

# Public Document Pack



## Business Efficiency Board

Wednesday, 23 September 2015 at 6.30  
p.m.  
Civic Suite, Town Hall, Runcorn

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

**Chief Executive**

### **BOARD MEMBERSHIP**

Councillor Joe Roberts	Labour
Councillor Martha Lloyd Jones	Labour
Councillor John Bradshaw	Conservative
Councillor Arthur Cole	Labour
Councillor Mike Fry	Labour
Councillor Alan Lowe	Labour
Councillor Andrew MacManus	Labour
Councillor Tony McDermott	Labour
Councillor Norman Plumpton Walsh	Labour
Councillor John Stockton	Labour

*Please contact Lynn Derbyshire on 0151 511 7975 or e-mail [lynn.derbyshire@halton.gov.uk](mailto:lynn.derbyshire@halton.gov.uk) for further information.*

*The next meeting of the Board is on Wednesday, 18 November 2015*

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

**Part I**

<b>Item No.</b>	<b>Page No.</b>
<b>1. MINUTES</b>	
<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.	
<b>3. 2014/15 STATEMENT OF ACCOUNTS, AUDIT FINDINGS REPORT AND LETTER OF REPRESENTATION</b>	<b>1 - 196</b>
<b>4. EXTERNAL AUDIT UPDATE REPORT</b>	<b>197 - 210</b>
<b>5. ANNUAL GOVERNANCE STATEMENT 2014/15</b>	<b>211 - 227</b>
<b>6. SCHEDULE 12A OF THE LOCAL GOVERNMENT ACT 1972 AND THE LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985</b>	
<b>PART II</b>	
In this case the Board has a discretion to exclude the press and public and, in view of the nature of the business to be transacted, it is <b>RECOMMENDED</b> that under Section 100A(4) of the Local Government Act 1972, having been satisfied that in all the circumstances of the case the public interest in maintaining the exemption outweighs the public interest in disclosing the information, the press and public be excluded from the meeting for the following item of business on the grounds that it involves the likely disclosure of exempt information as defined in paragraphs 3 of Part 1 of Schedule 12A to the Act.	
<b>7. INTERNAL AUDIT PROGRESS REPORT</b>	<b>228 - 295</b>

*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:** 23 September 2015

**REPORTING OFFICER:** Operational Director, Finance

**PORTFOLIO:** Resources

**SUBJECT:** 2014/15 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 2014/15 Statement of Accounts (the latest version of which is enclosed with the Agenda), to consider the Audit Findings Report of the External Auditor (Grant Thornton) and to approve the Council's Letter of Representation.
- 1.2 At the time of writing the report, the audit of the 2014/15 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 2014/15 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 2014/15 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 2014/15 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 2014/15 Statement of Accounts was passed to the Council's External Auditor (Grant Thornton) on 01 July 2015, 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 Section 2 of the Audit Findings report presents the findings of the External Auditor in respect of matters and risks identified at the planning stage of the audit and additional matters that arose during the course of their work.
- 3.6 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 Chair 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 2014/15, including revenue and capital spending.
- 4.2 In overall net terms the Council has underspent its 2014/15 revenue budget by £178,000. The overall outturn report was presented to Executive Board on 02 June 2015 and departmental outturn reports are available on the Council's Intranet. As a result the Council's General Fund Balance will increase by £178,000 to £8,822,000.
- 4.3 Capital expenditure was £32.2m compared with planned expenditure of £43.1m. The outturn represents 75% of the total capital programme. Anticipated capital expenditure on several large projects slipped during the year and spend will continue to be incurred on them in 2015/16. The main

areas of slippage included Castlefields Regeneration, 3MG and Widnes Waterfront.

- 4.4 School balances as at 31 March 2015 totalled £7.5m. In addition, £2.4m of unspent schools related funding is held centrally and will carry forward into 2015/16.
- 4.5 The Comprehensive Income and Expenditure Statement (CIES) presents gross expenditure, gross income and net expenditure for 2014/15 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. The CIES reports on how the Council performed during the year and whether its operations resulted in a surplus or deficit.
- 4.6 The Council's Balance Sheet sets out the Council's financial position as at 31 March 2015, along with a comparison to the restated Balance Sheet position as at 31 March 2014. The balance sheet is a snapshot of the Council's financial position at a specific point in time, showing what it owns and owes at 31 March.
- 4.7 The Movement in Reserves Statement presents a summary of the changes in the Council's main reserves during the year. Reserves represent the Council's net worth and show its spending power. Reserves are analysed into two categories: usable and unusable.
- 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 Statement, 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 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. A number of changes were made to the

accounting policies which were reported to the Business Efficiency Board on 03 June 2015.

4.13 The External Auditor has used 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 VALUE FOR MONEY**

5.1 Section 3 of the Audit Findings report presents the External Auditor findings on the value for money conclusion. It considers if the Council has robust financial systems in place for securing financial resilience and for challenging how it secures economy, efficiency and effectiveness.

5.2 The External Auditor has considered the financial resilience of the Council by reviewing financial governance, financial planning and financial control.

5.3 Challenging how the Council has secured economy, efficiency and effectiveness is considered against prioritising resources and improving efficiency and productivity.

5.4 The overall conclusion from the External Auditor is 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. Additionally the Council is prioritising its resources within tighter budgets by achieving cost reductions and improving efficiency and productivity.

### **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 2015.

**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 2014/15	Kingsway House Kingsway Widnes	Steve Baker Divisional Manager, Financial Management

Grant Thornton UK LLP  
Royal Liver Building  
Liverpool  
L3 1PS

23 September 2015

Dear Sirs

**Halton Borough Council**

**Financial Statements for the year ended 31 March 2015**

This representation letter is provided in connection with the audit of the financial statements of Halton Borough Council for the year ended 31 March 2015 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 and applicable law.

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:

**Financial Statements**

- i We have fulfilled our responsibilities for the preparation of 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 2014/15 ("the Code"); which give a true and fair view in accordance therewith.
- ii We have complied with the requirements of all statutory directions affecting the Council and these matters have been appropriately reflected and disclosed in the financial statements.
- iii The Council has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of regulatory authorities that could have a material effect on the 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 in the preparation of the financial statements are soundly based, in accordance with the Code and adequately disclosed in the financial statements. There are no other material judgements that need to be disclosed.
- vii Except as disclosed in the 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 Employee Benefits 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 post-employment 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 the Code.
- x All events subsequent to the date of the financial statements and for which the Code requires 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 the Code.
- xii We have considered the adjusted misstatements, and misclassification and disclosures changes schedules included in your Audit Findings Report. The financial statements have been amended for these misstatements, misclassifications and disclosure changes and 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 financial statements.
- xiv We believe that the Council's 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 Council's needs. We believe that no further disclosures relating to the Council's ability to continue as a going concern need to be made in the financial statements.

## Information Provided

- xv We have provided you with:
  - a access to all information of which we are aware that is relevant to the preparation of the 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 financial statements.
  
- xviii We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
  
- xix We have disclosed to you all our knowledge of fraud or suspected fraud affecting the Council involving:
  - 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 our knowledge of any allegations of fraud, or suspected fraud, affecting the Council's 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 financial statements.
  
- xxii We have disclosed to you the identity of all 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 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.

**Approval**

The approval of this letter of representation was minuted by the Business Efficiency Board at its meeting on 23 September 2015.

Yours faithfully

Name.....

Position.....

Date.....

Name.....

Position.....

Date.....

Signed on behalf of the Council

**HALTON BOROUGH COUNCIL**

**STATEMENT OF ACCOUNTS**

**2014/15**

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 2014/15 are presented in the following format

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## Foreword by Operational Director - Finance

### Introduction

The Council's Statement of Accounts for 2014/15 has been prepared in compliance with the Code of Practice on Local Authority Accounting 2014/15 (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. Changing requirements over several years have led to the increasing complexity and details required in the accounts and the information included is technical and complex. 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 2014/15 are set out in the following pages and grouped as follows:

### **Core Financial Statements**

- **Comprehensive Income and Expenditure Statement** – this statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount which is funded from taxation. The Council will raise taxation to cover expenditure in accordance with regulations; this will be different from the accounting cost. The taxation cost is shown in the Movement in Reserves Statement.
- **Balance Sheet** – this statement shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories:
  1. The first category of reserves are usable reserves, i.e. those services that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitation on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt).
  2. The second category of reserves includes those that the Council is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves



Statement line 'Adjustments between accounting basis and funding basis under regulations'

- ***Movement in Reserves Statement*** – this statement shows the movement in the year on the different reserves held by the Council, analysed into “Usable Reserves” i.e. those that can be applied to fund expenditure or reduce local taxation, and “Other Reserves”. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the Councils services, more details of which are shown in the Comprehensive Income & Expenditure Statement. This is different from the statutory amounts to be charged to the General Fund Balance for council tax setting. The Net Increase/Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.
  
- ***Cash Flow Statement*** – this statement shows the changes in cash and cash equivalents of the Council during the reporting period. The statement shows how the authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Council are funded by way of taxation and grant income or from the recipients of services provided by the Council. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Councils future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Council. The Council has prepared cash flows from operating activities using the indirect method.
  
- ***Notes to the above Statements*** – extensive notes to support the core statements are set out in accordance with the requirements of the Code. The notes shall
  1. Present information about the basis of preparation of the financial statements and the specific accounting policies used.
  2. Disclose the information required by the Code that is not presented elsewhere in the core financial statements.

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

- ***Collection Fund Statement*** – this is an agent’s statement that reflects the statutory obligation for the Council as a billing authority to maintain a separate Collection Fund. The statements show the transactions of the Council in relation to the collection from taxpayers and distribution to local authorities and the Government of council tax and non-domestic rates

**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 2014-15 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, Retained Business Rates, 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>2014/15 Original Budget £000</b>	<b>2014/15 Actual £000</b>
Net Expenditure	108,243	108,064
Parish Precepts	61	61
<b>Total</b>	<b>108,304</b>	<b>108,126</b>
Financed by Local Taxpayers – Council Tax	(37,162)	(37,162)
Financed by Local Taxpayers – Business Rates	(32,154)	(32,154)
Financed by Government Grants	(38,988)	(38,988)
<b>(Surplus)/Deficit for Year</b>	<b>-</b>	<b>(178)</b>
<b>Balances brought forward</b>	<b>(8,644)</b>	<b>(8,644)</b>
<b>Balance carried forward</b>	<b>(8,644)</b>	<b>(8,822)</b>

The Council has closely monitored and controlled its spending throughout the year, such that total spending was £108.065m, £0.178m below the budget for the year (compared to £0.579m below budget in the previous year). As a result the Council's General Fund Balance has increased to £8.822m.

The Council has approved £3m of the general reserve to be used as a temporary measure in balancing the budget for 2015/16. This will reduce the general reserve to £5.824m which is the lowest level held by the Council since March 2003.

Budget savings for 2015/16 were implemented over two tranches, the first of which consisted of savings of £11.5m which were approved by Council in December 2014. 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.

The biggest pressure on the budget during the year related to children in care costs. Demand on the service has increased which has resulted in spend being far in excess of budget. The Council has seen an increase in the number of out of borough residential

placements. Practice and appropriate thresholds for care has changed over recent times which have resulted in more children coming into care. Costs for out of borough fostering and special guardianship orders have also outstripped the budget. An action plan is being implemented which will evaluate and analyse the expenditure incurred on the services, as well as identifying savings elsewhere across the Directorate to enable budgets to be realigned towards the areas of spending pressures.

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 2015/16. Redundancy costs incurred during the year totalled £0.449m. These were met from the Transformation Fund which the Council established 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 below budget which are demand led for which it is difficult to predict future use.

Whilst the general fund shows a net surplus for the year of £0.178m, the accounting position presented in the Comprehensive Income & Expenditure Statement (CIES) (Page 14) shows a deficit for the year of £29.1m. The CIES takes a wider view of financial performance than that shown in the General Fund and shows the true accounting position for the year. This deficit represents the total amount by which the Council's equity has decreased over the year as shown in the Balance Sheet (page 16). Therefore in addition to the net General Fund underspend, the CIES also includes the following major items:

- A Charge for the Depreciation and Revaluation Losses of non-current assets (£29.3m) – A charge for depreciation is made to the CIES which reflects the annual cost of assets consumed during the year. A revaluation loss 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 (£21.5m) - 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.
- Charge for Pensions (£30.9m) – £27.4m is a charge arising from actuarial losses 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. £3.5m denotes the difference between the accounting cost of pensions (included in the CIES) and the actual employer contributions to the pension fund.

- Gain on sale of non-current assets (£2.4m) – 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.
- Amount written off on Transfer of Academies (£7.3m) – This is the value of the non-current assets which have been transferred following a schools move to academy status.
- Surplus on Revaluation of Property, Plant & Equipment (£9.3m) – Increase in the value of those non-current assets that have been revalued during the year.
- Minimum Revenue Provision (£3.1m) - 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 (£1.7m) – 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 2013/14.
- Capital Expenditure Charged to General Fund (£1.5m) – Refers to capital expenditure funded directly from revenue financing.
- Collection Fund Adjustment (1.2m) - Difference between amounts credited to the I&E and amounts to be recognised under statutory provisions relating to Council Tax and Buisness Rates
- Revenue Expenditure Funded from Capital under Statute (£0.6m) – In accordance with proper accounting practices, revenue funded from capital grants is shown as a cost against the CIES.

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

	<b>2014/15</b>
	<b>£000</b>
<b>General Fund Underspend</b>	<b>(178)</b>
<b>Accounting Adjustments:</b>	
Charge for Depreciation & Revaluation Losses	29,270
Capital Grant Income	(21,457)
Loss on Pension Assets and Pension Charge	30,892
Gain on Sale of Non Current Assets	(2,413)
Amount Written off on Transfer of Academies	7,343
Surplus on Revaluation of PP&E	(9,297)
Minimum Revenue Provision	(3,158)
Net Change to Earmarked Reserves	(1,649)
Change in Fair Value of Investment Properties	(521)
Capital Expenditure Charged to General Fund	(1,505)
Collection Fund Adjustment	1,165
Revenue Expenditure Funded from Capital under Statute	647
Other Adjustments	(2)
<b>Total Comprehensive Income &amp; Expenditure</b>	<b>29,137</b>

### **Schools**

Expenditure incurred in relation to the Schools budget, both by individual schools and the Council totalled £80.821m and is shown in more detail in Note 14.

School balances at 31st March 2015 total £7.5m. In addition, £2.4m of unspent schools related funding is held centrally and will carry forward into 2015/16.

### **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.

Since April 2014 there has been a major change to how the Local Government Pension Scheme operates. The overall effect of these changes is to lessen the cost of pensions to the Fund in future years and thereby reduce employers' contributions.

### ***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.

In 2014/15 the Council entered into an arrangement with Sefton Metropolitan Borough Council for Halton to manage their Adult Social Care Service.

During the year the Council entered into an arrangement to undertake the Monitoring Officer role for Cheshire West and Chester Council on a temporary basis to cover maternity leave.

From 1st April 2015 the Council entered an agreement with Sefton Metropolitan Borough Council, to provide financial information management systems utilising the Council's Agresso system.

In 2014/15 the Council and Halton Clinical Commissioning Group had 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 £42m. 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.

In April 2015 the Better Care Fund (BCF) was implemented, the Complex Care Board agreed the existing mechanisms and structures created for the management of the Complex Care Pool Budget were appropriate for the management and oversight of the BCF. As a result the pool budget will, from April 2015, include the BCF. The remit of both the main board and associated Executive Commissioning Board (ECB) have been changed to reflect this and the name of the boards have been changed to suit, from Complex Care to Better Care.

On 30 November 2010, the Government published the White Paper Healthy Lives, Healthy People: Our strategy for public health in England, which set out its vision for a reformed public health system. As part of delivering this vision for public health and contributing to achieving the Government's ambition to achieve best possible health outcomes for children and young people, responsibility for commissioning 0-5 children's public health services is transferring from NHS England to Local Government on 1 October 2015

Further detail on the pooled budget is shown in note 11.

### ***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 over the medium term 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 2015 are shown in the Note 40 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, of 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 £32.2m on capital schemes in 2014/15 compared with planned expenditure of £43.1m. This outturn represents 75% of the total capital programme, there has been slippage on several large projects and spend will continue to be incurred on them in 2015/16. The approved budget and outturn capital position together with the various sources of funding are as follows:



	<b>2014/15 Budget £000</b>	<b>2014/15 Actual £000</b>	<b>2014/15 Variance £000</b>
<b>Expenditure:</b>			
Schools Related	4,269	3,160	1,109
Economy, Enterprise & Property	10,612	4,935	5,677
Commissioning & Complex Care	1,438	904	534
Community & Environment	4,631	3,560	1,071
Policy, Planning & Transportation	8,069	6,768	1,301
Mersey Gateway	11,655	11,059	596
ICT & Support Services	2,100	1,482	618
Corporate	322	289	33
<b>Total Expenditure</b>	<b>43,096</b>	<b>32,157</b>	<b>10,939</b>
<b>Funded By:</b>			
Borrowing	(6,603)	(3,787)	(2,901)
Capital Receipts	(8,577)	(5,408)	(3,169)
Revenue	(1,914)	(1,505)	(409)
Grants	(23,887)	(21,271)	(2,616)
Contributions	(2,115)	(186)	(1,929)
<b>Total Funding</b>	<b>(43,096)</b>	<b>(32,157)</b>	<b>(11,024)</b>

The main areas of slippage to the budget were in respect of schemes for Castlefields Regeneration, 3MG, Widnes Waterfront, former Crossville Depot Site and the Travellers Site at Warrington Road. 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 £0.563m was due to the Council for the 2014/15 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 £0.079m was due from the Trust for 2014/15.

### ***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. The Council has had another successful year and actual borrowing costs for the year were less than budgeted whilst income from investments exceeded the income target.

A revised Investment Strategy was approved by Council on 16 July 2014, the purpose of which was to revise the counterparty list and associated investment limits of the strategy. Rather than naming specific counterparties, Council agreed they would be based on a list specifying the type of institution the Council would invest with, dependent on the counterparty meeting a minimum credit rating. Treasury Management advisers, Capita Asset Services, will continue to advise the Council on credit rating risks. The change will widen the range of potential counterparties and allow the Council to react quicker to changes in credit ratings.

The Council undertook new long term borrowing of £113m in 2014/15, taking advantage of historically low borrowing rates from the Public Works Loan Board. The borrowing was taken in advance of need for the contribution from the Council towards Mersey Gateway Crossing construction costs. Borrowings at low rates will represent a saving to the scheme with interest rates expected to increase at the start of 2016, ahead of the Council having to make a number of payments from September 2016.

At year-end, borrowing totalled £183.00m, well within the authorised borrowing limit of £252.60m. Borrowing comprises loans from the Public Works Loan Board and the market of £173.00m 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 notes 23, 30 and 34 to the core financial statements.

At 31st March 2015 the Council had £188.00m invested. Investments undertaken were in line with the Investment Strategy and were placed with a range of institutions.

The Council approved the Minimum Revenue Provision Policy Statement as part of its Treasury Management Strategy in March 2015 effective from 1st April 2015.

### ***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 2015/16 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.

In accordance with accounting guidelines, the Collection Fund is required to identify a provision for NNDR valuation appeal claims. The provision as at 31 March 2015 is £9.207m, an increase of £4.407m from the previous year. This is represented by a large increase in the number of appeals, prior to the Governments deadline of 31 March 2015 for 2010 rating list appeals to be lodged.

### **Changes in Accounting Policies**

The Council's accounts have been prepared in compliance with the Code of Practice on Local Authority Accounting 2014/15 and International Financial Reporting Standards (IFRS).

The Council's Accounting Policies have been updated from 2013/14 to incorporate changes including, assessment to the materiality of group accounts, removing reference to the Councils involvement with the Carbon Reduction Commitment Scheme and removing reference to the treatment of the Equal Pay reserve.

In accordance with the 2011 Accounts and Audit Regulations, the Annual Governance Statement will be considered separately by the Council when considering the 2014/15 Statement of Accounts. The draft Statement of Accounts will be certified by the Chief Finance Officer as at 30th June 2015 and then considered by Business Efficiency Board by 30th September 2015 following the completion of the 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 austerity programme introduced by the Government, has had and will continue to have a significant impact upon the Council's finances over the medium term and this has been reflected in the MTFS.

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

The MTFS was reported to the Council's Executive Board in November 2014 and subsequently updated as part of the budget report in March 2015. The latest report identified potential shortfalls in funding for the Council over the following two years of approximately £22.1m (16/17) and £9.6m (17/18).

The 2015/16 net budget requirement of £101.452m was approved by Council on 4th March 2015. The budget will be funded from £38.649m of Council Tax (increase of 1.9% on the 2014/15 Band D level), £1.773m of Collection Fund surplus and £61.030m of Settlement Funding Assessment. Settlement Funding is inclusive of £25.320m of Baseline Funding, £7.449m of Top-up Grant and £28.261m of Revenue Support Grant.

The Local Government Finance Settlement announced on 4th February 2015 confirmed a 14.2% reduction in the Council's Settlement Funding Assessment for 2015/16.

The funding outlook for Halton over the medium term continues to look very gloomy and significant savings will need to be found. This position will be compounded by the excessive spending pressures being experienced in relation to children in care costs, which are forecast to continue over the medium term. Details of public spending plans for up to the next 5 years will be published in autumn 2015 as part of the Comprehensive Spending Review; the Council will react accordingly as soon as it is clear on how the spending plans will impact on Local Government.

### **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 2014/15 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**

## Core Financial Statements

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

		Gross Expenditure	Gross Income	Net Expenditure Restated
		2013/14	2013/14	2013/14
Services	Note	£000	£000	£000
<b>CONTINUING OPERATIONS</b>				
Children's & Education Service		146,597	(107,699)	38,898
Adult Social Care		46,469	(10,318)	36,151
Public Health Services		7,697	(8,548)	(851)
Highways and Transport		22,497	(1,712)	20,785
Cultural & Related Services		19,141	(3,962)	15,179
Environmental & Regulatory Services		13,453	(1,253)	12,200
Planning Services		9,900	(3,732)	6,168
Housing Services		59,840	(58,768)	1,072
Central Services		12,713	(10,767)	1,946
Corporate & Democratic Core		4,681	(4,672)	9
Non Distributable Costs		(66)	(35)	(101)
<b>Net Expenditure of Continuing Operations</b>	<b>1,4</b>	<b>342,922</b>	<b>(211,466)</b>	<b>131,456</b>
Other Operating Expenditure	<b>6</b>			(505)
Financing and Investment Income & Expenditure	<b>7</b>			10,452
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>3,833</b>
(Surplus) or Deficit on revaluation of Non-Current Assets				(884)
(Surplus) or Deficit on revaluation of Available for Sale of Financial Assets				-
Remeasurement of net defined benefit liability	<b>40</b>			(26,181)
<b>Other Comprehensive Income &amp; Expenditure</b>				<b>(27,065)</b>
<b>TOTAL COMPREHENSIVE INCOME &amp; EXPENDITURE</b>				<b>(23,232)</b>

Comprehensive Income & Expenditure Statement as at 31<sup>st</sup> March 2015

		Gross Expenditure 2014/15 £000	Gross Income 2014/15 £000	Net Expenditure 2014/15 £000
<b>Services</b>	<i>Note</i>			
<b>CONTINUING OPERATIONS</b>				
Children's & Education Service		142,967	(107,085)	35,882
Adult Social Care		52,380	(14,822)	37,558
Public Health Services		8,371	(8,804)	(433)
Highways and Transport		21,063	(3,216)	17,847
Cultural & Related Services		19,109	(4,095)	15,014
Environmental & Regulatory Services		13,515	(1,513)	12,002
Planning Services		12,133	(3,594)	8,539
Housing Services		59,272	(57,554)	1,718
Central Services		12,738	(11,919)	819
Corporate & Democratic Core		4,155	(5,685)	(1,530)
Non Distributable Costs		(597)	-	(597)
<b>Net Expenditure of Continuing Operations</b>	<b>1,4</b>	<b>345,106</b>	<b>(218,287)</b>	<b>126,819</b>
Other Operating Expenditure	<b>6</b>			(2,634)
Financing and Investment Income & Expenditure	<b>7</b>			12,716
Taxation and Non-Specific Grant Income	<b>8</b>			(125,875)
<b>(Surplus) or Deficit on the Provision of Services</b>	<b>1</b>			<b>11,026</b>
(Surplus) or Deficit on revaluation of Non-Current Assets				(9,297)
(Surplus) or Deficit on revaluation of Available for Sale of Financial Assets				-
Remeasurement of net defined benefit liability	<b>40</b>			27,408
<b>Other Comprehensive Income &amp; Expenditure</b>				<b>18,111</b>
<b>TOTAL COMPREHENSIVE INCOME &amp; EXPENDITURE</b>				<b>29,137</b>

Balance Sheet as at 31<sup>st</sup> March 2015

31/03/2014 £000 Restated		Note	31/03/2015 £000
334,831	Property Plant & Equipment	17	337,646
1,123	Heritage Assets	19	1,168
12,249	Investment Properties	20	10,895
893	Intangible Assets	21	943
-	Assets Held of Sale > 12 months		-
534	Long Term Investments	23	522
1,803	Long Term Debtors	24	1,961
<b>351,433</b>	<b>Total Long Term Assets</b>		<b>353,135</b>
	<b>Current Assets</b>		
337	Inventories	25	222
2,802	Assets held for Sale < 12 months	22	1,753
65,627	Short Term Debtors	24	20,882
-	Intangible Current Assets		-
15,000	Short Term Investments	23	170,000
29,466	Cash/Cash Equivalents	26	44,190
<b>113,232</b>	<b>Total Current Assets</b>		<b>237,047</b>
	<b>Current Liabilities</b>		
-	Short Term Borrowing	30	(35,449)
(32,503)	Short Term Creditors	27	(34,800)
(12,755)	Revenue Grants Receipts in Advance	4	(15,873)
(2,987)	Provisions < 1 year	31	(5,157)
-	Bank Overdraft		
<b>(48,245)</b>	<b>Total Current Liabilities</b>		<b>(91,279)</b>
<b>64,987</b>	<b>Net Current Assets/(Liabilities)</b>		<b>145,768</b>
<b>416,420</b>	<b>Total Net Assets</b>		<b>498,903</b>
(75,401)	Long Term Borrowing	30	(153,000)
(736)	Provisions > 1 year	31	(354)
(15,272)	Capital Grants Receipts in Advance	4	(19,481)
(119,201)	Other Long Term Liabilities	32	(149,395)
<b>205,810</b>	<b>Total Assets Less Liabilities</b>		<b>176,673</b>
(55,051)	Usable Reserves	39	(58,434)
(150,759)	Unusable Reserves	40	(118,239)
<b>(205,810)</b>	<b>Total Equity</b>		<b>(176,673)</b>

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

	General Fund (Restated) £000	Other Earmarked Reserves (Restated) £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	TOTAL USABLE RESERVES £000	TOTAL UNUSABLE RESERVES (Restated) (Note 40) £000	TOTAL COUNCIL RESOURCES £000
General Fund	(8,065)	(29,597)	(1,351)	(2,792)	(41,805)	(134,341)	(176,146)
Schools Reserves	-	(6,433)	-	-	(6,433)	-	(6,433)
<b>Balance as at 31<sup>st</sup> March 2013</b>	<b>(8,065)</b>	<b>(36,030)</b>	<b>(1,351)</b>	<b>(2,792)</b>	<b>(48,238)</b>	<b>(134,341)</b>	<b>(182,579)</b>
<b>Movement in Reserves during 2013/14</b>							
(Surplus) or Deficit on the Provision of Services	3,836	-	-	-	3,836	-	3,836
Other Comprehensive Income and Expenditure	-	-	-	-	-	(27,065)	(27,065)
<b>Total Comprehensive Income and Expenditure</b>	<b>3,836</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,836</b>	<b>(27,065)</b>	<b>(23,229)</b>
Adjustments between Accounting Basis and Funding Basis under Regulations (note 37a)	(10,299)	-	(546)	226	(10,619)	10,619	-
<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>(16,446)</b>	<b>(23,229)</b>
Transfer to/from other Earmarked Reserves (notes 38)	5,880	(5,880)	-	-	-	-	-
Other Movements (note 40)	-	-	(29)	-	(29)	29	-
<b>(Increase)/Decrease in the year</b>	<b>(583)</b>	<b>(5,880)</b>	<b>(575)</b>	<b>226</b>	<b>(6,812)</b>	<b>(16,417)</b>	<b>(23,229)</b>
<b>Balance Carried Forward</b>	<b>(8,648)</b>	<b>(41,910)</b>	<b>(1,926)</b>	<b>(2,566)</b>	<b>(55,050)</b>	<b>(150,758)</b>	<b>(205,808)</b>
Schools Reserves		(6,590)					
Other Earmarked Reserves		<u>(35,320)</u>					
		<u><b>(41,910)</b></u>					

Due to a change in the presentation of this statement in 2014/15, the table above has been restated to correctly show Schools Reserves under Other Earmarked Reserves and not General Fund as has previously been shown.



Movement in Reserves Statement as at 31<sup>st</sup> March 2015

	General Fund	Other Earmarked Reserves	Capital Receipts Reserve	Capital Grants Unapplied	TOTAL USABLE RESERVES	TOTAL UNUSABLE RESERVES (Note 40)	TOTAL COUNCIL RESOURCES
	£000	£000	£000	£000	£000	£000	£000
General Fund	(8,648)	(35,324)	(1,926)	(2,566)	(48,464)	(150,758)	(199,222)
Schools Reserves	-	(6,586)	-	-	(6,586)	-	(6,586)
2013/14 rounding adjustment	4	(4)	(1)	-	(1)	(1)	(2)
<b>Balance as at 31<sup>st</sup> March 2014</b>	<b>(8,644)</b>	<b>(41,914)</b>	<b>(1,927)</b>	<b>(2,566)</b>	<b>(55,051)</b>	<b>(150,759)</b>	<b>(205,810)</b>
<b>Movement in Reserves during 2014/15</b>							
(Surplus) or Deficit on the Provision of Services	11,026	-	-	-	11,026	-	11,026
Other Comprehensive Income and Expenditure	-	-	-	-	-	18,111	18,111
<b>Total Comprehensive Income and Expenditure</b>	<b>11,026</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>11,026</b>	<b>18,111</b>	<b>29,137</b>
Adjustments between Accounting Basis and Funding Basis under Regulations ( <b>note 37b</b> )	(12,853)	-	(1,438)	(93)	(14,384)	14,384	-
<b>Net (Increase)/Decrease before Transfers to Other Reserves</b>	<b>(1,827)</b>	<b>-</b>	<b>(1,438)</b>	<b>(93)</b>	<b>(3,358)</b>	<b>32,495</b>	<b>29,137</b>
Transfer to/from other Earmarked Reserves ( <b>notes 38</b> )	1,649	(1,649)	-	-	-	-	-
Other Movements ( <b>note 40</b> )	-	-	(26)	-	(26)	26	-
Rounding adjustment	-	-	1	-	1	(1)	-
<b>(Increase)/Decrease in the year</b>	<b>(178)</b>	<b>(1,649)</b>	<b>(1,463)</b>	<b>(93)</b>	<b>(3,383)</b>	<b>32,520</b>	<b>29,137</b>
<b>Balance Carried Forward</b>	<b>(8,822)</b>	<b>(43,563)</b>	<b>(3,390)</b>	<b>(2,659)</b>	<b>(58,434)</b>	<b>(118,239)</b>	<b>(176,673)</b>
Schools Reserves		(7,461)					
Other Earmarked Reserves		(36,102)					
		<u>(43,563)</u>					

Cash Flow Statement as at 31<sup>st</sup> March 2015

2013/14 Restated £000		Note	2014/15 £000
<b>(3,833)</b>	<b>Net (surplus) or deficit on the provision of services</b>		<b>11,026</b>
(34,888)	Adjustment net (surplus) of deficit on the provision of services for non-cash movements		(95,921)
2,089	Adjust for items in the net (surplus) or deficit on the provision of services		70,523
<b>(36,632)</b>	<b>Net cash flows from Operating Activities</b>	<b>41</b>	<b>(14,372)</b>
23,378	Net cash flows from Investing Activities	<b>42</b>	108,329
6,157	Net cash flows from Financing Activities	<b>43</b>	(108,681)
<b>(7,097)</b>	<b>Net (increase)/decrease in cash and cash equivalents</b>		<b>(14,724)</b>
(22,369)	Cash and Cash Equivalents at the beginning of the reporting period	<b>26</b>	(29,466)
<b>(29,466)</b>	<b>Cash and Cash Equivalents at the end of the reporting period</b>	<b>26</b>	<b>(44,190)</b>

Due to one of the figures being entered incorrectly in the 2013/14 accounts the figures have been recalculated and restated in this statement. The changes have also been reflected in the comparative year of the supporting notes 41, 42 and 43

## 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 2013/14

	<b>Communities £000</b>	<b>Children and Enterprise £000</b>	<b>Policy &amp; Resources £000</b>	<b>Total £000</b>
Fees, Charges & Other Service Income	(40,893)	(23,634)	(64,146)	(128,673)
Government Grants	(237)	(90,397)	(69,509)	(160,143)
<b>Total Income</b>	<b>(41,130)</b>	<b>(114,031)</b>	<b>(133,655)</b>	<b>(288,816)</b>
Employee Expenses	27,248	80,933	23,418	131,599
Other Service Expenses	66,264	61,905	105,637	233,806
Support Services Recharges	13,533	9,066	15,803	38,402
<b>Total Operating Expenses</b>	<b>107,045</b>	<b>151,904</b>	<b>144,858</b>	<b>403,807</b>
<b>Cost of Services</b>	<b>65,915</b>	<b>37,873</b>	<b>11,203</b>	<b>114,991</b>

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

	<b>2013/14</b>
	<b>£000</b>
Cost of Services in Service Analysis	<b>114,989</b>
Add services not included in main analysis	1
Add amounts not reported to management	3,073
Remove amounts reported to management not included in Comprehensive Income and Expenditure Statement	13,394
<b>Net Cost of Services in Comprehensive Income and Expenditure Statement</b>	<b>131,457</b>

## Directorate income and expenditure 2014/15

	<b>Communities</b>	<b>Children and</b>	<b>Policy &amp;</b>	<b>Total</b>
	<b>£000</b>	<b>Enterprise</b>	<b>Resources</b>	<b>£000</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Fees, Charges & Other Service Income	(46,679)	(22,949)	(62,132)	(131,760)
Government Grants	(449)	(97,318)	(72,327)	(170,094)
<b>Total Income</b>	<b>(47,128)</b>	<b>(120,267)</b>	<b>(134,459)</b>	<b>(301,854)</b>
Employee Expenses	27,802	80,303	22,679	130,784
Other Service Expenses	69,730	71,329	101,514	242,573
Support Services Recharges	13,056	8,939	14,566	36,561
<b>Total Operating Expenses</b>	<b>110,588</b>	<b>160,571</b>	<b>138,759</b>	<b>409,918</b>
<b>Cost of Services</b>	<b>63,460</b>	<b>40,304</b>	<b>4,300</b>	<b>108,064</b>

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

	<b>2014/15</b>
	<b>£000</b>
Cost of Services in Service Analysis	108,064
Add services not included in main analysis	650
Add amounts not reported to management	2,306
Remove amounts reported to management not included in Comprehensive Income and Expenditure Statement	15,799
<b>Net Cost of Services in Comprehensive Income and Expenditure Statement</b>	<b>126,819</b>

## Reconciliation to Subjective Analysis 13/14

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. Please note that the table has been expanded to ensure the figures are shown in the same format as those shown for 2014/15.

2013/14	Service Analysis £000	Services Not In Analysis £000	Amounts Not Reported to Management £000	Amounts Not Included in I&E £000	Allocation of Recharges £000	Net Expenditure of Continuing Operations £000	Corporate Amounts £000	Total £000
Fees Charges & Other Service Income	(125,649)	-	8,346	24,036	38,402	(54,865)	(29)	(54,894)
Interest and Investment Income	-	-	-	-	-	-	(654)	(654)
Investment Properties Income & Expenditure	-	-	-	-	-	-	181	181
Income from Council Tax	-	-	-	-	-	-	(38,486)	(38,486)
Income from Business Rates	-	-	-	-	-	-	(24,721)	(24,721)
Government Grant & Contributions	(163,168)	-	(9,811)	-	-	(172,979)	(74,363)	(247,342)
<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>(138,072)</b>	<b>(365,916)</b>
Employee Expenses	131,598	1	(68)	(167)	-	131,364	-	131,364
Other Service Expenses	212,218	-	4,607	(9,805)	(38,402)	168,618	-	168,618
Support Services Recharges	38,402	-	-	(670)	-	37,732	-	37,732
Depreciation, Amortisation & Impairment	21,588	-	-	-	-	21,588	-	21,588
Interest Payments	-	-	-	-	-	-	3,623	3,623
Precepts	-	-	-	-	-	-	61	61
Levies	-	-	-	-	-	-	261	261
Payments to Housing Capital Pool Receipts	-	-	-	-	-	-	5	5
Movement in value of Assets Held for Sale	-	-	-	-	-	-	126	126
Gain or Loss on Disposal of Fixed Assets	-	-	-	-	-	-	(958)	(958)
Loss on transfer of academies	-	-	-	-	-	-	2,038	2,038
Pension interest cost and expected return	-	-	-	-	-	-	5,295	5,295
<b>Total Operating Expenses</b>	<b>403,806</b>	<b>1</b>	<b>4,539</b>	<b>(10,642)</b>	<b>(38,402)</b>	<b>359,302</b>	<b>10,451</b>	<b>369,753</b>
<b>(Surplus)/Deficit on Provision of Services</b>	<b>114,989</b>	<b>1</b>	<b>3,074</b>	<b>13,394</b>	<b>-</b>	<b>131,458</b>	<b>(127,621)</b>	<b>3,837</b>

## Reconciliation to Subjective Analysis 2014/15

2014/15	Service Analysis £000	Services Not In Analysis £000	Amounts Not Reported to Management £000	Amounts Not Included in I&E £000	Allocation of Recharges £000	Net Expenditure of Continuing Operations £000	Corporate Amounts £000	Total £000
Fees Charges & Other Service Income	(131,759)	-	22,173	23,474	36,559	(49,553)	(106)	(49,659)
Interest and Investment Income	-	-	-	718	-	718	(718)	-
Investment Properties Income & Expenditure	-	-	-	-	-	-	(1,359)	(1,359)
Income from Council Tax	-	-	-	-	-	-	(38,912)	(38,912)
Income from Business Rates	-	-	-	-	-	-	(22,578)	(22,578)
Government Grant & Contributions	(170,095)	643	-	-	-	(169,452)	(64,385)	(233,837)
<b>Total Income</b>	<b>(301,854)</b>	<b>643</b>	<b>22,173</b>	<b>24,192</b>	<b>36,559</b>	<b>(218,287)</b>	<b>(128,058)</b>	<b>(346,345)</b>
Employee Expenses	130,784	-	(1,697)	-	-	129,087	-	129,087
Other Service Expenses	220,753	7	(26,266)	(4,241)	3	190,256	-	190,256
Support Services Recharges	36,562	-	-	-	(36,562)	-	-	-
Depreciation, Amortisation & Impairment	21,819	-	8,096	-	-	29,915	-	29,915
Interest Payments	-	-	-	(4,152)	-	(4,152)	3,509	(643)
Precepts	-	-	-	-	-	-	61	61
Levies	-	-	-	-	-	-	286	286
Payments to Housing Capital Pool Receipts	-	-	-	-	-	-	1	1
Movement in value of Assets Held for Sale	-	-	-	-	-	-	825	825
Gain or Loss on Disposal of Fixed Assets	-	-	-	-	-	-	(3,807)	(3,807)
Loss on transfer of academies	-	-	-	-	-	-	7,343	7,343
Pension interest cost and expected return	-	-	-	-	-	-	4,047	4,047
<b>Total Operating Expenses</b>	<b>409,918</b>	<b>7</b>	<b>(19,867)</b>	<b>(8,393)</b>	<b>(36,559)</b>	<b>345,106</b>	<b>12,265</b>	<b>357,371</b>
<b>(Surplus)/Deficit on Provision of Services</b>	<b>108,064</b>	<b>650</b>	<b>2,306</b>	<b>15,799</b>	<b>-</b>	<b>126,819</b>	<b>(115,793)</b>	<b>11,026</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		2013/14		2014/15	
		Number of Employees		Number of Employees	
		Teaching	Non-Teaching	Teaching	Non - Teaching
£50,000	£54,999	32	8	23	11
£55,000	£59,999	17	14	23	12
£60,000	£64,999	10	9	10	12
£65,000	£69,999	9	5	6	4
£70,000	£74,999	3	4	3	2
£75,000	£79,999	2	3	2	3
£80,000	£84,999	-	5	1	4
£85,000	£89,999	1	2	-	2
£90,000	£94,999	2	1	1	2
£95,000	£99,999	1	-	-	-
£100,000	£104,999	-	-	1	-
£105,000	£109,999	-	2	-	1
£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	-	1
£145,000	£149,999	-	-	-	-
£150,000	£154,999	-	-	-	-
£155,000	£159,999	-	-	-	-
£160,000	£164,999	-	-	-	-
£165,000	£169,999	-	1	-	-
£170,000	£174,999	-	-	-	1
£175,000	£179,999	-	-	-	-
		<b>77</b>	<b>55</b>	<b>71</b>	<b>56</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 2014/15, 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 £83,100. 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: During 2014/15, the Strategic Director Communities performed the additional role of Director of Adult Services at Sefton Council on a part-time basis at a total remuneration cost of £77,000. 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 Sefton Council.

Note 3: During 2014/15, the Operational Director Legal & Democratic Services worked one day per week for Chester West and Chester Council as their Monitoring Officer. He was awarded an honorarium for this which is included in the remuneration figures overleaf. This will be reimbursed from Chester West and Chester Council.

Note 4: The Operational Director for Learning and Achievement left Halton Borough Council on 20/01/15.

Note 5: 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 6: During 2014/15, the Operational Director ICT & Support Services helped implement a new system at Sefton Council. He was awarded an honorarium for this which is included in the remuneration figures overleaf. This will be reimbursed from Sefton Council.



Post Title		Salary (including fees & Allowances)		Compensation for loss of employment		Benefits in Kind		Total Remuneration excluding pension contributions		Employers Pension contributions		Total Remuneration including pension contributions	
		2013/14	2014/15	2013/14	2014/15	2013/14	2014/15	2013/14	2014/15	2013/14	2014/15	2013/14	2014/15
Chief Executive – David Parr		167,500	167,600	-	-	2,400	2,500	169,900	170,100	34,000	34,300	203,900	204,400
Children & Enterprise	1	138,100	138,200	-	-	2,500	2,500	140,600	140,700	28,100	28,400	168,700	169,100
Policy & Resources		104,100	104,100	-	-	2,100	2,000	106,200	106,100	21,200	21,400	127,400	127,500
Communities	2	105,500	120,900	-	-	-	-	105,500	120,900	21,200	24,500	126,700	145,400
Policy, Planning & Transportation		80,500	82,800	-	-	2,200	2,200	82,700	85,000	16,400	16,700	99,100	101,700
Legal & Democratic Services	3	80,500	88,300	-	-	2,200	2,700	82,700	91,000	16,400	18,200	99,100	109,200
Learning & Achievement Services	4	76,400	63,200	-	-	800	800	77,200	64,000	15,600	12,900	92,800	76,900
Prevention & Assessment		81,500	81,900	-	-	-	-	81,500	81,900	16,400	16,600	97,900	98,500
Children & Families Services		72,900	75,800	-	-	-	-	72,900	75,800	14,600	15,400	87,500	91,200
Commissioning & Complex Care	5	48,000	45,500	-	-	-	-	48,000	45,500	9,600	9,200	57,600	54,700
Children's Organisation & Provision		85,100	81,700	-	-	2,300	600	87,400	82,300	17,300	16,700	104,700	99,000
Finance		74,100	75,800	-	-	-	-	74,100	75,800	14,900	15,400	89,000	91,200
ICT & Support Services	6	81,500	89,400	-	-	-	-	81,500	89,400	16,400	18,000	97,900	107,400
Economy, Enterprise & Property		77,100	79,600	-	-	2,200	2,300	79,300	81,900	15,600	16,200	94,900	98,100
Community & Environment		80,500	81,400	-	-	2,400	1,800	82,900	83,200	16,400	15,700	99,300	98,900
Public Health		91,200	92,500	-	-	-	-	91,200	92,500	12,500	12,500	103,700	105,000
		<b>1,444,500</b>	<b>1,468,700</b>	-	-	<b>19,100</b>	<b>17,400</b>	<b>1,463,600</b>	<b>1,486,100</b>	<b>286,600</b>	<b>292,100</b>	<b>1,750,200</b>	<b>1,778,200</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	
	2013/14	2014/15	2013/14	2014/15	2013/14	2014/15	2013/14	2014/15	2013/14 £000	2014/15 £000
£0 - £20,000	7	9	6	31	7	2	20	42	126	292
£20,001 - £40,000	-	1	2	4	1	2	3	7	90	204
£40,001 - £60,000	1	-	-	1	1	1	2	2	105	86
£60,001 - £80,000	-	-	-	-	1	-	1	-	74	-
£80,001 - £100,000	-	-	-	-	-	-	-	-	-	-
£100,001 - £150,000	-	-	-	-	-	-	-	-	-	-
£150,001 - £200,000	-	-	-	-	-	-	-	-	-	-
£200,001 - £250,000	-	-	-	-	-	-	-	-	-	-
£250,001 - £300,000	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>8</b>	<b>10</b>	<b>8</b>	<b>36</b>	<b>10</b>	<b>5</b>	<b>26</b>	<b>51</b>	<b>395</b>	<b>582</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 2013/14 and 2014/15. The cost of employees taking early retirement in 2014/15 is £0.133m (2013/14 - £0.217m). Early retirement costs are charged to the Council's Comprehensive Income & Expenditure Statement over a period of 5 years. The cost of redundancies charged to the Comprehensive Income and Expenditure Statement in 2014/15 is £0.449m (2013/14 - £0.178m).

#### 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 March 2014</b> <b>Restated</b> <b>£000</b>	<b>31 March 2015</b> <b>£000</b>
<b>Capital Grants Receipts in Advance</b>		
Grant – Communities and Local Government	(7,397)	(13,907)
Grant – Department of Transport	(1,682)	(122)
Grant – Department of Health	-	(160)
Grant – Department for Environment, Food & Rural Affairs	(27)	(13)
Grant – Department for Education	(972)	(511)
Grant – Other Grants	(20)	(128)
Contributions	(5,174)	(4,640)
	<b>(15,272)</b>	<b>(19,481)</b>

	<b>31 March 2014</b> <b>£000</b>	<b>31 March 2015</b> <b>£000</b>
<b>Revenue Grants Receipts in Advance</b>		
Grant – Department for Education	(5,543)	(6,170)
Grant – Communities and Local Government	(12)	-
Grant – Department for Environment, Food & Rural Affairs	(105)	(136)
Grant - DECC	(44)	(36)
Grant – Dedicated Schools Grant	(4,477)	(2,626)
Grant – Other Grants	(395)	(193)
Contributions	(1,379)	(6,019)
Other Creditors	(800)	(693)
	<b>(12,755)</b>	<b>(15,873)</b>

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2014/15.

	<b>2013/14</b>	<b>2014/15</b>
	<b>£000</b>	<b>£000</b>
<b>Credited to Services</b>	.	
Revenue Grant – Communities & Local Government	(2,855)	(4,329)
Revenue Grant – Dedicated Schools Grant	(80,059)	(79,311)
Revenue Grant – Department for Education	(14,924)	(18,052)
Revenue Grant – Department for Environment, Food & Rural Affairs	(23)	(20)
Revenue Grant – Department for Transport	(293)	(1,784)
Revenue Grant – Department for Works & Pensions	(1,702)	(2,540)
Revenue Grant – Department of Health	(8,590)	(9,064)
Revenue Grant – Home Office	(177)	(140)
Revenue Grant – Department of Energy & Climate Change	-	(28)
Revenue Grant – Other Grants	(1,015)	(1,324)
Revenue Grant – Rent Allowance Subsidy	(53,736)	(52,841)
<b>Revenue Grants</b>	<b>(163,374)</b>	<b>(169,433)</b>
Contribution – PCT, CCG & Other Local Authorities	(1,657)	(2,315)
Other Contributions	(1,755)	(1,515)
<b>Contributions</b>	<b>(3,412)</b>	<b>(3,830)</b>
Reimbursements	(10,285)	(12,401)
Sales, Fees & Rents	(19,551)	(22,127)
Other Income	(8,265)	(7,035)
Capital Grants Impaired	(5,980)	(2,815)
Revenue Expenditure Funded by Capital Grants Under Statue	(600)	(646)
<b>Other Income</b>	<b>(44,681)</b>	<b>(45,024)</b>
	<b>(211,467)</b>	<b>(218,287)</b>

## 5. Material Items of Income and Expenditure

There are no material items of Income and Expenditure within the Comprehensive Income and Expenditure Statement for 2014/15

## 6. Other Operating Expenditure

<b>2013/14</b>		<b>2014/15</b>
<b>Restated</b>		
<b>£000</b>		<b>£000</b>
61	Parish Council Precepts	61
261	Levies	286
5	Payments to the Government Housing Capital Receipts Pool	1
126	Movement in value of Assets Held for Sale	825
(958)	(Gains)/Losses on the Disposal of non-current assets	(3,807)
<b>(505)</b>	<b>Total</b>	<b>(2,634)</b>

## 7. Financing and Investment Income

<b>2013/14</b>		<b>2014/15</b>
<b>Restated</b>		
<b>£000</b>		<b>£000</b>
3,633	Interest payable and similar charges	3,509
5,295	Net interest on the net defined benefit liability	4,047
(654)	Interest receivable and similar charges	(718)
181	Income & Expenditure in relation to Investment Properties and changes in their fair value	(1,359)
2,038	Loss on transfer of academies	7,343
(41)	Other investment income	(106)
<b>10,452</b>	<b>Total</b>	<b>12,716</b>

## 8. Taxation and Non Specific Grant Income

<b>2013/14</b>		<b>2014/15</b>
<b>£000</b>		<b>£000</b>
(38,486)	Council tax income	(38,912)
(24,721)	Non domestic rates	(22,578)
(47,409)	Non-ringfenced government grants	(38,988)
(7,170)	NNDR Top Up Grant	(7,309)
(19,784)	Capital grants and contributions	(18,088)
<b>(137,570)</b>	<b>Total</b>	<b>(125,875)</b>

## 9. Trading Operations

The Council operates public markets, several industrial estates and owns a successful transport undertaking. A brief summary and comparison with 2013/14 is detailed below:

2013/14		2014/15				
Trading (Surplus) / £000	Trading Account	Income £000	Expenditure £000	Trading (Surplus) / £000	Asset Rentals £000	Total Inc Asset Rental £000
(90)	<b>Markets</b>	(778)	623	(155)	50	(105)
(291)	<b>Industrial Estates</b>	(711)	263	(447)	-	(448)

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

	2013/14 £000	2014/15 £000
Markets	(40)	(105)
Industrial Estates	(291)	(448)
	<b>(331)</b>	<b>(553)</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 2014/15 the Council continued to supply payroll services to the various schools and colleges.

	2013/14 £000	2014/15 £000
Expenditure incurred in providing payroll services	45	92
Management fee payable	(45)	(92)
<b>Net surplus arising from agreement</b>	<b>-</b>	<b>-</b>

## 11. Pooled Budgets

### Better Care

In April 2013 Halton Borough Council (HBC) and the Halton Clinical Commissioning Group (CCG) established a formal pooled budget arrangement (via a Section 75 agreement) for health and social care services provided to the residents of Halton. The aim of which was to ensure that a fully integrated system was developed to enable resources to be used efficiently and effectively in the delivery of personalised, responsive and holistic care to those who are most in need within the community. This will result in the alignment of systems, improve pathways, speed up discharge processes, transform patient/care satisfaction and set the scene for the future sustainability of meeting the needs of people with complex needs.

The Council and Clinical Commissioning Group each contributed funds equal to 61% and 39% of the Better Care Pool budget for 2014/15. 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.

	2014/15 £000		2014/15 £000	
<b>Balance Brought Forward</b>	-		<b>(158)</b>	
<b>Funding provided to the pooled budget:</b>				
- Halton Borough Council	(18,772)		(20,996)	
- Halton Clinical Commissioning Group	(13,382)		(13,540)	
	<b>(32,154)</b>		<b>(34,536)</b>	
<b>Income raised through the pooled budget:</b>				
- Halton Borough Council	(7,003)		(8,093)	
	<b>(7,003)</b>		<b>(8,093)</b>	
<b>Expenditure met from the pooled budget:</b>				
- Halton Borough Council	25,683		29,177	
- Halton Clinical Commissioning Group	13,316		13,603	
	<b>38,999</b>		<b>42,780</b>	
<b>Net (surplus)/deficit arising on the pooled budget during the year</b>	<b>(158)</b>		<b>151</b>	
<b>Share of the (surplus)/deficit for the year:</b>				
- Halton Borough Council	58%	(92)	61%	88
- Halton Clinical Commissioning Group	42%	(66)	39%	63
		<b>(158)</b>		<b>151</b>

## 12. Members Allowances

During the year £738,116 (2013/14 £725,429) 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>2013/14</b>	<b>2014/15</b>
	<b>£000</b>	<b>£000</b>
Fees payable for		
- Audit	118	127
- Grants and returns	21	9
- Other	(38)	3
- Non-audit consultancy	46	26
	<b>147</b>	<b>165</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 2014/15 are shown below:

<b>Total 2013/14 £'000</b>		<b>Central Expenditure 2014/15 £'000</b>	<b>Individual Schools Budget 2014/15 £'000</b>	<b>Total 2014/15 £'000</b>
(101,571)	Final DSG for 2014/15 before academy recoupment			(100,963)
18,478	Academy figure recouped for 2014/15			21,590
<b>(83,093)</b>	<b>Total DSG after academy recoupment for 2014/15</b>			<b>(79,373)</b>
(3,172)	Plus brought forward from 2013/14			(3,836)
-	Less Carry Forward to 2015/16 agreed in advance			-
<b>(86,265)</b>	<b>Agreed budgeted distribution in 2014/15</b>	<b>(14,182)</b>	<b>(69,027)</b>	<b>(83,209)</b>
-	In Year Adjustments	(661)	661	-
<b>(86,265)</b>	<b>Final Budget Distribution in 2014/15</b>	<b>(14,843)</b>	<b>(68,366)</b>	<b>(83,209)</b>
9,026	Less actual central expenditure	12,455	-	12,455
73,403	Less actual ISB deployed to schools	-	68,366	68,366
	Plus Council Contribution for 2014/15	-	-	-
<b>(3,836)</b>	<b>Carry Forward to 2015/16</b>	<b>(2,388)</b>	-	<b>(2,388)</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 in the subjective analysis in note 1 on reporting for resource allocation decisions and year end government grant debtors and creditors are included in notes 4, 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 2014/15 is shown in note 12. The total of senior officers remuneration paid in 2014/15 is shown in note 2

For 2014/15 the system has highlighted that 7 Members had interests in various organisations and voluntary sector bodies involving payments worth £3.310m and receipts worth £2.402m for various works and services. One Member sat on the board of Halton Housing Trust. Payments between HBC and HHT totalled £0.340m and receipts totalled £0.493m in 2014/15.

In 2014/15, the declarations also showed that one Executive Officer represented the Council on the boards of five bodies within the borough. Payments between HBC and those bodies totalled £4.795m and receipts totalled £0.118m in 2014/15.

## **Other Public Bodies**

The Council had one pooled budget arrangements with Halton Clinical Commissioning Group during 2014/15 under section 75 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> September 2015 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 2015, 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.

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

### Movements during 2013/14

	Land and Buildings £000	Community Assets £000	Infrastructure Assets £000	Vehicles, Plant and Equipment £000	Surplus £000	Under Construction / Development £000	Total 2013/14 £000	Service Concession Assets included in PPE £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	<b>416,887</b>	-
Additions and Enhancements	24,652	141	8,416	3,376	-	25,860	<b>62,445</b>	24,134
Revaluations Recognised in the Revaluations Reserve	(13)	-	-	-	(894)	-	<b>(907)</b>	-
Revaluations Recognised in the Provision Services	(6,218)	-	-	-	(17)	(9,724)	<b>(15,959)</b>	(6,429)
Derecognition – Disposals	(3,141)	-	-	(3,637)	(80)	-	<b>(6,858)</b>	-
Derecognition – Others	-	-	-	-	-	-	-	-
Assets Reclassified (to)/from held for sale	-	-	-	-	-	-	-	-
Other Movements	(3,707)	-	-	-	3,707	-	-	-
<b>As at 31<sup>st</sup> March 2014</b>	<b>188,900</b>	<b>7,012</b>	<b>169,550</b>	<b>15,609</b>	<b>10,885</b>	<b>63,652</b>	<b>455,608</b>	<b>17,705</b>
<b>Depreciation</b>								
As at 31 <sup>st</sup> March 2013	(13,881)	(2,204)	(79,903)	(10,115)	(87)	-	<b>(106,190)</b>	-
Depreciation for the year	(8,791)	(450)	(9,153)	(2,517)	(96)	-	<b>(21,007)</b>	-
Depreciation written out to revaluation reserve	793	-	-	-	998	-	<b>1,791</b>	-
Depreciation written out to Surplus/Deficit on the Provision of Services	34	-	-	-	6	-	<b>40</b>	-
Derecognition – Disposals	851	-	-	3,721	15	-	<b>4,587</b>	-
Derecognition – Other	-	-	-	-	-	-	-	-
Other movements in depreciation	1,003	-	-	-	(1,003)	-	-	-
<b>As at 31<sup>st</sup> March 2014</b>	<b>(19,991)</b>	<b>(2,654)</b>	<b>(89,056)</b>	<b>(8,911)</b>	<b>(167)</b>	-	<b>(120,779)</b>	-
<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>63,652</b>	<b>334,829</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>	-

## Movements during 2014/15

	Land and Buildings £000	Community Assets £000	Infrastructure Assets £000	Vehicles, Plant and Equipment £000	Surplus £000	Under Construction / Development £000	Total 2014/15 £000	Service Concession Assets included in PPE £000
<b>Cost or Valuation</b>								
As at 31 <sup>st</sup> March 2014	188,900	7,013	169,551	15,608	10,885	63,652	455,609	17,705
Additions and Enhancements	2,300	850	5,737	2,344	1,711	18,179	31,121	-
Revaluations Recognised in the Revaluations Reserve	1,970	-	-	-	(1,473)	-	497	-
Revaluations Recognised in the Provision Services	(969)	-	-	-	(3,757)	(5,233)	(9,959)	-
Derecognition – Disposals	(10,968)	-	-	(400)	(350)	-	(11,718)	-
Derecognition – Others	-	-	-	-	-	-	-	-
Assets Reclassified (to)/from held for sale	-	-	-	-	-	-	-	-
Other Movements	3	-	(7,819)	-	12,024	(4,206)	2	-
<b>As at 31<sup>st</sup> March 2015</b>	<b>181,236</b>	<b>7,863</b>	<b>167,469</b>	<b>17,552</b>	<b>19,040</b>	<b>72,392</b>	<b>465,552</b>	<b>17,705</b>
<b>Depreciation</b>								
As at 31 <sup>st</sup> March 2014	(19,991)	(2,655)	(89,056)	(8,910)	(167)	-	(120,779)	-
Depreciation for the year	(8,855)	(460)	(9,370)	(2,222)	(554)	-	(21,461)	(482)
Depreciation written out to revaluation reserve	7,008	-	-	-	1,791	-	8,799	-
Depreciation written out to Surplus/Deficit on the Provision of Services	1,341	-	-	-	523	-	1,864	-
Derecognition – Disposals	3,267	-	-	395	7	-	3,669	-
Derecognition – Other	-	-	-	-	-	-	-	-
Other movements in depreciation	2	-	2,236	-	(2,236)	-	2	-
<b>As at 31<sup>st</sup> March 2015</b>	<b>(17,228)</b>	<b>(3,115)</b>	<b>(96,190)</b>	<b>(10,737)</b>	<b>(636)</b>	<b>-</b>	<b>(127,906)</b>	<b>(482)</b>
<b>Balance Sheet Amount as at 31<sup>st</sup> March 15</b>	<b>164,008</b>	<b>4,748</b>	<b>71,279</b>	<b>6,815</b>	<b>18,404</b>	<b>72,392</b>	<b>337,646</b>	<b>17,223</b>
<b>Balance Sheet Amount as at 1<sup>st</sup> April 14</b>	<b>168,909</b>	<b>4,358</b>	<b>80,494</b>	<b>6,698</b>	<b>10,718</b>	<b>63,652</b>	<b>334,829</b>	<b>17,705</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 2015, the Council has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment.

The major commitments are:

Widnes Waterfront	£1.00m
3MG Regeneration	£1.19m
Travellers Site	£1.29m
Norton Priory	£3.77m
SciTech Daresbury	£10.97m
Mersey Gateway Construction Interest	£7.85m
Mersey Gateway Crossings Board	£7.93m
Mersey Gateway Liquidity Fund	£10.00m
Mersey Gateway Land Acquisitions	£12.15m
Mersey Gateway Construction Costs	£102.5m

At 31<sup>st</sup> March 2014 the capital commitments totalled £152.54m

**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 2014/15 being year 4 in the cycle. All valuations are carried out internally by the Council’s in-house valuer Peter O’Donnell MRICS. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institute of Chartered Surveyors. Valuations of vehicles, plant and equipment are based on current prices where there is an active second-hand market or latest list prices adjusted for the condition of the asset.

Year 1 – Amendments and general updates

Year 2 – Corporate Properties

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

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

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

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

Assets which were subject to a revaluation in 2014/15 are dated the 1<sup>st</sup> April 2014. The valuation report which is used in the preparation of the Council's Statement of Accounts takes account of all known events throughout 2014/15 which could subsequently affect the assets value and is therefore dated the 31<sup>st</sup> March 2015.

### *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 2015, the Council had 173 assets that fell below its de-minimis level of £35,000 which totalled £1.235m. 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 2015 (excluding any estimation of inflation and availability/performance deductions) are as follows:

	<b>Payment for Services £000</b>	<b>Reimbursements of Capital Expenditure £000</b>	<b>Interest £000</b>	<b>Total £000</b>
Payment in 2015/16	928	504	1,847	3,279
Payable within 2 to 5 years	3,895	2,290	6,933	13,118
Payable within 6 to 10 years	5,999	2,815	7,584	16,398
Payable within 11-15 years	5,874	4,390	6,134	16,398
Payable within 16 – 20 years	6,199	6,267	3,932	16,398
Payable within 21 - 25 years	3,632	5,266	941	9,839
<b>Total</b>	<b>26,527</b>	<b>21,532</b>	<b>27,371</b>	<b>75,430</b>

## 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), 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>2013/14</b>	<b>2014/15</b>
	<b>£000</b>	<b>£000</b>
<b>Opening Capital Financing Requirement</b>	<b>78,487</b>	<b>106,807</b>
<b>Capital Investment:</b>		
Property, Plant & Equipment	62,669	31,164
Investment Properties	72	162
Intangible Assets	205	408
Revenue Expenditure funded from Capital under Statute	600	647
<b>Source of Finance:</b>		
Capital Receipts	(2,431)	(5,408)
Government Grants & Other Contributions	(26,590)	(21,457)
Direct Revenue Contributions	(914)	(1,505)
Minimum Revenue Provision	(5,291)	(3,158)
<b>Closing Capital Financing Requirement</b>	<b>106,807</b>	<b>107,660</b>
<b>Explanation of movement in year:</b>		
Increase in underlying need to borrow	8,535	3,787
Minimum Revenue Provision statutory set a side	(5,291)	(3,158)
Deferred Liability Voluntary set a side	-	-
Assets acquired under Finance Leases	942	224
Assets acquired under PFI/PPP contracts	24,134	-
<b>Increase/(Decrease) in Capital Financing Requirement</b>	<b>28,320</b>	<b>853</b>

The table above shows the Council spent £32.381m on capital during 2014/15 (including £0.224m for assets acquired under finance leases). This represents 74% delivery of the revised capital programme, for which 20% slippage had been anticipated.

The highlights of the programme are detailed below:

	<b>2014/15</b> <b>£000</b>	<b>2014/15</b> <b>£000</b>
Construction or Purchase of Assets		
Mersey Gateway Acquisitions	6,639	
Mersey Gateway Development Costs	4,421	
IT Rolling Programme	1,481	
Cremators at Widnes Crematorium	287	
Biomass Boiler - Brookvale Leisure Centre	289	
Fleet Replacements	879	13,996
Improving, Maintaining or Extending Assets		
Norton Priory	203	
Highway/Bridge Maintenance	3,781	
Frank Myler Sports & recreation Centre	2,051	
Lowerhouse Lane Depot	406	
Ashley School	338	6,779
Other Works		
Regeneration – 3MG	1,717	
Regeneration – SciTech Daresbury	1,377	
Playgrounds/Open Spaces	923	
Local Pinch Point Programme Daresbury	1,740	
Risk Management	120	5,877

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

Land/Dwellings/Recovered Advances – the Council received £6,204m from the sale of land and various properties.

Under residual arrangements, the Council received £0.79m (£0.135m in 2013/14) from Halton Housing Trust for the sale of homes during the year, and a further £0.563m (£0.823m in 2013/14) under VAT Shelter arrangements.

### Capitalisation of Borrowing Costs

The Council has undertaken borrowing of £113m in 2014-15 in advance of need to secure favourable interest rates available from the Public Works Loans Board. These loans will be invested until the payments are made to Merseylink Consortium during 2016/17 and 2017/18 to fund the contribution from the Council towards Mersey Gateway Crossing construction costs.

The interest capitalised during 2014/15 is shown below:

<b>2013/14</b>		<b>2014/15</b>
<b>£000</b>		<b>£000</b>
-	Interest received	(432)
-	Interest paid	2,426
-	<b>Net interest capitalised</b>	<b>1,994</b>

## 19. Heritage Assets

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

	2013/14			2014/15		
	Civic Regalia £000	Outdoor Sculpture £000	Total £000	Civic Regalia £000	Outdoor Sculpture £000	Total £000
<b>Cost or Valuation</b>						
<b>1st April</b>	858	256	1,114	858	265	1,123
Additions	-	9	9	-	45	45
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>31st March</b>	<b>858</b>	<b>265</b>	<b>1,123</b>	<b>858</b>	<b>310</b>	<b>1,168</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

The sculpture is known as the Future Flower was erected as part of the Widnes Waterfront regeneration scheme 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 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

Further payments for Private "Todger" Jones memorial, £45k (2013/14 £9k)

### Disposals

There were no disposals in 2014/15

### Heritage Assets 5 year summary of transactions

	2010/11 £000	2011/12 £000	2012/13 £000	2013/14 £000	2014/15 £000
Cost of Construction of Heritage Assets					
Civic Regalia	-	-	-	-	-
Outdoor Sculpture	1	4	46	9	45
<b>Net surplus arising from agreement</b>	<b>1</b>	<b>4</b>	<b>46</b>	<b>9</b>	<b>45</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. 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>2013/14</b>		<b>2014/15</b>
<b>£000</b>		<b>£000</b>
995	Rental income from Investment Property	1,137
(698)	Direct operating expenses arising from investment property	(381)
<b>297</b>		<b>756</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>2013/14</b>	<b>2014/15</b>
	<b>£000</b>	<b>£000</b>
<b>Balance at the start of the year</b>	13,405	12,249
Additions:		
- Purchases	72	161
- Construction	-	-
- Subsequent expenditure	-	-
Disposals	(701)	(2,036)
Net gain/losses from fair value adjustments	(527)	521
Transfers:		
- To/from Inventories	-	-
- To/from Property, Plant and Equipment	-	-
Other changes	-	-
	<b>12,249</b>	<b>10,895</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 not 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 £0.358m charged to revenue in 2014/15 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:

	2013/14			2014/15		
	Internally Generated Assets	Other Assets	Total	Internally Generated Assets	Other Assets	Total
	£000	£000	£000	£000	£000	£000
Balance at start of year:						
Gross carrying amounts	-	5,188	5,188	-	5,393	5,393
Accumulated amortisation	-	(3,921)	(3,921)	-	(4,500)	(4,500)
<b>Net carrying amount at start of year</b>	-	<b>1,267</b>	<b>1,267</b>	-	<b>893</b>	<b>893</b>
<b>Additions:</b>						
Purchases	-	205	205	-	408	408
Amortisation for the period	-	(579)	(579)	-	(358)	(358)
<b>Net carrying amount at end of year</b>	-	<b>893</b>	<b>893</b>	-	<b>943</b>	<b>943</b>
<b>Comprising:</b>						
Gross carrying amounts	-	5,393	5,393	-	5,801	5,801
Accumulated amortisation	-	(4,500)	(4,500)	-	(4,858)	(4,858)
	-	<b>893</b>	<b>893</b>	-	<b>943</b>	<b>943</b>

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

Description	Carrying Amount 31/03/15 £'000	Remaining Amortisation Period
Software Licenses 2010/11	97	1 year
Software Licenses 2011/12	135	2 years
Software Licenses 2012/13	139	3 years
Software Licenses 2013/14	164	4 years
Software Licenses 2014/15	408	5 years



## 22. Assets Held for Sale

	Current		Non-Current	
	2013/14	2014/15	2013/14	2014/15
	£000	£000	£000	£000
<b>Balance outstanding at start of Year</b>	3,743	2,802	-	-
Assets newly classified as held for sale:			-	-
- Property, Plant and Equipment		-	-	-
- Intangible Assets	-	-	-	-
Revaluation Losses	(126)	(825)	-	-
Revaluation Gains	-	1	-	-
Impairment Losses	-	-	-	-
Assets declassified as held for sale:	-	-	-	-
- Property, Plant and Equipment	-	-	-	-
- Intangible Assets	-	-	-	-
Assets Sold	(815)	(225)	-	-
Transfers from non-current to current	-	-	-	-
Other Movements	-	-	-	-
<b>Balance outstanding at year-end</b>	<b>2,802</b>	<b>1,753</b>	-	-

## 23. Investments

Long term investments consist of:

	Balance at 31/03/2014 £000	Balance at 31/03/2015 £000
Halton Borough Transport Ltd		
- Share Capital	430	430
- Debenture 1	18	11
- Debenture 2	86	71
Municipal Bonds Agency	-	10
Mersey Gateway Share Capital - de minimis	-	-
Halton Development Partnership Limited – de minimis	-	-
Widnes Regeneration Limited – de minimis	-	-
Long Term Deposits	-	-
	<b>534</b>	<b>522</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 below:

	<b>31/03/2014</b>	<b>31/03/2015</b>
	<b>£000</b>	<b>£000</b>
<b>Profit and Loss Account</b>		
Turnover	(5,815)	(6,100)
Operating and Other Expenditure	5,765	6,122
Net (Profit)/Loss (before Dividend)	<b>(50)</b>	<b>22</b>
Dividend due to Halton Borough Council	-	-
<b>Balance Sheet as at 31<sup>st</sup> March</b>		
Fixed Assets	2,419	2,916
Current Assets less Current Liabilities	(803)	(1,589)
Net Current Assets	<b>1,616</b>	<b>1,327</b>
Long Term Liabilities	(785)	(519)
Provisions for Liabilities and Charges	(53)	(53)
Pension Scheme Liability	-	-
	<b>778</b>	<b>755</b>
Represented by:		
Share Capital	(430)	(430)
Profit and Loss Account	(348)	(325)
	<b>(778)</b>	<b>(755)</b>

Please note that as the Halton Borough Transport Ltd's accounts were not finalised by 30<sup>th</sup> June 2015, the figures above have been produced using estimates based on Halton Borough Transport's Management Accounts as at 31<sup>st</sup> March 2015. The final audited account will be incorporated into the final accounts produced by 30<sup>th</sup> September 2015.

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

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

	<b>31/03/2014</b>	<b>31/03/2015</b>
	<b>£000</b>	<b>£000</b>
<b>Profit and Loss Account</b>		
Turnover	-	(2,134)
Operating and Other Expenditure	-	2,144
Net (Profit)/Loss (before Dividend)	-	<b>10</b>
Dividend due to Halton Borough Council	-	-
<b>Balance Sheet as at 31<sup>st</sup> March</b>		
Fixed Assets	-	1
Current Assets less Current Liabilities	-	(11)
Net Current Assets	-	<b>(10)</b>
Long Term Liabilities	-	-
Provisions for Liabilities and Charges	-	-
Pension Scheme Liability	-	-
	-	<b>(10)</b>
Represented by:		
Share Capital	-	-
Profit and Loss Account	-	(10)
	-	<b>(10)</b>

Please note that as the Mersey Gateway Crossing Board Limited's accounts were not finalised by 30<sup>th</sup> June 2015, the figures above have been produced using estimates based on Mersey Gateway Crossings Board Limited's Draft Accounts as at 31<sup>st</sup> March 2015. The final audited account will be incorporated into the final accounts produced by 30<sup>th</sup> September 2015.

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

Short term investments consist of:

	31/03/2014	31/03/2015
	£000	£000
<b>Nationalised Banks</b>		
Lloyds/Bank of Scotland Plc	10,000	30,000
Royal Bank of Scotland Plc	5,000	30,000
<b>UK Banks &amp; Building Societies</b>		
Standard Chartered	-	10,000
Santander	-	10,000
<b>Non-UK Banks</b>		
Rabobank	-	10,000
Commonwealth Bank Australia	-	10,000
Bank of Montreal	-	10,000
National Australia Bank	-	10,000
Toronto Dominion	-	10,000
Bank of Nova Scotia	-	10,000
United Overseas Bank	-	5,000
Development Bank of Singapore	-	10,000
Overseas Chinese Banking Corporation	-	10,000
<b>Local Authorities</b>		
Darlington Borough Council	-	5,000
	<b>15,000</b>	<b>170,000</b>

There has been a substantial increase in investments during 2014/15 due to the Council undertaking £113m of advance borrowing to fund the Mersey Gateway project and receipt of £52.0m Department For Transport Grant to repay the Council for land acquisition costs incurred, for which the Council had already borrowed.

## 24. Debtors

	Gross Debtors	Impairment	Net Debtors	Gross Debtors	Impairment	Net Debtors
	31 <sup>st</sup> March 2014 Restated			31 <sup>st</sup> March 2015		
	£000	£000	£000	£000	£000	£000
<b>Short Term</b>						
Central Government Bodies	3,701	-	3,701	6,131	-	6,131
Mersey Gateway Grant (DfT)	52,014	-	52,014	-	-	-
Other Local Authorities	943	-	943	928	-	928
NHS Bodies	617	-	617	156	-	156
Public Corporations & Trading Funds	19	-	19	-	-	-
Other Entities & Individuals	16,059	(7,726)	8,333	21,019	(7,352)	13,667
	<b>73,353</b>	<b>(7,726)</b>	<b>65,627</b>	<b>28,234</b>	<b>(7,352)</b>	<b>20,882</b>
<b>Long Term</b>						
Mortgagors – Council House Sales	4	-	4	2	-	2
Housing Associations	1,284	-	1,284	1,259	-	1,259
Mersey Gateway Grant	-	-	-	700	-	700
Other	515	-	515	-	-	-
	<b>1,803</b>	<b>-</b>	<b>1,803</b>	<b>1,961</b>	<b>-</b>	<b>1,961</b>

## 25. Inventories

	Catering, Bars and Provisions		Railcards		Other	
	2013/14	2014/15	2013/14	2014/15	2013/14	2014/15
	£000	£000	£000	£000	£000	£000
<b>Balance outstanding at the start of the year</b>	<b>138</b>	<b>146</b>	<b>17</b>	<b>-</b>	<b>203</b>	<b>190</b>
Purchased	11	10	-	-	64	52
Recognised as an expense in the year	(3)	(67)	(17)	-	(77)	(109)
Written-off balances	-	-	-	-	-	-
Reversals of write-offs in previous years	-	-	-	-	-	-
<b>Balance outstanding at the end of the year</b>	<b>146</b>	<b>89</b>	<b>-</b>	<b>-</b>	<b>190</b>	<b>133</b>

**26. Cash and Cash Equivalents**

	<b>31/03/2014</b>	<b>31/03/2015</b>
	<b>£000</b>	<b>£000</b>
Cash held by the Council	49	47
Bank current accounts	4,267	2,744
Short-term deposits	25,150	40,500
	<b>29,466</b>	<b>43,291</b>

**27. Creditors**

	<b>31/03/2014</b>	<b>31/03/2015</b>
	<b>Restated</b>	
	<b>£000</b>	<b>£000</b>
Central Government Bodies	(6,704)	(8,874)
Other Local Authorities	(3,699)	(2,299)
NHS Bodies	(2,510)	(1,613)
Public Corporations & Trading Funds	(2)	(2)
Other Entities & Individuals	(19,588)	(21,113)
	<b>(32,503)</b>	<b>(33,901)</b>

The 2013/14 figures have been restated to reflect the split between Creditors and Revenue Grants Receipts in Advance.

**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.

		31/03/2014 £000	Movement £000	31/03/2015 £000
<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	<b>(2,906)</b>	<b>(235)</b>	<b>(3,141)</b>
<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	<b>(16)</b>	-	<b>(16)</b>
<b>(B) Funds where the Council doesn't have sole control</b>				
<b>Registered Charities</b>				
<b>Knights House Charity</b>	Assets	(390)	(21)	(411)
Objective: to assist the needy in the Widnes area	Liabilities	247	10	257
Charity No. 218886		<b>(143)</b>	<b>(11)</b>	<b>(154)</b>
<b>Runcorn General War Relief</b>	Assets	(35)	-	(35)
Objective: to assist the needy in the Runcorn area	Liabilities	19	-	19
Charity No. 505396		<b>(16)</b>	-	<b>(16)</b>
<b>Widnes Education Foundation</b>	Assets	(24)	(1)	(25)
Objective: to assist in education opportunities for students in Widnes - Charity No. 526510	Liabilities	22	-	22
		<b>(2)</b>	<b>(1)</b>	<b>(3)</b>
<b>Other</b>				
<b>Other Social Services Funds</b>	Balance	<b>(63)</b>	<b>(11)</b>	<b>(74)</b>
The Council holds various sums on a voluntary basis for clients. The funds are mainly used to assist in providing recreational activities.				
<b>Education Welfare Trust</b>	Balance	<b>(1)</b>	-	<b>(1)</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.				

## 29. Leases

### 2014/15 – 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:

	31/03/2014	31/03/2015
	£000	£000
Vehicles, Plant, Furniture & Equipment	1,331	924

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:

	31/03/2014	31/03/2015
	£000	£000
Finance Lease liabilities (net present value of minimum lease payments):		
Vehicles, Plant, Furniture & Equipment	648	465
Finance costs payable in future years	33	18
Minimum Lease Payments	<b>681</b>	<b>483</b>

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

	Minimum Lease Payments		Finance Lease Liabilities	
	31/03/2014	31/03/2015	31/03/2014	31/03/2015
	£000	£000	£000	£000
Not later than one year	496	402	(478)	(389)
Later than one year and not later than five years	565	358	(565)	(351)
Later than five years	-	-	-	-
	<b>1,061</b>	<b>760</b>	<b>(1,043)</b>	<b>(740)</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>31/03/2014</b>	<b>31/03/2015</b>
	<b>£000</b>	<b>£000</b>
Not later than one year	794	751
Later than one year not later than five years	1,640	1,598
Later than five years	10,827	10,580
	<b>13,261</b>	<b>12,929</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>31/03/2014</b>	<b>31/03/2015</b>
	<b>£000</b>	<b>£000</b>
Not later than one year	267	248
Later than one year not later than five years	411	213
Later than five years	-	-
	<b>678</b>	<b>461</b>

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

	<b>31/03/2015</b>	<b>31/03/2014</b>
	<b>£000</b>	<b>£000</b>
Children's & Education Service	271	285
Adult Social Care	162	162
Highways & Transport	84	146
Cultural, Environmental, Regulatory and Planning	237	220
Housing Services	47	30
Central Services	474	459
Corporate and Democratic Core	21	26
Non Distributed Costs	1	-
Net Cost of Services	<b>1,297</b>	<b>1,328</b>
(Surplus)/Deficit from Trading Operations	-	-
	<b>1,297</b>	<b>1,328</b>

**Authority as a Lessor**

**Finance Leases**

The Council has no Finance Leases under this category for 2014/15.

**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>31/03/2014</b>	<b>31/03/2015</b>
	<b>£000</b>	<b>£000</b>
Not later than one year	1,431	2,059
Later than one year not later than five years	2,957	2,604
Later than five years	11,867	11,371
	<b>16,255</b>	<b>16,034</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 2014/15 £9,979 contingent rents were receivable by the Council (2013/14 £8,621).

### 30. Borrowings

Short term borrowings consist of:

	31/03/2014 £000	31/03/2015 £000
<b>Source of loans:</b>		
Public Works Loans Board	-	(10,000)
West Midlands Police	-	(5,000)
Portsmouth CC	-	(10,000)
London Borough of Havering	-	(5,000)
Liverpool City Region - LEP	-	(5,449)
	-	<b>(35,449)</b>

Long term borrowings consist of:

	31/03/2014 £000	31/03/2015 £000
<b>Source of loans:</b>		
Public Works Loan Board	(40,000)	(143,000)
Eurohypo	(10,000)	(10,000)
London Borough of Havering	(5,000)	-
West Midlands Police	(5,000)	-
Portsmouth City Council	(10,000)	-
Liverpool City Region - LEP	(5,401)	-
	<b>(75,401)</b>	<b>(153,000)</b>
<b>Analysis of loans by maturity:</b>		
Maturing in 1-2 years	(35,401)	(10,000)
Maturing in 2-5 years	(20,000)	(10,000)
Maturing in 5-10 years	-	-
Maturing in more than 10 years	(20,000)	(133,000)
	<b>(75,401)</b>	<b>(153,000)</b>

There has been a substantial increase in borrowing during 2014/15 due to the Council undertaking £113m of advance borrowing to fund the Mersey Gateway project for which there has been a corresponding increase in Investments (note 23). All payments should be made to fund the project during 2015/16 and 2016/17.

The Council received £5.4m of Growing Places Fund from the Liverpool City Region Local Enterprise Partnership (LEP) during 2013 which has been reclassified as long term borrowings in the 2013/14 figures above. See Note 45 – Prior Year Adjustments for more information.

### 31. Provisions

#### Long term provisions

	<b>Land Search Charge Claim £000</b>	<b>Efficiency Costs £000</b>	<b>NNDR Appeals £000</b>
<b>Balance at 1 April 2014</b>	<b>(160)</b>	<b>(11)</b>	<b>(565)</b>
Additional provisions made in year	-	(191)	-
Amount used in year	-	8	565
Amounts reclassified as <12 months	-	-	-
Unused amounts reversed in year	-	-	-
<b>Balance at 31 March 2015</b>	<b>(160)</b>	<b>(194)</b>	<b>-</b>

#### Short term provisions

	<b>Equal Pay £000</b>	<b>MMI Insurance £000</b>	<b>Oldgate Industrial Estate £000</b>	<b>Dilapidation Costs £000</b>	<b>The Hive £000</b>	<b>NNDR Appeals £000</b>	<b>Other £000</b>
<b>Balance at 1 April 2014</b>	<b>(682)</b>	<b>(420)</b>	-	<b>(60)</b>	<b>(37)</b>	<b>(1,788)</b>	-
Additional provisions made in year	-	-	(60)	(152)	-	(7,248)	(13)
Amount used in year	-	-	-	60	37	4,524	-
Amounts reclassified from >12 months	-	-	-	-	-	-	-
Unused amounts reversed in year	682	-	-	-	-	-	-
<b>Balance at 31 March 2015</b>	<b>-</b>	<b>(420)</b>	<b>(60)</b>	<b>(152)</b>	<b>-</b>	<b>(4,512)</b>	<b>(13)</b>

#### 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 2015.

### 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 2015, claims totalled £1.236m.

### 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 Ashley House has been made.

### Oldgate Industrial Estate

After fitting new roofs on all the units on Oldgate Industrial Estate, a problem with the drainage on the estate was highlighted. As such a provision has been set aside for the works to be completed by July 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. It is thought that the all these claims will be settled during 2015/16.

## 32. Other Long Term Liabilities

	<b>31/03/2014</b>	<b>31/03/2015</b>
	<b>£000</b>	<b>£000</b>
Defined Benefit Pension liability	(96,762)	(127,655)
Finance PFI Lease liability due more than 12 months	(21,532)	(21,143)
Finance Leases liability due more than 12 months	(804)	(509)
Deferred liabilities	(103)	(88)
	<b>(119,201)</b>	<b>(149,395)</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 53 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 2014/15, the Council paid an employer's contribution to the Cheshire Pension Fund of £12.099m (£12.523m in 2013/14), representing 20.6% (20.1% in 2013/14) 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:

	<b>2013/14</b>	<b>2014/15</b>
	<b>£000</b>	<b>£000</b>
	<b>Restated</b>	
<b>Comprehensive Income &amp; Expenditure Statement</b>		
<b>Cost of Services</b>		
Current Service Costs	12,858	12,330
Past Service Costs/(Gain)	169	38
Losses/(Gains) from Settlements	(426)	(832)
<b>Finance &amp; Investment Income &amp; Expenditure</b>		
Net interest expense	5,295	4,047
<b>Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services</b>	<b>17,896</b>	<b>15,583</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)	(5,557)	(45,592)
Actuarial (gains) and losses arising on changes in demographic assumptions	(9,807)	-
Actuarial (gains) and losses arising on changes in financial assumptions	(24,323)	77,314
Other experience	13,505	(4,314)
<b>Total Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement</b>	<b>(26,182)</b>	<b>27,408</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	<b>(17,896)</b>	<b>(15,583)</b>
Actual amount charged against the General Fund Balance for pensions in the year:		
Employers' contributions payable to scheme	<b>12,523</b>	<b>12,099</b>

Due to an error in the 2013/14 accounts, the figures included in 'Other Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement' and for 'Employer's contributions payable to the scheme' were incorrect. This has been corrected in the 2014/15 accounts.

**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>2013/14</b>	<b>2014/15</b>
	<b>£000</b>	<b>£000</b>
Present value of the defined benefit obligation	488,893	579,821
Fair value of plan assets	(392,130)	(452,166)
Sub Total	<b>96,763</b>	<b>127,655</b>
Other movement in the liability / (asset)	-	-
<b>Net liability arising from defined benefit obligation</b>	<b>96,763</b>	<b>127,655</b>

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

	<b>2013/14</b>	<b>2014/15</b>
	<b>£000</b>	<b>£000</b>
<b>Opening fair value of scheme assets</b>	370,062	392,130
Interest income	16,646	16,848
Remeasurement gain / (loss)	-	-
The return on plan assets, excluding the amount included in the net interest expense	5,557	45,592
Contributions from employer	12,523	12,099
Contribution from employees into the scheme	3,254	3,364
Benefits Paid	(15,058)	(15,548)
Effect of Settlements	(854)	(2,319)
<b>Closing fair value of scheme assets</b>	<b>392,130</b>	<b>452,166</b>



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

	<b>2013/14</b>	<b>2014/15</b>
	<b>£000</b>	<b>£000</b>
<b>Opening balance at 1 April</b>	487,634	488,893
Current service cost	12,858	12,330
Interest Cost	21,941	20,895
Contribution from scheme participants	3,254	3,364
Remeasurement (gains) and losses:		
- Actuarial gains / losses arising from changes in demographic assumptions	(9,807)	-
- Actuarial gains / losses arising from changes in financial assumptions	(24,323)	77,314
- Other	13,505	(4,314)
Past service cost	169	38
Benefits paid	(15,058)	(15,548)
Liabilities extinguished on settlements	(1,280)	(3,151)
<b>Closing balance at 31 March</b>	<b>488,893</b>	<b>579,821</b>

## Local Government Pension Scheme assets comprised

	Fair value of scheme assets 2013/14			Fair value of scheme assets 2014/15		
	Quoted prices in active markets £000	Quoted prices not in active markets £000	Total £000	Quoted prices in active markets £000	Quoted prices not in active markets £000	Total £000
<b>Cash and cash equivalents</b>	-	1,550	1,550	-	10,801	10,801
Equity securities						
- Consumer	51,606	-	51,606	43,921	-	43,921
- Manufacturing	17,912	-	17,912	12,623	-	12,623
- Energy & utilities	10,744	-	10,744	1,982	-	1,982
- Financial institutions	19,638	-	19,638	13,338	-	13,338
- Health & Care	4,776	-	4,776	4,228	-	4,228
- Information technology	15,317	-	15,317	13,152	-	13,152
- Other	12,115	-	12,115	4,274	-	4,274
<b>Sub-total equity</b>	<b>132,108</b>	-	<b>132,108</b>	<b>93,518</b>	-	<b>93,518</b>
Debt Securities						
- Corporate Bonds	-	-	-	-	-	-
- Government Bonds	-	-	-	-	-	-
- Other	-	23,364	23,364	-	-	-
<b>Sub-total bonds</b>	-	<b>23,364</b>	<b>23,364</b>	-	-	-
Property						
- UK property	-	24,742	24,742	-	35,443	35,443
- Overseas property	-	1,352	1,352	-	1,061	1,061
<b>Sub-total property</b>	-	<b>26,094</b>	<b>26,094</b>	-	<b>36,504</b>	<b>36,504</b>
<b>Private Equity</b>	-	<b>21,320</b>	<b>21,320</b>	-	<b>21,494</b>	<b>21,494</b>
Other investment funds						
- Equities	64,195	-	64,195	44,077	-	44,077
- Bonds	68,460	-	68,460	158,130	-	158,130
- Hedge funds	-	55,039	55,039	-	62,186	62,186
- Other	-	-	-	-	25,456	25,456
<b>Sub-total investment funds</b>	<b>132,655</b>	<b>55,039</b>	<b>187,694</b>	<b>202,207</b>	<b>87,642</b>	<b>289,849</b>
<b>Total Assets</b>	<b>264,763</b>	<b>127,367</b>	<b>392,130</b>	<b>295,725</b>	<b>156,441</b>	<b>452,166</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:

	2013/14	2014/15
Long-term expected rate of return on assets in the scheme		
Investment Returns		
- Equity Investments	4.3%	3.2%
- Bonds	4.3%	3.2%
- Property	4.3%	3.2%
- Cash	4.3%	3.2%
Mortality Assumptions		
Longevity at 65 for current pensioners:		
- Men	22.3 years	22.3 years
- Women	24.4 years	24.4 years
Longevity at 65 for future pensioners:		
- Men	24.1 years	24.1 years
- Women	26.7 years	26.7 years
Rate of inflation	2.8%	2.4%
Rate of increase in salaries	3.6%	3.3%
Rate of increase in pensions	2.8%	2.4%
Rate for discounting scheme liabilities	4.3%	3.2%
Take-up of option to convert annual pension into retirement lump sum		
- Service to April 2008	50%	50%
- Service from April 2008	75%	75%

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in

preparing the sensitivity analysis overleaf did not change from those used in the previous period.

	Approximate % increase to Employer Liability	Approximate monetary amount £000
<b>Change in assumptions at 31 March 2015</b>		
0.5% decrease in Real Discount Rate	11%	61,189
1 year increase in member life expectancy	3%	17,395
0.5% increase in the Salary Increase Rate	4%	20,415
0.5% increase in the Pension Increase Rate	7%	39,537

### ***Impact on the Authority's Cash Flows***

The objectives of the scheme are to keep employers' contribution at a constant rate as possible. The Council has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over the next 20 years. Funding levels are monitored on an annual basis and the next triennial valuation is due to be completed on 31 March 2016.

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

The authority is anticipated to pay contributions of £11.149m to the scheme in 2014/15.

The weighted average duration of the defined benefit obligation for scheme members is 18.5 years in 2014/15 (18.5 years in 2013/14)

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

### ***Teachers' Pension Scheme***

#### **Defined Contribution Scheme**

In 2014/15, the Council paid an employers' contribution to the Teachers' Pension Agency of £4.193m (£4.703m in 2013/14) in respect of teachers' pension costs. The contribution rate was 14.1% (14.1% in 2013/14) 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 2014/15 the cost was £0.129m (£0.144m in 2013/14).

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

#### Defined Contribution Scheme

In 2014/15 the Council paid an employers' contribution to the National Health Service Pensions Scheme in respect of 53 employees, the amount paid was £0.121m (£0.058m in 2013/14) in respect of these former NHS employees' pension costs. The contribution rate was 14.0% (14.0% in 2013/14) 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**

Please note a number of figures for the 2013/14 financial year have been restated to ensure they compare with the revised calculations and format used for 2014/15. These tables have been labelled as restated where this is applicable

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

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

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

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

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

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

## **Fair Value**

The Code requires that each class of financial asset and liability should disclose the “fair value” in a way that permits it to be compared with its carrying amount, as well as the method used in determining such fair values. The Council has used Capita Asset Services, its treasury management advisors to calculate these values and they have based the calculation on the appropriate PWLB rate for new loans as at 31<sup>st</sup> March 2015. The fair value of the Council’s Certificates of Deposit (CDs) have been provided by King & Shaxson.

## **Credit Risk**

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

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

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

The Council’s maximum exposure to credit risk in relation to its investments held in banks and building societies of £210m 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 31<sup>st</sup> March 2015 that this was likely to crystallise.

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

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

Maximum Deposit per institution £m	Counterparties	Exposure at 31/03/2015 £000
30	UK Government	-
30	Nationalised and Part Nationalised Banks - Minimum Rating A	62,350
30	UK Banks and Building Societies - Minimum Rating AAA	-
20	- Minimum Rating AA	10,000
10	- Minimum Rating A	38,000
20	Foreign Banks (with Sovereign Rating of AAA) - Minimum Rating AAA	-
10	- Minimum Rating AA	95,000
20	Local Authorities	5,000
		<b>210,350</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 Council's potential maximum exposure to credit risk on other financial assets, based on experience of default and non-collection over recent financial years, adjusted to reflect current market conditions.

	Estimated maximum exposure to default and non-collection at 31/03/2014 £000	Amount Outstanding at 31/03/2015 £000	Historical experience of default %	Estimated maximum exposure to default and non-collection at 31/03/2015 £000
Deposits with Banks	-	192,350	0.00	-
Deposits with Building Societies	-	13,000	0.00	-
Deposits with Local Authorities	-	5,000	0.00	-
Customers/Clients	172	7,566	2.50	189
	<b>172</b>			<b>189</b>

None of the Council's counterparties had any difficulty in repaying their liabilities during 2014/15. There has been no impairment of any financial assets during the course of the

year. The Council does not anticipate any losses due to non-performance of its counterparties.

The Council does not allow credit for customers (except in certain statutory situations). £3.232m of the £7.566m customer/client debt shown above is overdue. An analysis of the debt is shown below:

	<b>31/03/2014</b>	<b>31/03/2015</b>
	<b>£000</b>	<b>£000</b>
Less than 3 months	3,261	3,709
3 to 6 months	704	631
6 months to 1 year	823	715
More than 1 year	2,118	2,511
	<b>6,906</b>	<b>7,566</b>
Provision for non-payment	(3,453)	(2,977)

### 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>31/03/2014</b>	<b>31/03/2015</b>
	<b>Restated</b>	
	<b>£000</b>	<b>£000</b>
Less than 1 year	39,265	80,755
Between 1 and 2 years	35,401	10,000
Between 2 and 5 years	20,000	10,000
More than 5 years	20,000	133,000
	<b>114,666</b>	<b>233,755</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 2015, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

	<b>2014/15</b>
	<b>£000</b>
Increase in interest payable on variable rate borrowings	-
Increase in interest receivable on variable rate investments	(1,525)
<b>Impact upon Comprehensive Income and Expenditure Statement</b>	<b>(1,525)</b>

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

The Council has not taken any short term or variable borrowings in year so there was no interest payable for variable rate borrowings in 2014/15.

### **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:

	<b>Long Term Restated 31/03/2014 £000</b>	<b>Current Restated 31/03/2014 £000</b>	<b>Long Term 31/03/2015 £000</b>	<b>Current 31/03/2015 £000</b>
<b>Investments</b>				
Loans and receivables	-	15,000	-	170,000
Unquoted equity investment at cost	534	-	522	-
<b>Total</b>	<b>534</b>	<b>15,000</b>	<b>522</b>	<b>170,000</b>
<b>Assets</b>				
Cash & Cash Equivalent	-	29,466	-	43,291
Loans and receivables	1,803	63,971	1,803	17,726
<b>Total</b>	<b>1,803</b>	<b>93,437</b>	<b>1,803</b>	<b>61,017</b>
<b>Borrowings</b>				
Financial liabilities at amortised cost	<b>(75,401)</b>	-	<b>(153,000)</b>	<b>(35,449)</b>
<b>Other liabilities</b>				
Finance lease liabilities & PFI	<b>(22,098)</b>	<b>(942)</b>	<b>(21,429)</b>	<b>(893)</b>
<b>Current Liabilities</b>				
Financial liabilities at amortised cost	-	<b>(39,265)</b>	-	<b>(45,306)</b>

**Material Soft Loans Made by the Council**

There were no material soft loans made by Halton Borough Council in 2014/15 (£0 2013/14)

**Reclassifications**

There were no reclassifications of financial instruments made by Halton Borough Council in 2014/15 (£0 2013/14)

## Income, Expense, Gains and Losses

	2013/14			2014/15		
	Financial Liabilities measured at amortised cost £000	Financial Assets: Loans and Receivables £000	Total £000	Financial Liabilities measured at amortised cost £000	Financial Assets: Loans and Receivables £000	Total £000
Interest expense	3,632	-	3,632	5,935	-	5,935
Interest income	-	(654)	(654)	-	(1,150)	(1,150)
<b>Net Gain/(Loss)</b>	<b>3,632</b>	<b>(654)</b>	<b>2,978</b>	<b>5,935</b>	<b>(1,150)</b>	<b>4,785</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 2015 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.

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 are shown below:

	2013/14		2014/15	
	Carrying Amount Restated £000	Fair Value Restated £000	Carrying Amount £000	Fair Value £000
<b>Financial Liabilities - short term</b>				
Borrowings	-	-	(35,449)	(35,607)
Finance lease liabilities & PFI	(942)	(942)	(893)	(893)
Other financial liabilities	(39,265)	(39,265)	(45,306)	(45,306)
<b>Financial Liabilities - long term</b>				
Borrowings	(75,401)	(74,972)	(153,000)	(174,262)
Finance lease liabilities & PFI	(22,098)	(22,098)	(21,429)	(21,429)
Other financial liabilities	-	-	-	-

The fair values of the liabilities is higher than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is

higher than the prevailing rates at the Balance Sheet date. This shows a notional future loss (based on economic conditions at 31<sup>st</sup> March 2015) arising from a commitment to pay interest to lenders above current market rates.

	2013/14		2014/15	
	Amount	Fair Value (Restated)	Amount	Fair Value
	£000	£000	£000	£000
<b>Financial Assets - short term</b>				
Investments - loans and receivables	15,000	15,047	170,000	170,622
Cash and Cash Equivalents	29,466	29,482	43,291	43,298
Loans and receivables	63,971	63,971	17,726	17,726
<b>Financial Assets - long term</b>				
Unquoted equity investment at cost	534	534	522	522
Loans and receivables	1,803	1,803	1,803	1,803

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 2015) 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 46 redundancies and 5 early retirements in 2014/15. 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 £1.678m (2013/14 £2.411m). 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>2014/15</b>
	<b>£000</b>
Adult Social Care	217
Central Services	474
Children's & Education Services	350
Corporate & Democratic Core	12
Culture & Related Services	244
Environmental & Regulatory Services	93
Highways & Transport Services	132
Housing Services	89
Planning Services	67
<b>Total</b>	<b>1,678</b>

### 36. Contingent Liabilities

At 31<sup>st</sup> March 2015, the Council had 2 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 2015, the actual amount of any possible obligations is unknown.

**Grange BSF PFI Scheme**

As part of the Grange BSF PFI scheme deductions amounting to over £400k have been applied and subsequently deducted from the Unitary Charge payments made payable by the authority. The contractor however is disputing the level of deductions applied and currently this is still on-going with legal advice being sought and matter to be dealt via a mediation process in due course.

### 37 (a). 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 (Restated) £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Movement in Usable Reserves £000	Revaluation Reserve (Restated) £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	(10,065)	-	-	<b>(10,065)</b>	-	-	-	-	10,065	-	-	-	-	<b>10,065</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>
REFCUS	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Amounts written off on disposal of Academies to CIES	(2,038)	-	-	<b>(2,038)</b>	380	-	-	-	1,658	-	-	-	-	<b>2,038</b>
Amounts of non-current assets written off on disposal or sale as gain/loss on disposal to the CIES	1,014	(2,982)	-	<b>(1,968)</b>	608	-	-	-	1,360	-	-	-	-	<b>1,968</b>



	USABLE RESERVES				UNUSABLE RESERVES									
	General Fund Balance (Restated) £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Movement in Usable Reserves £000	Revaluation Reserve (Restated) £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>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)	-	-	-	-	-
<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	-	-	-	-	-	-	-	-	-	-	-	-	-	-

	USABLE RESERVES				UNUSABLE RESERVES									
	General Fund Balance (Restated) £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Movement in Usable Reserves £000	Revaluation Reserve (Restated) £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 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	-	<b>2,431</b>	-	-	-	-	(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	-	-	-	-	-	-	-	-	-	-	-	-
Transfer from the Deferred Capital Receipts Reserve upon the receipt of cash	-	-	-	-	-	-	-	-	-	-	-	-	-	-

	USABLE RESERVES				UNUSABLE RESERVES									
	General Fund Balance (Restated) £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Movement in Usable Reserves £000	Revaluation Reserve (Restated) £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>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 (Restated) £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Movement in Usable Reserves £000	Revaluation Reserve (Restated) £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>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	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	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Accumulated Absences Account 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>(10,299)</b>	<b>(546)</b>	<b>226</b>	<b>(10,619)</b>	<b>4,036</b>	-	-	<b>5,373</b>	<b>3,512</b>	-	<b>(2,155)</b>	-	<b>(147)</b>	<b>10,619</b>

### 37 (b). Adjustments between Accounting Basis and Funding Basis under regulation – for year ended 31/03/15

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 £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	(21,461)	-	-	(21,461)	-	-	-	-	21,461	-	-	-	-	21,461
Revaluation losses on Property, Plant and Equipment	(7,451)	-	-	(7,451)	-	-	-	-	7,451	-	-	-	-	7,451
Movements in the Market Value of Investment Properties	521	-	-	521	-	-	-	-	(521)	-	-	-	-	(521)
Amortisation of Intangible Assets	(358)	-	-	(358)	-	-	-	-	358	-	-	-	-	358
Capital Grants and Contributions applied	21,457	-	-	21,457	-	-	-	-	(21,457)	-	-	-	-	(21,457)
REFCUS	(647)	-	-	(647)	-	-	-	-	647	-	-	-	-	647
Amounts written off on disposal of Academies to CIES	(7,343)	-	-	(7,343)	1,313	-	-	-	6,030	-	-	-	-	7,343
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	2,413	(6,847)	-	(4,434)	155	-	-	-	4,279	-	-	-	-	4,434

	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>Insertion of items not debited or credited to the CIES:</b>														
Statutory provision for the financing of Capital investment	3,158	-	-	<b>3,158</b>	-	-	-	-	(3,158)	-	-	-	-	<b>(3,158)</b>
Capital expenditure charged against the General Fund Balance	1,505	-	-	<b>1,505</b>	-	-	-	-	(1,505)	-	-	-	-	<b>(1,505)</b>
<b>Other</b>														
Transfer between CAA and RR for depreciation that is based on CV rather than HC	-	-	-	-	3,214	-	-	-	(3,214)	-	-	-	-	-
<b>Capital Grants Unapplied Account</b>														
Capital Grants and Contributions unapplied credited to the CIES	93	-	(93)	-	-	-	-	-	-	-	-	-	-	-
Application of Grants to Capital Financing transferred to the Capital Adjustment Account	-	-	-	-	-	-	-	-	-	-	-	-	-	-

	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>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	-	5,408	-	5,408	-	-	-	-	(5,408)	-	-	-	-	(5,408)
Contribution from the Capital Receipts Reserve towards the administration cost of non-current asset disposals	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Contribution from the Capital Receipts Reserve to finance the payments to the Government	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Capital Receipts pool	(1)	1	-	-	-	-	-	-	-	-	-	-	-	-
Transfer from the Deferred Capital Receipts Reserve upon the receipt of cash	-	-	-	-	-	-	-	-	-	-	-	-	-	-

	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>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	(15,583)	-	-	(15,583)	-	-	15,583	-	-	-	-	-	-	15,583
Employers pension contributions and direct payments to pensioners	12,099	-	-	12,099	-	-	(12,099)	-	-	-	-	-	-	(12,099)



	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 income credited to the CIES is different from council tax income calculated for the year in accordance with statutory requirements	(1,165)	-	-	(1,165)	-	-	-	-	-	-	1,165	-	-	1,165
<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	(90)	-	-	(90)	-	-	-	-	-	-	-	90	-	90
<b>TOTAL ADJUSTMENTS</b>	<b>(12,853)</b>	<b>(1,438)</b>	<b>(93)</b>	<b>(14,384)</b>	<b>4,682</b>	-	-	<b>3,484</b>	<b>4,963</b>	-	<b>1,165</b>	-	<b>90</b>	<b>14,384</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 2014/15.

	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	Transfers Out 2014/15 £000	Transfers In 2014/15 £000	Balance at 31 <sup>st</sup> March 2015 £000
<b>General Fund</b>							
<b>Balances held by schools under the scheme of delegation</b>	<b>(6,433)</b>	-	(157)	<b>(6,590)</b>	871	(1,742)	<b>(7,461)</b>
<b>Capital</b> (To support Capital Programme)	<b>(1,954)</b>	3,907	(4,849)	<b>(2,896)</b>	756	(1,726)	<b>(3,866)</b>
<b>Insurance General Fund</b> (To fund self possible self insured claims)	<b>(4,222)</b>	420	-	<b>(3,802)</b>	-	(300)	<b>(4,102)</b>
<b>Insurance Former HRA Properties</b> (To offset pre LSVT claims)	<b>(1,256)</b>	79	-	<b>(1,177)</b>	1,177	-	-
<b>Performance Grant</b> (Grant to be utilised in 2015/16)	<b>(38)</b>	38	-	-	-	-	-
<b>Building Schools for the Future Capital</b> (To fund future capital costs)	<b>(1,086)</b>	915	(171)	<b>(342)</b>	104	(1,234)	<b>(1,472)</b>
<b>Working Neighbourhood's Fund</b> (Grant to be utilised in 2015/16)	<b>(97)</b>	97	(50)	<b>(50)</b>	50	(46)	<b>(46)</b>
<b>Children's Disabilities</b> (Previously the balance of the pooled budget with PCT)	<b>(12)</b>	12	-	-	-	-	-
<b>Revenue Priorities Fund</b> (Earmarked funding c/fwd)	<b>(20)</b>	-	(14)	<b>(34)</b>	34	(17)	<b>(17)</b>

	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	Transfers Out 2014/15 £000	Transfers In 2014/15 £000	Balance at 31 <sup>st</sup> March 2015 £000
<b>General Fund</b>							
<b>Invest to Save</b> (To fund investments in revenue saving initiatives)	(1,457)	93	(33)	(1,397)	646	(457)	(1,208)
<b>Halton Castle Duchy of Lancaster</b> (Halton Castle restoration project)	(56)	12	-	(44)	12	-	(32)
<b>Supporting People</b> (Earmarked to fund future schemes)	(939)	715	(581)	(805)	563	(468)	(710)
<b>Building Schools for the future</b> (To fund future inflation costs)	(455)	200	-	(255)	-	-	(255)
<b>Enterprise and Employment</b> (To fund E&E activities for future years)	(1,423)	2,109	(981)	(295)	359	(713)	(649)
<b>Health &amp; Community</b> (To support 2015/16 revenue budget)	(506)	986	(1,495)	(1,015)	51	(135)	(1,099)
<b>Local Development Framework</b> (To fund local development core strategy costs)	(305)	60	(28)	(273)	-	-	(273)
<b>Equal Pay</b> (To fund costs arising from equal pay claims)	(3,612)	284	(114)	(3,442)	578	-	(2,864)
<b>Intermediate Care Pool</b> (Share of pooled budget with Halton & St Helens)	(2)	4	(2)	-	-	-	-

	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	Transfers Out 2014/15 £000	Transfers In 2014/15 £000	Balance at 31 <sup>st</sup> March 2015 £000
<b>General Fund</b>							
<b>Growth Points</b> (To fund future initiatives to be identified by the Growth Points Partnership)	(29)	29	-	-	-	-	-
<b>PCT Drug Treatment</b> (Funding for drug and alcohol misuse treatment)	(435)	296	-	(139)	109	-	(30)
<b>Olympic Legacy Fund</b> (To support the on-going development of sports in Halton)	(82)	82	-	-	-	-	-
<b>Arts Development Strategy Fund</b> (To support the medium term arts development strategy)	(72)	27	-	(45)	45	-	-
<b>Agresso Development</b> (To fund expected upgrade costs to the financial database)	(77)	-	-	(77)	-	-	(77)
<b>S106 Grants</b> (Developers contributions towards planning applications)	(105)	105	(71)	(71)	71	(80)	(80)

	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	Transfers Out 2014/15 £000	Transfers In 2014/15 £000	Balance at 31 <sup>st</sup> March 2015 £000
<b>General Fund</b>							
<b>Carefirst</b> (To finance staffing posts with ICT)	(245)	-	(112)	(357)	-	-	(357)
<b>Revenues &amp; Benefits Development</b> (To fund ongoing systems development and benefits reform changes)	(463)	-	-	(463)	-	(273)	(736)
<b>Open Spaces Rolling Programme</b> (To finance the Open Spaces strategy in 2015/16)	(215)	185	(188)	(218)	220	(93)	(91)
<b>Home Office Community Safety</b> (To be spent on specified community safety initiatives)	(585)	60	-	(525)	151	(68)	(442)
<b>Leisure Mgt Contract Contingency</b> (Contingency compensation for leisure management contract)	(30)	-	(12)	(42)	-	(10)	(52)
<b>Learning &amp; Achievement</b> (To finance budgets which span the academic year into 2015/16)	(18)	115	(631)	(534)	782	(840)	(592)

	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	Transfers Out 2014/15 £000	Transfers In 2014/15 £000	Balance at 31 <sup>st</sup> March 2015 £000
<b>General Fund</b>							
<b>Children's Organisation &amp; Provision</b> (To finance specialist services and projects that run into 2015/16)	<b>(1,907)</b>	2,571	(2,672)	<b>(2,008)</b>	2,018	(161)	<b>(151)</b>
<b>Saffron</b> (To finance new catering manager software)	<b>(15)</b>	15	-	-	-	-	-
<b>A&amp;C Care Financials</b> (Contribution to upgrade Carefirst 6 system)	<b>(517)</b>	147	-	<b>(370)</b>	63	(63)	<b>(370)</b>
<b>A&amp;C Section 256 Monies</b> (Contribution form H&StH PCT with joint outcomes)	<b>(878)</b>	122	(14)	<b>(770)</b>	-	-	<b>(770)</b>
<b>A&amp;C Savings</b> (To help finance A&C budget)	<b>(545)</b>	692	(3,516)	<b>(3,369)</b>	3,448	(1,699)	<b>(1,620)</b>
<b>A&amp;C Stroke Services</b> (To help finance the delivery of services with H&StH PCT)	<b>(235)</b>	235	-	-	-	-	-
<b>Transformation Fund</b> (To fund costs arising from future efficiency reviews)	<b>(1,850)</b>	366	(731)	<b>(2,215)</b>	488	(600)	<b>(2,327)</b>

	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	Transfers Out 2014/15 £000	Transfers In 2014/15 £000	Balance at 31 <sup>st</sup> March 2015 £000
<b>General Fund</b>							
<b>Policy &amp; Resources</b> (Contribution to Savings Target)	(349)	112	(1,422)	(1,659)	895	(1,995)	(2,759)
<b>Cremators</b> (Contribution to future purchase of new cremators)	(79)	-	-	(79)	-	-	(79)
<b>Planning</b> (Contribution 2015/16 staffing)	(17)	17	-	-	658	(658)	-
<b>Public Health Transitional Costs</b> (Start- up funding to help Council with new PH responsibilities)	(37)	-	(783)	(820)	-	(554)	(1,374)
<b>Payment Kiosks</b> (To fund installation of kiosks in Halton schools)	(99)	96	-	(3)	-	-	(3)
<b>Records Management Unit</b> (To fund the dedicated records management unit for the Council)	(500)	-	-	(500)	-	(530)	(1,030)
<b>Legal Locums</b> (To fund the extension of agency staff)	(40)	40	(80)	(80)	-	-	(80)
<b>Early Intervention Grant Transition</b> (To finance the costs of EIG transition in 2013/14)	(1,346)	1,342	(200)	(205)	-	-	(205)
<b>I-Pitch</b> (To finance the future replacement of the I-Pitch)	(28)	28	-	-	-	-	-

	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	Transfers Out 2014/15 £000	Transfers In 2014/15 £000	Balance at 31 <sup>st</sup> March 2015 £000
<b>General Fund</b>							
<b>Fleet Replacement</b> (Rolling replacement programme for Council fleet vehicle)	(996)	565	(690)	(1,121)	879	(1,199)	(1,441)
<b>Superfast Broadband</b> (To provide matched funding to the Superfast Broadband project)	(65)	9	(300)	(356)	9	(175)	(522)
<b>Property Demolitions</b> (To finance the demolition of derelict HBC properties)	(300)	38	-	(262)	257	-	(5)
<b>European Match Funding 2014- 2020</b> (Contribution to the European 2014- 2020 Programme)	-	20	(2,207)	(2,187)	252	-	(1,935)
<b>Complex Care Pool</b> (Pooled budget for Health & Social Care with CCG)	-	66	(158)	(92)	161	(72)	(3)
<b>Allpay Cashiers Payment System</b> (To finance the roll-out of cashless payment systems in Halton Primary Schools)	-	-	(150)	(150)	-	-	(150)
<b>Income Manager</b> (To finance the implementation costs)	-	-	(100)	(100)	-	-	(100)



	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	Transfers Out 2014/15 £000	Transfers In 2014/15 £000	Balance at 31 <sup>st</sup> March 2015 £000
<b>General Fund</b>							
<b>Discretionary Social Fund</b> (To continue to provide the hardship fund once Government support ceases)	-	-	(580)	(580)	4	(366)	(942)
<b>Waste Route Optimisation Software</b> (To finance IT software costs in 2015/16)	-	-	(70)	(70)	70	-	-
<b>Catalyst Museum</b> (Catalyst Museum support)	-	-	(30)	(30)	-	-	(30)
<b>Troubled Families</b> (Will be utilised during 15/16 to deliver various services)	-	-	-	-	-	(505)	(505)
<b>CMRZ</b> (To fund 15/16 running costs)	-	-	-	-	-	(103)	(103)
<b>Enterprise Zone</b> (For the development of the Enterprise Zone at Sci-Tech Daresbury)	-	-	-	-	716	(1,124)	(408)
<b>Children &amp; Families</b> (To offset future CWDC training costs)	-	-	-	-	-	(80)	(80)
<b>Public &amp; Environment Health Contributions</b> (Contribution to savings target)	-	-	-	-	-	(60)	(60)
<b>TOTAL ALL RESERVES</b>	<b>(36,032)</b>	<b>17,311</b>	<b>(23,192)</b>	<b>(41,914)</b>	<b>16,497</b>	<b>(18,146)</b>	<b>(43,563)</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 earmarked reserves also include unspent school balances of budgets delegated to individual schools. The opening and closing balance is split between the Council and Schools in the Movement in Reserves Statement.

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>2013/14</b>		<b>2014/15</b>
<b>£000</b>		<b>£000</b>
(54,292)	Revaluation Reserve	(58,907)
-	- Available for Sale Financial Instruments Reserve	-
-	- Financial Instruments Adjusted Account	-
96,763	Pensions Reserve	127,655
(190,799)	Capital Adjustment Account	(185,836)
(1,288)	Deferred Capital Receipts	(1,262)
(3,057)	Collection Fund Adjustment Account	(1,892)
-	- Unequal Back Pay Account	-
1,916	Accumulated Absences Account	2,006
-	- Rounding Adjustment	(3)
<b>(150,757)</b>	<b>Total Unusable Reserves</b>	<b>(118,239)</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.

2013/14 Restated £000		£000	2014/15 £000
(57,444)	<b>Balance at 1 April</b>		<b>(54,292)</b>
(1,588)	Upward revaluation of assets	(10,288)	
704	Downward revaluation of assets and impairment losses not charged to the Surplus/(Deficit) on the Provision of Services	991	
(884)	Surplus or deficit on revaluation of non-current assets not posted to the Surplus/(Deficit) on the Provision of Services		(9,297)
3,048	Difference between fair value depreciation and historical cost depreciation	3,214	
380	Accumulated gain on academies transferred	1,313	
608	Accumulated gains on assets sold or scrapped	155	
4,036	Amount written off to the Capital Adjustment Account		4,682
<b>(54,292)</b>	<b>Balance at 31 March</b>		<b>(58,907)</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.

2013/14 £000 Restated (194,311)		£000	2014/15 £000 (190,799)
	<b>Balance at 1 April</b>		
	<b>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:</b>		
21,009	Charges for depreciation and impairment of non-current assets	21,461	
10,065	Revaluation losses on Property, Plant and Equipment	7,451	
579	Amortisation of intangible assets	358	
-	Revenue expenditure funded from capital under statute	647	
1,658	Carrying value of Academies transferred	6,030	
1,360	Carrying amount of non-current assets sold	4,279	
<b>34,671</b> (3,048)	<b>Adjusting amounts written out of the Revaluation Reserve</b>		<b>40,226</b> (3,214)
<b>31,623</b>	<b>Net written out amount of the cost of non-current assets consumed in the year</b>		<b>37,012</b>
	<b>Capital financing applied in the year:</b>		
(2,431)	Use of the Capital Receipts Reserve to finance new capital expenditure	(5,408)	
(20,010)	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(21,457)	
-	Application of grants to capital financing from the Capital Grants Unapplied Account	-	
(5,283)	Statutory provision for the financing of capital investment charged against the General Fund	(3,158)	
(914)	Capital expenditure charged against the General Fund	(1,505)	
<b>(28,638)</b>			<b>(31,528)</b>
527	Movements in the market value of investment properties debited or credited to the Comprehensive Income and Expenditure Statement		(521)
-	Movement in the Donated Assets Account credited to the Comprehensive Income and Expenditure Statement		-
<b>(190,799)</b>	<b>Balance at 31<sup>st</sup> March</b>		<b>(185,836)</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>2013/14</b>		<b>£000</b>	<b>2014/15</b>
<b>£000</b>		<b>£000</b>	<b>£000</b>
<b>117,572</b>	<b>Balance at 1<sup>st</sup> April</b>		<b>96,763</b>
	Re-measurement of the net defined benefit liability comprising:		
(9,807)	Changes in demographic assumptions	-	
(24,323)	Changes in financial assumptions	77,314	
13,505	Other experience	(4,314)	
(5,557)	Returns on assets excluding amounts included in net interest	(45,592)	
<b>(26,182)</b>			<b>27,408</b>
17,896	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		15,583
(12,523)	Employers pensions contributions and direct payments to pensioners payable in the year		(12,099)
<b>96,763</b>	<b>Balance at 31<sup>st</sup> March</b>		<b>127,655</b>

**Deferred Capital Receipts Reserve**

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

<b>2013/14</b>		<b>2014/15</b>
<b>£000</b>		<b>£000</b>
(4)	Mortgages – Former Right to Buy	(2)
(1,018)	Housing Associations	(994)
(266)	Castlefields Equity Advances	(266)
<b>(1,288)</b>		<b>(1,262)</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>2013/14</b>		<b>2014/15</b>
<b>£000</b>		<b>£000</b>
<b>(1,317)</b>	<b>Balance at 1 April</b>	<b>(1,288)</b>
-	Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-
29	Transfer to the Capital Receipts Reserve upon receipt of cash	26
<b>(1,288)</b>	<b>Balance at 31 March</b>	<b>(1,262)</b>

### 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

2013/14 £000		2014/15 £000
(902)	<b>Balance at 1 April</b>	(3,057)
(1,888)	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	(1,519)
(267)	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	2,684
<b>(3,057)</b>	<b>Balance at 31 March</b>	<b>(1,892)</b>

### 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.

2013/14 £000		2014/15 £000
2,063	<b>Balance at 1 April</b>	1,916
(2,063)	Settlement or cancellation of accrual made at the end of the preceding year	(1,916)
1,916	Amount accrued at the end of the current year	2,006
147	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	(90)
<b>1,916</b>	<b>Balance at 31 March</b>	<b>2,006</b>



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

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

<b>2013/14</b>		<b>2014/15</b>
<b>Restated</b>		
<b>£000</b>		<b>£000</b>
(21,009)	Depreciation	(21,461)
(10,065)	Impairment and downward valuation	(7,451)
(579)	Amortisation of Intangible Assets	(358)
(527)	Movement in market value of investment properties	521
(305)	Impairment Debtors	374
(2,025)	(Increase)/Decrease in Creditors	(4,565)
9,345	Increase/(Decrease) in Debtors	(44,961)
(21)	Increase/(Decrease) in Inventories	(115)
(5,373)	Movement in Pension Liability	(3,484)
(2,250)	Contributions (to)/from Provisions	(1,788)
(1,968)	Carrying amount of non-current assets and non-current assets held for sale, sold or de-recognised	(2,967)
(2,038)	Loss on transfer to academies	(7,343)
1,927	Other non-cash adjustments	(1,424)
<b>(34,888)</b>	<b>Total non-cash movements</b>	<b>(95,022)</b>

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

<b>2013/14</b>		<b>2014/15</b>
<b>Restated</b>		
<b>£000</b>		<b>£000</b>
(2,593)	Capital Grants credited to the surplus or deficit on the provisions of services	67,113
2,982	Proceeds from the sale of non-current assets	6,847
1,700	Billing Authorities - Council Tax and NDR adjustments	(3,437)
<b>2,089</b>	<b>Net Cash flows from investing or financing activities</b>	<b>70,523</b>

The cash flows for operating activities includes the following items:

<b>2013/14</b>		<b>2014/15</b>
<b>£000</b>		<b>£000</b>
(909)	Interest received	(417)
1,858	Interest paid	4,037
-	Dividends received	-
<b>949</b>		<b>3,620</b>

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

<b>2013/14</b>		<b>2014/15</b>
<b>Restated</b>		<b>£000</b>
<b>£000</b>		<b>£000</b>
37,870	Purchase of property, plant and equipment, investment property and intangible assets	31,510
40,000	Purchase of short term and long term investments	319,010
-	Other payments for investing activities	-
(2,982)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(6,847)
(53,921)	Proceeds from short term and long term investments	(164,022)
2,411	Other receipts from investing activities	(71,322)
<b>23,378</b>	<b>Net Cash flows from Investing Activities</b>	<b>108,329</b>

#### 43. Cash Flow Statement – Financing Activities

<b>2013/14</b>		<b>2014/15</b>
<b>Restated</b>		<b>£000</b>
<b>£000</b>		<b>£000</b>
(130,142)	Cash receipts of short and long term borrowing	(113,048)
(1,700)	Other receipts from financing activities	3,437
2,785	Cash payments from the reduction of the outstanding liabilities relating to finance leases and on balance sheet PFI contracts	930
135,214	Repayments of short term and long term borrowing	-
-	Other payments for financing activities	-
<b>6,157</b>	<b>Net Cash flows from Financing Activities</b>	<b>(108,681)</b>

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

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

##### **Subsidiary**

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

As at 31st March 2015 the following were subsidiaries of the Council:-

- Halton Transport Ltd (HTL) – In accordance with the Transport Act 1985, Halton Transport became a separate legal entity from the Council, with the Council holding 100% of the shares within the company.
- Mersey Gateway Crossings Board Ltd - The principal activity of the company is to deliver the Mersey Gateway Bridge project, and to administer and oversee the construction and maintenance of the new tolled crossings, including the tolling of the existing Silver Jubilee Bridge. The Council holds 100% of the shares issued by the company.

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

For more information on the financial performance of the above two companies, see note 23, where a summary of the companies accounts are provided.

##### **Joint Ventures**

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

As at 31st March 2015 the Council were party to the following joint ventures:-

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

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

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

### **Associates**

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

As at 31st March 2015 the Council had associate relationships with the following:-

- Daresbury Science & Innovation Campus LLP - The principal activity of the LLP is the management and development of the Sci-Tech Daresbury Campus. Designated members of the partnership are Langtree Daresbury Ltd and Daresbury Science & Innovation Campus (Pub Sec) LLP, for which the Council is an equal partner in.

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

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

## 45. Prior Year Adjustments

### Restatement of £5.401m Loan from Liverpool Local Economic Partnership (LEP)

In 2013/14 the Council received £5.401m Growing Places Fund from the Liverpool LEP to assist in the funding of the 3MG Regeneration Project.

This funding was originally classed as a Capital Grant Receipt in Advance in the 2013/14 Statement of Accounts but should have been classed as an interest free loan.

In the 2014/15 accounts the comparative year figure for Capital Grant Receipt in Advance has been reduced by £5.401 and Long Term Borrowing has increased by the same amount as shown in the table below:

	<b>2013/14 Original £000</b>	<b>2013/14 Restated £000</b>	<b>2013/14 Restatement £000</b>
Capital Grants Receipts in Advance	(20,673)	(15,272)	5,401
Long Term Borrowing	(70,000)	(75,401)	(5,401)

This change is also shown on the following notes

- Note 4 – Grant Income – Capital Grants Receipts in Advance
- Note 30 – Borrowings

### Accounting for Schools Transferring to Academy Status

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

LAAP Bulletin 103 issued by CIPFA clarifies that the resulting gain or loss on transfer is recognised within the Financing and Investment Income and Expenditure line on the CIES. This gain or loss on disposal has previously been recognised in the Other Operating Expenditure line on the CIES and so the following change has been made to the CIES for 2013/14.

	<b>2013/14 Original £000</b>	<b>2013/14 Restated £000</b>	<b>2013/14 Restatement £000</b>
Other Operating Expenditure	1,533	(505)	(2,038)
Financing and Investment Income & Expenditure	8,414	10,452	2,038

This change also impacts the following notes:

- Note 6 – Other Operating Expenditure
- Note 7 – Financing and Investment Income
- Note 37 – Adjustments between Accounting Basis and Funding Basis
- Note 40 – Unusable Reserves (Capital Adjustment Account & Revaluation Reserve)
- Note 41 – Cash Flow – Operating Activities

## **Split of Creditors and Revenue Grants on the Balance Sheet**

As required by the Code, the Creditors and Revenue Receipts in Advance have been split and shown separately on the face of the Balance Sheet. To ensure comparability the 2013/14 figures have been shown in this format and the creditors figure on note 27 has been restated.

## **Further restatements**

Due to a change in how the notes have calculated in 2014/15, the comparative figures have been restated, or corrected in the following notes. Further details are given in the relevant note:

- Movement in Reserves Statement
- Cash Flow Statement
- Note 1 – Reconciliation to Subjective Analysis
- Note 33 – Pensions Schemes
- Note 34 – Financial Instruments
- Note 41 – Cash Flow – Operating Activities
- Note 42 – Cash Flow – Investing Activities
- Note 43 – Cash Flow – Financing Activities

## 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.

### Collection Fund Statement

2013/14				2014/15		
Council Tax £000	Non Domestic Rates £000	Total £000		Council Tax £000	Non Domestic Rates £000	Total £000
(45,150)		(45,150)	<b>Income</b>	(46,770)		(46,770)
	(56,948)	(56,948)	Council Tax		(51,347)	(51,347)
	(320)	(320)	Non Domestic Rates		306	306
<b>(45,150)</b>	<b>(57,268)</b>	<b>(102,418)</b>	Transitional Protection Payment	<b>(46,770)</b>	<b>(51,041)</b>	<b>(97,811)</b>
			<b>Expenditure</b>			
			<u>Precepts, Demands &amp; Shares</u>			
	24,871	24,871	Central Government		25,132	25,132
36,165	24,454	60,619	Halton Borough Council	37,101	24,780	61,881
4,778		4,778	Cheshire Police Authority	4,811		4,811
2,113	499	2,612	Cheshire Fire Service	2,169	506	2,675
61		61	Parish Precept	61		61
			<u>Apportionment of Previous Year's Surplus</u>			
	-	-	Central Government		492	492
372	-	372	Halton Borough Council	231	482	713
49		49	Cheshire Police Authority	31		31
22	-	22	Cheshire Fire Service	13	10	23
			<u>Charges to Collection Fund</u>			
116	686	802	Write off uncollectable amounts	105	487	592
(768)	1,467	699	Increase / (Decrease) in Bad Debt Provision	446	(357)	89
	4,801	4,801	Increase / (Decrease) in Appeals Provision		4,408	4,408
	167	167	Cost of Collection		167	167
	-	-	Disregarded Amounts		291	291
<b>42,908</b>	<b>56,945</b>	<b>99,853</b>		<b>44,968</b>	<b>56,398</b>	<b>101,366</b>
<b>(1,072)</b>	<b>-</b>	<b>(1,072)</b>	<b>Balance Brought Forward</b>	<b>(3,314)</b>	<b>(323)</b>	<b>(3,637)</b>
<b>(2,242)</b>	<b>(323)</b>	<b>(2,565)</b>	<b>Movement on Fund Balance</b>	<b>(1,802)</b>	<b>5,357</b>	<b>3,555</b>
<b>(3,314)</b>	<b>(323)</b>	<b>(3,637)</b>	<b>Balance Carried Forward</b>	<b>(5,116)</b>	<b>5,034</b>	<b>(82)</b>

## Collection Fund Balance Sheet

2013/14				Council Tax				2014/15			
Halton BC £000	Cheshire P&CC £000	Cheshire Fire £000	Total £000		Halton BC £000	Cheshire P&CC £000	Cheshire Fire £000	Total £000			
3,688	478	216	4,382	Arrears	4,339	563	254	5,156			
(2,082)	(270)	(122)	(2,474)	Provision for Doubtful Debts	(2,456)	(319)	(144)	(2,919)			
(300)	(39)	(18)	(357)	Overpayments / Prepayments	(394)	(51)	(23)	(468)			
(2,790)	(362)	(163)	(3,315)	(Surplus)/Deficit	(4,309)	(558)	(251)	(5,118)			
1,484	193	87	1,764	Cash	2,820	365	164	3,349			
-	-	-	-		-	-	-	-			

2013/14				Non-Domestic Rates				2014/15			
Central Gov £000	Halton BC £000	Cheshire Fire £000	Total £000		Central Gov £000	Halton BC £000	Cheshire Fire £000	Total £000			
1,854	1,817	37	3,708	Arrears	1,819	1,782	36	3,637			
(1,356)	(1,328)	(27)	(2,711)	Provision for Doubtful Debts	(1,177)	(1,153)	(24)	(2,354)			
(2,400)	(2,352)	(48)	(4,800)	Appeals Provision	(4,604)	(4,512)	(91)	(9,207)			
(628)	(615)	(13)	(1,256)	Overpayments / Prepayments	(637)	(624)	(13)	(1,274)			
(54)	(267)	(2)	(323)	(Surplus)/Deficit	2,568	2,417	49	5,034			
2,584	2,745	53	5,382	Cash	2,031	2,090	43	4,164			
-	-	-	-		-	-	-	-			



## 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 2014/15 at 31,400 (2013/14 - 31,189)

### 2. The Council Tax Base Determination

Band	Properties	Ratio	Band D Equivalents
Disabled	75	5/9	42
A	21,894	6/9	14,597
B	10,480	7/9	8,151
C	7,046	8/9	6,263
D	4,337	9/9	4,337
E	3,102	11/9	3,791
F	973	13/9	1,405
G	321	15/9	535
H	28	18/9	55
<b>Total</b>	<b>48,256</b>		<b>39,176</b>
Reductions relating to Non-Collection and changes in assumptions			<b>(7,776)</b>
Tax Base set for 2014/15			<b>31,400</b>

The parishes' individual tax bases are shown below:

	2013/14	2014/15
Hale	644	643
Daresbury	149	150
Moore	318	316
Preston Brook	316	319
Halebank	477	494
Sandymoor	959	950

### 3. Precepting Authorities

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

	<b>2013/14</b>	<b>2014/15</b>
	<b>£</b>	<b>£</b>
<b>Cheshire Police and Crime Commissioner</b>		
- Band D Charge	153.21	153.21
- Precept	4,778,467	4,810,795
<b>Cheshire Fire Authority</b>		
- Band D Charge	67.75	69.09
- Precept	2,113,055	2,169,426

### 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 and the business rate multiplier, which is fixed by the Government, are shown in the table below:

	<b>2013/14</b>	<b>2014/15</b>
	<b>£</b>	<b>£</b>
Rateable value at 31st March	132,593,412	133,211,495
Non Domestic rating multiplier	47.1	48.2
Small Business Non Domestic rating multiplier	46.2	47.1

## Group Accounts

### 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 2015).

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

Selected suitable accounting policies and then applied them consistently;

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

Made judgements and estimates that were reasonable and prudent;

Complied with the Code of Practice.

The Operational Director – Finance has also:

Kept proper accounting records which were kept up to date;

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

I certify that this Statement of Accounts presents a true and fair view of the financial position and income and expenditure of Halton Borough Council for the year ended 31 March 2015

Signed by:   
Operational Director – Finance

Date: 30th June 2015

## Statement of Accounting Policies

### 1. General

The Statement of Accounts summarises the Council's transactions for the 2014/15 financial year and its position at the year-ending 31<sup>st</sup> March 2015.

Halton Borough Council prepares its statement of accounts in accordance with the Code of Practice of Local Authority Accounting in the United Kingdom 2014/15 and the Service Reporting Code of Practice 2014/15 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 2014/15 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 from 2013/14 to remove reference to treatment of equal pay claims and the Carbon Reduction Commitment Energy Efficiency Scheme.

There has been an amendment to the note on Interest in Companies and Other Entities. Financial Statements relating to group entities have not been produced for the 2014/15 accounts due to being immaterial.

### 3. Accruals of Income and Expenditure

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

#### 3(a) Revenue Recognition

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

#### 3(b) Employee Costs

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

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

**3(c) Termination Benefits**

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

**3(d) Interest**

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

**3(e) Supplies and Services**

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

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

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

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

**3(g) Debtors and Creditors**

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

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

**4. Acquired/Discontinued Operations**

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

## **5. Contingent Assets**

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

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

## **6. Contingent Liabilities**

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

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

## **7. The Collection Fund**

The Council is required by statute to maintain a separate fund 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**

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

### **7(c) Accounting for Council Tax and Non-Domestic Rates 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 cash collected from the debtors in the year.

## **8. Events after the Reporting Period**

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

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

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

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

## **9. Financial Instruments**

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

The Council uses Capita 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.

### **10. 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.

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

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

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

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

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

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



## 12. Interest in Companies and Other Entities

The Council has an interest in subsidiaries, joint ventures and associated entities that would require it to prepare group accounts. As the transactions relating to group entities are not material, no group financial statements are being produced for the 2014/15 accounts.

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

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

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

### Quantitative Factor

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

### Qualitative Factor

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

Extracts from Council subsidiary entities financial statements are shown under Investments (Note 23).

In line with accounting standards on group accounts and consolidation, all maintained schools are considered to be entities controlled by the Council. Rather than producing group accounts inclusive of maintained schools, para 9.1.2.13 of the Code confirms income, expenditure, assets, liabilities, reserves and cash flows are to be recognised in the Council's single entity accounts.

### **13. Intangible Assets**

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Council as a result of past events (e.g.: software licences) 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 life to the relevant service line in the Comprehensive Income and Expenditure Statement.

### **14. Inventories**

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

### **15. Leases**

#### **16(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.

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.

## **16(b) Operating Leases**

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

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

### **17(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.

### **17(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.

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

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

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

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

The Council operates a de-minimis level of £35,000, 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.

### **17(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.

### **17(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.

### 17(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.

### 17(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.

### **17(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.

### **17(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 lightening protection, communication and security installations, builders work in connection and management and commissioning of services
Land	Land upon which the property is constructed

The basis upon which the calculation of the value of components will be made is replacement cost. 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.

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

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.

### **17(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 non-current assets.

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

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

### **17(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
- (b) Foundation Schools
- (c) Voluntary Schools comprising Voluntary Aided and Voluntary Controlled
- (d) Community Special Schools, and
- (e) Foundation Special Schools

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

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

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

### **18 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 2014/15. 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 2014/15 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.

### **19 Pension Costs**

#### **General**

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

#### **Pensions Reserve**

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

## Classification of Schemes

### Defined Benefit Schemes

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

- (i) The liabilities of the Cheshire pension fund attributable to the Authority are included in the Balance Sheet on an actuarial basis using the projected unit method – ie an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of projected earnings for current employees.
- (ii) Liabilities are discounted to their value at current prices, using a discount rate of 3.2%
- (iii) The assets of Cheshire pension fund attributable to the Authority are included in the Balance Sheet at their fair value
  - a. Quoted securities – current bid price
  - b. Unquoted securities – professional estimate
  - c. Unitised securities – current bid price
  - d. Property – market value
- (iv) The change in the net pensions liabilities is analysed into the following components:
  - a. Service cost comprising:
    - i. Current services cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement of the services for which the employees worked
    - ii. Past service cost – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of services earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
    - iii. Net interest on the net defined benefit liability (asset), ie net interest expense for the authority – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period – taking into account any changes in the net defined benefit liability (asset) during the period as a result of the contribution and benefit payments.
  - b. Remeasurements comprising:
    - i. The return on plan assets – excluding amounts included in net interest on the net defined benefit liability (asset) – charged to the

Pensions Reserve as Other Comprehensive Income and Expenditure.

- ii. Actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their associations – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
  - c. Contribution paid to the Cheshire Pension Fund – cash paid as employer’s contributions to the pension fund in settlement of liabilities: not accounted for as an expense.
- (v) In relation to retirement benefits, statutory provision require the General Fund Balance to be charged with the amount payable by the Authority to the pension fund or directly to pensions in the year, not the amount calculated according the relevant accounting standards. In the Movement in Reserves Statement, this means that there are transfers to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year end. The negative balance that arises on the Pension Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

### **Defined Contribution Schemes**

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

### **20 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.

### **21 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.

## **22 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.

## **23 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.

## **24 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.

## **25 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.

## **26 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.

## **27 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.

## **28 Service Concessions**

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

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

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

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

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

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

## **29 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.

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

The 2015/16 Code is adopting amendments to the following accounting standards, which will apply from 1 April 2015:

### **IFRS 13 – Fair Value Measurement (May 2011)**

This standard requires local authorities to measure certain of their assets and liabilities at fair value and introduces new disclosure requirements about the valuation. CIPFA has adapted the standard so that the measurement requirements for operational property, plant and equipment will not be subject to change. However surplus assets will no longer be valued at existing use value based on their last use as an operational asset – they will have to be measured at fair value e.g. market value. The fair value requirements may also impact on the measurement of long term liabilities such as PFI and finance leases. CIPFA has determined that application of this accounting standard will be prospective from 2015/16 so no changes to the figures reported in the 2014/15 financial statements will be required.

### **Annual improvements to IFRS (2011 – 2013 cycle)**

- IFRS1: Meaning of effective IFRSs
- IFRS3: Scope exceptions for joint ventures
- IFRS13: Scope of paragraph 52 (portfolio exception)
- IAS40: Clarifying the interrelationship of IFRS3 Business Combinations and IAS40: Investment Property when classifying property as investment property or owner-occupied property

It is not anticipated that these changes will have a material impact on the financial statements

### **IFRIC21 – Levies**

This provides guidance on when to recognise a liability to pay a levy imposed by a government body. It is not anticipated that the change will have a material impact on the financial statements.



### 31 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.

### 32 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 2014-15. The Council has analysed development expenditure into different areas of work. Each area of work has been reviewed in order to decide whether the expenditure is capital or revenue in nature and has been accounted for accordingly.

For all areas of work that were considered to be capital in nature, invoices have been reviewed and discussions held to ascertain whether the work carried out would form part of the final asset and could therefore be fully or part capitalised as per the

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

### **33 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 2015 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 2015 is £337.6m.

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 £2.15m to £3.22m 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 2015 is £127.66m.

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

## Glossary of Terms

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

### Accruals

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

### Accounting Policies

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

- (a) Recognising;
- (b) Selecting and measurement bases for; and
- (c) Presenting.

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

Accounting policies do not include estimation techniques.

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

### Acquired Operations

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

### Actuarial Gains and Losses

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

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

### Capital Expenditure

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

## **Class of Non-Current Assets**

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

Property, Plant and Equipment:

- Other land and buildings
- Vehicles, plant, furniture and equipment
- Infrastructure assets
- Community assets
- Assets under construction
- Surplus assets

Other classes of assets:

- Investment properties
- Assets held for sale
- Heritage assets

## **Community Assets**

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

## **Consistency**

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

## **Constructive Obligation**

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

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

## **Contingent Asset**

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

## **Contribution**

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

### **Contingent Liability**

A contingency liability is either:

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

### **Corporate and Democratic Core**

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

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

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

### **Curtailment**

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

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

### **Deferred Charges**

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

### **Defined Benefit Scheme**

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

### **Defined Contribution Scheme**

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

### **Depreciation**

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

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

### **Discontinued Operations**

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

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

Operations not satisfying all the conditions are classified as continuing.

### **Discretionary Benefits**

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

### **Estimation Techniques**

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

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

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

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

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

### **Exceptional Items**

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

### **Exit Packages**

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

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

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

### **Extraordinary Items**

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

## **Fair Value**

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

## **Finance Lease**

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

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

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

## **Going Concern**

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

## **Government Grants**

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

## **Heritage Assets**

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

## **Impairment**

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



### **Infrastructure Assets**

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

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

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

### **Inventories**

The amount of unused or unconsumed stocks held in 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 non-current assets are included in the balance sheet, i.e. their historical cost or current value less the cumulative amounts provided for depreciation.

**Net Current Replacement Cost**

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

**Net Debt**

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

**Net Realisable Value**

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

**Operating Lease**

A lease other than a finance lease.

**Past Service Cost**

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

**Prior Period Adjustments**

Those material adjustments applicable to prior years arising from changes in accounting policies or from the correction of fundamental errors. A fundamental error is one that is of

such significance as to destroy the validity of the financial statements. They do not include normal recurring corrections or adjustments of accounting estimates made in prior years.

### **Projected Unit Method**

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

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

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

### **Related Parties**

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

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

Examples of related parties of a Council include:

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

Examples of related parties of a pension fund include its:

- (a) Administering authority and its related parties
- (b) Scheduled bodies and their related parties; and
- (c) Trustees and advisors

This list is not intended to be comprehensive.

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

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

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

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

This list is not intended to be comprehensive.

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

### **Remuneration**

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

### **Residual Value**

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

### **Retirement Benefits**

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

### **Scheme Liabilities**

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

### **Settlement**

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

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

### **Termination Benefits**

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

### **Total Cost**

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

### **Useful Life**

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

### **Vested Rights**

In relation to a defined benefit scheme, these are:

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

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

# The Audit Findings for Halton Council

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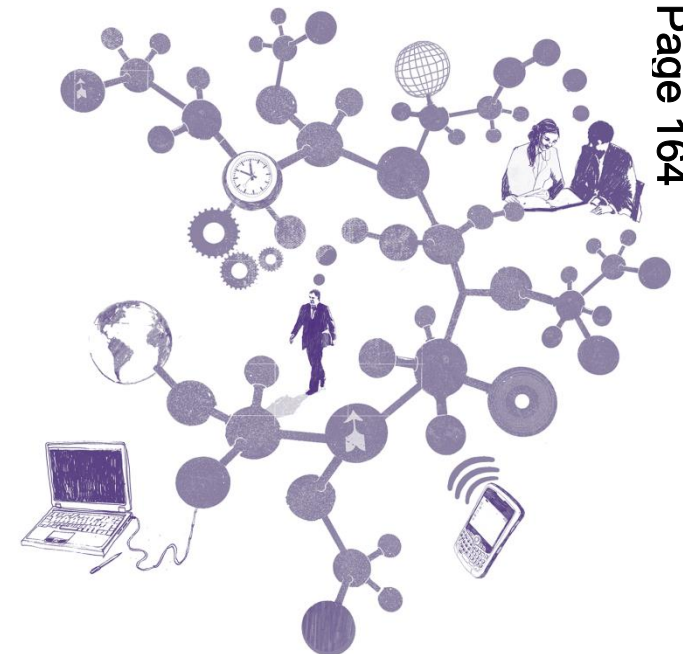
**Year ended 31 March 2015**

3 September 2015

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Halton Borough Council  
Municipal Building  
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Widnes  
WA7 8QF

3 September 2015

Dear Sirs

**Audit Findings for Halton Borough Council for the year ending 31 March 2015**

This Audit Findings report highlights the significant findings arising from the audit for the benefit of those charged with governance, as required by International Standard on Auditing (UK & Ireland) 260. Its contents have been discussed with management and will be discussed with the Business Efficiency Board on 23 September 2015.

As auditors we are responsible for performing the audit, in accordance with International Standards on Auditing (UK & Ireland), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

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.

We would like to take this opportunity to record our appreciation for the kind assistance provided by the finance team and other staff during our audit.

Yours faithfully

Mark Heap

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## **Appendices**

- A Action plan
- B 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 2015. 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 UK&I).

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 and 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 May 2015.

Our audit is substantially complete although we are finalising our work in the following areas:

- other revenues;
- investments and borrowing;
- property plant and equipment;
- operating expenses;
- housing benefit expenditure testing;
- related party transactions;

- review of the final version of the financial statements;
- obtaining and reviewing the final management letter of representation;
- review of the final version of the Annual Governance Statement;
- updating our post balance sheet events review, to the date of signing the opinion; and
- 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. Officers were available throughout our audit fieldwork to provide additional supporting information in a timely manner and resolved our queries promptly.

## Key issues arising from our audit

### Financial statements opinion

We anticipate providing an unqualified opinion in respect of the financial statements. Our audit work so far has found no material errors or adjustments.

The key messages arising from our audit of the Council's financial statements are:

- due to the omission of some cash related closedown journals, balance sheet cash has been understated by £0.9 million, and creditors understated by the same amount; officers have agreed to adjust for this.

The pre-audit financial statements recorded Net Expenditure of Continuing Operations of £126.819 million. We have also identified a number of adjustments to improve the presentation of the financial statements.

Further details are set out in section two 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.

Further detail of our work on Value for Money is set out in section three 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.

### **Controls**

#### **Roles and responsibilities**

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.

### **Findings**

We draw your attention in particular to the following control issue identified during the audit:

- Last year we identified a material adjustment that arose from journal entries that were not actioned and should have been integral to the closedown procedures. This year there was non-processing of some cash related closedown journals that resulted in balance sheet cash being understated by £0.9 million. Whilst the balance per the bank statement had been reconciled to the ledger each month during the year, this had not been completed on a consistent basis at year-end. This represents a deficiency in internal control as cash is material by nature, though we are satisfied that there is no material impact on the financial position of the Council.

Further details are provided within section two 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.

We have made a number of recommendations, which are set out in the action plan at Appendix A. These 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.

Grant Thornton UK LLP  
September 2015

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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 the findings arising from our work in respect of the audit risks we identified in our audit plan, presented to the Business Efficiency Board on 3 June 2015. 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 on 3 June 2015.

## **Audit opinion**

Our proposed audit opinion is set out at Appendix B.

# 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 (UK&I) 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 (UK&amp;I) 240 there is a presumed risk that revenue may be misstated due to improper recognition .</p>	<p>We have rebutted this presumption for Halton Council because:</p> <ul style="list-style-type: none"> <li>• there is little incentive to manipulate revenue recognition;</li> <li>• opportunities to manipulate revenue recognition are very limited; and</li> <li>• the culture and ethical frameworks of local authorities, including Halton Council, mean that all forms of fraud are seen as unacceptable.</li> </ul> <p>We therefore do not consider this to be a significant risk for the Council.</p> <p>As part of our audit we have completed work to:</p> <ul style="list-style-type: none"> <li>• review your revenue recognition policies;</li> <li>• test material revenue streams; and</li> <li>• review unusual significant transactions</li> </ul>	<p>Our audit work so far has not identified any significant issues in relation to the risk identified.</p> <p>We set out later in this section of the report our work and findings on key accounting estimates and judgments in respect of revenue recognition.</p>
2.	<p><b>Management override of controls</b></p> <p>Under ISA (UK&amp;I) 240 there is a presumed risk of management over-ride of controls</p>	<p>We have completed work to:</p> <ul style="list-style-type: none"> <li>• review accounting estimates, judgements and decisions made by management;</li> <li>• test journal entries; and</li> <li>• review 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>	Creditors 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>• documentation of processes and controls in place in the operating expenses cycle;</li> <li>• walkthrough testing to confirm the operation of controls is in line with our understanding;</li> <li>• sample testing of expenditure items during the year and to creditors balances at the year end;</li> <li>• review of the accruals process, and review and testing of significant estimates made</li> <li>• cut-off testing to obtain assurance that creditors have been accounted for in the correct financial year.</li> </ul>	Our audit work so far has not identified any significant issues in relation to the risk identified. Due to non-processing of some cash related closedown journals, balance sheet cash has been understated by £0.9 million, and creditors understated by the same amount. Officers have agreed to amend for this.
<b>Employee remuneration</b>	Employee remuneration accrual understated	We have undertaken the following work in relation to this risk: <ul style="list-style-type: none"> <li>• documentation and identification of the processes and key controls within the employee remuneration cycle;</li> <li>• walkthrough testing to confirm the operation of controls is in line with our understanding;</li> <li>• substantive testing of payments made to employees during the 2014-15 financial year;</li> <li>• use of analytical techniques to compare expected payroll costs with actual; and</li> <li>• review of payroll reconciliations between the general ledger and the payroll system.</li> </ul>	Our audit work so far has not identified any significant issues in relation to the risk identified.

# 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>Revenue recognition</b>	<p>The Council has adopted the standard revenue recognition policies for Local Government as set out in the Code of Practice on Local Authority Accounting 2014/15 (The Code) and International Financial Reporting Standards (IFRS).</p> <ul style="list-style-type: none"> <li>The policy for revenue recognition from the sale of goods and provision of services is set out in note 3(a) of the Council's Statement of Accounting Policies. 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.</li> <li>Council Tax and Non Domestic Rate income recognition is set out in note 7 of the Council's Statement of Accounting Policies. Income is recognised in the Collection Fund on an accruals basis, when it is due from the Council Tax or Non Domestic Rate payer. The Council's share of this income is recognised in the CIES.</li> <li>Government grants are recognised when there is reasonable assurance that the Council will comply with any conditions attached to the payments, and the grants or contributions will be received (note 12 of the Council's Statement of Accounting Policies).</li> </ul>	<ul style="list-style-type: none"> <li>The Council's policies are appropriate and consistent with the relevant accounting framework – the Code of Practice on Local Authority Accounting 2014/15 (The Code) and International Financial Reporting Standards (IFRS).</li> <li>The main elements of the Council's revenues are predictable and there is minimal judgement required from the Council.</li> <li>The accounting policies are appropriately disclosed in the Council's Statement of Accounting Policies (notes 3a, 7 and 12).</li> </ul>	●
<b>Policy and judgements - Group accounts</b>	<p>The Council has a number of interests in companies and has previously prepared annual group financial statements. For 2014/15 the Council made the decision not to prepare group accounts as the transactions relating to group entities are not material. This is set out at note 13 of the Council's Statement of Accounting Policies.</p>	<p>The Council's policy and judgement in respect of not preparing group accounts is proportionate and adequately disclosed.</p>	●
<b>Policy and judgements - schools</b>	<p>The CIPFA/LASAAC Code of Practice on Local Authority Accounting for 2014/15 includes new requirements for schools in local authorities. At note 17 to the Statement of Accounting Policies, the Council has concluded that Community Schools and Community Special Schools form part of the Council's non-current Assets. For all other schools the Council is merely using the non-current asset under licence.</p>	<p>The Council's policy and judgement in respect of schools appears reasonable and adequately disclosed. However our review is still in progress.</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 (continued)

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>Policy and judgements – borrowing in advance of need</b></p>	<p>The Statement of Accounts reports that 'The Council undertook new long term borrowing of £113m in 2014/15, taking advantage of historically low borrowing rates from the Public Works Loan Board. The borrowing was taken in advance of need for the contribution from the Council towards Mersey Gateway Crossing construction costs. Borrowings at low rates will represent a saving to the scheme with interest rates expected to increase at the start of 2016, ahead of the Council having to make a number of payments from September 2016.' (p11)</p> <p>It is similarly disclosed at notes 18 (Capital Expenditure and Financing), 23 (Investments), 30 (Borrowing) and 34 (Financial instruments).</p>	<p>The Council's policy and judgement in respect of borrowing in advance of need was based on consideration of the economic market and the risk that the Council may be bound to obtain a significant amount of borrowings at a time of unfavourable interest rates. The judgement was discussed and agreed with members, came within the Annual Treasury Management Strategy and is disclosed in the Statement of Accounts at notes 18 (Capital Expenditure and Financing), 23 (Investments), 30 (Borrowing) and 34 (Financial instruments). It is also drawn to the attention of readers in the Foreword by the Operation Director – Finance.</p>	
<p><b>Estimates – Property, Plant and Equipment revaluations (PPE)</b></p>	<p>Note 17 to the Core Financial Statements sets out the authority's rolling programme of property, plant and equipment revaluations.</p>	<p>We are currently completing our work on assessing whether the carrying amount of Property, Plant and Equipment (based on these valuations) does not differ materially from the fair value at 31 March 2015.</p> <p>In our view, however, and as reported last year, 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 continued

Accounting area	Summary of policy	Comments	Assessment
<b>Estimates and judgements – estimation uncertainty</b>	Other key estimates and judgements are set out at note 33 of the Council's Statement of Accounting Policies and include: <ul style="list-style-type: none"> <li>• PPE useful life of assets;</li> <li>• pensions liability;</li> </ul>	Our work so far has identified: <ul style="list-style-type: none"> <li>• The policies appear appropriate and are supported by reasonable methodologies. 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>Going concern</b>	The Directors have a reasonable expectation that the services provided by the Council will continue for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.	We have reviewed the Directors' assessment and are satisfied with management's assessment that the going concern basis is appropriate for the 2014/15 financial statements.	
<b>Other accounting policies</b>	We have reviewed the Council's policies against the requirements of the CIPFA Code and accounting standards.	Our review of accounting policies so far has not highlighted any significant issues which we wish to bring to your attention.	

**Assessment**

● Marginal accounting policy which could potentially attract attention from regulators

● Accounting policy appropriate but scope for improved disclosure

● Accounting policy appropriate and disclosures sufficient

# 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>	We have previously discussed the risk of fraud with the Business Efficiency Board. We have not been made aware of any incidents in the period and no other issues have been identified during the course of our audit.
2.	<b>Matters in relation to laws and regulations</b>	We are not aware of any significant incidences of non-compliance with relevant laws and regulations.
3.	<b>Written representations</b>	A letter of representation has been requested from the Council.
4.	<b>Disclosures</b>	Our review so far has found no non-trivial omissions in the financial statements. We have identified a number of adjustments to improve the presentation of the financial statements.
5.	<b>Matters in relation to related parties</b>	We are not currently aware of any related party transactions which have not been disclosed.
6.	<b>Confirmation requests from third parties</b>	We obtained positive direct confirmations from PWLB, and other banks for loans and short term investment balances. We are awaiting confirmation for a number of loans and investments.
7.	<b>Annual Governance Statement (AGS)</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 that the Statement is in line with the Guidance and with our knowledge of the issues at the Council.</p> <p>We made a recommendation to improve clarity within the statement to include an indication of the level of assurance that the systems and processes that comprise the entity's governance arrangements can provide. Officers have agreed to include a specific statement on this as an overall conclusion or at the end of the section on the review of effectiveness.</p>

# 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. We considered and walked through the internal controls for Employee Remuneration and Operating Expenses as set out on page 10 above.

As part of our planned programme of work, our information system specialist team carried out a high level review of the general IT control environment at the Council. This was completed 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 at our interim audit identified no significant deficiencies to report to you.

The matters that we identified during the course of our final accounts audit are set out in the table below. These and other recommendations, together with management responses, are included in the action plan attached at Appendix A.

	Assessment	Issue and risk	Recommendations
1.		<ul style="list-style-type: none"> <li>Last year we identified a material adjustment that arose from journal entries that were not actioned and should have been integral to the closedown procedures. This year there was non-processing of some cash related closedown journals that resulted in balance sheet cash being understated by £0.9 million. Whilst the balance per the bank statement had been reconciled to the ledger each month during the year, this had not been completed on a consistent basis at year-end. This represents a deficiency in internal control as cash is material by nature, though we are satisfied that there is no material impact on the financial position of the Council.</li> </ul>	<ul style="list-style-type: none"> <li>Ensure bank reconciliations (reconciling the balance per the bank statements at year end to the ledger) are completed on a consistent basis.</li> <li>Ensure all appropriate closedown journals are identified and processed promptly.</li> </ul>

# Adjusted misstatements

A number of adjustments to the draft financial statements have been identified during the audit process. We are required to report all non-trivial 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
1 Due to non-processing of some cash related closedown journals, balance sheet cash has been understated by £0.9 million, and creditors understated by the same amount.	0	0	0
<b>Overall impact</b>	<b>£0</b>	<b>£0</b>	<b>£0</b>

## Impact of uncorrected misstatements in the prior year

	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 £720,004 relating to Wade Deacon High School which has become an Academy. There is also £4,408 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 was incorrect. The school balance needed to be reversed through the Schools Reserves. This was not adjusted in the 2013/14 accounts as it was considered to be immaterial to the results of the Council and its financial position at the year-end. This was corrected in the 2014/15 accounts.
2	An outstanding item of £9,777 has not been cleared from the bank reconciliation since change to Aggresso system in 2010.	10	10	Agreed to write off in 2014/15. Any future reconciling items will be resolved in the following year to ensure no on-going reconciling items. This was not adjusted in the 2013/14 accounts as it was considered to be immaterial to the results of the Council and its financial position at the year-end.
3	Note (41) in respect of the detail for non-cash movements in the Cash Flow Statement was not amended to provide further analysis of the figures on the face of the Statement.	0	0	Disclosure note: A more comprehensive analysis has been provided in 2014/15.
	<b>Overall impact</b>	<b>£734</b>	<b>£734</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.

Adjustment type	Value £'000	Account balance	Impact on the financial statements
1 Disclosure	n/a	Statement of Accounting Policies Policy note 17 - Non-Current Assets, Property, Plant and Equipment	Given clarification in the 14/15 Code, disclosure could be enhanced by setting out the accounting treatment adopted upon derecognition of an academy school.  Infrastructure assets, community assets and vehicles, plant and equipment are carried at depreciated historic cost. Policy should refer also to use of depreciated historic cost as a proxy for fair value for vehicles, plant and equipment.
2 Disclosure	n/a	Foreword by Operational Director - Finance	The Foreword discloses a charge for depreciation and impairment of PPE – it would be clearer to say 'Charge for Depreciation and Revaluation Losses'.  As there are no group accounts it would be better to leave out the explanation.
3 Disclosure	n/a	Statement of Accounts	The accounts contain a few references to terminology that has been superceded in the current Code, for example Fixed Assets are now known as Non Current Assets.
4 Disclosure	n/a	Statement of Accounting Policies Policy note 33 - Assumptions made about the future and other major sources of estimation uncertainty.	The disclosure should be limited to those estimates that have a significant risk of resulting in a material adjustment within the next financial year (Code 3.4.2.83). Disclosures related to impairment of debtors and provision for business rate appeals would not appear to fall into this category, and could be removed.
5 Disclosure	n/a	Capital commitments Notes to the Collection Fund.	The Code, paragraph 3.2.2.29 requires the presentation of comparative information in respect of all amounts reported in the accounts. There are two areas in respect of which comparatives have not been provided: Capital commitments; and Notes to the Collection Fund.

## 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.

Adjustment type	Value £'000	Account balance	Impact on the financial statements
6 Disclosure	n/a	Statement of Accounting Policies Policy note 1 - General.	There is no mention of the requirement to produce accounts under the Accounts and Audit Regulations 2011.  An Exceptional items policy is no longer applicable under the Code and can be deleted.
7 Disclosure	n/a	Statement of Responsibilities for the Statement of Accounts	The Statement of Responsibilities for the Statement of accounts has been enhanced to provide an explicit statement that the Statement of Accounts presents a true and fair view of the financial position and income and expenditure of Halton Borough Council for the year ended 31 March 2015'
8 Disclosure	n/a	Statement of Accounts	We made recommendations to correct a few minor editing errors and to improve the format of the statements in respect of the Balance Sheet; Movement in Reserves Statement; Cash Flow Statement; Pooled Budgets note 11; Related Party Transactions note 15; Heritage Assets note 19; Investments note 23; Leases note 29; and Pensions note 33.
9 Disclosure	n/a	Notes to the Accounts 3. Exit Packages	Note enhanced to include the amount charged in the current year to the CIES: 'The cost of redundancies charged to the Comprehensive Income & Expenditure Statement in 2014/15 was £0.449m (2013/14 - £0.178m).'
10 Disclosure	n/a	Supplementary Financial Statements – Group Accounts	As Group Accounts have not been prepared it would be better to call this 'Interest in Companies and Other Entities' and amalgamate it with the policy note on p121.



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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 undertaken a review which considered the Council's arrangements against the three expected characteristics of proper arrangements as defined by the Audit Commission:

- Financial governance;
- Financial planning; and
- 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. The Council continues to demonstrate good financial performance, despite the financial and demographic pressures facing Local Government. However, based on current funding expectations, it has identified that it could reach a financial 'tipping point' in 2018/19 where savings and transformation options have been exhausted and increasing cost pressures and reduced reserves could mean significant reductions in essential services would need to be made in order to achieve a balanced budget.

### 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 2015.

We set out below our detailed findings against six risk areas which have been used to assess the Council's performance against the Audit Commission's criteria. We summarise our assessment of each risk area using a red, amber or green (RAG) rating, based on the following definitions.

The table below and overleaf summarises our overall rating for each of the themes reviewed.

<b>Green</b>	<b>Adequate arrangements</b>
<b>Amber</b>	<b>Adequate arrangements, with areas for development</b>
<b>Red</b>	<b>Inadequate arrangements</b>

Theme	Summary findings	RAG rating
<b>Key indicators of performance</b>	<p>There were no significant adverse indicators of performance during the year except for sickness absence.</p> <ul style="list-style-type: none"> <li>The figure for sickness absence this year is an improvement on last year but is still below target. There has been a steady increase from 9.02 days per FTE in 2011/12 to 11.24 in 2013/14 with 2014/15 reducing to 10.44 against a target of 8.5.</li> <li>Asset disposals increased from £6.9 million to £11.7 million and are part of the planned capital programme and overall asset management strategy.</li> <li>Actual borrowing costs for the year were less than budgeted and income from investments exceeded the income target. The Council increased borrowing by £113 million in 2014/15 for the Council's contribution towards the construction costs of the Mersey Gateway Project.</li> <li>Savings for 2014/15 were taken from the budget and there was an overall surplus of £0.2 million; the most significant overspend of £4.4 million in respect of Children and Families was largely anticipated throughout the year and partially offset by other savings within the Directorate and balanced overall within the overall Council net underspend.</li> <li>There was no evidence of any cash flow difficulties; between 2013/14 and 2014/15, creditors increased slightly from £32.5 million to £33.9 million and debtors reduced substantially from £65.6 million to £20.9 million.</li> <li>Collection of Council Tax and Business Rates both decreased marginally although they remain above the 95% target at 95.47% and 97.04%. The average time for processing new Housing and Council Tax Benefit claims reduced from 15.18 days to 14.42, below the target of 17 days.</li> <li>The Council's value of usable reserves as a percentage of gross expenditure for 2014/15 was 16%, consistent with previous years; there was a slight increase to the general reserve from £8.6 million to £8.8 million. However, the Council subsequently approved use of £5.5m of useable reserves, including £3.5 million from general reserves, to assist with delivering a balanced budget for 2015/16.</li> </ul>	<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. In 2014/15 the outturn against the budget of £108.2 million was a small surplus of £0.2 million with a general reserve going forward of £8.8 million. Capital spending of £32.4 million represented 74% delivery of the plan with slippage of some of the larger projects, including Castlefields Regeneration and Widnes Waterfront.</p> <ul style="list-style-type: none"> <li>The MTFS has regard to the Council's priority areas: A Healthy Halton; Halton's Urban Renewal; Children and Young People in Halton; Employment Learning and Skills in Halton; and A Safer Halton. It links to the Council's Corporate Plan and the Sustainable Community Strategy.</li> <li>The 3-year MTFS is linked to the Corporate Plan and provides the context and assumptions for preparing the annual budget which is then set within this context. The MTFS 2015/16 to 2017/18 was reported to the Council's Executive Board in November 2014 and was updated in February 2015 to inform the 2015/16 budget. The latest update identified shortfalls in funding of £19 million, £18 million, and £11 million over the next three years and as a result a total of £48m 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 savings plans over the next two years show the inclusion of some short term fixes, including the use of £3.5 million general reserves in 2015/16, 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 2015/16 to 2017/18 MTFS appear realistic and achievable although the Council has acknowledged the challenges. The Council loses £23 million in formula grant reductions over the next three years and based on current funding expectations, it has identified that it could reach a financial 'tipping point' in 2018/19 where savings and transformation options have been exhausted and increasing cost pressures and reduced reserves could mean significant reductions in essential services would need to be made in order to achieve a balanced budget.</li> </ul>	<b>Green</b>

Theme	Summary findings	RAG rating
<b>Financial governance</b>	<p>The Council has effective financial governance arrangements in place. 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. The size of the Council and the impact of demand led and statutory services has driven the Council to consider new ways of working and it has worked effectively with partners over recent years, working jointly with neighbouring authorities, developing alternative delivery models and implementing pooled budgets. The Council is also an active participant in the Liverpool City Region Combined Authority and Halton's Chief Executive and Strategic Director, Policy and Resources take the lead for the Combined Authority Scrutiny Panel.</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, briefings for the Labour group and opposition parties and regular meetings between portfolio holders and directorate leads. The Council has a Budget Working Group, comprising all Executive Board Members and each of the Chairs of all the other Boards and Committees. This meets on an on-going basis and reviews and considers the impact of savings proposals using lists of mandatory and discretionary services to help consider priorities.</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. Directorate Risk Registers are updated each year alongside the development of Directorate Business Plans and the main financial risks facing the Council are included in the MTFS. From review of the current MTFS 2015/16 to 2017/18 and the two most recent budgets, 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, receiving and approving the Council's financial statements each year and it also monitors the efficiency programme that is developed through the Budget Working Group and the Efficiency Programme Board.</li> <li>The Council is also an active participant in the Liverpool City Region Combined Authority and Halton's Chief Executive and Strategic Director, Policy and Resources lead the Combined Authority Scrutiny Panel.</li> </ul>	<b>Green</b>
<b>Financial control</b>	<p>The process in place for budget setting and monitoring has a history of ensuring reliable and achievable budgets and savings plans. However, to address the challenges, the Council has identified that it may need to utilise reserves in the future to support on-going routine revenue expenditure and rely in part on growth in income, including business rates, to help close the funding gap over the life of the MTFS . The assurance framework and risk management processes are sound.</p> <ul style="list-style-type: none"> <li>The savings programme is supported by a corporate project management team for savings and transformation that reports to the Efficiency Programme Board and the Business Efficiency Board.</li> <li>The Council has an effective in-house internal audit function which is in line with the CIPFA standards. Plans are approved by the Business Efficiency Board which also receives regular progress reports. For 2014/15 the Head of Internal Audit reported to the June 2015 Board that the Council continues to maintain an adequate framework of governance, risk management and control and the internal audit work carried out during the year provides assurance that the Council's main financial systems are operating effectively.</li> <li>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' in 2013/14.</li> <li>The Council has an experienced finance team and the main financial systems provide reliable and timely financial monitoring information to enable the Council to identify and manage financial risks.</li> </ul>	<b>Green</b>

Theme	Summary findings	RAG rating
<b>Prioritising resources</b>	<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 £30 million as part of the 'Better Care Fund'.</p> <ul style="list-style-type: none"> <li>• 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 2014/15 pre-audit accounts explanatory foreword.</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>	<b>Green</b>
<b>Improving efficiency &amp; productivity</b>	<p>Benchmarking information has been used well to review services and the Council has a good understanding of its costs. There is evidence that the Council is addressing areas of high spend and improving productivity through the efficiency review programme and is also 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. Halton - in comparison with 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 and the maintenance of the Silver Jubilee Bridge.</li> <li>• The Council's efficiency programme investigates the way services are delivered and looks for new ways to deliver services and reduce costs. The Efficiency Review of Library Services carried out in 2014/15 has achieved £0.4 million sustainable revenue savings. During 2014/15 the Council developed the Garden Waste scheme, introducing charges for garden waste collection from 1 June 2015; 13,700 green waste subscriptions had been sold by the end of June, generated £0.352 million without any increase in staff resources. The Council also now undertakes in-house claims handling, with recent success with an insurance fraud prosecution and have a Risk Financing &amp; Insurance Strategy which has led to a review and overhaul of the Council's insurance programme.</li> <li>• In addition the Council has a number of partnership and shared service arrangements in place including providing management capacity to Sefton Council for adult social care and to Cheshire West and Chester Council for children's and legal services and the Monitoring Officer role. Halton has also worked with Sefton Council to develop digital connectivity, implement the Agresso Financial Management system and deliver the processing of all invoices for both authorities. In 2014/15 the Council received accreditation to operate as a BACS Approved Bureau which allows it the potential to increase income by processing BACS for other organisations.</li> <li>• Halton has developed its Social Value and Procurement Framework and are the national lead in this area.</li> <li>• Ofsted awarded three 'good' judgements and two 'requires improvement' resulting in an overall assessment of 'requires improvement'.</li> <li>• The Council also provides support on the financial aspects of the Mersey Gateway Project, partnership arrangements on the pooled budget with Halton CCG and the joint venture arrangements with Daresbury Science and Innovation Campus established to attract high quality science and innovation companies.</li> </ul>	<b>Green</b>

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## Section 4: Fees, non-audit services and independence

01. Executive summary

02. Audit findings

03. Value for Money

**04. Fees, non-audit services and independence**

05. Communication of audit matters

# Fees, non-audit services and independence

We confirm below our final fees charged for the audit and provision of non-audit services (excluding VAT).

## Audit fees

	Per Audit plan £	Actual fees £
Council audit	140,392	140,392
Grant certification on behalf of Audit Commission/Pubic Sector Audit Appointments	10,740	*10,740
<b>Total audit fees</b>	<b>151,132</b>	<b>151,132</b>

\* The grant certification fee above and fees for other services below are estimates at this stage.

## Fees for other services \*

Service	Fees £
<b>Audit related services</b>	
Independent report on Teachers' Pensions return (PEN)	4,200
Independent report on Regional Growth Fund claim (RGF)	<u>3,110</u>
<b>Total</b>	<b>7,310</b>
<b>Non audit related services</b>	
Tax (Employee Solutions) work for the Council	6,750
VAT reviews	<u>24,600</u>
<b>Total</b>	<b>31,350</b>

## 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 Financial Reporting Council'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

01. Executive summary

02. Audit findings

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04. Fees, non-audit services and independence

05. Communication of audit matters



# Communication of audit matters to those charged with governance

International Standard on Auditing ISA (UK&) 260, as well as other (UK&I) 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.

	Audit Plan	Audit Findings
<b>Our communication plan</b>		
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 A: Action plan

Rec No.	Recommendation	Priority	Management response	Implementation date & responsibility
1	Ensure bank reconciliations - reconciling the balance per the bank statements at year end to the ledger - are completed on a consistent basis.	Medium	Procedures will be improved to ensure that bank reconciliations are balanced to the ledger correctly at year-end, as they currently are during the year, to avoid any similar omissions in future. Bank reconciliations are particularly important to ensure there are no delays with preparation of the Statement of Accounts. This is currently being considered as part of the implementation of the Agresso Income Manager module, which should further automate and simplify the reconciliation process in future.	Operational Director, Finance 31st March 2016
2	Ensure all appropriate closedown journals are identified and processed promptly.	Medium	Further checks will be introduced into closedown procedures to ensure all journals are identified and processed promptly.	Operational Director, Finance 31st March 2016

# Appendix B: DRAFT 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**

We have audited the financial statements of Halton Borough Council for the year ended 31 March 2015 under the Audit Commission Act 1998. The financial statements comprise the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Movement in Reserves Statement, the Cash Flow Statement the Collection Fund, the related notes and the Statement of Accounting 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 2014/15.

This report is made solely to the members of Halton Borough Council, as a body, in accordance with Part II of the Audit Commission Act 1998 and as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010. Our audit work has been undertaken so that we might state to the members those matters we are required to state to them in an auditor's report and for no other purpose. 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 for the Statement of Accounts, 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 2014/15, 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 also 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'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 Foreword by Operational Director – Finance 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 2015 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 2014/15 and applicable law.

### **Opinion on other matters**

In our opinion, the information given in the Foreword by Operational Director – Finance 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 are required to 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; or
- we issue a report in the public interest under section 8 of the Audit Commission Act 1998; or
- we designate under section 11 of the Audit Commission Act 1998 a 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 in October 2014.

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 review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2014, 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 2015.

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 2014, 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 2015.

***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]

Mark Heap  
for and on behalf of Grant Thornton UK LLP, Appointed Auditor  
Royal Liver Building, Liverpool L3 1PS

[date] September 2015



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<b>REPORT TO:</b>	Business Efficiency Board
<b>DATE:</b>	23 September 2015
<b>REPORTING OFFICER:</b>	Strategic Director – Community & Resources
<b>PORTFOLIO:</b>	Resources
<b>SUBJECT:</b>	External Audit Update Report
<b>WARDS:</b>	Borough wide

## **1.0 PURPOSE OF THE REPORT**

1.1 The purpose of this item is for Grant Thornton to:

- Update the Board on the progress made in delivering their responsibilities as the Council's external auditors;
- Provide a summary of emerging national issues and developments that may be relevant to the work of the Board.

**2.0 RECOMMENDATION: That the Board notes the report.**

## **3.0 SUPPORTING INFORMATION**

Please see attached report.

## **4.0 POLICY IMPLICATIONS**

None

## **5.0 FINANCIAL IMPLICATIONS**

5.1 There are no financial implications arising directly from this report.

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

### **6.1 Children and Young People in Halton**

There are no specific implications for any of the Council's priorities.

### **6.2 Employment, Learning and Skills in Halton**

See 6.1.

### **6.3 A Healthy Halton**

See 6.1.

### **6.4 A Safer Halton**

See 6.1.

**6.5 Halton's Urban Renewal**

See 6.1.

**7.0 RISK ANALYSIS**

This report is for information only. There are no risks arising from it.

**8.0 EQUALITY AND DIVERSITY ISSUES**

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

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

None under the meaning of the Act.



# Business Efficiency Board Update

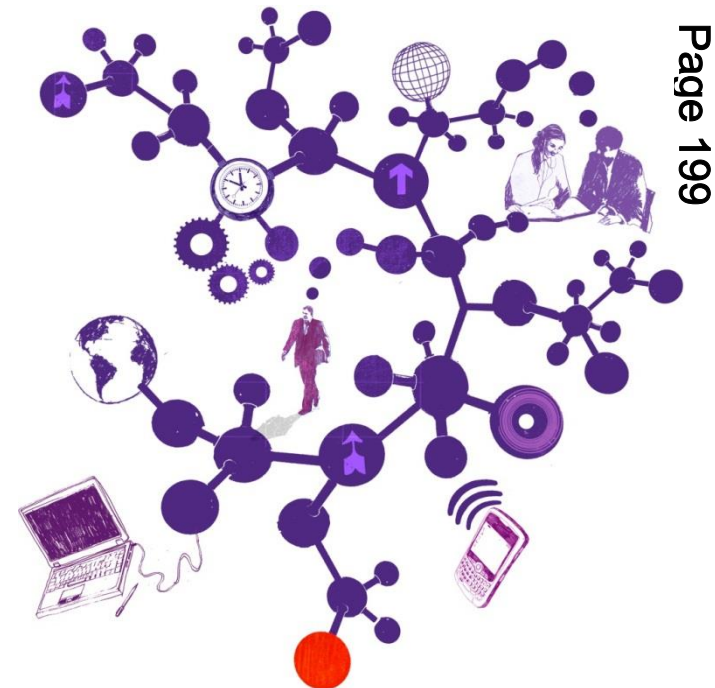
**Year ended 31 March 2015**

September 2015

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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.

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:

- Creating a sustainable financial future, the output from our local government finance roundtable involving 34 local authority senior finance officers. They considered what funding model is needed to create a sustainable financial future for local government and to incentivise authorities to support local and regional growth.
- Easing the burden, our second welfare reform report.
- Spreading their wings: Building a successful local authority trading company, our second report on alternative delivery models in local government.
- 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

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 Engagement Manager.

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# Progress at September 2015

**Progress against plan**

**on track**

**Opinion and VfM conclusion**

**all planned to be met**

**Outputs delivered**

**Fee letter, Progress Reports, Audit Plan and Audit Findings Report delivered to plan**

Audit work	Planned date	Complete?	Comments
<p><b>2014-15 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 on the Council's 2014-15 financial statements.</p>	March 2015	Complete	<p>We sent the 'Planned fee letter for 2014/15' to the Council on 24 April 2014 and presented it to the Board on 11 June 2014. The Audit Commission recently confirmed an updated scale fee of £140,392 to take into account a supplementary fee for audit work on business rates.</p> <p>The Audit Plan was presented to the June meeting of the Business Efficiency Board.</p>
<p><b>2014-15 Interim accounts audit</b> Our interim fieldwork visit including:</p> <ul style="list-style-type: none"> <li>• updated review of the Council control environment</li> <li>• updated 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>• proposed Value for Money conclusion.</li> </ul>	December 2014 to March 2015	Complete	<p>We have built on our knowledge of the Council following the audit last year.</p> <p>We have completed our interim work and issues arising are set out in the Audit Plan presented to the June meeting of the Business Efficiency Board.</p>
<p><b>2014-15 final accounts audit</b> Including:</p> <ul style="list-style-type: none"> <li>• audit of the 2014-15 financial statements and Whole of Government Accounts (WGA)</li> <li>• proposed opinion on the Council's accounts and WGA</li> <li>• proposed Value for Money conclusion.</li> </ul>	June to September 2015	In progress	<p>Our audit is substantially complete and our proposed Audit Report is included in the Audit Findings Report (AFR) being presented to this meeting of the Business Efficiency Board.</p>

# Progress at September 2015

Audit and certification work	Planned date	Complete?	Comments
<p><b>2014-15 Value for Money (VfM) conclusion</b></p> <p>The scope of our work to inform the 2014/15 VfM conclusion comprises the two criteria specified by the Audit Commission:</p> <ul style="list-style-type: none"> <li>The organisation has proper arrangements in place for securing financial resilience. The focus will be on whether 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.</li> <li>The organisation has proper arrangements for challenging how it secures economy, efficiency and effectiveness. The focus will be on how the Council is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity.</li> </ul>	January to September 2015	In progress	<p>The detailed guidance from the Audit Commission has been published on its website for the benefit of auditors and audited bodies. This includes the key areas for consideration that will be reviewed under both the criteria.</p> <p>Our audit is substantially complete and our proposed value for money conclusion is included in the Audit Findings Report (AFR) being presented to this meeting of the Business Efficiency Board.</p>
<p><b>Other areas of work 2014-15: certification work under the Audit Commission Regime</b></p> <p>Housing Benefit 2014/15- auditors continue to certify local authority claims for housing benefit subsidy to the Department for Work and Pensions (DWP) under the arrangements put in place by the Commission. It is expected that arrangements for 2015/16 onwards will be made on the same basis by Public Sector Audit Appointments (PSAA).</p>	November 2015	In progress	<ul style="list-style-type: none"> <li>The Housing Benefit claim is in progress.</li> <li>The Silver Jubilee Bridge and Mersey Gateway Bridge transport claims will be subject to tri-partite agreements between grant-paying bodies, auditors and audited bodies, with fees agreed locally between audited bodies and auditors (see page 7).</li> </ul>
<p><b>2015/16 Accounts</b></p> <p><b>Fee Letter</b></p> <p>We are required to issue a 'Planned fee letter for 2015/16' by the end of April 2015.</p>	April 2015	Complete	<p>The fee letter that was sent on 23 April 2015 was presented at the June meeting of the Business Efficiency Board. It confirmed the 2015/16 scale audit fee of £105,294 for Halton Council and an indicative grant certification fee of £6,828.</p> <p>Our planning will commence in the Autumn with the Audit Plan and any feedback on interim opinion and value for money work being fed back to the Council at the end of February 2016.</p>

# Progress at September 2015

Non-audit services work	Planned date	Complete?	Comments
<p><b>Other activity undertaken* – claims and returns 2014/15</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 Teachers' Pensions return (PEN); agreed fee £4,200</li> <li>independent report on Regional Growth Fund claim (RGF); agreed fee £3,110</li> </ul>	<p>PEN 28 November 2015.</p> <p>RGF Feb 2015 (revised date June; now Sept 2015)</p>	In progress	<ul style="list-style-type: none"> <li>Teachers' Pensions return (PEN) in progress.</li> <li>DCLG had rescheduled the deadline for the RGF claim to 15 June 2015 for submission by the Council and 30 June for the auditor's report; now been further extended by the DCLG to September 2015.</li> <li>Arrangements for transport claims will be agreed locally with the Council.</li> </ul>
<p><b>Other activity undertaken* – tax</b></p> <p>Other service lines within Grant Thornton UK LLP have undertaken Tax (Employee Solutions) work for the Council; final fee 2014/15 £6,750.</p>	By March 2015	Complete	Tax work comprises: Construction Industry Scheme training workshop; review of the tax treatment of the Council's salary sacrifice scheme; and advice relating to the Mersey Gateway Crossings project. No work agreed so far for 2015/16.
<p><b>Other activity undertaken* – VAT</b></p> <p>Other service lines within Grant Thornton UK LLP have undertaken VAT advice work for the Council; final fee 2014/15 £24,600.</p>	By March 2015	2014/15 complete. 2015/16 in progress.	VAT work included advice and queries on: the pooled budget; option to tax; Runcorn Hill Park Café; the treatment of dilapidations; s106; GPark Widnes; Assist Education. Fees agreed 2015/16, Quarter 1: £6,500.
<p><b>Other activity undertaken* - Energy and Telecommunications Cost Audit 2015/16</b></p> <p>Auditing the historical element of your electricity and telecommunications providers' supply chains for incorrect costs.</p>	By March 2016	In progress	Our Cost Audit teams are currently reviewing the historical element of your electricity and telecommunications providers' supply chains for incorrect costs to assess whether there are refund opportunities and on-going cost savings. The work is contingent fee based.

## Note re: Other activity undertaken\*

- We confirm that we are satisfied that our independence as external auditor to the Council will not be impaired by any of this additional work. The tax, VAT and cost audit work is led and undertaken by teams separate from the audit team; our work does not involve making decisions on management's behalf. The certification work is in line with certification work completed under the Audit Commission framework; the scope does not include making decisions on behalf of management or recommending or suggesting a particular course of action for management to follow.
- We are required to seek specific approval from the Audit Commission for Grant Thornton to undertake additional work over a threshold of 20% of the audit fee. We can confirm that the Audit Commission has noted our arrangements to ensure independence and approved the additional fee work noted above.

# Grant Thornton training and publications

## Grant Thornton

Grant Thornton is the appointed external auditor to around 40% of local government bodies in England, giving us an excellent insight into the key issues facing the sector and the solutions being adopted across the country. From research, meeting with key people, carrying out presentations and workshops, and attending audit committees, we find that many of the key issues raised and risks faced are common to many authorities.

### Workshops and information for local government officers:

- Officers attended our Grant Thornton / CIPFA workshops in March for preparers of accounts at local government bodies.
- We provided a local area flier setting out where Halton is rated against our national report 'Where Growth Happens', Autumn 2014.
- We provided a high level overview of Halton's economy, society and environment using Grant Thornton's Place Analytics platform.

### Grant Thornton workshops and courses for members

Grant Thornton's Midlands Local Government Audit Committee Member Network has published its programme of events for 2015. This included, for example, the February workshop on Governance Challenges and Priorities for 2015 – covering Financial integrity, reinforcing audit quality, improving information quality and focusing on assurance and Fit for Purpose following the Elections. This programme has been shared with the Chair and Vice Chair. We are also running courses for newly elected councillors. Workshops are listed below:

- **The Evolving Local Government Audit Committee Agenda:** Understanding and managing key risks – particularly in relation to saving plans, the assurance framework and alternative delivery models. Birmingham - 21 October 2015.
- **Newly Elected Local Councillors Training:** courses covering Effective governance skills and Financial governance and risk.

### Publications:

We have a programme of publications for up-to-date insight and analysis from our technical, sector and service teams – such as our December 2014 report 'Rising to the Challenge' on financial health at English local authorities and more recent publications provided to the Board:

- Creating a sustainable financial future, the output from our local government finance roundtable involving 34 local authority senior finance officers
- Easing the burden, our second welfare reform report.
- Spreading their wings: Building a successful local authority trading company, our second report on alternative delivery models in local government.
- A Guide to Local Authority accounts.

Planned publications relevant to local authorities will include the following:

- Devolution;
- Health & Wellbeing Board;
- Financial resilience; and
- Governance.



# National Audit Office

## National Audit Office publications

### **A Short Guide to the NAO's work on local authorities**

This guide is designed to provide an overview of how local government is funded, the pressures local authorities face, staffing, and major recent and future developments. August 2015.

### **The NAO's role in local audit**

The National Audit Office (NAO) has responsibilities within the framework for the audit of local public bodies. This leaflet provides information on its role, examples of recent value-for-money work focused on local services and the 2015-16 work in progress. July 2015.

### **Care leavers' transitions to adulthood**

The NAO's report concludes that the system for supporting young people leaving foster or residential care in England to live successful independent lives is not working effectively. This is despite the fact that there is a clear legal framework and an inspection regime in place. The numbers of care leavers in employment, education and training have deteriorated since 2007-08. July 2015.

### **Devolving responsibilities to cities in England: Wave 1 City Deals**

Wave 1 City Deals encouraged cities to develop capacity to manage devolved funding and increased responsibility. This NAO report concludes it is too early to tell what impact they will have on growth. July 2015

### **Local Government New Burdens**

The National Audit Office (NAO) published its review of new burdens on local government on 5<sup>th</sup> June 2015. In 2011, the government reaffirmed its commitment to the New Burdens Doctrine (the Doctrine). The Doctrine set out how the government would ensure that new requirements that increased local authorities' spending or reduced their income did not lead to excessive council tax increases. The Doctrine commits the government to assess and fund extra costs for local authorities from introducing new powers, duties and other government-initiated changes. The NAO report considers the new burdens regime, how it is managed and overseen and the DCLG's arrangements for new burdens assessments.

### **Care Act first-phase reforms – local experience of implementation**

This report considered if the Department of Health is carrying out Phase 1 of the Care Act in a way that is likely to achieve the government's objectives and be value for money. The NAO found that the Department has managed the introduction of Phase 1 of the Care Act well. Consequently, 99% of local authorities were confident that they would be able to carry out the Care Act reforms from April 2015. However, with the level of demand so uncertain, the Department's cost estimates and chosen funding mechanisms put local authorities under increased financial risk. June 2015.

# Local Government Association (LGA)

## LGA publications

**Health and care quality systems in practice: a guide for local leaders.** 4 September 2015. This guidance has been produced in collaboration with the Centre for Public Scrutiny (CFPS) and Think Local Act Personal (TLAP) to support health and care leaders in navigating the local agencies and organisations responsible for regulating and improving the quality of health and care services.

**Tackling serious and organised crime.** 4 September 2015. This guidance is for all those in local government who have a role in making our communities safer and protecting the most vulnerable members of our communities. It is aimed at leaders and members of community safety partnerships, health and wellbeing boards and local safeguarding boards.

**Spending Smarter: A Shared Commitment.** 1 September 2015. The LGA has set out a broad range of proposals for the Government to consider as part of the Spending Review, aimed at streamlining public services, growth generating investment, and social care and health - all while saving the public purse almost £2 billion a year by the end of the Parliament.

**Dementia friendly communities: guidance for councils.** 4 August 2015. This guidance produced by the LGA in collaboration with the community interest company Innovations in Dementia outlines the important role of councils in supporting people with dementia by creating local dementia friendly communities and demonstrates how councils are making this happen through numerous case study examples.

**Mental Capacity Act including the Deprivation of Liberty Safeguards.** 31 July 2015. This improvement tool has been developed throughout 2014/15 with funding from the Department of Health and support from the Local Government Association (LGA) and the Association of Directors of Social Services (ADASS).

**Putting the MCA principles at the heart of adult social care.** 31 July 2015. The Department of Health (DH) recently estimated that 70 per cent of those who use social care services may lack mental capacity for some decisions. Therefore commissioners will want assurance that the services they are commissioning on behalf of their local communities are being delivered in a way that both respects and promotes the rights of vulnerable individuals.

**European and international – 2014–20: A guide to EU funding (July 2015).** 27 July 2015. The LGA has developed guidance covering over 20 funding sources of relevance including the 2014-20 European Structural and Investment Funds (ESIF).

**Beyond the school gate: Using post-16 destination measures to improve outcomes for young people.** 16 July 2015. Councils have a strong interest in how Destination Measures are being used, given their statutory duties to secure sufficient education and training provision for 16- to 19-year-olds and to support them to participate.

# Local Government Association (LGA)

## LGA publications

**Local Healthwatch Governance: a self-assessment toolkit for local Healthwatch and local Healthwatch Commissioners.** 7 July 2015. This self-assessment is designed to support local Healthwatch and local Healthwatch commissioners in establishing successful governance.

**A shared commitment: Local government and the Spending Review.** 30 June 2015. A strong partnership with local government will support the Government in tackling the significant challenge of reducing the national deficit over the period of this Parliament, while at the same time ensuring the quality front line services that the public want and need

**Making it better together: A call to action on the future of health and wellbeing boards.** 30 June 2015. The LGA and NHS Clinical Commissioners have launched their ambitious call to action and a set of proposals to local system leaders and the Government to strengthen the impact and leadership of health and wellbeing boards across the country.

**Note for adult safeguarding boards on the Mental Health Crisis Concordat.** 29 June 2015.

**Future funding outlook for councils 2019/20 – interim 2015 report.** 26 June 2015. This is an interim update of the 2014 analysis. It sets out the financial challenge faced by councils that the government needs to consider when making decisions in the July Budget and the autumn Spending Review.

**Ageing – the silver lining: The opportunities and challenges of an ageing society for local government.** 25 June 2015. This report sets out the increasing contribution to society and the economy older people can make through empowered local government and challenges the commonly-held belief that an ageing population is a burden.

**Gambling regulation: Councillor handbook (England and Wales).** 25 June 2015. The 2005 Gambling Act was a pivotal point in gambling regulation in the UK. By liberalising previous gambling legislation, it established gambling as a mainstream leisure and social activity.

**Creating a better care system. 24 June 2015.** This report consolidates the findings and conclusions as a result of significant engagement with the LGA, local leads and partner organisations. The views and ideas put forward were developed and approved with the LGA.

**Sexual health commissioning in local government.** 9 June 2015. These nine case studies showcase local government experience of commissioning sexual health services since taking over this responsibility in April 2013.

**English devolution: local solutions for a healthy nation.** 9 June 2015. This publication captures the thoughts of councillors, directors of public health, providers, commissioners, academics and other key opinion formers, on the challenges and opportunities devolution could bring in terms of improving the public's health.



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<b>REPORT TO:</b>	Business Efficiency Board
<b>DATE:</b>	23 September 2015
<b>REPORTING OFFICER:</b>	Strategic Director – Community and Resources
<b>SUBJECT:</b>	Annual Governance Statement 2014/15
<b>PORTFOLIO:</b>	Resources
<b>WARD(S):</b>	Borough-wide

### **1.0 PURPOSE OF REPORT**

The Board considered and approved the draft Annual Governance Statement for 2014/15 at its meeting on 3 June 2015. However, at the suggestion of the Council's external auditor, a minor change has been made to the document. The purpose of this report is to enable the Board to further review and approve the updated Annual Governance Statement for 2014/15.

### **2.0 RECOMMENDATIONS:**

**The Board is asked to review the draft Annual Governance Statement (AGS) and:**

- (i) Confirm that it accurately reflects the corporate governance arrangements at the Council;**
- (ii) Endorse the action plan;**
- (iii) Approve the draft Annual Governance Statement.**

### **3.0 SUPPORTING INFORMATION**

#### **Background to the Annual Governance Statement**

- 3.1** Under the Accounts and Audit Regulations 2015 the Council must produce an AGS which must be approved by the resolution of a committee or members of the authority meeting as a whole. The AGS must also be approved in advance of the Council approving the statement of accounts.
- 3.2** 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.

- 3.3 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.

**Preparation of the 2014/15 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 considering 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 assurance 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 2014/15 is attached at Appendix 2. The document contains a Development Plan that sets out proposed actions to further develop the Council's governance framework. Members should note that the only amendment from the draft Annual Governance Statement previously approved is the insertion of paragraph 4.4 towards the end of the document.

**4.0 POLICY, FINANCIAL AND OTHER IMPLICATIONS**

- 4.1 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.

- 4.2 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 2015 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**

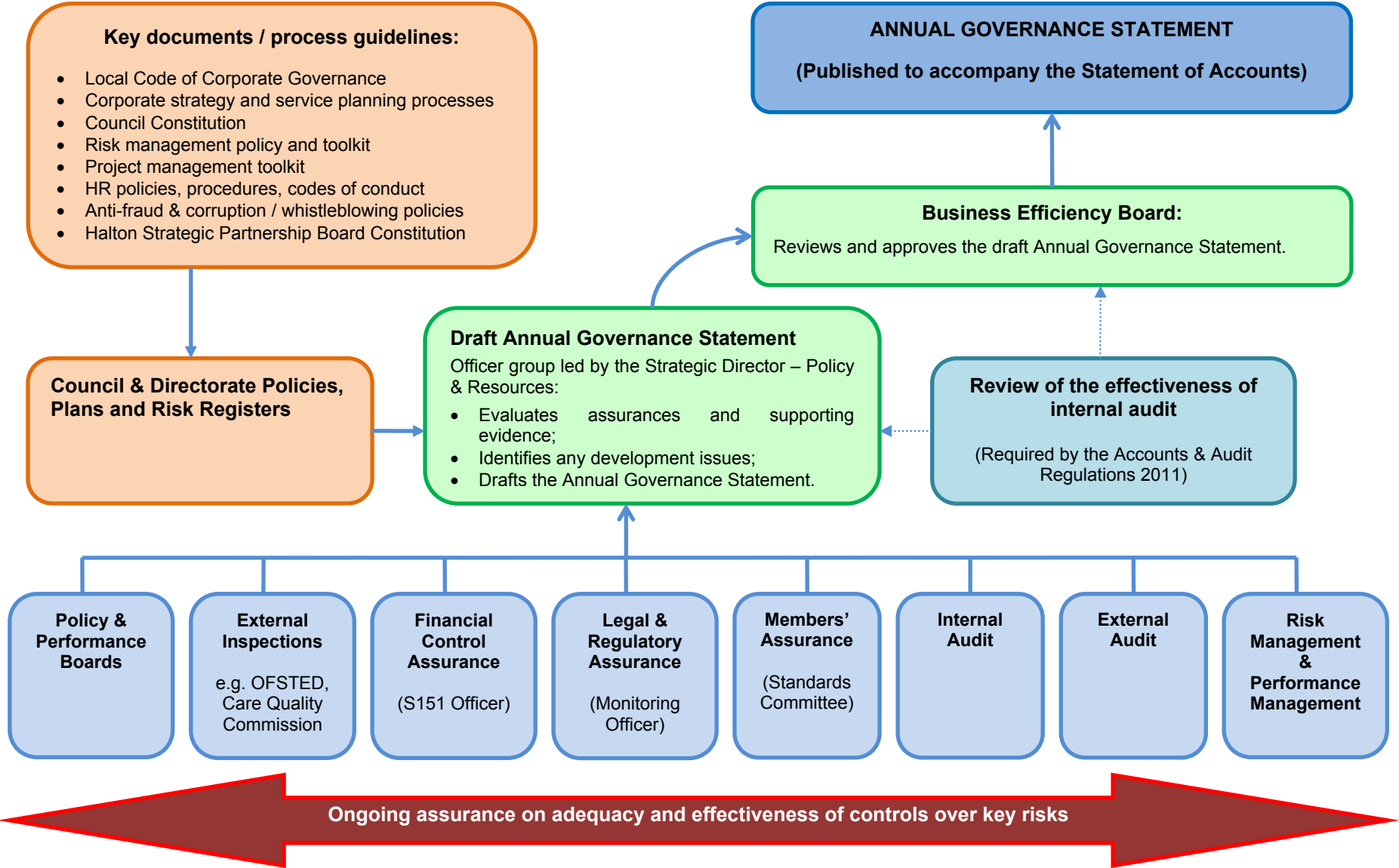
7.1 The Council has to have regard to the elimination of unlawful discrimination and harassment and the promotion of equality under the Equalities Act 2010 and related statutes. Proper governance arrangements will ensure that equality and diversity issues are appropriately addressed.

**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 2015		



### ANNUAL GOVERNANCE STATEMENT – ASSURANCE FRAMEWORK



## HALTON BOROUGH COUNCIL 2014/15 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 continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
- 1.3 In discharging this overall responsibility, Halton Borough Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, 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 has reviewed the effectiveness of its governance arrangements. It also meets the requirements of the Accounts and Audit Regulations 2015 in relation to the preparation of an annual governance statement.

## 2. The Purpose of the Governance Framework

- 2.1 The governance framework comprises the systems and processes, and culture and values by which the authority is directed and controlled, and its activities through which it accounts to, engages with and leads the community. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost effective services.
- 2.2 The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives, and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Halton Borough Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.
- 2.3 The governance framework has been in place at Halton Borough Council for the year ended 31 March 2015 and up to the date of approval of the statement of accounts.

## 3. The Council's Governance Framework

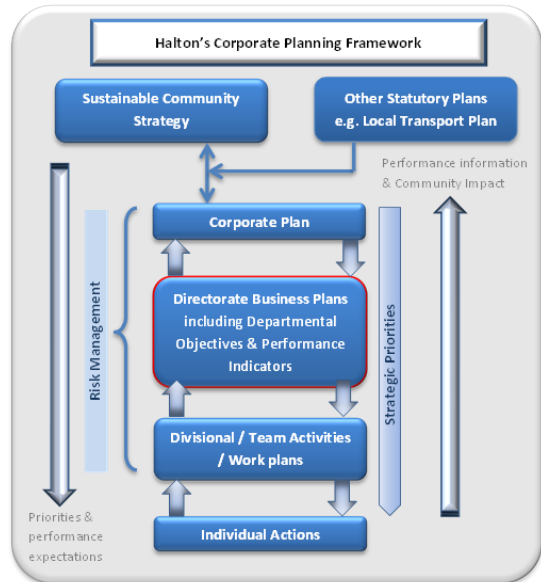
A brief description of the key elements of the Council's governance framework is described below. Documents referred to may be viewed on the Council's website and are available from the Council on request.

### 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 themes that underpin all aspects of the Council's work:
  - A Healthy Halton
  - Environment & Regeneration in Halton
  - Halton's Children & Young People
  - Employment, Learning and Skills in Halton
  - A Safer Halton

- Corporate Effectiveness & 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 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 publishes a 'Pay Policy Statement' on an annual basis, which provides transparency with regard to the Council's approach to setting the pay of its employees.

### 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 Monitoring Officer 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), which was updated and re-launched in 2014;
  - 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, which was reviewed and updated in 2014, 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 were updated into electronic format in 2014;
  - Corporate Equality Scheme (2013-15).

### 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 established processes to identify the personal development needs of employees. This information is used to inform the design of the corporate training programme and the sourcing of specialised professional training.

### 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 Cabinet;
  - 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;
  - All financial payments made by the Council that are equal to or greater than £500;
  - 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.

## 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 annual review of the effectiveness of the Council's internal audit function by the Operational Director - Finance;

- 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 Council's arrangements to counter fraud and corruption.

4.3 The Council has implemented the actions agreed in the 2013/14 Annual Governance Statement. A summary of action taken is listed below:

- Funding pressures

In 2014/15 Elected Members were engaged at an early stage via the Budget Working Group and All Member seminars to facilitate early budget planning and to provide additional time to develop budget proposals. Analysis of mandatory and discretionary obligations was provided to assist Members with their decision making. The scale of funding pressures facing the Council was clearly communicated to officers, Members and the public to ensure that the service implications of such were fully understood.

The Efficiency Programme and Procurement have continued to be key tools in helping to identify potential budget savings. Further collaboration and sharing of services has been undertaken with neighbouring councils in order to generate efficiency savings and income.

A balanced budget was set for 2014/15 and spending during the year was contained within the overall budget, despite significant overspending of children in care costs due to rapidly increasing numbers of children in the care of local authority. This has been achieved through having sound governance arrangements in place and a robust control environment.

- Liverpool City Region Combined Authority

The Council has played an active role in the first twelve months of the Combined Authority's life. It has Elected Member representation on the Combined Authority itself (the Leader), the Merseytravel Committee (Councillors Howard and John Stockton) and the Combined Authority Scrutiny Panel (Councillors Wainwright and Woolfall – Councillor Wainwright is Chair of the Panel).

Officers are heavily involved in the supporting structures and preparatory work is taking place around the greater integration of transport functions

and activities. The Operational Director Policy - Planning and Transportation led the work for the City Region on the development of a "Transport for Growth Plan" the Combined Authority's joint strategic framework and delivery plan for transport. The Chief Executive also acts as the Lead Officer for Scrutiny for the Combined Authority and sits on the Combined Authority's Implementation Group.

- Development Control Committee

Regular training and development has taken place with members of the Development Control Committee including the subject matter contained within the Annual Governance Statement Development Plan from 2013/14.

- Local Government Transparency Code 2014

The Council has reviewed the requirements placed on it to comply with the Government's Data Transparency Code. A report on those requirements and the resource implications to the Council of compliance was presented to the Corporate Services Policy and Performance Board. The Council is currently ensuring that it is compliant with the mandatory elements of the code.

4.4 We have been advised on the implications of the result of the review of the effectiveness of the governance framework by the Business Efficiency Board, and that the arrangements continue to be regarded as fit for purpose in accordance with the Council's governance framework.

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 we 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>Although the UK economy is starting to show significant signs of improvement, the Government grant 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, especially Children in Care costs where there are already significant spending pressures. 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>• Review mandatory and discretionary obligations and prioritise accordingly;</li> <li>• Identify the impact of reduced resources upon the Council’s ability to deliver services;</li> <li>• Communicate the scale of funding challenges and the Council’s priorities to Officers and Members to achieve buy-in;</li> <li>• Engage Members at a very early stage in budget planning and the development of budget proposals;</li> <li>• Communicate to the public the scale of funding challenges facing the Council and the consequent impact upon service delivery;</li> <li>• Maintain the Medium Term Financial Strategy;</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>• Develop further collaboration and sharing of services with neighbouring local authorities and external partners;</li> <li>• Identify opportunities for income generation where appropriate, through the work of the Fees and Charges Topic Group;</li> <li>• Undertake equality impact assessments;</li> <li>• Closely monitor and report upon spending through the year.</li> </ul>	<p>Strategic Director – Policy &amp; Resources</p>

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