



**Business Efficiency Board**

**Wednesday, 24 September 2014  
at 6.30 p.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**

<b>Councillor Joe Roberts (Chairman)</b>	<b>Labour</b>
<b>Councillor Martha Lloyd Jones (Vice-Chairman)</b>	<b>Labour</b>
<b>Councillor John Bradshaw</b>	<b>Conservative</b>
<b>Councillor Arthur Cole</b>	<b>Labour</b>
<b>Councillor Mike Fry</b>	<b>Labour</b>
<b>Councillor Darren Lea</b>	<b>Labour</b>
<b>Councillor Alan Lowe</b>	<b>Labour</b>
<b>Councillor Tony McDermott</b>	<b>Labour</b>
<b>Councillor Andrew MacManus</b>	<b>Labour</b>
<b>Councillor Norman Plumpton Walsh</b>	<b>Labour</b>
<b>Councillor John Stockton</b>	<b>Labour</b>

*Please contact Angela Scott on 0151 511 8670 or e-mail  
angela.scott@halton.gov.uk for further information.  
The next meeting of the Board is on Wednesday, 26 November 2014*

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

**Part I**

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<b>2. DECLARATION OF INTEREST</b>	
Members are reminded of their responsibility to declare any Disclosable Pecuniary Interest or Other Disclosable Interest which they have in any item of business on the agenda, no later than when that item is reached or as soon as the interest becomes apparent and, with Disclosable Pecuniary interests, to leave the meeting during any discussion or voting on the item.	
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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:** 24 September 2014

**REPORTING OFFICER:** Strategic Director - Policy & Resources

**PORTFOLIO:** Resources

**SUBJECT:** External Audit Letter To Those Charged With Governance

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

### **1.0 PURPOSE OF REPORT**

1.1 To inform the Board of the response provided to the annual letter from Grant Thornton, the Council's external auditors, as part of their year-end audit of accounts work.

**2.0 RECOMMENDATION: That the response shown in Appendix 1, which has been provided to the Council's external auditors on behalf of the Board, be noted.**

### **3.0 SUPPORTING INFORMATION**

3.1 International Auditing Standards require the Council's external auditors, Grant Thornton, to raise with those charged with governance (i.e. the Business Efficiency Board) matters that may affect the Council's financial statements and to document the Board's response.

3.2 Appendix 1 presents a response to a number of questions contained in a letter from Grant Thornton to the Chair of the Board. Grant Thornton will attend the meeting and will be able to discuss the questions further with the Board if required.

### **4.0 POLICY AND OTHER IMPLICATIONS**

4.1 None.

### **5.0 IMPLICATIONS FOR THE COUNCIL'S PRIORITIES**

5.1 None.

## **6.0 RISK ANALYSIS**

- 6.1 The responses to the questions in Appendix 1 set out the arrangements that the Council has in place to manage the risk of fraud and to ensure that the Council complies with relevant laws and regulations.

## **7.0 EQUALITY AND DIVERSITY ISSUES**

- 7.1 None.

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

- 8.1 There are no background papers under the meaning of the Act.

**Halton Borough Council  
Financial Statements Year-End 31<sup>st</sup> March 2014  
Business Efficiency Board Response**

	<b>Auditor Question</b>	<b>Response</b>
1.	How does the Business Efficiency Board oversee management's processes in relation to:	
	1.1 Carrying out an assessment of the risk the financial statements may be materially misstated due to fraud or error?	<p>The Council has robust arrangements in place for identifying and responding to the risk of fraud.</p> <p>There is an established risk management process and the risk of fraud is considered as part of the Council's planning processes. The Business Efficiency Board receives regular reports on the Council's corporate risk management arrangements and reviews the Corporate Risk Register. The risk of fraud is specifically acknowledged in the Register, which also details the measures in place to deter fraud. The Business Efficiency Board regularly reviews the robustness of the Council's risk management arrangements.</p> <p>The Business Efficiency Board also has specific responsibilities in regard to monitoring and reviewing the Council's anti-fraud and corruption policies and arrangements. The Board receives an annual report on the measures the Council has established to counter the risk of fraud.</p> <p>Staff responsible for preparing the financial statements are appropriately qualified and experienced and there is a rigorous quality assurance process to ensure the financial statements are free from material error.</p>

<p>1.2 Identifying and responding to the risk of breaches of internal control?</p>	<p>The Council's internal control processes are considered to be robust. Internal Audit assesses the adequacy and operation of internal controls and considers the risk of fraud as part of each audit review. Action plans are put in place to address any significant internal control weaknesses identified through the work of Internal Audit, External Audit or any other assurance providers.</p> <p>The results of each Internal audit review and follow-up reviews, are reported to the Business Efficiency Board.</p> <p>The Business Efficiency Board also reviews and approves the Council's Annual Governance Statement, which considers assurances from various sources with regard to the Council's internal control framework. In addition, the Board receives an annual report on the Council's counter fraud arrangements and activity.</p>
<p>1.3 Identifying and responding to risks of fraud in the organisation (including any specific risks of fraud which management have identified or that have been brought to its attention, or classes of transactions, account balances, or disclosure for which a risk of fraud is likely to exist)?</p>	<p>The Internal Audit Plan approved by the Business Efficiency Board each year is risk based and focuses upon those systems and areas where it is considered there may be a greater risk of fraud. Such systems and areas include; housing benefits, council tax support, council tax discounts and exemptions, procurement, grant fraud, employee fraud, schools, and personal budgets.</p> <p>The Council has a dedicated fraud Investigation team within Revenues and Benefits Division.</p> <p>The risk of fraud is included within the Corporate Risk Register and sets out the actions which management has put in place to mitigate such risks.</p>

	<p>1.4 Communicating to employees its views on appropriate business practice and ethical behaviour (for example by updating, communicating and monitoring against codes of conduct)?</p>	<p>Internal audit undertakes periodic initiatives to raise fraud awareness amongst employees and Members.</p> <p>The Council has an established Anti-Fraud &amp; Corruption Strategy, Fraud Response Plan and Confidential Reporting Code. These documents form part of the Council Constitution.</p> <p>Communications on appropriate business practice are made via the Team Brief, team meetings, e-mails to all staff and provision of e-learning on issues such as information governance.</p>
2	<p>What are the Business Efficiency Board's views about the risks of fraud?</p>	<p>The prevention and detection of fraud is extremely important throughout all of the Council's business processes and systems.</p> <p>The risk, prevention and detection of fraud are well managed within Halton and where identified appropriate steps are taken as a matter of urgency.</p>
3	<p>Do you have knowledge of any actual, suspected or alleged frauds? If so, please provide details.</p>	<p>The Board is not aware of any such instances.</p>
4	<p>Do you have knowledge of any whistle-blower tips or complaints? If so, please provide details.</p>	<p>The Council has a well established whistle blowing procedure (the Confidential Reporting Code) and has arrangements in place to deal with any complaints received. All complaints received under the Code are investigated. The Board is not aware of any whistle-blower tips or complaints.</p>

5	How does the Business Efficiency Board gain assurance that all relevant laws and regulations have been complied with?	Through assurances provided by the Council's statutory Section 151 Officer and Monitoring Officer and from the Council's Annual Governance Statement.
6	Are you aware of any actual or potential litigation or claims that would affect the financial statements?	No.
7	How has the Business Efficiency Board satisfied itself that it is appropriate to adopt the going concern basis in preparing the financial statements?	From the budget set by the Council for 2014/15 and the approach being adopted to deliver balanced budgets for 2015/16 and 2016/17 in line with the Medium Term Financial Strategy, it is not at this stage envisaged that there will be significant changes in the scale and range of services delivered by the Council over the foreseeable future. On this basis the Business Efficiency Board is satisfied that it is appropriate to adopt the Going Concern basis in preparing the 2013/14 financial statements.



**REPORT TO:** Business Efficiency Board

**DATE:** 24th September 2014

**REPORTING OFFICER:** Operational Director, Finance

**PORTFOLIO:** Resources

**SUBJECT:** 2013/14 Statement of Accounts, Audit Findings Report and Letter of Representation

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

## **1.0 PURPOSE OF REPORT**

- 1.1 The purpose of this report is to seek approval for the Council's 2013/14 Statement of Accounts (the latest version of which is enclosed with the Agenda), to consider the report of the External Auditor (Grant Thornton) on the 2013/14 financial statements (The Audit Findings Report) and to approve the Council's Letter of Representation.
- 1.2 At the time of writing the report, the audit of the 2013/14 Statement of Accounts had not been finalised and any subsequent amendments will be approved by the Chair of the Business Efficiency Board in consultation with the Operational Director Finance

## **2.0 RECOMMENDED that;**

- (i) the draft Letter of Representation in Appendix 1 be approved and any subsequent additions or amendments be approved by the Chair of the Business Efficiency Board in conjunction with the Operational Director Finance.**
- (ii) the External Auditor's draft 2013/14 Audit Findings Report be received and any subsequent additions or amendments be approved by the Chair of the Business Efficiency Board in conjunction with the Operational Director Finance.**
- (iii) the Council's draft 2013/14 Statement of Accounts be approved and any subsequent additions or amendments be approved by the Chair of the Business Efficiency Board in conjunction with the Operational Director Finance.**

### **3.0 BACKGROUND**

- 3.1 The Statement of Accounts 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 Statement of Accounts is heavily prescribed by the Accounts and Audit Regulations and the Code of Practice on Local Authority Accounting (The Code), which makes it a very technical document and not particularly easy to understand. Therefore the key elements are outlined below.
- 3.3 The Statement of Accounts for 2013/14 has been prepared in full compliance with International Financial Reporting Standards (IFRS) and there have been relatively few changes in the format from last year.
- 3.4 The draft 2013/14 Statement of Accounts was passed to the Council's External Auditor (Grant Thornton) on 1<sup>st</sup> July 2014, since when they have undertaken their audit. Grant Thornton will attend the meeting to present the report of their findings, the Audit Findings report.
- 3.5 Each year the Council is required to provide the External Auditor with a Letter of Representation relating to the financial statements, as shown in Appendix 1. This provides a number of assurances to the External Auditor in connection with the preparation of the Council's accounts. The letter is required to be signed by the Chairman of the Board on behalf of the Council.

### **4.0 KEY SECTIONS WITHIN THE STATEMENT OF ACCOUNTS**

- 4.1 The Foreword by the Operational Director, Finance summarises the Council's financial performance for 2013/14, including revenue and capital spending.
- 4.2 In overall net terms the Council has underspent its 2013/14 revenue budget by £579,000. The overall outturn report was presented to Executive Board on 26th June 2014 and departmental outturn reports are available on the Council's Intranet. As a result the Council's General Fund Balance will increase by £579,000 to £8,646,000.
- 4.3 Capital expenditure was £38.5m compared with planned expenditure of £48.3m. This represents 80% delivery of the capital programme for which 20% slippage was anticipated throughout the year. The main areas of slippage were in respect of Widnes Recreation Site, Halton Lodge Bungalows, Ashley School and Disabled Access.
- 4.4 School balances have increased by £0.3m to £6.6m. In addition, £3.8m of unspent schools related funding is held centrally and will carry forward into 2014/15.

- 4.5 The Comprehensive Income and Expenditure Account presents gross expenditure, gross income and net expenditure for 2013/14 along with the previous year's comparison. These are shown for each of the service groupings prescribed in The Code. These service groupings do not necessarily relate directly to the Council's organisational structure, but are shown as such to provide consistency across all local authorities. The Net Cost of Services is adjusted by a number of appropriations to give the Total Comprehensive Income and Expenditure.
- 4.6 The Council's Balance Sheet sets out the Council's financial position as at 31st March 2014, along with the previous year's comparison and the restated Balance Sheet position as at 31<sup>st</sup> March 2012
- 4.7 The Movement in Reserves Statement presents a summary of the changes in the Council's main reserves during the year.
- 4.8 The Cashflow Statement provides an overall analysis of the movements in cash and cash equivalents during the year.
- 4.9 Detailed notes relating to items within the Comprehensive Income and Expenditure Account, Balance Sheet, Movement in Reserves Statement and Cashflow Statement are shown under Notes to the Core Financial Statements.
- 4.10 The Collection Fund and associated notes summarise the transactions in respect of the collection of Non-Domestic Rates and Council Tax, along with the distribution to the Council's own General Fund, to central government (non-domestic rates only) and to the Precepting Authorities (Fire, Police and Parishes).
- 4.11 The Group Accounts and associated notes present the consolidation of the Council's accounts with those of Halton Transport Limited.
- 4.12 The Statement of Responsibilities outlines the basis upon which the Statement of Accounts has been prepared and is followed by a statement of the Council's Accounting Policies. There have been relatively few changes to the Council's accounting policies this year, which have all been minor.
- 4.13 The External Auditor use the draft Statement of Accounts as the basis for undertaking the annual audit of accounts, for which their Audit Report and Certificate is included within the final Statement of Accounts.
- 4.14 The final section presented within the Statement of Accounts is a Glossary of Terms.

## **5.0 NEXT STEPS**

5.1 Following the meeting, the Letter of Representation will be signed and the External Auditor will provide their audit opinion. The Statement of Accounts will then be published along with a brief Summary, with copies being made available to the public via the Council's website.

**6.0 POLICY IMPLICATIONS**

6.1 None.

**7.0 OTHER IMPLICATIONS**

7.1 None.

**8.0 RISK ANALYSIS**

8.1 The Accounts and Audit Regulations require that the Statement of Accounts is certified by the External Auditor and published by 30th September 2014.

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

<b>Document</b>	<b>Place of Inspection</b>	<b>Contact Officer</b>
Accounts and Audit Regulations 2011	Kingsway House Kingsway Widnes	Steve Baker Divisional Manager, Financial Management
Code of Practice on Local Authority Accounting in the UK 2013/14	Kingsway House Kingsway Widnes	Steve Baker Divisional Manager, Financial Management

**APPENDIX 1**

Grant Thornton UK LLP  
Royal Liver Building  
Liverpool  
L3 1PS  
24<sup>th</sup> September 2014

Dear Sirs

**Halton Borough Council**

**Group Financial Statements for the year ended 31 March 2014**

This representation letter is provided in connection with the audit of the group financial statements of Halton Borough Council and its subsidiary undertaking, Halton Borough Transport Ltd, for the year ended 31 March 2014 for the purpose of expressing an opinion as to whether the group financial statements give a true and fair view in accordance with International Financial Reporting Standards.

We confirm that to the best of our knowledge and belief having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

**Group Financial Statements**

- i. We have fulfilled our responsibilities for the preparation of the group financial statements in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in Great Britain ("the Code") as adapted for International Financial Reporting Standards; in particular the financial statements give a true and fair view in accordance therewith.
- ii. We have complied with the requirements of all statutory directions and these matters have been appropriately reflected and disclosed in the group financial statements.
- iii. The Council has complied with all aspects of contractual agreements that could have a material effect on the group financial statements in the event of non-compliance.
- iv. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.
- v. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.
- vi. We are satisfied that the material judgements used by us in the preparation of the group financial statements are soundly based, in accordance with the Code, and adequately disclosed in the group financial statements. There are no further material judgements that need to be disclosed.

- vii. Except as stated in the group financial statements:
  - a. there are no unrecorded liabilities, actual or contingent
  - b. none of the assets of the Council has been assigned, pledged or mortgaged
  - c. there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.
- viii. We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme liabilities for IAS19 disclosures are consistent with our knowledge. We confirm that all settlements and curtailments have been identified and properly accounted for. We also confirm that all significant retirement benefits have been identified and properly accounted for.
- ix. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards and the Code.
- x. All events subsequent to the date of the group financial statements and for which International Financial Reporting Standards and the Code require adjustment or disclosure have been adjusted or disclosed.
- xi. Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards. In particular we are satisfied that the possible claim in respect of a planning appeal where the Planning Inspectorate awarded costs to the appellant to be payable by the Council is now disclosed as a contingent liability in accordance with the requirements of International Financial Reporting Standards.
- xii. We have not adjusted two of the misstatements brought to our attention in the Audit Findings Report, as they are considered to be immaterial to the results of the Council and its financial position at the year-end. More detail is set out at Appendix 2 to this letter. The group financial statements are free of material misstatements, including omissions.
- xiii. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the group financial statements.
- xiv. We believe that the group financial statements should be prepared on a going concern basis on the grounds that current and future sources of funding or support will be more than adequate for the group's needs. We believe that no further disclosures relating to the group's ability to continue as a going concern need to be made in the group financial statements.

We are satisfied that the prior period adjustments made in respect of Post-employment benefits – changes to IAS 19, Mersey Gateway Land Acquisition Costs and Restatement of £10m Eurohypo Loan are in accordance with the requirements of International Auditing Standards and International Financial Reporting Standards.

- xv. We have provided you with:
  - a. access to all information of which we are aware that is relevant to the preparation of the group financial statements such as records, documentation and other matters;
  - b. additional information that you have requested from us for the purpose of your audit; and
  - c. unrestricted access to persons within the Council from whom you determined it necessary to obtain audit evidence.
- xvi. We have communicated to you all deficiencies in internal control of which management is aware.

- xvii. All transactions have been recorded in the accounting records and are reflected in the group financial statements.
- xviii. We have disclosed to you the results of our assessment of the risk that the group financial statements may be materially misstated as a result of fraud.
- xix. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the Council and involves:
  - a. management;
  - b. employees who have significant roles in internal control; or
  - c. others where the fraud could have a material effect on the financial statements.
- xx. We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the Council's group financial statements communicated by employees, former employees, regulators or others.
- xxi. We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing group financial statements.
- xxii. We have disclosed to you the identity of the Council's related parties and all the related party relationships and transactions of which we are aware.
- xxiii. We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the group financial statements.

**Annual Governance Statement**

- xxiv. We are satisfied that the Annual Governance Statement (AGS) fairly reflects the Council's risk assurance and governance framework and we confirm that we are not aware of any significant risks that are not disclosed within the AGS. [o/s]

**Approval**

The approval of this letter of representation was minuted by the Council's Business Efficiency Board at its meeting on 24 September 2014.

**Signed on behalf of the Board**

Name.....

Position.....

Date.....

Name.....

Position.....

Date.....



**HALTON BOROUGH COUNCIL**

**STATEMENT OF ACCOUNTS**

**2013/14**

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

.....

.....

*Councillor J. Roberts*  
*Chairman of Business Efficiency Board*

*Date*

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

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## Introduction

The Council's Accounts for 2013/14 are presented in the following format

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## Foreword by Operational Director - Finance

### Introduction

The Council's Statement of Accounts for 2013/14 has been prepared in compliance with the Code of Practice on Local Authority Accounting 2013/14 (The Code) and International Financial Reporting Standards (IFRS). Changing requirements over several years have led to the increasing complexity and details required in the accounts.

The accounts provide a record of the Council's financial position and performance for the year. A summarised version of the accounts can be found on the Council's website at [www.halton.gov.uk](http://www.halton.gov.uk)

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

The Council's accounts for 2013/14 are set out in the following pages and grouped as follows:

### **Core Financial Statements**

- *Comprehensive Income and Expenditure Statement* – this statement is fundamental to the understanding of the Council's activities, in that it reports the net cost of all the functions for which the Council is responsible, and demonstrates how that cost has been financed from general government grants and income from local taxpayers. It brings together expenditure and income relating to all the Council's functions in three distinct sections, the first relating to the Council's different service areas, the second comprises items which relate to the Council as a whole, including the principal sources of finance and the third shows movement relating to asset valuations and pension scheme valuations.
- *Balance Sheet* – this statement is key to understanding the Council's financial position at the year end. It shows the long and short term assets and liabilities, reserves and other balances, and the Council's overall net equity at the year end.
- *Movement in Reserves Statement* – this statement shows the movement in the year on the different reserves held by the Council, analysed into "Usable Reserves" i.e. those which can be used to fund expenditure or reduce Council Tax, and "Unusable Reserves". The Surplus or (Deficit) on the Provision of Services line shows the cost of providing the Council's services, more details of which are shown in the Comprehensive Income and Expenditure Statement.
- *Cash Flow Statement* – this statement summarises the inflows and outflows of cash and cash equivalents arising from transactions with third parties for revenue and capital purposes.

- *Notes to the above Statements* – extensive notes to support the core statements are set out in accordance with the requirements of the Code.

### Supplementary Financial Statements

- *Collection Fund Account* – this is a statutory statement which councils who are Billing Authorities are obligated to maintain under the Local Government Finance Act 1992. The Collection Fund shows the Council's transactions, in relation to the collection of council tax and business rates and their distribution to precepting authorities and Central Government.
- *Group Accounts* – this statement presents the consolidated position of the Council's activities, in accordance with the Code of Practice. The Group Accounts consolidate the accounts of Halton Borough Transport Limited with the Council's accounts by grossing up the Comprehensive Income and Expenditure Statement and the Balance Sheet whilst eliminating intra group transactions. The Group Accounts reflect the Council's 100% ownership of Halton Borough Transport Limited. Mersey Gateway Crossings Board Ltd is a 100% owned subsidiary of Halton Borough Council, as the company only started trading on 28<sup>th</sup> March 2014 there were no transactions which had an effect on the 2013/14 Group Accounts

### **Other Statements**

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

### **Summary of the 2013/14 Year**

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



**General Fund**

	<b>Original Budget £'000</b>	<b>Actual £'000</b>
Net Expenditure	115,569	114,990
Parish Precepts	61	61
<b>Total</b>	<b>115,630</b>	<b>115,051</b>
Financed by Local Taxpayers – Council Tax	(36,598)	(36,598)
Financed by Local Taxpayers – Business Rates	(31,624)	(31,624)
Financed by Government Grants	(47,408)	(47,408)
(Surplus)/Deficit for Year	-	(579)
Balances brought forward	(8,067)	(8,067)
<b>Balance carried forward</b>	<b>(8,067)</b>	<b>(8,646)</b>

The Council has closely monitored and controlled its spending throughout the year, such that total net spend was £115.1m, £0.579m below the budget for the year (compared to £0.502m below budget in the previous year). As a result the Council's General Fund Balance has increased to £8.646m.

Budget savings for 2014/15 were implemented over two tranches, the first of which consisted of savings of £6.54m which were approved by Council in December 2013. As a result, some of these savings were implemented early and resulted in part-year budget savings which contributed towards the budget underspend for the year.

Staffing expenditure is below budget across the Council, as posts were held vacant to assist with achieving a balanced budget and in many cases to provide budget savings for 2014/15. Redundancy costs incurred during the year totalled £0.180m. These were met from the Transformation Fund which the Council established in 2010/11 to meet the costs associated with structural changes.

A number of other expenditure areas were below budget including premises costs and supplies and services budgets. Where possible those areas where underspends have occurred have been considered in delivering future savings, although there are areas of expenditure which were underspent due to a drop in demand and it would be difficult to predict whether there would be an increase in demand in future years.

There has been a significant increase in the number of users and periods of demand as part of children's out of borough placements, adoption and fostering services. This has resulted

in a considerable overspend against budget at the end of the financial year. Expenditure and demand for the services will be closely monitored during 2014/15 and corrective action will have to be taken if this continues to be a pressure.

Sales, fees and charges generate significant sums for the Council to fund gross expenditure. There are though a number of areas where income has not met the budgeted target. An upturn in the economy should help generate additional income but until the upturn makes an impact within the region there will still be a pressure on the Council meeting income targets.

Whilst the general fund shows a net surplus for the year of £0.579m, the accounting position presented in the Comprehensive Income & Expenditure Statement (CIES) (page 12) shows a surplus for the year of £32.8m. The CIES takes a wider view of financial performance than that shown in the General Fund and shows the true accounting position for the year. This surplus represents the total amount by which the Council's equity has increased over the year as shown in the Balance Sheet (page 14). Therefore in addition to the net General Fund underspend, the CIES also includes the following major items:

- A Charge for the Depreciation and Impairment of Fixed Assets (£22.1m) – A charge for depreciation is made to the CIES which reflects the annual cost of assets consumed during the year. An impairment charge against an asset is identified when the recoverable amount of an asset is estimated and it is less than the carrying amount recorded in the accounts.
- Capital Grant Income (£20.0m) - Grants received to fund the Council's capital programme are not included within the underspend in the General Fund, but in accordance with proper accounting practice, grants must be recognised against the CIES.
- Gain on Pension Assets and Pension Charge (£20.8m) – £26.2m is a charge arising from actuarial gains for the year. This represents assumptions made by the Actuary at the start of the year compared to assumptions made at the end of the year. £-5.4m denotes the difference between the accounting cost of pensions (included in the CIES) and the actual employer contributions to the pension fund.
- Loss on De-Recognition of Fixed Assets (£1.0m) – Reflects the difference in the amount of which an asset has been sold, replaced or transferred to other bodies, compared to the carrying amount that we have recorded in the accounts.
- Surplus on Revaluation of Property, Plant & Equipment (£0.884m) – Increase in the value of those fixed assets that have been revalued during the year.
- Minimum Revenue Provision (£5.3m) - This is an amount which is set aside in the General Fund to recognise the repayment of debt incurred from borrowing to finance the capital programme. In accordance with proper accounting practice this sum is not required to be included in the CIES.

- Net Change to Earmarked Reserves (£5.7m) – As proper accounting practice, changes to earmarked reserves are not required to be included in the CIES.
- Change in Fair Value of Investment Properties (£0.5m) – Investment property is held solely to earn rentals or for capital appreciation. Property is held on the Balance Sheet valued at fair value (market value). The amount reflects the change in the value of properties since 2012/13.
- Capital Expenditure Charged to General Fund (£0.9m) – Refers to capital expenditure funded directly from revenue financing.
- Collection Fund Adjustment (£2.1m) - Difference between amounts credited to the I&E and amounts to be recognised under statutory provisions relating to Council Tax and Business Rates

The table below reconciles the General Fund underspend to the surplus on the Comprehensive Income & Expenditure Statement

	£m
<b>General Fund Underspend</b>	<b>(0.579)</b>
Accounting Adjustments:	
Charge for Depreciation & Impairment of Fixed Assets	22.127
Capital Grant Income	(20.010)
Gain on Pension Assets and Pension Charge	(20.808)
Loss on De-Recognition of Fixed Assets	1.024
Surplus on Revaluation of PP&E	(0.884)
Minimum Revenue Provision	(5.283)
Net Change to Earmarked Reserves	(5.725)
Change in Fair Value of Investment Properties	0.527
Capital Expenditure Charged to General Fund	(0.914)
Collection Fund Adjustment	(2.155)
Other Adjustments	(0.078)
<b>Total Comprehensive Income &amp; Expenditure</b>	<b>(32.758)</b>

### **Schools**

Expenditure incurred in relation to the Schools budget, both by individual schools and the Council totalled £82.428m and is shown in more detail in Note 14.

School balances at 31st March 2014 total £6.6m. In addition, £3.8m of unspent schools related funding is held centrally and will carry forward into 2014/15.

### ***Pension Liability***

Under International Accounting Standard 19, the Council is required to restate its accounts to reflect the activities of the two major pension providers, the Cheshire Pension Fund and the Teachers' Pension Agency. It also has a minor interest in the operations and accounts of the Merseyside Pension Fund in relation to employees in Greater Merseyside Connexions Limited and nursing health professionals who pay into the NHS pension scheme. The Council is also liable for the past service deficit of the Cheshire Pension Fund relating to Halton Borough Transport Ltd.

From April 2014 there will be major changes to how the Local Government Pension Scheme will operate. The overall effect of these changes will be to lessen the cost of pensions to the Fund in future years and thereby reduce employers' contributions.

### ***Equal Pay***

The Council has received approximately 950 equal pay claims for which settlement offers have been made to a significant number of claimants. New claims have continued to be received during 2013/14. The future liability for the remaining and future claims is difficult to estimate, however, the equal pay reserve is considered sufficient to meet these costs.

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

As part of the on-going Efficiency Programme, a number of structural changes have been implemented on Council services included within the programme delivery plan.

The Council has had a contract since 2011/12 with Cheshire West and Chester Council for Halton to manage their Children's Services.

The Council has been involved with a joint procurement contract with Warrington Borough Council to engage Lafarge Tarmac Ltd to deliver all highway works in the two boroughs for at least the next six years.

On 1 April 2013, the Council and the NHS Halton Clinical Commissioning Group began a joint working agreement for the management of a pooled budget for service packages in areas of complex care and equipment services, totalling in excess of £30m. The pooling of funds will ensure high quality, safe, efficient and effective health and social care services that will be commissioned and provided in the most appropriate and timely way to meet the health and social care needs of people in the Borough.

A further change implemented in 2013/14 was the transfer of Public Health responsibilities from Primary Care Trusts to local authorities, for which The Council received a Government ring-fenced grant of £8.5m.

### ***Capital Planning***

The Council prepares and reports a rolling capital programme to forecast the probable level of capital spend over the next 3 years, along with the likely sources of funding. The Council also maintains a capital reserve, which has been generated over the years from revenue contributions in order to support funding the capital programme. The forecast shows that there are sufficient resources to cover the current capital programme.

However, in the current economic climate it is unlikely that the Council will receive significant levels of capital receipts and therefore the opportunities for additional capital spending in future years will be severely limited.

Details of the unused capital receipts and balance on the capital reserve at 31st March 2014 are shown in the Note 18 to the Balance Sheet, together with a list of any significant contractual commitments. The Council considers any new additions to the capital programme in light of the resources available. The Council has a significant capital programme over the next few years within which the largest schemes relate to the Mersey Gateway, including a contribution towards construction costs, land acquisition and Mersey Gateway Crossing Board costs.

### **Capital Expenditure**

The Council spent £38.5m on capital schemes in 2013/14 (excluding finance leases and PFI schemes) compared with planned expenditure of £48.3m. This outturn represents 80% of the total programme for which 20% slippage was anticipated throughout the year. The approved budget and outturn capital position together with the various sources of funding are as follows:

	<b>Budget £m</b>	<b>Actual £m</b>	<b>Variance £m</b>
<b>Expenditure:</b>			
Schools Related	8,994	7,370	1,624
Economy, Enterprise & Property	8,112	6,794	1,318
Commissioning & Complex Care	1,639	856	783
Community & Environment	3,521	515	3,006
Policy, Planning & Transportation	24,611	21,866	2,745
ICT & Support Services	1,100	976	124
Corporate	415	93	322
	<b>48,392</b>	<b>38,470</b>	<b>9,922</b>
<b>Funded by:</b>			
Borrowing	9,160	8,536	624
Capital Receipts	5,670	2,431	3,239
Revenue	2,573	913	1,660
Grants	29,780	25,774	4,006
Contributions	1,209	816	393
	<b>48,392</b>	<b>38,470</b>	<b>9,922</b>

The main areas of slippage to the budget were in respect of schemes for Widnes Recreation Site, Halton Lodge Bungalows, Ashley School and Disabled Access. Analysis of the expenditure is included as part of the notes to the financial statements.

### ***Housing***

As part of the housing stock transfer agreement with Halton Housing Trust (HHT), the Value Added Tax (VAT) shelter arrangement was established. It is operated by HHT and £0.823m was due to the Council for the 2013/14 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 £0.135m was due from the Trust for 2013/14.

### ***Treasury Management***

The Council operates within a Treasury Management framework, which requires that each year a strategy is prepared including setting prudential indicators to form a framework for the Council's borrowing and lending activities. The Council has adopted the CIPFA Code of Practice on Treasury Management. Performance is monitored each quarter throughout the year and an outturn report is produced at the year end.

Despite the global "credit crunch" and downturn in the financial markets, the Council had another successful year and exceeded its performance targets. This was primarily due to advantageous rates obtained in respect of financing required for the Mersey Gateway land acquisitions.

Although the Council undertook no new long term borrowing in 2013/14 it did have borrowing from earlier years not repayable until 2015/16 at the earliest. At the year-end, borrowing totalled £70.00m, well within its authorised borrowing limit of £81.00m. Borrowing comprises loans from the Public Works Loan Board and the market of £60.00m and a Lenders Option Borrowers Option loan from the Euro Hypo bank for £10.00m.

All transactions relating to investments and borrowings complied with the approved guidelines for the year. Further details of these transactions are contained in note 34 to the core financial statements.

At 31st March 2014 the Council had £40.15m invested. None of the Council's investments are with foreign banks.

The Council approved the Minimum Revenue Provision Policy Statement as part of its Treasury Management Strategy in March 2014 effective from 1<sup>st</sup> April 2014.

### **Collection Fund**

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

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

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

The balance on the Collection Fund found within the supplementary financial statements will be reviewed during 2014/15 and estimates will be provided in the second half of the financial year of the value of the balance of the Collection Fund which will be available for distribution in the following financial year.

From 1<sup>st</sup> April 2014 the Council entered into a Business Rate Pool along with St. Helens Borough Council and Warrington Borough Council. The arrangement encourages Councils to work together and to support economic priorities across the area. It enables the pool to retain and share the growth on Business Rates which would have otherwise been paid over to Government.

### **Changes in Accounting Policies**

The Council's accounts have been prepared in compliance with the Code of Practice on Local Authority Accounting 2013/14 and International Financial Reporting Standards (IFRS).

The Council's Accounting Policies have been updated from 2012/13 to incorporate changes as part of the Business Rate Retention Scheme effective 1<sup>st</sup> April 2013.

In accordance with the 2011 Accounts and Audit Regulations, the Annual Governance Statement will be considered separately by the Council when considering the 2013/14 Statement of Accounts. The draft Statement of Accounts will be certified by the Chief Finance Officer as at 30<sup>th</sup> June 2014 and then considered by the Council by 30<sup>th</sup> September 2014 following audit.

### **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 medium term. Its purpose is to ensure that resources are properly targeted towards the Council's priorities, to avoid excessive Council Tax rises, to deliver a balanced and sustainable budget, and to continue to identify efficiencies.

The downturn in the UK economy and austerity measures introduced by the Government, have had and will continue to have a significant impact upon the Council's finances over the medium term and this has been reflected in the MTFS. The Council's historically heavy reliance upon Government grant funding has meant that the austerity measures are having a disproportionately greater impact upon the Council's funding.

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

The MTFS was reported to the Council's Executive Board in November 2013 and subsequently updated as part of the budget report in February 2014. The latest report identified potential shortfalls in funding for the Council over the following two years of approximately £21.7m (15/16) and £14.2m (16/17).

The 2014/15 net budget requirement of £108.243m was approved by the Council on 5<sup>th</sup> March 2014. The budget will be funded from £37.101m of Council Tax (increase of 1.9% to the Band D level for 2013/14) and £71.142m of Settlement Funding Assessment. Settlement Funding is inclusive of £24.845m of Baseline Funding, £7.309m of Top-up Grant and £38.988m of Revenue Support Grant.

The Local Government Finance Settlement announced on 5<sup>th</sup> February 2014 confirmed a 9.9% reduction in the Council's Formula funding for 2014/15.

The funding outlook for Halton over the medium term continues to look very gloomy and significant savings will need to be found. Plans for future public spending are only known for years 2014/15 and 2015/16 but it is expected austerity measures will continue until at least 2017/18.

The 2013 Spending Round was published in June 2013 where further reductions to Local Government funding were announced. Indicative figures show Halton will see a reduction to the 2015/16 Settlement Funding Assessment allocation of over £10m or 14%.

### **Mersey Gateway**

The development of the Mersey Gateway Crossing has been in progress for many years and 2013/14 was a landmark year in the history of the Mersey Gateway. In June 2013 as part of the procurement stage, Merseylink was announced as the preferred main contractor to design, build, finance and operate the Mersey Gateway. In March 2014 a contract was signed between all major partners which will see the construction of the Mersey Gateway starting in 2014/15. The Council from 28<sup>th</sup> March 2014 has established the Mersey Gateway Crossings Board Ltd in order to manage the Council's relationship with Merseylink throughout the construction and subsequent operation of the Mersey Gateway bridge.



The construction of the Mersey Gateway will have a significant impact on the Statement of Accounts in future years and the financial impact will be built into the medium term financial forecast for the Council.

## **Conclusion**

The Council has continued to be successful in managing its finances and maintaining a sound financial base, to meet the challenging times ahead as well as the increasing demands for services arising and the need to sustain the future development of the Council. I would like to thank all Members and officers who have assisted with this during the year and made 2013/14 another 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](http://www.halton.gov.uk).

The Statement of Accounts is available in alternative formats, such as Braille, large print, spoken, or a different language, by contacting the Council's Marketing, Design and Communications Team.

**Ed Dawson**

*Operational Director – Finance*

Comprehensive Income & Expenditure Statement as at 31<sup>st</sup> March 2013

		<b>Gross Expenditure 2012/13 Restated £'000</b>	<b>Gross Income 2012/13 Restated £'000</b>	<b>Net Expenditure 2012/13 Restated £'000</b>
<b>Services</b>	<b>Note</b>			
<b>CONTINUING OPERATIONS</b>				
<i>Children's &amp; Education Service</i>		159,718	(113,016)	46,702
<i>Adult Social Care</i>		50,955	(16,709)	34,246
<i>Highways and Transport</i>		27,233	(4,651)	22,582
<i>Cultural &amp; Related Services</i>		18,920	(3,561)	15,359
<i>Environmental &amp; Regulatory Services</i>		15,626	(3,238)	12,388
<i>Planning Services</i>		6,948	(3,093)	3,855
<i>Housing Services</i>		72,346	(70,402)	1,944
<i>Central Services</i>		13,790	(11,013)	2,777
<i>Corporate &amp; Democratic Core</i>		4,314	(2,771)	1,543
<i>Non Distributable Costs</i>		283	(113)	170
<b>NET COST OF SERVICES</b>	<b>1,4</b>	<b>370,133</b>	<b>(228,567)</b>	<b>141,566</b>
<i>Other Operating Activities</i>	<b>6</b>			22,089
<i>Financing and Investment Income &amp; Expenditure</i>	<b>7</b>			6,107
<i>Taxation and Non-Specific Grant Income</i>	<b>8</b>			(144,366)
<b>(Surplus) or Deficit on the Provision of Services</b>	<b>1</b>			<b>25,396</b>
<i>(Surplus) or Deficit on revaluation of Property, Plant &amp; Equipment</i>				(3,987)
<i>(Surplus) or Deficit on revaluation of Available for Sale of Financial Assets</i>				-
<i>Actuarial (Gains) / Losses on Pension Assets / Liabilities</i>	<b>40</b>			26,180
<b>Other Comprehensive Income &amp; Expenditure</b>				<b>22,193</b>
<b>TOTAL COMPREHENSIVE INCOME &amp; EXPENDITURE</b>				<b>47,587*</b>

Comprehensive Income & Expenditure Statement as at 31<sup>st</sup> March 2014

		Gross Expenditure 2013/14	Gross Income 2013/14	Net Expenditure 2013/14
<i>Services</i>	Note	£'000	£'000	£'000
<b>CONTINUING OPERATIONS</b>				
Children's & Education Service		140,891	(107,699)	33,192
Adult Social Care		46,469	(10,318)	36,151
Public Health Services		7,697	(8,548)	(851)
Highways and Transport		22,478	(1,712)	20,766
Cultural & Related Services		18,916	(3,962)	14,954
Environmental & Regulatory Services		13,453	(1,253)	12,200
Planning Services		6,579	(3,732)	2,847
Housing Services		59,585	(58,768)	817
Central Services		12,713	(10,767)	1,946
Corporate & Democratic Core		4,681	(4,672)	9
Non Distributable Costs		(66)	(35)	(101)
<b>NET COST OF SERVICES</b>	<b>1,4</b>	<b>333,396</b>	<b>(211,466)</b>	<b>121,930</b>
Other Operating Activities	<b>6</b>			1,533
Financing and Investment Income & Expenditure	<b>7</b>			8,414
Taxation and Non-Specific Grant Income	<b>8</b>			(137,570)
<b>(Surplus) or Deficit on the Provision of Services</b>	<b>1</b>			<b>(5,693)</b>
(Surplus) or Deficit on revaluation of Property, Plant & Equipment				(884)
(Surplus) or Deficit on revaluation of Available for Sale of Financial Assets				-
Actuarial (Gains) / Losses on Pension Assets / Liabilities	<b>40</b>			(26,181)
<b>Other Comprehensive Income &amp; Expenditure</b>				<b>(27,065)</b>
<b>TOTAL COMPREHENSIVE INCOME &amp; EXPENDITURE</b>				<b>(32,758)</b>

Balance Sheet as at 31<sup>st</sup> March 2014

31/03/12 £'000 <i>Restated</i>	31/03/13 £'000 <i>Restated</i>		Note	£'000	31/03/14 £'000
328,423	310,702	Net Fixed Assets – Property Plant & Equipment	17		344,357
1,067	1,114	Heritage Assets	19	1,123	
15,007	13,405	Investment Properties	20	12,249	
1,657	1,267	Intangible Assets	21	893	
-	-	Assets Held of Sale > 12 months		-	
12,465	455	Long Term Investments	23	534	
20,795	36,467	Long Term Debtors	24	1,803	16,602
<b>379,414</b>	<b>363,410</b>	<b>Total Long Term Assets</b>			<b>360,959</b>
		<b>Current Assets</b>			
371	358	Inventories	25	337	
4,476	3,743	Assets held for Sale < 12 months	22	2,802	
24,124	21,923	Short Term Debtors	24	65,627	
-	-	Intangible Current Assets		-	
50,000	29,000	Short Term Investments	23	15,000	
17,882	22,369	Cash/Cash Equivalents	26	29,466	
<b>96,853</b>	<b>77,394*</b>	<b>Total Current Assets</b>		<b>113,232</b>	
		<b>Current Liabilities</b>			
(37,043)	(10,045)	Short Term Borrowing	30	-	
(45,113)	(42,878)	Short Term Creditors	27	(45,258)	
(1,043)	(1,012)	Provisions < 1 year	31	(2,987)	
-	-	Bank Overdraft		-	
<b>(83,199)</b>	<b>(53,935)</b>	<b>Total Current Liabilities</b>		<b>(48,245)</b>	
<b>13,654</b>	<b>23,459</b>	<b>Net Current Assets/(Liabilities)</b>			<b>64,987</b>
<b>393,068</b>	<b>386,869</b>	<b>Total Net Assets</b>			<b>425,946</b>
(50,474)	(70,429)	Long Term Borrowing	30	(70,000)	
(741)	(461)	Provisions > 1 year	31	(736)	
(20,528)	(15,090)	Capital Grants Receipts in Advance	4	(20,673)	
(91,160)	(118,309)	Other Long Term Liabilities	32	(119,201)	(210,610)
<b>230,165</b>	<b>182,580</b>	<b>Total Assets Less Liabilities</b>			<b>215,336</b>
(47,379)	(48,239)	Usable Reserves	39	(55,051)	
(182,786)	(134,341)	Unusable Reserves	40	(160,285)	
<b>(230,165)</b>	<b>(182,580)</b>	<b>Total Equity</b>			<b>(215,336)</b>

### Movement in Reserves Statement as at 31<sup>st</sup> March 2013

	General Fund (Restated)	Other Earmarked Reserves	Capital Receipts Reserve	Capital Grants Unapplied	TOTAL USABLE RESERVES	TOTAL UNUSABLE RESERVES (Restated)	TOTAL COUNCIL RESOURCES
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
General Fund	(7,565)	(27,799)	(2,582)	(3,154)	(41,100)	(182,786)	(223,886)
General Fund – Schools	(6,279)	-	-	-	(6,279)	-	(6,279)
<b>Balance as at 31<sup>st</sup> March 2012</b>	<b>(13,844)</b>	<b>(27,799)</b>	<b>(2,582)</b>	<b>(3,154)</b>	<b>(47,379)</b>	<b>(182,786)</b>	<b>(230,165)</b>
<b>Movement in Reserves during 2012/13</b>							
(Surplus) or Deficit on the Provision of Services	25,395	-	-	-	25,395	-	25,395
Other Comprehensive Income and Expenditure	-	-	-	-	-	22,192	22,192
<b>Total Comprehensive Income and Expenditure</b>	<b>25,395</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>25,395</b>	<b>22,192</b>	<b>47,587</b>
Adjustments between Accounting Basis and Funding Basis under Regulations ( <b>note 37a</b> )	(27,847)	-	1,258	362	(26,227)	26,227	-
<b>Net (Increase)/Decrease before Transfers to Other Reserves</b>	<b>(2,452)</b>	<b>-</b>	<b>1,258</b>	<b>362</b>	<b>(831)</b>	<b>48,418</b>	<b>47,587</b>
Transfer to/from other Earmarked Reserves ( <b>notes 38</b> )	1,798	(1,798)	-	-	-	-	-
Other Movements	-	-	(27)	-	(27)	27	-
<b>(Increase)/Decrease in the year</b>	<b>(654)</b>	<b>(1,798)</b>	<b>1,232</b>	<b>362</b>	<b>(858)</b>	<b>48,445</b>	<b>47,587</b>
<b>Balance Carried Forward</b>	<b>(14,498)</b>	<b>(29,597)</b>	<b>(1,351)</b>	<b>(2,791)</b>	<b>(48,237)</b>	<b>(134,341)</b>	<b>(182,580)</b>
General Fund	(8,067)						
General Fund – Schools	(6,433)						
	<b>(14,498)</b>						

### Movement in Reserves Statement as at 31<sup>st</sup> March 2014

	General Fund	Other Earmarked Reserves	Capital Receipts Reserve	Capital Grants Unapplied	TOTAL USABLE RESERVES	TOTAL UNUSABLE RESERVES	TOTAL COUNCIL RESOURCES
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
General Fund	(8,065)	(29,597)	(1,351)	(2,792)	(41,805)	(134,341)	(176,145)
General Fund – Schools	(6,433)	-	-	-	(6,433)	-	(6,433)
<b>Balance as at 31<sup>st</sup> March 2013</b>	<b>(14,498)</b>	<b>(29,597)</b>	<b>(1,351)</b>	<b>(2,792)</b>	<b>(48,238)</b>	<b>(134,341)</b>	<b>(182,578)</b>
<b>Movement in Reserves during 2013/14</b>							
(Surplus) or Deficit on the Provision of Services	(5,690)	-	-	-	(5,690)	-	(5,690)
Other Comprehensive Income and Expenditure	-	-	-	-	-	(27,065)	(27,065)
<b>Total Comprehensive Income and Expenditure</b>	<b>(5,690)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(5,690)</b>	<b>(27,065)</b>	<b>(32,755)</b>
Adjustments between Accounting Basis and Funding Basis under Regulations ( <b>note 37b</b> )	(773)	-	(546)	226	(1,093)	1,093	-
<b>Net (Increase)/Decrease before Transfers to Other Reserves</b>	<b>(6,463)</b>	<b>-</b>	<b>(546)</b>	<b>226</b>	<b>(6,783)</b>	<b>(25,972)</b>	<b>(32,755)</b>
Transfer to/from other Earmarked Reserves ( <b>notes 38</b> )	5,725	(5,725)	-	-	-	-	-
Other Movements	-	-	(29)	-	(29)	29	-
<b>(Increase)/Decrease in the year</b>	<b>(738)</b>	<b>(5,725)</b>	<b>(575)</b>	<b>226</b>	<b>(6,812)</b>	<b>(25,943)</b>	<b>(32,755)</b>
<b>Balance Carried Forward</b>	<b>(15,236)</b>	<b>(35,322)</b>	<b>(1,926)</b>	<b>(2,566)</b>	<b>(55,050)</b>	<b>(160,283)</b>	<b>(215,333)</b>
General Fund	(8,646)						
General Fund – Schools	(6,590)						
	<b>(15,236)</b>						

Cash Flow Statement as at 31<sup>st</sup> March 2014

<b>2012/13</b> <b>£'000</b>		<b>Note</b>	<b>2013/14</b> <b>£'000</b>
7,814	Net cash flows from Operating Activities	<b>41</b>	(35,569)
(26,257)	Net cash flows from Investing Activities	<b>42</b>	16,881
13,955	Net cash flows from Financing Activities	<b>43</b>	11,592
<b>(4,488)</b>	<b>Net (increase)/decrease in cash and cash equivalents</b>		<b>(7,097)</b>
(17,882)	Cash and Cash Equivalents at the beginning of the reporting period	<b>26</b>	(22,369)
<b>(22,369)</b>	<b>Cash and Cash Equivalents at the end of the reporting period</b>	<b>26</b>	<b>(29,466)</b>

## Notes to the Core Financial Statements

### 1. Amounts Reported for Resource Allocation Decisions

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the Service Reporting Code of Practice. However, decisions about resource allocation are taken by the Council on the basis of budget reports analysed across directorates. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

- No charges are made in relation to capital expenditure (whereas revaluation and impairment losses in excess of the balance on the Revaluation Reserve are charged to the Comprehensive Income and Expenditure Statement).
- The cost of retirement benefits is based on cash flows (payments of employer's pension's contributions) rather than current service cost of benefits accrued in the year.

The income and expenditure of the Councils principal directorates recorded in the budget reports for the year is as follows:

#### Directorate income and expenditure 2012/13

	Communities £'000	Children and Enterprise £'000	Policy & Resources £'000	Total £'000
Fees, Charges & Other Service Income	(31,871)	(23,071)	(69,223)	(124,164)
Government Grants	(5,202)	(104,949)	(72,062)	(182,214)
<b>Total Income</b>	<b>(37,073)</b>	<b>(128,020)</b>	<b>(141,285)</b>	<b>(306,378)</b>
Employee Expenses	28,234	85,312	22,840	<b>136,386</b>
Other Operating Expenses	58,121	64,459	112,821	<b>235,402</b>
Support Services Recharges	14,559	10,792	15,043	<b>40,393</b>
<b>Total Operating Expenses</b>	<b>100,914</b>	<b>160,563</b>	<b>150,704</b>	<b>412,181</b>
<b>Cost of Services</b>	<b>63,841</b>	<b>32,544*</b>	<b>9,419</b>	<b>105,803</b>

#### Reconciliation to Net Cost of Services in Comprehensive Income and Expenditure Account

	2012/13 £'000
Cost of Services in Service Analysis	<b>105,803</b>
Add services not included in main analysis	-
Add amounts not reported to management	16,538



Remove amounts reported to management not included in Comprehensive Income and Expenditure Statement	19,224
Net Cost of Services in Income and Expenditure Statement	<b>141,565*</b>

### Directorate income and expenditure 2013/14

	Communities £'000	Children and Enterprise £'000	Policy & Resources £'000	Total £'000
Fees, Charges & Other Service Income	(40,893)	(23,634)	(64,146)	(128,673)
Government Grants	(237)	(90,397)	(69,509)	(160,144)
<b>Total Income</b>	<b>(41,130)</b>	<b>(114,031)</b>	<b>(133,656)</b>	<b>(288,817)</b>
Employee Expenses	27,248	80,933	23,418	<b>131,598</b>
Other Operating Expenses	66,264	61,905	105,637	<b>233,806</b>
Support Services Recharges	13,533	9,066	15,803	<b>38,402</b>
<b>Total Operating Expenses</b>	<b>107,044</b>	<b>151,904</b>	<b>144,858</b>	<b>403,806</b>
<b>Cost of Services</b>	<b>65,914</b>	<b>37,873</b>	<b>11,202</b>	<b>114,989</b>

### Reconciliation to Net Cost of Services in Comprehensive Income and Expenditure Account

	<b>2013/14 £'000</b>
<b>Cost of Services in Service Analysis</b>	<b>114,989</b>
Add services not included in main analysis	1
Add amounts not reported to management	(6,453)
Remove amounts reported to management not included in Comprehensive Income and Expenditure Statement	13,394
Net Cost of Services in Income and Expenditure Statement	<b>121,931</b>



## Reconciliation to Subjective Analysis

This Reconciliation shows how the figures in the analysis of directorate income and expenditure relate to a subjective analysis of the Surplus or Deficit on the Provision of Services included in the Comprehensive Income and Expenditure Statement

2012/13 - Restated	Service Analysis	Services Not In Analysis	Amounts Not Reported to Management	Amounts Not Included in I&E	Allocation of Recharges	Net Cost of Services	Corporate Amounts	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Fees Charges & Other Service Income	(124,164)	-	11,475	26,615	40,393	(45,681)	-	(45,681)
Surplus or Deficit on associates & Joint Venture	-	-	-	-	-	-	-	-
Interest and Investment Income	-	-	-	-	-	-	28	28
Income from Council Tax	-	-	-	-	-	-	(44,130)	(44,130)
Government Grant & Contributions	(182,214)	-	(4,599)	-	-	(186,813)	(100,236)	(287,049)
<b>Total Income</b>	<b>(306,378)</b>	<b>-</b>	<b>6,876</b>	<b>26,615</b>	<b>40,393</b>	<b>(232,494)</b>	<b>(144,338)</b>	<b>(376,831)</b>
Employee Expenses	136,386	-	(2,895)	(140)	-	133,351	-	133,351
Other Operating Expenses	211,798	-	(12,814)	(6,670)	(40,393)	151,921	701	152,622
Support Services Recharges	40,393	-	-	(582)	-	39,811	-	39,811
Depreciation, Amortisation & Impairment	23,604	-	25,372	-	-	48,976	-	48,976
Interest Payments	-	-	-	-	-	-	6,077	6,077
Precepts	-	-	-	-	-	-	59	59
Levies	-	-	-	-	-	-	257	257
Payments to Housing Capital Pool Receipts	-	-	-	-	-	-	4	4
Gain or Loss on Disposal of Fixed Assets	-	-	-	-	-	-	21,068	21,068
<b>Total Operating Expenses</b>	<b>412,181</b>	<b>-</b>	<b>9,662</b>	<b>(7,391)</b>	<b>(40,393)</b>	<b>374,058</b>	<b>28,166</b>	<b>402,225</b>
<b>(Surplus)/Deficit on Provision of Services</b>	<b>105,803</b>	<b>-</b>	<b>16,538*</b>	<b>19,224*</b>	<b>-</b>	<b>141,565*</b>	<b>(116,172)</b>	<b>25,394</b>

## Reconciliation to Subjective Analysis

2013/14	Service Analysis	Services Not In Analysis	Amounts Not Reported to Management	Amounts Not Included in I&E	Allocation of Recharges	Net Cost of Services	Corporate Amounts	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Fees Charges & Other Service Income	(125,649)	-	8,346	24,036	38,402	(54,866)	-	(54,866)
Surplus or Deficit on associates & Joint Venture	-	-	-	-	-	-	-	-
Interest and Investment Income	-	-	-	-	-	-	(513)	(513)
Income from Council Tax	-	-	-	-	-	-	(38,486)	(38,486)
Government Grant & Contributions	(163,168)	-	(9,811)	-	-	(172,978)	(99,083)	(272,062)
<b>Total Income</b>	<b>(288,817)</b>	<b>-</b>	<b>(1,465)</b>	<b>24,036</b>	<b>38,402</b>	<b>(227,844)</b>	<b>(138,082)</b>	<b>(365,927)</b>
Employee Expenses	131,598	1	(68)	(167)	-	131,364	-	131,364
Other Operating Expenses	212,218	-	(4,919)	(9,805)	(38,402)	159,093	126	159,219
Support Services Recharges	38,402	-	-	(670)	-	37,732	-	37,732
Depreciation, Amortisation & Impairment	21,588	-	-	-	-	21,588	-	21,588
Interest Payments	-	-	-	-	-	-	8,927	8,927
Precepts	-	-	-	-	-	-	61	61
Levies	-	-	-	-	-	-	261	261
Payments to Housing Capital Pool Receipts	-	-	-	-	-	-	5	5
Gain or Loss on Disposal of Fixed Assets	-	-	-	-	-	-	1,080	1,080
<b>Total Operating Expenses</b>	<b>403,806</b>	<b>1</b>	<b>(4,987)</b>	<b>(10,642)</b>	<b>(38,402)</b>	<b>349,777</b>	<b>10,461</b>	<b>360,238</b>
<b>(Surplus)/Deficit on Provision of Services</b>	<b>114,989</b>	<b>-</b>	<b>(6,452)</b>	<b>13,394</b>	<b>-</b>	<b>121,932</b>	<b>(127,621)</b>	<b>(5,689)</b>



## 2. Officers' Remuneration

The number of employees whose remuneration, inclusive of car benefit but excluding pension contributions, was £50,000 or more, grouped in rising bands of £5,000 is shown below. This list is inclusive of officers reported in the senior officer's disclosure note.

Remuneration Band		2012/13		2013/14	
		Teaching	Non-Teaching	Teaching	Non - Teaching
£50,000	£54,999	36	11	32	8
£55,000	£59,999	17	16	17	14
£60,000	£64,999	12	11	10	9
£65,000	£69,999	5	5	9	5
£70,000	£74,999	5	2	3	4
£75,000	£79,999	1	2	2	3
£80,000	£84,999		7		5
£85,000	£89,999	4		1	2
£90,000	£94,999			2	1
£95,000	£99,999	2	1	1	
£100,000	£104,999				
£105,000	£109,999		3		2
£110,000	£114,999		1		
£115,000	£119,999				
£120,000	£124,999	1			
£125,000	£129,999				
£130,000	£134,999				
£135,000	£139,999				
£140,000	£144,999				1
£145,000	£149,999				
£150,000	£154,999				
£155,000	£159,999				
£160,000	£164,999	1			
£165,000	£169,999				1
£170,000	£174,999		1		
£175,000	£179,999				
		<b>84</b>	<b>60</b>	<b>77</b>	<b>55</b>

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

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

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

*These notes refer to the detailed note overleaf:*

Note 1: During 2013/14, the Strategic Director Children and Enterprise performed the additional role of Director of Children's Services at Cheshire West and Chester Council on a part-time basis at a total remuneration cost of £83,000. The payments in relation to that additional role have been made by Halton Borough Council and are included in the salary and remuneration figures detailed overleaf, however, the Council has been fully reimbursed for these costs by Cheshire West and Chester Council.

Note 2: The Operational Director for Children & Families resigned on the 14/10/2012. Their annualised salary was £82,500. They were replaced on the 01/01/2013, with their annualised salary being £73,200.

Note 3: The Operational Director for Commissioning & Complex Care commenced part-time working on the 01/06/2013. Their annualised salary on a full-time basis is £82,600

Note 4: The Operational Director Financial Services retired on the 31/07/2012. Their annualised salary was £85,900. They were replaced on the 01/08/2012, with their annualised salary being £73,500.

Note 5: On 1<sup>st</sup> April, public health staff and services were transferred from primary care trusts to local authorities. The Director of Public Health as a statutory chief officer is included in the list of senior officers for 2013/14 only.





Post Title		Salary (including fees & Allowances)		Compensation for loss of employment		Benefits in Kind		Total Remuneration excluding pension contributions		Employers Pension contributions		Total Remuneration including pension contributions	
		2012/13	2013/14	2012/13	2013/14	2012/13	2013/14	2012/13	2013/14	2012/13	2013/14	2012/13	2013/14
Chief Executive – David Parr		167,700	167,500	-	-	2,900	2,400	170,600	169,900	33,100	34,000	203,700	203,900
Children & Enterprise	1	104,800	138,100	-	-	3,000	2,500	107,800	140,600	20,700	28,100	128,500	168,700
Policy & Resources		104,600	104,100	-	-	2,600	2,100	107,200	106,200	20,700	21,200	127,900	127,400
Communities		106,900	105,500	-	-	-	-	106,900	105,500	20,700	21,200	127,600	126,700
Policy, Planning & Transportation		81,000	80,500	-	-	3,100	2,200	84,100	82,700	16,000	16,400	100,100	99,100
Legal & Democratic Services		81,000	80,500	-	-	1,600	2,200	82,600	82,700	16,000	16,400	98,600	99,100
Learning & Achievement Services		74,700	76,400	-	-	2,400	800	77,100	77,200	14,800	15,600	91,900	92,800
Prevention & Assessment		80,900	81,500	-	-	400	-	81,300	81,500	15,600	16,400	96,900	97,900
Children & Families Services	2	45,700	72,900	-	-	-	-	45,700	72,900	8,600	14,600	54,300	87,500
Children & Families Services	2	18,300	-	-	-	-	-	18,300	-	3,500	-	21,800	-
Commissioning & Complex Care	3	83,000	48,000	-	-	-	-	83,000	48,000	16,000	9,600	99,000	57,600
Children's Organisation & Provision		81,000	85,100	-	-	1,200	2,300	82,200	87,400	16,000	17,300	98,200	104,700
Finance	4	28,800	74,100	-	-	-	-	28,800	74,100	5,500	14,900	34,300	89,000
Finance	4	44,200	-	-	-	-	-	44,200	-	8,400	-	52,600	-
ICT & Support Services		83,400	81,500	-	-	-	-	83,400	81,500	16,000	16,400	99,400	97,900
Economy, Enterprise & Property		76,900	77,100	-	-	-	2,200	76,900	79,300	14,800	15,600	91,700	94,900
Community & Environment		78,900	80,500	-	-	5,100	2,400	84,000	82,900	15,600	16,400	99,600	99,300
Public Health	5	-	91,200	-	-	-	-	-	91,200	-	12,500	-	103,700
		<b>1,341,800</b>	<b>1,444,500</b>	-	-	<b>22,300</b>	<b>19,100</b>	<b>1,364,100</b>	<b>1,463,600</b>	<b>262,000</b>	<b>286,600</b>	<b>1,626,100</b>	<b>1,750,200</b>

### 3. Exit Packages

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

Exit package cost band	Number of compulsory redundancies		Number of voluntary redundancies		Number of early retirements		Total of number of exit packages by cost band		Total cost of exit packages in each band £'000	
	2012/13	2013/14	2012/13	2013/14	2012/13	2013/14	2012/13	2013/14	2012/13	2013/14
£0 - £20,000	3	7	8	6	-	7	11	20	89	126
£20,001 - £40,000	-	-	1	2	1	1	2	3	52	90
£40,001 - £60,000	-	1	2	-	3	1	5	2	240	105
£60,001 - £80,000	-	-	-	-	1	1	1	1	65	74
£80,001 - £100,000	-	-	-	-	-	-	-	-	-	-
£100,001 - £150,000	-	-	-	-	-	-	-	-	-	-
£150,001 - £200,000	-	-	-	-	1	-	1	-	186	-
£200,001 - £250,000	-	-	-	-	-	-	-	-	-	-
£250,001 - £300,000	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>3</b>	<b>8</b>	<b>11</b>	<b>8</b>	<b>6</b>	<b>10</b>	<b>20</b>	<b>26</b>	<b>632</b>	<b>395</b>

The number of early retirements included in the table is the number of employees who have left the Council under the terms of early retirement in 2012/13 and 2013/14. The cost of employees taking early retirement in 2013/14 is £0.217m (2012/13 - £0.414m). Early retirement costs are charged to the Council's Comprehensive Income & Expenditure Statement over a period of 5 years. There were two exceptions to this in 2013/14 due to a decision made within the Children & Enterprise Directorate, where the full actuarial payment was made in the year of retirement. The cost of redundancies in 2013/14 is £0.178m (2012/13 - £0.218m) was funded from reserves in year.



#### 4. Grant Income

The Council has received a number of grants and contributions that have yet to be recognised as income. At the balance sheet date, conditions existed which remain to be satisfied. The balances at year end are as follows:

	<b>31<sup>st</sup> March 2013</b> <b>£'000</b>	<b>31<sup>st</sup> March 2014</b> <b>£'000</b>
<b>Capital Grants Receipts in Advance</b>		
Grant – Communities and Local Government	(3,060)	(7,397)
Grant – Department of Transport	-	(1,682)
Grant – Department of Health	(210)	-
Grant – Department for Environment, Food & Rural Affairs	(167)	(27)
Grant – Department for Education	(4,992)	(972)
Grant – Other Grants	(45)	(20)
Contributions	(6,615)	(10,576)
	<b>(15,090)*</b>	<b>(20,674)</b>

	<b>31<sup>st</sup> March 2013</b> <b>£'000</b>	<b>31<sup>st</sup> March 2014</b> <b>£'000</b>
<b>Revenue Grants Receipts in Advance</b>		
Grant – Department for Education	(3,183)	(5,543)
Grant – Department for Works & Pensions	-	-
Grant – Communities and Local Government	(141)	(12)
Grant – Department for Environment, Food & Rural Affairs	(105)	(105)
Grant - DECC	(115)	(44)
Grant – Other Grants	(1,132)	(395)
Grant – Dedicated Schools Grant	(5,240)	(4,477)
Contributions	(1,290)	(1,379)
Other Creditors	(1,139)	(800)
	<b>(12,346)*</b>	<b>(12,755)</b>

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2013/14.

	<b>31 March 2013</b> <b>£'000</b>	<b>31 March 2014</b> <b>£'000</b>
Credited to Services		
Revenue Grant – Communities & Local Government	(3,358)	(2,855)
Revenue Grant – Dedicated Schools Grant	(87,636)	(80,059)
Revenue Grant – Department for Education	(13,423)	(14,924)
Revenue Grant – Department for Environment, Food & Rural Affairs	(135)	(23)
Revenue Grant – Department for Transport	(3,050)	(293)
Revenue Grant – Department for Works & Pensions	(12,649)	(1,702)
Revenue Grant – Department of Health	(4,489)	(8,590)
Revenue Grant – Home Office	(175)	(177)
Revenue Grant – Other Grants	(3,342)	(1,015)
Revenue Grant – Rent Allowance Subsidy	(54,078)	(53,736)
<b>Revenue Grants</b>	<b>(182,335)</b>	<b>(163,375)</b>
Contribution – PCT, CCG & Other Local Authorities	(1,059)	(1,657)
Other Contributions	(9,138)	(1,755)
<b>Contributions</b>	<b>(10,197)</b>	<b>(3,412)</b>
Reimbursements	(6,003)	(10,285)
Sales, Fees & Rents	(17,961)	(19,551)
External Interest	(8)	(7)
Other Income	(7,464)	(8,258)
Capital Grants Impaired	(2,891)	(5,980)
Revenue Expenditure Funded by Capital Grants Under Statute	(1,708)	(600)
<b>Other Income</b>	<b>(36,035)</b>	<b>(44,681)</b>
	<b>(228,568)*</b>	<b>(211,467)*</b>

## 5. Material Items of Income and Expense

There are no material items of Income and Expenditure within the Consolidated Income and Expenditure Statement for 2013/14.

## 6. Other Operating Expenditure

<b>2012/13</b> <b>£'000</b>		<b>2013/14</b> <b>£'000</b>
59	Parish Council Precepts	61
257	Levies	261
4	Payments to the Government Housing Capital Receipts Pool	5
701	Movement in value of Assets Held for Sale	126
21,068	(Gains)/Losses on the Disposal of non-current assets	1,080
<b>22,089</b>	<b>Total</b>	<b>1,533</b>

## 7. Financing and Investment Income

<b>2012/13</b> <b>Restated</b> <b>£'000</b>		<b>2013/14</b> <b>£'000</b>
1,848	Interest payable and similar charges	3,632
4229	Pension interest cost and expected return on pensions assets	5,295
(1,302)	Interest receivable and similar charges	(654)
1,301	Income & Expenditure in relation to Investment Properties and changes in their fair value	181
29	Other investment income	(41)
<b>6,105</b>	<b>Total</b>	<b>8,414</b>

## 8. Taxation and Non Specific Grant Income

<b>2012/13</b> <b>£'000</b>		<b>2013/14</b> <b>£'000</b>
(44,130)	Council tax income	(38,486)
(61,642)	Non domestic rates	(24,721)
(1,195)	Non-ringfenced government grants	(47,409)
-	NNDR Top Up Grant	(7,170)
(37,399)	Capital grants and contributions	(19,784)
<b>(144,366)</b>	<b>Total</b>	<b>(137,570)</b>

## 9. Trading Operations

The Council operates public markets, several industrial estates and owns a successful transport undertaking. A brief summary and comparison with 2012/13 is detailed below:

Income	Expenditure	Trading (Surplus)/ Deficit	Trading (Surplus)/ Deficit	Trading Account	Asset Rentals	Total Inc Asset Rental
2013/14 £'000	2013/14 £'000	2013/14 £'000	2012/13 £'000		2013/14 £'000	2013/14 £'000
(799)	709	(90)	(143)	<b>Markets</b>	50	(40)
(848)	557	(291)	(311)	<b>Industrial Estates</b>	-	(291)

The (Surplus) / Deficit taken to General Fund from trading operations is made up as follows:

	2012/13 £'000	2013/14 £'000
Markets	(97)	(40)
Industrial Estates	(311)	(291)
	<b>(408)</b>	<b>(331)</b>

## 10. Agency Services

Subject to the provision of Section 1 of the 1970 Act, a Local Authority may enter into an agreement to supply certain goods and services. In 2013/14 the Council continued to supply payroll services to the various schools and colleges.

	2012/13 £'000	2013/14 £'000
Expenditure incurred in providing payroll services	45	40
Management fee payable	(45)	(40)
Net surplus arising from agreement	-	-

## 11. Pooled Budgets

### Complex Care

From 1st April 2013 Halton Borough Council (HBC) and the Halton Clinical Commissioning Group (CCG) have agreed to pool more of their resources due to the increasing challenges for the Health and Social Care economy in Halton. This will result in the alignment of systems, improve effective and efficient joint working, but more importantly improve the pathways, speed up discharge processes, transform patient/care satisfaction and set the scene for the future sustainability of meeting the current and future needs of people with complex needs.

The Council and Clinical Commissioning Group each contributed funds equal to 58% and 42% of the Complex Care Pool budget for 2013/14. The same proportions are used to meet any deficit or share any surplus arising on the pooled budget at the end of the financial year.

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

		2013/14 £'000	2013/14 £'000
<b>Funding provided to the pooled budget:</b>			
- Halton Borough Council		(18,772)	
- Halton Clinical Commissioning Group		(13,382)	
			(32,154)
<b>Income raised through the pooled budget:</b>			
- Halton Borough Council		(7,003)	
			(7,003)
<b>Expenditure met from the pooled budget:</b>			
- Halton Borough Council		25,683	
- Halton Clinical Commissioning Group		13,316	
			38,999
<b>Net (surplus)/deficit arising on the pooled budget during the year</b>			<b>(158)</b>
Share of the (surplus)/deficit for the year:			
	Weighting		
- Halton Borough Council	58%		(92)
- Halton Clinical Commissioning Group	42%		(66)
	100%		(158)

## 12. Members Allowances

During the year £725,429 (2012/13 £713,557) was paid to Members including Mayoral and Deputy Mayoral allowances.



### 13. External Audit Fees

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

	<b>2012/13 £'000</b>	<b>2013/14 £'000</b>
Fees payable for		
Audit	142	118
Grants and Returns	14	21
Other	7	-38
Non Audit Consultancy	33	46
	<b>196</b>	<b>147</b>

### 14. Disclosure of Deployment of Dedicated Schools Grant

The Council's expenditure on schools is funded by grant monies provided by the Department for Education, the Dedicated Schools Grant (DSG). DSG is ring-fenced and can only be applied to meet expenditure properly included in the Schools Budget. The Schools Budget includes elements for a restricted range of services provided on an authority-wide basis and for the Individual Schools Budget, which is divided into a budget share for each school. Overspends and underspends on the two elements are required to be accounted for separately.

Details of the deployment of DSG receivable for 2013/14 are shown on the following page;

<b>Total</b>		<b>Central Expenditure</b>	<b>Individual Schools Budget</b>	<b>Total</b>
<b>2012/13</b>		<b>2013/14</b>	<b>2013/14</b>	<b>2013/14</b>
<b>£'000</b>		<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
(87,221)	Final DSG for 2013/14 before academy recoupment			(101,571)
-	- Academy figure recouped for 2013/14			18,478
-	- Total DSG after academy recoupment for 2013/14			(83,093)
(1,953)	Plus brought forward from 2012/13			(3,172)
-	- Less Carry Forward to 2014/15 agreed in advance			-
(89,174)	Agreed budgeted distribution in 2013/14	(14,054)	(72,211)	(86,265)
-	- In Year Adjustments	1,192	(1,192)	-
(89,174)	Final Budget Distribution in 2013/14	(12,862)	(73,403)	(86,265)
8,844	Less actual central expenditure	9,026	-	
77,157	Less actual ISB deployed to schools Plus Council Contribution for 2013/14	-	73,403	-
		-	-	-
<b>(3,172)</b>	<b>Carry Forward to 2014/15</b>	<b>(3,836)</b>	<b>-</b>	<b>(3,836)</b>

## 15. Related Party Transactions

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

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

### Central Government

UK Central Government has significant influence over the general operations of the Council. It is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. council tax bills, housing benefits).

Grants received from government departments are set out note 4 and year end government grant debtors and creditors are shown in notes 24 and 27.

### **Members and Officers**

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

The total of members allowances paid in 2013/14 is shown in note 12. The total of senior officers remuneration paid in 2013/14 is shown in note 2.

For 2013/14 the system has highlighted that 13 Members had interests in various organisations and voluntary sector bodies involving payments worth £6.204m and receipts worth £0.607m for various works and services. Two Members sat on the board of Halton Housing Trust. Payments between HBC and HHT totalled £0.267m and receipts totalled £0.170m in 2013/14.

In 2013/14 the declarations also showed that one Executive Officer represented the Council on the boards of four bodies within the borough. Payments between HBC and those bodies totalled £12.220m and receipts totalled £0.003m in 2013/14.

### **Other Public Bodies**

The Council had one pooled budget arrangement with Halton Clinical Commissioning Group during 2013/14 under s75 of the Health Act 2006. Transactions and balances are highlighted in note 11.

### **Entities Controlled or Significantly Influenced by the Council**

Details of the Council's interests in companies are disclosed as part of the group consolidation exercise.

## **16. Events after the Balance Sheet Date**

These accounts have been authorised for issue by the Operational Director Finance, on the 30<sup>th</sup> June 2014 and reflect all known events for the financial year. Events taking place after this date are not reflected in the financial statements or notes.

Where events taking place before this date provided information about conditions existing at 31<sup>st</sup> March 2014, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

At the time of authorisation there were no material post balance sheet events.

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

Movements in fixed assets during 2012/13

	Land and Buildings	Community Assets	Infrastructure Assets	Vehicles, Plant and Equipment	Surplus	Under Construction/Development	Total 2012/13
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Cost or Valuation</b>							
As at 31 <sup>st</sup> March 2012	193,299	6,631	152,666	14,602	10,462	40,536	418,196
Additions and Enhancements	30,029	240	8,489	1,928	-	8,010	48,697
Revaluations Recognised in the Revaluations Reserve	1,231	-	-	-	(3,223)	-	(1,992)
Revaluations Recognised in the Provision Services	(21,791)	-	-	-	(106)	(3,130)	(25,027)
Derecognition – Disposals	(21,977)	-	(274)	(407)	-	-	(22,658)
Derecognition – Others	-	-	-	-	-	-	-
Assets Reclassified (to)/from held for sale	(557)	-	-	-	229	-	(328)
Other Movements	(2,908)	-	253	(253)	808	2,100	-
As at 31 <sup>st</sup> March 2013	177,327	6,871	161,134	15,870	8,169	47,516	416,887
<b>Depreciation</b>							
As at 31 <sup>st</sup> March 2012	(9,736)	(1,769)	(69,251)	(7,803)	(1,216)	-	(89,775)
Depreciation for the year	(9,293)	(435)	(10,711)	(2,372)	(171)	-	(22,982)
Depreciation written out to revaluation reserve	4,661	-	-	-	1,317	-	5,978
Depreciation written out to Surplus/Deficit on the Provision of Services	344	-	-	-	13	-	357
Derecognition – Disposals	113	-	55	66	-	-	234
Derecognition – Other	-	-	-	-	-	-	-
Other movements in depreciation	29	-	5	(5)	(29)	-	-
As at 31 <sup>st</sup> March 2013	(13,881)	(2,204)	(79,903)	(10,114)	(85)	-	(106,187)
<b>Balance Sheet Amount as at 31<sup>st</sup> March 13</b>	<b>163,445*</b>	<b>4,668*</b>	<b>81,231*</b>	<b>5,756</b>	<b>8,084*</b>	<b>47,516</b>	<b>310,700*</b>
<b>Balance Sheet Amount as at 1<sup>st</sup> April 12</b>	<b>183,563</b>	<b>4,863</b>	<b>83,414</b>	<b>6,800</b>	<b>9,245</b>	<b>40,536</b>	<b>328,423</b>

Movements in fixed assets during 2013/14

	Land and Buildings	Community Assets	Infrastructure Assets	Vehicles, Plant and Equipment	Surplus	Under Construction/Development	Total 2013/14	Service Concession Assets included in PPE
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Cost or Valuation</b>								
As at 31 <sup>st</sup> March 2013	177,327	6,871	161,134	15,870	8,169	47,516	416,887	-
Additions and Enhancements	24,652	141	8,416	3,376	-	25,860	62,445	24,134
Revaluations Recognised in the Revaluations Reserve	(13)	-	-	-	(894)	-	(907)	-
Revaluations Recognised in the Provision Services	(6,218)	-	-	-	(17)	(198)	(6,432)	(6,429)
Derecognition – Disposals	(3,141)	-	-	(3,637)	(80)	-	(6,858)	-
Derecognition – Others	-	-	-	-	-	-	-	-
Assets Reclassified (to)/from held for sale	-	-	-	-	-	-	-	-
Other Movements	(3,707)	-	-	-	3,707	-	-	-
As at 31 <sup>st</sup> March 2014	188,900	7,013	169,551	15,608	10,885	73,178	465,135	17,705
<b>Depreciation</b>								
As at 31 <sup>st</sup> March 2013	(13,881)	(2,204)	(79,903)	(10,114)	(85)	-	(106,187)	-
Depreciation for the year	(8,790)	(451)	(9,153)	(2,517)	(96)	-	(21,008)	-
Depreciation written out to revaluation reserve	793	-	-	-	998	-	1,791	-
Depreciation written out to Surplus/Deficit on the Provision of Services	34	-	-	-	6	-	39	-
Derecognition – Disposals	851	-	-	3,721	15	-	4,586	-
Derecognition – Other	-	-	-	-	-	-	-	-
Other movements in depreciation	1003	-	-	-	(1,003)	-	-	-
As at 31 <sup>st</sup> March 2014	(19,991)	(2,655)	(89,056)	(8,910)	(167)	-	(120,779)	-
<b>Balance Sheet Amount as at 31<sup>st</sup> March 14</b>	<b>168,909</b>	<b>4,358</b>	<b>80,494</b>	<b>6,698</b>	<b>10,718</b>	<b>73,178</b>	<b>344,356</b>	<b>17,705</b>
<b>Balance Sheet Amount as at 1<sup>st</sup> April 13</b>	<b>163,445</b>	<b>4,668</b>	<b>81,231</b>	<b>5,756</b>	<b>8,084</b>	<b>47,516</b>	<b>310,700*</b>	<b>-</b>

**Depreciation**

The following useful lives and depreciation rates have been used in the calculation of depreciation:

Buildings and Other Operational Properties	10-60 years
Infrastructure and Community Assets	15 years
Vehicles, Plant & Equipment	5-10 years
Intangible Assets	5 years

**Capital Commitments**

At 31<sup>st</sup> March 2014, the Council has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment.

The major commitments are:

Schools Basic Needs projects	£1.03m
3MG Regeneration	£2.91m
SciTech Daresbury	£12.38m
Mersey Gateway Land Acquisitions	£22.40m
Mersey Gateway Land Construction Costs	£102.5m
Mersey Gateway Crossings Board	£11.32m

**Revaluations**

The Council carries out a rolling programme that ensures all Property, Plant and Equipment required to be measured at fair value is revalued at least every 5 years using the rota below with 2013/14 being year 3 in the cycle. All valuations are carried out internally by the Council's in-house valuer Peter O'Donnell MRICS. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institute of Chartered Surveyors. Valuations of vehicles, plant and equipment are based on current prices where there is an active second-hand market or latest list prices adjusted for the condition of the asset.

Year 1 – Amendments and general updates

Year 2 – Corporate Properties

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

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

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

All assets are subject to an annual impairment check to ensure valuations have not materially changed in the years they are not valued.

Assets which were subject to a revaluation in 2013/14 are dated the 1<sup>st</sup> April 2013. The valuation report which is used in the preparation of the Council's Statement of Accounts takes account of all known events throughout 2013/14 which could subsequently affect the assets value and is therefore dated the 31<sup>st</sup> March 2014.

#### *Land & Buildings*

Non specialised property is valued at Fair Value – Existing Use Value (FV-EUV). Specialised Property is valued on the basis of Depreciated Replacement Costs (DRC).

#### *Community Assets*

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

#### *Infrastructure*

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

#### *Vehicles, Plant and Equipment*

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

#### *Surplus Assets*

Assets held for sale have strict criteria to be met before any assets can be included under this heading. Where assets are not in use but do not meet the criteria, they are accommodated within surplus assets. They are held at Fair Value – Existing Use Value (FV-EUV).

#### *Assets under Construction/Development*

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

#### *Intangible Assets*

This group consists mainly of software licences for computer systems held at Historical Cost (HC).

#### ***De-minimis Assets***

At 31<sup>st</sup> March 2014, the Council had 179 assets that fell below its de-minimis level of £35,000 which totalled £1.134m. These assets are not recorded on the Balance Sheet.

#### **Private Finance Initiatives**

##### **Halton Grange School PFI Scheme**

On 20 June 2011 the council entered into a 25 year Private Finance Initiative (PFI) arrangement with HTP Grange Ltd for the provision of 1 new high school. There is a 25 year PFI contract for the construction, maintenance, and facilities management of Grange School.

The new school building was handed over to the Council on 15<sup>th</sup> April 2013. The school is one of the Council's Community Schools.

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

### Property, Plant and Equipment

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

### Payments

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

Payments remaining to be made under the PFI contract at 31 March 2014 (excluding any estimation of inflation and availability/performance deductions) are as follows:

	<b>Payment for Services</b>	<b>Reimbursements of Capital Expenditure</b>	<b>Interest</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Payment in 2014/15</b>	928	465	1,887	3,280
<b>Payable within 2 to 5 years</b>	3,817	2,181	7,121	13,119
<b>Payable within 6 to 10 years</b>	5,773	2,801	7,823	16,397
<b>Payable within 11-15 years</b>	5,885	4,033	6,479	16,397
<b>Payable within 16 – 20 years</b>	6,121	5,844	4,432	16,397
<b>Payable within 21 - 25 years</b>	4,931	6,674	1,514	13,119
<b>Total</b>	27,455	21,998	29,256	78,709



## 18. Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred in the year is shown in the table below (including the value of assets acquired under finance leases and PFI arrangements), together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Council, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Council that has yet to be financed. The CFR is analysed in the second part of this note.

	<b>2012/13 *Restated £'000</b>	<b>2013/14 £'000</b>
<b>Opening Capital Financing Requirement</b>	<b>77,329</b>	<b>78,487</b>
<b>Capital Investment:</b>		
Property, Plant & Equipment	48,427	62,669
Investment Properties	91	72
Intangible Assets	232	205
Revenue Expenditure funded from Capital under Statute	1,708	600
<b>Source of Finance:</b>		
Capital Receipts	(2,655)	(2,431)
Government Grants & Other Contributions	(42,361)	(26,590)
Direct Revenue Contributions	(1,045)	(914)
Minimum Revenue Provision	(3,239)	(5,291)
<b>Closing Capital Financing Requirement</b>	<b>78,487</b>	<b>106,807</b>
<b>Explanation of movement in year:</b>		
Increase in underlying need to borrow	4,243	8,535
Minimum Revenue Provision statutory set a side	(3,239)	(5,291)
Deferred Liability Voluntary set a side	-	-
Assets acquired under Finance Leases	154	942
Assets acquired under PFI/PPP contracts	-	24,134
<b>Increase/(Decrease) in Capital Financing Requirement</b>	<b>1,158</b>	<b>28,320</b>

The table above shows the Council spent £63.546m on capital during 2013/14 (including £0.942m for assets acquired under finance leases and £24.134m for assets acquired under PFI). This represents 80% delivery of the revised capital programme, for which 20% slippage had been anticipated.

\*The opening CFR has been restated for 2012/13 due to a change in the accounting treatment of the Mersey Gateway Land Acquisition Scheme relating to confirmation of grant

approval which changed the financing of the scheme in the accounts. Further details are given in note 44.

The highlights of the programme are detailed below:

	£'000	£'000
<b>Construction or Purchase of Assets</b>		
Mersey Gateway Acquisitions	11,307	
Mersey Gateway Development Costs	4,462	
IT Rolling Programme	976	
Fleet Replacements	392	17,137
<b>Improving, Maintaining or Extending Assets</b>		
The Grange PFI Scheme	25,464	
Highway/Bridge Maintenance	5,298	
Wade Deacon Building Schools for the Future Scheme	3,069	
Lowerhouse Lane Depot	312	
St Bedes Junior School	390	34,533
<b>Other Works</b>		
Regeneration – 3MG	2,786	
Regeneration – SciTech Daresbury	2,776	
Playgrounds/Open Spaces	218	
Local Pinch Point Programme Daresbury	141	
Risk Management	120	6,041

#### **Disposal of Assets/Capital Receipts**

Land/Dwellings/Recovered Advances – the Council received £2.024m from the sale of land and various properties.

Under residual arrangements, the Council received £0.135m (£0.272m in 2012/13) from Halton Housing Trust for the sale of homes during the year, and a further £0.823m (0.797m in 2012/13) under VAT Shelter arrangements.

## 19. Heritage Assets

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

	2012/13			2013/14		
	Civic Regalia	Outdoor Sculpture	Total	Civic Regalia	Outdoor Sculpture	Total
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Cost or Valuation</b>						
<b>01 April</b>	858	210	<b>1,068</b>	858	256	<b>1,114</b>
Additions	-	46	<b>46</b>	-	9	<b>9</b>
Disposals	-	-	-	-	-	-
Revaluations	-	-	-	-	-	-
Impairment Losses/(reversals) Recognised in the Revaluation Reserve	-	-	-	-	-	-
Impairment Losses/(reversals) Recognised in the Surplus or Deficit on the Provision of Services	-	-	-	-	-	-
<b>31 March</b>	<b>858</b>	<b>256</b>	<b>1,114</b>	<b>858</b>	<b>265</b>	<b>1,123</b>

#### Civic Regalia

The Council's collection of Civic Regalia includes pictures, manuscripts, ceramics, glassware and sculptures which are valued at Insurance value. Items of jewellery are valued at Current Replacement Value and silverware at Antique Replacement Value. These valuations are updated on a 5 yearly basis. A full valuation was carried out by Bonhams dated 26 March 2012. The pictures, manuscripts, ceramics and glassware have been valued at £547,270 included in this figure and of particular note is a pair of Andrea Casali paintings which are valued at £425,000. The collection of jewellery includes Chains of Office for the Mayor, Mayoress and deputy Mayor amongst other items the total value of the items is £254,100 and the silverware is valued at £56,560.

#### Outdoor Sculpture

As part of the Widnes Waterfront regeneration scheme undertaken by the Council a sculpture was erected at the side of the river Mersey. The sculpture is known as the Future Flower and was designed by Tonkin Liu. It is a wind powered sculpture which, with yellow perspex petals, flutters and lights up in the wind.

A new 3 metre tall statue of the Childe of Hale has been erected in Hale Park. This has replaced an old beech sculpture that was in a state of disrepair.

### Additions

First stage payments of a new memorial to Private "Todger" Jones, £9k (2012/13 £46k Childe of Hale)

### Disposals

There were no disposals in 2013/14

### Heritage Assets 5 year summary of transactions

	2009/10 £'000	2010/11 £'000	2011/12 £'000	2012/13 £'000	2013/14 £'000
Cost of Construction Of Heritage Assets					
Civic Regalia	-	-	-	-	-
Outdoor Sculpture	178	1	4	46	9
<b>Total Cost of Purchases</b>	<b>178</b>	<b>1</b>	<b>4</b>	<b>46</b>	<b>9</b>

The Council has not acquired any heritage assets by way of donation.

The Council has not disposed of any heritage assets.

No impairments have been recognised against any heritage assets by the Council.

### Management and Maintenance

The Council does not have a formal scheme of maintenance for its Heritage Assets. Repair and maintenance is done as and when necessary. It is estimated that around £10,000 per year is spent in maintaining the Borough's war memorials.

### Other Heritage Assets

For the following classes of Heritage Assets no valuation is held as the records for the cost of acquisition / construction are no longer available and they are not insured as individual items and therefore are not recorded on the Council's balance sheet.

### War Memorials

The Council has two war memorials, one in Runcorn on Moughland Lane and the other in Widnes in Victoria Park. The memorials are considered to be Heritage Assets because of the historical significance in the community and to ensure future generations are aware of the role members of their community played in conflicts.

### Duck Decoy

The Duck Decoy in Hale village is considered to be of historic importance, it has been restored for use as a nature reserve with assistance from the Heritage Lottery Fund. The site is owned by Hale Estates and has been leased to Halton Borough Council for a period of 25 years commencing 1<sup>st</sup> April 2010. The annual rent is £1,770 and it is reviewed every 3 years, a review was due in April 2013 the landlord has not instigated a review. No valuations are held by the Council for this site.

### Outdoor works of Art

A metal sculpture called Spire sits in Church Street Runcorn which depicts themes of local significance. There are also works of art on Runcorn Promenade and within sets of railings and panels around Halton Castle.

### Halton Castle

Halton Castle is owned by the Duchy of Lancaster and is on a 99 year lease to Halton Borough Council. The site is managed on behalf of the Council by the Norton Priory Trust. It is one of only 2 Norman Castles remaining in Cheshire. The Castle is only open to the public for special events and tours.

## 20. Investment Properties

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

<b>2012/13</b> <b>£'000</b>		<b>2013/14</b> <b>£'000</b>
873	Rental income from Investment Property	995
(482)	Direct operating expenses arising from investment property	(698)
<b>391</b>		<b>296*</b>

Investment Properties are not directly involved in the delivery of a service. They are valued annually by the Council's in-house valuer. They are included at Market Value (MV).

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

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

<b>2012/13</b> <b>£'000</b>		<b>2013/14</b> <b>£'000</b>
15,007	<b>Balance at the start of the year</b>	13,405
	Additions:	
91	- Purchases	72
-	- Construction	-
-	- Subsequent expenditure	-
-	- Disposals	(701)
(1,693)	Net gains/losses from fair value adjustments	(527)
	Transfers:	
-	- To/from Inventories	-
-	- To/from Property, Plant and Equipment	-
-	- Other changes	-
<b>13,405</b>	<b>Balance at the end of the year</b>	<b>12,249</b>

## 21. Intangible Assets

The Council accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of hardware item of Property, Plant and Equipment. The intangible assets include purchased licenses but no internally generated software.

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

<b>Useful Life</b>	<b>Internally Generated Assets</b>	<b>Other Assets</b>
5 years	None	Software Licenses

The carrying amounts of intangible assets are amortised on a straight-line basis. The amortisation of £0.579m charged to revenue in 2013/14 was charged to various cost centres and then absorbed as an overhead across all service headings in the Net Cost of Services.

The movement on Intangible Asset balances during the year as follows:

	2012/13			2013/14		
	<i>Internally Generated Assets £'000</i>	<i>Other Assets £'000</i>	<i>Total £'000</i>	<i>Internally Generated Assets £'000</i>	<i>Other Assets £'000</i>	<i>Total £'000</i>
<b>Balance at start of year:</b>						
Gross carrying amounts	-	4,956	4,956	-	5,188	5,188
Accumulated amortisation	-	(3,299)	(3,299)	-	(3,921)	(3,921)
<b>Net carrying amount at start of year</b>		<b>1,657</b>	<b>1,657</b>	-	<b>1,267</b>	<b>1,267</b>
<b>Additions:</b>						
Purchases	-	232	232	-	205	205
Amortisation for the period	-	(622)	(622)	-	(579)	(579)
<b>Net carrying amount at end of year</b>	-	<b>1,267</b>	<b>1,267</b>	-	<b>893</b>	<b>893</b>
<b>Comprising:</b>						
Gross carrying amounts	-	5,188	5,188	-	5,393	5,393
Accumulated amortisation	-	(3,921)	(3,921)	-	(4,500)	(4,500)
	-	<b>1,267</b>	<b>1,267</b>	-	<b>893</b>	<b>893</b>

The items of capitalised software, that are material to the financial statements, are as follows:

<b>Description</b>	<b>Carrying Amount 31/03/14 £'000</b>	<b>Remaining Amortisation Period</b>
Software Licenses 2009/10	106	1 year
Software Licenses 2010/11	194	2 years
Software Licenses 2011/12	202	3 years
Software Licenses 2012/13	186	4 years
Software Licenses 2013/14	205	5 years

## 22. Assets Held for Sale

	Current		Non-Current	
	2012/13 £'000	2013/14 £'000	2012/13 £'000	2013/14 £'000
<b>Balance outstanding at start of Year</b>	4,476	3,743	-	-
Assets newly classified as held for sale:				
Property, Plant and Equipment	760	-	-	-
Intangible Assets	-	-	-	-
Revaluation Losses	(701)	(126)	-	-
Revaluation Gains	-	-	-	-
Impairment Losses	-	-	-	-
Assets declassified as held for sale:				
Property, Plant and Equipment	-	-	-	-
Intangible Assets	-	-	-	-
Assets Sold	(360)	(815)	-	-
Transfers from non-current to current	-	-	-	-
Other Movements	(432)	-	-	-
<b>Balance outstanding at year-end</b>	<b>3,743</b>	<b>2,802</b>	-	-

## 23. Investments

Long term investments consist of:

	<b>Balance at 31/03/13 £'000</b>	<b>Balance at 31/03/14 £'000</b>
Halton Borough Transport Ltd		
Share Capital	430	430
Debenture 1	25	18
Debenture 2	-	86
Halton Development Partnership Limited – de minimis	-	-
Widnes Regeneration Limited – de minimis	-	-
Long Term Deposits	-	-
	<b>455</b>	<b>534</b>

Halton Borough Transport Ltd was set up in October 1986 as a public transport undertaking, with an issued share capital of £430,100, wholly owned by Halton Borough Council. There are currently two debentures being repaid with interest. Debenture 1 is being repaid at £7,000 per annum and Debenture 2 repaid at £14,286 per annum. Extracts from their accounts are detailed overleaf:



	<b>Year to 31<sup>st</sup> March 2013 £'000</b>	<b>Year to 31<sup>st</sup> March 2014 £'000</b>
<b>Profit and Loss Account</b>		
Turnover	(5,721)	(5,815)
Operating and Other Expenditure	5,800	5,652
Net (Profit)/Loss (before Dividend)	79	(163)
Dividend due to Halton Borough Council	-	-
<b>Balance Sheet as at 31<sup>st</sup> March</b>		
Fixed Assets	2,744	2,419
Current Assets less Current Liabilities	(1,503)	(885)
Net Current Assets	1,241	1,534
Long Term Liabilities	(454)	(583)
Provisions for Liabilities and Charges	(60)	(60)
Pension Scheme Liability	-	-
	<b>727</b>	<b>891</b>
Represented by:		
Share Capital	(430)	(430)
Profit and Loss Account	(297)	(461)
	<b>(727)</b>	<b>(891)</b>

Please note that as the Halton Borough Transport Ltd's accounts were not finalised by 30<sup>th</sup> June 2014, the figures above have been produced using estimates based on Halton Borough Transport's Management Accounts as at 31<sup>st</sup> March 2014. The final audited account will be incorporated into the final accounts produced by 30<sup>th</sup> September 2014.

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

Short term investments consist of:

	<b>Balance at 31/03/2013 £'000</b>	<b>Balance at 31/03/2014 £'000</b>
Barclays Bank Plc	10,000	-
Lloyds/Bank of Scotland Plc	19,000	10,000
Royal Bank of Scotland Plc	-	5,000
	<b>29,000</b>	<b>15,000</b>

## 24. Debtors

	<i>Gross Debtors</i>	<i>Impairment</i>	<i>Net Debtors</i>	<i>Gross Debtors</i>	<i>Impairment</i>	<i>Net Debtors</i>	<i>Gross Debtors</i>	<i>Impairment</i>	<i>Net Debtors</i>
	<i>31<sup>st</sup> March 2012 Restated</i>			<i>31<sup>st</sup> March 2013 Restated</i>			<i>31<sup>st</sup> March 2014</i>		
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
<b>Short Term</b>									
Central Government Bodies	6,806	-	6,806	6,944	-	6,944	3,701	-	3,701
Mersey Gateway Grant (DfT)	11,421	-	11,421	6,179	-	6,179	52,014	-	52,014
Other Local Authorities	607	-	607	1,231	-	1,231	943	-	943
NHS Bodies	1,232	(112)	1,120	505	-	505	617	-	617
Public Corporations & Trading Funds	101	-	101	-	-	-	19	-	19
Other Entities & Individuals	11,579	(7,511)	4,068	14,485	(7,421)	7,064	16,059	(7,726)	8,333
	<b>31,746</b>	<b>(7,623)</b>	<b>24,123</b>	<b>29,344</b>	<b>(7,421)</b>	<b>21,923</b>	<b>73,353</b>	<b>(7,726)</b>	<b>65,627</b>
<b>Long Term</b>									
Mortgagors – Council House Sales	16	-	16	10	-	10	4	-	4
Housing Associations	1,328	-	1,328	1,307	-	1,307	1,284	-	1,284
Mersey Gateway Grant	19,280	-	19,280	34,907	-	34,907	-	-	-
Other	171	-	171	242	-	242	515	-	515
	<b>20,795</b>	<b>-</b>	<b>20,795</b>	<b>36,467</b>	<b>-</b>	<b>36,467</b>	<b>1,803</b>	<b>-</b>	<b>1,803</b>

## 25. Inventories

	Catering, Bars and Provisions		Railcards		Other	
	2012/13 £'000	2013/14 £'000	2012/13 £'000	2013/14 £'000	2012/13 £'000	2013/14 £'000
Balance outstanding at the start of the year	141	137	17	17	213	203
Purchased	3	12	-	-	111	64
Recognised as an expense in the year	(6)	(3)	-	(17)	(121)	(77)
Written-off balances	-	-	-	-	-	-
Reversals of write-offs in previous years	-	-	-	-	-	-
<b>Balance outstanding at the end of the year</b>	<b>138</b>	<b>146</b>	<b>17</b>	<b>-</b>	<b>203</b>	<b>190</b>

## 26. Cash and Cash Equivalents

31/03/2013 £'000		31/03/2014 £'000
49	Cash held by the Council	49
3,470	Bank current accounts	4,267
18,850	Short-term deposits with building societies	25,150
<b>22,369</b>		<b>29,466</b>

## 27. Creditors

	31/03/2013 £'000	31/03/2014 £'000
Central Government Bodies	(8,337)	(17,598)
Other Local Authorities	(5,825)	(3,854)
NHS Bodies	(2,826)	(2,731)
Public Corporations & Trading Funds	(271)	(2)
Other Entities & Individuals	(25,618)	(21,073)
	<b>(42,878)</b>	<b>(45,258)</b>

## **28. Trust Funds**

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

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

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

		31.03.13 £	Expenditure / Payments £	Income / Receipts £	31.03.14 £
<b>(A) funds for which the Council acts as sole trustee</b>					
<b>Social Services Special Funds</b> At 31 <sup>st</sup> March the Council was acting as a Trustee for various Social Services clients	Balance	2,563,116			2,906,123
<b>Public Health (Control of Disease) Act 1984</b> At 31 <sup>st</sup> March the Council was holding various sums under the above act in respect of public funds	Balance	16,318*	-	-	16,318
<b>(B) Funds where the Council doesn't have sole control</b>					
<u>Registered Charities</u>					
<b>Knights House Charity</b> Objective: to assist the needy in the Widnes area Charity No. 218886	Assets Liabilities	343,837 (212,404)			389,775 (247,223)
		131,433	-	11,119	142,552
<b>Runcorn General War Relief</b> Objective: to assist the needy in the Runcorn area Charity No. 505396	Assets Liabilities	33,877 (18,186)			34,792 (19,018)
		15,691	-	83	15,774
<b>Widnes Education Foundation</b> Objective: to assist in education opportunities for students in Widnes Charity No. 526510	Assets Liabilities	23,298 (21,097)			24,414 (21,908)
		2,201	-	305	2,506
<u>Other</u>					
<b>Other Social Services Funds</b> The Council holds various sums on a voluntary basis for clients. The funds are mainly used to assist in providing recreational activities.	Balance	171,286	(282,999)	174,923	63,210
<b>Education Welfare Trust</b> The Council holds a small sum on a voluntary basis from various fundraising activities. The funds are used to pay for additional educational activities,	Balance	785	-	-	785

## 29. Leases

### 2013/14 – Leases Disclosure Note

#### Authority as Lessee

#### Finance Leases

The Council has acquired a number of vehicles, photocopiers, hospitality, catering, ICT and school equipment under finance leases.

The assets acquired under the leases are carried as Property, Plant and Equipment in the Balance Sheet at the following net amounts:

	<b>31/03/13</b> <b>£'000</b>	<b>31/03/14</b> <b>£'000</b>
Vehicles, Plant, Furniture & Equipment	1,574	1,331

The Council is committed to making minimum payments under the leases comprising settlement of the long-term liability for the interest in the assets acquired and the finance costs that will be payable by the Council in future years while the liability remains outstanding. The minimum lease payments are made up of the following amounts:

	<b>31/03/13</b> <b>£'000</b>	<b>31/03/14</b> <b>£'000</b>
Finance Lease liabilities (net present value of minimum lease payments):		
Vehicles, Plant, Furniture & Equipment	901	648
Finance costs payable in future years	54	33
<b>Minimum Lease Payments</b>	<b>955</b>	<b>681</b>

The minimum lease payments will be payable over the following periods:

	<b>Minimum Lease Payments</b>		<b>Finance Lease Liabilities</b>	
	<b>31/03/13</b> <b>£'000</b>	<b>31/03/14</b> <b>£'000</b>	<b>31/03/13</b> <b>£'000</b>	<b>31/03/14</b> <b>£'000</b>
Not later than one year	587	496	(586)	(478)
Later than one year and not later than five years	421	565	(621)	(565)
Later than five years	-		-	
	<b>1,008</b>	<b>1,061</b>	<b>(1,207)</b>	<b>(1,043)</b>

## Operating Leases

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

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

	<b>31/03/13</b> <b>£'000</b>	<b>31/03/14</b> <b>£'000</b>
Not later than one year	936	794
Later than one year not later than five years	1,738	1,640
Later than five years	11,371	10,827
	<b>14,044</b>	<b>13,261</b>

Where lease cars acquired under operating leases are sub-let, the Council is required to disclose the future minimum sub-lease payments expected to be received under non-cancellable sub-leases at the 31st March.

	<b>31/03/13</b> <b>£'000</b>	<b>31/03/14</b> <b>£'000</b>
Not later than one year	301	267
Later than one year not later than five years	247	411
Later than five years	-	-
	<b>549</b>	<b>678</b>

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

	<b>31/03/13</b> <b>£'000</b>	<b>31/03/14</b> <b>£'000</b>
Children's & Education Service	141	271
Adult Social Care	105	162
Highways & Transport	61	84
Cultural, Environmental, Regulatory and Planning	120	237
Housing Services	25	47
Central Services	803	474
Corporate and Democratic Core	30	21
Non Distributed Costs	2	1
Net Cost of Services	<b>1,287</b>	<b>1,297</b>
(Surplus)/Deficit from Trading Operations	-	-
	<b>1,287</b>	<b>1,297</b>

**Authority as a Lessor****Finance Leases**

The Council has no Finance Leases under this category for 2013/14.

**Operating Leases**

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

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

	<b>31/03/13</b> <b>£'000</b>	<b>31/03/14</b> <b>£'000</b>
Not later than one year	2,057	1,431
Later than one year not later than five years	2,977	2,957
Later than five years	11,508	11,867
	<b>16,541</b>	<b>16,255</b>

The minimum lease payments receivable do not include rents that are contingent on events taking place after the lease was entered into, such adjustments following rent review.

In 2013/14 £8,621 contingent rents were receivable by the Council (2012/13 £9,105).

**30. Borrowings**

Short term borrowings consist of:

	<b>Outstanding</b> <b>31<sup>st</sup> March</b> <b>2012</b> <b>£'000</b> <b>Restated</b>	<b>Outstanding</b> <b>31<sup>st</sup> March</b> <b>2013</b> <b>£'000</b> <b>Restated</b>	<b>Outstanding</b> <b>31<sup>st</sup> March</b> <b>2014</b> <b>£'000</b>
<b>Source of loans:</b>			
Public Works Loans Board	(10,000)	-	-
Buckinghamshire CC	(3,000)	-	-
West Midlands Police	(7,000)	-	-
Wakefield MDC	(8,000)	-	-
Portsmouth CC	(5,000)	-	-
Coventry Building Society	(4,000)	-	-
Cherwell DC	-	(5,000)	-
Wirral MBC	-	(5,000)	-
Other	(43)	(45)	-
	<b>(37,043)</b>	<b>(10,045)</b>	-



Long term borrowings consist of:

	<b>Outstanding 31<sup>st</sup> March 2012 £'000 Restated</b>	<b>Outstanding 31<sup>st</sup> March 2013 £'000 Restated</b>	<b>Outstanding 31<sup>st</sup> March 2014 £'000</b>
<b>Source of loans:</b>			
Public Works Loan Board	(30,000)	(40,000)	(40,000)
Eurohypo	(10,000)	(10,000)	(10,000)
Cherwell District Council	(5,000)	-	-
Wirral Metropolitan Borough Council	(5,000)	-	-
London Borough of Havering	-	(5,000)	(5,000)
West Midlands Police	-	(5,000)	(5,000)
Portsmouth City Council	-	(10,000)	(10,000)
Other	(474)	(429)	-
	<b>(50,474)</b>	<b>(70,429)</b>	<b>(70,000)</b>
<b>Analysis of loans by maturity:</b>			
Maturing in 1-2 years	(10,045)	(95)	(30,000)
Maturing in 2-5 years	(20,197)	(50,157)	(20,000)
Maturing in 5-10 years	(232)	(177)	-
Maturing in more than 10 years	(20,000)	(20,000)	(20,000)
	<b>(50,474)</b>	<b>(70,429)</b>	<b>(70,000)</b>

The £10m Eurohypo loan has been reclassified as a long term loan in the above.

### 31. Provisions

Long term provisions

	<b>Equal Pay</b>	<b>Land Search Charge Claim</b>	<b>Efficiency Costs</b>	<b>Catalyst Museum</b>	<b>NNDR Appeals</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Balance at 1 April 2013</b>	(269)	(160)	(11)	(20)	-
Additional provisions made in year	-	-	-	-	(565)
Amount used in year	-	-	-	-	-
Amounts reclassified as <12 months	269	-	-	-	-
Unused amounts reversed in year	-	-	-	20	-
<b>Balance at 31 March 2014</b>	-	(160)	(11)	-	(565)

## Short term provisions

	<b>Equal Pay £'000</b>	<b>Catalyst Museum £'000</b>	<b>MMI Insurance £'000</b>	<b>Information Commissioner £'000</b>	<b>Dilapidation Costs £'000</b>	<b>The Hive £'000</b>	<b>NNDR Appeals £'000</b>
<b>Balance at 1 April 2013</b>	<b>(503)</b>	<b>(10)</b>	<b>(180)</b>	<b>(90)</b>	<b>(229)</b>	-	-
Additional provisions made in year	(34)	-	(418)	-	-	(37)	(1,788)
Amount used in year	124	-	178	56	140	-	-
Amounts reclassified from >12 months	(269)	-	-	-	-	-	-
Unused amounts reversed in year	-	10	-	34	29	-	-
<b>Balance at 31 March 2014</b>	<b>(682)</b>	<b>-</b>	<b>(420)</b>	<b>-</b>	<b>(60)</b>	<b>(37)</b>	<b>(1,788)</b>

**Equal Pay Provision**

The Council is in receipt of 950 Equal Pay claims, a provision has been made for settlement offers which have been forwarded to the claimants for consideration.

**Land Search Charge Claim**

There is currently a national legal review into whether Councils have unjustly charged for land searches. Claims may go back to 2004/05 and as such the Council has made a provision for them.

**Efficiency Costs**

As part of the current efficiency review a number of staff have taken voluntary redundancy, a provision has been made for outstanding redundancy payments as at 31<sup>st</sup> March 2014.

**Catalyst Museum**

A provision has been set up against a 3 year loan that has been made to the Catalyst Museum, an invoice has now been raised and the provision is offset against the debtor.

**Municipal Mutual Insurance (MMI)**

Between 1990 and 1992, the Council's insurers, MMI, suffered substantial losses. These losses reduced MMI's net assets to a level below the minimum regulatory solvency requirement. In September 1992, MMI ceased to write new, or to renew, general insurance business. The company is subject to a scheme of arrangement. On 13th November 2012, the directors of the company concluded that the terms of the scheme of arrangement should be triggered. An initial levy rate of 15% had been applied to the sum of claims at the 31st March 13 this was paid in the 2013/14 and the provision for the outstanding amount has

now been increased to 50%. This has been accounted for as a provision within the Council's Balance Sheet. As at 31st March 2014, claims totalled £1.236m.

### Information Commissioner

A provision was made in recognition of an expected charge that was to be made against the Council by the Information Commissioner's Office. This has now been paid in full.

### Dilapidation Costs

The Council rents properties from other organisations and the buildings must be handed back in the same condition as they were taken. As such a provision for the cost or repairs and maintenance of Grosvenor House, the corporate training centre (Victoria House), Unit 15 Turnstone Park and Midwood House has been made.

### The Hive

A provision has been set up for replacing/repairing defective paving at The Hive complex, it is expected that the work will be completed in 2014/15.

### NNDR Appeals

With the re-organisation of the NNDR scheme the Council is now required to make a provision for NNDR valuation appeal claims. The Government has committed to clearing 95% of current claims by July 2015.

## 32. Other Long Term Liabilities

	<b>31/03/13</b>	<b>31/03/14</b>
	<b>£'000</b>	<b>£'000</b>
Defined Benefit Pension liability	(117,571)	(96,762)
Finance PFI Lease liability due more than 12 months	-	(21,532)
Finance Leases liability due more than 12 months	(621)	(804)
Deferred liabilities	(118)	(103)
	<b>(118,309)</b>	<b>(119,201)</b>

## 33. Pension Schemes

### Disclosure of Net Pensions Asset/Liability

#### Participation in pensions schemes

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

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

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

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

The NHS pension scheme relates to 10 employees. The scheme operates on a similar basis to the Teacher's pension scheme

### ***Local Government Pension Scheme***

#### ***Halton Borough Transport Ltd***

As a wholly owned subsidiary of Halton Borough Council, the liabilities of Halton Borough Transport Ltd (HBT Ltd) rest, in the last resort, with the Council. As a result it has been agreed that, from and including the financial year 2009/10, the Council will be liable for the past service deficit of the Cheshire Pension Fund relating to HBT Ltd. This cost will be transferred to the Council and will be included within its annual employers contribution rate. HBT Ltd will remain liable for the payment of the future service rate to the Cheshire Pension Fund.

#### ***Transactions Relating to Post-Employment Benefits***

In 2013/14, the Council paid an employer's contribution to the Cheshire Pension Fund of £12.523m (£12.239m in 2012/13), representing 20.1% (19.6% in 2012/13) of pensionable pay.

The cost of retirement benefits is recognised in the Net Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge that is required to be made against council tax is based on the cash payable in the year, so the real cost of retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement. The following transactions have been made in the General Fund Balance via the Movement in Reserves Statement during the year:

Due to changes in accounting policy the format of the following notes have been changed and figures for 2012/13 have been restated.

	<b>2012/13 £'000 Restated</b>	<b>2013/14 £'000</b>
<b>Comprehensive Income &amp; Expenditure Statement</b>		
<b>Cost of Services</b>		
Current Service Costs	10,239	12,858
Past Service Costs/(Gain)	403	169
Losses/(Gains) from Settlements	(1,251)	(426)
<b>Finance &amp; Investment Income &amp; Expenditure</b>		
Net interest expense	4,229	5,295
<b>Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services</b>	<b>13,620</b>	<b>17,896</b>
<b>Other Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement</b>		
Re-measurement of the net defined benefit liability comprising:		
- Return on plan assets (excluding the amount included in the net interest expense)	(28,309)	-
- Actuarial (gains) and losses arising on changes in demographic assumptions	-	(9,807)
- Actuarial (gains) and losses arising on changes in financial assumptions	55,080	(24,323)
- Other experience	(592)	13,505
<b>Total Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement</b>	<b>39,799</b>	<b>(2,729)</b>
<b>Movement in Reserves Statement</b>		
Reversal of net charges made to the Surplus or Deficit on the provision of Services for post-employment benefits in accordance with the Code	(13,620)	(17,896)
<b>Actual amount charged against the General Fund Balance for pensions in the year:</b>		
Employers' contributions payable to scheme	(13,620)	(17,896)

**Pension Assets and Liabilities Recognised in the Balance Sheet**

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

	<b>2012/13</b> <b>£'000</b>	<b>2013/14</b> <b>£'000</b>
Present value of the defined benefit obligation	487,634	488,893
Fair value of plan assets	(370,062)	(392,130)
<b>Sub Total</b>	<b>117,572</b>	<b>96,763</b>
Other movement in the liability / (asset)	-	-
<b>Net liability arising from defined benefit obligation</b>	<b>117,572</b>	<b>96,763</b>

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

	<b>2012/13</b> <b>£'000</b>	<b>2013/14</b> <b>£'000</b>
Opening fair value of scheme assets	327,921	370,062
Interest income	15,503	16,646
Remeasurement gain / (loss)	-	-
The return on plan assets, excluding the amount included in the net interest expense	28,309	5,557
Contributions from employer	12,239	12,523
Contribution from employees into the scheme	3,282	3,254
Benefits Paid	(12,916)	(15,058)
Effect of Settlements	(4,276)	(854)
<b>Closing fair value of scheme assets</b>	<b>370,062</b>	<b>392,130</b>

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

	<b>2012/13</b> <b>£'000</b>	<b>2013/14</b> <b>£'000</b>
Opening balance at 1 April	417,933	487,634
Current service cost	10,239	12,858
Interest Cost	19,732	21,941
Contribution from scheme participants	3,282	3,254
Remeasurement (gains) and losses:		
- Actuarial gains / losses arising from changes in demographic assumptions	-	(9,807)
- Actuarial gains / losses arising from changes in financial assumptions	55,080	(24,323)
- Other	(592)	13,505
Past service cost	403	169
Benefits paid	(12,916)	(15,058)
Liabilities extinguished on settlements	(5,527)	(1,280)
<b>Closing balance at 31 March</b>	<b>487,634</b>	<b>488,893</b>

## Local Government Pension Scheme assets comprised

	<i>Fair value of scheme assets 2012/13</i>			<i>Fair value of scheme assets 2013/14</i>		
	<i>Quoted prices in active markets £'000</i>	<i>Quoted prices not in active markets £'000</i>	<i>Total £'000</i>	<i>Quoted prices in active markets £'000</i>	<i>Quoted prices not in active markets £'000</i>	<i>Total £'000</i>
	<b>Cash and cash equivalents</b>	-	<b>1,668</b>	<b>1,668</b>	-	<b>1,550</b>
Equity securities						
- Consumer	46,780	-	46,780	51,606	-	51,606
- Manufacturing	18,970	-	18,970	17,912	-	17,912
- Energy & utilities	8,344	-	8,344	10,744	-	10,744
- Financial institutions	14,541	-	14,541	19,638	-	19,638
- Health & Care	4,861	-	4,861	4,776	-	4,776
- Information technology	12,240	-	12,240	15,317	-	15,317
- Other	12,273	-	12,273	12,115	-	12,115
<b>Sub-total equity</b>	<b>118,009</b>	-	<b>118,009</b>	<b>132,108</b>	-	<b>132,108</b>
Debt Securities						
- Corporate Bonds	-	-	-	-	-	-
- Government Bonds	-	-	-	-	-	-
- Other	-	21,317	21,317	-	23,364	23,364
<b>Sub-total bonds</b>	-	<b>21,317</b>	<b>21,317</b>	-	<b>23,364</b>	<b>23,364</b>
Property						
- UK property	-	21,563	21,563	-	24,742	24,742
- Overseas property	-	1,490	1,490	-	1,352	1,352
<b>Sub-total property</b>		<b>23,053</b>	<b>23,053</b>		<b>26,094</b>	<b>26,094</b>
-						
<b>Private Equity</b>	-	<b>23,460</b>	<b>23,460</b>	-	<b>21,320</b>	<b>21,320</b>
-						
Other investment funds						
- Equities	78,293	-	78,293	64,195	-	64,195
- Bonds	51,498	-	51,498	68,460	-	68,460
- Hedge funds	-	52,764	52,764	-	55,039	55,039
<b>Sub-total investment funds</b>	<b>129,791</b>	<b>52,764</b>	<b>182,555</b>	<b>132,665</b>	<b>55,039</b>	<b>187,694</b>
<b>Total Assets</b>	<b>247,800</b>	<b>122,262</b>	<b>370,062</b>	<b>264,763</b>	<b>127,367</b>	<b>392,130</b>

**Basis for Estimating Assets and Liabilities**

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. The liabilities have been assessed by Hymans Robertson LLP, an independent firm of actuaries.

The principal assumptions used by the actuary are shown below:

	<b>2012/13</b>	<b>2013/14</b>
Long-term expected rate of return on assets in the scheme		
Investment Returns		
- Equity Investments	4.5%	4.3%
- Bonds	4.5%	4.3%
- Property	4.5%	4.3%
- Cash	4.5%	4.3%
Mortality Assumptions		
Longevity at 65 for current pensioners:		
- Men	22.9 years	22.3 years
- Women	25.7 years	24.4 years
Longevity at 65 for future pensioners:		
- Men	24.9 years	24.1 years
- Women	27.7 years	26.7 years
Rate of inflation	2.8%	2.8%
Rate of increase in salaries	5.1%	3.6%
Rate of increase in pensions	2.8%	2.8%
Rate for discounting scheme liabilities	4.5%	4.3%
Take-up of option to convert annual pension into retirement lump sum		
- Service to April 2008	50%	50%
- Service from April 2008	75%	75%

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



<b>Change in assumptions at 31 March 2014</b>	<b>Approximate % increase to Employer Liability</b>	<b>Approximate monetary amount £000</b>
0.5% decrease in Real Discount Rate	10%	48,542
1 year increase in member life expectancy	3%	14,667
0.5% increase in the Salary Increase Rate	3%	15,500
0.5% increase in the Pension Increase Rate	7%	32,470

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

### ***Teacher's Pension Scheme***

#### Defined Contribution Scheme

In 2013/14, the Council paid an employers' contribution to the Teachers' Pension Agency of £4.703m (£4.904m in 2012/13) in respect of teachers' pension costs. The contribution rate was 14.1% (14.1% in 2012/13) of teachers' pensionable pay.

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

The Council is responsible for any additional benefits granted upon early retirement, outside the standard terms of the scheme. For the year 2013/14 the cost was £0.144m (£0.157m in 2012/13).

### ***NHS Pension Scheme***

#### Defined Contribution Scheme

In 2013/14 the Council paid an employers' contribution to the National Health Service Pensions Scheme in respect of 10 employees, the amount paid was £0.058m (£0.003m in 2012/13) in respect of these former NHS employees' pension costs. The contribution rate was 14.0% (14.0% in 2012/13) of pensionable pay.

The scheme is a defined benefit scheme. Although the scheme is unfunded, NHS use a notional fund as the basis for calculating the employers' contribution rate paid by local authorities.

It is not possible for the Council to identify a share of the underlying liabilities in the scheme attributable to its own employees. For the purposes of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme.

## **34. Financial Instruments**

### **Nature and Extent of Risks from Financial Instruments**

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

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

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

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

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

### **Fair Value**

The Code requires that each class of financial asset and liability should disclose the "fair value" in a way that permits it to be compared with its carrying amount, as well as the method used in determining such fair values. The Council has used Capita Asset Services (formerly 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 31<sup>st</sup> March 2014.

### **Credit Risk**

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

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

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

The Council's maximum exposure to credit risk in relation to its investments held in banks and building societies of £40.15m cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of non-recoverability applies to all Council deposits, but there was no evidence at the 31<sup>st</sup> March 2014 that this was likely to crystallise.

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

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

<b>Maximum Deposit per Institution for placing &gt;3 months £M Limit</b>	<b>Counterparties</b>	<b>Exposure at 31/03/14 £'000</b>
7.5 – 30.00	Banks	37,150
7.5 – 15.00	Building Societies	3,000
2.50	Other Local Authorities	-
2.50	Debt Management Office	-
		<b>40,150</b>

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

The following table analyses the Councils' potential maximum exposure to credit risk on other financial assets, based on experience of default and non-collection over recent financial years, adjusted to reflect current market conditions.

	<i>Estimated maximum exposure to default and non-collection at 31/03/13</i>	<b>Amount Outstanding at 31/03/14</b>	<b>Historical experience of default</b>	<b>Estimated maximum exposure to default and non-collection at 31/03/14</b>
	<i>£'000</i>	<b>£'000</b>	<b>%</b>	<b>£'000</b>
Deposits with Banks	0.00	37,150	0.00	0.00
Deposits with Building Societies	0.00	3,000	0.00	0.00
Customers/Clients	149.31	6,906	2.50	172.65
	<b>149.31</b>			<b>172.65</b>

None of the Councils' counterparties had any difficulty in repaying their liabilities during 2013/14. There has been no impairment of any financial assets during the course of the year. The Council did not have any exposure to the Icelandic banks that collapsed in October 2008. The Council does not anticipate any losses due to non-performance of its counterparties.

The Council does not allow credit for customers (except in certain statutory situations). £3.645m of the £6.905m customer/client debt shown above is overdue. An analysis of the debt is shown below:

	<b>31/03/2013</b> <b>£'000</b>	<b>31/03/2014</b> <b>£'000</b>
Less than 3 months	3,202	3,261
3 to 6 months	527	704
6 months to 1 year	360	823
More than 1 year	1,883	2,118
	<b>5,972</b>	<b>6,906</b>
Provision for non-payment	(3,630)	(3,453)

### Liquidity Risk

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

The maturity analysis of financial liabilities is as follows:

	<b>31/03/2013</b> <b>£'000</b>	<b>31/03/2014</b> <b>£'000</b>
Less than 1 year	52,911	44,793
Between 1 and 2 years	10,011	30,000
Between 2 and 5 years	60,430	20,000
More than 5 years	-	20,000
	<b>123,352</b>	<b>114,793</b>

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

### Market Risk

#### Interest Rate Risk

The Council is exposed to interest rate movements on its borrowing and investments. Movements in interest rates can have a complex impact on the Council. For example a rise in interest rates would have the following effects:

Borrowing at variable rates – the interest expense charged to the Comprehensive Income & Expenditure Statement will rise

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

Investment at variable rates – the interest income credited to the Comprehensive Income and Expenditure Statement will rise

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

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

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

According to an assessment strategy at 31<sup>st</sup> March 2014, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

	<b>£'000</b>
Increase in interest payable on variable rate borrowings	(26)
Increase in interest receivable on variable rate investments	339
<b>Impact upon Comprehensive Income and Expenditure Statement</b>	<b>313</b>

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

**Price Risk**

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

**Foreign Exchange Risk**

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

## Financial Instrument Balances

### Categories of Financial Instrument

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

	<i>Long Term (Restated) 31/03/2013 £'000</i>	<i>Current (Restated) 31/03/2013 £'000</i>	<i>Long Term 31/03/2014 £'000</i>	<i>Current 31/03/2014 £'000</i>
<b>Investments</b>				
Loans and receivables	-	28,999	-	15,000
Unquoted equity investment at cost	455	-	534	-
<b>Total</b>	<b>455</b>	<b>28,999</b>	<b>534</b>	<b>15,000</b>
<b>Assets</b>				
Loans and receivables	17,187	44,294	1,803	95,093
<b>Borrowings</b>				
Financial liabilities at amortised cost	(70,429)	(10,045)	(70,000)	-
<b>Other liabilities</b>				
Finance lease liabilities	(621)	(586)	(3,845)	(19,194)
<b>Current Liabilities</b>				
Financial liabilities at amortised cost	-	(42,292)	-	(44,316)

### Material Soft Loans Made by the Council

There were no material soft loans made by Halton Borough Council in 2013/14 (£0 2012/13)

### Reclassifications

There were no reclassifications of financial instruments made by Halton Borough Council in 2013/14 (£0 2012/13)

### Income, Expense, Gains and Losses

	<i>Financial Liabilities measured at amortised cost £'000</i>	<i>Financial Assets: Loans and Receivables £'000</i>	<i>2012/13 Total £'000</i>	<i>Financial Liabilities measured at amortised cost £'000</i>	<i>Financial Assets: Loans and Receivables £'000</i>	<i>2013/14 Total £'000</i>
Interest expense	1,848	-	1,848	3,632	-	3,632
Interest income	-	(1,302)	(1,302)	-	(654)	(654)
<b>Net Gain/(Loss) for the Year</b>	<b>1,848</b>	<b>(1,302)</b>	<b>546</b>	<b>3,632</b>	<b>(654)</b>	<b>2,978</b>

### Fair Value of Assets and Liabilities

Financial liabilities, financial assets represented by loans and receivables and long-term debtors and creditors are carried in the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using the following assumptions.

Estimated ranges of interest rates at 31<sup>st</sup> March 2014 for loans from PWLB and other loans receivable and payable based on new lending rates for equivalent loans at that date.

No early repayment or impairment is recognised for loans or investments.

Where an instrument will mature in the next 12 months, carry amount is assumed to be approximate to fair value.

The fair value of trade and other receivables is taken to be the invoiced or billed amount less a provision for impairment.

The fair values calculated as follows:

	<b>2012/13</b>		<b>2013/14</b>	
	<b>Carrying Amount (Restated) £'000</b>	<b>Fair Value (Restated) £'000</b>	<b>Carrying Amount £'000</b>	<b>Fair Value £'000</b>
Financial Liabilities - Loans & Payables	(52,923)	(53,045)	(44,793)	(44,793)
Financial Liabilities - Long-term Loans	(70,429)	(71,331)	(70,000)	(69,571)

The fair values of the liabilities is lower than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is lower than the prevailing rates at the Balance Sheet date. This shows a notional future gain (based on economic conditions at 31<sup>st</sup> March 2014) arising from a commitment to pay interest to lenders below current market rates.

	<b>2012/13</b>		<b>2013/14</b>	
	<b>Carrying Amount £'000</b>	<b>Fair Value (Restated) £'000</b>	<b>Carrying Amount £'000</b>	<b>Fair Value £'000</b>
Financial Assets - Investments	73,293	73,753	110,093	110,156
Financial Assets - Long-term Investments & Receivables	17,642	17,642	2,336	2,336

The fair value of assets is higher than the carrying amount because the Council's portfolio of investments includes a number of fixed rate investments where the interest receivable is higher than the rates available for similar loans at the Balance Sheet date. This shows a notional future gain (based on economic conditions at the 31<sup>st</sup> March 2014) attributable to the commitment to receive interest above current market rates.

Short-term debtors and creditors are carried at cost as this is the fair approximation of their value.

### 35. Termination Benefits

As part of the Council's on-going efficiency review there were a total number of 16 redundancies and 10 early retirements in 2013/14. In addition the Council incurs liabilities for past early retirements, which are charged to Council's Comprehensive Income and Expenditure Statement over a period of 5 years, incurring liabilities of £2.411m (2012/13 £2.455m). Please see note 3 for the number of exit packages and the cost per band.

Termination costs are split between service areas as follows:

	<b>£'000</b>
Adult Social Care	246
Central Services	777
Children's & Education Services	244
Corporate & Democratic Core	140
Culture & Related Services	190
Environmental & Regulatory Services	169
Highways & Transport Services	294
Housing Services	91
Planning Services	260
<b>Total</b>	<b>2,411</b>

### 36. Contingent Liabilities

At 31<sup>st</sup> March 2014, the Council had 3 categories of material Contingent Liabilities:

#### Mersey Gateway

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

Under an agreement with Merseylink, the organisation awarded the contract to deliver the Mersey Gateway Project, Halton Borough Council have a maximum liability of £7m towards the cost of remediation work in respect of contamination on any of the land that falls within the Mersey Gateway Project.

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

At the 31st March 2014, the actual amount of any possible obligations is unknown.



### **Planning application appeals**

The Council has one appeal outstanding relating to Planning applications.

The Secretary of State has used his call in powers to determine an application for a new school at the existing Heath School site on Clifton Road. The call in will be heard via a public inquiry.

As at the 31st March 2014 the estimated cost of this is £40,000 which includes costs for legal representation and an expert witness.

### **Ineos/Viridor Planning Variation**

In March 2014 the Planning Inspectorate overturned a planning decision submitted by Ineos/Viridor with regards to a variation of a condition to bring in more fuel by road. As part of the appeal hearing the Inspectorate awarded costs to the appellant to be payable by the Council.

At 31st March 2014 the amount of any possible obligation arising from the award of costs is unknown. Until details of any claim are submitted by the appellant it is difficult to predict with sufficient reliability the liability amount.

### **Business Rates appeals**

The Business Rate Retention Scheme came into effect on 1st April 2013. As part of the scheme Halton Borough Council will be liable for all business rate appeal payments made after this date. The Council have set up a provision of £4.8m based on outstanding appeals at 31st March 2014 through the Collection Fund.

As there may be further appeals lodged after 31st March 2014, the Council may have a further obligation for appeals not yet recorded. As it is not possible to reliably estimate the possible obligation due, they have not been included in the calculation of the provision.

### 37 (a). Adjustments between Accounting Basis and Funding Basis under regulation – for year ended 31/03/13

This note details the adjustments that are made to total comprehensive income and expenditure recognised by the Council in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure.

	USABLE RESERVES				UNUSABLE RESERVES									
	General Fund Balance £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Movement in Usable Reserves £'000	Revaluation Reserve £'000	Available for Sale Financial Instruments Reserve £'000	Financial Instruments Adjustment Account £'000	Pension Reserve (Restated) £'000	Capital Adjustment Account (Restated) £'000	Deferred Capital Receipts £'000	Collection Fund Adjustment Account £'000	Unequal Pay Adjustment Account £'000	Accumulated Absences Account £'000	Movement in Unusable Reserves £'000
<b>Capital adjustment account reversal of items debited or credited to the CIES:</b>														
Charges for depreciation and impairment on non-current assets	(22,982)	-	-	<b>(22,982)</b>	-	-	-	-	22,982	-	-	-	-	<b>22,982</b>
Revaluation losses on Property, Plant and Equipment	(22,481)	-	-	<b>(22,481)</b>	-	-	-	-	22,481	-	-	-	-	<b>22,481</b>
Movements in the Market Value of Investment Properties	(1,693)	-	-	<b>(1,693)</b>	-	-	-	-	1,693	-	-	-	-	<b>1,693</b>
Amortisation of Intangible Assets	(622)	-	-	<b>(622)</b>	-	-	-	-	622	-	-	-	-	<b>622</b>
Capital Grants and Contributions applied	37,761	-	-	<b>37,761</b>	-	-	-	-	(37,761)	-	-	-	-	<b>(37,761)</b>
Movement in the Donated Assets Account	-	-	-	-	-	-	-	-	-	-	-	-	-	-

	USABLE RESERVES				UNUSABLE RESERVES									
	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Usable Reserves	Revaluation Reserve	Available for Sale Financial Instruments Reserve	Financial Instruments Adjustment Account	Pension Reserve (Restated)	Capital Adjustment Account (Restated)	Deferred Capital Receipts	Collection Fund Adjustment Account	Unequal Pay Adjustment Account	Accumulated Absences Account	Movement in Unusable Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
REFCUS	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	(21,068)	(1,401)	-	<b>(22,469)</b>	527	-	-	-	21,942	-	-	-	-	<b>22,469</b>
<b>Insertion of items not debited or credited to the CIES:</b>														
Statutory provision for the financing of Capital investment	3,240	-	-	<b>3,240</b>	-	-	-	-	(3,240)	-	-	-	-	<b>(3,240)</b>
Capital expenditure charged against the General Fund Balance	1,045	-	-	<b>1,045</b>	-	-	-	-	(1,045)	-	-	-	-	<b>(1,045)</b>
<b>Other</b>														
Transfer between CAA and RR for depreciation that is based on CV rather than HC	-	-	-	-	2,818	-	-	-	(2,818)	-	-	-	-	-

	USABLE RESERVES				UNUSABLE RESERVES									
	General Fund Balance £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Movement in Usable Reserves £'000	Revaluation Reserve £'000	Available for Sale Financial Instruments Reserve £'000	Financial Instruments Adjustment Account £'000	Pension Reserve (Restated) £'000	Capital Adjustment Account (Restated) £'000	Deferred Capital Receipts £'000	Collection Fund Adjustment Account £'000	Unequal Pay Adjustment Account £'000	Accumulated Absences Account £'000	Movement in Unusable Reserves £'000
<b>Capital Grants Unapplied Account</b>														
Capital Grants and Contributions unapplied credited to the CIES	(362)	-	362	-	-	-	-	-	-	-	-	-	-	-
Application of Grants to Capital Financing transferred to the Capital Adjustment Account	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Capital Receipts Reserve</b>														
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the CIES	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Use of Capital Receipts Reserve to Finance new Capital Expenditure	-	2,655	-	2,655	-	-	-	-	(2,655)	-	-	-	-	(2,655)
Contribution from the Capital Receipts Reserve towards the administration cost of non-current asset disposals	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Contribution from the Capital Receipts Reserve to finance the payments to the Government Capital Receipts pool	(4)	4	-	-	-	-	-	-	-	-	-	-	-	-

	USABLE RESERVES				UNUSABLE RESERVES									
	General Fund Balance £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Movement in Usable Reserves £'000	Revaluation Reserve £'000	Available for Sale Financial Instruments Reserve £'000	Financial Instruments Adjustment Account £'000	Pension Reserve (Restated) £'000	Capital Adjustment Account (Restated) £'000	Deferred Capital Receipts £'000	Collection Fund Adjustment Account £'000	Unequal Pay Adjustment Account £'000	Accumulated Absences Account £'000	Movement in Unusable Reserves £'000
Transfer from the Deferred Capital Receipts Reserve upon the receipt of cash	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Deferred Capital Receipts Reserve</b>														
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the CIES	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>FIAA</b>														
Amount by which finance costs charged to the CIES are different from the finance costs chargeable in year in accordance with statutory requirement	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Pensions Reserve</b>														
Reversal of items relating to retirement benefits debited/credited to the CIES	(13,620)	-	-	<b>(13,620)</b>	-	-	-	13,620	-	-	-	-	-	<b>13,620</b>
Employers pension contributions and direct payments to pensioners	12,239	-	-	<b>12,239</b>	-	-	-	(12,239)	-	-	-	-	-	<b>(12,239)</b>

	USABLE RESERVES				UNUSABLE RESERVES									
	General Fund Balance £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Movement in Usable Reserves £'000	Revaluation Reserve £'000	Available for Sale Financial Instruments Reserve £'000	Financial Instruments Adjustment Account £'000	Pension Reserve (Restated) £'000	Capital Adjustment Account (Restated) £'000	Deferred Capital Receipts £'000	Collection Fund Adjustment Account £'000	Unequal Pay Adjustment Account £'000	Accumulated Absences Account £'000	Movement in Unusable Reserves £'000
<b>Collection Fund Adjustment</b> Amount by which council tax income credited to the CIES is different from council tax income calculated for the year in accordance with statutory requirements	603	-	-	603	-	-	-	-	-	-	(603)	-	-	(603)
<b>Unequal Pay Back-Pay Account</b> Amount by which amounts charged for equal pay claims to the CIES are different from the cost of settlements chargeable in the year in accordance with statutory requirements	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Accumulated Absences Account</b> Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration with statutory requirements	97	-	-	97	-	-	-	-	-	-	-	-	(97)	(97)
<b>TOTAL ADJUSTMENTS</b>	<b>(27,847)</b>	<b>1,258</b>	<b>362</b>	<b>(26,227)</b>	<b>3,345</b>	-	-	<b>1,381</b>	<b>22,200</b>	-	<b>(603)</b>	-	<b>(97)</b>	<b>26,227</b>

### 37 (b). Adjustments between Accounting Basis and Funding Basis under regulation – for year ended 31/03/14

This note details the adjustments that are made to total comprehensive income and expenditure recognised by the Council in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure.

	USABLE RESERVES				UNUSABLE RESERVES									
	General Fund Balance £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Movement in Usable Reserves £'000	Revaluation Reserve £'000	Available for Sale Financial Instruments Reserve £'000	Financial Instruments Adjustment Account £'000	Pension Reserve £'000	Capital Adjustment Account (Restated) £'000	Deferred Capital Receipts £'000	Collection Fund Adjustment Account £'000	Unequal Pay Adjustment Account £'000	Accumulated Absences Account £'000	Movement in Unusable Reserves £'000
<b>Capital adjustment account reversal of items debited or credited to the CIES:</b>														
Charges for depreciation and impairment on non-current assets	(21,009)	-	-	<b>(21,009)</b>	-	-	-	-	21,009	-	-	-	-	<b>21,009</b>
Revaluation losses on Property, Plant and Equipment	(539)	-	-	<b>(539)</b>	-	-	-	-	539	-	-	-	-	<b>539</b>
Movements in the Market Value of Investment Properties	(527)	-	-	<b>(527)</b>	-	-	-	-	527	-	-	-	-	<b>527</b>
Amortisation of Intangible Assets	(579)	-	-	<b>(579)</b>	-	-	-	-	579	-	-	-	-	<b>579</b>
Capital Grants and Contributions applied	20,010	-	-	<b>20,010</b>	-	-	-	-	(20,010)	-	-	-	-	<b>(20,010)</b>
Movement in the Donated Assets Account	-	-	-	-	-	-	-	-	-	-	-	-	-	-

	USABLE RESERVES				UNUSABLE RESERVES									
	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Usable Reserves	Revaluation Reserve	Available for Sale Financial Instruments Reserve	Financial Instruments Adjustment Account	Pension Reserve	Capital Adjustment Account (Restated)	Deferred Capital Receipts	Collection Fund Adjustment Account	Unequal Pay Adjustment Account	Accumulated Absences Account	Movement in Unusable Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
REFCUS	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	(1,024)	(2,982)	-	<b>(4,006)</b>	988	-	-	-	3,018	-	-	-	-	<b>4,006</b>
<b>Insertion of items not debited or credited to the CIES:</b>														
Statutory provision for the financing of Capital investment	5,283	-	-	<b>5,283</b>	-	-	-	-	(5,283)	-	-	-	-	<b>(5,283)</b>
Capital expenditure charged against the General Fund Balance	914	-	-	<b>914</b>	-	-	-	-	(914)	-	-	-	-	<b>(914)</b>
<b>Other</b>														
Transfer between CAA and RR for depreciation that is based on CV rather than HC	-	-	-	-	3,048	-	-	-	(3,048)	-	-	-	-	-



	USABLE RESERVES				UNUSABLE RESERVES									
	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Usable Reserves	Revaluation Reserve	Available for Sale Financial Instruments Reserve	Financial Instruments Adjustment Account	Pension Reserve	Capital Adjustment Account	Deferred Capital Receipts	Collection Fund Adjustment Account	Unequal Pay Adjustment Account	Accumulated Absences Account	Movement in Unusable Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Capital Grants Unapplied Account</b>														
Capital Grants and Contributions unapplied credited to the CIES	(226)	-	226	-	-	-	-	-	-	-	-	-	-	-
Application of Grants to Capital Financing transferred to the Capital Adjustment Account	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Capital Receipts Reserve</b>														
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the CIES	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Use of Capital Receipts Reserve to Finance new Capital Expenditure	-	2,431	-	2,431	-	-	-	-	(2,431)	-	-	-	-	(2,431)
Contribution from the Capital Receipts Reserve towards the administration cost of non-current asset disposals	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Contribution from the Capital Receipts Reserve to finance the payments to the Government Capital Receipts pool	(5)	5	-	-	-	-	-	-	-	-	-	-	-	-

	USABLE RESERVES				UNUSABLE RESERVES									
	General Fund Balance £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Movement in Usable Reserves £'000	Revaluation Reserve £'000	Available for Sale Financial Instruments Reserve £'000	Financial Instruments Adjustment Account £'000	Pension Reserve £'000	Capital Adjustment Account £'000	Deferred Capital Receipts £'000	Collection Fund Adjustment Account £'000	Unequal Pay Adjustment Account £'000	Accumulated Absences Account £'000	Movement in Unusable Reserves £'000
Transfer from the Deferred Capital Receipts Reserve upon the receipt of cash	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Deferred Capital Receipts Reserve</b>														
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the CIES	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>FIAA</b>														
Amount by which finance costs charged to the CIES are different from the finance costs chargeable in year in accordance with statutory requirement	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Pensions Reserve</b>														
Reversal of items relating to retirement benefits debited/credited to the CIES	(17,896)	-	-	(17,896)	-	-	-	17,896	-	-	-	-	-	17,896
Employers pension contributions and direct payments to pensioners	12,523	-	-	12,523	-	-	-	(12,523)	-	-	-	-	-	(12,523)

	USABLE RESERVES				UNUSABLE RESERVES									
	General Fund Balance £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Movement in Usable Reserves £'000	Revaluation Reserve £'000	Available for Sale Financial Instruments Reserve £'000	Financial Instruments Adjustment Account £'000	Pension Reserve £'000	Capital Adjustment Account £'000	Deferred Capital Receipts £'000	Collection Fund Adjustment Account £'000	Unequal Pay Adjustment Account £'000	Accumulated Absences Account £'000	Movement in Unusable Reserves £'000
<b>Collection Fund Adjustment</b> Amount by which council tax and national non-domestic rates income credited to the CIES is different from the income calculated for the year in accordance with statutory requirements	2,155	-	-	2,155	-	-	-	-	-	-	(2,155)	-	-	(2,155)
<b>Unequal Pay Back-Pay Account</b> Amount by which amounts charged for equal pay claims to the CIES are different from the cost of settlements chargeable in the year in accordance with statutory requirements	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Accumulated Absences Account</b> Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration with statutory requirements	147	-	-	147	-	-	-	-	-	-	-	-	(147)	(147)
<b>TOTAL ADJUSTMENTS</b>	<b>(773)</b>	<b>(546)</b>	<b>226</b>	<b>(1,093)</b>	<b>4,036</b>	-	-	<b>5,373</b>	<b>(6,014)</b>	-	<b>(2,155)</b>	-	<b>(147)</b>	<b>1,093</b>

### 38. Transfers to/from Earmarked Reserves

This note sets out the amounts set aside from the General Fund in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2013/14.

General Fund	Balance at 31 <sup>st</sup> March 2012 £'000	Transfers Out £'000	Transfers In £'000	Balance at 31 <sup>st</sup> March 2013 £'000	Transfers Out 2013/14 £'000	Transfers In 2013/14 £'000	Balance at 31 <sup>st</sup> March 2014 £'000
<b>Balances held by schools under the scheme of delegation</b>	<b>(6,279)</b>	-	(154)	<b>(6,433)</b>	-	(157)	<b>(6,590)</b>
<b>Capital</b> (To support Capital Programme)	<b>(2,568)</b>	4,023	(3,409)	<b>(1,954)</b>	3,907	(4,849)	<b>(2,896)</b>
<b>Insurance General Fund</b> (To offset major fire claims)	<b>(4,315)</b>	493	(400)	<b>(4,222)</b>	420	-	<b>(3,802)</b>
<b>Insurance Former HRA Properties</b> (To offset pre LSVT claims)	<b>(1,256)</b>	-	-	<b>(1,256)</b>	79	-	<b>(1,177)</b>
<b>Performance Grant</b> (Grant to be utilised in 2013/14)	<b>(403)</b>	365	-	<b>(38)</b>	38	-	-
<b>Building Schools for the Future Capital</b> (To fund future capital costs)	<b>(1,030)</b>	-	(56)	<b>(1,086)</b>	915	(171)	<b>(342)</b>
<b>Working Neighbourhood's Fund</b> (Grant to be utilised in 2014/15)	<b>(545)</b>	545	(97)	<b>(97)</b>	97	(50)	<b>(50)</b>
<b>Business Link</b> (Returned monies following wind up of business link)	<b>(14)</b>	14	-	-	-	-	-
<b>Children's Disabilities</b> (Previously the balance of the pooled budget with Halton & St Helens PCT)	<b>(512)</b>	500	-	<b>(12)</b>	12	-	-

<b>General Fund</b>	<b>Balance at 31<sup>st</sup> March 2012 £'000</b>	<b>Transfers Out £'000</b>	<b>Transfers In £'000</b>	<b>Balance at 31<sup>st</sup> March 2013 £'000</b>	<b>Transfers Out 2013/14 £'000</b>	<b>Transfers In 2013/14 £'000</b>	<b>Balance at 31<sup>st</sup> March 2014 £'000</b>
<b>Revenue Priorities Fund</b> (Earmarked funding carried forward)	<b>(205)</b>	205	(20)	<b>(20)</b>	-	(14)	<b>(34)</b>
<b>Invest to Save</b> (To fund investments in revenue saving initiatives)	<b>(1,093)</b>	166	(530)	<b>(1,457)</b>	93	(33)	<b>(1,397)</b>
<b>Neighbourhood Management</b> (Earmarked to fund future projects)	<b>(1)</b>	-	-	-	-	-	-
<b>Halton Castle Duchy of Lancaster</b> (Halton Castle restoration project)	<b>(68)</b>	12	-	<b>(56)</b>	12	-	<b>(44)</b>
<b>Supporting People</b> (Earmarked to fund future schemes)	<b>(947)</b>	242	(233)	<b>(939)</b>	715	(581)	<b>(805)</b>
<b>Building Schools for the future</b> (To fund future inflation costs)	<b>(255)</b>	-	(200)	<b>(455)</b>	200	-	<b>(255)</b>
<b>Enterprise and Employment</b> (To fund E&E activities for future years)	<b>(1,310)</b>	346	(459)	<b>(1,423)</b>	2109	(981)	<b>(295)</b>
<b>Health &amp; Community</b> (To support 2014/15 revenue budget)	<b>(460)</b>	108	(155)	<b>(506)</b>	986	(1495)	<b>(1015)</b>
<b>Local Development Framework</b> (To fund local development core strategy costs)	<b>(370)</b>	65	-	<b>(305)</b>	60	(28)	<b>(273)</b>

<b>General Fund</b>	<b>Balance at 31<sup>st</sup> March 2012 £'000</b>	<b>Transfers Out £'000</b>	<b>Transfers In £'000</b>	<b>Balance at 31<sup>st</sup> March 2013 £'000</b>	<b>Transfers Out 2013/14 £'000</b>	<b>Transfers In 2013/14 £'000</b>	<b>Balance at 31<sup>st</sup> March 2014 £'000</b>
<b>Equal Pay</b> (To fund costs arising from equal pay claims)	<b>(3,859)</b>	309	(62)	<b>(3,612)</b>	284	(114)	<b>(3,442)</b>
<b>Intermediate Care Pool</b> (Share of pooled budget with Halton & St Helens)	<b>(116)</b>	244	(130)	<b>(2)</b>	4	(2)	-
<b>Growth Points</b> (To fund future initiatives to be identified by the Growth Points Partnership)	<b>(29)</b>	-	-	<b>(29)</b>	29	-	-
<b>PCT Drug Treatment</b> (Funding for drug and alcohol misuse treatment)	<b>(413)</b>	21	(43)	<b>(435)</b>	296	-	<b>(139)</b>
<b>Olympic Legacy Fund</b> (To support the on-going development of sports in Halton)	<b>(125)</b>	43	-	<b>(82)</b>	82	-	-
<b>Arts Development Strategy Fund</b> (To support the medium term arts development strategy)	<b>(115)</b>	43	-	<b>(72)</b>	27	-	<b>(45)</b>

<b>General Fund</b>	<b>Balance at 31<sup>st</sup> March 2012 £'000</b>	<b>Transfers Out £'000</b>	<b>Transfers In £'000</b>	<b>Balance at 31<sup>st</sup> March 2013 £'000</b>	<b>Transfers Out 2013/14 £'000</b>	<b>Transfers In 2013/14 £'000</b>	<b>Balance at 31<sup>st</sup> March 2014 £'000</b>
<b>Agresso Development</b> (To fund expected upgrade costs to the financial database)	<b>(77)</b>	-	-	<b>(77)</b>	-	-	<b>(77)</b>
<b>S106 Grants</b> (Developers contributions towards planning applications)	<b>(37)</b>	-	(68)	<b>(105)</b>	105	(71)	<b>(71)</b>
<b>Carefirst</b> (To finance staffing posts with ICT)	<b>(184)</b>	48	(109)	<b>(245)</b>	-	(112)	<b>(357)</b>
<b>Revenues &amp; Benefits Development</b> (To fund ongoing systems development and benefits reform changes)	<b>(258)</b>	-	(205)	<b>(463)</b>	-	-	<b>(463)</b>
<b>Merseyside Information Service</b> (To finance the termination costs of MIS subscription)	<b>(182)</b>	182	-	-	-	-	-
<b>Open Spaces Rolling Programme</b> (To finance the Open Spaces strategy in 2014/15)	<b>(285)</b>	300	(230)	<b>(215)</b>	185	(188)	<b>(218)</b>

<b>General Fund</b>	<b>Balance at 31<sup>st</sup> March 2012 £'000</b>	<b>Transfers Out £'000</b>	<b>Transfers In £'000</b>	<b>Balance at 31<sup>st</sup> March 2013 £'000</b>	<b>Transfers Out 2013/14 £'000</b>	<b>Transfers In 2013/14 £'000</b>	<b>Balance at 31<sup>st</sup> March 2014 £'000</b>
<b>Home Office Community Safety</b> (To be spent on specified community safety initiatives)	<b>(215)</b>	195	(566)	<b>(585)</b>	60	-	<b>(525)</b>
<b>Leisure Mgt Contract Contingency</b> (Contingency compensation for leisure management contract)	<b>(20)</b>	-	(10)	<b>(30)</b>	-	(12)	<b>(42)</b>
<b>Learning &amp; Achievement</b> (To finance budgets which span the academic year into 2014/15)	<b>(644)</b>	644	(18)	<b>(18)</b>	115	(631)	<b>(534)</b>
<b>Children's Organisation &amp; Provision</b> (To finance specialist services and projects that run into 2014/15)	<b>(1457)</b>	2331	(2,781)	<b>(1,907)</b>	2,571	(2,672)	<b>(2,008)</b>
<b>Saffron</b> (To finance new catering manager software)	<b>(15)</b>	-	-	<b>(15)</b>	15	-	-
<b>A&amp;C Care Financials</b> (Contribution to upgrade Carefirst 6 system)	<b>(365)</b>	59	(212)	<b>(517)</b>	147	-	<b>(370)</b>
<b>A&amp;C Section 256 Monies</b> (Contribution form H&StH PCT with joint outcomes)	<b>(311)</b>	33	(599)	<b>(878)</b>	122	(14)	<b>(770)</b>



<b>General Fund</b>	<b>Balance at 31<sup>st</sup> March 2012 £'000</b>	<b>Transfers Out £'000</b>	<b>Transfers In £'000</b>	<b>Balance at 31<sup>st</sup> March 2013 £'000</b>	<b>Transfers Out 2013/14 £'000</b>	<b>Transfers In 2013/14 £'000</b>	<b>Balance at 31<sup>st</sup> March 2014 £'000</b>
<b>A&amp;C Savings</b> (To help finance A&C budget)	<b>(766)</b>	766	(545)	<b>(545)</b>	692	(3516)	<b>(3369)</b>
<b>A&amp;C Stroke Services</b> (To help finance the delivery of services with H&StH PCT)	<b>(180)</b>	15	(70)	<b>(235)</b>	235	-	-
<b>Transformation Fund</b> (To fund costs arising from future efficiency reviews)	<b>(2,092)</b>	648	(406)	<b>(1,850)</b>	366	(731)	<b>(2215)</b>
<b>Policy &amp; Resources</b> (Contribution to Savings Target)	<b>(545)</b>	545	(349)	<b>(349)</b>	112	(1422)	<b>(1659)</b>
<b>Cremators</b> (Contribution to future purchase of new cremators)	<b>(59)</b>	-	(20)	<b>(79)</b>	0	-	<b>(79)</b>
<b>Bus Stop</b> (Provision of local bus service)	<b>(60)</b>	60	-	-	-	-	-
<b>Planning</b> (Contribution 2013/14 staffing)	<b>(40)</b>	23	-	<b>(17)</b>	17	-	-
<b>Public Health Transitional Costs</b> (Start- up funding to help Council with new PH responsibilities)	-	-	(37)	<b>(37)</b>	-	(783)	<b>(820)</b>
<b>Payment Kiosks</b> (To fund installation of kiosks in Halton schools)	-	-	(99)	<b>(99)</b>	96	-	<b>(3)</b>

<b>General Fund</b>	<b>Balance at 31<sup>st</sup> March 2012 £'000</b>	<b>Transfers Out £'000</b>	<b>Transfers In £'000</b>	<b>Balance at 31<sup>st</sup> March 2013 £'000</b>	<b>Transfers Out 2013/14 £'000</b>	<b>Transfers In 2013/14 £'000</b>	<b>Balance at 31<sup>st</sup> March 2014 £'000</b>
<b>Records Management Unit</b> (To fund the dedicated records management unit for the Council)	-	-	(500)	<b>(500)</b>	-	-	<b>(500)</b>
<b>Legal Locums</b> (To fund the extension of agency staff)	-	-	(40)	<b>(40)</b>	40	(80)	<b>(80)</b>
<b>Early Intervention Grant Transition</b> (To finance the costs of EIG transition in 2013/14)	-	-	(1,346)	<b>(1,346)</b>	1342	(200)	<b>(204)</b>
<b>I-Pitch</b> (To finance the future replacement of the I-Pitch)	-	-	(28)	<b>(28)</b>	28	-	-
<b>Fleet Replacement</b> (Rolling replacement programme for Council fleet vehicle)	-	-	(996)	<b>(996)</b>	565	(690)	<b>(1121)</b>
<b>Superfast Broadband</b> (To provide matched funding to the Superfast Broadband project)	-	-	(65)	<b>(65)</b>	9	(300)	<b>(356)</b>
<b>Property Demolitions</b> (To finance the demolition of derelict HBC properties)	-	-	(300)	<b>(300)</b>	38	-	<b>(262)</b>
<b>European Match Funding 2014-2020</b> (Contribution to the European 2014-2020 Programme)	-	-	-	-	<b>20</b>	<b>(2207)</b>	<b>(2187)</b>

<b>General Fund</b>	<b>Balance at 31<sup>st</sup> March 2012 £'000</b>	<b>Transfers Out £'000</b>	<b>Transfers In £'000</b>	<b>Balance at 31<sup>st</sup> March 2013 £'000</b>	<b>Transfers Out 2013/14 £'000</b>	<b>Transfers In 2013/14 £'000</b>	<b>Balance at 31<sup>st</sup> March 2014 £'000</b>
<b>Complex Care Pool</b> (Pooled budget for Health & Social Care with CCG)	-	-	-	-	66	(158)	(92)
<b>Allpay Cashiers Payment System</b> (To finance the roll-out of cashless payment systems in Halton Primary Schools)	-	-	-	-	-	(150)	(150)
<b>Income Manager</b> (To finance the implementation costs)	-	-	-	-	-	(100)	(100)
<b>Discretionary Social Fund</b> (To continue to provide the hardship fund once Government support ceases)	-	-	-	-	-	(580)	(580)
<b>Waste Route Optimisation Software</b> (To finance IT software costs in 2014/15)	-	-	-	-	-	(70)	(70)
<b>Catalyst Museum</b> (Catalyst Museum support)	-	-	-	-	-	(30)	(30)
<b>TOTAL ALL RESERVES</b>	<b>(34,079)</b>	<b>13,594</b>	<b>(15,547)</b>	<b>(36,032)</b>	<b>17,312</b>	<b>(23,192)</b>	<b>(41,915)</b>

### 39. Usable Reserves

Usable reserves are those reserves that contain resources that the Council can apply to the provision of services, either by incurring expenses or undertaking capital investment. Usable reserves include the General Fund Balance, any earmarked reserves under the General Fund umbrella and the Capital Receipts Reserve.

#### General Fund Balance

The General Fund Balance records the Council's accumulated income over expenditure for each financial year. The fund manages the reversal of a number of transactions that are required to be included in the preparation of the financial statements but the subsequently removed under statutory mitigation. The General Fund Balance also includes unspent school balances of budgets delegated to individual schools. The opening and closing General Fund Balance is split between the Council and Schools in the Movement in Reserves Statement.

#### Earmarked Reserves

These reserves help to meet specific known or predicted future requirements and are legally part of the General Fund Reserve.

The movements in earmarked reserves are analysed in note 38.

#### Capital Receipts Reserve

This reserve holds the proceeds from the sale of assets and can only be used for funding capital investment or the repayment of borrowing.

Movements in the Council's usable reserves are detailed in the Movement in Reserves Statement.

### 40. Unusable Reserves

<b>31<sup>st</sup> March 12 £'000 Restated</b>	<b>31<sup>st</sup> March 13 £'000 Restated</b>		<b>31<sup>st</sup> March 14 £'000</b>
(56,803)	(57,444)	Revaluation Reserve	(54,292)
-	-	Available for Sale Financial Instruments Reserve	-
-	-	Financial Instruments Adjusted Account	-
90,011	117,571	Pensions Reserve	96,763
(216,512)	(194,311)	Capital Adjustment Account	(200,325)
(1,344)	(1,317)	Deferred Capital Receipts	(1,288)
(299)	(902)	Collection Fund Adjustment Account	(3,057)
-	-	Unequal Back Pay Account	-
2,160	2,063	Accumulated Absences Account	1,916
<b>(182,786)*</b>	<b>(134,341)*</b>	<b>Total Unusable Reserves</b>	<b>(160,285)*</b>

### Revaluation Reserve

The revaluation reserve contains the gains and losses made by the Council arising from increases in the value of its Property, Plant and Equipment (and Intangible Assets). The balance is reduced when assets with accumulated gains are:

Revalued downwards or impaired and the gains are lost

Used in the provision of services and the gains are consumed through depreciation, or

Disposed of and the gains are realised.

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

<b>2012/13</b> <b>£'000</b>		<b>£'000</b>	<b>2013/14</b> <b>£'000</b>
<b>(56,803)</b>	<b>Balance at 1<sup>st</sup> April</b>		<b>(57,444)</b>
(10,662)	Upward revaluation of assets	(1588)	
6,675	Downward revaluation of assets and impairment losses not charged to the Surplus/(Deficit) on the Provision of Services	704	
<b>(3,987)</b>	Surplus or deficit on revaluation of non-current assets not posted to the Surplus/(Deficit) on the Provision of Services		<b>(884)</b>
2,818	Difference between fair value depreciation and historical cost depreciation	3,048	
527	Accumulated gains on assets sold or scrapped	988	
3,345	Amount written off to the Capital Adjustment Account		4,036
<b>(57,444)</b>	<b>Balance at 31<sup>st</sup> March</b>		<b>(54,292)</b>

### Capital Adjustment Account

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

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

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

The opening balance on the Capital Adjustment Account has been restated in relation to the grant received for the land acquisition costs in relation to the Mersey Gateway. Further detail is given in note 44

2011/12 £'000 (Restated) (214,430)	2012/13 £'000 (Restated) (216,512)		£'000	2013/14 £'000 (194,311)
		<b>Balance at 1 April</b>		
		Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
22,575	22,982	Charges for depreciation and impairment of non-current assets	21,009	
(2,227)	22,481	Revaluation losses on Property, Plant and Equipment	539	
726	622	Amortisation of intangible assets	579	
-	-	Revenue expenditure funded from capital under statute	-	
18,284	21,942	Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	3,018	
39,358	68,026			25,145
(2,392)	(2,818)	Adjusting amounts written out of the Revaluation Reserve		(3,048)
36,967	65,208	Net written out amount of the cost of non-current assets consumed in the year		22,097
		Capital financing applied in the year:		
(8,502)	(2,655)	Use of the Capital Receipts Reserve to finance new capital expenditure	(2,431)	
(32,443)	(37,761)	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(20,010)	
		Application of grants to capital financing from the Capital Grants Unapplied Account		
(3,004)	(3,240)	Statutory provision for the financing of capital investment charged against the General Fund	(5,283)	
(816)	(1,045)	Capital expenditure charged against the General Fund	(914)	
(44,765)	(44,701)			(28,638)
5,716	1,693	Movements in the market value of investment properties debited or credited to the Comprehensive Income and Expenditure Statement		527
-	-	Movement in the Donated Assets Account credited to the Comprehensive Income and Expenditure Statement		-
<b>(216,512)</b>	<b>(194,311)</b>	<b>Balance at 31<sup>st</sup> March</b>		<b>(200,325)</b>

### Pension Reserve

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

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

<b>2012/13</b> <b>£'000</b> <b>(Restated)</b>		<b>£'000</b>	<b>2013/14</b> <b>£'000</b>
90,012	Balance at 1 <sup>st</sup> April		117,572
-	Changes in demographic assumptions	(9,807)	
55,080	Changes in financial assumptions	(24,323)	
(592)	Other experience	13,505	
(28,309)	Returns on assets excluding amounts included in net interest	(5,557)	
			(26,182)
13,620	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement		17,896
(12,239)	Employers pensions contributions and direct payments to pensioners payable in the year		(12,523)
<b>117,572</b>	<b>Balance at 31<sup>st</sup> March</b>		<b>96,763</b>

### Deferred Capital Receipts Reserve

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

	<b>31<sup>st</sup> March</b> <b>2013</b> <b>£'000</b>	<b>31<sup>st</sup> March</b> <b>2014</b> <b>£'000</b>
Mortgages – Former Right to Buy Housing Associations	(10)	(4)
Castlefields Equity Advances	(1,041)	(1,018)
	(266)	(266)
	<b>(1,317)</b>	<b>(1,288)</b>

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

<b>2012/13</b> <b>£'000</b>		<b>2013/14</b> <b>£'000</b>
(1,344)	<b>Balance at 1<sup>st</sup> April</b>	(1,317)
-	Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-
27	Transfer to the Capital Receipts Reserve upon receipt of cash	29
<u>(1,317)</u>	<b>Balance at 31<sup>st</sup> March</b>	<u>(1,288)</u>

### Collection Fund Adjustment

The Collection Fund Adjustment Account manages the differences arising from the recognition of Council Tax and Non Domestic Rates income in the Comprehensive Income and Expenditure Statement as it falls due from Council Tax payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

<b>2012/13</b> <b>£'000</b>		<b>2013/14</b> <b>£'000</b>
(299)	<b>Balance at 1<sup>st</sup> April</b>	(902)
(603)	Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income collected in the year in accordance with statutory requirements	(1,888)
	Amount by which Non Domestic Rates income credited to the Comprehensive Income and Expenditure Statement is different from Non Domestic Rates income collected in the year in accordance with statutory requirements	(267)
<u>(902)</u>	<b>Balance at 31<sup>st</sup> March</b>	<u>(3,057)</u>



**Accumulated Absences Account**

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund balance accruing from compensated absences earned but not yet taken in year, e.g. annual leave entitlement carried forward at 31<sup>st</sup> March. Statutory arrangements require that the impact on the General Fund balance is neutralised by transfers to or from the account. Please note the presentation of the 2012/13 have been updated to meet the requirements of the Code.

<b>2012/13</b> <b>£'000</b>		<b>2013/14</b> <b>£'000</b>
2,160	<b>Balance at 1<sup>st</sup> April</b>	2,063
(2,160)	Settlement or cancellation of accrual made at the end of the preceding year	(2,063)
(2,257)	Amount accrued at the end of the current year	1,916
(97)	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(147)
<u>2,063</u>	<b>Balance at 31<sup>st</sup> March</b>	<u>1,916</u>

**41. Cash Flow Statement – Operating Activities**

<b>31/03/2013</b> <b>£'000</b>		<b>31/03/2014</b> <b>£'000</b>
(1,409)	Interest received	(909)
1,950	Interest paid	1,858
-	Dividends received	-
<u>541</u>	<b>Net Cash flows from Operating Activities</b>	<u>949</u>

**42. Cash Flow Statement – Investing Activities**

<b>31/03/2013</b> <b>£'000</b>		<b>31/03/2014</b> <b>£'000</b>
53,253	Purchase of property, plant and equipment, investment property and intangible assets	38,470
31,000	Purchase of short term and long term investments	40,000
-	Other payments for investing activities	-
(1,427)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(2,982)
(64,000)	Proceeds from short term and long term investments	(53,921)
(45,083)	Other receipts from investing activities	(4,686)

<b>26,257</b>	<b>Net Cash flows from Investing Activities</b>	<b>16,881</b>
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#### 43. Cash Flow Statement – Financing Activities

<b>31/03/2013</b> <b>£'000</b>		<b>31/03/2014</b> <b>£'000</b>
(110,500)	Cash receipts of short and long term borrowing	(124,740)
5,998	Other receipts from financing activities	(1,700)
901	Cash payments from the reduction of the outstanding liabilities relating to finance leases and on balance sheet PFI contracts	2,818
117,556	Repayments of short term and long term borrowing	135,214
-	Other payments for financing activities	-
<b>13,955</b>	<b>Net Cash flows from Financing Activities</b>	<b>11,592</b>

#### 44. Prior Year Adjustments

##### Post-employment benefits – changes to IAS19

The 2013/14 Code has followed amendments to IAS19 which has resulted in changes to the classification, recognition, measurement and disclosure requirements for Post-employment benefits.

The Council has used information supplied by Cheshire Pension Fund to restate the Comprehensive Income and Expenditure Statement and Movement in Reserves Statement, shown in the table below. This will also change the figures shown in the Amounts Reported for Resource Allocation Decisions (note 1), Financing and Investment Income note (note 7) and Adjustment between Accounting Basis and Funding Basis under Regulations (note 37)

All the disclosure notes relating to the Pension Scheme (note 33) have been updated to ensure the council meets the new requirements of the Code

Effect on line items in the Comprehensive Income and Expenditure Statement 2012/13

	<b>2011/12 as Originally Stated £000</b>	<b>2011/12 as Restated £000</b>	<b>Restatement £000</b>
Financing and Investment Income & Expenditure	3,802	6,107	2,305
(Surplus) of Deficit on the Provision of Services	23,091	25,396	2,305
Actuarial (Gains) / Losses on Pension Assets / Liabilities	28,483	26,180	(2,305)

## Movement in Reserves Statement - 31 March 2013

	<b>2012/13 as Originally Stated £000</b>	<b>2012/13 as Restated £000</b>	<b>Restatement £000</b>
Surplus or (Deficit) on provision of services	23,091	25,395	2,305
Other Comprehensive Income and Expenditure	24,496	22,192	2,305
Adjustment between Accounting Basis and Funding Basis under Regulations	(25,543)	(27,847)	(2,305)
- General Fund	23,922	26,227	2,305
- Total Unusable Reserves			

**Mersey Gateway Land Acquisition Costs**

As part of the Mersey Gateway capital project, the Council began acquiring land in the 2008/09 financial year. At this time the council had not received notification that the Department for Transport would fund these costs and this was funded through Council Borrowing. Once the offer letter was received from the Department for Transport all future acquisitions were funded from Long Term Debtors (as the grant was to be payable following financial close) but a retrospective adjustment was not done to move the £19.280m which funded land acquisitions between 2008/09 and 2011/12.

The following table shows how this has changed the opening balance of the balance sheet and Movement in Reserves Statement. This has also changed the opening balance of the Debtors (note 24) and Unusable Reserves (note 40 - Capital Adjustment Account) and the Opening Capital Financing Requirement on Capital Expenditure and Capital Financing (note 18)

Effect on line items in the Balance Sheet 31 March 2012

	<b>2011/12 as Originally Stated £000</b>	<b>2011/12 as Restated £000</b>	<b>Restatement £000</b>
Long Term Debtors	1,515	20,795	19,280
Total Long Term Assets	344,130	379,414	19,280
Total Assets Less Liabilities	(210,885)	(230,165)	19,280
Unusable Reserves	(163,506)	(182,786)	(19,280)
Total Equity	(210,885)	(230,165)	(19,280)



## Movement in Reserves Statement 31 March 2013

	<b>2012/13 as Originally Stated £000</b>	<b>2012/13 as Restated £000</b>	<b>Restatement £000</b>
Balance as at 31 <sup>st</sup> March 2012			
Total Unusable Reserves	(163,506)	(182,786)	(19,280)

**Restatement of £10m Eurohypo Loan**

In the 2006/07 financial year the Council borrowed £10m with Eurohypo (previously Depfa Bank). The loan is repayable on maturity on 6<sup>th</sup> February 2066 but as this is a LOBO loan (Lenders Option Borrowers Option) every six months Eurohypo have the option of increasing the interest rate, at which point the Council have the option of paying additional interest or repaying the loan.

Due to the loan being a LOBO this has previously been classed as a Short Term loan. Following discussions with Capita Asset Services (the council's Treasury Management advisors) it is believed that this has been classed incorrectly and should be classed as a long term loan.

The following table shows the effect on the opening balance sheet. This has also changed the Short Term and Long Term borrowing (note 30).

	<b>2011/12 as Originally Stated £000</b>	<b>2011/12 as Restated £000</b>	<b>Restatement £000</b>
Short Term Borrowing	(47,043)	(37,043)	10,000
Long Term Borrowing	(40,474)	(50,474)	(10,000)

## **Collection Fund**

The Collection Fund is an agents statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers and the distribution to local authorities and the Government in relation to Council Tax and Non-Domestic Rates.

The table below has been updated to reflect the Business Rate Retention Scheme which was implemented on 1<sup>st</sup> April 2013. Please note the 2012/13 Council Tax bought forward and carry forward figures have been updated on this statement (and the following balance sheet) as they were omitted in last year's accounts in error.

## Collection Fund Statement

2012-13				2013-14		
Council Tax	Non Domestic Rates	Total		Council Tax	Non Domestic Rates	Total
£000	£000	£000		£000	£000	£000
(41,428)		(41,428)	<b>Income</b>			
(11,092)		(11,092)	Council Tax	(45,150)		(45,150)
	(47,763)	(47,763)	Council tax benefits	-		-
	-	-	Non Domestic Rates		(56,948)	(56,948)
	-	-	Transitional Protection Payment		(320)	(320)
<b>(52,520)</b>	<b>(47,763)</b>	<b>(100,283)</b>		<b>(45,150)</b>	<b>(57,268)</b>	<b>(102,418)</b>
			<b>Expenditure</b>			
			<u>Precepts, Demands &amp; Shares</u>			
	-	-	Central Government	-	24,871	24,871
43,468	-	43,468	Halton Borough Council	36,165	24,454	60,619
5,738	-	5,738	Cheshire Police Authority	4,778	-	4,778
2,538	-	2,538	Cheshire Fire Service	2,113	499	2,612
59	-	59	Parish Precept	61	-	61
			<u>Apportionment of Previous Year's Surplus</u>			
-	-	-	Central Government	-	-	-
-	-	-	Halton Borough Council	372	-	372
-	-	-	Cheshire Police Authority	49	-	49
-	-	-	Cheshire Fire Service	22	-	22
			<u>Charges to Collection Fund</u>			
-	-	-	Write off uncollectable amounts	116	686	802
-	-	-	Increase / (Decrease) in Bad Debt Provision	(768)	1,467	699
-	-	-	Increase / (Decrease) in Appeals Provision	-	4,801	4,801
-	167	167	Cost of Collection	-	167	167
	-	-	Disregarded Amounts	-	-	-
	47,596	47,596	Payment to the National Pool	-	-	-
<b>51,803</b>	<b>47,763</b>	<b>99,566</b>		<b>42,908</b>	<b>56,945</b>	<b>99,853</b>
<b>(355)</b>	-	<b>(355)</b>	<b>Balance Brought Forward</b>	<b>(1,072)</b>	-	<b>(1,072)</b>
<b>(717)</b>	-	<b>(717)</b>	<b>Movement on Fund Balance</b>	<b>(2,242)</b>	<b>(323)</b>	<b>(2,565)</b>
<b>(1,072)</b>	-	<b>(1,072)</b>	<b>Balance Carried Forward</b>	<b>(3,314)</b>	<b>(323)</b>	<b>(3,637)</b>

## Collection Fund Balance Sheet

2012/13				Council Tax	2013/14			
Halton BC £'000	Cheshire P&CC £'000	Cheshire Fire £'000	Total £'000		Halton BC £'000	Cheshire P&CC £'000	Cheshire Fire £'000	Total £'000
2,967	391	173	3,531	Arrears	3,688	478	216	4,382
(2,724)	(359)	(159)	(3,242)	Provision for Doubtful Debts	(2,082)	(270)	(122)	(2,474)
(225)	(30)	(13)	(268)	Overpayments /				
(901)	(119)	(52)	(1,072)	Prepayments	(300)	(39)	(18)	(357)
883	117	51	1,051	(Surplus)/Deficit	(2,790)	(362)	(163)	(3,314)
-	-	-	-	Cash	1,484	193	87	1,764
-	-	-	-		-	-	-	-

2012/13				Non-Domestic Rates	2013/14			
Central Gov £'000	Halton BC £'000	Cheshire Fire £'000	Total £'000		Central Gov £'000	Halton BC £'000	Cheshire Fire £'000	Total £'000
				Arrears	1,854	1,817	37	3,708
				Provision for Doubtful Debts	(1,356)	(1,328)	(27)	(2,711)
				Appeals Provision	(2,400)	(2,352)	(48)	(4,800)
				Overpayments/				
				Prepayments	(628)	(615)	(13)	(1,256)
				(Surplus)/Deficit	(54)	(267)	(2)	(323)
				Cash	2,584	2,745	53	5,382
-	-	-	-		-	-	-	-

As this is the first year of the Business Rate Retention Scheme there were no balances outstanding at 31<sup>st</sup> March 2013.



## Notes to the Collection Fund

### 1. Introduction of the Council Tax

The property based Council Tax was introduced on the 1<sup>st</sup> April 1993, replacing the personal liability Community Charge. The Council determined its Band D equivalent tax base for 2013/14 at 31,189 (see below), with the Parishes' individual tax bases as follows: Hale 644, Daresbury 149, Moore 318, Preston Brook 316, Halebank 477 and Sandymoor 959.

### 2. The Council Tax Base Determination

Band	Properties	Ratio	Band D Equivalents
Disabled	59	5/9	33
A	21,871	6/9	14,580
B	10,446	7/9	8,125
C	7,051	8/9	6,268
D	4,286	9/9	4,286
E	3,068	11/9	3,750
F	954	13/9	1,378
G	324	15/9	539
H	28	18/9	57
<b>Total</b>	<b>48,086</b>		<b>39,015</b>
Reductions relating to Non-Collection and changes in assumptions			<b>(7,826)</b>
Tax Base set for 2013/14			<b>31,189</b>

### 3. Precepting Authorities

Halton Borough Council has two precepting authorities. For 2013/14 Cheshire Police & Crime Commissioner set its precept at £4,778,467 the equivalent to a Band D charge of £153.21 per property. Cheshire Fire Authority set its precept at £2,113,055 the equivalent to a Band D charge of £67.75 per property.

### 4. Non-Domestic Rates

The non-domestic rate replaced locally fixed rates from 1<sup>st</sup> April 1990. The rateable value at 31<sup>st</sup> March 2014 was £132,593,412. The rate in the pound is fixed by the Government and was set at 47.1p (46.2p for small businesses) in the pound for 2013/14.

## Group Accounts

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

<b>Company</b>	<b>Interest %</b>
Halton Transport Ltd	100
Mersey Gateway Crossings Board Ltd	100
Halton BC/Pochins Partnership	50
Halton Development Partnership Ltd	Minority
Widnes Regeneration Ltd	Minority
Daresbury Science & Innovation Campus Ltd	50
Daresbury Science & Innovation Campus Ltd (PUBSEC) LLP	50
Daresbury Science & Innovation Campus LLP	25

Mersey Gateway Crossings Board Ltd was incorporated in 2013/14 with the purpose of constructing the Mersey Gateway Bridge. It is a 100% owned subsidiary of Halton Borough Council, but as the company only began to trade on 28<sup>th</sup> March 2014 there were no transactions in the 2013/14 financial year and has had no effect on the 2013/14 Group Accounts.

There have been no significant transactions between the Council and Halton Development Partnership, Widnes Regeneration Ltd, Daresbury Science and Innovation Campus Ltd, Daresbury Science and Innovation Campus Ltd (PUBSEC) LLP or Daresbury Science and Innovation Campus LLP.

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

For 2013/14 the consolidation includes Halton Borough Transport Ltd only.

Please note that as the Halton Borough Transport's accounts were not finalised by 30<sup>th</sup> June 2014, these group accounts have been produced using estimates based on Halton Borough Transport's Management Accounts as at 31<sup>st</sup> March 2014.

The main effect of consolidation has been to increase revenue reserves by £0.461m, representing the Council's 100% share of accumulated net profits in the company.

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

Both bodies have the same financial year end of the 31<sup>st</sup> March 2014.

**Group Comprehensive Income and Expenditure Statement as at 31<sup>st</sup> March 2014**

<b>Net Expenditure 2012/13 £'000 Restated</b>		<b>Net Expenditure 2013/14 £'000</b>
141,566	Net Cost of Services	121,930
22,087	Other Operating Expenditure	1,533
6,188	Financing & Investment Income & Expenditure	8,250
(144,366)	Taxation & Non-Specific Grant Income	(137,570)
25,475	(Surplus)/Deficit for the Year	(5,857)
22,191	Other Comprehensive Income and Expenditure	(27,065)
<b>47,666</b>	<b>Total Comprehensive Income and Expenditure</b>	<b>(32,922)</b>
(23,745)	Net additional amount required by statute and non-statutory proper practices to be debited or credited to the General Fund Balance of the year	4,952
(7,941)	Surplus 1/04/13 Council	(8,364)
(6,279)	Surplus 1/04/13 Schools	(6,433)
<b>(8,364)</b>	Surplus 1/04/14 Council	<b>(9,107)</b>
<b>(6,433)</b>	Surplus 1/04/14 Schools	<b>(6,590)</b>

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

**Reconciliation of Council and Group Surplus/Deficit for the year as at 31<sup>st</sup> March 2014**

<b>2012/13 £'000</b>		<b>2013/14 £'000</b>
23,091	(Surplus)/Deficit for the year on the Council Income and Expenditure Account	(5,693)
-	Adjustment for Transactions with Other Group Entities	-
23,091	(Surplus)/Deficit in the Group Income and Expenditure Account Attributable to the Council	(5,693)
	(Surplus)/Deficit in the Group Income and Expenditure Account Attributable to Group Entities (adjusted for Intra-Group Transactions)	
79	Subsidiaries	(164)
-	Associates	-
-	Joint Ventures	-
<b>23,170</b>	<b>(Surplus)/Deficit for the year on the Group Income and Expenditure Account</b>	<b>(5,857)</b>

Group Balance Sheet as at 31<sup>st</sup> March 2014

<b>2011/12</b> <b>£'000</b> <b>Restated</b>	<b>2012/13</b> <b>£'000</b> <b>Restated</b>		<b>2013/14</b> <b>£'000</b>
331,467	313,445	Non-Current Assets – Property, Plant & Equipment	346,776
1,067	1,114	Heritage Assets	1,123
15,007	13,405	Investment Properties	12,249
1,657	1,267	Intangible Assets	893
12,000	-	Long Term Investments	-
20,795	36,467	Long Term Debtors	1,803
97,070	77,784	Current Assets	113,643
(83,994)	(55,827)	Current Liabilities	(52,356)
(50,997)	(70,858)	Long Term Borrowing	(70,479)
(1,844)	(521)	Provisions > 1 year	(736)
(20,528)	(15,090)	Capital Grants Receipts in Advance	(20,673)
(91,159)	(118,309)	Other Liabilities	(116,446)
<b>230,541</b>	<b>182,877</b>	<b>Total Assets less Liabilities</b>	<b>215,797</b>
(47,755)	(48,536)	Usable Reserves	(55,512)
(182,786)	(134,341)	Unusable Reserves	(160,285)
<b>(230,541)</b>	<b>(182,877)</b>	<b>Total Equity</b>	<b>(215,797)</b>

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

Group Movement in Reserves Statement as at 31<sup>st</sup> March 2013 - Restated

	General Fund	Other Earmarked Reserves	Capital Receipts Reserve	Capital Grants Unapplied	TOTAL USABLE RESERVES	TOTAL UNUSABLE RESERVES	Reserves of Group Entities	TOTAL COUNCIL RESOURCES
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
General Fund	(7,565)	(27,799)	(2,582)	(3,154)	(41,099)	(182,786)	(376)	(224,262)
General Fund – Schools	(6,279)				(6,279)			(6,279)
<b>Balance as at 31<sup>st</sup> March 2012</b>	<b>(13,844)</b>	<b>(27,799)</b>	<b>(2,582)</b>	<b>(3,154)</b>	<b>(47,378)</b>	<b>(182,786)</b>	<b>(376)</b>	<b>(230,541)</b>
<b>Movement in Reserves during 2012/13</b>								
(Surplus) or Deficit on the Provision of Services	25,475	-	-	-	25,475	-	-	25,475
Other Comprehensive Income and Expenditure	-	-	-	-	-	22,192	-	22,192
<b>Total Comprehensive Income and Expenditure</b>	<b>25,475</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>25,475</b>	<b>22,192</b>	<b>-</b>	<b>47,667</b>
Adjustments between Accounting Basis and Funding Basis under Regulations	(27,847)	-	1,258	362	(26,227)	26,227	-	-
<b>Net (Increase)/Decrease before Transfers to Other Reserves</b>	<b>(2,372)</b>	<b>-</b>	<b>1,258</b>	<b>362</b>	<b>(752)</b>	<b>48,419</b>	<b>-</b>	<b>47,667</b>
Subsidiary Entities	(79)	-	-	-	(79)	-	79	-
<b>Group Contributions to/from Reserves</b>	<b>(79)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(79)</b>	<b>-</b>	<b>79</b>	<b>-</b>
Transfers to/from other Earmarked Reserves	1,798	(1,798)	-	-	-	-	-	-
Other Movements	-	-	(27)	-	(27)	27	-	-
<b>(Increase)/Decrease in the year</b>	<b>(654)</b>	<b>(1,798)</b>	<b>1,232</b>	<b>362</b>	<b>(858)</b>	<b>48,445</b>	<b>79</b>	<b>47,666</b>
<b>Balance as at 31<sup>st</sup> March 2013</b>	<b>(14,498)</b>	<b>(29,597)</b>	<b>(1,351)</b>	<b>(2,791)</b>	<b>(48,237)</b>	<b>(134,340)</b>	<b>(297)</b>	<b>(182,874)</b>

Group Movement in Reserves Statement as at 31<sup>st</sup> March 2014

	General Fund	Other Earmarked Reserves	Capital Receipts Reserve	Capital Grants Unapplied	TOTAL USABLE RESERVES	TOTAL UNUSABLE RESERVES	Reserves of Group Entities	TOTAL COUNCIL RESOURCES
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
General Fund	(8,065)	(29,597)	(1,351)	(2,792)	(41,805)	(134,340)	(297)	(176,442)
General Fund – Schools	(6,433)				(6,433)			(6,433)
<b>Balance as at 31<sup>st</sup> March 2013</b>	<b>(14,498)</b>	<b>(29,597)</b>	<b>(1,351)</b>	<b>(2,792)</b>	<b>(48,238)</b>	<b>(134,340)</b>	<b>(297)</b>	<b>(182,875)</b>
<b>Movement in Reserves during 2013/14</b>								
(Surplus) or Deficit on the Provision of Services	(5,857)	-	-	-	(5,857)	-	-	(5,857)
Other Comprehensive Income and Expenditure	-	-	-	-	-	(27,065)	-	(27,065)
<b>Total Comprehensive Income and Expenditure</b>	<b>(5,857)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(5,857)</b>	<b>(27,065)</b>	<b>-</b>	<b>(32,922)</b>
Adjustments between Accounting Basis and Funding Basis under Regulations	(773)	-	(546)	226	(1,093)	1,093	-	-
<b>Net (Increase)/Decrease before Transfers to Other Reserves</b>	<b>(6,630)</b>	<b>-</b>	<b>(546)</b>	<b>226</b>	<b>(6,950)</b>	<b>(25,972)</b>	<b>-</b>	<b>(32,922)</b>
Subsidiary Entities	164	-	-	-	164	-	(164)	-
<b>Group Contributions to/from Reserves</b>	<b>164</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>164</b>	<b>-</b>	<b>(164)</b>	<b>-</b>
Transfers to/from other Earmarked Reserves	5,725	(5,725)	-	-	-	-	-	-
Other Movements	-	-	(29)	-	(29)	29	-	-
<b>(Increase)/Decrease in the year</b>	<b>(741)</b>	<b>(5,725)</b>	<b>(575)</b>	<b>226</b>	<b>(6,815)</b>	<b>(25,943)</b>	<b>(164)</b>	<b>(32,922)</b>
<b>Balance as at 31<sup>st</sup> March 2014</b>	<b>(15,239)</b>	<b>(35,322)</b>	<b>(1,926)</b>	<b>(2,566)</b>	<b>(55,053)</b>	<b>(160,283)</b>	<b>(461)</b>	<b>(215,797)</b>

Group Cash Flow Statement as at 31<sup>st</sup> March 2014

<b>Group 2012/13 £'000</b>		<b>Group 2013/14 £'000</b>
(7,549)	Net Cash flows from Operating Activities	35,997
26,184	Net Cash flows from Investing Activities	(16,824)
(13,998)	Net Cash flows from Financing Activities	(11,455)
<b>4,637</b>	<b>Net increase/decrease in cash and cash equivalents</b>	<b>7,718</b>
17,172	Cash and Cash equivalents at the beginning of the reporting period	21,807
<b>21,807</b>	<b>Cash and Cash equivalents at the end of the reporting period</b>	<b>29,525</b>

## Notes to the Group Accounts

Adjustments between group accounts and Council accounts as at 31<sup>st</sup> March 2014

<b>2012/13 £'000</b>		<b>2013/14 £'000</b>
79	(Profit)/Loss on ordinary activities for the year	(164)
-	Dividend to HBC	-
<b>79</b>	<b>Total adjustments for the year</b>	<b>(164)</b>
(376)	Profit/(Loss) Reserves brought forward	(297)
<b>(297)</b>	<b>Profit/(Loss) Reserves carried forward</b>	<b>(461)</b>
(230,165)	Council Reserves brought forward	(182,578)
(182,578)	Council Reserves carried forward	(215,336)
<b>(230,541)</b>	<b>Total Group Reserves brought forward</b>	<b>(182,875)</b>
<b>(182,875)</b>	<b>Total Group Reserves carried forward</b>	<b>(215,797)</b>



## 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 – Finance Responsibilities

The Operational Director – Finance is responsible for the preparation of the Council's statement of accounts which, in terms of CIPFA/LASAAC Code of Practice on Local Authority Accounting in Great Britain ("the Code of Practice"), is required to present a true and fair view of the financial position of the Council at the accounting date and its income and expenditure for the year (ended 31<sup>st</sup> March 2014).

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

Selected suitable accounting policies and then applied them consistently;

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

Made judgements and estimates that were reasonable and prudent;

Complied with the Code of Practice.

The Operational Director – Finance has also:

Kept proper accounting records which were kept up to date;

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

Signed by: .....  
*Operational Director – Finance*

Date: .....

## Statement of Accounting Policies

1.

**General**

The Statement of Accounts summarises the Council's transactions for the 2013/14 financial year and its position at the year-ending 31<sup>st</sup> March 2014.

Halton Borough Council prepares its statement of accounts in accordance with the Code of Practice of Local Authority Accounting in the United Kingdom 2013/14 and the Service Reporting Code of Practice 2013/14 supported by International Financial Reporting Standards (IFRS), issued by the Chartered Institute of Public Finance and Accountancy (CIPFA).

The accounts have been prepared on historical cost conventions, modified by the revaluation of certain categories of non-current assets to give a true and fair view of the Council's transactions and financial position.

2.

### **Changes to the 2013/14 Accounting Policies**

The Council's accounting policies are subject to regular review arising from changes in the way costs are accounted for and changes in the requirements of the Code of Practice. The policies have been updated to incorporate the changes to the National Non-Domestic Rates and the accounting treatment of the pension fund in 2013/14.

3.

**Accrual**

### **s of Income and Expenditure**

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received.

#### **3(a) Revenue Recognition**

Revenue from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council. Revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.

#### **3(b) Employee Costs**

The full cost of employees is charged to the period which the employees worked. Accruals are made for wages earned but unpaid and pay awards awaiting settlement at the year end. Short term benefits arising from leave, flexi-time and time off in lieu which remain unpaid at the end of the financial year are accrued into the cost of

services for that year. To ensure that the actual costs to the Council falls in the year in which they are paid a transfer is made to an Employee Benefit Reserve.

**3(c) Termination Benefits**

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

**3(d) Interest**

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

**3(e) Supplies and Services**

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

**3(f) Cash and Cash Equivalents**

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

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

**3(g) Debtors and Creditors**

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

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

**4.****Acquire****d/Discontinued Operations**

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

5.

**Contingent Assets**

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

Contingent assets are not recognised on the Balance Sheet but by way of notes to the accounts where it is probable that there will be an inflow of economic benefit or service potential.

6.

**Contingent Liabilities**

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

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

7.

**The**

**Collection Fund**

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

**7(a) Council Tax Income**

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

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

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

**7(c) Accounting for Council Tax and Non-Domestic Rates in the Core Financial Statements**

While the council tax and Non-Domestic Rates income for the year credited to the Collection Fund is the accrued income for the year, regulations determine when it should be released from the Collection Fund and transferred to the General Fund. The amount credited to the General Fund under statute is the Councils demand for the year plus the Councils share of the surplus (or less its share of the deficit) on the Collection Fund for the year.

The difference between the income included in the Comprehensive Income and Expenditure Statement and the amount required to be credited to the General Fund

is taken to the Collection Fund Adjustment Account and included as a reconciling item in the Movement in Reserves Statement within Adjustments between Accounting Basis and Funding Basis under regulations.

The Councils Cash Flow Statement includes within Net cash flows from Operating Activities, only its share of council tax and NNDR net cash collected from the debtors in the year.

**8. Equal Pay Claims**

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

A provision is created for the Equal Pay Claims, when it is recognised there will be a transfer of economic benefits and a reliable estimate can be made of the amount of the obligation.

**9. Events after the Reporting Period**

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

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

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

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

**10. Exceptional Items**

When items of income and expenditure are material, their nature and amount are disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are to an understanding of the Councils financial performance.

**11. Financial Instruments**

The Council invests and borrows money as part of its day to day business and Treasury Management Strategy. It is required to present on the balance sheet at fair

value its outstanding financial obligations and assets in relation to these transactions. Assets exclude short term investments i.e. invested for periods of less than 3 months at inception and not due for repayment at balance sheet date. These investments are treated as cash equivalents due to their liquid nature.

The Council uses Capita Treasury Solutions to provide independent valuations of the position at the period end.

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

### **11(a) Financial Liabilities**

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

### **11(b) Financial Assets**

Financial assets are classified into two types:

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

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

### **11(c) Loans and Receivables**

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

## **12.**

## **Foreign**

### **Currency Translation**

Where the Council enters into a transaction denominated in a foreign currency, the transaction is converted into £ sterling at the exchange rate applicable on the date the transaction was effective. Where amounts are outstanding at the year-end, they are reconverted at the spot exchange rate at 31<sup>st</sup> March.

## **13.**

### **Government Grants, Other Contributions and Donated Assets**

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

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

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

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

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund in the Movement in Reserves Statement. Where the grant is yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied reserve are transferred to the Capital Adjustment Account once they have been applied to fund expenditure.

#### **14. Interest in Companies and Other Entities**

The Council has a material interest in Halton Borough Transport Ltd that require it to prepare group accounts. In the Council's group accounts, the interests in Halton Borough Transport Ltd are recorded where appropriate which principally include assets, liabilities and group interests.

#### **15. Intangible Assets**

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

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



**16. Inventories**

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

**17. Leases**

**17(a) Finance Leases**

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

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

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

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

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

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

receipts are subject to the same test, whereby the writing down of the debtor's obligation will, with effect from 1<sup>st</sup> April 2010 for leases granted from that date be a capital receipt.

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

### **17(b) Operating Leases**

Operating leases are all leases which are not categorised as finance leases. Rentals payable under operating leases are charged to Net Cost of Services on a straight line basis over the term of the lease. Receipts are treated as revenue income.

## **18. Current Assets, Property, Plant and Equipment**

**Non-**

### **18(a) Recognition**

Non-current assets are assets that have physical substance and are held in the provision of services or for administrative purposes on a continuing basis.

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

### **18(b) Measurement**

Acquired non-current assets are initially measured at cost, which includes costs that are directly attributable to bringing the asset into working condition for its intended use. Non-current assets acquired by finance lease are valued at discounted present value of future lease payments using PWLB rates for annuities at the date of acquisition. Whilst acquired infrastructure assets, vehicles, plant, equipment and community assets remain in the balance sheet at historical costs net of depreciation, other assets will be subject to periodic revaluation of no more than five years using the appropriate method for that class of asset.

The method of valuing assets is as follows:

- Fair  
Value – Market Value (MV) – Investment Properties, Investment Land and Buildings in the course of development (where fair value of the investment property can be reliably measured).

- Fair  
Value – Existing Use Value (EUV) – operational and non-specialised property and non-specialised surplus land and buildings.
- Fair  
Value – Depreciated Replacement Cost (DRC) – specialised operational assets and specialised surplus land and buildings.
- Historic  
Cost (HC) – Infrastructure assets, vehicles, plant & equipment, community assets and assets under construction.
- Fair  
Value (lease interest) – Finance Leases
- Held for  
Sale Assets – Lower of Carrying Amount of Fair Value (MV) less disposal costs.

In the absence of historical information regarding the cost of acquisition or construction of various community assets, they have been reclassified and given a zero valuation from 1<sup>st</sup> April 2005.

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

Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Surplus or Deficit on the Provision of Services where they arise from the reversal of a loss previously charged to a service.

Where decreases in value are identified, they are accounted for by:

- Where  
there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains).
- Where  
there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

The Council operates a de-minimis level of £35,000, in respect of land and property, and a qualified valuer certifies the valuation. In respect of vehicles, plant & equipment these are carried at depreciated historic cost subject to an initial recognition de-minimis of £5,000.

### 18(c) Impairment

Assets are assessed at year end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated

to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

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

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

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

#### **18(d) Non-Current Assets Held for Sale**

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

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

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

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

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

### **18(e) Depreciation**

Depreciation is provided for on all assets with a finite useful life. The provision for depreciation is calculated by allocating the cost less any estimated residual value of the asset over its useful life. The useful lives of assets are estimated on a realistic basis and reviewed regularly, and where necessary revised.

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

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

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

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

Land has an infinite life and is therefore not depreciated.

### **18(f) Charges to the Comprehensive Income and Expenditure Statement**

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

Finance costs (interest payable) are a direct charge to Financing and Investment Income within the Comprehensive Income and Expenditure Statement, whilst repairs and maintenance are charged to the appropriate service revenue account.

**18(g) Investment Property**

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

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

Investment properties are initially measured at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's length. Properties are not depreciated but revalued annually according to market conditions at the year end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

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

**18(h) Componentisation**

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

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

Having identified individual material assets or groups of similar assets with similar characteristics, each component part of an item of Property, Plant and Equipment with a cost that is significant in relation to the total cost of the asset shall be depreciated separately. The Council has set a de-minimus threshold of £500,000 above which it will consider assets for componentisation.

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

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

The basis upon which the calculation of the value of components will be made is replacement cost. In general, the expected split for components would be 50-60% for Superstructure and Substructure, 20% for Internal Finishes and Fittings and 20-30% for Services. The actual split will be determined following individual valuation of the property.

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

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

When an asset is acquired or re-valued, the cost of its component parts will be broken down into Superstructure and Substructure, Internal Finishes and Fittings and Services providing that that asset exceeds the de-minimis threshold of £500,000. Land will be identified as a separate component in its own right.

### **18(i) Mersey Gateway Capitalisation of Development Costs**

On the 20<sup>th</sup> October 2010, in its Comprehensive Spending Review, the Government announced that it would make a public commitment to fund the Mersey Gateway Project. This was followed by ministerial approval, granting planning permission for the Scheme in December 2010.

On the 20th June 2013, Merseylink was announced as the preferred bidder for the development of the Mersey Gateway Crossing. Financial close was reached between Merseylink and the Council on 28th March 2014 with construction work commencing in May 2014.

In accordance with IAS16 Property, Plant and Equipment and the CIPFA Code of Practice on Local Authority Accounting based on International Financial Reporting Standards, the cost of an item of Property, Plant and Equipment shall only be recognised (and hence capitalised) as an asset on the local authority balance sheet if, and only if:

- It is possible that the future economic benefits or service potential associated with the item flow to the entity, and
- The cost of the item can be measured reliably.

Costs that meet the recognition principle include the initial costs of acquisition and construction, and costs incurred subsequently to enhance, replace part of, or service the asset.

The measurement of cost comprises:

Any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Halton Borough Council deems development costs to be an integral part of the construction of such significant infrastructure in the borough. For accounting purposes, some development costs satisfy the criteria for capitalisation, by helping to bring the New Mersey Crossing to the location and condition necessary for it to be capable of operating as a second crossing. These costs have been capitalised, and are included as non-current assets within Property, Plant and Equipment.

Halton Borough Council has continued to capitalise development costs in 2013/14 supported by key milestones in the progress of the project having been reached during the year.

#### **18(j) Charges to Revenue for Non-Current Assets**

Services are debited with depreciation, downward valuations and impairment losses where there are no accumulated gains in the revaluation reserve against which the losses can be written off and amortisation of intangible fixed assets.

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

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

#### **18(k) Schools**



Section 20 of the Schools Standards and Framework Act 1998 established the following categories of maintained schools in England and Wales:

- |     |   |            |
|-----|---|------------|
| (a) | Community Schools   | Community  |
| (b) | Foundation Schools  | Foundation |
| (c) | Voluntary Schools comprising Voluntary Aided and Voluntary Controlled | Voluntary  |
| (d) | Community Special Schools, and  | Community  |
| (e) | Foundation Special Schools  | Foundation |

In order to recognise a non-current school's asset on the Council's Balance Sheet, the Council has followed the recognition criteria of the Code and determined the extent to which the Council has control of the service potential associated with the schools assets.

### 18(k) Schools

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

### 19 Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply and service in accordance with the costing principals of the CIPFA Service Reporting Code of Practice 2013/14. The total absorption costing principal is used – the full cost of overheads and support services are shared between users in proportion to the benefits received.

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, head count for administrative buildings and usage for computers and telephones.

The costs of the Corporate and Democratic Core and Non-Distributed Costs as defined by CIPFA's Service Reporting Code of Practice 2013/14 are allocated to separate objective expenditure heads and are not apportioned to other divisions of service. These items are clearly disclosed in the Comprehensive Income and Expenditure Statement.

### 20 Pension Costs

#### General

The cost of providing pensions for employees is charged in accordance with the requirements of IAS19 Retirement Benefits subject to the interpretation set out in the Code governing the pension schemes. The Council pays an employer's

contribution to the Cheshire Pension Fund; Teachers' Pension Agency and National Health Service Pension Scheme.

**Pensions Reserve**

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

**Classification of Schemes**

**Defined Benefit Schemes**

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

- (i) The liabilities of the Cheshire pension fund attributable to the Authority are included in the Balance Sheet on an actuarial basis using the projected unit method – ie an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of projected earnings for current employees.
- (ii) Liabilities are discounted to their value at current prices, using a discount rate of 4.3%
- (iii) The assets of Cheshire pension fund attributable to the Authority are included in the Balance Sheet at their fair value
  - a. Quoted securities – current bid price
  - b. Unquoted securities – professional estimate
  - c. Unitised securities – current bid price
  - d. Property – market value
- (iv) The change in the net pensions liabilities is analysed into the following components:
  - a. Service cost comprising:
    - i. Current services cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement of the services for which the employees worked

- ii. Past  
 service cost – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of services earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
    - iii. Net  
 interest on the net defined benefit liability (asset), ie net interest expense for the authority – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period – taking into account any changes in the net defined benefit liability (asset) during the period as a result of the contribution and benefit payments.
  - b. Remeas  
 urements comprising:
    - i. The  
 return on plan assets – excluding amounts included in net interest on the net defined benefit liability (asset) – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
    - ii. Actuarial  
 gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
  - c. Contrib  
 ution paid to the Cheshire Pension Fund – cash paid as employer's contributions to the pension fund in settlement of liabilities: not accounted for as an expense.
- (v) In  
 relation to retirement benefits, statutory provisions require the General Fund Balance to be charged with the amount payable by the Authority to the pension fund or directly to pensions in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are transfers to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year end. The negative balance that arises on the Pension Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits earned by employees.

### **Defined Contribution Schemes**

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

### **21 Pooled Budgets**

Under Section 75 of the Health Act, the Council is able to establish joint working arrangements with NHS bodies and other Councils to pool funds from both organisations to create a single pot. Where pooled budgets are established, the Councils accounts reflect only the Councils share of the overall pot and exclude the share attributable to partner organisations.

### **22 Prior Period Adjustments**

Prior period adjustments may arise as a result of a change in accounting policy or to correct a material error. Changes in accounting estimate are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policy are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of its transactions, other events and conditions on the financial position or performance. When a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

### **23 Provisions**

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

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

### **24 Repurchase of Borrowing**

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

## **25 Reserves**

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

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

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

Usable reserves comprise:

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

Unusable reserves comprise:

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

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

## **26 Revenue Expenditure Funded from Capital under Statute**

Legislation allows some expenditure to be classified as capital for funding purposes when it does not result in the creation on a non-current asset on the Balance Sheet.

Such expenditure is charged to the appropriate service account within the Comprehensive Income and Expenditure Statement in accordance with the provisions of the Code.

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

## **27 Segmental Reporting**

To ensure consistent reporting across Councils, the Code requires that the Council analyses the financial performance of their operations in the Comprehensive Income and Expenditure Statement using the analysis included in the Service Reporting Code of Practice. This is not in line with the management structure of the Council.

The Council's chief operating decision maker is the Chief Officers Management Team comprising of the Chief Executive supported by three Strategic Directors. In order to provide more meaningful information the cost of services shown in the Comprehensive Income and Expenditure Statement is presented in the Segmental Analysis in line with this decision making structure. As specified in the Code this includes over 75% of the net expenditure of continuing operations. A summary reconciliation is provided to balance it back to the Net Cost of Services.

The subjective analysis represents a more detailed reconciliation between segmental reporting and the Comprehensive Income and Expenditure Statement. This identifies the differences between internal management reporting and the requirements of the Code. For example neither, adjustments for IAS19 (Accounting for Retirement Benefits) or capital charges (with the exception of depreciation) are reported to management however, they are included within the Comprehensive Income and Expenditure Statement. Internal recharges are reported within the management structure but are removed from the Comprehensive Income and Expenditure Statement.

## **28 Senior Officers**

The Council is required to disclose senior officers who are paid a salary of more than £150,000 by name. The requirement also extends to those officers whose salary is more than £50,000 and have a statutory role defined by legislation or is responsible for directing and controlling the day-to-day operations of the Council.

## **29 Service Concessions**

PFI and similar contracts are agreements to receive services, where the responsibility for making available the property, plant and equipment needed to provide the services passes to the PFI contractor. As the Council is deemed to control the

services that are provided under PFI schemes, and as ownership of the property, plant and equipment will pass to the Council at the end of the contracts for no additional charge, the Council carries the assets used under the contracts on its Balance Sheet as part of Property, Plant and Equipment.

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

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

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

- Fair value of the services received during the year – debited to the relevant service in the Comprehensive Income and Expenditure Statement
- Finance cost – an interest charge on the outstanding Balance Sheet liability, debited to the financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
- Contingent rent – increases in the amount to be paid for the property arising during the contract, debited to the Financing and investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
- Payment towards liability – applied to write down the Balance Sheet liability towards the PFI operator (the profile of write-downs is calculated using the same principles as for a finance lease)
- Life cycle replacement costs – proportion of the amounts payable is posted to the Balance Sheet as a prepayment and then recognised as additions to Property, Plant and Equipment when the relevant works are eventually carried out.

### **30 Value Added Tax**

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

### **31 Accounting Standards that have been issued but not yet adopted**

For 2013/14, the following accounting policy changes that need to be reported relate to:

-	IFRS 10
-	– Consolidated Financial Statements
-	IFRS 11
-	– Joint Arrangements
-	IFRS 12
-	– Disclosure of Interests in Other Entities

-	Separate Financial Statements (as amended in 2011)	IAS 27 –
-	Investments in Associates and Joint Ventures (as amended in 2011)	IAS 28 –
-	Financial Instruments – Presentation (as amended in December 2011)	IAS 32 –
-	Presentation of Financial Statements (as amended May 2011)	IAS 1 –

### 32 Heritage Assets

Heritage assets are defined as assets that have historical, artistic, scientific, technological, geophysical or environmental qualities that are held by the Council principally for their contribution to knowledge or culture. The heritage assets held by the Council include:

Civic Regalia  
 Paintings  
 Artefacts  
 And other items donated or purchased

Where applicable, heritage assets are measured at insurance valuation on the Balance Sheet. Due to the unique nature of some heritage assets it is not always possible to establish a valuation for the asset, appropriate disclosure is made to this type of asset but it is not recognised on the Balance Sheet.

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

There are assets which the Council holds which fall under the definition of heritage assets but contributable towards the operation of a service, these are included on the Balance Sheet under Non-Current Assets, Property, Plant and Equipment.

### 33 Carbon Reduction Commitment

The Council is required to participate in the Carbon Reduction Commitment (CRC) Energy Efficiency Scheme. This scheme is currently in its introductory phase which will last until 31<sup>st</sup> March 2014. The Council is required to purchase and surrender allowances, currently retrospectively, on the basis of emissions i.e. carbon dioxide produced as energy is used. As carbon dioxide is emitted (i.e. as energy used), a liability and expense are recognised.

The liability will be discharged by surrendering allowances. The liability is measured at the best estimate of the expenditure required to meet the obligation, normally at the current market price of the number of allowances required to meet the liability at the reporting date. The cost to the Council is recognised and reported in the costs



of the Council's services and is apportioned to services on the basis of energy consumption.

The 2013/14 financial year is the third and final year for which there will be an obligation to purchase and surrender CRC Allowances. The retrospective purchase of allowances for the financial year 2013/14 is anticipated to take place from 1<sup>st</sup> June 2014, an accrued amount has been charged to the cost of services for the year.

### **34 Critical Judgements in Applying Accounting Policies**

In applying the accounting policies set out in above, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

#### **Future levels of funding**

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

#### **Mersey Gateway Development Costs**

A prudent approach has been taken to the capitalisation of development expenditure for 2013-14. The Council has analysed development expenditure into different areas of work. Each area of work has been reviewed in order to decide whether the expenditure is capital or revenue in nature and has been accounted for accordingly.

For all areas of work that were considered to be capital in nature, invoices have been reviewed and discussions held to ascertain whether the work carried out would form part of the final asset and could therefore be fully or part capitalised as per the Code. Where work relates to support to and queries from all three bidders, it has not been possible to identify exactly what costs relate to each individual bid and it has been assumed that 1/3 costs in these areas will end up in the final asset.

Following the announcement of the preferred bidder on 20th June 2013, areas of expenditure which had previously related to all three bidders now related to only the preferred bidder and therefore from this date expenditure that is capital in nature has been fully capitalised.

For areas of work that were considered to be mainly capital but with some revenue (e.g drafting of Project Agreement) an in depth analysis was undertaken of one invoice to ascertain the percentage of capital work and the percentage of revenue work. This % was then applied to other invoices from the same supplier for work in this area.

Areas of work that were considered to be mainly revenue have been treated as revenue expenditure.

### **35 Assumptions made about the future and other major sources of estimation uncertainty**

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

The items in the Council's Balance Sheet at 31<sup>st</sup> March 2014 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

#### **Property, Plant and Equipment**

The carrying amount in the Balance Sheet at the 31<sup>st</sup> March 2014 is £344.36m.

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

If the useful life of assets is reduced, depreciation increases and the carrying amount of the asset falls. It is estimated that the annual depreciation charge for buildings could increase between 10%-15% equating to an additional £2.10m - £3.15m for every year that useful lives had been reduced.

#### **Pensions Liability**

The carrying amount in the Balance Sheet at the 31<sup>st</sup> March 2014 is £96.763m.

Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. Hymans Robertson LLP is engaged on behalf of the Council by Cheshire West and Chester Council to provide expert advice about the assumptions to be applied.

#### **Equal Pay Initiative**

The Council has made a provision of £0.682m for the settlement of claims for back pay arising from the Equal Pay Initiative, based on the number of claims received and a calculation based on each claimant's circumstances. It is not certain that all valid

claims have yet been received by the Council or that precedents set by other councils in the settlement of claims will be applicable.

An increase over the forthcoming year of 10% in either the total number of claims or the estimated average settlement would have the effect of adding £0.07m to the provision needed.

### **Impairment of Debtors**

The carrying amount in the Balance Sheet at the 31<sup>st</sup> March 2014 is £7.73m

At 31<sup>st</sup> March 2014, the Council had a balance of sundry debtors of £65.63m. A review of significant balances suggested that the provision for impairment of debtors was appropriate. However, in the current economic climate it is not certain that such an allowance would be sufficient.

If collection rates were to deteriorate, the Council would review the provision for impairments of debtors. An increase of 5%-10% would require an additional £0.39m - £0.77m to be set aside as a revised provision.

The list does not include assets and liabilities that are carried at fair value based on recently observed market price.

**Independent Auditor's Report to Members of Halton Borough  
Council**

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**Independent Auditor's Report to Members of Halton Borough  
Council – continued**

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**Independent Auditor's Report to Members of Halton Borough  
Council – continued**

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## Glossary of Terms

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

### Accruals

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

### Accounting Policies

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

- |     |                                  |          |
|-----|----------------------------------|----------|
| (a) | sing;                            | Recogni  |
| (b) | g and measurement bases for; and | Selectin |
| (c) | ng.                              | Presenti |

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

Accounting policies do not include estimation techniques.

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

### Acquired Operations

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

### Actuarial Gains and Losses

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

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

### 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.

**Class of Non-Current Assets**

The classes of non-current assets required to be included in the accounting statements are:

Property, Plant and Equipment:

- land and buildings Other
- , plant, furniture and equipment Vehicles
- ucture assets Infrastr
- nity assets Commu
- under construction Assets
- assets Surplus

Other classes of assets:

- ent properties Investm
- held for sale Assets
- e assets Heritag

**Community Assets**

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

**Consistency**

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

**Constructive Obligation**

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

- (a) By an established pattern of past practice, published policies or a sufficiently specific



current statement, the Council has indicated to other parties that it will accept certain responsibilities; and

- (b) As a result, the Council has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

### **Contingent Asset**

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

### **Contribution**

A contribution may be received from a partner to help perform a particular function (i.e. PCT and third sector in health/education, S106 developers etc...)

### **Contingent Liability**

A contingency liability is either:

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

### **Corporate and Democratic Core**

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

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

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

### **Curtailment**

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

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

### **Deferred Charges**

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

### **Defined Benefit Scheme**

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

### **Defined Contribution Scheme**

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

### **Depreciation**

The measure of cost or revalued amount of the benefits of the 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 or services produced by the asset.

### **Discontinued Operations**

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

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

Operations not satisfying all the conditions are classified as continuing.

### **Discretionary Benefits**

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

### **Estimation Techniques**

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

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

- (a) Method  
s 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) Differen  
t methods used to estimate the proportion of debts that will not be recovered, particularly where such methods consider a population as a whole rather than individual balances.

### **Events after the Balance Sheet Date**

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

### **Exceptional Items**

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

### **Exit Packages**

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

### **Expected Rate of Return on Pensions Assets**

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

### **Extraordinary Items**

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

### **Fair Value**

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

### **Finance Lease**

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

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

- The present value of minimum lease payments amounts to at least substantially all of the fair value of the leased asset.
- The leased assets are of such a specialised nature that only the lessee can use them without major modifications.

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

### **Going Concern**

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

### **Government Grants**

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

### **Heritage Assets**

Heritage Assets are assets that have historical, artistic, scientific, technological, geophysical or environmental qualities. Examples of heritage assets held by the Council include civic regalia, paintings and artefacts.

### **Impairment**

A reduction in the value of a 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 if the asset created. Examples of infrastructure assets are highways and footpaths.

### **Interest Cost (Pensions)**

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

### **Inventories**

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

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

**Investments (Non-Pensions Fund)**

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

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

**Investments (Pensions Fund)**

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

**Investments Properties**

Interest in land and/or buildings:

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

**Liquid Resources**

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

### **Long-Term Contracts**

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

### **Net Book Value**

The amount at which 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 replacement or of the nearest equivalent asset, adjusted to reflect the current condition of the existing asset.

### **Net Debt**

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

### **Net Realisable Value**

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

### **Operating Lease**

A lease other than a finance lease.

### **Past Service Cost**

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

### **Prior Period Adjustments**

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

### **Projected Unit Method**

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

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

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

**Related Parties**

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

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

Examples of related parties of a Council include:

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

Examples of related parties of a pension fund include its:

- (a) Administering authority and its related parties



- (b) ed bodies and their related parties; and Schedul
- (c) s and advisors Trustee

This list is not intended to be comprehensive.

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

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

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

This list is not intended to be comprehensive.

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

### **Remuneration**

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

### **Residual Value**

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

### **Retirement Benefits**

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

### **Scheme Liabilities**

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

### **Settlement**

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

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

### **Termination Benefits**

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

### **Total Cost**

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

### **Useful Life**

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

**Vested Rights**

In relation to a defined benefit scheme, these are:

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

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.*

# The Audit Findings for Halton Council

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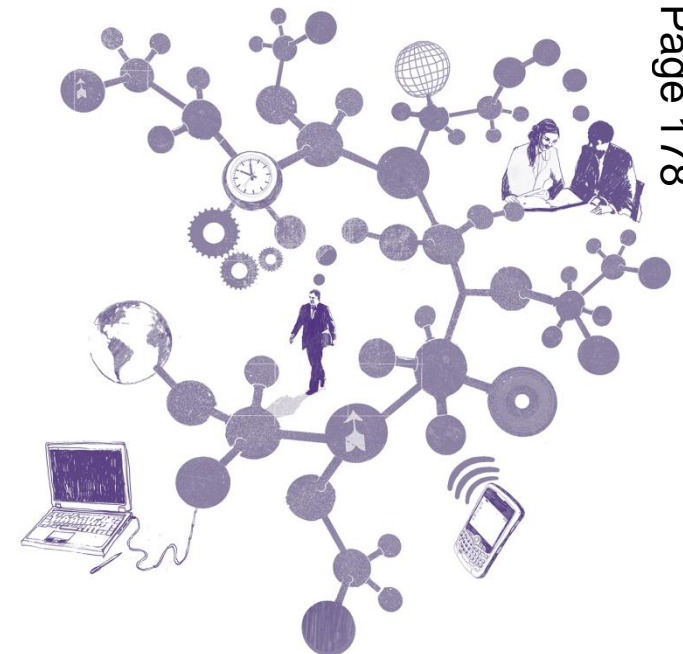
**Year ended 31 March 2014**

11 September 2014

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The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed primarily for the purpose of expressing our opinion on the financial statements. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify.

We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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## **Appendices**

A Audit opinion

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# Section 1: Executive summary

**01. Executive summary**

02. Audit findings

03. Value for Money

04. Fees, non audit services and independence

05. Communication of audit matters

# Executive summary

## Purpose of this report

This report highlights the key matters arising from our audit of Halton Council's (the Council) financial statements for the year ended 31 March 2014. It is also used to report our audit findings to management and those charged with governance in accordance with the requirements of International Standard on Auditing 260 (ISA).

Under the Audit Commission's Code of Audit Practice we are required to report whether, in our opinion, the Council's financial statements present a true and fair view of the financial position, its expenditure and income for the year and whether they have been properly prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting. We are also required to reach a formal conclusion on whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources (the Value for Money conclusion).

## Introduction

In the conduct of our audit we have not had to alter or change our planned audit approach, which we communicated to you in our Audit Plan dated June 2014.

Our audit is substantially complete although we are finalising our work in the following areas:

- final testing on property, plant and equipment, employee remuneration, operating expenses, journals and housing benefit;
- review of the final version of the financial statements;
- obtaining and reviewing the final management letter of representation;
- review of final version of the Annual Governance Statement;
- updating our post balance sheet events review, to the date of signing the opinion;
- Whole of Government Accounts.

We received draft financial statements and accompanying working papers at the start of our audit, in accordance with the agreed timetable.

## Key issues arising from our audit

### Financial statements opinion

We anticipate providing an unqualified opinion on the financial statements.

We have identified no adjustments affecting the Council's reported financial position (details are recorded in section 2 of this report). The pre-audit and post-audit financial statements recorded net cost of services of £122m. Officers have declined to amend the 2013/14 statements for two proposed adjustments that would have a £0.734m impact on net expenditure. We have also identified a number of adjustments to improve the presentation of the financial statements.

The key messages arising from our audit of the Council's financial statements are:

- no significant issues were identified;
- the pre-audit financial statements were provided at the start of our audit work and good quality working papers were made available;
- officers were available throughout our audit fieldwork to provide additional supporting information in a timely manner and resolved our queries promptly.

Further details are set out in section 2 of this report.



### **Value for Money conclusion**

We are pleased to report that, based on our review of the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources, we propose to give an unqualified VfM conclusion.

However, we did raise concerns about a planning decision by members that was criticised at a Public Enquiry and has put the Council at risk of a claim that could have a significant financial impact.

Further detail of our work on Value for Money is set out in section 3 of this report.

### **Whole of Government Accounts (WGA)**

We will complete our work in respect of the Whole of Government Accounts in accordance with the national timetable (deadline 3 October 2014).

### **Controls**

The Council's management is responsible for the identification, assessment, management and monitoring of risk, and for developing, operating and monitoring the system of internal control.

Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we report these to the Council.

Our work has not identified any control weaknesses which we wish to highlight for your attention.

Further details are provided within section 2 of this report.

### **The way forward**

Matters arising from the financial statements audit and review of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources have been discussed with the Operational Director, Finance, the Strategic Director Policy & Resources and the Chief Executive.

We have made a number of recommendations, which are set out in the action plan in Appendix A. Recommendations have been discussed and agreed with the Operational Director, Finance and the finance team.

### **Acknowledgment**

We would like to take this opportunity to record our appreciation for the assistance provided by the finance team and other staff during our audit.

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## Section 2: Audit findings

01. Executive summary

**02. Audit findings**

03. Value for Money

04. Fees, non audit services and independence

05. Communication of audit matters

# Audit findings

In this section we present our findings in respect of matters and risks identified at the planning stage of the audit and additional matters that arose during the course of our work. We set out on the following pages the work we have performed and findings arising from our work in respect of the audit risks we identified in our audit plan dated June 2014. We also set out the adjustments to the financial statements arising from our audit work and our findings in respect of internal controls.

## **Changes to Audit Plan**

We have not made any changes to our Audit Plan as previously communicated to you in June 2014.

## **Audit opinion**

We anticipate that we will provide the Council with an unmodified opinion. Our audit opinion is set out at Appendix A.

# Audit findings against significant risks

"Significant risks often relate to significant non-routine transactions and judgmental matters. Non-routine transactions are transactions that are unusual, either due to size or nature, and that therefore occur infrequently. Judgmental matters may include the development of accounting estimates for which there is significant measurement uncertainty" (ISA 315).

In this section we detail our response to the significant risks of material misstatement which we identified in the Audit Plan. As we noted in our plan, there are two presumed significant risks which are applicable to all audits under auditing standards.

	Risks identified in our audit plan	Work completed	Assurance gained and issues arising
1.	<p><b>Improper revenue recognition</b></p> <p>Under ISA 240 there is a presumed risk that revenue may be misstated due to improper recognition</p>	<ul style="list-style-type: none"> <li>• review and testing of revenue recognition policies</li> <li>• testing of material revenue streams</li> <li>• review of unusual significant transactions</li> </ul>	<p>Our audit work has not identified any issues in respect of revenue recognition.</p>
2.	<p><b>Management override of controls</b></p> <p>Under ISA 240 there is a presumed risk of management over-ride of controls</p>	<ul style="list-style-type: none"> <li>• review of accounting estimates, judgements and decisions made by management</li> <li>• testing of journal entries</li> <li>• review of unusual significant transactions</li> </ul>	<p>Our audit work so far has not identified any evidence of management override of controls. In particular the findings of our review of journal controls and testing of journal entries has not identified any significant issues.</p> <p>We set out later in this section of the report our work and findings on key accounting estimates and judgments.</p>

# Audit findings against other risks

In this section we detail our response to the other risks of material misstatement which we identified in the Audit Plan. Recommendations, together with management responses, are attached at Appendix A.

Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
<b>Operating expenses</b>	Operating expenses understated or not recorded in the correct period	We have undertaken the following work in relation to this risk: <ul style="list-style-type: none"> <li>• documented our understanding of processes and key controls over the transaction cycle</li> <li>• undertaken walkthrough of the key controls to assess the whether those controls are designed effectively</li> <li>• tested operating expenses including accruals and apportionment of expenses; tested for unrecorded liabilities.</li> <li>• Review and testing of year end accruals and creditor balances.</li> </ul>	Our audit work so far has not identified any significant issues in relation to the risk identified.
<b>Employee remuneration</b>	Employee remuneration accrual understated	<ul style="list-style-type: none"> <li>• documented our understanding of processes and key controls over the transaction cycle</li> <li>• undertaken walkthrough of the key controls to assess the whether those controls are designed effectively</li> <li>• Sample test of payroll expenditure to payroll records</li> <li>• Testing of year end accrual including reconciliation between payroll and the general ledger</li> </ul>	Our audit work so far has not identified any significant issues in relation to the risk identified.

# Audit findings against other risks

In this section we detail our response to the other risks of material misstatement which we identified in the Audit Plan. Recommendations, together with management responses, are attached at Appendix A.

Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
<b>Welfare expenditure</b>	Welfare benefit expenditure improperly computed	<ul style="list-style-type: none"> <li>• documented our understanding of processes and key controls over the transaction cycle</li> <li>• undertaken walkthrough of the key controls to assess the whether those controls are designed effectively</li> <li>• agreed to accounts and supporting notes.</li> <li>• Housing Benefit Subsidy Claim testing using Audit Commission HBCOUNT approach.</li> <li>• reconciliation between Benefits system and the general ledger</li> </ul>	Our audit work so far has not identified any significant issues in relation to the risk identified.
<b>Property, plant &amp; equipment</b>	PPE activity not valid	<ul style="list-style-type: none"> <li>• documented our understanding of processes and key controls over the transaction cycle</li> <li>• undertaken walkthrough of the key controls to assess the whether those controls are designed effectively</li> <li>• tested of PPE movements during the year.</li> <li>• agreed to accounts and supporting notes.</li> <li>• Tested a sample of PPE additions (disposals were not significant), including compliance with capitalisation requirements.</li> </ul>	Our audit work has not identified any significant issues in relation to the risk identified.

# Audit findings against other risks

In this section we detail our response to the other risks of material misstatement which we identified in the Audit Plan. Recommendations, together with management responses, are attached at Appendix A.

Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
<b>Property, plant &amp; equipment</b>	Revaluation measurement not correct	<ul style="list-style-type: none"> <li>• tested the revaluation cycle, including instructions to the valuer and the valuer's report</li> <li>• reviewed the analysis which demonstrates that the value of assets in the Council's balance sheet is not materially different from the amount that would be given by a full valuation carried out on 31 March 2014.</li> <li>• tested depreciation and impairments, including evidence of review of Useful Economic Lives and mathematical accuracy.</li> </ul>	<p>Our audit work so far has not identified any significant issues in relation to the risk identified. We are satisfied that the carrying amount of Property, Plant and Equipment (based on these valuations) does not differ materially from the fair value at 31 March 2014.</p> <p>See also section below on Accounting policies, estimates &amp; judgements for our consideration of IAS 16.</p>
<b>Debt including PFI</b>	Debt obligations not reflected properly	<ul style="list-style-type: none"> <li>• documented our understanding of processes and key controls over the transaction cycle</li> <li>• undertaken walkthrough of the key controls to assess the whether those controls are designed effectively</li> <li>• reviewed valuation and disclosure</li> <li>• reviewed the model for the new scheme</li> </ul>	<p>Our audit work so far has not identified any significant issues in relation to the risk identified.</p> <p>The Council did not employ consultants to develop a financial model (from the operator's model) in order to provide figures for the financial statements – but rather followed the provisions of the Code and developed these figures based on information taken directly from the operators model. We used the information from the operators model in our own bespoke model and concluded that both Halton's approach and the resulting figures are reasonable.</p> <p>The long term element of the balance sheet PFI liability has been understated by £2,815k, and the short term element overstated by the equivalent amount, due to the attribution of the entire value of unitary charge payable in 2014/15 (£3,280k) to repayment of capital. Officers have agreed to adjust – see section on adjusted errors below.</p>

# Group audit scope and risk assessment



ISA 600 requires that as Group auditors we obtain sufficient appropriate audit evidence regarding the financial information of the components and the consolidation process to express an opinion on whether the group financial statements are prepared, in all material respects, in accordance with the applicable financial reporting framework.

Component	Significant?	Level of response required under ISA 600	Risks identified	Work completed	Assurance gained & issues raised
Halton Borough Transport	No	Analytical	N/A	Desktop review	Our audit work has not identified any issues in respect of Halton Borough Transport.





# Accounting policies, estimates & judgements

In this section we report on our consideration of accounting policies, in particular revenue recognition policies, and key estimates and judgements made and included with the Council's financial statements.

Accounting area	Summary of policy	Comments	Assessment
<p><b>Revenue recognition</b></p>	<ul style="list-style-type: none"> <li>The Council has adopted the standard revenue recognition policies for Local Government as set out in the Code of Practice on Local Authority Accounting 2013/14 (The Code) and International Financial Reporting Standards (IFRS).</li> <li>The policies for revenue recognition are set out in section 3(a) of the Council's Statement of Accounting Policies.</li> </ul>	<p>Our audit work has not identified any significant issues in relation to revenue recognition.</p>	
<p><b>Judgements and estimates - PPE</b></p>	<ul style="list-style-type: none"> <li>Page 36 of the accounts sets out the authority's rolling programme of revaluations.</li> </ul>	<p>We are satisfied that the carrying amount of Property, Plant and Equipment (based on these valuations) does not differ materially from the fair value at 31 March 2014.</p> <p>In our view, however, this rolling programme does not meet the Code's requirement in paragraph 4.1.2.35 to value items within a class of property, plant and equipment simultaneously. This paragraph of the Code, which is based on IAS16 Property, Plant and Equipment, does permit a class of assets to be revalued on a rolling basis provided that:</p> <ul style="list-style-type: none"> <li>- the revaluation of the class of assets is completed within a 'short period'</li> <li>- the revaluations are kept up to date.</li> </ul> <p>We would normally expect this 'short period' to be within a single financial year. This is because the purpose of simultaneous valuations is to 'avoid reporting a mixture of costs and values as at different dates'. This purpose is not met where a revaluation programme for a class of assets straddles more than one financial year.</p>	

**Assessment**

-  Marginal accounting policy which could potentially attract attention from regulators
-  Accounting policy appropriate and disclosures sufficient

-  Accounting policy appropriate but scope for improved disclosure

# Accounting policies, estimates & judgements

In this section we report on our consideration of accounting policies, in particular revenue recognition policies, and key estimates and judgements made and included with the Council's financial statements.

Accounting area	Summary of policy	Comments	Assessment
<b>Judgements and estimates - other</b>	<ul style="list-style-type: none"> <li>Other key estimates and judgements are set out at Note 35 to the Statement of Accounting Policies and include:                             <ul style="list-style-type: none"> <li>pension fund valuations and settlements</li> <li>provisions</li> <li>impairments</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>The policies appear appropriate and are supported by reasonable methodologies. The recommendations in respect of the methodologies for council tax bad debt provision and the debtor impairment have been actioned appropriately.</li> <li>The potential financial statement impact of different assumptions appear reasonable.</li> <li>Hymans Robertson LLP is engaged on behalf of the Council by Cheshire West and Chester Council (Pension fund administrator) to provide expert advice about the assumptions to be applied. The methods and assumptions used are in accordance with the Code and therefore reasonable and relevant for a LG body.</li> </ul>	●
<b>Other accounting policies</b>	<ul style="list-style-type: none"> <li>We have reviewed the Council's policies against the requirements of the CIPFA Code and accounting standards.</li> </ul>	<ul style="list-style-type: none"> <li>Our review of accounting policies has not highlighted any significant issues which we wish to bring to your attention.</li> </ul>	●

## Assessment

- Marginal accounting policy which could potentially attract attention from regulators
- Accounting policy appropriate and disclosures sufficient

- Accounting policy appropriate but scope for improved disclosure

# Adjusted misstatements

A number of adjustments to the draft financial statements have been identified during the audit process. We are required to report all misstatements to those charged with governance, whether or not the financial statements have been adjusted by management. The table below summarises the adjustments arising from the audit which have been processed by management.

## Impact of adjusted misstatements

All adjusted misstatements are set out below along with the impact on the primary statements and the reported financial position.

Detail	Comprehensive Income and Expenditure Account £'000	Balance Sheet £'000	Impact on total net expenditure £'000
<p>1 The long term element of the balance sheet PFI liability has been understated by £2,815k, and the short term element overstated by the equivalent amount, due to the attribution of the entire value of unitary charge payable in 2014/15 (£3,280k) to repayment of capital.</p> <p>Agreed by officers. Only £465k should have been moved to short term, giving the effect of understating the PFI Liability and overstating the short term creditor.</p>	Overall nil	Overall nil	Nil
<b>Overall impact</b>	<b>Nil</b>	<b>Nil</b>	<b>Nil</b>

## Misclassifications & disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements. There were a number of other small changes that were agreed with management.

Adjustment type	Value £'000	Account balance	Impact on the financial statements
1 Misclassification		PFI Liability & Financial Instruments	Whilst the detailed review of the financial instruments disclosure is not yet complete, overview suggests that the current and long term elements of the PFI liability may be the 'wrong way around' (note current finance lease liability shown as £19.2m)
2 Disclosure	n/a	Contingent Liabilities	The contingent liabilities note in the draft accounts makes no reference to potential liabilities arising from the outcome of the Ineos/Viridor planning appeal. The wording for the contingent liability has been agreed and added to the 30th September version of the statement.

## Unadjusted misstatements

The table below provides details of adjustments identified which we request be processed but which have not been made within the final set of financial statements. The Business Efficiency Board is required to approve management's proposed treatment of all items recorded within the table below:

Detail	Comprehensive Income and Expenditure Account £'000	Balance Sheet £'000	Reason for not adjusting
1 Note 26: Cash and Cash Equivalents. Included in the Bank Current Accounts figure is an amount of £720,003.73 relating to Wade Deacon High School which has become an Academy. There is also £4,408.98 relating to Fairfield High School which merged with Wade Deacon. This is no longer an asset of the Council and should be expensed to revenue and then extinguished by release from the schools' reserve.	724	724	Agreed that this is incorrect. The school balance needs to be reversed through the Schools Reserves. This is not being adjusted in the 2013/14 accounts as it is considered to be immaterial to the results of the Council and its financial position at the year-end. It will be corrected in the 2014/15 accounts.
2 An outstanding item of £9,777.39 has not been cleared from the bank reconciliation since change to Agresso system in 2010.	10	10	Agreed. Will write off in 2014/15. Any future reconciling items will be resolved in the following year to ensure no on-going reconciling items. This is not being adjusted in the 2013/14 accounts as it is considered to be immaterial to the results of the Council and its financial position at the year-end.
<b>Overall impact</b>	<b>£734</b>	<b>£734</b>	

## Internal controls

The purpose of an audit is to express an opinion on the financial statements.

Our audit included consideration of internal controls relevant to the preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

As part of our planned programme of work, our information system specialist team undertook a high level review of the general IT control environment at the Council. This was undertaken as part of the review of the internal controls system. We are pleased to report that no significant issues arose from our work. We identified a small number of areas where the Council's existing IT arrangements can be developed and have reported these to management.

Our work on the documentation and walkthrough of significant systems and issues arising during our final accounts audit similarly identified no significant deficiencies to report to you. We reported to management on the areas where controls can be improved or better evidenced, for instance, in respect of sign-off and authorisation of bank reconciliations.

# Other communication requirements

We set out below details of other matters which we are required by auditing standards to communicate to those charged with governance.

	Issue	Commentary
1.	<b>Matters in relation to fraud</b>	<ul style="list-style-type: none"> <li>We have previously discussed the risk of fraud with the Business Efficiency Board. We have not been made aware of any other incidents in the period and no other issues have been identified during the course of our audit.</li> </ul>
2.	<b>Matters in relation to laws and regulations</b>	<ul style="list-style-type: none"> <li>We are not aware of any significant incidences of non-compliance with relevant laws and regulations.</li> </ul>
3.	<b>Written representations</b>	<ul style="list-style-type: none"> <li>A letter of representation has been requested from the Council.</li> <li>In particular, representations will be requested from management in respect of the significant assumptions used in making accounting estimates for the INEOS/Viridor potential claim, the prior period adjustments and for not amending the financial statements for the items identified on the summary of unadjusted misstatements above.                             <ul style="list-style-type: none"> <li>Cash and cash equivalents in respect of Wade Deacon High School that has become an academy</li> <li>The write-off of the reconciling item resulting from the introduction of Agresso in 2010.</li> </ul> </li> </ul>
4.	<b>Disclosures</b>	<ul style="list-style-type: none"> <li>Our review found no material omissions in the financial statements. We made a number of recommendations to improve disclosure.</li> </ul>
5.	<b>Matters in relation to related parties</b>	<ul style="list-style-type: none"> <li>We are not aware of any related party transactions which have not been disclosed.</li> </ul>
6.	<b>Going concern</b>	<ul style="list-style-type: none"> <li>Our work has not identified any reason to challenge the Council's decision to prepare the financial statements on a going concern basis.</li> </ul>
7.	<b>Annual Governance Statement</b>	<p>The original AGS was presented with the pre-audit accounts and is to be signed as appropriate by the Chief Executive and Leader in line with the Accounts &amp; Audit regulations and Code. Our review during the audit identified the following areas for improvement:</p> <ul style="list-style-type: none"> <li>The AGS does not include any reference to the Secretary of State's critical judgements on the actions of members in refusing permission to vary the INEOS/Viridor planning conditions. At a Public Enquiry, the Planning Inspector upheld the appeal and awarded costs against the Council. In doing so, the Inspector said, "Refusal of the application led to the appeal. This would not have been necessary had the application been approved by the Council in the first place, as recommended by the planning officer. Whatever the reason for Council's position at the Inquiry, the absence of any evidence to substantiate the single reason for refusal means that its behaviour was unreasonable.....". There is a potential significant claim of costs against the Council, recorded as a contingent liability in the accounts as a result of this significant governance issue – and this should be included in the AGS.</li> <li>A conclusion should be included in the AGS to reflect the significant governance issue as noted above.</li> </ul> <p>Officers have agreed to amend the AGS to reflect the issue.</p>

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## Section 3: Value for Money

01. Executive summary

02. Audit findings

**03. Value for Money**

04. Fees, non audit services and independence

05. Communication of audit matters



# Value for Money

## Value for money conclusion

The Code of Audit Practice 2010 (the Code) describes the Council's responsibilities to put in place proper arrangements to:

- secure economy, efficiency and effectiveness in its use of resources;
- ensure proper stewardship and governance; and
- review regularly the adequacy and effectiveness of these arrangements.

We are required to give our VFM conclusion based on two criteria specified by the Audit Commission which support our reporting responsibilities under the Code. These criteria are:

**The Council has proper arrangements in place for securing financial resilience** - the Council has robust systems and processes to manage effectively financial risks and opportunities, and to secure a stable financial position that enables it to continue to operate for the foreseeable future.

**The Council has proper arrangements for challenging how it secures economy, efficiency and effectiveness** - the Council is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity.

## Key findings

### Securing financial resilience

We have considered the Council's arrangements to secure financial resilience against the following themes:

- Key financial performance indicators
- Financial governance
- Financial planning
- Financial control

Overall our work highlighted that the Council has robust systems and processes to manage effectively financial risks and opportunities, and to secure a stable financial position that enables it to continue to operate for the foreseeable future.

However, during the year members did not take officers' recommendations to approve a planning variation in respect of the INEOS/Viridor waste site. This resulted in an appeal to the Secretary of State and a Public Enquiry where members' decision was overruled and full costs awarded to INEOS/Viridor. The Planning Inspector was critical of members' decision and although there has been no claim made yet, the decision by members has put the Council at risk of a claim that could have a significant financial impact.

### Challenging economy, efficiency and effectiveness

We have considered the Council's arrangements to challenge economy, efficiency and effectiveness against the following themes:

- Prioritising resources
- Improving efficiency & productivity

Overall our work highlighted that the Council is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity.

### Overall VFM conclusion

On the basis of our work, and having regard to the guidance on the specified criteria published by the Audit Commission, we are satisfied that in all significant respects the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2014.

We set out below our summary findings against the six risk areas which have been used to assess the Council's performance against the Audit Commission's criteria. We have provided a separate report on VfM that provides more detail. We summarise our assessment of each risk area using a red, amber or green (RAG) rating, based on the following definitions:

<b>Green</b>	Adequate arrangements
<b>Amber</b>	Adequate arrangements, with areas for development
<b>Red</b>	Inadequate arrangements

The table below and overleaf summarises our overall rating for each of the themes reviewed:

Theme	Summary findings	RAG rating 2012-13	RAG rating 2013-14
<b>Key indicators of performance</b>	There were no significant adverse indicators of performance during the year except for sickness absence that has seen a steady increase from 9.02 days per FTE in 2011/12 to 10.06 days in 2012/13, and 11.24 in 2013/14. Halton's 2012/13 rate of 10.06 days per FTE was higher than the averages of 8.8 days for Local Government and 8.7 days for the Public Sector.	<b>Green</b>	<b>Green</b>
<b>Strategic financial planning</b>	The financial planning process is focussed on the achievement of corporate priorities. The Medium Term Financial Strategy (MTFS) shows that local and national issues are adequately taken into account, assumptions are reasonable and resources are focussed on corporate priorities. The MTFS is kept up to date and supports the annual budget setting process, development of business and other plans and strategies. Halton Council has a good track record of setting a balanced budget, achieving both a positive outturn and savings/efficiencies.	<b>Green</b>	<b>Green</b>
<b>Financial governance</b>	Members and officers have a good understanding of the financial environment and the risks facing the Council. There is good executive and member engagement and adequate internal and external consultation on the budget-setting process. Budget reporting is at an appropriate level of detail to allow good monitoring and decision-making.  However, during the year members did not take officers' recommendations to approve a planning variation in respect of the INEOS/Viridor waste site. This resulted in an appeal to the Secretary of State and a Public Enquiry where members' decision was overruled and full costs awarded to INEOS/Viridor. The Planning Inspector was critical of members' decision and although there has been no claim made yet, the decision by members has put the Council at risk of a claim that could have a significant financial impact.	<b>Green</b>	<b>Amber</b>

## VfM assessment (continued)

Theme	Summary findings	RAG rating 2012-13	RAG rating 2013-14
<b>Financial control</b>	The process in place for budget setting and monitoring has a history of ensuring reliable and achievable budgets and savings plans. Internal Audit reviewed critical financial systems during the year and all achieved 'substantial assurance'; Internal Audit itself was assessed as effective and fit for purpose. There is a positive history of external audit unqualified opinions and value for money conclusions and the external auditor assessed the Council's arrangements for financial resilience as 'green' across all areas in 2012/13. The assurance framework and risk management processes are sound.	<b>Green</b>	<b>Green</b>
<b>Prioritising resources</b>	The Council has a good strategic approach to reducing costs and improving VfM through its strategic financial planning and budget-setting processes and its efficiency programme. Decision-making is based on appropriate and adequate information and although savings plans include some short-term fixes, they are mainly based on recurrent and long-term measures. The Council has developed joint plans to ensure transformation in integrated health and social care through a single pooled budget of over £30m as part of the 'Better Care Fund'.	<b>Green</b>	<b>Green</b>
<b>Improving efficiency &amp; productivity</b>	Benchmarking information has been used well to review services and the Council has a good understanding of its costs. Our review of VfM profiles has not identified any areas of high costs or poor performance that is not known to or adequately explained by the Council. There is evidence that the Council is addressing areas of high spend through the efficiency review programme and improving productivity through, for example, providing management capacity to other councils for children's, adults and legal services; and joint procurement of highways works.	<b>Green</b>	<b>Green</b>

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## Section 4: Fees, non audit services and independence

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# Fees, non audit services and independence

We confirm below our final fees charged for the audit and provision of non-audit services

## Fees

	Per Audit plan £	Actual fees £
Council audit	139,322	(Note 1) 140,392
Grant certification	12,000	(Note 2) 10,173
<b>Total audit fees</b>	<b>151,332</b>	<b>150,565</b>

## Notes

- (1) There is additional fee of £1,070 in respect of work on material business rates balances. This additional work was necessary as auditors are no longer required to carry out work to certify NDR3 claims. The additional fee is 50% of the average fee previously charged for NDR3 certifications for a unitary council and is subject to agreement by the Audit Commission.
- (2) At the time of setting the grant certification fee it was anticipated that we would be required to certify the following claims:
  - Housing and Council Tax Benefit: The revised fee for grant certification covers a revised fee for this claim now that it no longer covers council tax benefit.
  - Transport grant claim: the fee for this is included above. However, there may be more than one claim requiring certification so a fee variation may be required.
  - Teachers' Pension Claim: This will no longer come under the Audit Commission regime and will be subject to a separate review with the fee being classed as 'Fees for other services'.
- (3) The grant certification fee above and fees for other services are estimates at this stage. We may be required to certify payments made by NHS England to local authorities under s256/257 of the NHS Act 2006 in 2013/14.

## Fees for other services

Service	Fees £
- Vat advisory services £43,500 across a wide range of different projects	46,615
- Regional Growth Fund Claim Audit Report £3,115 (See note below regarding the Teachers' Pension Claim)	

## Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Auditing Practices Board's Ethical Standards and therefore we confirm that we are independent and are able to express an objective opinion on the financial statements.

We confirm that we have implemented policies and procedures to meet the requirements of the Auditing Practices Board's Ethical Standards.

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## Section 5: Communication of audit matters

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05. Communication of audit matters

# Communication of audit matters to those charged with governance

International Standard on Auditing (ISA) 260, as well as other ISAs, prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table opposite.

The Audit Plan outlined our audit strategy and plan to deliver the audit, while this Audit Findings report presents the key issues and other matters arising from the audit, together with an explanation as to how these have been resolved.

## Respective responsibilities

The Audit Findings Report has been prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission ([www.audit-commission.gov.uk](http://www.audit-commission.gov.uk)).

We have been appointed as the Council's independent external auditors by the Audit Commission, the body responsible for appointing external auditors to local public bodies in England. As external auditors, we have a broad remit covering finance and governance matters.

Our annual work programme is set in accordance with the Code of Audit Practice ('the Code') issued by the Audit Commission and includes nationally prescribed and locally determined work. Our work considers the Council's key risks when reaching our conclusions under the Code.

It is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Council is fulfilling these responsibilities.

Our communication plan	Audit Plan	Audit Findings
Respective responsibilities of auditor and management/those charged with governance	✓	
Overview of the planned scope and timing of the audit. Form, timing and expected general content of communications	✓	
Views about the qualitative aspects of the entity's accounting and financial reporting practices, significant matters and issues arising during the audit and written representations that have been sought		✓
Confirmation of independence and objectivity	✓	✓
A statement that we have complied with relevant ethical requirements regarding independence, relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged Details of safeguards applied to threats to independence	✓	✓
Material weaknesses in internal control identified during the audit		✓
Identification or suspicion of fraud involving management and/or others which results in material misstatement of the financial statements		✓
Compliance with laws and regulations		✓
Expected auditor's report		✓
Uncorrected misstatements		✓
Significant matters arising in connection with related parties		✓
Significant matters in relation to going concern		✓

# Appendices



# Appendix B: Audit opinion

**We anticipate we will provide the Council with an unmodified audit report**

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HALTON BOROUGH COUNCIL

### Opinion on the financial statements

We have audited the financial statements of Halton Borough Council for the year ended 31 March 2014 under the Audit Commission Act 1998. The financial statements comprise the Movement in Reserves Statement, the Group Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Group Comprehensive Income and Expenditure Statement, the Balance Sheet, the Group Balance Sheet, the Cash Flow Statement, the Group Cash Flow Statement and Collection Fund and the related notes and policies.

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14.

This report is made solely to the members of Halton Borough Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's Members as a body, for our audit work, for this report, or for the opinions we have formed.

### Respective responsibilities of the Operational Director - Finance and auditor

As explained more fully in the Statement of Responsibilities of the Statement of Accounts Responsibilities, the Operational Director - Finance is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority and Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Operational Director - Finance; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the explanatory foreword and the Group foreword to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of Halton Borough Council as at 31 March 2014 and of its expenditure and income for the year then ended;
- give a true and fair view of the financial position of the Group as at 31 March 2014 and of its expenditure and income for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14 and applicable law.

### Opinion on other matters

In our opinion, the information given in the explanatory forewords for the financial year for which the financial statements are prepared is consistent with the financial statements.

**Matters on which we report by exception**

We report to you if:

- in our opinion the annual governance statement does not reflect compliance with ‘Delivering Good Governance in Local Government: a Framework’ published by CIPFA/SOLACE in June 2007;
- we issue a report in the public interest under section 8 of the Audit Commission Act 1998;
- we designate under section 11 of the Audit Commission Act 1998 any recommendation as one that requires the Authority to consider it at a public meeting and to decide what action to take in response; or
- we exercise any other special powers of the auditor under the Audit Commission Act 1998.

We have nothing to report in these respects.

**Conclusion on the Authority’s arrangements for securing economy, efficiency and effectiveness in the use of resources**

**Respective responsibilities of the Authority and the auditor**

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

We are required under Section 5 of the Audit Commission Act 1998 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires us to report to you our conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority’s arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

**Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources**

We have undertaken our audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2013, as to whether the Authority has proper arrangements for:

- securing financial resilience; and
- challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2014.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, the Authority had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

**Conclusion**

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2013, we are satisfied that, in all significant respects, Halton Borough Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2014.

**Certificate**

We certify that we have completed the audit of the financial statements of Halton Borough Council in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

[Signature]

Michael Thomas  
 Director  
 for and on behalf of Grant Thornton UK LLP, Appointed Auditor

Royal Liver Building, Liverpool, L3 1PS

[Date] September 2014



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**REPORT TO:** Business Efficiency Board

**DATE:** 24 September 2014

**REPORTING OFFICER:** Strategic Director – Policy & Resources

**SUBJECT:** Annual Governance Statement 2013/14

**PORTFOLIO:** Resources

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

## **1.0 PURPOSE OF REPORT**

1.1 The Board considered the draft Annual Governance Statement for 2013/14 at its meeting on 11 June 2014. Changes have subsequently been made to the document and the purpose of this report is to enable the Board to further review and approve the updated Annual Governance Statement for 2013/14.

## **2.0 RECOMMENDATIONS:**

**The Board is asked to review the updated Annual Governance Statement (AGS) and:**

- (i) Confirm that it accurately reflects the corporate governance arrangements in place at the Council;**
- (ii) Consider the key governance issues identified in the document and endorse the action proposed to address them;**
- (iii) Approve the Annual Governance Statement for 2013/14.**

## **3.0 SUPPORTING INFORMATION**

### **Background to the Annual Governance Statement**

- 3.1 Under the Accounts and Audit Regulations 2011 the Council must produce an AGS, in a format recommended by CIPFA/SOLACE, to accompany the Statement of Accounts.
- 3.2 The AGS is intended to identify any areas where the Council's governance arrangements need to be developed and to set out any action that is proposed to strengthen those arrangements.

- 3.3 The Council's Constitution delegates the responsibility to review and approve the AGS to the Business Efficiency Board. Once approved, the AGS is signed by the Council Leader and Chief Executive and published on the Council's website.

#### **Preparation of the 2013/14 Annual Governance Statement**

- 3.4 The production of the AGS is co-ordinated by a group of officers who have key roles in the maintenance and development of the Council's governance framework:

- Strategic Director - Policy & Resources;
- Operational Director - Finance,
- Operational Director - Legal & Democratic Services,
- Divisional Manager - Audit & Operational Finance.

- 3.5 The statement is developed by evaluating various sources of assurance over the Council's governance arrangements and identifying any areas where these arrangements require further development. A flowchart summarising the Council's governance framework is shown in Appendix 1.

- 3.6 In preparing the AGS, assurances have been considered from a number of sources, including:

- Issues raised by the Council's external auditor;
- reports from other inspection bodies;
- The Council's risk and performance management frameworks;
- The work of internal audit;
- The work of the Information Governance Group.

- 3.7 The draft AGS for 2013/14 is attached at Appendix 2. The document contains a Development Plan that sets out the actions agreed to further develop the Council's governance framework.

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

- 4.1 The Accounts and Audit Regulations 2011 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 The powers and duties of the Business Efficiency Board include responsibility for considering the Council's corporate governance arrangements and agreeing necessary actions to ensure compliance with best practice. The draft AGS contains an action plan setting out how the Council intends to strengthen its overall governance arrangements.

- 4.3 There are no direct financial implications arising from this report. However, the AGS does make reference to the key financial challenges faced by the Council and how they are being managed.

## **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 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 Under the Accounts and Audit Regulations 2011 the Council is legally required to 'conduct a review at least once a year of the effectiveness of its system of internal control'. Following the review, the Council must approve an annual governance statement, prepared in accordance with proper practices in relation to internal control.

- 6.2 The processes followed in reviewing the system of internal control aim to ensure that an accurate statement can be produced in line with the requirements of the Act. 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**

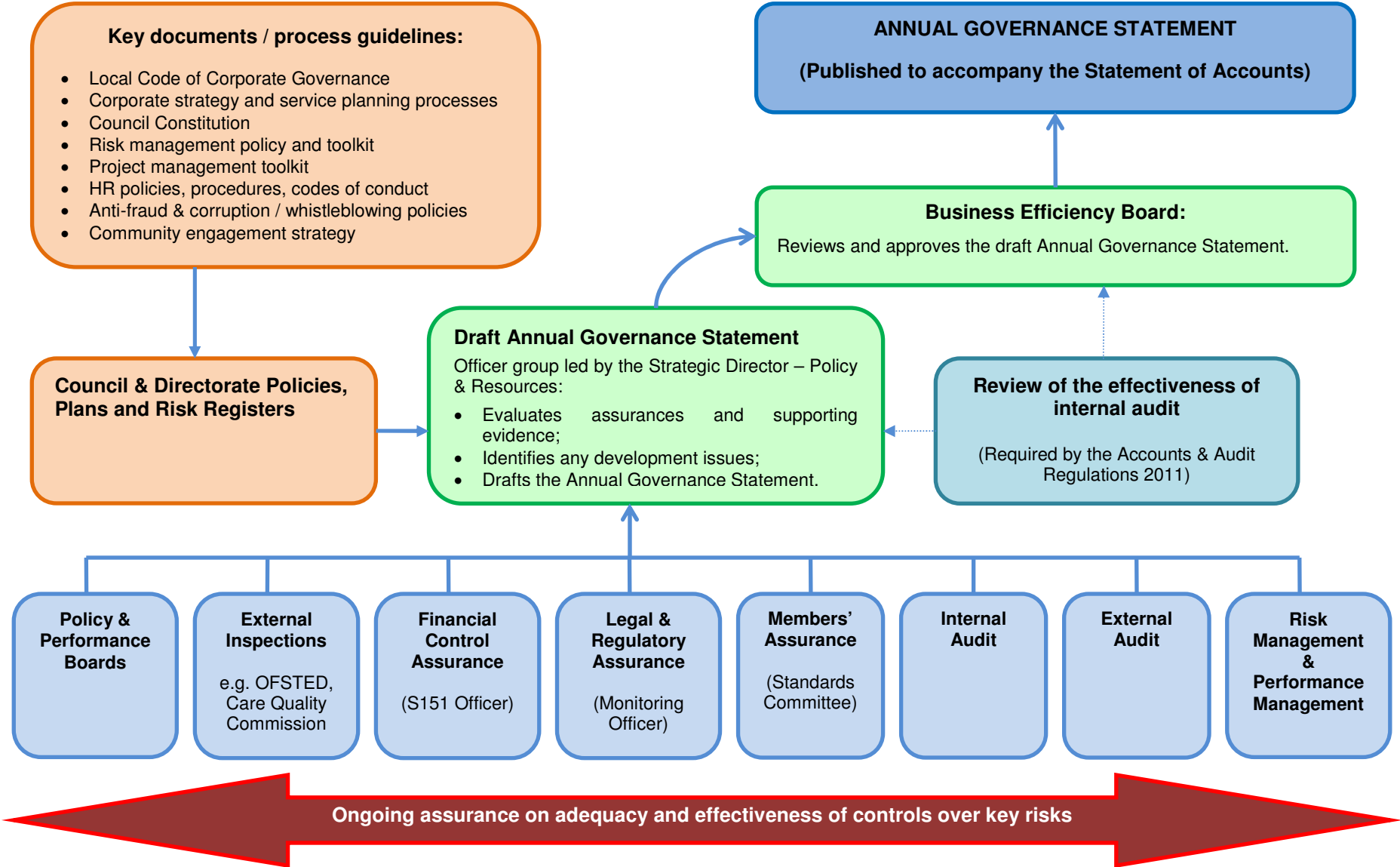
- 7.1 The Council has to have regard to the elimination of unlawful discrimination and harassment and the promotion of equality under the

Equalities Act 2010 and related statutes. Proper governance arrangements will ensure that equality and diversity issues are appropriately addressed.

**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)	Kingsway House, Widnes	Merv Murphy
CIPFA / SOLACE - Delivering good governance in Local Government: Guidance note for English authorities (2007)		
The Accounts and Audit (England) Regulations 2011		

# ANNUAL GOVERNANCE STATEMENT – ASSURANCE FRAMEWORK





## HALTON BOROUGH COUNCIL 2013/14 ANNUAL GOVERNANCE STATEMENT

### 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 'Best Value' in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
- 1.3 In meeting this obligation, Halton Borough Council has a responsibility for putting in place proper arrangements for the governance of its affairs and facilitating the effective exercise of its functions, 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 Chartered Institute of Public Finance and Accountancy (CIPFA) / Society of Local Authority Chief Executives and Senior Managers (SOLACE) Framework '*Delivering Good Governance in Local Government*'.
- 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 therefore can 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 2014 and up to the date of approval of the statement of accounts.

## **3. The Council's Governance Framework**

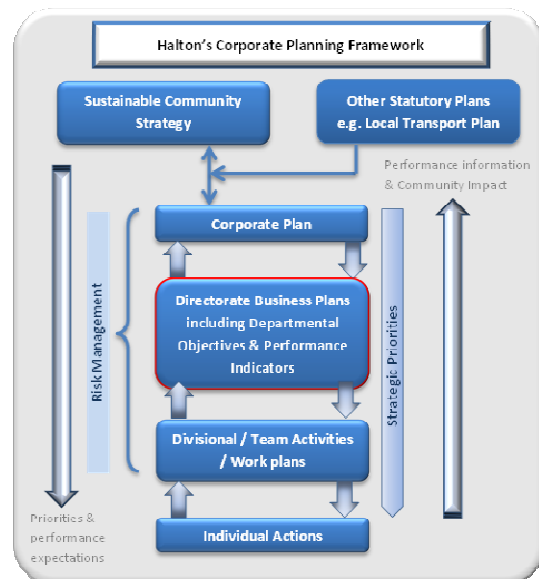
A brief description of the key elements of the Council's governance framework is described below. Documents referred to may be viewed on the Council's website and are available from the Council on request.

### **3.1 Communicating the Council's vision**

- a) The long-term vision for Halton is set out in the Sustainable Community Strategy and the Council's own Corporate Plan.
- b) The Sustainable Community Strategy outlines how the Halton Strategic Partnership intends to transform Halton.
- c) The Council's Corporate Plan sets out how the Council will deliver its contribution to achieving the Sustainable Community Strategy. It sets out the following strategic priorities and key themes that underpin all aspects of the Council's work:
  - A Healthy Halton
  - Environment & Regeneration in Halton
  - Children & Young People in Halton
  - Employment, Learning and Skills in Halton

- A Safer Halton
- Corporate Effectiveness & Business Efficiency

d) The Council's Corporate Planning Framework (illustrated opposite), is the primary means by which the Council's activities are developed and monitored. It consists of a hierarchy of plans that are directly aligned to ensure that the corporate priorities and strategic objectives of the Council are cascaded down the organisation through properly outcome-focused targets. Effective risk management forms an integral element of the annual cycle of Business Plan development.



e) The Council has a range of performance indicators used to measure progress against its key priorities in the Corporate Plan. Quarterly performance monitoring reports record progress against key business plan objectives and targets. These are reported to the Management Team, to the Executive Board and to the Policy and Performance Boards.

f) The Council seeks to use its resources efficiently and obtains value for money via a number of arrangements. These include:

- A medium term financial strategy, capital programme and annual budget process that ensures that financial resources are directed to the Council's priorities;
- A co-ordinated and structured approach to procurement across the Council;
- The delivery of a well-established Efficiency Programme to identify and implement efficiency savings across the organisation in a systematic and considered manner;
- Partnership working with a range of organisations where there are shared objectives and clear economic benefits from joint working.

### 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.

- 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. They hold the Executive to account, scrutinise performance and develop policy proposals for consideration by the Executive.
- e) The Business Efficiency Board is 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 its governance arrangements, risk management framework and internal control environment. The Board regularly reviews the resourcing of the internal audit function, the internal audit work programme, the results of internal audit work and management's implementation of audit recommendations.
- f) The Chief Executive (and Head of Paid Service) is accountable for the delivery of the Council's diverse services, its budget, the work of the Council's employees and the work done for the Council by a variety of agencies and contractors who deliver a wide range of services to the community. The Chief Executive represents the Council and the borough on local and regional partnerships and at regional and national levels. The role of Chief Executive is a permanent appointment, which requires the approval of the full Council following the recommendation of a candidate for the role by the Appointments Committee.
- g) The Operational Director – Finance, as the s151 Officer appointed under the 1972 Local Government Act, is the Council's Chief Financial Officer and carries overall responsibility for the financial administration of the Council. The Council's governance arrangements relating to the role of the CFO overall comply with those arrangements set out in the CIPFA statement on the role of the Chief Financial Officer (CFO) in Local Government (2010).
- h) Section 5 of the Local Government and Housing Act 1989, as amended by paragraph 24 of schedule 5 Local Government Act 2000, requires the Council to designate one of its senior officers as the Monitoring Officer. This role is undertaken by the Operational Director – Legal and Democratic Services, who is responsible for:
  - Ensuring that the Council acts and operates within the law. He or she has a duty to report to the whole Council if the Council has broken or may have broken the law;

- Maintaining arrangements to support the Council's functions and activities, including regular reviews of the Council's Constitution;
  - Supporting the Council's Standards Committee and helping promote and maintain high standards of conduct by Council members, officers, partners and contractors;
  - Establishing and maintaining a register of interests (including receipts of gifts and hospitality) for elected and co-opted members;
  - Receiving reports and taking action under the Council's Confidential Reporting Code, which supports whistleblowing by staff.
- i) The Operational Director – Finance and the Operational Director – Legal and Democratic Services are both members of the Council's Management Team. Both officers also have explicit direct access to the Chief Executive.
- j) The Children Act 2004 requires every upper tier local authority to appoint a Director of Children's Services and designate a Lead Member for Children's Services. The Strategic Director – Children and Enterprise is designated as the Council's Director of Children's Services. He or she works together with the Lead Member for Children's Services, who is a member of the Council's Executive Board, to provide strategic leadership for local authority education and social care services for children. The responsibilities of the Director of Children's Services and Lead Member extend to all children receiving services in the borough, irrespective of the type of school they attend, or their home local authority area.
- k) All local authorities with social services responsibility in England are required to appoint an officer as the Director of Adult Social Services. This role has been designated to The Strategic Director – Communities. This statutory role is accountable for the delivery of local authority social services functions listed in Schedule 1 of the Local Authority Social Services Act 1970 (as amended) in respect of adults (other than those services for which the Director of Children's Services is responsible).
- l) The Strategic Director – Policy and Resources is designated as the Council's Statutory Scrutiny Officer as required under Section 31 of the Local Democracy, Economic Development and Construction Act 2009. The functions of the Statutory Scrutiny Officer are to:
- Promote the role of the authority's Overview & Scrutiny Committees;
  - Provide support to the authority's Overview & Scrutiny Committees and the members of those committees;
  - Provide support and guidance to Members of the authority, members of the Executive and officers in relation to the functions of the authority's Overview & Scrutiny Committees.
- m) The role of Head of Internal Audit is assigned to the post of the Divisional Manager – Audit & Operational Finance. This role is responsible for the

Council's internal audit service, including drawing up the internal audit strategy and annual plan and giving the annual audit opinion. The Council's arrangements substantially comply with the CIPFA Statement on the role of the Head of Internal Audit in public service organisations (2010). The post of Divisional Manager – Audit & Operational Finance does however have operational responsibilities assigned to it. To address this issue, alternative assurance and reporting arrangements have been agreed with the Operational Director – Finance for those non-audit functions for which the Divisional Manager – Audit & Operational Finance has managerial responsibility.

- n) All employees have clear conditions of employment and job descriptions which set out their roles and responsibilities.
- o) 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. A Scheme of Members' Allowances has been set by the Council having regard to a report of an Independent Panel made up of non-Councillors. The Council published its first 'Pay Policy Statement' in March 2012, which provides transparency with regard to the Council's approach to setting the pay of its employees. The 'Pay Policy Statement' is reviewed annually.

### 3.3 Promoting values and upholding high standards of conduct and behaviour

- a) The Council has a Standards Committee to promote high standards of member 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 and processes which aim to prevent or deal with such occurrences. These include:
  - Anti-Fraud and Anti-Corruption Strategy;
  - Fraud Response Plan;
  - Confidential Reporting Code (Whistleblowing Policy);
  - HR policies regarding discipline of staff involved in such incidents.
- d) The Business Efficiency Board is assigned with responsibility to monitor and review the adequacy of the Council's anti-fraud and corruption policies and arrangements. This responsibility is met by the Board receiving regular

reports providing details of developments relating to the Council's counter fraud and corruption arrangements.

- e) A corporate complaints procedure exists to receive and respond to any complaints received.
- f) 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 disclosable pecuniary interests and disclosable other interests;
  - Declarations of disclosable pecuniary interests and disclosable other 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, which are available for public inspection;
  - 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. Agendas and minutes of all meetings are published on the Council's website.
- b) The Council provides decision-makers with full and timely access to relevant information. 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 and any equality and diversity implications.
- 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 by each of the Council's three Directorates and through the provision of a mid-year monitoring report for all high risks. The Business Efficiency Board also reviews the risk management process and corporate risk register twice yearly. The directorate and corporate risk registers outline the key risks faced by the Council, including their impact and likelihood, along with the relevant mitigating controls and actions, and they form the basis of the internal audit planning process.
- d) The Business Efficiency Board approves and reviews the internal audit work programme and oversees management's implementation of audit recommendations.

### **3.5 Developing the capacity and capability of Members and Officers**

- a) The Council recognises that the success of its business is built upon the knowledge, expertise and commitment of its workforce. Development and retention of staff therefore remains a priority for the Council.
- b) The Council has developed a People Plan (2012-2015) to assist the organisation in addressing leadership, skills development and recruitment and retention, in a structured and coordinated way. This will also help the Council plan for the future by providing a framework to assess its current workforce and people management activity and to identify any gaps that need to be filled.
- c) The Council's training and development programme stretches right across the organisation to include members and employees. The Council holds the NW Charter for Elected Member Development Exemplar Level status.
- d) Newly elected members attend a three-day induction programme with follow-up mentoring and all members are offered a personal development interview.
- e) All new employees attend an induction programme with a more detailed programme for new managers.
- f) The Council has an annual Employee Development Review (EDR) process 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, and the Youth Forums;
  - Informal arrangements include contact via our website, Halton Direct Link and magazine based customer surveys.
- c) The Executive Board has adopted an approach to locality working, which each Local Area Forum is using to encourage greater participation and involvement.



- d) Information on the democratic running of the Council is routinely published via the Council's website and includes
- The Council's Constitution and agendas and minutes of Council meetings;
  - Allowances and expenses paid to elected members;
  - The Council's senior officer structure including post titles and salary ranges;
  - Council contracts and tenders awarded over £50,000;
  - All financial payments made by the Council that are equal to or greater than £500;
  - Copies of Council contracts and tenders in line with Procurement Standing Order Value thresholds;
  - Quarterly Directorate and Priority Based Performance Reports through Executive and Policy and Performance Board agendas.
- e) The community and voluntary sector are represented on the Halton Strategic Partnership Board and on all its Specialist Strategic Partnerships (SSPs).
- f) The Halton Strategic Partnership Board (HSPB) brings together key partners to develop and deliver Halton's Sustainable Community Strategy. The Board is supported by five SSPs each of which takes responsibility for delivering on one of the strategic priority areas that comprise the Sustainable Community Strategy. Each SSP manages and monitors progress against key actions and performance measures for their specific area. Each SSP Chair is a Board Member and provides regular feedback on progress during Board meetings.
- g) An annual Performance Report which tracks progress against key performance measures is provided to the Board and wider partners is published via the Halton Strategic Partnership 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 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 as an assurance function that provides an independent and objective opinion to the Council on its control environment;
- The external auditor's opinion report on the Council's financial statements and conclusion on whether the Council has put in place proper arrangements to secure efficiency and effectiveness in its use of resources (the Value for Money conclusion);
- The corporate complaints procedure;
- The roles of the Council's Statutory Officers;
- The work of the Information Governance Group, which provides overall strategic guidance and direction to information governance, security, risks and incidents;
- The anti-fraud and corruption and whistleblowing framework;
- The results of inspections by independent review bodies, including the Corporate Peer Challenge by the Local Government Association, which included a review of the Council's governance arrangements.

4.3 The Council has implemented the actions agreed in the 2012/13 Annual Governance Statement. A summary of action taken is listed below:

- Funding pressures

Engagement of elected Members to facilitate early budget planning in order to provide additional time to develop budget proposals and ensure delivery of a balanced budget for 2013/14. Spending in year was contained within budget.

- Resilience

The Efficiency Programme continues to be important in examining new ways of working and coupled with the Council's continuing investment in ICT both are helping the Council to reduce its costs.

The budget process and its involvement of elected members has again provided the opportunity for the Council to continually review its priorities based on the resources available to it. This inevitably means that, over time, it will have to concentrate its resources on the things it has to do.

Corporate and directorate risk registers and business continuity plans have been reviewed during the year providing further focus to the direction of resources to the Council's priorities. These are important tools in ensuring the Council's continued resilience.

The Council's corporate training programme continues to provide training opportunities for managers to help identify stress in the workplace and also provided courses to help staff cope with the changes the organisation is facing and will continue to face over the coming years.

- Information Governance

The Council continues to strengthen its information governance arrangements:

- A corporate roll out of an E-learning training module was undertaken in 2013 to raise employee awareness of information governance and security issues. The training module is to be reviewed and the exercise repeated.
- A Data and Quality Strategy is being developed to set out the Council's approach to managing data quality. The strategy will be designed to help secure improvement in the way the Council collects, collates, reports and uses data, maintaining the highest possible standards throughout.
- The Electronic Social Record Project went live in 2014 in respect of the children's records. This will be extended to adults later this year.
- The annual NHS Information Governance Toolkit exercise has been undertaken and approved.
- The corporate Freedom of Information Act request tracking system has been reviewed and now incorporates Subject Access Requests and Section 29 Third Party Data Protection Requests.
- An awareness week for information governance and IT Security took place to further raise employee awareness of the importance of safeguarding personal data.
- All current information sharing agreements across the Council have been reviewed.

- Complex Care Pooled Budget

The Council and Halton Clinical Commissioning Group (HCCG) have continued to work in collaboration to provide an integrated approach to the delivery of health and adult care related services. A Complex Care Pooled Budget of over £30m has been in operation since April 2013.

The Operational Director - Integration has been in post since the inception of the Complex Care Pooled Budget to drive the development of an integrated approach to the delivery of health and adult care services across the Borough.

Governance arrangements have been agreed between the partners to address the issues of clinical governance, public accountability and probity as well as satisfy the Council's and HCCG's Standing Orders and Standing Financial Instructions. The Executive Commissioning Board discharges these duties on behalf of the Partners and reports to the Executive Boards of the respective partners

- Mersey Gateway Crossings Board (MGCB)

In 2013/14, the MGCB structure was established and a governance agreement between the Council and the MGCB was finalised prior to Financial Close being reached. The agreement sets out the rights, obligations, payment terms and approval processes in regard to the Mersey Gateway Project. The agreement also provides for the Council to appoint executive and non-executive directors to MGCB.

- 4.4 The Business Efficiency Board has been advised on the implications of the review of the effectiveness of the governance framework and a plan to further develop the Council's governance framework is in place.
- 4.5 The Council proposes over the coming year to take the steps identified in the Development Plan at the end of this document to further enhance its governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

**David Parr - Chief Executive**

**Rob Polhill - Leader of the Council**

## Governance Arrangements – Development Plan

Issue	Actions	Responsible Officer
<p>1. <b><u>Funding pressures</u></b></p> <p>Despite the slight improvement beginning to emerge for the UK economy, the financial settlements for local government look likely to remain very challenging for the coming years, particularly given the backdrop of increasing demand for council services. The Council’s finances will therefore continue to need to be kept under close review. As reflected in the LGA Peer Review, appropriate action will be taken to ensure that the Council maintains its record of achieving a balanced budget and aligns its resources to corporate objectives and strategic priorities.</p>	<ul style="list-style-type: none"> <li>• Maintain a robust overview of statutory obligations and prioritise accordingly;</li> <li>• Review the Corporate Priorities/Community Plan;</li> <li>• Communicate priorities to staff/Members/managers to achieve buy-in;</li> <li>• Maintain the Medium Term Financial Strategy;</li> <li>• Link the budget process to service planning;</li> <li>• Maintain a budget risk register;</li> <li>• Utilise procurement practices to generate budget savings;</li> <li>• Continue the Efficiency Programme to drive efficiencies within all services;</li> <li>• Explore the potential for collaboration with neighbouring local authorities and external partners;</li> <li>• Focus upon opportunities for income generation where appropriate</li> <li>• Undertake equality impact assessments</li> </ul>	Strategic Director – Policy & Resources
<p>2. <b><u>Combined Authority</u></b></p> <p>The Liverpool City Region Combined Authority was established with effect from 1 April 2014. The Authority comprises the Constituent Councils of Halton, Knowsley, Liverpool, St. Helens, Sefton and Wirral along with Merseytravel and the LEP. It is envisaged that it will deliver transport and economic benefits to the region.</p>	<ul style="list-style-type: none"> <li>• The Order was made by Parliament to create the Combined Authority with effect from 1 April 2014.</li> <li>• The Constituent Councils and Merseytravel worked together to agree a Constitution and Operating Agreement.</li> <li>• The Constitution was adopted by the new Authority at its first meeting on 1 April 2014, and the Operating Agreement and Protocols have since been agreed and executed.</li> <li>• The Order abolishes the former Merseyside Integrated Transport Authority and its powers and duties transferred to the Combined Authority.</li> <li>• Certain Halton Borough Council transport powers contained in the Transport Act 1985 (Local Passenger Transport Services and Financial Provisions) and the Transport Act 2000 (Local Transport) transferred to the Combined Authority. Halton Council must no later than 1 April 2018 submit to the Secretary of State proposals for making a Scheme to transfer to the Combined Authority specified property rights and liabilities in respect of those statutory functions. The Secretary of State will then make such a</li> </ul>	Strategic Director – Policy & Resources

## Governance Arrangements – Development Plan

Issue	Actions	Responsible Officer
	Scheme as he or she sees fit.	
<p>3. <b><u>Development Control</u></b></p> <p>During the year the Development Control Committee were required to make a decision regarding a planning variation in respect of the INEOS/Viridor waste site. Officers recommended approving the planning variation as there were no grounds to refuse the application. However, Members did not accept officers’ recommendation which resulted in an appeal to the Secretary of state and a Public enquiry was held. The Planning Inspector overruled the Development Control Committee’s decision and awarded full costs to INEOS/Viridor.</p>	<ul style="list-style-type: none"> <li>Whilst it is for Members to ultimately decide upon such matters, further training will be provided for Members of the Development Control Committee regarding their governance responsibilities.</li> </ul>	Strategic Director – Policy & Resources
<p>4. <b><u>Local Government Transparency Code 2014</u></b></p> <p>In May 2014 the Government formally issued the Local Government Transparency Code 2014 under section 2 of the Local Government, Planning and Land Act 1980 (the Act).</p> <p>The Code has been issued to meet the Government’s desire to place more power into citizens’ hands to increase democratic accountability and make it easier for local people to contribute to the local decision making process and help shape public services.</p> <p>The Code sets out the minimum data that local authorities should be publishing, the frequency it should be published and how it should be published. The Government has also decided to make regulations to make compliance with aspects of the Code a legal requirement for local authorities.</p>	<ul style="list-style-type: none"> <li>The Council will review the information it already publishes against the requirements of the new Code and will make arrangements to address any areas where it is not presently fully compliant.</li> </ul>	Strategic Director – Policy and Resources

**REPORT TO:** Business Efficiency Board  
**DATE:** 24th September 2014  
**REPORTING OFFICER:** Operational Director, Finance  
**PORTFOLIO:** Resources  
**SUBJECT:** Value for Money Conclusion  
**WARD(S):** Borough-wide

### **1.0 PURPOSE OF REPORT**

1.1 The purpose of this report is to seek approval for the report prepared by the Council's external auditor (Grant Thornton) to determine whether the Council has proper arrangements in place for securing financial resilience.

### **2.0 RECOMMENDED that;**

- (i) **the report titled Report on Value for Money for Halton Borough Council for the year ended 31<sup>st</sup> March 2014 is received.**

### **3.0 BACKGROUND**

- 3.1 The report on value for money considers whether the Council has robust financial systems and processes in place to manage its financial risks and opportunities, and for challenging how it secures economy, efficiency and effectiveness.
- 3.2 In light of the financial challenges which the Council face over the medium term it is vital that the Council has a strong financial base in place in order to be able to deal with the future funding cuts and also allow it to continue to grow. During the period of the 2010 CSR (2011/12-2014/15) central government funding to the Council has been cut by 34% which will be followed by an approximate 10% cut in year 2015/16. Financial austerity is expected to continue until at least 2017/18.
- 3.3 The External Auditor has reviewed the financial resilience of the Council by reviewing:
- Key indicators of financial performance
  - The approach to strategic financial planning
  - The approach to financial governance
  - The approach to financial control
  - The approach to prioritising resources
  - The approach to improving efficiency and productivity

3.4 The overall conclusion from the External Auditor is they are satisfied in all significant respects the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31<sup>st</sup> March 2014

3.5 Grant Thornton will attend the meeting to present the report to the Business Efficiency Board.

#### **4.0 KEY SECTIONS WITHIN THE REPORT**

4.1 The report is broken down into eight headings including the Introduction and Executive Summary. The External Auditor has identified areas of focus within each of the headings which they have marked with a rating assessment. The ratings range from arrangements being in place, areas for development and inadequate arrangements.

4.2 Key Indicators of Financial Performance section of the report includes an appendix which shows analysis of financial performance data, some of the data is benchmarked against other local authorities who have similar characteristics in terms of social and economic factors. Key indicators consider the level of Council reserves, long term borrowing, level of assets and out-turn against budget.

4.3 Strategic Financial Planning reviews the process the Council adopts in setting annual financial plans, how this feeds through to the Council's Medium Term Financial Strategy and how the plan can then respond to changes in financial circumstances whilst managing the risk involved.

4.4 There is a section in the report covering financial governance. The report considers if there is a clear understanding of the financial environment in which the Council operates, there is clear engagement on financial matters with all stakeholders and monitoring and review processes are in place with members, officers and budget holders.

4.5 Part of the report reviews financial control; the External Auditor has assessed the Council's performance against the following indicators which include budget setting and monitoring, savings plans, financial systems, the capacity and capability of the Finance Department and internal control processes.

4.6 The section of the report titled Prioritising Resources considers how the Council sets its strategic direction in identifying how it prioritises resources and spending reductions. It reflects on the partnerships the Council have entered into to develop joint services and working arrangements and how it consults with residents and service users to gather their views.

4.7 The final section of the report looks at improving efficiency and productivity and considers how the Council has used benchmarking information to review



services and how this leads to an understanding of the Council's costs. It notes the Council has addressed areas of high spend through the efficiency programme and how it improves productivity.

**5.0 POLICY IMPLICATIONS**

5.1 None.

**6.0 OTHER IMPLICATIONS**

6.1 None.

**7.0 RISK ANALYSIS**

7.1 On-going cuts to funding which support the resources of the Council present a high risk over the next number of years. The report supports the processes the Council has in place to meet future challenges. It is therefore vital the Council maintains current arrangements for ensuring financial resilience.

# Report on Value for Money for Halton Borough Council

Year ended 31 March 2014

Report date 12 September 2014

**Mike Thomas**

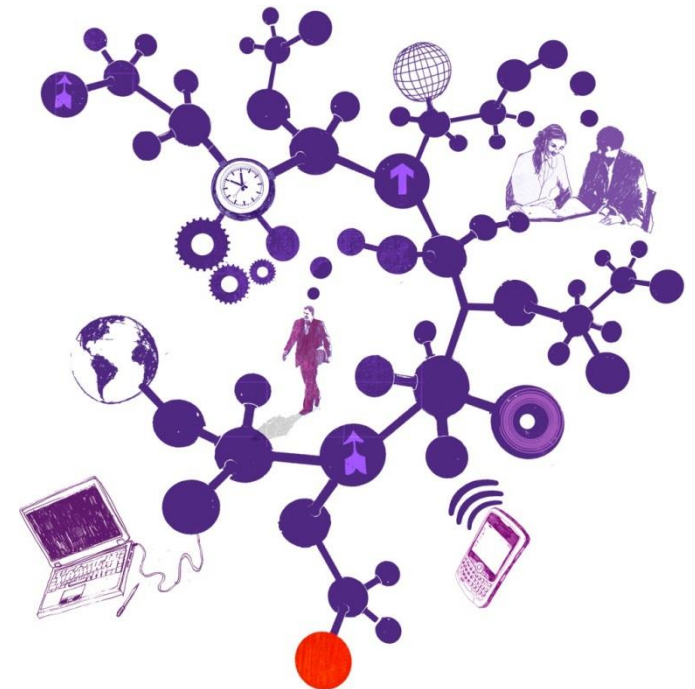
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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Council or any weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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# Introduction

## What is this report?

This report summarises the findings from our work supporting our Value for Money (VfM) conclusion, which is required as part of the statutory external audit responsibilities.

It compliments our Audit Findings Report, by providing additional detail on the themes that underpin our VfM conclusion.

## Value for Money Conclusion

The Code of Audit Practice 2010 (the Code) describes the Council's responsibilities to put in place proper arrangements to:

- secure economy, efficiency and effectiveness in its use of resources
- ensure proper stewardship and governance
- review regularly the adequacy and effectiveness of these arrangements.

We are required to give our VfM conclusion based on two criteria specified by the Audit Commission, which support our reporting responsibilities under the Code.

These criteria are:

**The Council has proper arrangements in place for securing financial resilience:** the Council has robust systems and processes to manage effectively financial risks and opportunities, and to secure a stable financial position that enables it to continue to operate for the foreseeable future (defined by the Audit Commission as "twelve months from the date of issue of the report").

**The Council has proper arrangements for challenging how it secures economy, efficiency and effectiveness:** the Council is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity.

The Code requires auditors to identify significant risks to the VfM conclusion and to plan sufficient work to evaluate the impact of those risks, if any.

## Our approach

The approach involves:

- desktop analysis of relevant documentation
- meetings with key internal stakeholders
- a risk assessment to identify any significant risks.

Our approach is designed to assess:

- arrangements in place related to the specified criteria
- performance during 2013-14 and what that says about those arrangements
- any significant risks that we have identified.

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# Introduction

## What is this context?

### Nationally

The 2010 Spending Review set the Coalition Government's financial settlement for the four years to 2014/15, and the 2013 Review then covered 2015/16. By the end of this period, central funding to local government will have reduced by 35%.

2013/14 is the third year of councils having to deliver efficiency savings in response to the 2010 Spending Review and, given the 2013 Review and the budget statement in 2014, this will need to continue for the foreseeable future. Delivering these efficiency savings and maintaining financial resilience is becoming increasingly difficult, even for top-performing councils. The challenges include:

- responding to welfare reform; and
- the drive towards more integrated health and social care.

Demand for many demography-driven council services is expected to rise, whereas demand for some income-earning services is falling.

To fulfil their statutory requirements, councils must continue to provide certain services. But the opposing trends in funding and demand will create a sizeable funding gap even if carefully managed. In short, the sector is working through its greatest financial challenge of recent times.

### Locally

The Council's 2013-14 budget of £115m was set in the context of a significant reduction of around 6% from the finance settlement and the need to generate some £14 million in savings during the year. The Local Government Finance Settlement announced on 5th February 2014 confirmed a 9.9% reduction in the Council's Formula funding for 2014/15. Indicative figures show Halton will see a reduction to the 2015/16 Settlement of over £10m or 14%. Halton Council has historically relied heavily on Government grant funding and this means that the austerity measures and the downturn in the UK economy are having a significant impact upon the Council's funding.

The Council has reflected this in its Medium Term Financial Strategy (MTFS) that was approved in November 2013 and updated in February 2014 as part of the budget report. It identified that revenue savings of approximately £46m are required over the three years from 2014/15 to 2016/17, representing 26% of the gross expenditure budget.

Although officers and members feel that the Council's current financial position is sound, and there are sufficient reserves and balances to meet existing known risks, it has acknowledged that the funding outlook for Halton over the medium term 'continues to look very gloomy' and significant savings will need to be found.

Now, more than ever, it is important that councils have sound arrangements for securing Value for Money.

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# Executive Summary

## Overall Risk Assessment

There were no significant risks identified during our VfM planning.

## Overall VfM conclusion

On the basis of our work, and having regard to the guidance on the specified criteria published by the Audit Commission, we are satisfied that in all significant respects the Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2014.

## Key findings

### Securing financial resilience

We have undertaken a review which considered the Council's arrangements against key indicators of financial performance and the three expected characteristics of proper arrangements, as defined by the Audit Commission:

- strategic financial planning
- financial governance
- financial control.

Overall our work highlighted that the Council has robust systems and processes to manage effectively financial risks and opportunities, and to secure a stable financial position that enables it to continue to operate for the foreseeable future.

However, during the year members did not take officers' recommendations to approve a planning variation in respect of the INEOS/Viridor waste site. This resulted in an appeal to the Secretary of State and a Public Enquiry where members' decision was overruled and full costs awarded to INEOS/Viridor. The Planning Inspector was critical of members' decision and although there has been no claim made yet, the decision by members has put the Council at risk of a claim that could have a significant financial impact.

### Challenging economy, efficiency and effectiveness

We have reviewed whether the Council has prioritised its resources to take account of the tighter constraints it is required to operate within and whether it has achieved cost reductions and improved productivity and efficiencies.

Overall our work highlighted that the Council is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity.

# Executive Summary

We use a red/amber/green (RAG) rating with the following definitions.

<b>Green</b>	<b>Adequate arrangements appear to be in place</b>
<b>Amber</b>	<b>Adequate arrangements, with areas for development</b>
<b>Red</b>	<b>Inadequate arrangements</b>

## Overview of arrangements

Risk area	Summary observations	High level risk assessment
<b>Key Indicators of Financial Performance</b>	<p>There were no significant adverse indicators of performance during the year except for sickness absence that has seen a steady increase from 9.02 days per FTE in 2011/12 to 10.06 days in 2012/13, and 11.24 in 2013/14. Halton's 2012/13 rate of 10.06 days per FTE was higher than the averages of 8.8 days for Local Government and 8.7 days for the Public Sector.</p> <p>Details of key indicators benchmarked against the Council's nearest neighbours is set out at Appendix 1 below.</p>	<b>Green</b>
<b>Strategic Financial Planning</b>	<p>The financial planning process is focussed on the achievement of corporate priorities. The Medium Term Financial Strategy (MTFS) shows that local and national issues are adequately taken into account, assumptions are reasonable and resources are focussed on corporate priorities. The MTFS is kept up to date and supports the annual budget setting process, development of business and other plans and strategies. Halton Council has a good track record of setting a balanced budget, achieving both a positive outturn and savings/efficiencies.</p> <ul style="list-style-type: none"> <li>The MTFS has regard to the Council's priority areas: Healthy Halton; Environment &amp; Regeneration in Halton; Children and Young People in Halton; Employment Learning and Skills in Halton; and Safer Halton. It links to the Council's Corporate Plan and the Sustainable Community Strategy.</li> <li>The 3-year Medium Term Financial Strategy (MTFS) is linked to the Corporate Plan and provides the context and assumptions for preparing the annual budget and the annual budget is then set within this context. The MTFS 2013/14 to 2015/16 was reported to the Council's Executive Board in November 2012 and was updated in November 2013 and February 2014 to inform the 2014/15 budget. It identified shortfalls in funding of £15m, £17m, and £14m over the next three years and as a result a total of £46m will need to be removed from the Council's budget.</li> <li>The MTFS and the annual budgets demonstrate that the leadership team do not focus primarily on the short term. Review of the savings plans put together for both 2013/14 and 2014/15 show the inclusion of some short term fixes but the focus of savings identification is on recurrent savings. In the past, we identified no weaknesses in the Council's medium term financial planning processes that would cause us to qualify the vfm conclusion or comment negatively on arrangements. The planning assumptions behind the 2014/15 – 16/17 MTFS appear realistic and achievable.</li> </ul>	<b>Green</b>



# Executive Summary

## Overview of arrangements

Risk area	Summary observations	High level risk assessment
<p><b>Financial Governance</b></p>	<p>Members and officers have a good understanding of the financial environment and the risks facing the Council. There is good executive and member engagement and adequate internal and external consultation on the budget-setting process. Budget reporting is at an appropriate level of detail to allow good monitoring and decision-making.</p> <ul style="list-style-type: none"> <li>• The leadership team is made aware of financial matters through a variety of mechanisms including departmental meetings, performance reports to the Executive Board and scrutiny committees, budget seminars and regular meetings between portfolio holders and directorate leads.</li> <li>• Risk management arrangements are in place and in addition to departmental risk registers and the corporate risk register, the Council has a budget risk register that highlights the significant financial risks facing the Council during budget preparations; it is also monitored and updated during the year to provide assurance that the risks to the budget identified are being managed. The main financial risks facing the Council are included in the MTFS. From review of the MTFS 13/14 to 15/16 and the two most recent budgets, 12/13 and 13/14, the Council does not have a high dependence on one source of income.</li> <li>• The Business Efficiency Board is 'the body charged with governance' and its terms of reference includes the core functions of an Audit Committee in line with CIPFA guidance. The main focus of the Business Efficiency Board is on governance and control related issues along with receiving and approving the Council's financial statements each year; it also monitors the efficiency programme.</li> <li>• During the year members of the Development Control Committee were required to make a decision about a planning variation in respect of the INEOS/Viridor waste site; the original planning permission had been approved by the Secretary of State but any variation needed to be decided by the local planning authority. Officers recommended approving the planning variation as there were no grounds to refuse the application. However, members did not accept officers' recommendation and this resulted in an appeal to the Secretary of State and a Public Enquiry was held. The Planning Inspector overruled the Development Control Committee's decision and awarded full costs to INEOS/Viridor. The Planning Inspector was critical of members' decision and stated in his report: "Refusal of the application led to the appeal. This would not have been necessary had the application been approved by the Council in the first place, as recommended by the planning officer. Whatever the reason for Council's position at the Inquiry, the absence of any evidence to substantiate the single reason for refusal means that its behaviour was unreasonable.....". Although there has been no claim made yet, the decision by members has put the Council at risk of a claim that could have a significant financial impact.</li> </ul>	<p><b>Amber</b></p>

# Executive Summary

## Overview of arrangements

Risk area	Summary observations	High level risk assessment
<p><b>Financial Control</b></p>	<p>The process in place for budget setting and monitoring has a history of ensuring reliable and achievable budgets and savings plans. Internal Audit reviewed critical financial systems during the year and all achieved 'substantial assurance'; Internal Audit itself was assessed as effective and fit for purpose. There is a positive history of external audit unqualified opinions and value for money conclusions and the external auditor assessed the Council's arrangements for financial resilience as 'green' across all areas in 2012/13. The assurance framework and risk management processes are sound.</p> <ul style="list-style-type: none"> <li>• The process in place for budget setting and monitoring has a history of ensuring reliable and achievable budgets. Alternatives are considered and re-forecast before the final budget is agreed and approved. Budgets are actively managed on a frequent basis and reported appropriately. Assets and cash are managed effectively.</li> <li>• Performance against savings plans is good as evidenced by the overall small surpluses in annual outturns over the last few years.</li> <li>• Internal Audit reviewed critical financial systems over the last year and all achieved 'substantial assurance'. Internal Audit's opinion for the year was that the Council operates 'a well-established control environment and there are no significant control issues'. The Operational Director, Finance reviewed Internal Audit arrangements during the year and considers them to be effective and fit for purpose.</li> <li>• There is a positive history of External Audit unqualified opinions and value for money conclusions. In 2012/13 the Council's arrangements for financial resilience were all assessed as 'green' – 'Adequate arrangements appear to be in place'.</li> <li>• The assurance framework/risk management processes are sound and form a part of the development of annual business plans, the budget, MTFS and the corporate and other plans.</li> </ul>	<p><b>Green</b></p>

# Executive Summary

## Overview of arrangements

Risk area	Summary observations	High level risk assessment
<p><b>Prioritising Resources</b></p>	<p>The Council has a good strategic approach to reducing costs and improving VfM through its strategic financial planning and budget-setting processes and its efficiency programme. Decision-making is based on appropriate and adequate information and although savings plans include some short-term fixes, they are mainly based on recurrent and long-term measures. The Council has developed joint plans to ensure transformation in integrated health and social care through a single pooled budget of over £30m as part of the 'Better Care Fund'.</p> <ul style="list-style-type: none"> <li>The Council has strong, focussed and stable leadership as evidenced within the unqualified value for money conclusions given in previous years by the Audit Commission and in our first year (2013/14) as Grant Thornton. There is clear leadership and commitment from the top in terms of setting strategic direction and that includes prioritising resources and spending reductions. The Council has a good strategic approach to reducing costs and improving value for money through its budget setting process and its efficiency programme. Strategic directors and members, through the Budget Working Group, play a key role in identifying and prioritising spending reductions. It is clear that the leadership team understands the Council's current financial position and is aware of the financial challenges facing the Council over the medium term – this is also acknowledged in the 2013/14 pre-audit accounts explanatory foreword.</li> <li>As part of our VfM work we considered the work carried out by the Council in partnership with Halton CCG and others to agree and develop the Halton Better Care Fund (BCF) Plan, established to ensure a transformation in integrated health and social care through a single pooled budget to support health and social care services to work more closely together in local areas. The plan was jointly agreed at Halton Council's Health and Wellbeing Board and the Council, CCG and partners achieved the timescale and assurance requirements set by NHS England. The plan includes protection for social care services and 7 day services in health and social care to support patients being discharged and to prevent unnecessary admissions at weekends. It also supports better data sharing between health and social care and a joint approach to assessments and care planning to ensure that where funding is used for integrated packages of care, there is an accountable professional.</li> <li>The Council is involved in a number of key strategic partnerships, has regular dialogue with its partners and through this, and the service planning cycle, it develops its understanding of the resources at the disposal of relevant partnerships. Relationships with the local CCG are good and the Council and CCG are sharing premises and looking to develop more joint services/working arrangements. The community and voluntary sector are represented on the Halton Strategic Partnership Board and on all its Specialist Strategic Partnerships. The Halton Strategic Partnership Board brings together key partners to develop and deliver Halton's Sustainable Community Strategy.</li> <li>The Council consults residents and service users using a range of ways to gather their views. The Corporate Plan is linked to a range of other plans and strategies which are also subject to consultation with staff and local residents where appropriate. Service users are involved in setting priorities through user groups and also through the Area Forums.</li> </ul>	<p>High level risk assessment</p> <p><b>Green</b></p>

# Executive Summary

## Overview of arrangements

Risk area	Summary observations	High level risk assessment
<p><b>Improving Efficiency &amp; Productivity</b></p>	<p>Benchmarking information has been used well to review services and the Council has a good understanding of its costs. Our review of VfM profiles has not identified any areas of high costs or poor performance that is not known to or adequately explained by the Council. There is evidence that the Council is addressing areas of high spend through the efficiency review programme and improving productivity through, for example, providing management capacity to other councils for children's, adults and legal services; and joint procurement of highways works.</p> <ul style="list-style-type: none"> <li>The Council has used benchmarking information to review services and members take account of the longer term impact of funding decisions. Departments generally have a good understanding of their costs and link this to an analysis of performance to assess VfM. They use a range of benchmarking information to inform their knowledge including national benchmarking information and more local data.</li> <li>Our review of VfM profiles has not highlighted any areas of very high costs or poor performance compared to other councils. Halton, in comparison to its statistical neighbours in the VfM profiles has one of the highest net expenditures per head but this is something that the Council is aware of and is largely due to the low population base, the needs of the Borough given the high areas of deprivation, the nature of industry in Halton, the maintenance of the Silver Jubilee Bridge and development of Mersey Gateway.</li> <li>The Local Government Association in 2013 reviewed governance arrangements and the Council's readiness for partnership and integrated working with the community and voluntary sector. The peer review noted that: 'the council has led significant development and regeneration in the borough as well as adding considerable social value through high performing services, particularly in relation to children's and adults' services ... The council's approach to regeneration has been transformational ... The opening of the Widnes Shopping Park bucked the recession and ... created circa 700 new jobs ... The work led by the council with housing provider partners and the Homes and Communities Agency (HCA) has transformed the Castlefields estate from the concrete deck access flats through an investment of £100m over a 10 year period ... Regeneration over the last ten years has seen the remodelling of the borough leading to huge improvements in the physical appearance ... Efficiencies have been delivered ... of more than £12m since 2010 ...'</li> <li>The Council's efficiency programme investigates the way services are delivered and looks for new ways to deliver services and reduce costs. In addition the Council has a number of partnership and shared service arrangements in place including shared arrangements with Cheshire West &amp; Chester Council (CWAC) for the Children's Director, safeguarding team and children's assessment and training provision; more recently, management capacity has been offered to Sefton Council for adult social care and to CWAC for legal services and the Monitoring Officer role. The Council is also a member of a public/private joint venture partnership at Daresbury Science and Innovation Campus established to develop the campus at Daresbury to provide accommodation and facilities to attract high quality science and innovation companies. Enterprise Zone status has been obtained for part of the campus which will bring significant funding. In addition £10m of Regional Growth Funding has been obtained which with match funding will bring around £20m of investment into the campus over the next few years and will provide a significant number of new high quality jobs for the Borough.</li> </ul>	<p>High level risk assessment</p> <p><b>Green</b></p>

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# Appendix 1 – Benchmarking

## **Our approach**

We have made use of the Audit Commission's Financial Ratios Analysis Tool and VfM Profiles Tool to benchmark the authority against its statistical nearest neighbours for relevant KPIs up to and including 2012-13.

We have also made use of published material on rates of sickness absence.

# Key Indicators of Financial Performance

## Working Capital - Benchmarked

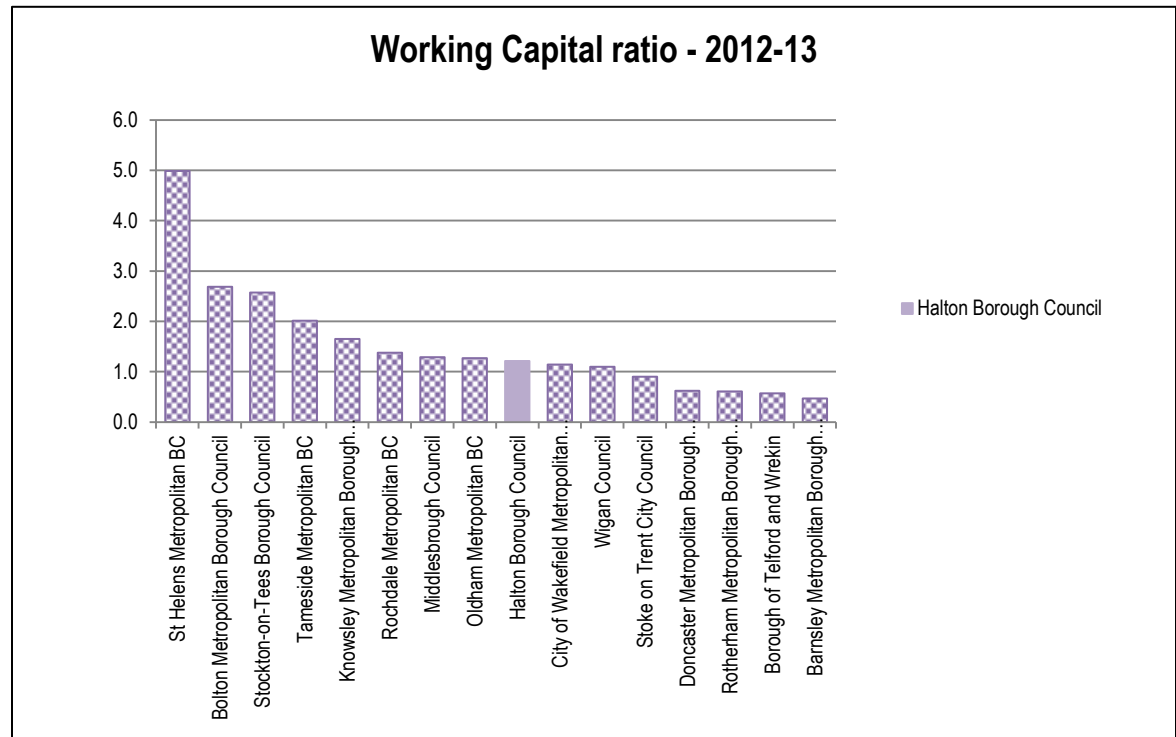
### Definition

The working capital ratio indicates if an authority has enough current assets, or resources, to cover its immediate liabilities – i.e. those liabilities to be met over the next twelve month period. A ratio of assets to liabilities of 2:1 is usually considered to be acceptable, whilst a ratio of less than one – i.e. current liabilities exceed current assets – indicates potential liquidity problems. It should be noted that a high working capital ratio isn't always a good thing; it could indicate that an authority is not effectively investing its excess cash.

### Findings

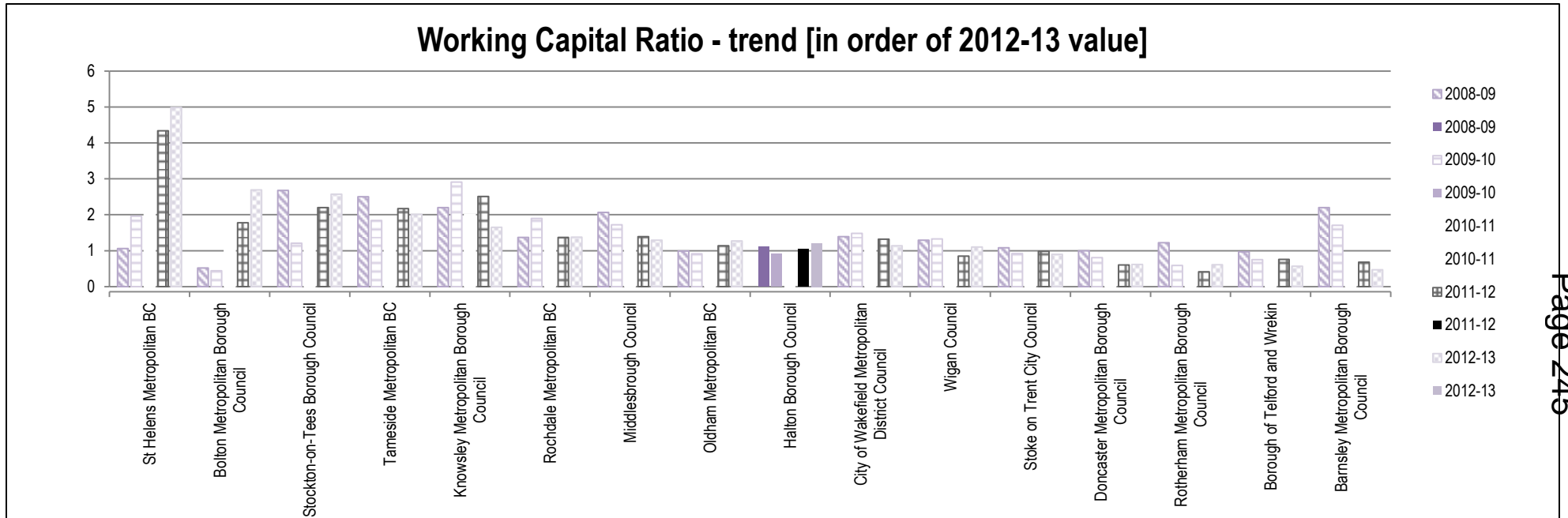
The council ranks 9<sup>th</sup> out of the 16 nearest neighbour group for working capital. Halton's working capital ratio for 2012/13 at 1.21 is better than it's 2011/12 ratio of 1.05. For 2013/14 the ratio is 2.

The Council's liquidity has hovered around 1 in previous years with the exception of 2010/11 when it fell to 0.48. Many of the Council's neighbours show a variable performance n working capital ratio over the period 2008/09 to 2012/13, with seven neighbours showing an upward movement between 2011/12 and 2012/13.



# Key Indicators of Financial Performance

## Working Capital – Trend 2008/09 to 2012/13



# Key Indicators of Financial Performance

## Long-term Borrowing to Long-term Assets – Benchmarked and Trend

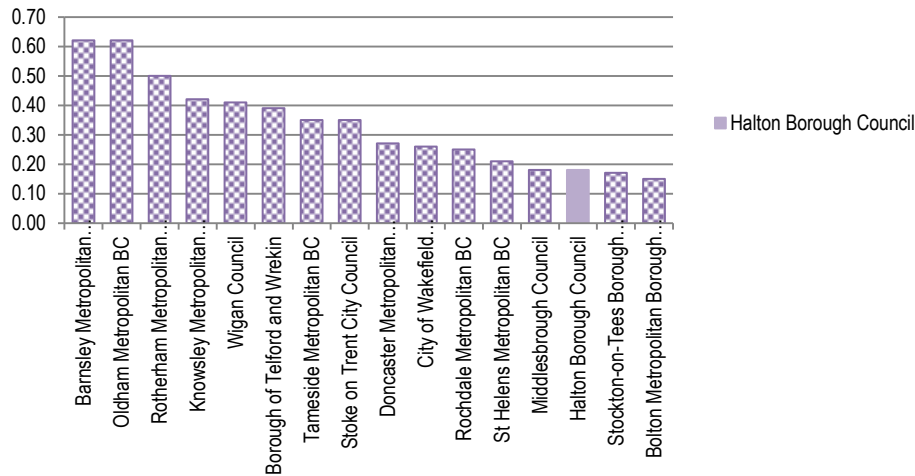
### Definition

This ratio shows long term borrowing as a share of long term assets. A ratio of more than one means that long term borrowing exceeds the value of long term assets.

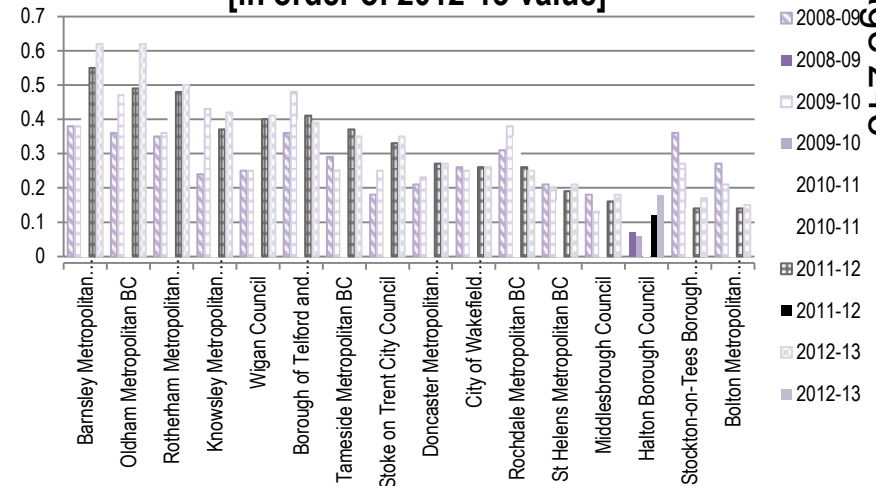
### Findings

Halton's ratio of long term borrowing to long term assets is the third lowest within its comparator group for 2012/13. It has been consistently lower than the other authorities within its nearest neighbour group since 2008/09. Although low, the councils ratio has increased in 2012/13 and at 0.18 shows that the Council's long term borrowing represents just under 20% of its long term assets, i.e. long term borrowing does not exceed its long term assets. The increase from 2011/12 to 2012/13 is due to the Council taking on new loans to finance the Mersey Gateway development. The pre-audited accounts for 2013/14 show a ratio of 0.19.

**Long Term Debt to Long Term Assets ratio - 2012-13**



**Long Term Debt to Long Term Assets Ratio - trend [in order of 2012-13 value]**





# Key Indicators of Financial Performance

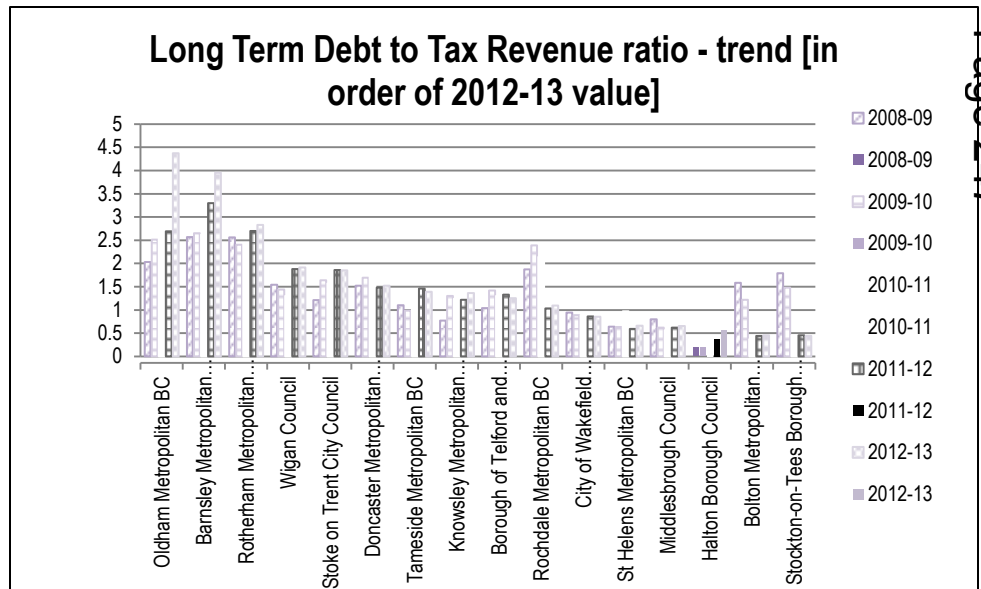
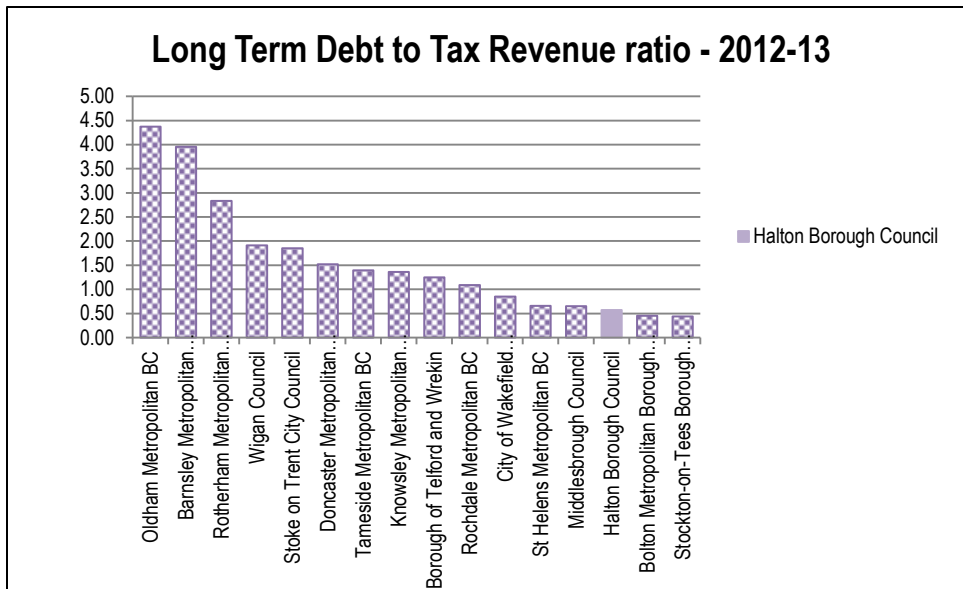
## Long Term Borrowing to Tax Revenue – Benchmarked and Trend

### Definition

Shows long term borrowing as a share of tax revenue. A ratio of more than one means that long term borrowing exceeds council tax revenue.

### Findings

Halton's 2012/13 ratio of 0.57 is the third lowest in the comparator group and significantly less than the majority of its neighbours. It has been consistently lower than the other authorities within its nearest neighbour group since 2008/09, evidence of the prudent approach to financial management adopted by the Council. The Council's ratio has risen in 2012/13 as the Council has taken on new loans to finance its capital programme and in 2013/14 stood at 0.63.



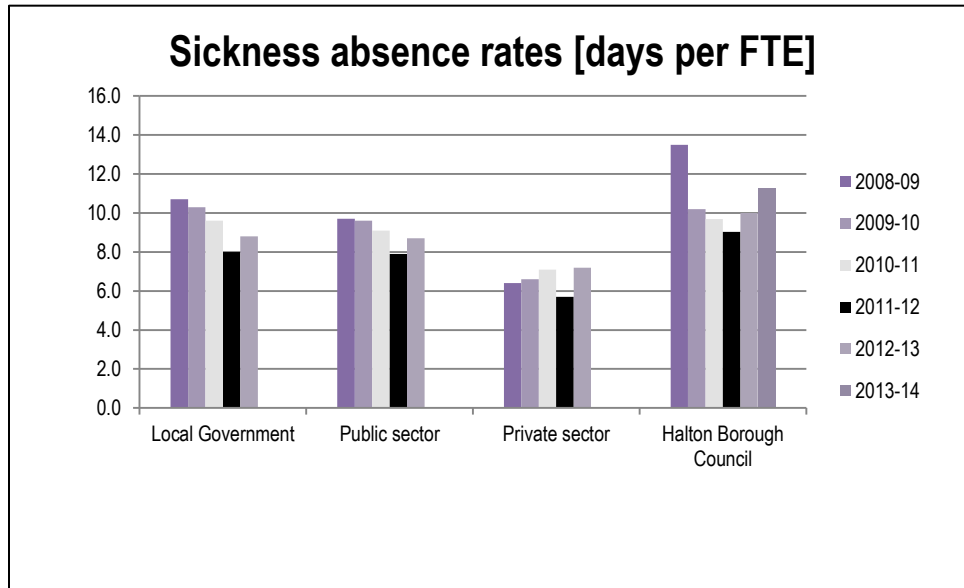
# Key Indicators of Financial Performance

## Sickness Absence Levels

### Background

The 2012/13 average sickness absence level for the public sector is 8.7 days per FTE, whilst the private sector average is 7.2.

Costs that accrue from sickness absence relate to the hiring of agency staff to cover staff gaps, or from holding a larger workforce complement than is desirable. Absence also damages service levels either through staff shortage or lack of continuity. Reducing absenteeism saves money, improves productivity and can have a positive customer benefit. Absence management will be a particularly important for the Council over the next few years to meet its efficiency programme and financial challenges.

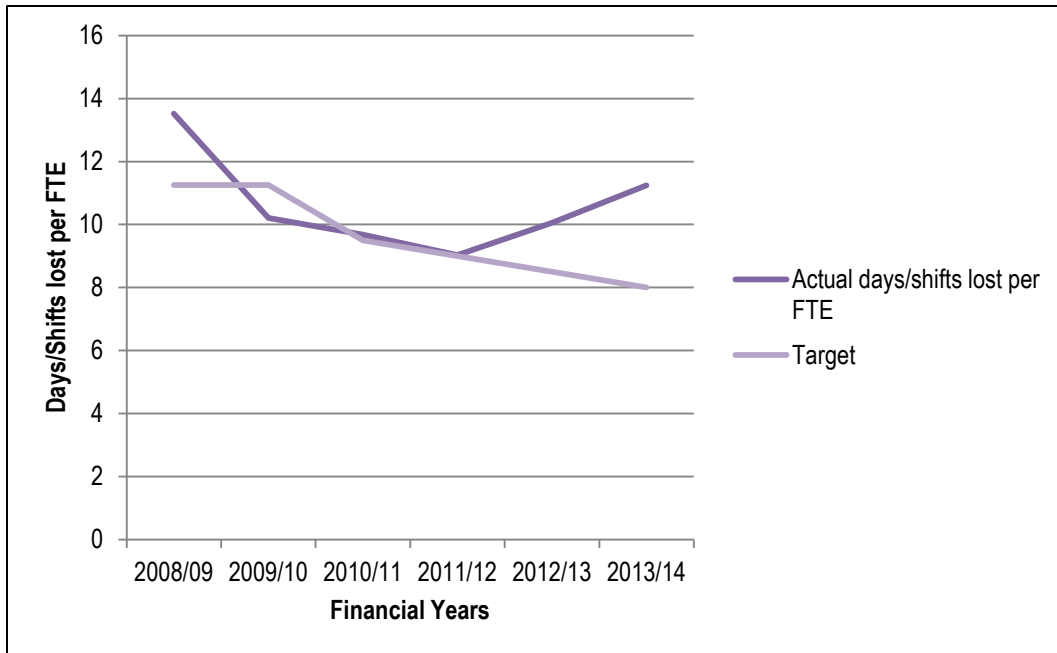


### Findings

Halton's sickness levels have risen from 9.02 days per FTE in 2011/12 to 10.06 in 2012/13 and 11.24 in 2013/14. – failing to meet targets in all years.  
The 2012/13 rate of 10.06 was around 16% higher than the averages of 8.8 days for Local Government and 8.7 days for the Public Sector.

# Key Indicators of Financial Performance

## Sickness Absence Levels – Halton BC



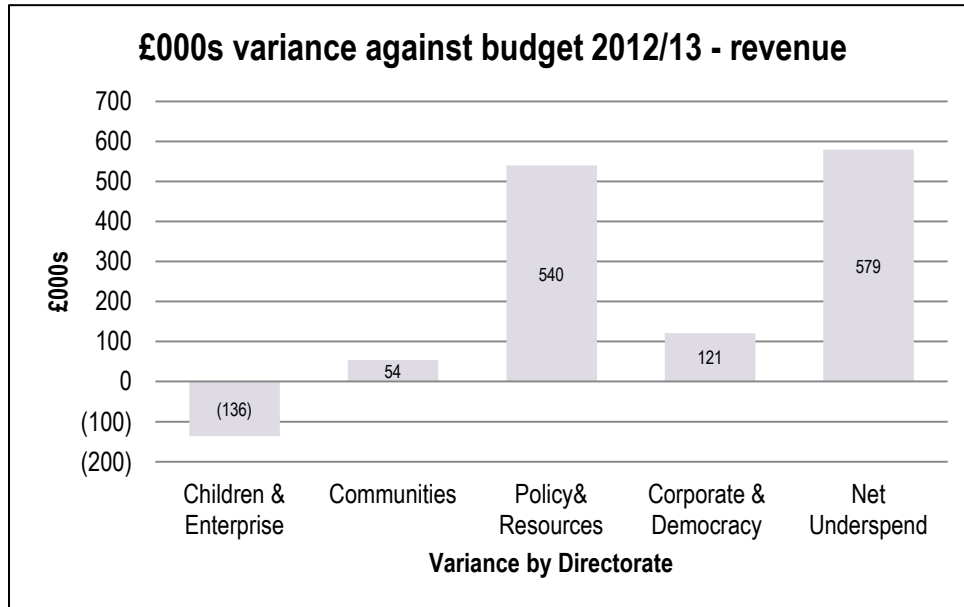
### Findings

The Council's reported sickness absence level for 2013/14 is 11.24 days per FTE against a target of 8 days.

Sickness absence levels have an appropriate profile with senior management and actions are agreed and minuted by the Management Team. Given the significant organisational change that continues to take place, it will be important for the Council to maintain a robust approach to managing and monitoring sickness absence.

# Key Indicators of Financial Performance

## Performance Against Budget: Revenue



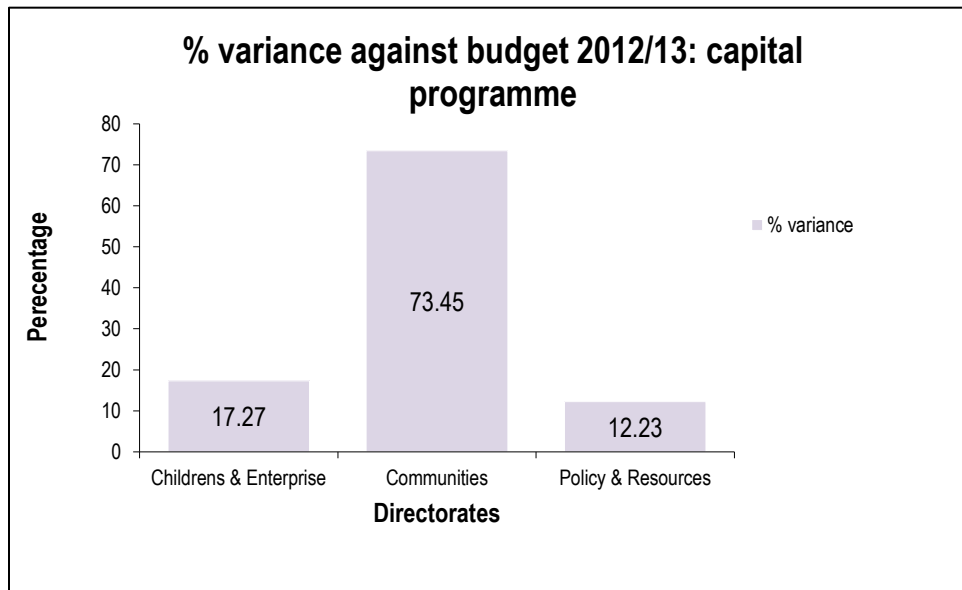
### Findings

The revenue outturn position for 2013/14 was an underspend of £0.579m. This follows on from budget underspends in each of the previous three years: £0.502m in 2012/13, £0.198m in 2011/12 and £0.192m in 2010/11.

In cash terms the directorate with the largest underspend in 2013/14 is Policy and Resources with an underspend of £0.540m (2.2%). The Children and Enterprise directorate overspent by £0.136m (3.4%). This overspend related to Children and Families, with this being the only section which overspent relating to the Children and Enterprise Directorate. Communities has the largest budget.

# Key Indicators of Financial Performance

## Performance Against Budget: Capital



### Findings

The Council once again had a significant capital programme in 2013/14, totalling £48.392m. Actual capital spend totalled £38.470m, an underspend of 20.5%. The most significant underspends were as follows:

- Widnes Recreation Site
- Halton Lodge Bungalows
- Ashley School
- Disabled Access

The Council includes planned slippage of 20% in its capital programme. For 2013/14 this meant the capital programme included slippage from 2012/13 of £10.061m and slippage into 2013/14 of £7.694m.

# Key Indicators of Financial Performance

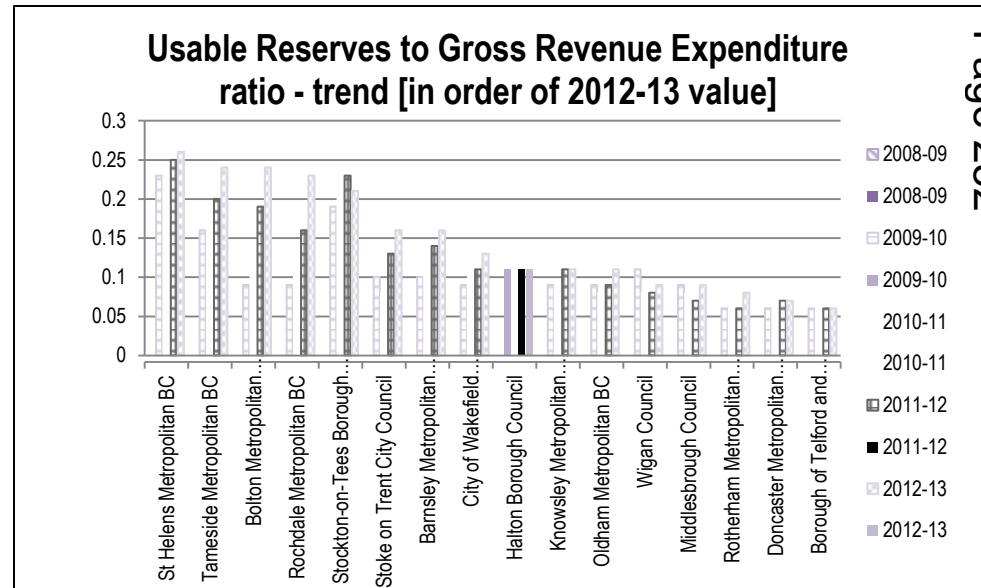
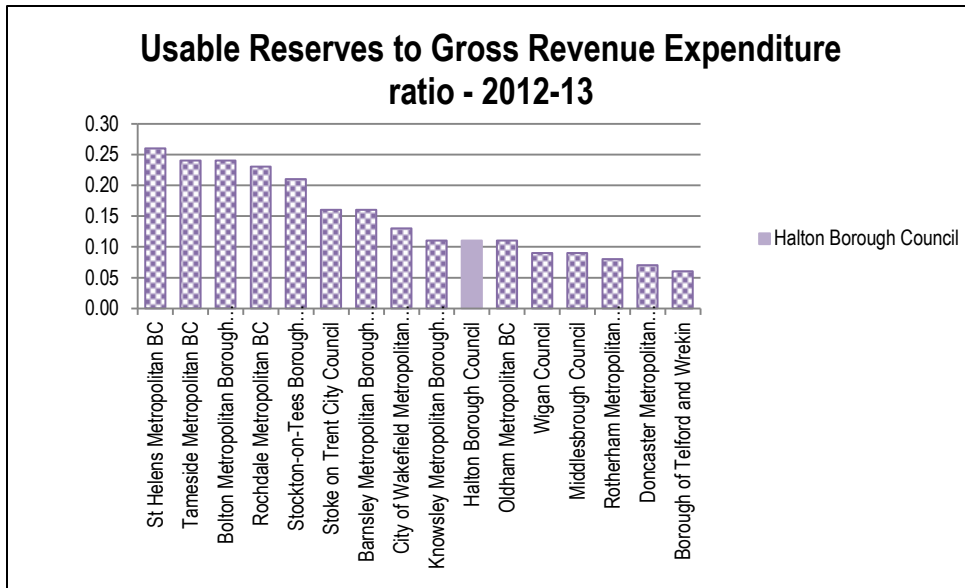
## Usable Reserves – Benchmarked and Trend

### Definition

This shows usable capital and revenue as a share of expenditure. A ratio of one means the total reserves matches the level of expenditure.

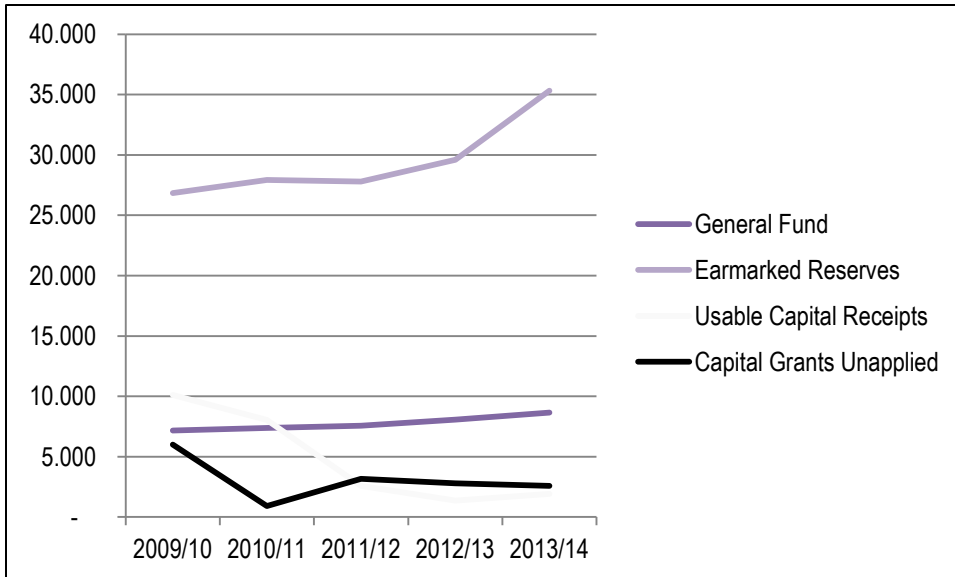
### Findings

The Council's value of usable reserves (as a percentage of expenditure) for 2012/13 was 0.11, consistent with the previous two years and showing little movement during the period 2008/09 to 2012/13. Eleven of the Council's neighbours increased their usable reserves (as a percentage of expenditure) in 2012/13, with seven of them showing a year on year increase during the period 2008/09 to 2012/13. Further analysis of Halton's position is set out on the following slides.



# Key Indicators of Financial Performance

## Halton BC's Usable Reserves – Trend by Type (excluding school balances)



### Findings

Halton's usable reserves total £55.050m at 31 March 2014, some 16.5% of the Council's gross revenue expenditure for the year. Earmarked reserves of £35.322m and General Fund of £8.646m make up the major elements of this balance.

CIPFA's guidance on reserves is that the level should follow the S151 Officer's advice to the Council, which should be based on local circumstances.

Earmarked reserves have increased from £26.834m in 2009/2010 to £35.322m in 2013/14. They total 53 in number (excluding school balances). Unlike the General Fund balance, earmarked reserves are funds put aside by the Council for specific purposes. The major earmarked funds at 31/3/2014 relate to equal pay (£3.442m), the insurance fund (£3.802m) and the capital reserve (£2.896m). The much smaller funds include the Open Spaces Rolling Programme of £218k to finance the open spaces strategy and Superfast Broadband of £356k to finance project related costs in 2014/15.

The General Fund balance has remained fairly constant between 2009/10 and 2013/14, rising by just under £1.5m over the 5 year period. At 31 March 2014 the General Fund balance of £8.646m amounts to just over 7% of the Council's net cost of services for the year (£121.930m) and just under 8% of the net budget requirement (£108.243m).

# Key Indicators of Financial Performance

## School Balances to Dedicated Schools Grant (DSG) - Trend

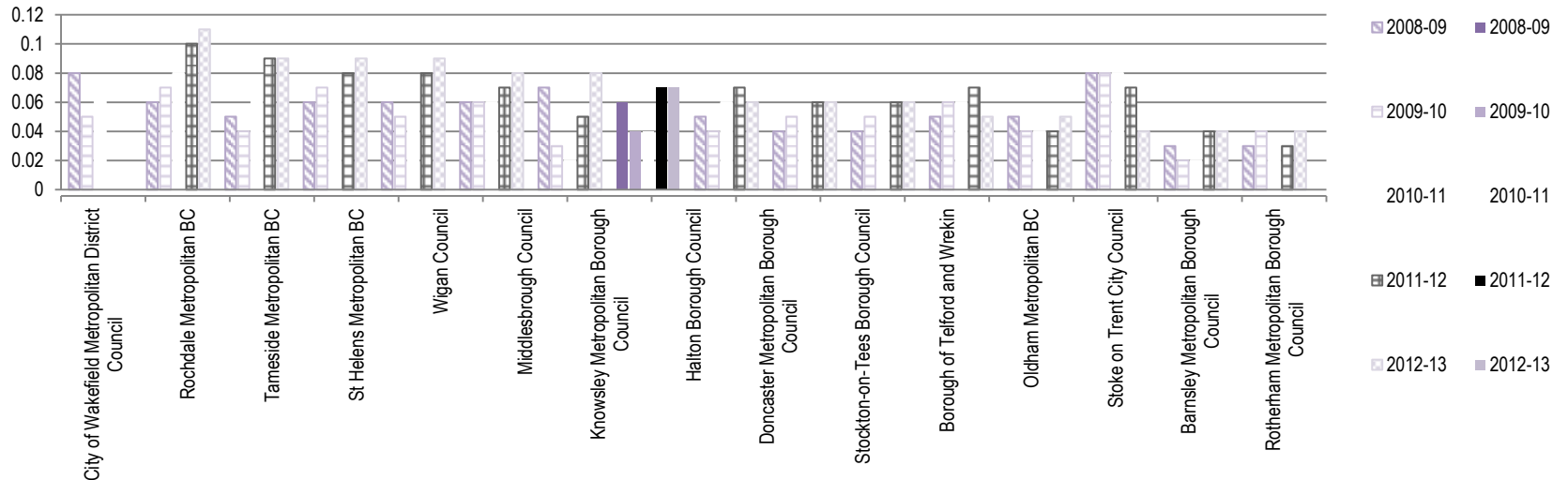
### Definition

This shows the share of schools balances in relation to the total DSG allocation received for the year. For example a ratio of 0.02 means that 2 per cent of the total DSG allocation remained unspent at the end of the year.

### Findings

The Council has a schools balances to DSG ratio in 2012/13 of 7%. The ratio has varied over the past five years from 7% in 2011/12 and 2012/13 to 4% in 2009/10 and 2010/11. Halton's 2012/13 ratio of 7% is at the average (6.7%) for the nearest neighbours group with eight neighbouring authorities having a lower ratio. The lowest ratio for the group is Bolton MBC, Rotherham MBC and Barnsley MBC with 4%. In 2013/14 the ratio was 6.5%.

**Schools Balances to Dedicated Schools Grant ratio - trend [order of 2012-13 value]**







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**REPORT TO:** Business Efficiency Board  
**DATE:** 24th September 2014  
**REPORTING OFFICER:** Operational Director, Finance  
**PORTFOLIO:** Resources  
**SUBJECT:** 2013/14 Grant Certification Work Plan  
**WARD(S):** Borough-wide

## **1.0 PURPOSE OF REPORT**

1.1 The purpose of this report is to update the Business Efficiency Board on the work the Council's External Auditor (Grant Thornton) will undertake on certification of claims for grant the Council has been in receipt of during 2013/14.

## **2.0 RECOMMENDED that;**

- (i) **That the report titled Grant Claim and Returns Certification Work Plan for Halton Borough Council is noted and approved by the Business Efficiency Board**

## **3.0 BACKGROUND**

- 3.1 Various grant paying bodies require external certification of claims for grant or subsidy and returns of financial information. The Audit Commission makes certification with grant paying bodies, Grant Thornton acting as the Council's external auditor undertake the grant certification work acting as an agent for the Audit Commission.
- 3.2 The level of work required for certification is dependent on value of the grant claims. For claims under £125k no certification is required, between £125k and £500k limited tests are required but anything over £500k a more detailed level of testing is required.
- 3.3 The introduction to the report gives a summary to the expected claims & returns for the year ended 31<sup>st</sup> March 2014 as identified by the Council.
- 3.4 The indicative fee for the cost of works for expected claims & returns is £10,173, this is subject to final confirmation. Where claims require amendment, are qualified, or staff resource and working papers are not available to support the certification, the cost may increase.

**4.0 POLICY IMPLICATIONS**

4.1 None.

**5.0 OTHER IMPLICATIONS**

5.1 None.

**6.0 RISK ANALYSIS**

6.1 There is a risk of clawback or withholding of funds if the grant claims or returns are not certified by the external auditor without qualification.

# Grant claim and returns certification work plan for Halton Council

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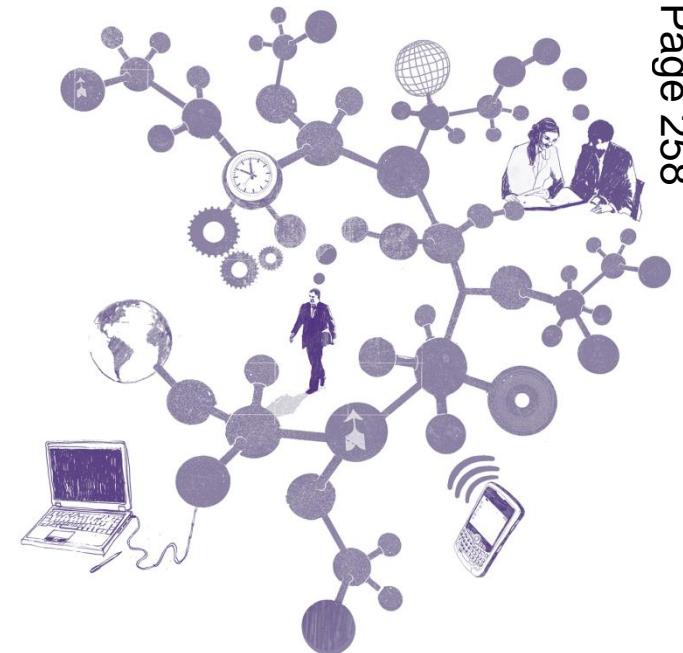
**Year ended 31 March 2014**

11 September 2014

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# Our approach to certification work

## Introduction

As the Council's appointed external auditor, we undertake grant certification work acting as an agent of the Audit Commission. This certification typically takes place six to nine months after the claim period and represents a final but important part of the process to confirm the Council's entitlement to funding.

In 2012/13 we certified 4 claims and returns acting as agent of the Audit Commission, relating to expenditure of £126 million. In 2013/14 we plan to certify three claims:

- Housing Benefit Subsidy Return (BEN01)
- Local Transport Plan Major Projects – Silver Jubilee Bridge (TRA11)
- Local Transport Plan Major Projects – Mersey Gateway Bridge (TRA11)

The claim for the Pooling of Capital Receipts does fall within the agency arrangements but for Halton Council this year it falls under the de-minimis threshold of £125,000 and as such, does not require certification.

Last year we certified two claims that are no longer under the Audit Commission agency arrangement:

- National Non-Domestic Rates Return; and
- Teachers' Pensions Return.

This plan summarises our overall approach to the certification process under the Audit Commission agency arrangements.

## Approach and context to certification under the Audit Commission agency arrangement

Arrangements for certification are prescribed by the Audit Commission, which agrees the scope of the work with each relevant government department or agency, and issues auditors with a Certification Instruction (CI) for each specific claim or return. The Audit Commission has agreed with government departments that for claims and returns:

- below £125,000 - no certification;
- above £125,000 and below £500,000 - agreement to underlying records;
- over £500,000 - agreement to underlying records and assessment of control environment. Where full reliance cannot be placed, detailed testing.

# Our approach to certification work

## 2013/14 programme

The main claim which requires certification at Halton Council for 2013/14 is the Housing Benefit Subsidy claim.

## Our approach to Housing Benefit Subsidy certification work

The Department for Work and Pensions (DWP) requires external certification of the Housing Benefit Subsidy claim each year. The Audit Commission agrees certification arrangements with the DWP and issues a certification instruction. The arrangements include the deadline for submission of each claim by authorities (30 April 2014) and the deadline for certification by auditors (28 November 2014).

## Role of all parties

The table below summarises the respective roles and responsibilities of the parties involved in the certification process.

Party	Role & responsibility
DWP	Sets conditions of subsidy and deadline for submission for pre-certified and certified claims
Audit Commission	Issues certification instruction ('BEN01') for auditor work
Council	Submits claim for certification to the Appointed Auditor within DWP submission deadlines
Appointed Auditor	Certifies claim in accordance with Audit Commission certification instruction and within certification deadline

The Council's role is set out in more detail below:

- the Divisional Manager – Financial Management is responsible for ensuring that supporting accounting records are sufficient to document the transactions for which claims are made. These records should be maintained in accordance with proper practices and kept up to date, including records of income and expenditure in relation to the Housing Benefit Subsidy claim
- the Council should ascertain the requirements of schemes at an early stage to allow those responsible for incurring eligible expenditure to assess whether it falls within the scheme rules and to advise those responsible for compiling claims and returns to confirm any entitlement
- the Council should ensure all deadlines for interim and final claims are met to avoid sanctions and penalties from grant paying bodies
- the DWP requires the Council's certificate to be given by an appropriate senior officer. This is typically the Operational Director – Finance (the section 151 officer) or an officer authorised by written delegated powers
- the Council should monitor arrangements with any third parties involved in the certification process.

## Our approach to Local Transport Plan Major Projects certification work

The roles and responsibilities of all parties is similar to that for the Housing Benefit Subsidy certification work.

The Department for Transport (DfT) requires annual certification of grant-funded expenditure and final certification once the managing authority has submitted its final grant claim. The Audit Commission agrees certification arrangements with the DfT and issues a certification instruction. The arrangements include the deadline for submission of each claim by authorities (30 September 2014) and the deadline for certification by auditors (31 December 2014).

## Claims history

The most significant claims and returns in 2012/13, relating to expenditure of £126 million, were:

- Housing and Council Tax Benefits Return;
- National Non-Domestic Rates Return;
- Teachers Pensions Return; and
- Local Transport Plan Major Projects – Silver Jubilee Bridge.

Due to changes in government funding, there will be no certification under the Audit Commission regime of council tax benefit (previously part of the Housing and Council Tax Benefits Scheme and two claims no longer fall under the Audit Commission agency arrangement:

- National Non-Domestic Rates Return – the Department for Communities and Local Government no longer requires this to be certified by an external auditor.
- Teachers' Pensions Return – this return no longer comes within the Audit Commission agency arrangement but Teachers' Pensions, on behalf of the Department for Education, still require an independent certification by an external auditor. We will agree a separate engagement letter with you and complete the certification work in accordance with the certification instructions issued by Teachers' Pensions.

## Our certificate

Following our work on each claim or return, we issue our certificate. The wording of this states that the claim is fairly stated and in accordance with the relevant terms and conditions. Our certificate also states that the claim has been certified:

- without qualification;
- without qualification but with agreed amendments incorporated by the Council; or
- with a qualification letter (with or without agreed amendments incorporated by the Council).

Where a claim is qualified because the Council has not complied with the strict requirements set out in the department's terms and conditions, there is a risk that it will retain funding claimed by the Council or claw back funding which has already been provided or has not been returned.

In addition, where the claim requires amendment or is qualified, this increases the time taken to undertake this work, which may impact on the certification fee.

## Certification work fees

The Audit Commission sets an indicative fee for grant claim certification based on the 2011/12 actual certification fees for each council. In our fee letter dated 15 April 2013 the indicative fee for the Council was £12,000. This fee has now been subject to revision by the Audit Commission as certification of council tax benefit is no longer required as part of the Housing Benefit Subsidy scheme and certification of the National Non-Domestic Rates Return is not required at all. Our latest estimate of the fee is £10,173 (this was based on one Local Transport Plan Major Projects claim and will be subject to confirmation of the programme).

The fee is based on the following assumptions:

- there will be no change in the scope of our work due to the control environment in place during the year;
- the Council provides adequate working papers to support each entry in the claim; and
- the Council's staff are available to deal with our queries in a timely manner and provide such explanations and supporting evidence necessary to support entries.

Where there is any significant variation from these assumptions, we will discuss a variation to the indicative scale fee with the Council and the Audit Commission.



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## Administration

When the claim is completed, a copy of the signed claim should be sent to Liz Temple-Murray at the following address:

**Grant Thornton UK LLP**  
**Royal Liver Building**  
**Liverpool**  
**L3 1PS**

The **original** claim should be retained by the Council.

## Managing the certification process – our role

- We intend to certify claims and returns in accordance with the deadlines set by the Audit Commission. If we receive the claim or return after the Council's submission deadline, we will endeavour to certify it within the Audit Commission deadline but, where this is not possible, within three months from receipt
- A copy of the certified claim will be sent to the relevant named contact when the certification process is complete, along with a copy of the qualification letter, where applicable
- Copies of the certification instruction can be provided on request
- We expect to complete the certification work by the following dates:
  - Housing Benefit Subsidy Return (BEN01) - 28 November 2014;
  - Local Transport Plan Major Projects – Silver Jubilee Bridge (TRA11) – 31 December 2014; and
  - Local Transport Plan Major Projects – Mersey Gateway Bridge (TRA11) – 31 December 2014.
- We will issue a grant certification report highlighting any issues that need to be brought to the Council's attention following the latest certification deadline.



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**REPORT TO:** Business Efficiency Board

**DATE:** 24 September 2014

**REPORTING OFFICER:** Strategic Director – Policy & Resources

**SUBJECT:** External Audit - Update Report

**PORTFOLIO:** Resources

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

### **1.0 PURPOSE OF REPORT**

- 1.1 The purpose of this paper is for Grant Thornton to update the Board in regards to:
- Progress made in delivering their responsibilities as the Council's external auditors;
  - A summary of national issues, developments and emerging issues which may be relevant to the Council.

### **2.0 RECOMMENDATION: That the report be noted.**

### **3.0 SUPPORTING INFORMATION**

- 3.1 Grant Thornton will attend the meeting to present their report, which is shown in the Appendix.

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

- 4.1 There are none.

### **5.0 IMPLICATIONS FOR THE COUNCIL'S PRIORITIES**

- 5.1 There are none.

### **6.0 RISK ANALYSIS**

- 6.1 This report is for information only. There are no risks arising from it.

### **7.0 EQUALITY AND DIVERSITY ISSUES**

- 7.1 There are none.

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

- 8.1 There are none under the meaning of the Act.

# Business Efficiency Board Update

## Halton Council

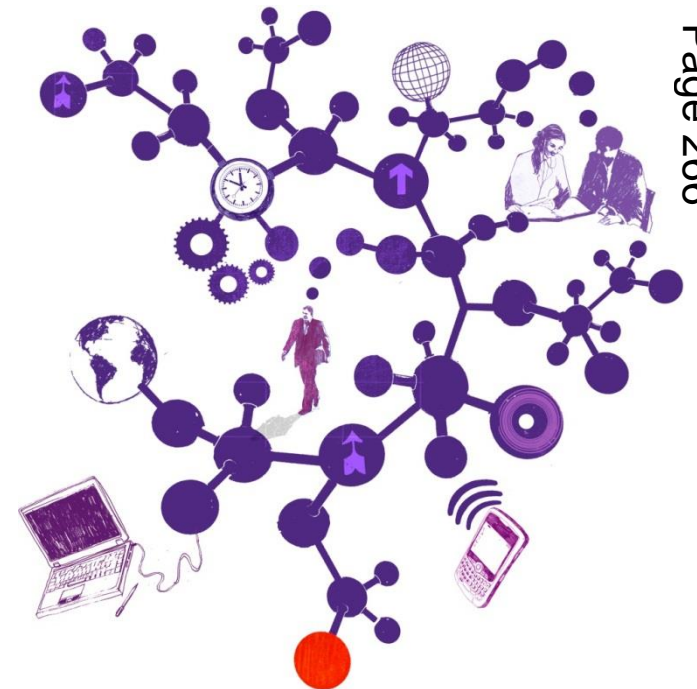
**Year ended 31 March 2014**

11 September 2014

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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect your business or any weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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# Introduction

This paper provides the Business Efficiency Board with a report on progress in delivering our responsibilities as your external auditors. The paper also includes:

- a summary of emerging national issues and developments that may be relevant to you; and
- a number of challenge questions in respect of these emerging issues which the Board may wish to consider.

Members of the Business Efficiency Board can find further useful material on our website [www.grant-thornton.co.uk](http://www.grant-thornton.co.uk), where we have a section dedicated to our work in the public sector (<http://www.grant-thornton.co.uk/en/Services/Public-Sector/>). Here you can download copies of our publications including:

- Working in tandem, local government governance review 2014, our third annual review, assessing local authority governance, highlighting areas for improvement and posing questions to help assess the strength of current arrangements
- 2016 tipping point? Challenging the current, summary findings from our third year of financial health checks of English local authorities
- Local Government Pension Schemes Governance Review, a review of current practice, best case examples and useful questions to assess governance strengths
- Responding to the challenge – Alternative Delivery Models in Local Government

If you would like further information on any items in this briefing, or would like to register with Grant Thornton to receive regular email updates on issues that are of interest to you, please contact either your Engagement Lead or Audit Manager.

Mike Thomas, Engagement Lead T 0161 214 6368 M 07880 456 173 E [mike.thomas@uk.gt.com](mailto:mike.thomas@uk.gt.com)  
Liz Temple-Murray, Engagement Manager M 07880 456 171 E [liz.m.temple-murray@uk.gt.com](mailto:liz.m.temple-murray@uk.gt.com)

# Progress at 11 September 2014

Work	Planned date	Complete?	Comments
<p><b>2013-14 Accounts Audit Plan</b> We are required to issue a detailed accounts audit plan to the Council setting out our proposed approach in order to give an opinion your 2013-14 financial statements.</p>	April 2014	Yes	The Audit Plan that summarises the findings of our audit planning and our approach to the audit of the Council's accounts and Value for Money (VfM) was circulated to the Board.
<p><b>Interim accounts audit</b> Our interim fieldwork visit includes:</p> <ul style="list-style-type: none"> <li>• updating our review of the Council's control environment</li> <li>• updating our understanding of financial systems</li> <li>• review of Internal Audit reports on core financial systems</li> <li>• early work on emerging accounting issues</li> <li>• early substantive testing</li> <li>• developing our risk assessment for our Value for Money conclusion work.</li> </ul>	November 2013 to April 2014	Yes	Our interim fieldwork is complete. Our findings were included in the Audit Plan circulated to the Board.
<p><b>2013-14 final accounts audit</b> Including:</p> <ul style="list-style-type: none"> <li>• audit of the 2013-14 financial statements</li> <li>• proposed opinion the Council's accounts</li> <li>• considering the impact of the final accounts audit work for our VFM Conclusion</li> <li>• Whole of Government Accounts</li> </ul>	June to September 2014	In progress	Our Audit Findings (Report to those charged with governance) is included in the papers for this Board. This sets out the findings of our accounts audit and VfM work for the consideration of those charged with governance.



# Progress at 11 September 2014

Work	Planned date	Complete?	Comments
<p><b>Value for Money (VfM) conclusion</b></p> <p>The scope of our work to inform the 2013/14 VfM conclusion comprises the consideration of two criteria:</p> <ul style="list-style-type: none"> <li>proper arrangements in place for securing financial resilience.</li> <li>proper arrangements for challenging how it secures economy, efficiency and effectiveness.</li> </ul>	January to September 2014	In progress	We have completed our detailed work and our Audit Findings Report contains a summary of the audit. We have also produced a more detailed VfM report that is included in the papers for this Board.
<p><b>Other areas of work – certification of government grant claims under the Audit Commission regime.</b></p> <p>We will certify your 2013-14 government grant claims under the arrangements prescribed by the Audit Commission.</p>	February to November 2014	In progress	We have started our grant certification work on the Housing Benefit Subsidy Return and will shortly be starting our work on the Local Transport Plan Major Projects grants. Our Grant claims and returns certification plan is included in the papers for this Board.
<p><b>Other areas of work</b></p> <p>You asked us to provide a report on a number of claims that do not fall under the Audit commission regime:</p> <ul style="list-style-type: none"> <li>- independent report on RGF claim</li> <li>- independent report on Teachers' Pensions return</li> </ul>	Various	Yes	<ul style="list-style-type: none"> <li>RGF Claim - Unqualified report given February 2014.</li> <li>Teachers' Pensions return – awaiting department's grant instructions; we will shortly submit an engagement letter.</li> </ul>
<p><b>Other activity undertaken</b></p> <p>Other service lines within Grant Thornton UK LLP have undertaken VAT advice and Employee Solutions work for the Council.</p>	On-going	Complete	

# CIPFA updates and consultations

## Accounting and audit issues

### Code of practice on local authority accounts changes – have your say

At the end of July, CIPFA/LASAAC released the [2015/16 Code of Practice on Local Authority Accounting in the United Kingdom](#) (the Code) Exposure Draft (ED) and Invitation to Comment (ITC) for public consultation. The changes proposed in the ITC include:

- IFRS 13 fair value measurement: the proposed approach would result in remeasurement of property, plant and equipment assets that do not provide service potential for the authority. IFRS 13 also applies to assets and liabilities covered by those IFRS standards that currently permit or require measurement at fair value (with some exceptions) and will have an impact on the reporting of, for example, financial instruments and investment properties.
- Other amendments to IFRSs: including the accounting treatment of pensions' contributions
- IFRIC 21 Levies (ie levies imposed by governments)
- other minor and drafting amendments.

The consultation closes on Friday 10 October 2014.

### Simplifying and streamlining the accounts

CIPFA/LASAAC have also launched a second stage consultation on [simplifying and streamlining the presentation of local authority financial statements](#). This consultation closes on Friday 19 September 2014.

### CIPFA LAAP updates

CIPFA has issued the following Local Authority Accounting Panel (LAAP) Bulletins:

- [LAAP bulletin 99](#) Local Authority Reserves and Balances – provides guidance on the establishment and maintenance of local authority reserves and balances.
- [LAAP bulletin 100](#) Project Plan for Implementation of the Measurement Requirements for Transport Infrastructure Assets by 2016/17 – provides an outline project plan to help authorities looking to develop their own project plans for the implementation of the 2016/17 Code requirements for accounting for infrastructure assets.

# The dynamics of local growth

## Grant Thornton

### Where Growth Happens

Our national report 'Where Growth Happens' published on 2 September is available at: <http://www.grant-thornton.co.uk/en/Services/Public-Sector/>

As the UK emerges from recession, increasing attention is being given, both nationally and locally, as to how to accelerate economic sector growth. Our report presents the findings of research undertaken by our Place Analytics team on the dynamics of local growth. It will give FDs and CEOs of local authorities and LEAs:

- an insight into the geographic areas of high growth and dynamic growth (ie the quality of growth)
- an understanding of the characteristics of both growing and dynamic places to help frame policy and sustain future growth
- an understanding of growth corridors and their implications, not only for UK policy makers, but also for those locally sitting within and outside the corridors
- an insight into the views of different leaders charged with making growth happen in their locality.

The report provides a ranking of English cities according to their economic growth over an eight year period (2004 – 2012). Outside of London – which maintains eight of the top 10 best performing districts overall – it places Manchester, Birmingham and Brighton and Hove in the top three, as measured by economic, demographic and place (dwelling stock and commercial floor space) growth.

The analysis also assesses the quality of local growth - or 'dynamism' - to identify areas with a vibrant and dynamic economy capable of supporting future expansion, based on five key drivers. London again tops the ranking, with nine out of the top 10 dynamic growth areas. Outside the capital, Cambridge, Reading and Manchester top the list of future sustainable growth.

Based on this analysis of past progress and future prospects, our report reveals a number of 'growth corridors' – functional and large scale local economic areas in England – which are playing a significant role in the country's overall growth levels. Though predominantly stemming from London, the intra-city growth corridors include a number of other large cities at their core, creating a network of key strategic linkages between high growth and dynamic areas.

Hard copies of our report are available from your Engagement Lead or Engagement Manager.

# Good practice in councils' approaches to delivering affordable housing

## Grant Thornton

### New routes to housing development

We have issued the first in a series of good practice papers on topical issues for local government.

This paper considers good practice in councils' approaches to delivering affordable housing. Until recently, local authorities have acted as an enabler of new affordable housing; increasingly they are now undertaking a direct delivery role. Delivery routes vary and must be structured with the council's objectives and capacity in mind as there is no 'one size fits all' approach. The paper considers the benefits and challenges of council owned housing companies, including:

- Setting and delivering objectives
- Identifying optimal funding routes
- Assessing viability and working with others

The paper stresses the importance of a properly developed business case and business plan to support the setting up of a housing company.

Copies of our good practice paper are available from your Engagement Lead or Engagement Manager.

# Anti - fraud and corruption update

## Grant Thornton

Key current issues include:

**Single Fraud Investigation Service (SFIS)** - The SFIS will bring together all investigative capacity in relation to benefits and tax credits under the control of the Department of Work and Pensions. However a number of local authorities have expressed concern that such a transfer will cause them to lose the capacity to readily investigate other issues such as employee fraud and corruption allegations.

**Corruption risk** - In 2013 Transparency International (TI), the world's leading non-governmental anti-corruption organisation, published a report on corruption in UK Local Government. It identified twelve key risk areas covering public procurement, control over outsourced services, personnel transferring between local authorities and companies bidding to provide services, planning issues, collusion in housing fraud and manipulation of electoral registration. TI expressed concern that audit committees were unable to fulfil the function of reducing risks in many authorities.

**Non-benefits fraud** - There are striking differences between the identification of benefit and non-benefit fraud within local government. The Audit Commission has reported that 79 district councils did not detect a single non-benefit fraud whereas only 9 councils among all London boroughs, metropolitan districts and unitary authorities reported non-benefit frauds. Procurement fraud in particular is consistently estimated as accounting for the largest losses to fraud within local government. In its most recent Protecting the Public Purse publication the Audit Commission estimated annual losses at £876 million, representing 1% of total procurement spend.

Our Forensic Investigation Services provide a range of services to local authorities including fraud prevention and detection. If you are interested in a further discussion on these areas please contact your Engagement Lead or Engagement Manager.

# Digital reporting of local government public meetings

## Local government guidance

### Right to report

The Local Government Minister signed a signed a Parliamentary order on 6 August 2014 allowing the press and public to film and digitally report from all public meetings of local government bodies. The new rules will apply to all public meetings, including town and parish councils and fire and rescue authorities. The Local Government Secretary, Eric Pickles, said:

*"Half a century ago, Margaret Thatcher championed a new law to allow the press to make written reports of council meetings. We have updated her analogue law for a digital age... This will change the way people see local government, and allow them to view close up the good work that councillors do"*

# A strategic approach to managing council property assets

## Local government guidance

### Managing council property assets

The Audit Commission has issued its briefing paper **Managing Council Property Assets: Using Data from the VFM Profiles**

In the paper the Audit Commission:

- advocates that councils should be active and strategic managers of their estates – understanding property markets and asking questions about the properties they own or lease,
- prompts councils to consider whether assets are in the right place, whether they should keep, sell, or transfer them, and how much they should invest in building, buying and maintaining property,
- invites local authorities to balance the value realised through sales of surplus assets, against the cost of maintaining them.

The background to the briefing is the collation of information from the government's capital outturn return which identifies that the local government estate has a net book value of £169.8 billion of which £2.5 billion have been classified as 'surplus' assets. In this context the Audit Commission is calling on councils to ensure they have a strategic approach to managing these assets, in order to get the best value for money they can from this portion of the local government estate. The Audit Commission Chair, Jeremy Newman said:

*"we are neither advocating that local government starts a wholesale sell-off of their land and property nor are we suggesting councils shouldn't spend money on buying assets or on investment to improve their existing property. What we are highlighting is a group of assets that do not provide immediate benefit to local communities, but still require councils to spend money on maintaining them. These assets have potential value for councils. While not all such land or buildings may be sellable, councils should consider how much value they gain from surplus assets and how this could be increased. I urge councils to use the data held in the Commission's 'Value for Money (VFM) Profiles Tool', such as spending on and value of land and property assets and 'surplus' assets, alongside their unique and detailed local knowledge, to regularly review if their estate is fit-for-purpose."*

# Data matching identifies another £229 million of fraud, overpayment or error

## Local government guidance

### The National Fraud Initiative

On 12 June 2014 the Audit Commission released its national report, [The National Fraud Initiative \(NFI\): National Report \(June 2014\)](#) highlighting that its data matching exercise has identified a further £229 million of fraud, overpayment or error in England, Scotland, Wales and Northern Ireland, since it last reported in May 2012. The Chairman of the Audit Commission, Jeremy Newman said;

*"We publish a report from the NFI every two years and continue to produce great results. The national figure for identified fraud, error and overpayment, that would otherwise be lost to the taxpaying public, is down by £46 million compared to the previous report although the number of cases has increased by nearly 20 per cent. This is great news if, as we believe, it is due to improving detection rates. However, we cannot be complacent. The more participants in the exercise, the richer the data for everyone involved and the harder it is for fraudsters to hide from detection".*

The Audit Commission's National Fraud Initiative will move to the Cabinet Office in April 2015 to secure the continuation of the counter fraud data matching initiative which over its 18 year history has identified over £1.17 billion in fraud, error and overpayment .





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**REPORT TO:** Business Efficiency Board

**DATE:** 24 September 2014

**REPORTING OFFICER:** Strategic Director - Policy & Resources

**SUBJECT:** External Audit Plan

**PORTFOLIO:** Resources

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

### **1.0 PURPOSE OF REPORT**

1.1 The Audit Plan attached to this report outlines Grant Thornton's audit strategy and plan to deliver the 2013/14 audit. Grant Thornton will attend the meeting to present the plan.

### **2.0 RECOMMENDATION: That the External Audit Plan be noted.**

### **3.0 SUPPORTING INFORMATION**

3.1 The Audit Plan sets out details of:

- Grant Thornton's understanding of the challenges and opportunities that the Council faces;
- Developments relevant to the Council's business and the audit;
- The audit approach and how it complies with International Standards on Auditing;
- Any significant risks of material misstatement which Grant Thornton have identified a result of their audit planning;
- Any other risks of material misstatement which Grant Thornton have identified as a result of their audit planning;
- The approach taken to obtain appropriate audit evidence to express an opinion on whether the group financial statements are prepared in accordance with the applicable financial reporting framework;
- How the conclusion will be reached on whether the Council has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources;
- The findings of the interim audit work, and the impact of the findings on the accounts audit approach;
- Key dates in the audit cycle;
- Fees for the audit;
- Grant Thornton's independence and confirmation that they are able to express an objective opinion on the financial statements;

- How Grant Thornton will communicate with those charged with governance (the Business Efficiency Board).

**4.0 POLICY AND OTHER IMPLICATIONS**

None

**5.0 IMPLICATIONS FOR THE COUNCIL'S PRIORITIES**

None

**6.0 RISK ANALYSIS**

None arising directly from this report.

**7.0 EQUALITY AND DIVERSITY ISSUES**

None

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

There are no background papers under the meaning of the Act.

# The Audit Plan for Halton Council

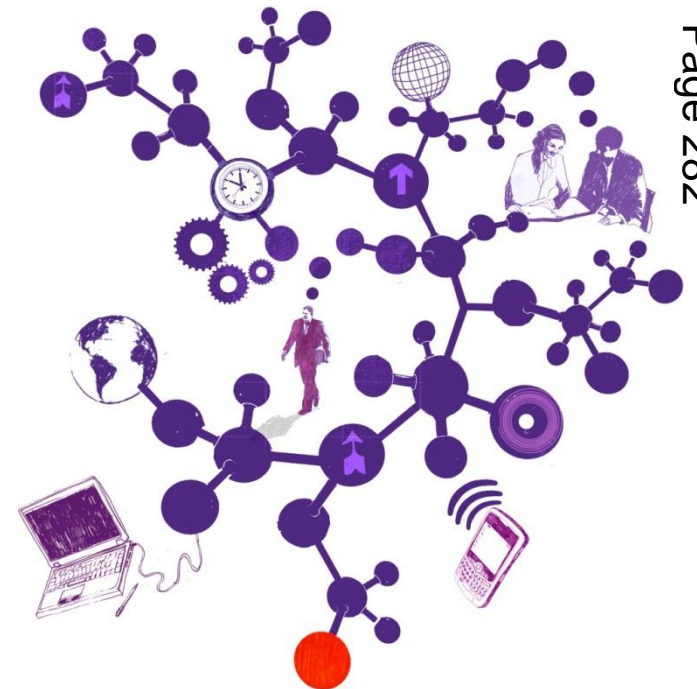
**Year ended 31 March 2014**

June 2014

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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Council or any weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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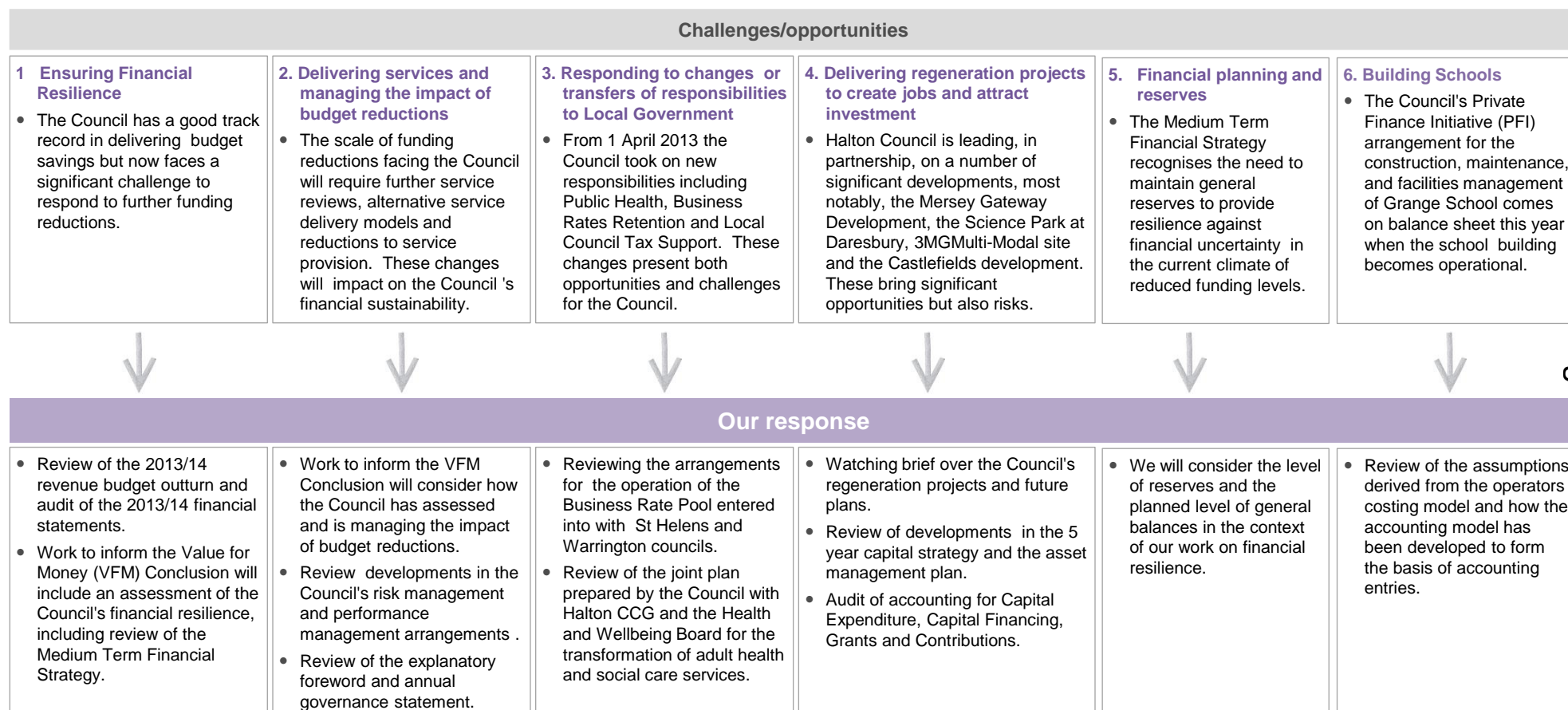
# Contents

## **Section**

1. Understanding your business
2. Developments relevant to your business and the audit
3. Our audit approach
4. Significant risks identified
5. Other risks
6. Value for Money
7. Logistics and our team
8. Fees and independence
9. Communication of audit matters with those charged with governance

# Understanding your business

In planning our audit we need to understand the challenges and opportunities the Council is facing. We set out a summary of our understanding below.



# Developments relevant to your business and the audit

In planning our audit we also consider the impact of key developments in the sector and take account of national audit requirements as set out in the Code of Audit Practice ('the code') and associated guidance.

## Developments and other requirements

### 1. Financial reporting

- Changes to the CIPFA Code of Practice
- Clarification of Code requirements around asset valuations
- Changes to NDR accounting and provisions for business rate appeals
- Transfer of assets to Academies

### 2. Legislation

- Local Government Finance settlement
- Welfare reform Act 2012

### 3. Corporate governance

- Annual Governance Statement (AGS)
- Explanatory foreword

### 4. Pensions

- The impact of 2013/14 changes to the Local Government pension Scheme (LGPSJ).

### 5. Other requirements

- The Council is required to submit a Whole of Government accounts pack on which we provide an audit opinion
- The Council completes grant claims and returns on which audit certification is required

## Our response

We will ensure that

- the Council complies with the requirements of the CIPFA Code of Practice through discussions with management and our audit testing.
- schools are accounted for correctly and in line with the latest guidance,
- accounting estimates are soundly based.

- We will discuss the impact of the legislative changes with the Council through our regular meetings with senior management and those charged with governance, providing a view where appropriate

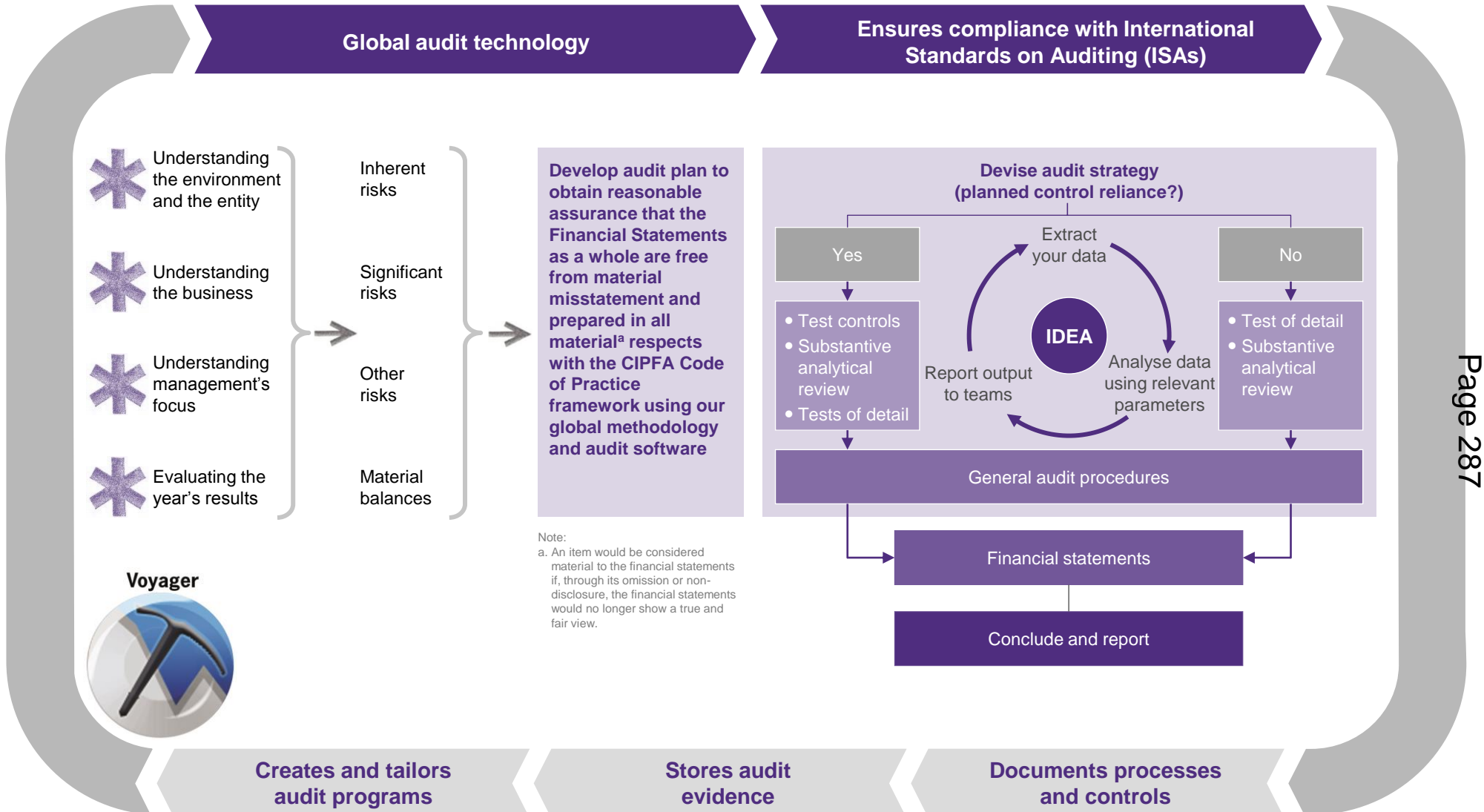
- We will review the arrangements the Council has in place for the production of the AGS
- We will review the AGS and the explanatory foreword to consider whether they are consistent with our knowledge of the Council.

- We will review how the Council dealt with the impact of the 2013/14 changes through our meetings with senior management.
- We will consider the proposals and accounting treatment in accordance with the Pension Fund Regulations.

- We will carry out work on the WGA pack in accordance with requirements
- We will certify grant claims and returns in accordance with Audit Commission requirements



# Our audit approach



# Significant risks identified

'Significant risks often relate to significant non-routine transactions and judgmental matters. Non-routine transactions are transactions that are unusual, either due to size or nature, and that therefore occur infrequently. Judgmental matters may include the development of accounting estimates for which there is significant measurement uncertainty' (ISA 315).

In this section we outline the significant risks of material misstatement which we have identified. There are two presumed significant risks which are applicable to all audits under auditing standards (International Standards on Auditing – ISAs) which are listed below:

Significant risk	Description	Substantive audit procedures
The revenue cycle includes fraudulent transactions	Under ISA 240 there is a presumed risk that revenue may be misstated due to the improper recognition of revenue.	<ul style="list-style-type: none"><li>• Review and testing of revenue recognition policies</li><li>• Testing of material revenue streams</li></ul>
Management over-ride of controls	Under ISA 240 there is a presumed risk that the risk of management over-ride of controls is present in all entities.	<ul style="list-style-type: none"><li>• Review of accounting estimates, judgments and decisions made by management</li><li>• Documentation and review of journals during the interim visit</li><li>• Testing of journal entries at the year end</li><li>• Review of unusual significant transactions</li></ul>

# Other risks identified

The auditor should evaluate the design and determine the implementation of the entity's controls, including relevant control activities, over those risks for which, in the auditor's judgment, it is not possible or practicable to reduce the risks of material misstatement at the assertion level to an acceptably low level with audit evidence obtained only from substantive procedures (ISA 315).

In this section we outline the other risks of material misstatement which we have identified as a result of our planning.

Other reasonably possible risks	Description	Work completed to date during interim visit	Further work planned at post statements visit
Operating expenses	Operating expenses understated or not recorded in the correct period	<ul style="list-style-type: none"> <li>• Documentation of processes and controls</li> <li>• Evaluation and walkthrough of controls</li> <li>• Testing of key controls and /or attributes</li> <li>• Selection of a sample of expenditure items to month 9 for early substantive testing</li> </ul>	<ul style="list-style-type: none"> <li>• Substantive testing of operating expenses from month 9 onwards.</li> <li>• Detailed review and testing of year end accruals and creditor balances.</li> <li>• Top up testing of controls</li> </ul>
Employee remuneration	Employee remuneration accrual understated	<ul style="list-style-type: none"> <li>• Documentation of the processes and controls</li> <li>• Evaluation and walkthrough of controls</li> <li>• Testing of key controls and/or attributes</li> </ul>	<ul style="list-style-type: none"> <li>• Sample test of payroll expenditure at the year end to payroll records.</li> <li>• Test year end accrual including reconciliation between payroll and the SAP general ledger.</li> <li>• Testing of a sample of payroll records</li> <li>• Top up testing of controls</li> </ul>
Welfare Expenditure	Welfare benefit expenditure improperly computed	<ul style="list-style-type: none"> <li>• Documentation of processes and controls</li> <li>• Evaluation and walkthrough of controls</li> </ul>	<ul style="list-style-type: none"> <li>• Agreement to accounts and supporting notes.</li> <li>• Housing Benefit and Council Tax Subsidy Claim testing using Audit Commission HBCOUNT approach.</li> <li>• Reconciliation between Benefits system and the SAP general ledger</li> </ul>

# Other risks identified

The auditor should evaluate the design and determine the implementation of the entity's controls, including relevant control activities, over those risks for which, in the auditor's judgment, it is not possible or practicable to reduce the risks of material misstatement at the assertion level to an acceptably low level with audit evidence obtained only from substantive procedures (ISA 315).

In this section we outline the other risks of material misstatement which we have identified as a result of our planning.

Other reasonably possible risks	Description	Work completed to date during interim visit	Further work planned at post statements visit
Property, Plant & Equipment	PPE activity not valid	<ul style="list-style-type: none"> <li>• Test to confirm the operation of the system and controls</li> <li>• Evaluation and walkthrough of controls.</li> </ul>	<ul style="list-style-type: none"> <li>• Substantive testing of PPE movements during the year.</li> <li>• Agreement to accounts and supporting notes.</li> <li>• Sample test of PPE additions and disposals, including compliance with capitalisation requirements.</li> </ul>
Property, Plant & Equipment	Revaluation measurement not correct	<ul style="list-style-type: none"> <li>• Documentation of processes and controls.</li> </ul>	<ul style="list-style-type: none"> <li>• Test of the revaluation cycle, including instructions to the valuer and the valuer's report.</li> <li>• Review of the analysis which demonstrates that the value of assets in the Council's balance sheet is not materially different from the amount that would be given by a full valuation carried out on 31 March 2014.</li> <li>• Test of depreciation and impairments, including evidence of review of Useful Economic Lives and mathematical accuracy.</li> <li>• Test of surplus or deficit on disposal.</li> </ul>
Debt including PFI	Debt obligations not reflected properly	<ul style="list-style-type: none"> <li>• Documentation of processes and controls.</li> </ul>	<ul style="list-style-type: none"> <li>• Review valuation and disclosure</li> <li>• Review of model for new scheme</li> </ul>

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# Group audit scope and risk assessment

ISA 600 requires that as Group auditors we obtain sufficient appropriate audit evidence regarding the financial information of the components and the consolidation process to express an opinion on whether the group financial statements are prepared, in all material respects, in accordance with the applicable financial reporting framework.

Component	Significant?	Level of response required under ISA 600	Risks identified	Planned audit approach
Halton Borough Transport	No	Analytical	N/A	Desktop review

# Value for money

## Value for money

The Code requires us to issue a conclusion on whether the Council has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the Value for Money (VfM) conclusion.

Our VfM conclusion is based on the following criteria specified by the Audit Commission:

VfM criteria	Focus of the criteria
The organisation has proper arrangements in place for securing financial resilience	The organisation has robust systems and processes to manage financial risks and opportunities effectively, and to secure a stable financial position that enables it to continue to operate for the foreseeable future
The organisation has proper arrangements for challenging how it secures economy, efficiency and effectiveness	The organisation is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity

We have undertaken a risk assessment to identify areas of risk to our VfM conclusion. We will undertake work in the following areas to address the risks identified. The results of our VfM audit work and the key messages arising will be reported in our Audit Findings report and in the Annual Audit Letter.

The Council has proper arrangements in place for:

- securing financial resilience
- challenging how it secures economy, efficiency and effectiveness in its use of resources



Does the Council have robust systems to manage effectively financial risks and opportunities and secure a stable financial position that enables it to operate for the foreseeable future?  
Is it prioritising its resources with tighter budgets?



Risk-based work focusing on

- arrangements relating to financial governance, strategic financial planning and financial control.
- arrangements for prioritising resources, improving efficiency and productivity.
- proper arrangements to secure economy efficiency and effectiveness, stewardship and governance and reviewing the adequacy of those arrangements

Specifically we will:

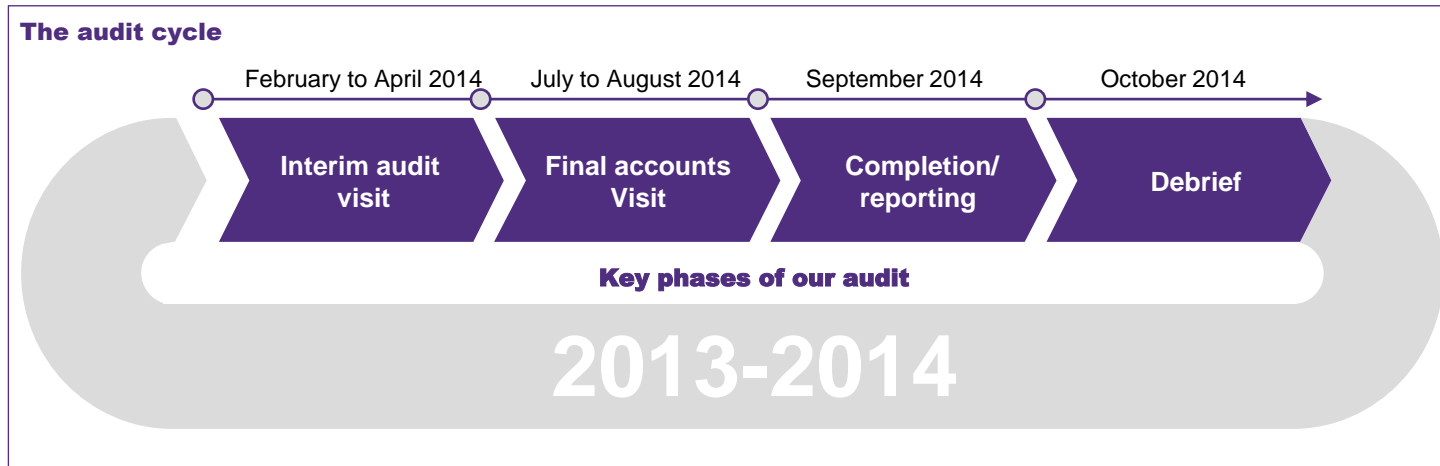
- carry out an initial and then a more detailed risk assessment
- follow-up any issues raised or recommendations made in reports issued by the external auditor.
- review your Annual Governance Statement
- review the results of other relevant regulatory bodies or inspectorates
- carry out a review of Financial Resilience.

# Results of interim audit work

The findings of our interim audit work, and the impact of our findings on the accounts audit approach, are summarised in the table below:

	Work performed and findings	Conclusion
<b>Internal audit</b>	<p>We have reviewed internal audit's overall arrangements in accordance with auditing standards. Our work has not identified any issues which we wish to bring to your attention.</p> <p>We also reviewed internal audit's work on the Council's key financial systems to date. We have not identified any significant weaknesses impacting on our responsibilities.</p>	<p>Overall, we have concluded that the internal audit service continues to provide an independent and satisfactory service to the Council and that internal audit work contributes to an effective internal control environment at the Council</p> <p>Our review of internal audit work has not identified any weaknesses which impact on our audit approach.</p>
<b>Walkthrough testing</b>	<p>We have completed walkthrough tests of controls operating in areas where we consider that there is a risk of material misstatement to the financial statements.</p> <p>Our work has not identified any issues which we wish to bring to your attention. Internal controls have been implemented in accordance with our documented understanding.</p>	<p>Our work has not identified any weaknesses which impact on our audit approach.</p>
<b>Review of information technology controls</b>	<p>Our information systems specialist performed a high level review of the general IT control environment, as part of the overall review of the internal controls system. We have also performed a follow up of the issues that were raised last year.</p>	<p>Our work so far has identified no material weaknesses which are likely to adversely impact on the Council's financial statements.</p>
<b>Journal entry controls</b>	<p>We have reviewed the Council's journal entry policies and procedures as part of determining our journal entry testing strategy. We have not identified any material weaknesses which are likely to adversely impact on the Council's control environment or financial statements.</p>	<p>Our work so far has not identified any significant issues.</p> <p>We will perform detailed testing on journal transactions recorded in the general ledger throughout the year using computer assisted audit techniques (CAATs).</p>

# Key dates



<b>Date</b>	<b>Activity</b>
January	Planning
1 February to 30 April	Interim site visit
June 2014	Presentation of audit plan to those charged with governance
1 July to 31 August	Year end fieldwork
September	Audit findings clearance meeting with Finance
24 September 2014	Report audit findings to those charged with governance (Business Efficiency Board)
30 September 2014	Sign financial statements opinion



# Fees and independence

## Fees

	£
Council audit	139,322
Grant certification	12,000
<b>Total fees (excluding VAT)</b>	<b>151,332</b>

## Our fee assumptions include:

- Supporting schedules to all figures in the accounts are supplied by the agreed dates and in accordance with the agreed upon information request list
- The scope of the audit, and the Council and its activities, have not changed significantly
- The Council will make available management and accounting staff to help us locate information and to provide explanations

## Fees for other services

Non-audit service - Provided directly to Halton Council	Fees £
- Vat advisory services £43,500 across a wide range of different projects	46,615
- RGF Claim Audit Report £3,115	

## Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Auditing Practices Board's Ethical Standards and therefore we confirm that we are independent and are able to express an objective opinion on the financial statements.

Full details of all fees charged for audit and non-audit services will be included in our Audit Findings report at the conclusion of the audit.

We confirm that we have implemented policies and procedures to meet the requirement of the Auditing Practices Board's Ethical Standards.

# Communication of audit matters with those charged with governance

International Standards on Auditing (ISA) 260, as well as other ISAs, prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table opposite.

This document, The Audit Plan, outlines our audit strategy and plan to deliver the audit, while The Audit Findings will be issued prior to approval of the financial statements and will present key issues and other matters arising from the audit, together with an explanation as to how these have been resolved.

We will communicate any adverse or unexpected findings affecting the audit on a timely basis, either informally or via a report to the Council.

## Respective responsibilities

This plan has been prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission ([www.audit-commission.gov.uk](http://www.audit-commission.gov.uk)).

We have been appointed as the Council's independent external auditors by the Audit Commission, the body responsible for appointing external auditors to local public bodies in England. As external auditors, we have a broad remit covering finance and governance matters.

Our annual work programme is set in accordance with the Code of Audit Practice ('the Code') issued by the Audit Commission and includes nationally prescribed and locally determined work. Our work considers the Council's key risks when reaching our conclusions under the Code.

It is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Council is fulfilling these responsibilities.

Our communication plan	Audit plan	Audit findings
Respective responsibilities of auditor and management/those charged with governance	✓	
Overview of the planned scope and timing of the audit. Form, timing and expected general content of communications	✓	
Views about the qualitative aspects of the entity's accounting and financial reporting practices, significant matters and issue arising during the audit and written representations that have been sought		✓
Confirmation of independence and objectivity	✓	✓
A statement that we have complied with relevant ethical requirements regarding independence, relationships and other matters which might be thought to bear on independence.	✓	✓
Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged.		
Details of safeguards applied to threats to independence		
Material weaknesses in internal control identified during the audit		✓
Identification or suspicion of fraud involving management and/or others which results in material misstatement of the financial statements		✓
Non compliance with laws and regulations		✓
Expected modifications to the auditor's report, or emphasis of matter		✓
Uncorrected misstatements		✓
Significant matters arising in connection with related parties		✓
Significant matters in relation to going concern		✓



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**REPORT TO:** Business Efficiency Board

**DATE:** 24<sup>th</sup> September 2014

**REPORTING OFFICER:** Strategic Director – Policy & Resources

**PORTFOLIO:** Resources

**SUBJECT:** Whistle-Blowing Policy

**WARDS:** All

## **1.0 PURPOSE OF THE REPORT**

- 1.1 To seek Business Efficiency Board approval for the roll out of the Councils Whistle-blowing Policy and to approve the reporting of whistle-blowing incidents as part of the annual report from Internal Audit on Fraud and Anti-Corruption Strategy. This policy has already been approved by Council as part of the Constitution.

## **2.0 RECOMMENDATION: That**

1. Business Efficiency Board notes the Policy and attached documentation;
2. Business Efficiency Board approves the proposed methods of raising awareness of the Policy throughout the organisation;
3. That Business Efficiency Board receives an update on Whistle-blowing activity as part of the annual report on the Fraud and Anti-Corruption Strategy.

## **3.0 SUPPORTING INFORMATION**

- 3.1 Individuals working within or for an organisation are often the first to realise that there may be something seriously wrong within it. However, they may not express their concerns because they feel that speaking up would be disloyal to their colleagues or to the organisation. They may also fear harassment or victimisation. In these circumstances it may be easier to ignore the concern rather than report what may just be a suspicion of malpractice.
- 3.2 Whistle-blowing is the term used when someone who works within or for an organisation raises a concern about a possible fraud, crime, danger or other serious risk that could threaten customers, colleagues, the public or the organisation's own reputation. Blowing the whistle is more formally known as 'making a disclosure in the public interest'.
- 3.3 The Whistle-blowing policy sets out the ways in which individuals may raise concerns that they have and explains how those concerns will be dealt with. It also gives protection to the person raising concerns.

- 3.4 The policy applies to all employees and those contractors working for the Council on Council premises, for example, agency staff, builders and drivers. It also covers suppliers and those providing services under a contract with the Council in their own premises, for example, care homes.
- 3.5 This policy has been discussed with HR, Internal Audit and the relevant trade unions and has their support.
- 3.6 Changes to the whistle-blowing regime came into effect following the enactment of the Enterprise and Regulatory Reform Act 2013 (“ERRA 2013”) and ss.17 to 20 of the Enterprise and Regulatory Reform Act 2013 amend the relevant provisions of the Employment Rights Act 1996 to provide that:
- a disclosure will not be protected unless it is, in the reasonable belief of the worker making the disclosure, "in the public interest";
  - a disclosure no longer has to be made "in good faith" to be protected, but an employment tribunal may reduce a worker's compensation by up to 25% if it appears to the tribunal that a protected disclosure was not made in good faith;
  - a worker has the right not to be subjected to a detriment by any act or deliberate omission by another worker employed by his or her employer on the ground that he or she has made a protected disclosure; and
  - A worker has the right not to be subjected to a detriment by any act or deliberate omission by an agent of his or her employer acting with the employer's authority.
- 3.7 The ERRA has also introduced liability for employers for the harassment or victimisation of employee whistle-blowers by their colleagues. An employer will be vicariously liable for any such acts or omissions committed by another worker or an agent. Employees who victimise whistle-blowers may also be personally liable, which means they may become parties to a claim along with the employer and have tribunal awards made against them personally.
- 3.8 The amendment includes a defence for employers in tribunal proceedings if they are able to show they took “all reasonable steps” to prevent the detrimental treatment.

#### **4.0 POLICY OPTIONS**

- 4.1 The changes in the law reflect the importance of having well-drafted and whistle-blowing policies and, as we have done, policies should be amended to encompass these changes. This will also help to show that there is a healthy and open environment at work and one in which the employer actively encourages employees to raise issues informally in the first instance.
- 4.2 In addition to revising whistle-blowing policies to reflect changes relating to ERRA 2013; there are several practical steps employers can also take to protect their organisations against the fallout from whistle-blowing and any consequences arising from it;

- train line manages regarding the operation of the policy, making it clear that harassing or victimising a whistle-blower will lead to disciplinary action;
- ensure that the policy is widely communicated and easily accessible;
- investigate disclosures promptly, keeping whistle-blowers informed as to the progress of the investigation (failing to do so may also lead whistle-blowers to make external disclosures)
- ensure that processes are regularly reviewed and any incidents logged and reported on.

4.3 Ensuring clear communication and awareness of the council's whistleblowing policy, which states explicitly that victimisation and harassment will not be tolerated and will be dealt with under disciplinary procedures, is one way of demonstrating that reasonable steps have been taken by the Council in the event of tribunals and issues relating to vicarious liability for both the Council and its staff.

4.4 It is therefore recommended that Business Efficiency Board approve the wider dissemination of this Policy. This could include:

- Promotion on the Intranet
- Awareness raising through pay slips etc.
- Dissemination together with guidance, to members and managers
- Developing appropriate training around whistleblowing

Business Efficiency Board is asked to approve that Internal Audit and Corporate Policy Team implement the above methods as appropriate.

4.5 It is recommended that all incidents of whistle-blowing (whether leading to formal investigation or not) be recorded by Internal Audit in an appropriate and secure format and that these are reported on to Business Efficiency Board (BEB) as part of the annual report on the Fraud and Anti-Corruption Strategy.

4.6 During 2013/14 there were 3 whistleblowing incidents recorded by Internal Audit (two relating to breaches of confidentiality and one relating to purchasing from an unregistered supplier). However, until now there has not been a centralised system or policy for recording all whistleblowing incidents, meaning that this number is likely to be higher across the authority. This policy seeks to address that deficit by ensuring that all incidents are recorded centrally thereby increasing transparency, improving our data and enabling us to address any issues in a more coordinated way.

4.6 It is also important that use of the policy is reviewed regularly. It is suggested that this takes place on an annual basis by the Corporate Policy Team, in consultation with Legal Services and Internal Audit and in line with the process of refresh the Council Constitution.

## 5.0 POLICY IMPLICATIONS

- 5.1 This policy has been developed taking into account of **The Public Interest Disclosure Act 1998**, which protects whistle- blowers who report concerns, from subsequent harassment, victimisation and other unfair treatment arising out of the disclosure. The Act is incorporated into the **Employment Rights Act 1996**, which already protects employees who take action over, or raise concern about, health and safety at work. It has also taken account of sections of the **Enterprise and Regulatory Reform Act 2013** relating to changes and provisions around protected disclosures.
- 5.2 It is important to know the difference between a 'Whistle-blow' and a 'grievance.' A Whistle-blow has a public interest aspect to it, as it puts at risk others. A grievance by contrast has no public interest factors, as it is a complaint about a particular employment situation. A grievance should be reported using the Grievance Policy, not this policy and this is made clear within the document.
- 5.3 This policy is not a substitute for and does not replace other relevant policies within the Council. Where the concerns raised relate to a breach of one of those policies they will be investigated under that policy. This policy is not intended to be used where other more appropriate procedures are available, for example:
- Disciplinary Procedure
  - Child and Adult Safeguarding Policies and Procedures
  - Dignity at Work Policy
  - Grievance Procedure
  - Single Equalities Scheme
  - Corporate Complaints Policy
- 5.4 This policy forms part of the Council Constitution.

## 6.0 FINANCIAL IMPLICATIONS

- 6.1 Whilst there are no direct implications under the development and implementation of this policy, other than officer time, there may be financial implications arising under any investigations or tribunals arising as a result of a whistle-blow taking place or any compensation awarded.

## 7.0 IMPLICATIONS FOR THE COUNCIL'S PRIORITIES

- 7.1 Whistle-blowing may potentially arise relating to any area of Council activity or across any of the Council's priorities. However, there are no specific implications relating directly to an individual priority.

## 8.0 RISK ANALYSIS

- 8.1 There are issues arising relating to an organisation or individual being held vicariously liable for acts of employees in relation to whistle- blowing. Where

any detriment may be said to have arisen as a result of a whistle-blow, employees may be able to bring a claim against fellow employees and their employer for victimisation. There is a defence available to employers where they have taken reasonable steps to prevent the worker from doing 'that thing' (detriment) or from 'doing anything of that description'. The latter part of the defence is vague but it is similar to discrimination claims and it replicates s.109(4) of the Equality Act 2010.

## **9.0 EQUALITY AND DIVERSITY ISSUES**

- 9.1 Section 19 of the ERRA 2013 inserts sections 47B(1A) to (1E) into the Employment Rights Act 1996 which provide a right for employees not to be subject to detriment at the hands of a co-worker. Although the statement is vague it is similar to that used within discrimination claims and replicates s.109(4) of the Equality Act 2010

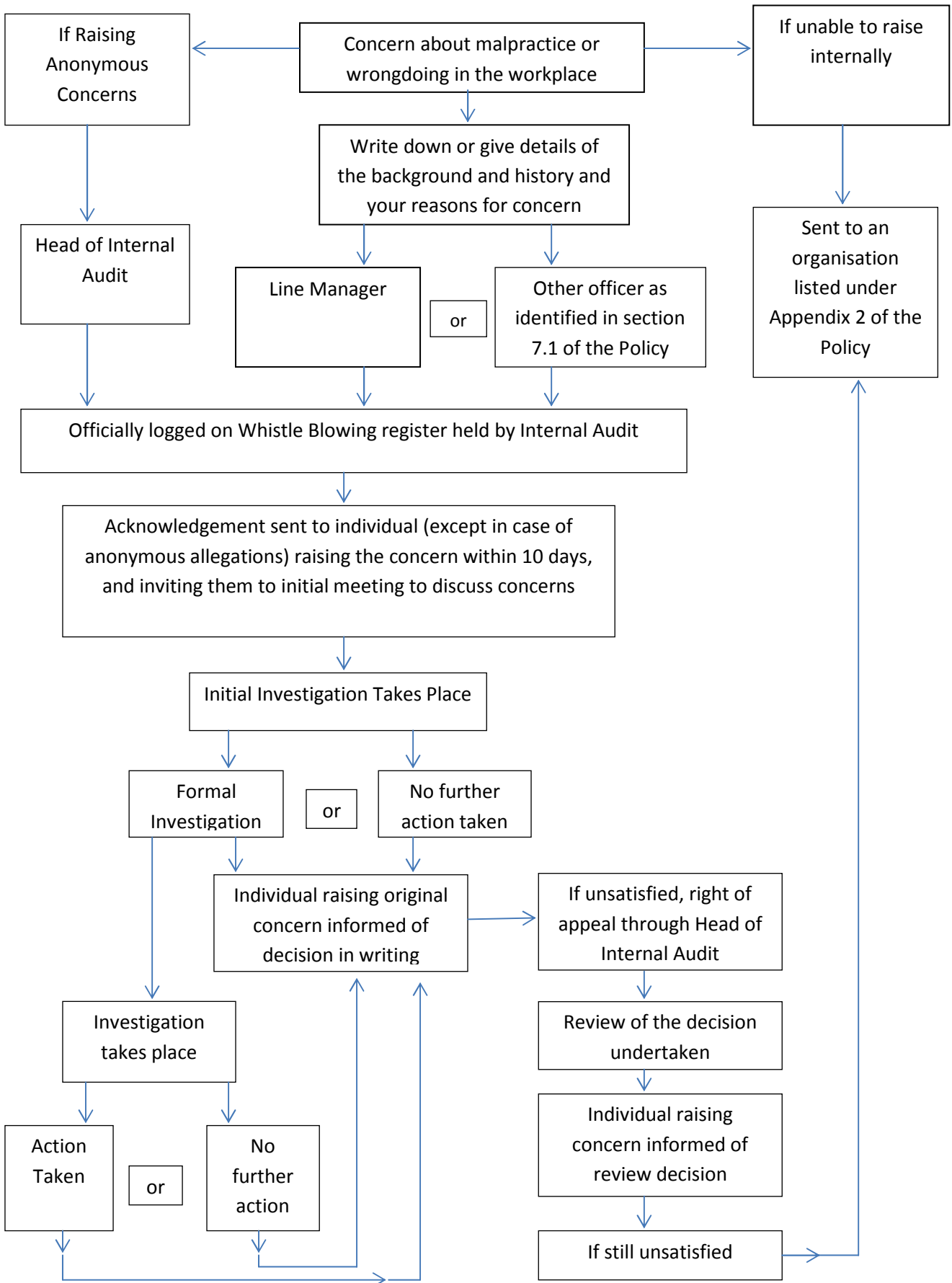
## **10.0 LIST OF BACKGROUND PAPERS UNDER SECTION 100D OF THE LOCAL GOVERNMENT ACT 1972**

<b>Title</b>	<b>Place of Inspection</b>	<b>Officer</b>
Enterprise and Regulatory Reform Act 2013	Municipal Building	Lisa Driscoll
Public Interest Disclosure Act 1998	Municipal Building	Lisa Driscoll
Employment Rights Act 1996	Municipal Building	Lisa Driscoll
Equality Act 2010	Municipal Building	Lisa Driscoll
Council Constitution	Municipal Building	Mark Reaney



**Halton Borough Council Whistle Blowing Policy**

**Flow Chart**



## HALTON BOROUGH COUNCIL

### WHISTLE-BLOWING POLICY

#### 1. INTRODUCTION

- 1.1 Individuals working within or for an organisation are often the first to realise that there may be something seriously wrong within it. However, they may not express their concerns because they feel that speaking up would be disloyal to their colleagues or to the organisation. They may also fear harassment or victimisation. In these circumstances it may be easier to ignore the concern rather than report what may just be a suspicion of malpractice.
- 1.2 Whistle-blowing is the term used when someone who works within or for an organisation raises a concern about a possible fraud, crime, danger or other serious risk that could threaten customers, colleagues, the public or the organisation's own reputation. Blowing the whistle is more formally known as 'making a disclosure in the public interest'.
- 1.3 The Council is committed to the highest possible standards of openness, probity and accountability. In line with that commitment we expect employees, elected members and contractors who have serious concerns about any aspect of the Council's work, to come forward and voice those concerns.
- 1.4 This policy sets out the ways in which individuals may raise concerns that they have and explains how those concerns will be dealt with. It also gives protection to the person raising concerns.
- 1.5 The policy applies to all employees, members, ex-employees (within 3 months of cessation of their employment with Halton Borough Council), volunteers or contractors working for the Council on Council premises, for example, agency staff, builders and drivers. It also covers suppliers and those providing services under a contract with the Council in their own premises, for example, care homes.
- 1.6 This policy has been developed taking into account:
  - The Public Interest Disclosure Act 1998, which protects whistle-blowers who report concerns, from subsequent harassment, victimisation and other unfair treatment arising out of the disclosure. The Act is incorporated into the Employment Rights Act 1996, which already protects employees who take action over, or raise concern about, health and safety at work.
  - The sections of the Enterprise and Regulatory Reform Act 2013 relating to protected disclosures.
- 1.7 This policy has been discussed with the relevant trade unions and has their support.

## **2. AIMS OF THIS POLICY**

### **2.1 This policy aims to:**

- encourage individuals to feel confident in raising serious concerns and to question and act upon concerns about practice and procedures;
- provide avenues for individuals to raise those concerns and receive feedback on any action taken;
- ensure that individuals receive a response to their concerns and are aware of how to pursue them if not satisfied;
- reassure individuals that they will be protected from possible reprisals or victimisation from those working within or for the Council if they have a reasonable belief that they have made any disclosure in good faith.

### **2.2 The Policy of Conduct for Local Government Employees states that**

*“Employees will be expected through agreed procedures and without fear of recrimination to bring to the attention of the appropriate level of management any deficiency in the provision of service. Employees must report to the appropriate manager any impropriety or breach of procedure.”*

### **2.3 This policy supports that statement.**

## **3. SCOPE OF THIS POLICY**

**3.1** It is important to know the difference between a ‘Whistle-blow’ and a ‘grievance.’ A Whistle-blow has a public interest aspect to it, as it puts at risk others. A grievance by contrast has no public interest factors, as it is a complaint about a particular employment situation. A grievance should be reported using the Grievance Policy, not this policy.

**3.2** This policy is not a substitute for and does not replace other relevant policies within the Council. Where the concerns raised relate to a breach of one of those policies they will be investigated under that policy. This policy is not intended to be used where other more appropriate procedures are available, for example:

- Disciplinary Procedure
- Child and Adult Safeguarding Policies and Procedures
- Dignity at Work Policy
- Grievance Procedure
- Single Equalities Scheme
- Corporate Complaints Policy

**3.3** This policy supports the Council's Anti-Fraud and Anti-Corruption Strategy and the Fraud Response Plan. It is intended to help anyone working within or for the Council, if they have major concerns over any wrong-doing within the

organisation, to raise concerns internally rather than overlooking the problem or blowing the whistle externally unless the whistle blower feels that is the most appropriate way. However, the Council will support you in raising a matter externally if you feel this is the best course of action.

3.4 Specific examples of concerns that could be raised under this policy, if a reasonable belief that one or more of them may have occurred, could include:

- Concerns relating to matters covered by internal Council policies and procedures, such as;
- Actions or behaviour that make you feel uncomfortable in terms of falling below established standards of practice or which amount to improper conduct
- Actions in breach of the Council's Standing Orders and policies;
- Damage to the environment;
- Dangerous procedures or practices risking health and safety, including risks to the public, service users and to other employees;
- Other unethical conduct;

Concerns relating to matters that may, following investigation, need to be dealt with under policies and procedures external to the Council, such as;

- Conduct which is a criminal offence or a breach of the law;
- Disclosures related to miscarriages of justice;
- The unauthorised use of public funds;
- Fraud and corruption;
- Sexual or physical abuse of service users;
- Other unethical conduct;

3.5 These are known as qualifying disclosures under the Public Interest Disclosure Act 1998

3.6 This list is not meant to be exhaustive but gives examples of potential malpractice. The overriding concern should be that it is in the public interest for the potential malpractice to be corrected and sanctions taken if need be

3.7 This policy will be referenced where relevant and made available for inspection and use as part of the awarding of any Council contracts.

#### **4. SAFEGUARDS AND PROTECTION**

4.1 The Council recognises that the decision to report a concern can be a difficult one to make. The Council will not tolerate any harassment, victimisation

(including informal pressures), disadvantage, detrimental action or deliberate failure to act. The Council will take appropriate action to protect you when you raise a concern which you have a reasonable belief to be in the public interest and has disciplinary policies, including those on Harassment & Bullying at Work, which are designed to protect Whistle-blowers from all forms of harassment in the workplace.

- 4.2 Any investigation into allegations of potential malpractice will normally not be interrupted by any employment procedures that may already be underway. It is not the Council's intention to delay action taken under the disciplinary or other policies, pending the completion of investigations taken in accordance with this policy, unless the Council considers that the merits of a particular case warrant this, or unless the matter becomes a police matter which prevent further internal processes.
- 4.3 In all cases, the provisions of The Public Interest Disclosure Act (PIDA) will be adhered to. However, the Enterprise & Regulatory Reform Act (ERRA) introduces a Public Interest test requirement on Whistle-blowers. In order to receive the protection of PIDA, whistle-blowers will be required to show that they reasonably believed that the disclosure they are making is in the Public Interest. This should be done through the evidence they present when raising their concern. The procedure for making allegations is set out in Section 7 of this policy. Further information on the ERRA can be found at [www.legislation.gov.uk](http://www.legislation.gov.uk)
- 4.4 If you make an allegation that you reasonably believe to be in the public interest, but it is not confirmed by the investigation, no action will be taken against you. If it is found, however, during the investigation that an allegation has been made vexatiously, maliciously or for personal gain, disciplinary action may be taken against you.
- 4.5 As a whistle blower you are also given legal protection by the Public Interest Disclosure Act 1998. If you make what is known as a "qualifying disclosure" under the 1998 Act to your employer or certain other persons/bodies, and you act reasonably and in the public interest, it will be unlawful to subject you to any detriment.
- 4.6 If your case progresses to an Employment Tribunal, compensation may be awarded to you if the Council breaches the 1998 Act, following a successful claim for 'detrimental treatment'. Compensation may be reduced however if the allegation was not made in good faith.

## **5. CONFIDENTIALITY**

- 5.1 All concerns will be treated in confidence and every effort will be made not to reveal your identity if you so wish (subject to any legal requirements or decisions). This cannot be guaranteed however if you need to come forward as a witness. For example, if a hearing is needed, either by law, or under a

Council procedure, the employee disclosing the concern may be required to give evidence.

- 5.2 The employee disclosing a concern should ensure that they only inform the person(s) identified in part 7 below.
- 5.3 If the nature of the whistle blow requires disclosure to other people to conduct an investigation, then the employee who originally disclosed this will be informed.

## **6. ANONYMOUS ALLEGATIONS**

- 6.1 This policy encourages you to put your name to your allegation and receive the protection of PIDA whenever possible. Concerns expressed anonymously are much less powerful but will be considered where there is enough detail to justify further investigation.
- 6.2 Any anonymous concerns or allegations received under this policy will be referred to the Head of Internal Audit and will be logged and investigated as far as possible under the process outlined in section 8 of this policy.

## **7. HOW TO RAISE A CONCERN**

- 7.1 As a first step, you should normally raise concerns with your immediate manager or their manager. This depends, however, on the seriousness and sensitivity of the issues involved and who is suspected of the malpractice. For example, if you believe that your own manager is involved, you should approach one of the following:
  - Operational Director and Monitoring Officer (Legal and Democratic Services);
  - Strategic Director – Policy and Resources
  - Head of Internal Audit
  - Chair of the Standards Committee (who can be contacted by a letter addressed to the Chair of the Standards Committee and sent to the Municipal Building, Kingsway, Widnes, WA8 7QF)
- 7.2 These individuals may also provide advice and guidance on matters of concern under this policy.
- 7.3 Concerns may be raised verbally or in writing. Individuals who wish to make a written report are invited to use the following format:
  - the background and history of the concern (giving relevant dates);
  - the reason why you are particularly concerned about the situation.

- 7.4 The earlier you express the concern the easier it is to take action. Although you are not expected to prove beyond doubt the truth of an allegation, you will need to demonstrate to the person contacted that there are reasonable grounds for your concern.
- 7.5 You may invite your trade union, professional association representative or a colleague to be present during any meetings or interviews in connection with the concerns you have raised.
- 7.6 Wherever possible you should report your concerns or allegations internally. If you are unwilling or unable to report the matter internally there are a number of other agencies you may be able to report your concerns to and which can be accessed at the following link:
- [List of prescribed people and bodies](#)
- 7.7 The full of prescribed people and bodies is included at Appendix 2 of this policy as published on the intranet.

## **8. HOW THE COUNCIL WILL RESPOND**

- 8.1 The Council will respond to and investigate your concerns. All allegations and concerns raised under this policy will be formally recorded and logged in a secure register held by the Responsible Officer (or their designated representative) identified in section 9 of this policy.
- 8.2 Where possible, the matters raised may be:
- Investigated by management
  - Investigated by internal audit
  - Progressed through the disciplinary process or other internal procedure
  - Referred to the Police
  - Referred to the external auditor
  - The subject of an independent enquiry
  - Dealt with via any other appropriate procedure, for example, child protection, abuse of vulnerable adults' procedure.
- 8.3 In order to protect anybody accused of misconduct, an initial investigation will be made to decide whether a full investigation is appropriate and, if so, what form it should take. If appropriate, Human Resources will be informed.
- 8.4 If someone is suspended as a result of a concern or allegation, the whistleblower will be informed.

- 8.5 Some concerns may be resolved following an initial investigation without the need for full investigation.
- 8.6 Within ten working days of your concern being raised, you will be invited to a meeting in person to discuss your concern.
- 8.7 Following this meeting we will write to you:
- indicating how we plan to deal with the matter
  - giving an estimate of how long it will take to provide a full response
  - telling you whether any initial enquiries have been made
  - Informing you who will be conducting the investigation
  - supplying you with information on staff support mechanisms, for example welfare or Occupational Health
- 8.8 The amount of contact between you and any officers considering the issues will depend on the nature of the matters raised, the potential difficulties involved and the clarity of the information provided.
- 8.9 If, following initial investigation, a formal investigation of an allegation is required under this policy, this will be conducted in line with the process set out within the Council Disciplinary procedure. This is attached at Appendix 3 of this policy and is as set out on the intranet.
- 8.10 The Council will minimise any difficulties which you may experience as a result of raising a concern. For instance, if you are required to give evidence in criminal or disciplinary proceedings the Council will arrange for you to receive advice about the procedure. It is important for whistle-blowers to understand that making a whistle-blowing allegation doesn't give them an automatic right to anonymity, but does give them protection from harassment or victimisation and that the Council will not tolerate any form of this from anyone working within or for the Council.
- 8.11 The Council understands that you need to be assured that the matter has been properly addressed. We will therefore inform you in writing of the outcome of any investigation unless there is a compelling legal reason not to. A meeting will also be arranged to explain the outcome of the investigation if you so wish.
- 8.12 If urgent action is required, for example if there is an urgent health and safety or safeguarding concern, this will be taken before any investigation is conducted.
- 8.13 This process is set out in the form of a flowchart and attached at Appendix 1 of this policy



## **9. THE RESPONSIBLE OFFICER**

- 9.1 The Head of Internal Audit has overall responsibility for the maintenance and operation of this policy and will maintain a record of all concerns raised and any outcomes. This record will be in a form which does not compromise your confidentiality and may be officially delegated to a named officer to maintain. The Head of Internal Audit will report as necessary to the Council.

## **10. HOW THE MATTER CAN BE TAKEN FURTHER**

- 10.1 The Council hopes you will be satisfied with any action taken. If you are not satisfied, it is possible to appeal the decision by approaching the Head of Internal Audit. A review of the decision will then be taken.
- 10.2 If, following this, you are still unsatisfied with the outcome of the further investigation and any action taken and if you feel it is right to take the matter outside the Council, the following are possible contact points:
- the external auditor
  - your local Citizens' Advice Bureau
  - relevant professional bodies or regulatory organisations
  - a relevant voluntary organisation
  - the police
  - organisations prescribed from time to time by the Secretary of State for the purpose of protected disclosure under the Public Interest Disclosure Act
- 10.3 The aim of this policy is to provide an internal mechanism for reporting, investigating and remedying any potential wrongdoing in the workplace. In the majority of cases you should not find it necessary to alert anyone externally.
- 10.4 The law recognises however, that in some circumstances it may be appropriate for you to report your concerns to an external body, such as a regulator. A list of these agencies and contacts are linked to at paragraph 7.6 and again at Appendix 2 of this policy as published on the intranet.
- 10.5 If you do take the matter outside the Council, you should be careful not to disclose confidential information, for example such as that covered by the Data Protection Act 1998. We strongly advise that you seek advice before reporting a concern externally. The independent whistle blowing charity, [Public Concern at Work](#) operates a confidential hotline (020 7404 6609) and can provide advice as necessary.

**11. REVIEW OF THE POLICY**

- 11.1 The Council's Corporate and Organisational Policy Team, located within the Policy and Resources directorate will keep the policy under review and will make changes to the policy as deemed appropriate following necessary consultation with interested parties.

**REPORT TO:** Business Efficiency Board

**DATE:** 24 September 2014

**REPORTING OFFICER:** Strategic Director Policy and Resources

**PORTFOLIO:** Resources

**SUBJECT:** Board Training and Development

**WARDS:** N/A

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

1.1 The purpose of this report is to seek the Board's view on drawing up a programme of training and development events for Board members.

### **2.0 RECOMMENDATION: It is recommended that:**

- (1) the Board agrees to holding two training and development events before the end of the current calendar year;**
- (2) the Board indicates the topics for those events; and**
- (3) indicates the preferred time of day for such events.**

### **3.0 BACKGROUND**

3.1 The Board has a range of responsibilities delegated to it and contained within the Council's Constitution. Its responsibilities can be broadly broken down into the following five areas:

- Procurement
- Efficiency
- Audit and Fraud
- Governance and Annual Statement of Accounts
- Risk Management

3.2 Over the last couple of years the Board has carried out a significant amount of review/topic work around the Council's procurement processes. It also undertakes an annual training event on the Annual Statement of Accounts. It is therefore suggested that the first two training and development events focus on 'Efficiency' and Risk Management. It is suggested that two separate training events are put on to cover both of those topics. It is suggested that the training events follow the following format:

- 1 An outline of the Board's responsibilities in that area;
- 2 An explanation as to how that is discharged;

3 An outline of the current priorities and how they are being delivered.

3.3 If members are content with these suggestions then arrangements will be made to organise the events. Members' views are sought.

#### **4.0 POLICY IMPLICATIONS**

4.1 There are no policy implications associated with this report.

#### **5.0 OTHER IMPLICATIONS**

5.1 Member training and development opportunities help ensure that members are satisfied that the Board is carrying out its duties effectively.

#### **6.0 IMPLICATIONS FOR THE COUNCIL'S PRIORITIES**

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

6.1 Sound governance arrangements ensure that the Council is able to focus on its priorities.

#### **7.0 RISK ANALYSIS**

7.1 There are no risks directly associated with this report, although good governance arrangements reduce risk across the breadth of Council activities.

#### **8.0 EQUALITY AND DIVERSITY ISSUES**

8.1 There are no equality and diversity issues associated with this report.

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

9.1 None.