditure		
Cost of Collecting Levy	-	8
Council Expenditure on Providing Services	-	30
Payment for Services Provided by Other Parties	-	42
Increased Provision for Bad Debts	-	6
Total Expenditure	-	86
Surplus for the Year	-	(91)
Surplus Brought Forward	-	-
Surplus Carried Forward	-	(91)

Halebank BID Revenue Account	2007/08 £'000	2008/09 £'000
Income		
BID Levy Income	-	(45)
Other Income	-	(6)
Total Income	-	(51)
Expenditure		
Cost of Collecting Levy	-	2
Council Expenditure on Providing Services	-	15
Payment for Services Provided by Other Parties	-	5
Increased Provision for Bad Debts	-	1
Total Expenditure	-	23
Surplus for the Year	-	(28)
Surplus Brought Forward	-	-
Surplus Carried Forward	-	(28)

Notes to the Core Financial Statements continued

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

Details of the deployment of DSG receivable for 2008/09 are as follows:

Total 2007/08		Central Expenditure 2008/09	Individual Schools Budget 2008/09	Total 2008/09
£'000		£'000	£'000	£'000
(75,690)	Original Grant Allocation to Schools Budget for the current year in the Council's Budget	(8,819)	(69,161)	(77,980)
125	Adjustment to finalised grant allocation	-	21	21
(75,565)	DSG receivable for the year	(8,819)	(69,140)	(77,959)
75,535	Actual Expenditure for the year	8,930	69,388	78,318
(30)	Over/(Under) Spend for the year	111	248	359
-	Planned Top-up Funding of the ISB from Council Resources	-	-	-
417	Use of Schools Balances brought forward		(248)	(248)
(1,563)	Over/(Under) Spend from prior year	(1,176)	-	(1,176)
(1,176)	Over/(Under) Spend carried forward to 2008/09	(1,065)	-	(1,065)

16. General Government Grant

The Council received the following revenue grants from the government that are not attributable to specific services during the financial year.

2007/08 £'000		2008/09 £'000
(8,051)	Revenue Support Grant	(7,425)
-	Local Authority Business Initiative	(6)
-	Area Based Grant	(13,891)
(8,051)		(21,322)

Notes to the Core Financial Statements continued

Statement of Movement on the General Fund

17. Analysis of Movement on General Fund

<i>2007/08 Restated</i>		Net Expenditure 2008/09
£'000		£'000
	<i>Amounts included in the Income and Expenditure Account but required by statute to be excluded when determining the Movement on the General Fund for the year</i>	
(611)	Amortisation of Intangible Fixed Assets	(652)
(18,315)	Depreciation and Impairment of Fixed Assets	(18,851)
(2,785)	– Depreciation	(48,850)
3,266	– Impairments	11,428
(458)	Government Grants Deferred Amortisation	(129)
3,300	Write Downs of Deferred Charges to be financed from Capital Resources	1,843
(8,289)	Net Gain or (Loss) on Sale of Fixed Assets	(11,762)
	Net Charges made for Retirement Benefits in accordance with FRS17	
(23,892)		(66,973)
	<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 for the year</i>	
1,222	Minimum Revenue Provision for Capital Financing	1,546
468	Capital Expenditure charged in year to the General Fund	502
(41)	Transfer from Usable Capital Receipts to meet payments to the Housing Capital Receipts Pool	(16)
9,912	Employer's Contributions payable to the Pension Fund and Retirement Benefits payable direct to pensioners	10,612
11,561		12,644
	<i>Transfers to and from the General Fund that are required to be taken into account when determining the Movement on the General Fund for the year</i>	
8,366	Contribution to/(from) Reserves	4,205
8,366		4,205
(3,965)	AMOUNT TO BE MET FROM GOVERNMENT GRANT AND LOCAL TAXPAYERS	(50,124)

The impairments line represents capital expenditure which did not add value to fixed assets and the effect of negative revaluations.

Notes to the Core Financial Statements continued

Balance Sheet

18(a) Fixed Assets

Movements in fixed assets during the year were as follows:

Total 2007/08		Operational Assets				Non Operational Assets			Intangible Assets	Total 2008/09
		Land and Buildings	Community Assets	Infrastructure Assets	Vehicles, Plant and Equipment	Investment	Under Construction/ Development	Surplus		
£'000	Cost or Valuation	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
375,342	As at 1 April 08	225,763	4,686	108,423	5,435	16,944	15,463	4,737	3,257	384,708
24,780	Additions and Enhancements	-	460	17,133	1,175	-	4,763	8,533	1,310	33,374
(17,768)	Disposals/Alienations	-	-	(685)	(1,245)	-	-	(1,014)	(965)	(3,909)
-	Reclassifications	1,709	182	-	-	(676)	(1,947)	732	-	-
2,354	Revaluations/Impairments	(35,274)	-	-	-	(5,538)	(17,222)	3,764	-	(54,270)
384,708	As at 31st March 09	192,198	5,328	124,871	5,365	10,730	1,057	16,752	3,602	359,903
(40,621)	Depreciation									
(19,007)*	As at 1 April 08	(17,082)	(369)	(33,146)	(1,991)	(552)	(20)	(101)	(1,460)	(54,721)
-	Depreciation for the year	(8,282)	(257)	(8,486)	(1,013)	(760)	(7)	(47)	(651)	(19,503)
-	Disposals /Alienations	-	-	685	1,245	-	-	148	965	3,043
-	Reclassifications	-	(91)	-	-	-	-	-	-	(91)
4,907	Depreciation on Assets Revalued	22,640	-	-	-	1,307	27	-	-	23,974
(54,721)	As at 31 March 09	(2,724)	(717)	(40,947)	(1,759)	(5)	-	-	(1,146)	(47,298)
329,987	Balance Sheet Amount as at 31 March 09	189,474	4,611	83,924	3,606	10,725	1,057	16,752	2,456	312,605
334,721	Balance Sheet Amount as at 1 April 08	208,681	4,317	75,277	3,444	16,392	15,443	4,636	1,797	329,987

There are no assets held under finance leases or PFI arrangements

Notes to the Core Financial Statements continued

18(b) Financing of Capital Expenditure

	2007/08 £'000	2008/09 £'000
Expenditure during year:		
– Fixed Assets	24,778	32,922
– Other Capital Expenditure	2,785	3,900
– Grants & Advances – General	401	502
– Grants & Advances – Improvements to Property	1,114	1,134
	29,078	38,458
Financed by:		
– Loans – Supported	4,829	3,767
– Prudential	4,837	6,326
– Grant – Central Government	7,579	9,667
– Other	2,326	10,275
– Capital Receipts	8,557	5,834
– Private Developers	482	2,087
– Revenue	468	502
	29,078	38,458

The analysis above shows the Council spent £41.458m during 2008/09. This represents spend at 87% of the programme compared with the target spend of 90%. The highlights of the programme were:

	£m	£m
Construction or Purchase of Assets		
Bayer Site Acquisition	5.540	
Mersey Gateway Acquisition	2.562	
IT Rolling Programme	1.957	
Runcorn Travellers Site	0.624	
Recycling Bins	0.304	
		10.987

Notes to the Core Financial Statements continued

18(b) Financing of Capital Expenditure (continued)

	£m	£m
Improving, Maintaining or Extending Assets		
Highway/Bridge Maintenance	12.770	
Extension to Cavendish/Brookfields Schools	1.672	
Runcorn Town Hall Refurbishment	1.121	
Halton Lea Library Refurbishment	0.792	
Disability Discrimination Works	0.288	
Riverview Site Improvements	0.090	
Victoria Park Refurbishment	0.060	
		16.793
Other Works		
Regeneration - Ditton Strategic Rail Freight Park (3MG)	1.906	
- Widnes Waterfront	1.205	
- Castlefields	0.699	
- Local Strategic Plan Programme	0.598	
Landfill Tax Works	0.212	
Improvements to Allotments	0.069	
		4.689

Disposal of Assets/Capital Receipts

Land/Dwellings/Recovered Advances – the Council received £0.672m from the sale of land and various properties.

Under residual arrangements, the Council received £0.385m (£1.306m in 2007/08) from Halton Housing Trust for the sale of homes during the year, and a further £1.544m (£0.276m in 2007/08) under VAT Shelter arrangements.

Notes to the Core Financial Statements continued

18(c) Contingent Liabilities – Contractual

Significant Contractual Commitments

The liabilities are analysed below:

Scheme	Purpose	Approx. Value £'000	Duration
Highways			
A558/A56	Junction Improvement	1,300	1 month
Highway Improvement	Term Contract	1,000	1 year
Property Services			
Halton Lea Library	Refurbishment	717	5 months

18(d) Finance Leases

There are no outstanding commitments.

18(e) Operating Leases

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

	2007/08 Other £	2008/09 Other £
Less than 1 year	-	5,186
2 to 5 years	42,425	210,234
5 years plus	27,466	-
	69,891	215,420

Notes to the Core Financial Statements continued

18(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	Car Parks	5
Crematorium	1	Civic Centre/Theatre	1	Schools	53
Swimming Baths	1	Markets	2	Libraries	3
Leisure/Sports Centre	3	Learning Centres	1	Depots	3
Youth/Community Centres	10	Public Conveniences	2		
Play Centres	2	Social Service Buildings	14		
Gypsy Site	2	Community/Sports Stadium	1		

Operational Equipment

Variety of items, mainly computer equipment. The Councils vehicles are either leased or rented.

Infrastructure Assets

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

Roads	567.6km	Street Lighting Columns	19,500
Puffin Crossings	19	Bridges/Structures	275
Pelican Crossings	1	Traffic Signals	56
Toucan Crossings	4		

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	6
Residential Land	72.5 acres	Industrial Estates	5
Commercial Land	13.0 acres	Miscellaneous Properties	20

Notes to the Core Financial Statements continued

18(g) Method of Valuation

General

The freehold and leasehold land and properties which comprise the Council's property portfolio were valued at 1st April 2009 by the Council's in house valuer Mr P O'Donnell BA (MRICS).

During the year a full revaluation of part of the portfolio took place as part of a rolling programme of revaluations. In view of the recent downturn in the economic environment a desktop review was undertaken on all other land and property assets.

The properties have been valued on the under mentioned basis in accordance with the CIPFA code Statement of Asset Valuation and Practice and Guidance Notes of the Royal Institution of Chartered Surveyors.

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 Council's civic regalia, paintings, artefacts and other items, either donated or purchased, were valued in August 2007 by Bonhams of Chester (auctioneers and valuers). They are included on the balance sheet at insurance valuations.

Infrastructure

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

Vehicles, Plant and Equipment

The majority of the Council'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 Council which are not directly involved in the delivery of a service. They are included at market value.

Notes to the Core Financial Statements continued

18(g) Method of Valuation (continued)

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.

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.

19. Intangible Assets

	Balance at 1st April 2008	Expenditure	Amounts amortised	Balance at 31st March 2009
	£'000	£'000	£'000	£'000
Software Licences	1,797	1,310	(651)	2,456

The reclassification required by the Statement of Recommended Practice highlighted the need to show separately a new category of intangible assets. The Council has identified various software licences which fall within this category. Also see Note 18(a) to the balance sheet.

20. Investments

The investments consist of:

	Balance at 31/03/08 £'000	Balance at 31/03/09 £'000
Halton Borough Transport Ltd.		
– Share Capital	430	430
– Debenture	60	53
Halton Development Partnership Limited – de minimus	-	-
Widnes Regeneration Limited – de minimus	-	-
	490	483

Notes to the Core Financial Statements continued

20. Investments (continued)

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

	<i>Year to 31st March 2008 £'000</i>	<i>Year to 31st March 2009 £'000</i>
Profit and Loss Account		
Turnover	(4,750)	(5,414)
Operating and Other Expenditure	4,650	5,273
Net (Profit)/Loss (before Dividend)	(100)	(141)
Dividend due to Borough Council	(100)	(100)
Balance Sheet as at 31st March		
Fixed Assets	2,820	3,005
Current Assets less Current Liabilities	(886)	(949)
Net Current Assets	1,934	2,056
Long Term Liabilities	(549)	(651)
Provisions for Liabilities and Charges	(146)	(136)
Pension Scheme Liability	(14)	(810)
	1,225	459
Represented by:		
Share Capital	(430)	(430)
Profit and Loss Account	(795)	(29)
	(1,225)	(459)

The undertaking received an unqualified audit opinion for the year ended 31st March 2009.

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

Notes to the Core Financial Statements continued

21. Stocks and Work in Progress

	<i>31st March 2008</i> £'000	<i>31st March 2009</i> £'000
Catering – Bars – Provisions	130	159
Other	121	170
Railcards	10	10
	261	339

22. Debtors

	<i>31st March 2008</i> £'000	<i>31st March 2009</i> £'000
<i>Short Term</i>		
Non Domestic Rates	976	2,031
Council Tax	3,141	3,354
Summons Costs	333	370
Central Government	3,343	7,602
General	12,627	18,899
	<i>20,420</i>	<i>32,256</i>
Less Provision for Non-Payment	<i>(6,735)</i>	<i>(7,988)</i>
	13,685	24,268
<i>Long Term</i>		
Mortgagors – Council House Sales	65	47
Housing Associations	1,130	1,115
Other	609	410
	1,804	1,572

Notes to the Core Financial Statements continued

23. Creditors

	<i>31st March 2008</i> £'000	<i>31st March 2009</i> £'000
Government Departments	(559)	(1,175)
Payroll Related	(3,442)	(3,353)
Land Sale Deposits	(99)	(99)
Capital	(1,993)	(1,117)
Credit Balances, Council Tax and NDR	(623)	(1,466)
Invoices in Payment Process	(4,169)	(5,890)
Late Invoices and Accruals	(9,588)	(9,605)
	(20,473)	(22,705)

24. 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.

	<i>31st March 2008</i> £'000	<i>31st March 2009</i> £'000
Mortgages – Former Right to Buy	(65)	(47)
– Housing Associations	(1,130)	(1,115)
– Castlefield Equity Advances	(266)	(266)
– Other	(1)	-
	(1,462)	(1,428)

25. Provisions

Other than the normal provision against bad debt shown deducted from debtors under Note 22, the Council held no specific provisions at 31st March 2009.

Notes to the Core Financial Statements continued

26. Reserves

In addition to general reserves the Council holds the following more specific reserves:

	Opening Balance 01/04/2008 £'000	£'000	£'000	Closing Balance 31/03/2009 £'000
		Alienations	Revaluations	
Revaluation Reserve This account holds the effect of any revaluations since the 1 st April 2007	(4,557)	-	(16,317)	(20,874)
		Movement		
Financial Instruments Adjustment Account This account records the difference between the historical cost of an instrument and its carrying value as the 31 st March	(431)	(1,426)		(1,857)
		Movement		
Capital Adjustment Account This account reflects the transactions in year relating to the financing of assets.	(226,687)	49,917		(176,770)
		Receipts	Financing	
Capital Receipts Reserve This account shows the value of unused capital receipts available to help finance the capital programme.	(10,182)	(2,620)	5,847	(6,955)

Significant Movements on General Reserves:

Capital – the reserve has been increased to help with funding the capital programme in future years.

Invest to Save – the reserve has been increased to help to meet the upfront costs of implementing schemes that will reduce future revenue costs.

Supporting People – the reserve has been increased to continue to fund future schemes to help people within the community.

Building Schools for the Future – funding has been returned to revenue and has been spent on the Building Schools for the Future programme by the Childrens and Education Service.

Notes to the Core Financial Statements continued

26. Reserves (continued)

The Council maintains the following Reserves:

	1st April 2008 £'000	Movement in year £'000	31st March 2009 £'000
Capital (to support Capital Programme)	(8,812)	(864)	(9,676)
Insurance General Fund (to meet future claims not covered by insurance)	(3,789)	378	(3,411)
Insurance Former HRA Properties (to offset pre LSVT claims)	(1,508)	57	(1,451)
Performance Grant (earmarked to support 2009/10 Revenue Budget)	-	(250)	(250)
Sports Development (To support the ongoing development of Halton sports)	-	(71)	(71)
Working Neighbourhoods Fund (earmarked to support 2009/10 Revenue Budget)	-	(415)	(415)
C&YP Carry Forward (used to support 2008/09 Revenue Budget)	(350)	350	-
Business Link (returned monies following the wind-up of Business Link)	(14)	-	(14)
Revenue Priorities Fund (earmarked funding carried forward)	(357)	(258)	(615)
Landfill Usage (notional value of unused allowance)	(147)	147	-
Health is Wealth (to improve the health and well being of people in the region)	(10)	10	-
Invest to Save (to fund investments in revenue saving initiatives)	(1,018)	(1,889)	(2,907)
Major Project Fees (to fund future major project implementation costs)	(117)	27	(90)
Neighbourhood Management (earmarked to fund future project costs)	(210)	(23)	(233)
Halton Castle Duchy of Lancaster (Halton Castle Restoration Project)	(116)	12	(104)
Supporting People (earmarked to fund future schemes)	(521)	(1,056)	(1,577)
Building Schools for the Future (to fund future implementation costs)	(2,203)	770	(1,433)
Halton Safeguarding Children Board (earmarked partnership contributions towards safeguarding of Halton children)	(100)	19	(81)
Alliance Board (earmarked contributions to implement the C&YP plan)	(72)	72	-
CYPD CAMHs & Care Matters (Grant to be utilised in 2009/10)	(3)	(127)	(130)
Enterprise and Employment (to fund E&E activities for future years)	(1,443)	(224)	(1,667)
Health & Community (to support the 2009/10 revenue budget)	(750)	54	(696)
Mersey Gateway (to fund future planning work re Mersey Gateway)	(400)	73	(327)
Core Strategy (to fund Local Development Framework Core Strategy Costs)	(250)	-	(250)

(continued over leaf)

Notes to the Core Financial Statements continued

26. Reserves (continued)

	1st April 2008 £'000	Movement in year £'000	31st March 2009 £'000
Equal Pay (To fund any costs arising from equal pay claims)	(2,500)	1	(2,499)
Housing Planning Delivery Grant (to fund on-going projects)	-	(35)	(35)
Growth Points (to fund future initiatives to be identified by the Growth Points partnership)	-	(146)	(146)
PCT Drug Treatment (Funding for drug and alcohol misuse treatment)	-	(583)	(583)
Olympic Legacy Fund (To support the on-going development of sports in Halton)	-	(109)	(109)
Arts Development Strategy Fund (To support the medium term arts development strategy)	-	(125)	(125)
Total All Reserves	(24,690)	(4,205)	(28,895)

27. Deferred Liabilities

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

	Balance at 31st March 2008 £'000	Balance at 31st March 2009 £'000
Private Developers Transferred Liabilities – Latent Liabilities	(2,981)	(1,760)
	(2,981)	(1,760)

Any sums received against future maintenance liabilities are now permanently set aside each year. In 2008/09 £0.1m was set aside.

28. 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 remaining balances were fully distributed during 2008/09 leaving £0 (31.3.08 £7.288m)

Notes to the Core Financial Statements continued

28. Contingent Liabilities – Other continued

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

Legal Claims

There are currently no legal claims of significant amounts outstanding.

29. Post Balance Sheet Events

There were no significant post balance sheet events. The accounts were authorised for issue on the 3rd August 2009 by the Operational Director – Financial services and this is the date to which post balance sheet events have been considered.

30. Long Term Borrowing

	<i>Outstanding at 31st March 2008 Restated £'000</i>	<i>Outstanding at 31st March 2009 £'000</i>
Source of Loans:		
Public Works Loan Board	(8,607)	(8,378)
Europaische Hypothekenbank	(11,215)	(10,924)
	(19,822)	(19,302)
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	(19,822)	(19,302)
	(19,822)	(19,302)

Notes to the Core Financial Statements continued

31. Analysis of Net Assets Employed

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

	31st March 2008 £'000 Restated <i>(240,992)</i>	31st March 2009 £'000
Total Equity		(162,280)
Analysis:		
General Fund	<i>(235,737)</i>	(157,198)
Collection Fund (in trust)	<i>(616)</i>	(691)
Schools	<i>(4,639)</i>	(4,391)
	<i>(240,992)</i>	(162,280)

32. Trust Funds

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

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

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

Notes to the Core Financial Statements continued

32. Trust Funds (continued)

		31.3.08	Expenditure/ Payments	Income/ Receipts	31.3.09
		£	£	£	£
(A) Funds for which the Council acts as sole Trustee					
Social Services Special Funds At 31st March the Council was acting as a Trustee for various Social Services clients	Balance	1,533,222			1,829,235
Public Health (Control of Disease) Act 1984 At 31st March the Council was holding various sums under the above Act in respect of public funds	Balance	18,615			18,615
(B) Funds where the Council doesn't have sole control					
<u>Registered Charities</u>					
Knights House Charity Objective: To assist the needy in the Widnes area Charity No. 218886	Assets Liabilities	427,029 (319,104)			279,609 (177,493)
		107,925	(18,783)	12,973	102,116
Runcorn General War Relief Fund Objective: To assist the needy in the Runcorn area Charity No. 505396	Assets Liabilities	32,006 (16,222)			31,247 (15,922)
		15,784	(994)	535	(15,325)
Widnes Educational Foundation Objective: To assist in education opportunities for students in Widnes Charity No. 526510	Assets Liabilities	23,728 (20,893)			17,944 (14,896)
		2,835	(810)	1,022	3,047
<u>Other</u>					
Norton Priory Museum This is a registered charity which has surplus cash and a Walled Garden Fund held by the Borough Council	Balance	447,479			459,243
Other Social Services Funds The Council holds various sums on a voluntary basis for clients. The funds are mainly used to assist in providing recreational activities	Balance	111,362			94,096
Other Childrens Funds The Council holds various sums on a voluntary basis for clients. The funds are mainly used to assist in providing recreational activities	Balance	13,285			2,654
Education Welfare Trust The Council holds a small sum on a voluntary basis from various fundraising activities. The funds are used to pay for additional educational activities	Balance	784			784

Notes to the Core Financial Statements continued

33. Disclosure of Net Pensions Asset/Liability

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

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

The Local Government Pension Scheme administered by Cheshire County Council (now Cheshire West and Chester) – This is a funded scheme, meaning that the Council 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 Pension 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

Change of Accounting Policy

Under the 2008 Statement of Recommended Practice the Council has adopted the amendment to FRS 17. As a result, quoted securities held as assets in the defined benefit pensions scheme are now valued at bid price rather than mid-market value. The effect of the change is that the value of scheme assets at 31 March 2008 has been restated from £258m to £257m, a decrease of £1m, resulting in an increase of the pension deficit to £39m (31 March 2007: increase of £1m to £61m). Current and prior year surplus have been unaffected by this change.

Transactions Relating to Retirement Benefits

In 2008/09 the Council paid an employer's contribution to the Cheshire Pension Fund of £10,602,747 (£9,906,380 in 2007/08), representing 18.6% (18.3% in 2007/08) of pensionable pay.

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

The cost of retirement benefits is shown in the Net Cost of Services when they are earned by employees, rather than when the benefits eventually paid as pensions. However, the charge the Council is required to make against council tax is based on the cash payable in the year, so the real cost of retirement benefits is reversed out in the Statement of Movement on the General Fund. The following transactions have been made in the Income & Expenditure Account and Statement of Movement in the General Fund during the year:

Notes to the Core Financial Statements continued

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

	2007/08 Restated £'000	2008/09 £'000
Income and Expenditure Account		
Net Cost of Services		
Current Service Costs	9,969	7,438
Past Service Costs	869	2,865
Impact of Settlements of Curtailments	-	5
Net Operating Expenditure		
Interest Costs	18,119	20,590
Expected Return on Assets of the Scheme	(19,825)	(18,509)
Net Charge to the Income and Expenditure Account	9,132	12,389
Statement of Movement on the General Fund:		
Reversal of net charges made for retirement benefits in accordance with FRS 17	(9,132)	(12,389)
Actual amount charged against the General Fund for pensions in the year:		
Employers' contributions payable to scheme	10,755	11,239

In addition to the recognised gains and losses included in the Income and Expenditure Account, actuarial gains and (losses) of (£46.095m), (£19.866m 2007/08 restated) were included in the Statement of Total Recognised Gains and Losses. The cumulative amount of actuarial gains and (losses) recognised in the Statement of Recognised Gains and Losses is (£39.234m).

Assets and Liabilities in Relation to Retirement Benefits

Reconciliation of present value of the scheme liabilities

	2007/08 Restated £'000	2008/09 £'000
1 April	333,600	296,756
Current service cost	9,969	7,438
Interest Cost	18,119	20,590
Contributions by scheme participants	3,271	3,663
Actuarial gains and losses	(58,830)	(28,428)
Losses / (gains) on curtailments	-	5
Benefits Paid	(10,242)	(10,624)
Past service costs	869	2,865
31 March	296,756	292,265

Notes to the Core Financial Statements continued

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

Reconciliation of fair value of the scheme assets:

	2007/08 Restated £'000	2008/09 £'000
1 April	272,855	257,500
Expected rate of return	19,825	18,509
Actuarial gains and losses	(38,964)	(74,523)
Employer contributions	10,755	11,239
Contributions by scheme participants	3,271	3,663
Benefits Paid	(10,242)	(10,624)
31 March	257,500	205,764

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date. Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.

The actual return on scheme assets in the year was £56.232m (2007/08: £12.609m).

Scheme History

	2004/05*	2005/06*	2006/07 Restated £'000	2007/08 Restated £'000	2008/09 £'000
Present value of liabilities	(273,700)	(332,100)	(333,600)	(296,756)	(292,265)
Fair value of assets	194,000	252,250	272,855	257,500	205,764
Surplus/(deficit) in scheme	(79,700)	(79,850)	(60,745)	(39,256)	(86,501)

*The council has elected not to restate fair value of scheme assets for 2004/05 and 2005/06 as permitted by FRS 17.

The liabilities show the underlying commitments that the council has in the long run to pay retirement benefits. The total liability of £292m has a substantial impact on the net worth of the council as recorded in the Balance Sheet, resulting in a negative overall balance of £86m.

However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy:

- The deficit on the scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary.

Notes to the Core Financial Statements continued

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

The total contributions expected to be made to the scheme by the Council in the year to 31 March 2010 is £10.68m.

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. The liabilities have been assessed by Hymans Robertson LLP, an independent firm of actuaries, estimates for the pension fund being based on the latest full valuation of the scheme at 1 April 2007. The next valuation is due at 31 March 2010.

The principal assumptions used by the actuary have been:

	2007/08	2008/09
Long-term expected rate of return on assets in the scheme:		
Equity Investments	7.7%	7.0%
Bonds	5.7%	5.4%
Property	5.7%	4.9%
Cash	4.8%	4.0%
Mortality Assumptions:		
Longevity at 65 for current pensioners:		
Men		19.6 years
Women		22.5 years
Longevity at 65 for future pensioners:		
Men		20.7 years
Women		23.6 years
Rate of inflation	3.6%	3.1%
Rate of increase of salaries	5.1%	4.6%
Rate of increase of pensions	3.6%	3.1%
Rate for discounting scheme liabilities	6.9%	6.9%
Take-up of option to convert annual pension into retirement lump sum	50%	50%

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

	31/03/2008	31/03/2009
	%	%
Equity Investments	72	68
Bonds	13	17
Property	10	8
Cash	5	7
	100	100

Notes to the Core Financial Statements continued

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

History of experience gains and losses

The actuarial gains identified as movements on the Pensions Reserve in 2008/09 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2009:

	2004/05*	2005/06*	2006/07 <i>Restated</i>	2007/08 <i>Restated</i>	2008/09
Differences between expected and actual return on assets	% N/A	% N/A	% N/A	% 2.43	% (12.91)
Experience gains and losses on liabilities	1.79	0.10	0.05	0.69	0.00

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

Teachers Pension Scheme

Defined Contribution Scheme

In 2008/09, the Council paid an employer's contribution to the Teachers Pension Agency of £5,178,467 (£5,118,313 2007/08) in respect of teachers' pension costs. The contribution rate was 14.1% (14.1% in 2007/08) of teachers' pensionable pay.

The scheme is a defined benefit scheme. Although the scheme is unfunded, Teachers' Pensions use a notional fund as the basis for calculating the employers' contribution rate paid by local education authorities. However, it is not possible for the Council to identify a share of the underlying liabilities in the scheme attributable to its own employees. For the purpose of the Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution pension scheme.

The Council is responsible for any additional benefits granted upon early retirement, outside the standard terms of the scheme. For the year 2008/09 the cost was £88,892 (2007/08 £100,549).

34. Financial Instruments

Fair Value

The SORP requires that each class of financial asset and liability should disclose the "fair value" in a way that permits it to be compared with its carrying amount, as well as the method used in determining such fair values. The Council has used Sector, its treasury management advisors to calculate these values and they have based the calculation on the appropriate PWLB rate for new loans at the 31st March 2009.

Notes to the Core Financial Statements continued

34. Financial Instruments (continued)

Credit Risk

The main credit risk for the Council arises from the placing of cash on deposit with banks and other financial institutions. There is minimal exposure with the Council's customers. To minimise the risk associated with cash deposits, they are made in accordance with an 'Approved List of Counterparties'. This list was established as one of a series of controls recommended by the CIPFA Code of Practice on Treasury Management which the Council has adopted. An annual Investment Strategy and regular review of the Counterparty List helps to minimise the risk.

It is difficult to assess in financial terms the exposure of the Council to non repayment of its investments, as there are so few examples of major financial institutions failing. However, recent events have highlighted that despite their financial size and prior healthy credit rating institutions can be vulnerable and can fail, so there is most definitely a risk. The table below uses a nominal risk level of 0.5% to calculate a potential loss in the area.

During the year the Council complied fully with the requirements laid out in the code and no counterparty indicated any problem with repaying an investment

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

		Placing > 3 Months £M Limit
Banks	Rated AA or better	7.50
	Below AA	5.00
Building Societies	>£10bn	7.50
	>£5bn<£10bn	5.00
	>£1bn<£5bn	2.50
Other Local Authorities		5.00
Debt Management Office (Government)		2.50

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

The following analysis attempts to summarise the potential exposure to credit risk based on experience of default and uncollectability over the past few years.

Notes to the Core Financial Statements continued

34. Financial Instruments (continued)

	Amount Outstanding 31/03/08 £'000	Amount Outstanding 31/03/09 £'000	Historical Debt Default %	Estimated Exposure 31/03/09 £'000
Deposits with Banks	10,000	7,500	0.50	37.50
Deposits with Building Societies	31,000	31,500	0.50	157.50
Customers/Clients	4,141	5,879	2.50	146.98
				341.98

All Treasury Management indicators were complied with and none of the counterparties had any difficulty in repaying their liabilities. Several organisations either merged or had to seek government support to strengthen their balance sheets during the year. The Council does not anticipate any losses due to non-performance of its counterparties.

The council does not allow credit for customers (except in certain statutory situations), and £2.606m of the £5.879m customer/client debt shown above is over due. An analysis of the debt is shown below;

	31/03/08 £'000	31/03/09 £'000
Less than 3 months	2,113	3,273
3 to 6 months	463	347
6 months to 1 year	372	978
Over 1 year	1,193	1,281
	4,141	5,879
Provision for non payment	(3,674)	(3,749)

Liquidity Risk

The Council has access to borrowings from the Public Works Loan Board (PWLB), and as such is under no significant risk that it is unable to raise finance to meet its financial commitments under financial instruments. However, there is a risk attached to the maturity profile of its borrowing and lending and what rates are prevailing at the time they fall due to be replaced. Halton's current position has arisen due to the housing stock transfer in 2005. As a result of the transfer the Council's debt reduced from £40m to £10m. The post transfer debt being held in one financial instrument for £10m under a lender's option borrower's option (LOBO) arrangement. Under this instrument the lender can exercise every 6 months a review of the interest rate and if the council did not agree with the rate a repayment would then be made. This effectively left the council with the potential for 100% of its debt being repaid at short notice. Since the transfer the Council has only undertaken one new long term borrowing commitment for an additional £10m repayable in 50 years time. This has reduced the volatility to 50%.

Notes to the Core Financial Statements continued

34. Financial Instruments (continued)

Further borrowings, subject to strategy will reduce this risk to a more manageable level.

The maturity analysis of financial liabilities is as follows;

	31/03/08	31/03/09
	£'000	£'000
Less than 1 year	24,999	39,345
Between 1 and 2 years	70	317
Between 2 and 5 years	120	560
Over 5 years	20,000	20,000
	45,189	60,222

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

Market Risk

Interest Rate Risk

The Council is exposed to interest rate movements. They can have a complex impact. For instance a rise in interest rates would have the following effects;

Borrowing variable rates: interest charged to I&E will rise

Borrowing fixed rates: fair value of liabilities will fall

Investment variable rates: interest credited to I&E will rise

Investment fixed rates: fair value of asset will fall.

Nominal gains or losses on fixed rate borrowings do not impact on the Income and Expenditure account. However changes to interest payable and receivable on variable rate borrowings and investments are posted to the Income and Expenditure account and affect the General Fund balance £ for £. Movements in the fair value of fixed rate investments that have a quoted market price will be reflected in the Statement of Recognised Gains and Losses.

The treasury management strategy adopted for the year as part of the code of practice addresses this risk with recommendations for levels of volatility for both long and short term borrowing and lending.

According to this assessment strategy at 31st March 2009, if interest rates had been 1% higher with all other variables held constant, the financial effect would be;

	£'000
Increase in interest payable on variable rate borrowings	76
Increase in interest receivable on variable rate investments	(471)
	(395)

Notes to the Core Financial Statements continued

34. Financial Instruments (continued)

Price Risk

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

Foreign Exchange Risk

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

Other Financial Instruments

The Council does not hold any instruments under the following headings: available for sale, impaired or uncollectable assets, hedge funds, derecognised assets, financial guarantee contracts or assets pledged as collateral.

Financial Instrument Balances

The borrowings and investments disclosed in the balance sheet are made up of the following categories of financial instruments:

	Long-Term		Current	
	31/03/2008 £'000 <i>Restated</i>	31/03/2009 £'000	31/03/2008 £'000 <i>Restated</i>	31/03/2009 £'000
Financial Liabilities at Amortised Cost	(20,000)	(20,000)	(6,000)	(20,700)
Financial Liabilities as Fair Value through Profit and Loss	-	-	-	-
Total Borrowings	(20,000)	(20,000)	(6,000)	(20,700)
Loans and Receivables	-	-	41,000	39,000
Available-for-Sale Financial Assets	-	-	-	-
Unquoted Equity Investment at Cost	-	-	-	-
Total Investments	-	-	41,000	39,000

The Fair Value adjustment
Carrying value includes accrued interest;

	Carrying Value 31/03/2008 £'000	Fair Value 31/03/2008 £'000	Carrying Value 31/03/2009 £'000	Fair Value 31/03/2008 £'000
Financial Liabilities	(26,137)	(25,823)	(40,156)	(41,720)
Loans and Receivables	42,590	42,707	40,969	40,268

Notes to the Core Financial Statements continued

34. Financial Instruments (continued)

Financial Instrument Gains/Losses

The gains and losses recognised in the Income and Expenditure Account and Statement of Total Recognised Gains and Losses in relation to financial instruments are made up as follows:

	Financial Liabilities	Financial Assets		Total £'000
	Liabilities measured at amortised cost £'000	Loans and Receivables £'000	Available-for-sale Assets £'000	
Interest Expense	865	-	-	865
Losses on Derecognition	-	-	-	-
Impairment Losses	-	-	-	-
Interest Payable and Similar Charges	865	-	-	865
Interest Income	-	(2,983)	-	(2,983)
Gains on Derecognition	-	-	-	-
Interest and Investment Income	-	(2,983)	-	(2,983)
Gains on Revaluation	-	-	-	-
Losses on Revaluation	-	-	-	-
Amounts Recycled to the I&E Account after Impairment	-	-	-	-
Surplus arising on Revaluation of Financial Assets			-	
Net Gain/(Loss) for the Year	865	(2,983)	-	

Cashflow Statement

35. Other Revenue Government Grants (by Directorate)

	2007/08 £'000 <i>Restated</i>	2008/09 £'000
Adult Social Care	(8,116)	(5,081)
Corporate & Democratic Core	(425)	(713)
Central Services	(1,086)	(1,020)
Cultural, Environmental & Planning	(5,251)	(5,708)
Children's & Education Services	(113,151)	(110,064)
Highways Roads & Transport	(1,010)	(1,163)
Housing	(10,886)	(12,059)
European Regional Development Fund	(1,711)	(3,079)
Single Regeneration Budget	(3)	(1)
	(141,639)	(138,886)

Notes to the Core Financial Statements continued

36. Reconciliation of Deficit to Net Revenue Cashflow

	2007/08 £'000 Restated	2008/09 £'000	2008/09 £'000
Surplus/(Deficit) for Year	(126)		63
Non Cash Transactions			
Minimum Revenue Provision	1,222	1,546	
Contribution to/from Reserves	5,716	4,205	
Movement on Provisions	472	-	
Other	(444)	(1,904)	3,847
Items on Accruals Basis			
Decrease in Creditors	(2,185)	1,367	
Decrease in Stocks/WIP	15	(78)	
Decrease in Debtors	2,318	(6,752)	(5,463)
Other Items in Statement			
Loan Transactions	(1,109)		(2065)
Revenue Activities Net Cashflow	5,879		(3,618)

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

	31.3.08 £'000 Restated	31.3.09 £'000	Movement £'000
<i>Balance Sheet Movements</i>			
Lending	41,000	39,000	2,000
Borrowing – Long Term	(20,000)	(20,000)	-
– Short Term	(6,000)	(20,700)	14,700
Cash at Bank	(763)	(1,033)	270
	14,237	(2,733)	16,970
<i>Cashflow Statement Balances</i>			
Management of Liquid Resources			2,000
Financing			14,700
(Increase)/Decrease in Cash and Cash Equivalents			270
			16,970

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

Collection Fund

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

Actual 2007/08 £'000		Actual 2008/09 £'000	Note
	Income		
(37,187)	Council Tax Payers	(39,075)	
(8,804)	Transfer from General Fund – Council Tax Benefits	(9,592)	
(40,788)	Business Ratepayers	(45,798)	4
(86,779)		(94,465)	
	Expenditure		
4,338	Precept – Cheshire Police Authority	5,126	3
2,281	Precept – Cheshire Fire Authority	2,368	3
39,044	Demand – Halton Borough Council	40,818	
40,627	Business Rate	45,636	4
161	– Payment to Pool	162	
	– Cost of Collection		
421	Provision for Doubtful/Bad Debts (Council Tax only)	-	
(240)	– Write-Offs	280	
	– Provisions		
86,632		94,390	
(147)	(Surplus)/Deficit for Year	(75)	
(469)	Balance brought forward	(616)	
(616)	(Surplus)/Deficit carried forward	(691)	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 2008/09 at 38,143 (see below), with the Parishes' individual tax bases as follows: Hale 724, Daresbury 140, Moore 349 and Preston Brook 339. During the year two new parishes were created in the borough, Sandymoor and Halebank with tax bases of 816 and 510 respectively.

2. The Council Tax Base Determination

Band	Properties	Ratio	Band D Equivalents
Disabled	42	5/9	23
A	21,660	6/9	14,440
B	9,939	7/9	7,730
C	7,051	8/9	6,268
D	4,134	9/9	4,134
E	3,043	11/9	3,719
F	878	13/9	1,268
G	304	15/9	507
H	27	18/9	54
Total	47,078		38,143
Multiply by Collection Rate (99%)			37,762

3. Precepting Authorities

Halton Borough Council has two precepting Authorities. For 2008/09 Cheshire Police Authority has set its precept at £5,126,361 the equivalent to a Band D charge of £135.75 per property. Cheshire Fire Authority has set its precept at £2,368,055 the equivalent to a Band D charge of £62.71 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 46.2p (45.8p for small businesses) in the pound for 2008/09. 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 as part of the Formula Grant arrangements. The Council's entitlement from the Pool is paid directly into the General Fund.

Notes to the Collection Fund continued

The amount payable to the Pool is as follows:

2007/08 £'000		2008/09 £'000
38,688	NDR Bills issued (Net of Voids & Transitional Relief)	43,647
2,082	Discretionary Relief and Remissions	1,830
119	Debts Written-Off or Provided For	425
(101)	General Fund Contribution to Reliefs and Remissions	(104)
40,788	Net NDR Income	45,798
(161)	Cost of Collection Allowance Payable to General Fund	(162)
40,627	Payable to NDR Pool	45,636

The total non domestic rateable value at 31st March 2009 was £109,496,029.

5. Analysis of Arrears

	Gross		Credits		Prepayments	
	£'000 2007/08	£'000 2008/09	£'000 2007/08	£'000 2008/09	£'000 2007/08	£'000 2008/09
Council Tax	3,141	3,354	(154)	(209)	(128)	(74)
NDR	1,088	2,031	(581)	(1,257)	(112)	(160)

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 Authority, pro rata to the demand/precepts.

Notes to the Collection Fund continued

7. Movement of Collection Fund Surplus

	£'000 2007/08	£'000 2008/09
Council Tax		
Collection Fund Surplus brought forward	(469)	(616)
Deficiency/(Surplus) for the year	93	(355)
Change in Provision	(240)	280
Collection Fund Surplus carried forward	(616)	(691)

Group Accounts

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

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

There have been no significant transactions between the Council and Halton Development Partnership and Widnes Regeneration Ltd.

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

For 2008/09 the consolidation involves Halton Borough Transport Ltd only.

The main effect of consolidation has been to increase revenue reserves by £0.029m, representing the Council's 100% share of accumulated net profits in the company.

The accounting policies of the Council and Halton Borough Transport Ltd are generally consistent except that assets for Halton Borough Transport Ltd are held at historical cost and depreciated accordingly. Also the surplus or deficiency on the pension fund for Halton Transport is charged directly to the revenue account. Full details of the accounting policies are available from Halton Borough Transport Limited, Moor Lane, Widnes. Telephone: 0151-423 3333.

Both bodies have the financial year end 31st March.

Group Income and Expenditure Account

Net Expenditure 2007/08 Restated			Net Expenditure 2008/09
£'000			£'000
105,617	<i>Net Cost of Services</i>	167,849	
(3,300)	Gains or Losses on Disposal of Fixed Assets	(1,843)	
27	Parish Precept Paid	36	
3	Trading (Surplus)/Deficit	(8)	
865	Interest Payable	930	
41	Contribution of Housing Capital Receipts to Government Pool	16	
(2,699)	Interest Receivable	(2,986)	
(1,706)	Tax	38	
(134)	Pension Interest	2,081	
	Share of Surplus of Subsidiaries	566	
98,714	<i>Net Operating Expenditure</i>		166,679
(56,025)	<i>Funded by:</i>		
(39,044)	Government Grants		(74,660)
	Collection Fund		(40,818)
3,645	Deficit/(Surplus) for Year		51,201
(3,965)	Net Additional Amount required by statute and non-statutory proper practices to be debited or credited to the General Fund for the year		(50,124)
(7,878)	Surplus 1.4.08. Council		(7,780)
(4,221)	Surplus 1.4.08. Schools		(4,639)
-	Dividend Paid		-
(7,780)	Surplus 31.03.09. Council		(6,951)
(4,639)	Surplus 31.03.09. Schools		(4,391)

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

2007/08 Restated £'000		2008/09 £'000
3,673	(Surplus)/Deficit for the year on the Council Income and Expenditure Account	50,435
107	Adjustment for Transactions with Other Group Entities	104
3,780	(Surplus)/Deficit in the Group Income and Expenditure Account Attributable to the Council	50,539
	(Surplus)/Deficit in the Group Income and Expenditure Account Attributable to Group Entities (adjusted for Intra-Group Transactions)	
(134)	– Subsidiaries	662
-	– Associates	-
-	– Joint Ventures	-
3,646	(Surplus)/Deficit for the year on the Group Income and Expenditure Account	51,201

Group Statement of Total Recognised Gains and Losses

2007/08 Restated £'000		2008/09 £'000
3,646	(Surplus)/Deficit for the year on Income and Expenditure Account	51,201
170	Any other (gains)/losses required to be included	14
(4,557)	(Surplus)/Deficit arising on revaluation of fixed assets	(16,317)
(431)	(Surplus)/Deficit arising on revaluation of available for sale financial assets	(1,426)
(20,943)	Actuarial (gains)/losses on pension fund assets and liabilities	46,095
(147)	(Surplus)/Deficit on Collection Fund Balance	(75)
(22,262)		79,492

Group Balance Sheet

2007/08 Restated £'000		2008/09 £'000
331,009	Fixed Assets	313,154
1,798	Intangible Assets	2,456
490	Long Term Investments	483
1,314	Long Term Debtors	1,089
57,871	Current Assets	67,813
(43,702)	Current Liabilities	(61,502)
(20,311)	Long Term Borrowing	(19,900)
(42,382)	Other Liabilities	(89,207)
(44,286)	Government Grants Deferred	(52,077)
241,801	Total Assets less Liabilities	162,309
-	Share Capital	-
(226,687)	Capital Reserves	(176,770)
(431)	Capital Adjustment Account	(1,857)
(4,557)	Financial Instruments Adjustment Account	(20,874)
(10,182)	Revaluation Reserve	(6,955)
(1,462)	Capital Receipts	(1,429)
39,242	Deferred Capital Receipts	86,501
(7,779)	Pension Reserve	(6,950)
(24,690)	Revenue Balances	(28,894)
(4,639)	General Fund	(4,390)
(616)	Earmarked Reserves	(691)
(241,801)	School Balances	
	Collection Fund	
(241,801)	Total Equity	(162,309)

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

Group Cashflow Statement

2007/08		2008/09	2008/09
£'000		£'000	£'000
(5,461)	Net Cash Inflow from Revenue Activities		3,118
-	Dividends from Joint Ventures and Associates		-
807	Returns on Investments and Servicing of Finance		
(1,970)	– Interest Paid	1,047	
	– Interest Received	(3,047)	
(1,163)			(2,000)
(26)	Taxation		44
	Capital Expenditure and Financial Investment		
27,280	– Purchase of Fixed Assets	37,713	
-	– Purchase of Long Term Investments	-	
1,648	– Other Capital Cash Payments	1,931	
(17,557)	– Sale of Fixed Assets	(3,289)	
(13,761)	– Capital Grants Received	(21,251)	
(447)	– Other Capital Cash Receipts	(203)	
(2,837)			14,901
(140)	Equity Dividends Paid		-
-	Acquisitions and Disposals		-
(9,627)	Net Cash Inflow before Financing		16,063
	Management of Liquid Resources		
13,700	– Net Increase/Decrease in Short Term Deposits		(2,000)
	Financing		
-	– Repayments of Amounts Borrowed	(14,700)	
(309)	– Capital Element of Finance Lease Rental Payments	399	
(4,000)	– New Loans Raised	-	
(4,309)			(14,301)
(236)	Net Increase in Cash		(238)

Notes to the Group Accounts

1. Group Cash Flow Statement

Reconciliation of Net Surplus to Revenue/Operating Activities

	2007/08	2008/09	
	£'000	£'000	£'000
Surplus for Year	(159)		262
Non Cash Transactions			
Minimum Revenue Provision/Depreciation	970	1,820	
Contribution to/from Reserves	5,716	4,205	
Movement on Provisions	472	-	
Other	(435)	(1,864)	4,161
Items on Accruals Basis			
Increase in Creditors	(2,193)	1,506	
Increase in Stocks/WIP	29	(65)	
Decrease in Debtors	2,310	(6,817)	(5,376)
Other Items in Statement			
Loan Transactions	(1,249)		(2,165)
Revenue Activities Net Cashflow	(5,461)		3,118

Statement of Responsibilities for the Statement of Accounts

The Council's Responsibilities

The Council is required:

- to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Council, the Operational Director – Financial Services has that responsibility;
- to manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- to approve the Statement of Accounts.

The Operational Director – Financial Services' Responsibilities

The Operational Director – Financial Services is responsible for the preparation of the Council's statement of accounts which, in terms of CIPFA/LASAAC Code of Practice on Local Authority Accounting in Great Britain ("the Code of Practice"), is required to present fairly the financial position of the Council at the accounting date and its income and expenditure for the year (ended 31st March 2009).

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

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

The Operational Director – Financial Services has also:

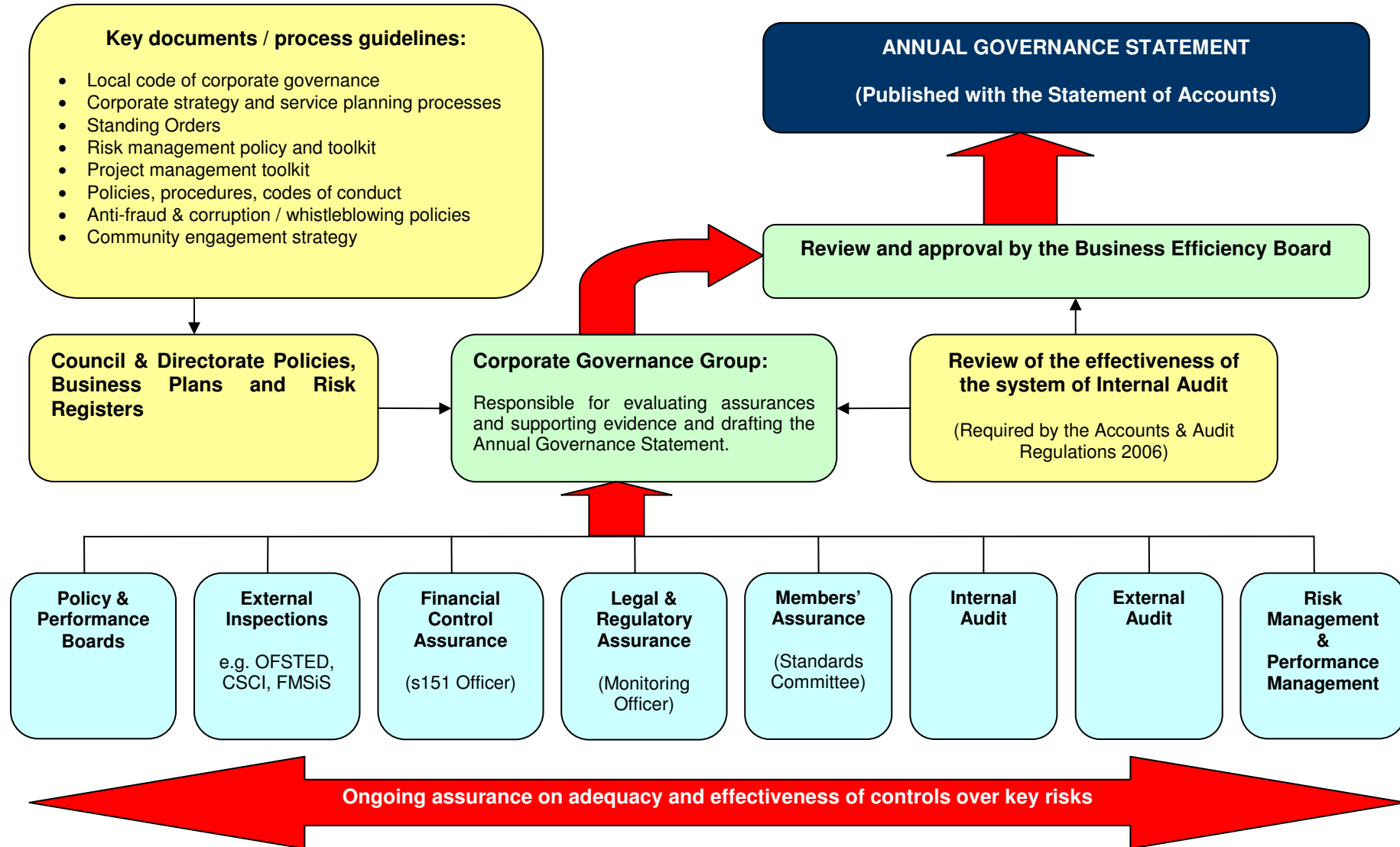
- kept proper accounting records which were kept up to date;
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

Signed by:
Operational Director – Financial Services

Date:

Annual Governance Statement

ANNUAL GOVERNANCE STATEMENT – ASSURANCE FRAMEWORK



Annual Governance Statement continued

1. Scope of Responsibility

- 1.1 Halton Borough Council is responsible for ensuring that:
- its business is conducted in accordance with the law and proper standards;
 - public money is safeguarded and properly accounted for; and
 - public money is used economically, efficiently and effectively.
- 1.2 Halton Borough Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
- 1.3 In discharging this overall responsibility, Halton Borough Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and which includes arrangements for the management of risk.
- 1.4 The Council has adopted a local code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government. In 2008/9, the local code was submitted to the Business Efficiency Board and Standards Committee for referral to full Council for endorsement, adoption and incorporation into the Council's constitution. A copy of the code is on our website at halton.gov.uk.
- 1.5 This statement explains how Halton Borough Council has complied with the principles of good governance and reviews the effectiveness of these arrangements. It also meets the requirements of regulation 4(2) of the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit (Amendment) (England) Regulations 2006 in relation to the publication of a statement on internal control.

2. The Purpose of the Governance Framework

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

Annual Governance Statement continued

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

2.3 The governance framework has been in place at Halton Borough Council for the year ended 31 March 2009 and up to the date of approval of the statement of accounts.

3. The Council's Governance Framework

The key elements and processes that comprise the Council's governance framework are described below. Documents referred to may be viewed on the Council's website and are available from the Council on request.

3.1 Communicating the Council's vision

a) The long-term vision for Halton is set out in the Sustainable Community Strategy 'Making it happen in Halton 2006-2011' and the Council's own Corporate Plan.

b) To deliver this vision, the Council has identified five key priorities that underpin all aspects of the Council's work:

- A Healthy Halton
- Halton's Urban Renewal
- Children & Young People in Halton
- Employment Learning and Skills in Halton
- A Safer Halton

c) The Corporate Plan is built on these five shared priorities, plus a sixth priority about the way we run the business. There are clear objectives and targets for each priority that are common to the two plans. The Local Area Agreement (LAA) is also structured around the same five priorities.

d) The Council has a range of performance indicators used to measure progress against its key priorities in the Corporate Plan and in the Local Area Agreement. Quarterly monitoring reports record progress against key service plan objectives and targets. These are reported to the Corporate Management Team and to the Policy and Performance Boards.

e) The Council's medium term financial strategy, capital programme, and budget process ensure that financial resources are directed to the Council's priorities.

Annual Governance Statement continued

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

- a) Roles and responsibilities for governance are defined and allocated so that accountability for decisions made and actions taken are clear. The Executive Board is the main decision-making body of the Council and is made up of ten Members who have responsibility for particular portfolios. The Board is chaired by the Leader of the Council and each Board Member has responsibility for policy development for issues that fall within their portfolio.
- b) The Council also appoints a number of committees to discharge the Council's regulatory and scrutiny responsibilities. These arrangements, and the delegated responsibilities of officers, are set out in the Council's Constitution.
- c) The Constitution also includes a Member/Officer protocol which describes and regulates the way in which Members and Officers should interact to work effectively together.
- d) There is a well-established overview and scrutiny framework with six Policy and Performance Boards (PPBs) aligned to the Council's six corporate plan priorities (the five shared priorities and "Efficient and Effective Services". They hold the Executive to account, scrutinise performance and develop policy proposals for consideration by the Executive.
- e) The Business Efficiency Board has been designated as the Council's Audit Committee. Its core functions are consistent with those identified in the CIPFA publication 'Audit Committees – Practical Guidance for Local Authorities'. It provides assurance to the Council on the effectiveness of the governance arrangements, risk management framework and internal control environment.
- f) The Council's Chief Executive (and Head of Paid Service) is responsible for and accountable to the Council for all aspects of operational management.
- g) The Operational Director – Financial Services, as the s151 Officer appointed under the 1972 Local Government Act, carries overall responsibility for the financial administration of the Council.
- h) The Monitoring Officer (Operational Director – Legal, Organisational Development & Human Resources) carries overall responsibility for legal compliance.
- i) All employees have clear conditions of employment and job descriptions which set out their roles and responsibilities.
- j) The Council has clearly set out terms and conditions for the remuneration of members and officers and there is an effective structure for managing the process.

Annual Governance Statement continued

3.3 Promoting values and upholding high standards of conduct and behaviour

- a) The Council has a Standards Committee to promote high standards of conduct and support Members' observation of their Code of Conduct. Elected members have to agree to follow a Code of Conduct to ensure high standards in the way they undertake their duties. The Standards Committee trains and advises them on the Code of Conduct.
- b) Officer behaviour is governed by an Employees' Code of Conduct. The Code has been formulated to provide a set of standards of conduct expected of employees at work and the link between that work and their private lives.
- c) The Council takes fraud, corruption and maladministration seriously and has established policies which aim to prevent or deal with such occurrences:
 - Anti-Fraud and Anti-Corruption Strategy;
 - Fraud Response Plan;
 - Confidential Reporting Code (Whistleblowing Policy);
 - HR policies regarding disciplinary of staff involved in such incidents.
- d) A corporate complaints procedure exists to receive and respond to any complaint received.
- e) Arrangements exist to ensure that members and employees are not influenced by prejudice, bias or conflicts of interest in dealing with different stakeholders. These include:
 - Registers of interests;
 - Declarations of personal or prejudicial interests at the start of each meeting in which discussions involve a matter in which a member has an interest;
 - Registers of gifts and hospitality;
 - Equal opportunities policy.

3.4 Taking informed and transparent decisions and managing risk

- a) The Council's decision making processes are clear, open and transparent. The Council's Constitution sets out how the Council operates and the processes for policy and decision making. Key decisions are published in the Council's Forward Plan. Minutes of all Council meetings are published on the Council's website.
- b) The Council provides decision-makers with information that is fit for purpose. The executive report template requires information to be provided explaining the legal, financial and risk implications of decisions, as well as implications for each of the corporate priorities.

Annual Governance Statement continued

- c) The Council has a Risk Management Policy and Toolkit and regularly reviews its corporate and directorate risk registers. The management of risk is monitored through the Council's quarterly performance monitoring arrangements
- d) Each of the five specialist strategic partnerships has conducted a risk assessment of its objectives to form a draft Partnership Risk Register.
- e) A project management toolkit has been developed with help from the NW Employers Organisation, and over 200 staff have been trained in its use.
- f) The Business Efficiency Board reviews the Internal Audit work programme and oversees the implementation of audit recommendations.

3.5 Developing the capacity and capability of Members and officers

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

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

- a) The Council's planning and decision making processes are designed to include consultation with stakeholders and the submission of views by local people.

Annual Governance Statement continued

- b) Arrangements for consultation and for gauging local views include both formal and informal arrangements:
 - Formal arrangements include the Halton 2000 Citizen's Panel, the seven Area Forums, the Youth Forum, Older Person's engagement network.
 - Informal arrangements include contact via our website, Halton Direct Link and magazine based customer surveys.
- c) Community and voluntary sector representatives have decision-making roles on the Halton Strategic Partnership Board and on all its SSPs.
- d) The Neighbourhood Management Partnership has developed strong resident engagement through board membership and other means, such as the staging of events.
- e) Within the Halton Strategic Partnership (HSP), responsibility for quarterly performance management of the five priorities rests with the five thematic partnerships (SSPs). A new performance management framework was approved in May 2009 to ensure that a consistent approach is taken by the SSPs and exceptions reported to the Strategic Partnership Board.
- f) The HSP produces an annual report and stages a whole partnership event each year where progress against the Community Strategy is reported and achievements are celebrated.
- g) Six monthly reporting has been introduced to report on progress against the Local Area Agreement.
- h) The Council publishes a summary of performance information and its financial statements in the Council newspaper, which is distributed to every household in the Borough.
- i) Council agendas, minutes and performance information are published on the Council's website.

4. Review of Effectiveness

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

Annual Governance Statement continued

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

- The work of the Business Efficiency Board as the Council's Audit Committee;
- The work of the Standards Committee;
- The role of the Policy and Performance Boards in holding the Executive to account;
- The operation of the Council's risk management and performance management frameworks;
- The work of internal audit and the Chief Internal Auditor's annual report;
- The Comprehensive Performance Assessment (CPA) framework;
- The Annual Audit and Inspection Letter, which provides an overall summary of the Audit Commission's assessment of the Council;
- The external auditor's opinion report on the Council's financial statements;
- The corporate complaints procedure;
- The roles of the Council's Statutory Officers;
- The work of the Corporate Governance Group;
- The anti-fraud and corruption and whistleblowing framework;
- The results of external inspections and the FMSiS (Financial Management Standard in Schools) assessments.

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

5. Significant Governance Issues

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

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

Annual Governance Statement continued

6. Leader and Chief Executive Statement of Assurance

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

Signed: _____ Date: _____
(Chief Executive)

Signed: _____ Date: _____
(Leading Member)

Annual Governance Statement continued

Governance & Control Framework - Action Plan

	Issue	Further action planned
1.	Implementation of the Efficiency Programme	<p>The Efficiency Programme has been established with the Council's efficiency partner KPMG. It covers all the Council's services and the programme aims to reduce costs whilst maintaining or improving services to the community; work more flexibly whilst maintaining the Council's excellent performance rating; minimise the impact of any changes on front line services and improve management and support processes whilst providing opportunities for skills and capability development.</p> <p>There are a number of workstreams currently underway covering management structures, transactional support services, non-transactional support services, customer relations and ICT, property, and the pilot service delivery option covering green spaces. The approach is to develop a detailed analysis of the current position then move forward to develop and implement in this year a transition to a more efficient and effective service. A Programme Board has been established to oversee the programme and a Programme Office is in place to co-ordinate and support the delivery of the current programme and to develop further service delivery options in the future.</p>
2.	Compliance with the Code of Connection	<p>The aim of the Code of Connection is to ensure the Council operates a secure network that enables the delivery of GCSX secure email and the transfer of data relating to both employees and clients between all local authorities and Government departments. The Council has already put in place many of the background technologies required to meet the deadline of 30 June 2009. In addition, a corporate ICT Strategy Board has been established with one of its main tasks being to govern and enable compliance with any further requirements expected by April 2010 and beyond.</p>
3.	Development of robust IT disaster recovery arrangements.	<p>The Council is continuing to develop its IT disaster recovery arrangements and aims to jointly deliver a disaster recovery service with another unitary authority of a similar size to Halton located over 200 miles away. Costing and feasibility assessments are currently under development with an aim of connecting both corporate networks and delivering a disaster recovery and shared services opportunity solution by 2010.</p>
4.	Review of Treasury Management policy and strategy.	<p>Following the collapse of the Icelandic banks, local authority treasury management has come under the spotlight. CIPFA intends to revise both the Treasury Management Code and Guidance Notes in light of the lessons to be learnt. Although the Council had not invested any funds in Icelandic banks, it will review its treasury management policy and strategy once the guidance is published.</p>

Annual Governance Statement continued

	Issue	Further action planned
5.	Developing the Council's approach to ensure the effective use of natural resources.	<p>The Council has continued to implement the programme of works outlined in our carbon management plan over the past year. Many more projects are planned for 2009/10, all of which will help to reduce the Council's CO2 emissions.</p> <p>In 2009/10, the Council is planning to move to AMR (automatic meter reading) technology in order to obtain accurate data across the whole property estate and to facilitate improvements in energy management.</p> <p>An Environment Sub-Group has been set up under the Urban Renewal Specialist Strategic Partnership. The group is multi-agency and will respond to the environmental agenda and associated risks within the Council and the wider area</p> <p>A Natural Assets Strategy and Biodiversity action plan have been developed which outline how the Council will protect manage and enhance the natural assets within the area.</p> <p>The Council has signed up to the Envirolink Northwest 'Buy Recycled Code' indicating its commitment to improve in the area the sustainable procurement.</p>
6.	Strengthening the Council's asset management arrangements to help deliver strategic priorities and service needs.	<p>The asset management plan and asset register will be reviewed on a regular basis to ensure that they are updated as necessary to reflect changes that occur within the Council's asset base. The asset management working group will continue to ensure that a corporate approach to asset management becomes embedded within the Council.</p>
7.	Developing the Council's overview and scrutiny arrangements.	<p>The Council will take steps to ensure that its processes and arrangements adequately reflect the provisions of the Local Government and Public Involvement in Health Act 2007, the Police and Justice Act 2006 and other relevant legislation that may come into force, as they affect overview and scrutiny. This will involve revisiting, and where necessary revising, relevant aspects of the existing processes and arrangements, and developing new ones where this is indicated by the official guidance that will become available during the year. Since the 2007 Act, officers have been giving early consideration to how the duties under the Act will need to change the Constitution but until detailed guidance and regulations are in place, and the relevant scrutiny provisions are in force, this cannot be taken any further.</p>

Statement of Accounting Policies

1. General

The accounts have been prepared in accordance with “The Code of Practice on Local Authority Accounting in the United Kingdom: A Statement of Recommended Practice”, and “Best Value Accounting – Code of Practice 2008”, issued by the Chartered Institute of Public Finance and Accountancy (CIPFA). They have been prepared on the historical cost conventions, and give a ‘true and fair’ view of the Council’s transactions and financial position.

2. Accruals of Income and Expenditure

2(a) Customer and Client Receipts

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

2(b) Employee Costs

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

2(c) Capital Receipts Income

Amounts to be treated as capital receipts are defined by statute and usually arise from disposal of an interest in a fixed asset. However, some statutorily defined capital receipts do not arise from the disposal of an interest in a fixed asset and under the general provisions of the SORP may be income or a transaction within the Balance Sheet.

2(d) 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(e) Supplies and Services

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

3. 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. Any liabilities in respect of discontinued operations should be disclosed separately in the notes to the Balance Sheet.

Statement of Accounting Policies continued

4. Area Based Grants

ABG is a non-ringfenced general grant which replaced Local Area Agreement Grant from 2008/09. No conditions on use is imposed as part of the grant determination ensuring full local control over how funding can be used. This means that, unlike LAA grant, its use is not restricted to supporting the achievements of LAA targets. ABG is included in the income and expenditure account within the General Government Grants figure.

5. Equal Pay Claims

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

6. 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. Halton acts as an agent for two BID projects (Halebank and Astmoor), the following amounts are recognised in the Income and Expenditure Account:

- A contribution made by HBC to the BID project (i.e. grant-in-aid), which is shown as service expenditure under the relevant service in the Income and Expenditure Account;
- BID levy collection costs and associated (reimbursed) income, which is shown in Net Cost of Services under the relevant service in the Income and Expenditure Account;
- Income from services supplied by HBC to the BID project on a paid basis, which is accounted for as a trading activity as part of Net Operating Costs in the Income and Expenditure Account. However, where the service supplied for charge is a function of the Council, 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.

Statement of Accounting Policies continued

7. Contingent Assets

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

8. Contingent Liabilities

Contingent liabilities are not accrued in the accounting statements. They are disclosed by way of the notes to the accounts (see notes to the core financial statements) if there is a possible obligation which may require a payment or transfer of economic benefits. For each class of contingent liability the Council discloses the nature of the contingency, a brief description, an estimate of its financial effect, an indication of the uncertainties relating to the amount or timing of any outflow and the possibility of any reimbursement.

9. Events After the Balance Sheet Date

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

10. 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 Income and Expenditure account, except if a degree of prominence is necessary to give a fair presentation of the accounts. Additional notes will be provided if necessary.

11. Financial Instruments

The council invests and borrows money as part of its day to day business and Treasury Management Strategy. It is required to present on the balance sheet at fair value its outstanding financial obligations and assets in relation to these transactions.

The Council has used Sector Treasury Services Limited to provide independent valuations of the position at the period end.

Sector used the Net Present Value valuation technique to value the borrowings. The discount rate used within the calculation was the Public Works Loans Board new borrowing rate. The fair value calculations also included accrued interest.

The charge and credit to the Income and Expenditure account is based on the accruals concept.

There were no unrealised gains or losses in the year

Statement of Accounting Policies continued

12. Foreign Currency Translation

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

13. Government Grants

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 written off in the service revenue account over the useful life of the asset to match the depreciation of the asset to which it relates.

14. 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 Council. 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.

15. Landfill Allowance Trading Scheme

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

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

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

Statement of Accounting Policies continued

15. Landfill Allowance Trading Scheme continued

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

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

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

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

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

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

16. Leases

16(a) Finance Leases

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

16(b) Operating Leases

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

Statement of Accounting Policies continued

17. 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 Best Value Accounting Code of Practice are allocated to separate objective expenditure heads and are not apportioned to other divisions of service. These items are clearly disclosed in the Income and Expenditure Account.

18. Pension Costs

General

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

Pensions Reserve

Where there is a difference between the amount charged to the Income and Expenditure Account in the year and the amount payable to the pension funds, that sum is taken to the Pension Reserve. This additional debit or credit to the services is shown as a reconciling item in the 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:

Statement of Accounting Policies continued

18. Pension Costs (continued)

- (a) any benefits promised under the formal terms of the Scheme, and
 - (b) any constructive obligations for further benefits where a public statement or past practice by the Council created a valid expectation in the employees that such benefits will be granted.
- (ii) the surplus/deficit in a Scheme is the excess/shortfall of the value of assets in the Scheme over/below the present value of the Scheme liabilities. The Council recognises assets to the extent that it is able to recover a surplus either through reduced contributions in the future or through refunds from the Scheme. The Council recognises a liability to the extent that it reflects its legal or constructive obligation;
- (iii) any unpaid contributions to the scheme are presented in the Balance Sheet as a creditor due within one year;
- (iv) the change in the defined benefit 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;

Statement of Accounting Policies continued

18. Pension Costs (continued)

- (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 DCSF, 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.

19. 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 Notes to the core Financial Statements).

Provisions are charged to the appropriate revenue account; when payments for expenditure are incurred to which the provision relates they are charged direct to the provision.

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.

20. Provisions for Bad and Doubtful Debts

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

Statement of Accounting Policies continued

21. 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.

22. Reserves

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

23. Revenue Expenditure Funded From Capital under Statute

Legislation allows some expenditure to be classified as capital for funding purposes when it does not result in the expenditure being carried on the Balance Sheet as a fixed asset. Such expenditure is charged to the Income and Expenditure account in accordance with the general provisions of the SORP. The main area of activity is the Disabled Facility Grant which is alienated back through the Income and Expenditure account each year

24. Stocks

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

25. Tangible Fixed Assets

25(a) Recognition

Expenditure on the acquisition, creation or enhancement of a tangible 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.

Statement of Accounting Policies continued

25(b) Measurement

All assets are initially measured at cost, but only the costs that are directly attributable to bringing the asset into working condition for its intended use. 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 Council operates a de-minimus level of £35,000, and a qualified valuer certifies the valuation.

25(c) Impairment

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

25(d) Accounting for Disposals of Tangible Fixed Assets

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

(i) Income and Expenditure Account

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

(ii) Statement of Movement in the General Fund

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:

Statement of Accounting Policies continued

25. Tangible Fixed Assets (continued)

- a credit to the Usable Capital Receipts Reserve of an amount equal to the disposal proceeds;
- a debit to the fixed Capital Adjustment Account of an amount equal to the carrying amount of the fixed asset disposal.

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

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

25(e) Depreciation

Depreciation is provided for on all fixed assets with a finite useful life. The provision for depreciation is calculated by allocating the cost less any estimated residual value of the asset over its useful life. The useful lives of assets are estimated on a realistic basis and reviewed on a regular basis and where necessary revised. Depreciation charges usually commence in the year after acquisition. In exceptional circumstances, for example if a particularly expensive asset is acquired which has a short life expectancy, then a charge may be levied in the year of acquisition to ensure the charge to the service is more in line with the consumption of the asset. In the case of infrastructure assets, the depreciation charge is calculated over a straight line 15 year period.

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

As defined in CIPFA's Best Value Accounting Code of Practice, each service is charged with a capital charge for the consumption of all fixed assets used in the provision of the service. The charge is the annual provision for depreciation or impairment.

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

25. Tangible Fixed Assets (continued)

25(g) Revaluations

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

Due to the severe economic downturn, a desktop valuation exercise has been undertaken on all assets on the register (to ascertain if there has been sufficient movement to require adjustments to be made) this is in addition to the full revaluation exercise of those assets due to be re valued on the cyclical basis.

Gains and losses resulting from revaluations are accounted for as follows. The Statement of Total Recognised Gains and Losses should be:

- Credited with revaluation gains, except to the extent that they reverse previous revaluation losses (after allowing for depreciation) on the same assets that were charged to the Income and Expenditure Account.
- Debited with revaluation losses not associated with an impairment related to a clear consumption of economic benefit up to the balance on the Revaluation Reserve in respect of that asset.

The Income and Expenditure Account should be:

- Credited with any revaluation gains that reverse revaluation losses (after allowing for depreciation) on the same assets that were charged to services.
- Debited with revaluation losses associated with an impairment related to a clear consumption of economic benefit.
- Debited with revaluation losses not associated with a clear consumption of economic benefit in excess of the balance on the Revaluation Reserve in respect of that asset (ie in excess of the amount allowed to be debited to the STRGL).

26. Value Added Tax

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

Auditor's Report to the Members of Halton Borough Council

Independent Auditor's Report to Halton Borough Council

Opinion on the Financial Statements

I have audited the Council and Group accounting statements and related notes of Halton Borough Council for the year ended 31st March 2009 under the Audit Commission Act 1998. The Council and group accounting statements comprise the Council and Group Income and Expenditure Account, the Council Statement of the Movement on the General Fund, the Council and Group Balance Sheet, the Council and Group Statement of Total Recognised Gains and Losses, the Council and Group Cashflow Statement, the Collection Fund and the related notes. These accounting statements have been prepared under the accounting policies set out in the Statement of Accounting Policies.

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

Respective Responsibilities of the Operational Director – Financial Services (as Responsible Financial Officer) and Auditor

The Operational Director – Financial Services' responsibilities for preparing the financial statements in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2008 are set out in the Statement of Responsibilities for the Statement of Accounts.

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

I report to you my opinion as to whether the Council and group accounting statements present fairly, in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2008:

The financial position of the Council and its income and expenditure for the year;
and
The financial position of the Group and its income and expenditure for the year.

I review whether the Governance Statement reflects compliance with 'Delivering Good Governance in Local Government: a frame work' published by CIPFA/SOLACE in June 2007. I report if it does not comply with proper practices specified by CIPFA/SLOACE or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider, nor have I considered, whether the governance statement covers all risks and controls. Neither am I required to form an opinion on the effectiveness of the Council's corporate governance procedures or its risk and control procedures.

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

I read other information published with the Council and Group accounting statements, and consider whether it is consistent with the audited Council and Group accounting statements. This other information comprises the Explanatory Foreword. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the Council and Group accounting statements. My responsibilities do not extend to any other information.

Basis of Audit Opinion

I conducted my 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 Council and Group accounting statements and related notes. It also includes an assessment of the significant estimates and judgements made by the Council in the preparation of the Council and Group accounting statements and related notes, and of whether the accounting policies are appropriate to the Council's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the Council and Group accounting statements and related notes are free from material misstatement, whether caused by fraud or other irregularity or error. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the Council and Group accounting statements and related notes.

Opinion

In my opinion:

The Council's financial statements present fairly, in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2008, the financial position of the Council as at 31st March 2009 and its income and expenditure for the year then ended;
and

The Group financial statements present fairly, in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2008, the financial position of the Council as at 31st March 2009 and its income and expenditure for the year then ended.

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

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

Council's Responsibilities

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

Auditor's Responsibilities

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

Conclusion

I have undertaken my audit in accordance with the Code of Audit Practice and I am satisfied that having regard to the relevant criteria for Principal Local Authorities specified by the Audit Commission, 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 2009.

Best Value Performance Plan

I have issued my statutory report on the audit of the Council's Best Value Performance Plan for the financial year 2007/08 on xx/xx/xxxx. I did not identify any matters to be reported to the Council, and did not make any recommendations on procedures in relation to the plan.

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

Certificate

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

Signature

Date

Michael Thomas
District Auditor
Audit Commission Office
The Heath Business & Technical Park
Runcorn
WA7 4QF

Glossary of Terms

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

Accruals

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

Accounting Policies

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

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

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

Accounting policies do not include estimation techniques.

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

Acquired Operations

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

Actuarial Gains and Losses

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

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

Capital Expenditure

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

Glossary of Terms continued

Class of Tangible Fixed Assets

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

Operational assets:

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

Non-operational assets:

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

Community Assets

Assets that the Council intends to hold in perpetuity, that have no determinable useful life, and that may have restrictions on their disposal. Examples of community assets are parks and historic buildings.

Consistency

The concept that the accounting treatment of like items within an accounting period and from one period to the next are the same.

Constructive Obligation

An obligation that derives from a Council's actions where:

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

Contingent Asset

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

Glossary of Terms continued

Contingent Liability

A contingent liability is either:

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

Corporate and Democratic Core

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

Current Service Cost (Pensions)

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

Curtailment

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

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

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).

Glossary of Terms continued

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 Council'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 Council'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.

Discretionary Benefits

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

Glossary of Terms continued

Estimation Techniques

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

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

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

Events After the Balance Sheet Date

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

Exceptional Items

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

Expected Rate of Return on Pensions Assets

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

Extraordinary Items

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

Glossary of Terms continued

Fair Value

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

Finance Lease

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

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

Going Concern

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

Government Grants

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

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

Glossary of Terms continued

Interest Cost (Pensions)

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

Investments (Non-Pensions Fund)

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

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

Investments (Pensions Fund)

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

Investment Properties

Interest in land and/or buildings:

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

Liquid Resources

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

Long-Term Contracts

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

Glossary of Terms continued

Net Book Value

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

Net Current Replacement Cost

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

Net Debt

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

Net Realisable Value

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

Non-Operational Assets

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

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

Operating Lease

A lease other than a finance lease.

Operational Assets

Fixed assets held and occupied, used or consumed by the Council 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.

Glossary of Terms continued

Prior Period Adjustments

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

Projected Unit Method

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

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

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

Related Parties

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

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

Glossary of Terms continued

Related Parties continued

Examples of related parties of a Council include:

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

Examples of related parties of a pension fund include its:

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

This list is not intended to be comprehensive.

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

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

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.

Glossary of Terms continued

Related Party Transactions continued

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

This list is not intended to be comprehensive.

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

Remuneration

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

Residual Value

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

Retirement Benefits

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

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.

Glossary of Terms continued

Settlement

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

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

Stocks

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

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

Tangible Fixed Assets

Tangible assets that yield benefits to the Council 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.

Glossary of Terms continued

Useful Life

The period over which the Council 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.*