CORPORATE FINANCE AND ICT DEPARTMENT

STATEMENT OF ACCOUNTS 2011/2012

As approved by the Audit and Governance Committee on 26 September 2012

SEFTON COUNCIL

Contents

1 EXPLANATORY FOREWORD

1 The Statement of Accounts is intended to give clear information about the Authority's finances. It is intended to answer:

- What did the Authority's services cost in the year of account?
- Where did the money come from to pay for these services?
- What were the Authority's assets and liabilities at the year-end?

2 Wherever possible the contents have been written in plain English and technical terms have been used sparingly. Where the use of technical terms has been unavoidable, a simple explanation has been included in the Glossary (see pages 129 to 136).

3 The Authority is required by law to follow proper accounting practices and this Statement of Accounts attempts to present fairly the financial position and transactions of the Authority.

4 The Statement was authorised for issue by the Head of Corporate Finance and ICT on 18 September 2012.

5 In accordance with recommended practice, the Authority's Accounts present:

(a) Movement in Reserves Statement (page 13)

This statement shows the movement in the year on the different reserves held by the Authority, analysed into ‘usable reserves’ (i.e. those that can be applied to fund expenditure or reduce local taxation) and unusable reserves. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the Authority’s services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance for Council Tax setting purposes. 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.

(b) Comprehensive Income and Expenditure Statement (page 15)

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

(c) Balance Sheet (pages 17 - 18)

The Balance Sheet shows the value as at 31 March 2012 of the assets and liabilities recognised by the Authority. The net assets of the authority (assets less liabilities) are matched by the reserves held by the Authority. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the authority may use to provide services, subject to the need to maintain a prudent level of reserves, and any statutory limitations on their use. The second category of reserves are those that the authority is not able to use to provide services.

(d) Cash Flow Statement (page 19)

The Cash Flow Statement shows the changes in cash and cash equivalents of the authority 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.

(e) Notes to the Financial Statements (pages 21 - 94)

The notes to the Movement in Reserves Statement, Comprehensive Income and Expenditure Statement, Balance Sheet, and Cash Flow Statement. It also includes the accounting policies employed by Sefton to comply with the CIPFA Code of Practice of Local Authority Accounting subject to any exceptions detailed in the note.

(f) Collection Fund (pages 95 - 97)

This statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund in accordance with section 89 of the Local Government Finance Act 1988 (as amended by the Local Government Finance Act 1992).

The Collection Fund shows the transactions of the billing authority in relation to the collection of Council Tax and Non-Domestic rates and provides details of how this income has been distributed to Sefton MBC (including Parish Precepts), the Merseyside Police Authority, the Merseyside Fire and Rescue Service, and Central Government.

(g) Group Accounts (pages 99 – 113)

This section incorporates the accounts of both Sefton and its wholly owned subsidiary, Sefton New Directions Limited, to provide details of the Council's financial activities as a Group.

(h) Annual Governance Statement (pages 115 - 124)

The Annual Governance Statement is the formal statement that recognises, records and publishes an authority's governance arrangements as defined in the CIPFA/SOLACE Governance Framework. It is required to be published with the accounting statements but does not form part of the accounting statement and is therefore not covered by the Auditor's opinion.

(i) Independent Auditor's Report to the Members of Sefton Metropolitan Borough Council (pages 125 - 128)

(j) Glossary (pages 129 - 136)

(k) Abbreviations (pages 137 – 138)

(l) Useful Addresses (page 139)

6 CHANGES TO ACCOUNTING POLICY AND PRACTICE DURING THE YEAR

This Statement of Accounts is prepared in accordance with the code of practice on local authority accounting in the United Kingdom 2011/12 (the Code).

The most significant changes to the 2011/12 Code are; (1) the introduction of additional disclosure requirements in respect of employee exit packages, and (2) the adoption of the requirements of FRS 30 Heritage Assets.

Exit Packages

The Code requires the Authority to disclose the number and cost of exit packages agreed during the year. The new requirements have been met by Note 16 in the notes to the financial statements (page 38) which sets out the number and value of compulsory and voluntary redundancy packages agreed during the year in bands.

Heritage Assets

The Code requires that a new class of asset, heritage assets, is disclosed separately on the face of the Balance Sheet. Heritage assets are those assets that are held principally for their contribution to knowledge or culture. The Authority holds a number of heritage assets including works of art and artefacts (currently held in storage) to be exhibited in the Cultural Centre in Southport when it opens in early 2013, as well as Antony Gormley's Another Place installation on Crosby foreshore.

The assets highlighted above were previously valued at historical cost and recorded as Community Assets within Property Plant and Equipment. They have subsequently been reclassified as Heritage Assets and valued on a current cost basis using the latest insurance valuations where these are available. The impact of this change has been to increase the net value of the assets from £1.746m to £11.057m.

Further details of the impact of this change can be found in Note 1 in the Notes to the Financial Statements on pages 21 to 22.

7 GENERAL FUND SUMMARY

The General Fund encompasses expenditure relating to the day-to-day running of the Council. Transactions relating to Schools' delegated budgets are included within the General Fund but because Schools are entitled to retain any year-end balances for future use, the General Fund balances are analysed according to whether or not they belong to Schools.

On 3 March 2011, the Council approved a revenue budget for 2011/2012 of £244.713m, which included £0.974m relating to the expenditure of Parish Councils. It was anticipated that balances for non-school budgets would total £4.161m at 31 March 2012. As a result of an underspend of £0.026m in 2010/2011 and the planned contribution to reserves in 2011/2012 of £0.500m being taken as a saving, the anticipated year-end balances position was revised to £3.687 when the 2012/2013 Budget was approved in March 2012.

Overall, actual expenditure for 2011/2012 on General Fund services (excluding Schools' delegated expenditure) was £0.024m lower than revised estimates. This has been added to General Fund Balances.

The Authority's reported non-School General Fund balances at 31 March 2012 are therefore £3.711m as shown in the following table:

Non-School General Fund Balances	£000s
Estimated non-School General Fund Balances at 31 March 2012	-3,687
Add underspend in comparison to the 2011/2012 revised estimate	-24
Actual non-School General Fund Balances at 31 March 2012	-3,711

Some of the major variations from the revised estimates in 2011/2012 include: -

Additional Spending / Reduced Income	£'000
Specialist Transport Unit – continued demand pressure	883
Adult Social Care – Community Care Packages	1,062
Sundry Bad Debt provision Increase	1,845
Increase in Provision for Legal Claim against the Council	1,667
Underspending / Additional Income	
Adult Social Care – NHS Sefton for Re-enablement Services	-1,957
Recycling Collection Costs	-1,165
Housing Benefits (Net)	-667
Debt Repayment / Net Investment	-1,805

8 SCHOOLS' DELEGATED BUDGETS AND THE USE OF DEDICATED SCHOOLS GRANT

In accordance with the Fair Funding Scheme for Financing Schools, individual schools are able to carry forward any underspend on their budgets. Conversely, an overspend against budgets become the first call on future available resources. Net expenditure on schools, whether incurred directly from delegated budgets or spent against centrally retained budgets by the LEA in support of schools, is funded from the ring-fenced Dedicated Schools Grant (DSG).

The DSG was underspent by £6.943m in 2011/2012. This comprised an underspend of £6.051 on schools' delegated funding, an underspend of £0.574m on unallocated Individual Schools Budgets and an underspend of £0.318m on the non-delegated (centrally retained) element.

The underspend on delegated budgets has resulted in an increase in schools' accumulated reserves of £6.051m. However, during 2011/2012 seven secondary schools became academies. Balances of £2.700m relating to these schools were transferred to the new academies. Movements in Schools' balances during 2011/2012 can be summarised as follows:

Schools' Balances	**£000s**
Schools' balances as at 1 April 2011	-15,198
Underspend on Schools' Delegated Budgets	-6,051
Transfer of Balances relating to Academies	2,700
Schools' balances at 31 March 2012	-18,549

The underspend on the non-delegated part of the DSG (£0.318m) contributes to the centrally retained DSG reserve. This reserve amounted to £1.055m at 31 March 2011 and has therefore increased to £1.373m at the end of 2011/2012. The underspend on unallocated Individual Schools Budgets has also been reserved in 2011/2012 (there was no reserve at the end of 2010/2011).

9 ANALYSIS OF GENERAL FUND EXPENDITURE AND INCOME

Figure 1 and Figure 2 below summarise the Authority's **gross** revenue expenditure within the General Fund for 2011/2012. Figure 3 highlights the main sources of General Fund Financing for 2011/2012.

Figure 1 - Gross Expenditure on Services (including Levies) for 2011/2012 (by Expenditure Type)

Expenditure Type	£000s	%
Employees	228,191	33
Running Expenses	423,728	61
Capital Charges	41,194	6
	693,113	100

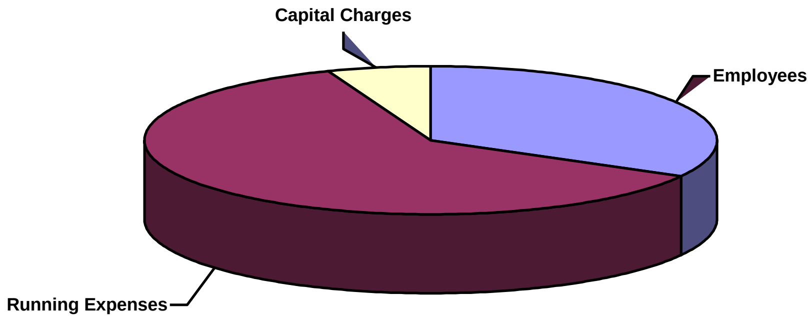


Figure 2 - Gross General Fund Expenditure on Services (including Levies) for 2011/2012

Service	£000s	%
Adult Social Care	112,449	16
Corporate and Democratic Core (CDC)	8,907	1
Non-Distributed Costs	8,302	1
Central Services to the Public	38,177	6
Children's and Education Services - Non-School	100,284	15
- School	182,741	26
Cultural, Environmental, Regulatory and Planning Services	68,425	10
Highways, Roads and Transport Services	21,130	3
Housing Services	113,665	16
Levies	39,033	6
	693,113	100

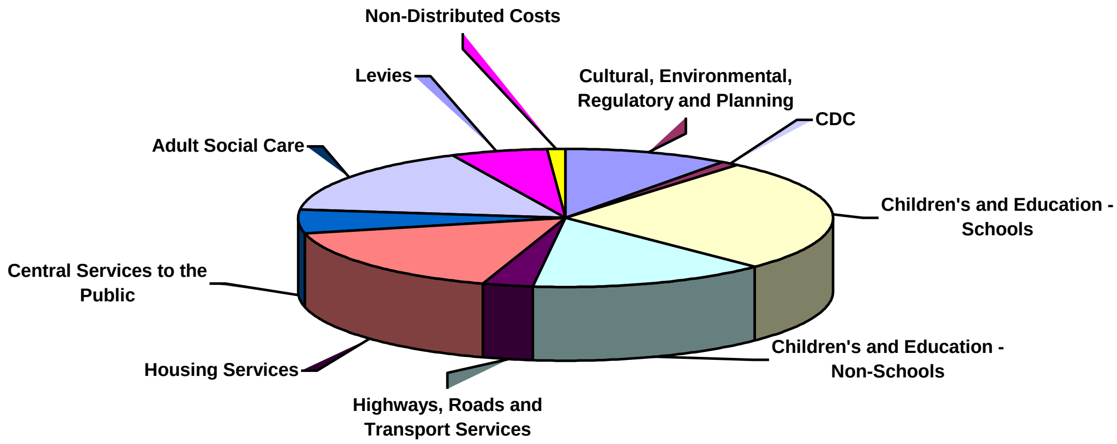
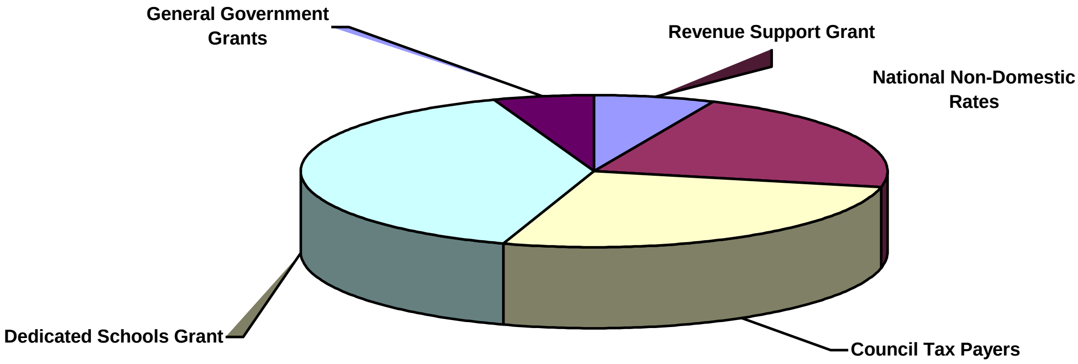


Figure 3 – Main Sources of General Fund Financing for 2011/2012

Source of Income	£000s	%
Revenue Support Grant	29,815	6
General Government Grants	24,354	5
National Non-Domestic Rates	96,457	22
Council Tax Payers	118,412	27
Dedicated School Grant	176,075	40
	445,113	100



10 CAPITAL EXPENDITURE

In 2011/2012 the Authority spent £39.3m on capital projects. Examples of some of the major areas of spend include expenditure on Housing Market Renewal (£5.9m), Netherton Activity Centre (£4.5m), Housing Renovation Grants (£2.5m) and Litherland One School Pathfinder (£2.1m).

The analysis of capital spending (by departmental categories) and its financing is summarised in Figure 4 and Figure 5: -

Figure 4 - Sefton's Capital Expenditure for 2011/2012

Service	£000s	%
Adult Social Care	158	0
Children's Services	11,436	29
Corporate Services	1,816	5
Environmental	2,104	5
Housing Market Renewal	5,865	15
Leisure and Tourism	8,935	23
Regeneration	3,214	8
Technical Services	5,759	15
	39,287	100

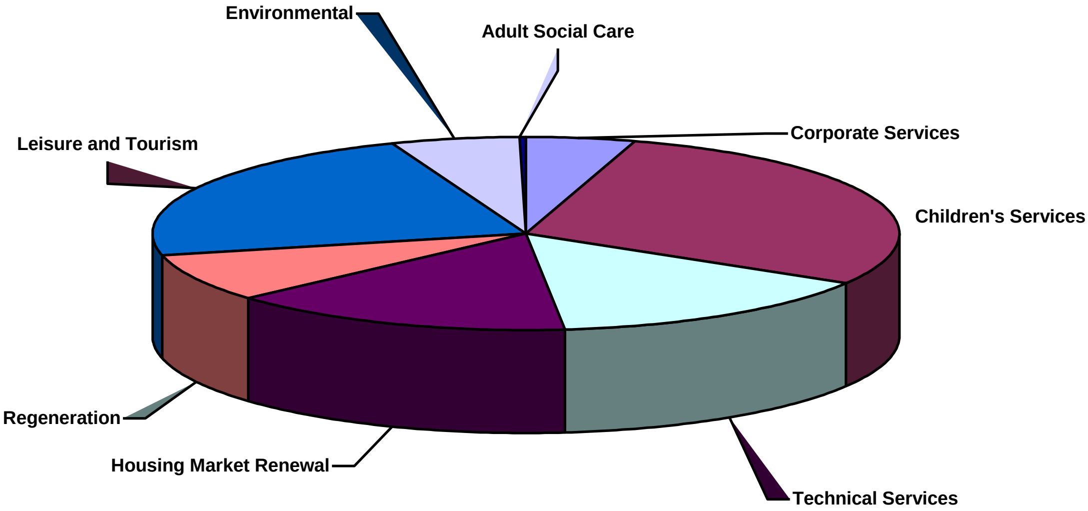
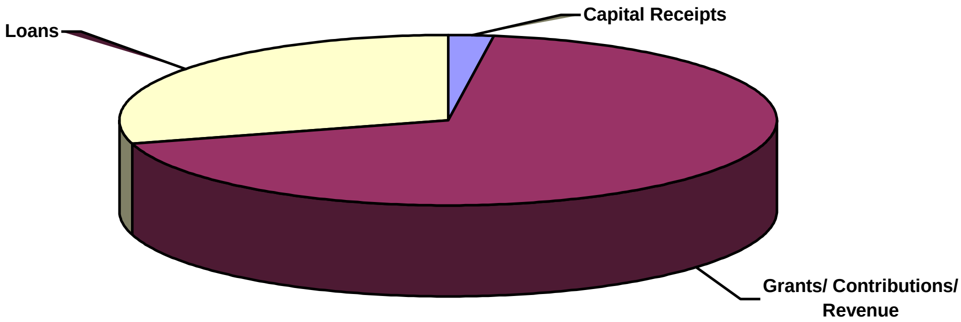


Figure 5 - Financing of Sefton's 2011/2012 Capital Expenditure

Source of Finance	£000s	%
Capital Receipts	858	2
Grants/ Contributions/ Revenue	26,873	68
Loans	11,556	30
	39,287	100



11 BORROWING

The Council's arrangements for long-term borrowing correspond to the Council's Treasury Management Policy and Strategy documents. These were drawn up to comply with the Chartered Institute of Public Finance and Accountancy's Code of Practice for Treasury Management in Local Authorities.

Under Section 3(1) of the Local Government Act 2003, the Council must approve an overall borrowing limit before the beginning of each financial year. For 2011/2012 this limit was set at £180.5m; the Council stayed within this figure during the year.

As at 31 March 2012, the Council had outstanding borrowing of £133.074m (£132.671m as at 31 March 2011). This includes local authority bonds, stocks, mortgages and loans from the Public Works Loans Board (PWLB). As at 31 March 2012, borrowing of £8.937m, plus accrued interest of £0.826m, was due to be repaid within 12 months, of which £0.328m represents the principal element of annuity loans that will mature in the year.

During 2011/2012, no new long term borrowing from the PWLB was required to fund capital expenditure. Principal of £0.561m was repaid during the year.

Interest on long term borrowing from the PWLB totalled £5.921m during the year.

12 PENSION LIABILITY

There is currently a net deficit on the Local Government Pension Scheme Fund attributable to Sefton of £274.5m. This will be reviewed periodically (normally every three years) by the Fund's actuary and steps will be taken to address the deficit via increased contributions over the remaining working life of employees.

13 PROVISIONS, CONTINGENCIES AND WRITE-OFFS

There have been no significant changes in provisions or contingent liabilities during 2011/2012.

The only material write-offs in 2011/2012 relate to revaluation losses on the Authority's assets. These total £22.4m.

14 MATERIAL EVENTS AFTER THE REPORTING DATE

There have been no material events after the reporting date up to the date the accounts have been authorised for issue.

15 ECONOMIC POSITION / FINANCIAL OUTLOOK

The Authority is continuing to experience the impact of the Government's austerity drive. The requirement to identify budget reductions in 2011/2012 resulted in approximately £44m of cuts being introduced. The vast majority of these savings have been achieved, with alternative resources being identified to enable the Council to spend within its resources during 2011/2012; the year end Accounts showing a small underspend of £0.024m.

Further savings of £20m have been identified for 2012/2013. Officers are currently engaged in implementing the agreed proposals; the monitoring regime used in 2011/2012 to ensure that this target is achieved will continue for 2012/2013.

Whilst significant reductions in expenditure were forecast for 2013/2014 to 2014/2015, a recent update of the Medium Term Financial Plan (MTFP) has identified additional pressures for this period. This is due to two main factors; the increased demand for care services for the elderly, and the anticipated further reduction in central government grant support. With regard to the latter item, reductions are expected because of the announcement of new initiatives by the Government. The actual level of grant support for these two financial years will not be known with any certainty until December 2012. However, current projections indicate a further £43m of savings will be required over the following two years.

The Council's Transformation Programme is continuing. All services are currently being assessed to identify further savings options to address the budget gap, whilst trying to protect the most needy members of the community. Given the size of the savings, it is inevitable that this process will result in further reductions in the size of the Council's workforce.

Further reports will be presented to Cabinet over the coming months in order to agree how the Council will balance its budget for next two years.

16 CONCLUSION

During the 2011/2012 financial year, the Council has continued to experience significant additional spending pressures, but has been able to contain such costs within budget. The overall outturn position is a small underspend. General Balances have been maintained at estimated levels, with additional resources being set aside for doubtful sundry debts, due to the current economic position.

Decisions taken for the 2012/2013 budget are expected to retain General Fund balances at £3.711m. However, the further financial challenges from the Government's austerity drive and the current economic climate will mean that budgets will need to be closely monitored during 2012/13 to ensure the Council maintains its financial standing position.

Once again, the Accounts have been closed within the statutory deadline of 30 June. My thanks go to all staff that have invested considerable efforts to achieve this deadline.

The Statement of Accounts is a complex document and is prepared within the guidelines set by the Chartered Institute of Public Finance and Accountancy. However, I would be interested to receive any suggestions as to how the Accounts, or the Executive Summary, could be improved. Please contact me at the address on page 137.

Margaret Rawding
Head of Corporate Finance and ICT

2 STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The Authority's Responsibilities

The Authority is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority that officer is the Head of Corporate Finance and ICT.

- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.

- Approve the Statement of Accounts.

The Head of Corporate Finance and ICT Responsibilities

The Head of Corporate Finance and ICT is responsible for the preparation of the Authority's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

In preparing this Statement of Accounts, the Head of Corporate Finance and ICT has:

- selected suitable accounting policies and then applied them consistently;

- made judgements and estimates that were reasonable and prudent;

- complied with the local authority Code.

The Head of Corporate Finance and ICT has also:

- kept proper accounting records which were up to date;

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

Head of Corporate Finance and ICT Statement

I certify that this Statement of Accounts gives a true and fair view of the financial position of Sefton Metropolitan Borough Council at 31 March 2012, and its income and expenditure for the financial year ended 31 March 2012.

Margaret Rawding

Margaret Rawding
Head of Corporate Finance and ICT
Date: 26 September 2012

Statement by the Chair of the Audit and Governance Committee

I confirm on behalf of the Council that these accounts were approved by the Audit and Governance Committee at its meeting held on 26 September 2012.

Diane Roberts

Councillor Diane Roberts
Chair, Audit and Governance Committee

3 MOVEMENT IN RESERVES STATEMENT

This statement shows the movement in the year on the different reserves held by the authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and unusable reserves. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance for Council Tax setting purposes. 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.

Movements in Reserves in 2011/2012	General Fund Balance £000	Earmarked Reserves Account £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	**Total Usable Reserves £000**	Unusable Reserves (Notes 40 to 46) £000	**Total Authority Reserves £000**
Balance at 1 April 2011	-18,885	-57,753	-6,341	-16,204	-99,183	-355,093	-454,276
Movements in Year							
Deficit on the provision of services	121,822	0	0	0	121,822	0	121,822
Other Comprehensive Income and Expenditure	0	0	0	0	0	43,550	43,550
Total Comprehensive Income and Expenditure	121,822	0	0	0	121,822	43,550	165,372
Adjustments between accounting basis and funding basis under regulations (Note 5)	-120,093	0	9	5,908	-114,176	114,176	0
Net Increase before Transfers to Earmarked Reserves	1,729	0	9	5,908	7,646	157,726	165,372
Transfers to / from Earmarked Reserves (Note 37)	-5,104	5,104	0	0	0	0	0
Increase (-) / Decrease in Year	-3,375	5,104	9	5,908	7,646	157,726	165,372
Balance at 31 March 2012	-22,260	-52,649	-6,332	-10,296	-91,537	-197,367	-288,904

Movements in Reserves in 2010/2011	General Fund Balance £000	Earmarked Reserves Account £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	**Total Usable Reserves £000**	Unusable Reserves (Notes 40 to 46) £000	**Total Authority Reserves £000**
Restated Balance at 1 April 2010	-16,391	-44,395	-5,041	-14,548	-80,375	-287,658	-368,033
Movements in Year							
Surplus on the provision of services	-47,977	0	0	0	-47,977	0	-47,977
Other Comprehensive Income and Expenditure	0	0	0	0	0	-38,266	-38,266
Total Comprehensive Income and Expenditure	-47,977	0	0	0	-47,977	-38,266	-86,243
Adjustments between accounting basis and funding basis under regulations (Note 5)	32,125	0	-1,300	-1,656	29,169	-29,169	0
Net Increase before Transfers to Earmarked Reserves	-15,852	0	-1,300	-1,656	-18,808	-67,435	-86,243
Transfers to / from Earmarked Reserves (Note 37)	13,358	-13,358	0	0	0	0	0
Increase in Year	-2,494	-13,358	-1,300	-1,656	-18,808	-67,435	-86,243
Restated Balance at 31 March 2011	-18,885	-57,753	-6,341	-16,204	-99,183	-355,093	-454,276

4 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 to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

2010/ 2011 Restated Gross Expenditure	2010/ 2011 Restated Gross Income	2010/ 2011 Restated Net Expenditure	Note		2011/ 2012 Gross Expenditure	2011/ 2012 Gross Income	2011/ 2012 Net Expenditure
£000s	£000s	£000s			£000s	£000s	£000s
				Cost of Services			
-42,774	0	-42,774	54	Non Distributed Costs – Retirement Benefits - Past Service Gain / Curtailment Cost / Settlements	-6,995	0	-6,995
14,391	0	14,391		Non Distributed Costs - Other	15,297	0	15,297
-28,383	0	-28,383		Total Non Distributed Costs	8,302	0	8,302
111,673	-29,150	82,523		Adult Social Care	112,449	-26,113	86,336
9,482	-320	9,162		Corporate and Democratic Core	8,907	-248	8,659
40,971	-34,898	6,073		Central Services to the Public	38,177	-33,301	4,876
327,999	-257,503	70,496	18	Children's and Education Services	283,025	-216,470	66,555
32,641	-9,554	23,087		Cultural and Related Services	28,486	-9,736	18,750
24,964	-6,878	18,086		Environmental and Regulatory Services	22,807	-6,843	15,964
23,197	-6,357	16,840		Highways and Transport Services	21,130	-4,831	16,299
105,910	-98,003	7,907		Housing Services	113,665	-105,159	8,506
20,286	-11,858	8,428		Planning Services	17,132	-8,623	8,509
668,740	**-454,521**	**214,219**		**Total Cost of Services**	**654,080**	**-411,324**	**242,756**
				Other Operating Income and Expenditure			
		983		Precepts paid to Parish Councils			974
		37,571		Levies			39,033
		20		Contribution to Housing Pooled Capital Receipts			19
		9,588		Gain or Loss on the disposal of non-current assets			111,542
		-4,106	7	Other Operating Income			-3,131
		0		Transfer of School Balances to Academies			2,700
		44,056					151,137
				Financing and Investment Income & Expenditure			
		7,536	8	Interest payable and similar charges			7,557
		13,930	54	Pensions interest cost and expected return on pensions assets			8,263
		-818		Interest Receivable			-939
		-456	9	Trading Operations			-595
		-1,582	21	Income and Expenditure on Investment Properties			-1,391
		1,065		Changes in the Fair Value of Investment Properties			148
		19,675					13,043
				Taxation and Non-specific Grant Income			
		-118,737		Income from Council Tax			-118,412
		-108,865		Contribution from National Non-Domestic Rate Pool			-96,457
		-48,702	19	Non-Ringfenced Government Grants			-54,169
		-49,623	19	Capital Grants and Contributions			-16,076
		-325,927					-285,114
		-47,977		**Deficit / Surplus (-) on Provision of Services**			**121,822**
		6,176	40	Surplus (-) / Deficit on revaluation of Property, Plant and Equipment			-2,168
		-44,442	54	Actuarial Losses / Gains (-) on Pension Assets and Liabilities			45,718
		-38,266		**Other Comprehensive Income and Expenditure**			**43,550**
		-86,243		**Total Comprehensive Income and Expenditure**			**165,372**

5 BALANCE SHEET

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the authority. The net assets of the authority (assets less liabilities) are matched by the reserves held by the authority. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the authority 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'.

1 April 2010 Restated	31 March 2011 Restated		Note	31 March 2012
£000s	£000s			£000s
760,945	761,069	Property, Plant and Equipment	20	643,620
43,642	43,809	Investment Property	21	45,055
11,057	11,057	Heritage Assets	22	11,057
1,562	1,599	Intangible Assets	23	1,423
1	1	Long Term Investments	25	1
7,516	8,192	Long Term Receivables	26	8,198
824,723	825,727	**Long-Term Assets**		709,354
15,080	25,090	Short Term Investments	27	15,181
981	285	Assets Held for Sale	28	594
267	309	Inventories	29	375
54,472	42,123	Short Term Receivables	30	38,589
5,405	2,540	Prepayments		2,159
8,574	36,485	Cash and Cash Equivalents	31	36,394
84,779	106,832	**Current Assets**		93,292
-11,780	-1,858	Short Term Borrowing	57	-9,763
-37,642	-41,073	Short Term Payables	32	-33,763
-13,448	-17,326	Receipts in Advance		-18,761
0	-605	Provisions	33	-440
-2,092	-2,407	Deferred Liabilities	34	-2,434
-64,962	-63,269	**Current Liabilities**		-65,161
-10,430	-9,569	Provisions	33	-12,235
-111,862	-130,813	Long Term Borrowing	57	-123,311
-30,086	-27,678	Deferred Liabilities	34	-25,181
-323,837	-246,846	Pensions Liability	54	-287,375
-292	-108	Capital Grants/Contributions Receipts in Advance	19	-479
-476,507	-415,014	**Long Term Liabilities**		-448,581
368,033	**454,276**	**Net Assets**		**288,904**

1 April 2010 Restated £000s	31 March 2011 Restated £000s	Balance Sheet (Continued)	Note	31 March 2012 £000s
		Reserves		
		Usable Reserves		
12,730	15,198	General Fund - Delegated Schools	36	18,549
3,661	3,687	General Fund - Non Delegated Services	36	3,711
44,395	57,753	Earmarked Reserves	37	52,649
5,041	6,341	Capital Receipts Reserve	38	6,332
14,548	16,204	Capital Grants and Contributions Unapplied	39	10,296
80,375	99,183			91,537
		Unusable Reserves		
116,152	107,003	Revaluation Reserve	40	85,689
499,625	500,699	Capital Adjustment Account	41	404,283
-961	-902	Financial Instruments Adjustment Account	42	-843
-323,837	-246,846	Pensions Reserve	43	-287,375
1,360	1,209	Deferred Capital Receipts	44	1,060
-605	-285	Collection Fund Adjustment Account	45	-314
-4,076	-5,785	Accumulated Absences Account	46	-5,133
287,658	355,093			197,367
368,033	**454,276**	**Total Reserves**		**288,904**

6 CASH FLOW STATEMENT

The Cash Flow Statement shows the changes in cash and cash equivalents of the authority during the reporting year. 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 authority are funded by way of taxation and grant income or from the recipients of services provided by the authority. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the authority's 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 authority.

2010/2011 Restated £000s		Note	2011/12 £000s
	Operating Activities		
-47,977	Net deficit / surplus (-) on the provision of services		121,822
-26,606	Adjustments to net surplus or deficit on the provision of services for non-cash movements		-31,765
39,625	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities		-96,715
-34,958	Net cash flows from Operating Activities	49	-6,658
	Investing Activities		
58,717	Purchase of property, plant and equipment, investment property and intangible assets		33,026
10,184	Purchase of short-term and long-term investments		0
0	Other payments for investing activities		0
-1,323	Proceeds from the sale of property, plant and equipment, investment property and intangible assets		-850
0	Proceeds from short-term and long-term investments		-10,000
-49,355	Other receipts from investing activities		-17,518
18,223	Net cash flows from Investing Activities		4,658
	Financing Activities		
-20,000	Cash receipts of short- and long-term borrowing		0
-4,319	Other receipts from financing activities		-1,424
1,655	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts		2,032
11,428	Repayments of short- and long-term borrowing		1,483
60	Other payments for financing activities		0
-11,176	Net cash flows from Financing Activities		2,091
-27,911	**Net decrease / increase (-) in cash and cash equivalents**		**91**
-8,574	Cash and cash equivalents at the beginning of the reporting period		-36,485
-36,485	**Cash and cash equivalents at the end of the reporting period**	31	**-36,394**

7 NOTES TO THE FINANCIAL STATEMENTS

1 PRIOR YEAR ADJUSTMENTS

The 2009/2010 and 2010/2011 comparative figures provided in the 2011/2012 Statement of Accounts have been adjusted to take account of the following:

HERITAGE ASSETS

The Code of Practice on Local Authority Accounting in the United Kingdom 2011/2012 (the Code) has introduced a change in accounting policy in relation to the treatment of heritage assets held by the Authority. The new standard requires that a new class of asset, heritage assets, is disclosed separately on the face of the Authority's Balance Sheet.

Heritage assets are assets that are held by the Authority principally for their contribution to knowledge or culture. The Authority considers the following to be Heritage Assets:

- The Authority holds collections of art and artefacts that are currently in storage but will be exhibited in the Cultural Centre in Southport when it opens in early 2013. Included in this are 322 individual works of art that were previously listed on the Council's Asset Register each with a nominal value of £1 (total value £322). Other works of art previous housed in the Atkinson Art Gallery and Botanic Gardens Museum were recorded collectively at a nominal value of £1 (total value £2). These assets have now been re-valued in line with their current insurance value (the majority of assets were valued in 2005).

- Antony Gormley's Another Place, which consists of 100 cast iron life size figures spread along 3 kilometres of the foreshore at Crosby, was initially valued at the cost to buy and locate of £1.742m.

This change in accounting policy has resulted in the following adjustments being made to the 2010/2011 financial statements:

Opening 1 April 2010 Balance Sheet	2010/2011 Statements £000	Adjustments Made £000
Property, Plant and Equipment	762,829	-1,746
Heritage Assets	Not applicable	11,057
Revaluation Reserve	-105,645	-10,507
Capital Adjustment Account	-501,044	1,196

31 March 2011 Balance Sheet	2010/2011 Statements £000	Adjustments Made £000
Property, Plant and Equipment	763,020	-1,746
Heritage Assets	Not applicable	11,057
Revaluation Reserve	-96,496	-10,507
Capital Adjustment Account	-502,185	1,196

VEHICLE LEASES

An error identified during the audit of the accounts in 2010/2011 resulted in the value of leased in vehicles being overstated in the 2010/2011 financial statements. As the amount was not material the 2010/2011 accounts were not adjusted. However, the Council has decided to treat the correction of the error as a Prior Period Adjustment rather than an adjustment in 2011/2012. The correction of the error has resulted in the following adjustments to the comparative figures in the 2011/2012 Statement of Accounts:

Opening 1 April 2010 Balance Sheet:	2010/2011 Statements £000	Adjustments Made £000
Property, Plant and Equipment (leased assets)	762,829	-138
Deferred Liabilities – Long Term (finance lease liability)	-30,001	-85
Capital Adjustment Account	-501,044	223

31 March 2011 Balance Sheet:	2010/2011 Statements £000	Adjustments Made £000
Property, Plant and Equipment (leased assets)	763,020	-205
Deferred Liabilities – Long Term (finance lease liability)	-27,593	-85
Capital Adjustment Account	-502,185	290

2010/2011 Comprehensive Income and Expenditure Statement:	2010/2011 Statements £000	Adjustments Made £000
Trading Services	-523	67

The net decrease in the Surplus on the Provision of Services is removed by the transfer of the depreciation charge to the Capital Adjustment Account. This transfer is shown in the Movement in Reserves Statement.

BUILDINGS LEASED OUT

An error identified during the audit of the accounts in 2010/2011 resulted in the value of the long-term receivable relating to leased out buildings being understated. As the amount was not material the 2010/2011 accounts were not adjusted. However, the Council has decided to treat the correction of the error as a Prior Period Adjustment rather than an adjustment in 2011/2012. The correction of the errors has resulted in the following adjustments to the comparative figures in the 2011/2012 Statement of Accounts:

Opening 1 April 2010 Balance Sheet:	2010/2011 Statements £000	Adjustments Made £000
Long-Term Receivables	7,505	11
Deferred Capital Receipts	-1,349	-11

31 March 2011 Balance Sheet:	2010/2011 Statements £000	Adjustments Made £000
Long-Term Receivables	8,183	9
Deferred Capital Receipts	-1,200	-9

2010/2011 Comprehensive Income and Expenditure Statement:	2010/2011 Statements £000	Adjustments Made £000
Interest Receivable	-820	2

The net decrease in the Surplus on the Provision of Services is removed by a transfer from the Deferred Capital Receipts Account. This transfer is shown in the Movement in Reserves Statement.

2 ACCOUNTING STANDARDS THAT HAVE BEEN ISSUED BUT HAVE NOT YET BEEN ADOPTED

The Code of Practice on Local Authority Accounting in the United Kingdom 2012/2013 has introduced a change in accounting policy in relation to the amendments to IFRS 7 - Financial Instruments: Disclosures (transfers of financial assets, issued October 2010), which will need to be adopted fully by the Authority in the 2012/2013 financial statements. This change requires additional disclosures relating to all transferred financial assets. An authority is considered to have transferred all or part of a financial asset if, and only if, it either:

- Transfers the contractual rights to receive the cash flows of that financial asset, or
- Retains the contractual rights to receive the cash flows of that financial asset, but assumes a contractual obligation to pay the cash flows to one or more recipients in an arrangement.

This change is intended to assist users of the financial statements to evaluate the risk exposures that relate to transfers of financial assets and the effect of those risks on the authority’s financial position. However, the Council does not consider that it has any such arrangements so no additional disclosures are expected to be required in 2012/2013.

3 CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

In applying the accounting policies set out in Note 59, the Authority 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:

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

- The Council has a material interest in Sefton New Directions Limited, an entity which conducts some of the Council’s adult and social care activities. It has been deemed that Sefton New Directions Limited is subsidiary of the Council and group accounts are required to be prepared.

- The Authority is deemed to control the services provided under the outsourcing agreement for financial transaction services with Arvato. Assets to the value of £2m were transferred to Arvato for a value of £1 at the start of the contract. At the end of the contract the assets revert back to the Council for nil cost. These assets will be in full working order as a refresher clause is within the contract. This contract has been treated as a service concession.

- The Council have agreed to share any proceeds of former council house sales if they are subsequently sold by One Vision Housing Limited. The agreement lasts until 31 March 2037 and the amount received will depend on the number of sales each year. These are treated as capital receipts in the year.

- Sefton has a joint working arrangements with NHS Sefton for the provision of intensive care packages for service users with a learning disability and the provision of an Integrated Community Equipment Service. Whilst no formal agreement is in place, £3.671m in total has been expended on both services, split 50/50. The Council does not consolidate both elements in to its financial statements but only accounts for its own expenditure (see Note 11).

- The Council has given a number of warranties for up to 17 years (One Vision Housing Limited) and 35 years (Prudential Trustee Company Limited) in respect of statements, title, encumbrances, planning matters, statutory obligations, adverse orders, tenancies, information and statistics supplied, sales off, disputes and litigation, rights of entry to maintain and repair, absence of adverse replies, electricity sub-stations and shop leases, leasehold property, way leaves, telecommunications and works undertaken. In addition warranties for 20 years have been given to both parties in respect of claims for asbestos and a warranty not exceeding £100,500,000 for up to 20 years in respect of environmental pollution has been given to One Vision Housing Limited. The Council has set aside a prudent level of resources in case it is required to pay out under these warranties.

- As part of the voluntary stock transfer an agreement was reached with One Vision Housing Limited to share their VAT that they can claim from HM Revenue and Customs. This arrangement is unique to councils and registered social landlords upon transfer. Sefton's share of reclaimable VAT is likely to be in the region of £5m over the next 8 Years. The Council accounts for the income only as it becomes due in the year.

4 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 Authority about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the Authority's Balance Sheet at 31 March 2012 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant and Equipment	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 Authority will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets. The total value of PP&E as at 31 March 2012 is £644.027m.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge for assets would increase by £0.851m for every year that useful lives had to be reduced.
Provisions	The Authority has made a provision of £0.440m for the settlement of claims for back pay arising from the Equal Pay initiative, based on the number of claims received and an average settlement amount. It is not certain that all valid claims have yet been received by the Authority or that precedents set by other authorities in the settlement of claims will be applicable.	An increase over the forthcoming year of 10% in either the total number of claims or the estimated average settlement would each have the effect of adding £0.044m to the provision needed.
Pensions Liability	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. A firm of consulting actuaries is engaged to provide the Authority with expert advice about the assumptions to be applied. As at 31 March 2012 the value of assets was £485.578m and liabilities was £772.953m. The net liability is therefore £287.375m.	The effects on the net pensions liability of changes in individual assumptions can be measured. For instance, a 0.5% increase in the discount rate assumption would result in a decrease in the pension liability of £63.890m, a 0.5% increase in the salary inflation assumption would increase the pension liability by £65.090m and an increase of one year in members' life expectancy would increase the liability by £15.291m. However, the assumptions interact in complex ways. During 2011/12, the Authority's actuaries advised that the net pensions liability had increased by £19.999m as a result of estimates being corrected as a result of experience and increased by a further £45.718m attributable to updating of the assumptions.

Arrears	At 31 March 2012, Sefton had a balance of sundry debtor accounts issued by the Authority but not yet paid of £13.508m. A review of significant balances suggested that an impairment of doubtful debts of approximately 25% (£3.344m) was appropriate for these accounts. This is a significant increase compared to 2010/2011 (11%). At 31 March 2012, Sefton had a balance of Council Tax arrears (including Court Costs) of £11.618m. A review of significant balances suggested that an impairment of doubtful debts of approximately 29% (£3.399m) was appropriate for these accounts. This is a significant increase compared to 2010/2011 (19%). At 31 March 2012, Sefton had a balance of Housing Benefit arrears of £2.725m. A review of significant balances suggested that an impairment of doubtful debts of approximately 29% (£0.788m) was appropriate for these accounts. However, in the current economic climate it is possible that such allowances would not be sufficient.	If collection rates were to deteriorate, a doubling of the amount of the impairment of doubtful debts would require an additional £7.531m to be set aside as an allowance.

5 ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

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

Adjustments in 2011/2012	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Unusable Reserves £000
Adjustments primarily involving the Capital Adjustment Account:				
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:				
Charges for depreciation of non-current assets	-16,178			16,178
Revaluation losses on Property Plant and Equipment	-22,781			22,781
Movements in the market value of Investment Properties	-148			148
Amortisation of intangible assets	-192			192
Capital grants and contributions applied	8,867			-8,867
Revenue expenditure funded from capital under statute - Gross	-6,449			6,449
Revenue expenditure funded from capital under statute – Related Capital Grants and Contributions	3,973			-3,973
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-112,054			112,054
Amortisation of Deferred Income re. Crosby PFI Scheme	107			-107

Adjustments in 2011/2012 Continued	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Unusable Reserves £000
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:				
Statutory provision for the financing of capital investment	10,067			-10,067
Capital expenditure charged against the General Fund	1,014			-1,014
Adjustments primarily involving the Capital Grants Unapplied Account:				
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	7,111		-7,111	
Application of grants to capital financing transferred to the Capital Adjustment Account			13,019	-13,019
Adjustments primarily involving the Capital Receipts Reserve:				
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	512	-512		
Transfers to Usable Capital Receipts not relating to the disposal of assets	337	-337		
Use of the Capital Receipts Reserve to finance new capital expenditure		858		-858
Contribution from the Capital Receipts Reserve to finance payments to the Government capital receipts pool	-19	19		
Transfer from Deferred Capital Receipts Reserve upon receipt of cash		-19		19
Adjustments primarily involving the Deferred Capital Receipts Reserve:				
Reduction of Capital Receipts Deferred re. Leased Out Buildings	-130			130
Adjustment primarily involving the Financial Instruments Adjustment Account:				
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	59			-59
Adjustments primarily involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 43)	-16,649			16,649
Employer's pensions contributions and direct payments to pensioners payable in the year	21,838			-21,838
Adjustments primarily involving the Collection Fund Adjustment Account:				
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	-29			29
Adjustment primarily involving the Accumulated Absences Account:				
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	651			-651
Total Adjustments	-120,093	9	5,908	114,176

The table below provides comparative figures for 2010/2011:

Adjustments in 2010/2011	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Unusable Reserves £000
Adjustments primarily involving the Capital Adjustment Account:				
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:				
Charges for depreciation of non-current assets	-15,037			15,037
Revaluation losses on Property Plant and Equipment	-27,207			27,207
Movements in the market value of Investment Properties	-1,065			1,065
Amortisation of intangible assets	-103			103
Capital grants and contributions applied	36,696			-36,696
Revenue expenditure funded from capital under statute - Gross	-16,395			16,395
Revenue expenditure funded from capital under statute – Related Capital Grants and Contributions	11,146			-11,146
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-10,568			10,568
Amortisation of Deferred Income re. Crosby PFI Scheme	107			-107
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:				
Statutory provision for the financing of capital investment	9,372			-9,372
Capital expenditure charged against the General Fund	290			-290
Adjustments primarily involving the Capital Grants Unapplied Account:				
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	12,489		-12,489	
Application of grants to capital financing transferred to the Capital Adjustment Account			10,833	-10,833
Adjustments primarily involving the Capital Receipts Reserve:				
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	480	-480		
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	500	-500		
Transfers to Usable Capital Receipts not relating to the disposal of assets	343	-343		
Use of the Capital Receipts Reserve to finance new capital expenditure		32		-32
Contribution from the Capital Receipts Reserve to finance payments to the Government capital receipts pool	-20	20		
Transfer from Deferred Capital Receipts Reserve upon receipt of cash		-29		29

Adjustments in 2010/2011 Continued	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Unusable Reserves £000
Adjustments primarily involving the Deferred Capital Receipts Reserve:				
Reduction of Capital Receipts Deferred re. Leased Out Buildings	-122			122
Adjustment primarily involving the Financial Instruments Adjustment Account:				
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	59			-59
Adjustments primarily involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 43)	11,019			-11,019
Employer's pensions contributions and direct payments to pensioners payable in the year	21,530			-21,530
Adjustments primarily involving the Collection Fund Adjustment Account:				
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	320			-320
Adjustment primarily involving the Accumulated Absences Account:				
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	-1,709			1,709
Total Adjustments	32,125	-1,300	-1,656	-29,169

6 AMOUNTS REPORTED FOR RESOURCE ALLOCATIONS 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 Authority's Cabinet (which has been designated the Council's Chief Operating Decision Maker) on the basis of budget reports analysed across services departments. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

- The cost of retirement benefits is based on cash flows (payment of employer's pensions contributions) rather than current service cost of benefits accrued in the year.
- Some prudential borrowing costs relating to vehicle and equipment purchases are recorded as departmental expenditure.
- Support service income and expenditure is reported gross by the recharging department in the Management Reports, they are reported net in the accounts so that the expenditure is only reported once against the department receiving the service.

The income and expenditure of the Authority's principal departments recorded in the budget reports for the year is as follows:

Departmental Income and Expenditure in 2011/2012	Older People £000	Young People And Families £000	Finance and ICT £000	Other Services £000	**Total £000**
Fees, Charges and Other Service Income	-20,111	-19,010	-8,747	-48,729	-96,597
Grants and Contributions	-6,208	-193,162	-130,684	-13,047	-343,101
Total Income	-26,319	-212,172	-139,431	-61,776	**-439,698**
Employee Expenses	11,955	178,476	4,150	47,031	241,612
Other Service Expenditure	105,011	91,579	136,333	62,281	395,204
Support Service Recharges	3,167	2,133	1,511	11,452	18,263
Depreciation and Impairment	402	10,728	108	29,802	41,194
Total Expenditure	120,535	282,916	142,102	150,720	**696,273**
Net Expenditure	94,216	70,744	2,671	88,944	**256,575**

Departmental Income and Expenditure in 2010/2011	Older People £000	Young People and Families £000	Finance and ICT £000	Other Services £000	**Total £000**
Fees, Charges and Other Service Income	-20,078	-24,490	-7,244	-51,381	-103,193
Grants and Contributions	-9,159	-228,744	-123,606	-19,526	-381,035
Total Income	-29,237	-253,234	-130,850	-70,907	**-484,228**
Employee Expenses	13,305	199,806	3,722	50,184	267,017
Other Service Expenditure	103,957	105,913	127,584	75,123	412,577
Support Service Recharges	1,896	2,075	1,604	14,398	19,973
Depreciation and Impairment	383	13,601	76	28,327	42,387
Total Expenditure	119,541	321,395	132,986	168,032	**741,954**
Net Expenditure	90,304	68,161	2,136	97,125	**257,726**

The majority of Income and Expenditure recorded under Finance and ICT relates to payments of Housing Benefit and Council Tax Benefit and the cost of administering these benefits on behalf of Central Government.

Reconciliation of Departmental Income and Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statement

This reconciliation shows how the figures in the analysis of departmental income and expenditure relate to the amounts included in the Comprehensive Income and Expenditure Statement.

2010/2011 £000		2011/2012 £000
257,726	**Net expenditure in the Departmental Analysis**	256,575
-42,958	Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis	-13,376
-549	Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement	-443
214,219	**Cost of Services in Comprehensive Income and Expenditure Statement**	242,756

Reconciliation to Subjective Analysis

This reconciliation shows how the figures in the analysis of departmental 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.

2011/2012	Departmental Analysis £000	Amounts not reported to management for decision making £000	Amounts not included in I&E £000	Allocation of Recharges £000	**Cost of Services £000**	Corporate Amounts £000	**Total £000**
Fees, charges & other Service Income	-96,597	351	0	26,909	**-69,337**	-7,629	**-76,966**
Interest and investment income	0	0	0	0	**0**	-2,401	**-2,401**
Income from council tax	0	0	0	0	**0**	-118,412	**-118,412**
Other Operating Income	0	0	0	0	**0**	-3,131	**-3,131**
Government grants and contributions	-343,101	1,114	0	0	**-341,987**	-166,702	**-508,689**
Total Income	-439,698	1,465	0	26,909	**-411,324**	-298,275	**-709,599**
Employee Expenses	241,612	-11,592	0	0	**230,020**	10,912	**240,932**
Other service expenses	395,204	-3,249	-443	-8,646	**382,866**	6,621	**389,487**
Support Service Recharges	18,263	0	0	-18,263	**0**	0	**0**
Depreciation amortisation and impairment	41,194	0	0	0	**41,194**	683	**41,877**
Interest Payments	0	0	0	0	**0**	7,557	**7,557**
Precepts and Levies	0	0	0	0	**0**	40,007	**40,007**
Payment to Housing Capital Receipts Pool	0	0	0	0	**0**	19	**19**
Gain or Loss on Disposal of Property, Plant and Equipment	0	0	0	0	**0**	111,542	**111,542**
Total Expenditure	696,273	-14,841	-443	-26,909	**654,080**	177,341	**831,421**
Surplus or deficit on the provision of services	256,575	-13,376	-443	0	**242,756**	-120,934	**121,822**

The table below shows comparative figures for 2010/2011:

2010/2011	Departmental Analysis £000	Amounts not reported to management for decision making £000	Amounts not included in I&E £000	Allocation of Recharges £000	**Cost of Services £000**	Corporate Amounts £000	**Total £000**
Fees, charges & other Service Income	-103,193	-1,102	0	27,661	**-76,634**	-8,290	**-84,924**
Interest and investment income	0	0	0	0	**0**	-2,441	**-2,441**
Income from council tax	0	0	0	0	**0**	-118,737	**-118,737**
Other Operating Income	0	0	0	0	**0**	-4,106	**-4,106**
Government grants and contributions	-381,035	3,148	0	0	**-377,887**	-207,190	**-585,077**
Total Income	-484,228	2,046	0	27,661	**-454,521**	-340,764	**-795,285**
Employee Expenses	267,017	-38,143	0	0	**228,874**	16,831	**245,705**
Other service expenses	412,577	-5,428	-549	-7,688	**398,912**	4,293	**403,205**
Support Service Recharges	19,973	0	0	-19,973	**0**	0	**0**
Depreciation amortisation and impairment	42,387	-1,433	0	0	**40,954**	1,746	**42,700**
Interest Payments	0	0	0	0	**0**	7,536	**7,536**
Precepts and Levies	0	0	0	0	**0**	38,554	**38,554**
Payment to Housing Capital Receipts Pool	0	0	0	0	**0**	20	**20**
Gain or Loss on Disposal of Property, Plant and Equipment	0	0	0	0	**0**	9,588	**9,588**
Total Expenditure	741,954	-45,004	-549	-27,661	**668,740**	78,568	**747,308**
Surplus or deficit on the provision of services	257,726	-42,958	-549	0	**214,219**	-262,196	**-47,977**

7 OTHER OPERATING INCOME

An analysis of amounts of Other Income not included in the Net Cost of Services but credited to the Comprehensive Income and Expenditure Statement is shown below:

2010/2011 £000s	Other Income	2011/2012 £000s
-305	Capital Receipts re. Former Council Dwellings	-337
-38	Capital Receipts re. Repayment of Grant by a Housing Association	0
-3,763	Sefton's share of a VAT Shelter Agreement with One Vision Housing	-2,542
0	Technical Levy Refund from Merseyside Integrated Transport Authority	-252
-4,106		-3,131

8 INTEREST PAYABLE AND SIMILAR CHARGES

Charges to the Comprehensive Income and Expenditure Account during the year were as follows:

2010/2011 £000s		2011/2012 £000s
6,385	External Interest Charges	6,410
583	Finance Charge re. Leasing Agreements	545
507	Finance Charge re. PFI Schemes	543
61	Transferred Service debt charges	59
7,536	**Total**	7,557

9 TRADING OPERATIONS

The Council operates a number of services as trading organisations. A number trade with the private sector / general public and are shown within "Total Cost of Services" in the Comprehensive Income and Expenditure Statement; these are shown in Table 1. The second table identifies services that are separately identified in the Comprehensive Income and Expenditure Statement under Financing and Investment Income and Expenditure.

Table 1: Trading services which are included within the Total Cost of Services

2010/2011			Activity	2011/2012		
Income £000s	Expenditure £000s	Deficit / Surplus (-) £000s		Income £000s	Expenditure £000s	Deficit / Surplus (-) £000s
-1,433	3,850	2,417	Other Commercial Land and Buildings	-1,355	5,625	4,270
-115	144	29	Southport and Other Markets	-57	147	90
-694	813	119	Commercial Cleansing Services	-591	942	351
-357	5,220	4,863	Arts Operations/Development	-207	1,326	1,119
-86	554	468	Netherton Activity Centre	-79	3,502	3,423
-5,275	10,560	5,285	Sports Facilities	-5,903	10,070	4,167
-5,554	5,527	-27	School Meals and Welfare Catering	-5,299	5,302	3
-2,212	1,394	-818	Cemeteries and Crematoria Services	-2,045	1,612	-433
-451	1,206	755	Tourism Related Facilities in Southport	-504	722	218
-16,177	29,268	13,091	**Total Trading Surplus for Year**	-16,040	29,248	13,208

Table 2: Trading services included under Financing and Investment Income and Expenditure

2010/2011			Activity	2011/2012		
Income £000s	Expenditure £000s	Deficit / Surplus (-) £000s		Income £000s	Expenditure £000s	Deficit / Surplus (-) £000s
-2,369	2,176	-193	Building Cleaning	-2,198	2,002	-196
-74	34	-40	Civic Trading Account	-66	12	-54
-5,259	4,987	-272	Vehicle Maintenance	-4,800	4,540	-260
-588	637	49	Merseyside Engineers Laboratory	-64	98	34
0	0	0	Other Catering	-501	382	-119
-8,290	7,834	-456	**Total Trading Surplus for Year**	-7,629	7,034	-595

Significant changes in the surplus or deficit on trading services can be explained as follows:

- Other Commercial Land and Buildings: There is a significant increase in impairment charges in 2011/2012 due to revaluations undertaken in the year.
- Southport Market: Income receipts have reduced as a result of a decline in the number of stall holders during the refurbishment of the market hall.
- Commercial Cleansing Services: Income has decreased due to a reduction in demand for the service as a result of service cuts and the economic downturn. Expenditure has increased due to an increase in ex gratia payments and wage costs.
- Arts Operations / Development: Admission receipts have reduced as a result of the closure of Southport Art Centre for redevelopment. General expenditure has also reduced during the closure of the Art Centre. However, gross expenditure has mainly reduced as a result of no impairment charges in 2011/2012 (£3.1m in 2010/2011).
- Netherton Activity Centre: Expenditure has increased due to an impairment charge of £3.0m in 2011/2012.
- Sports Facilities: There has been a significant increase in admissions in 2011/2012, particularly at Crosby Lakeside.
- Cemeteries and Crematoria Services: Expenditure has increased as a result of increased utilities and repairs and maintenance costs in 2011/2012.
- Tourism Related Facilities: Income has increased due to additional rental income received for Southport Seafront facilities. Expenditure has reduced due to a reduction in impairment charges on Southport Seafront and Pier in 2011/2012.
- Merseyside Engineers Laboratory: This service, previously provided to local authorities on Merseyside, has been closed with Councils making alternative arrangements for service provision.
- Other Catering: There has been a significant increase in the provision of services at schools other than for school meals, e.g. for breakfast / after school clubs. Therefore from 1 April 2011 this provision is now being treated as a separate trading account. Any expenditure / income on these activities in 2010/2011 would have been included under School Meals and Welfare Catering and shown within the Total Cost of Services.

10 SIGNIFICANT AGENCY INCOME AND EXPENDITURE

The Authority carried out work to the value of £73,115 on behalf of the Highways Agency and received fees of £115,570 according to agreed charging in 2011/2012 (£76,499 value of work and £90,065 fees in 2010/2011). The surplus was transferred to revenue in the year.

11 POOLED BUDGETS

Under section 75 of the National Health Service Act 2006, local authority and NHS bodies are able to enter into joint working arrangements with the NHS. Pooled funds, with resources provided by local and health authorities, offer the opportunity for the provision of seamless health and social services. Partners remain accountable for their services that are part of the pooled budget. A key feature of the pool is that the use of resources will be dictated by the needs of clients, rather than respective contributions.

Sefton Council has a joint working arrangement with NHS Sefton for the provision of intensive care packages for service users with a learning disability. Contributions of £1.373m (£1.353m in 2010/2011) from both organisations, £2.746m in total (£2.706m in 2010/2011), have been fully expended on purchasing of care packages to meet the health and social care needs of this client group. Sefton's contribution has been financed from within the Adult Social Care budget and is included in the Consolidated Income and Expenditure Statement under this heading.

Sefton also has a joint working arrangement with NHS Sefton for the provision of an Integrated Community Equipment Service, providing an appropriate range of equipment to meet assessed needs and to support intermediate care, hospital discharge, rehabilitation and independent living in the community. Contributions of £0.465m from NHS Sefton (£0.456m in 2010/2011) and £0.466m from Sefton Council (£0.476m in 2010/2011), have been fully expended on the provision of this service. Sefton's contribution has been financed from within the Adult Social Care budget and is included in the Consolidated Income and Expenditure Statement under this heading.

12 MEMBERS' ALLOWANCES

The Council has a Cabinet style management structure with a scheme for Members' Allowances. The Council is made up of 66 Members. There were 75 Members who were paid allowances (some for only part of the year) totalling £879,721 in 2011/2012 (£934,586 in 2010/2011).

13 LONG-TERM CONTRACTS

Livenation: The Authority operates a long-term contract agreement with Livenation to manage the Floral Hall and Southport Theatre complex. The current agreement expires on 5 June 2012 but has been extended to 31 March 2013, when a new agreement will be negotiated for a period of 4 years. Payments to the contractor are increased each year in line with the Retail Price Index. Contract payments of £0.314m were made in 2011/2012 (£0.298m in 2010/2011).

Sefton New Directions Limited: On 1 April 2007 the Council established Sefton New Directions Limited as a wholly owned subsidiary company for the provision of Social Care. The Council entered into a services agreement with Sefton New Directions Limited which will continue until March 2017. In consideration of the care services provided, the Council pays a charge. The charge in 2011/2012 was £9.580m (£11.584m in 2010/2011). The charges for the remainder of the term of the contract will be agreed by the parties on an annual basis with any adjustments or alterations to the charge, for changes to services, being in accordance with the provisions of the agreement

Arvato: During 2008/2009 the Authority entered into a ten year contract agreement with arvato Public Sector Services Limited to manage the following services: Information Technology, Transactional Human Resources and Payroll, Benefits, Revenues and Customer Contact. The contract commenced on 1 October 2008. Payments of £15.577m were made under this contract in 2011/2012 (£17.523m in 2010/2011). The contract is uplifted by pay and price inflation on 1 April each year. The reason payments have reduced between 2010/2011 and 2011/2012 is due to schools no longer being part of the long-term contract since 1 April 2011. Arvato now arranges short-term contracts directly with schools.

Capita Symonds: During 2008/2009 the Authority entered into a ten year contract agreement with Capita Symonds Limited to manage the following services: Highways, Drainage, Property Management, Design, Architects and Building Maintenance. The contract commenced on 1 October 2008. Payments of £5.518m were made under this contract in 2011/2012 (£7.103m in 2010/2011). The contract is uplifted by pay and price inflation on 1 April each year.

Waterfront Leisure: On 18 September 2001, the Council entered into an agreement under a Private Finance Initiative with Waterfront Leisure (Crosby) Limited for the provision and operation of a leisure centre in Crosby. Under the terms of the agreement Waterfront Leisure constructed the centre and will operate it for a period of 25 years in accordance with the Council's specification. Payments of £1.151m were made under this contract in 2011/2012 (£1.151m in 2010/2011) with government grants of £0.561m received in the year (£0.561m in 2010/2011). The contract is uplifted by price inflation on 1 April each year.

14 EMPLOYEES' EMOLUMENTS IN EXCESS OF £50,000

The Accounts and Audit Regulations require the Authority to disclose the number of employees (including teaching staff) whose remuneration in the year was £50,000 or more in bands of £5,000. The definition of remuneration excludes employer pension contributions but includes:

(i) all taxable amounts paid to, or receivable by, employees, including sums due by way of expenses allowances;
(ii) the estimated money value of all other benefits received by employees, otherwise than in cash; and,
(iii) redundancy payments paid to employees who have left the employment of the Authority during the year.

Readers should note that the tables below include Senior Officers remuneration, which is also disclosed separately in note 15.

Teaching Staff (including Voluntary Aided Schools)				
2010/2011		Remuneration Band	2011/2012	
Employed on 31/03/11	Left during the year		Employed on 31/03/12	Left during the year
73	4	£50,000 - £54,999	67	3
50	0	£55,000 - £59,999	39	2
39	1	£60,000 - £64,999	31	0
8	0	£65,000 - £69,999	14	0
4	0	£70,000 - £74,999	2	0
7	1	£75,000 - £79,999	2	0
6	0	£80,000 - £84,999	5	0
4	0	£85,000 - £89,999	4	0
1	0	£90,000 - £94,999	1	0
1	0	£95,000 - £99,999	0	0
1	0	£100,000 - £104,999	0	0
1	0	£105,000 - £109,999	1	0
1	0	£110,000 - £114,999	0	0

Non-Teaching Staff (including schools)				
2010/2011		Remuneration Band	2011/2012	
Employed on 31/03/11	Left during the year		Employed on 31/03/12	Left during the year
37	4	£50,000 - £54,999	22	3
14	5	£55,000 - £59,999	13	1
12	4	£60,000 - £64,999	11	2
5	2	£65,000 - £69,999	4	2
6	0	£70,000 - £74,999	5	1
5	3	£75,000 - £79,999	4	1
1	2	£80,000 - £84,999	4	2
5	0	£85,000 - £89,999	2	0
0	2	£90,000 - £94,999	0	0
2	0	£95,000 - £99,999	2	0
0	0	£100,000 - £104,999	0	0
1	1	£105,000 - £109,999	0	0
0	0	£110,000 - £114,999	0	0
0	1	£115,000 - £119,999	1	0
1	1	£120,000 - £124,999	0	0
0	0	£125,000 - £129,999	0	0
0	0	£130,000 - £134,999	1	0
0	0	£135,000 - £139,999	0	0
0	0	£140,000 - £144,999	0	0
1	0	£145,000 - £149,999	0	0

15 SENIOR OFFICERS' REMUNERATION

The following tables provide details of the remuneration paid to senior officers as defined in the Accounts and Audit Regulations. The pension contribution shown in the tables is the employer's contribution to the local government pension scheme.

Senior Officers remuneration in 2011/2012:

Post holder Information	Notes	Salary (Including fees and allowances) £	Expense Allowances £	Compensation for loss of office £	Total Remuneration excluding pension contributions £	Pension Contributions £	**Total Remuneration including pension contributions £**
Chief Executive		133,721	0	0	133,721	25,260	158,981
Strategic Director (Place)		97,710	0	0	97,710	18,459	116,169
Strategic Director (People)		118,159	0	0	118,159	22,320	140,479
Director of Corporate Commissioning		84,134	0	0	84,134	15,894	100,028
Director of Young People and Families		96,949	0	0	96,949	18,314	115,263
Director of Older People		88,135	0	0	88,135	16,648	104,783
Director of Built Environment		82,543	0	0	82,543	15,592	98,135
Director of Street Scene		76,484	0	0	76,484	14,448	90,932
Director of Corporate Support Services		88,135	0	0	88,135	16,648	104,783
Head of Corporate Finance and ICT		82,543	0	0	82,543	15,592	98,135

(a) A revised Senior Management Structure was introduced in April 2011. The information for 2011/2012 reflects this revised structure.

Senior Officers remuneration in 2010/2011:

Post holder Information	Notes	Salary (Including fees and allowances) £	Expense Allowances £	Compensation for loss of office £	Total Remuneration excluding pension contributions £	Pension Contributions £	**Total Remuneration including pension contributions** £
Chief Executive		148,379	390	0	148,769	25,373	174,142
Strategic Director (Communities)	(a)	103,356	414	62,616	166,386	22,519	188,905
Strategic Director (Children, Schools & Families)		120,000	390	0	120,390	20,520	140,910
Strategic Director (Social Care & Wellbeing)		107,091	390	0	107,481	18,313	125,794
Assistant Chief Executive		77,979	390	0	78,369	13,334	91,703
Transformation Director / Head of Transformation	(b)	63,947	325	0	64,272	10,935	75,207
Director of Corporate Services		89,508	98	0	89,606	15,306	104,912
Head of Corporate Finance and ICT	(c)	88,393	354	42,921	131,668	15,116	146,784
Head of Corporate Legal Services	(d)	81,164	163	45,986	127,313	19,424	146,737
Head of Corporate Personnel		65,406	98	0	65,504	11,184	76,688
Director of Young People and Families		98,460	390	0	98,850	16,837	115,687
Building Schools for the Future Director		78,105	127	0	78,232	13,384	91,616
Environmental and Technical Services Director		77,979	488	0	78,467	13,334	91,801
Planning and Economic Regeneration Director		85,779	390	0	86,169	14,668	100,837
Neighbourhoods & Investment Programmes Director		83,829	390	0	84,219	14,335	98,554
Operational Services Director		77,979	98	0	78,077	13,334	91,411
Adult Social Care Director		89,508	390	0	89,898	15,306	105,204
Leisure & Tourism Director		85,779	5,112	0	90,891	14,668	105,559
Head of Safer and Stronger Communities		70,311	390	0	70,701	12,023	82,724

(a) The Strategic Director (Communities) post became vacant on 30 June 2010; the post's annualised salary was £114,561. An appointment was made to the post from 1 July 2010; the post's annualised salary was £99,621.
(b) The Transformation Director post became vacant on 30 June 2010; the post's annualised salary was £85,779. The post was redesignated Head of Transformation and an appointment made from 1 July 2010; the post's annualised salary was £56,670.
(c) The Head of Corporate Finance and ICT role was undertaken on an interim basis during 2010/2011. The new Head was appointed on 1 March 2011 with the interim Head taking Voluntary Early Retirement on 31 March 2011. The costs in the table above include the interim Head for the full year and the new Head for March 2011. The permanent post's annualised salary is £83,829.
(d) The Head of Corporate Legal Services role was undertaken on an interim basis from April to August 2010. The post holder took Voluntary Early Retirement in August 2010 following the appointment of a new head of service. The post was then filled on an interim basis from September 2010 to cover for maternity leave. All of the costs of the post are included in the table above. The permanent post's annualised salary is £67,041.

16 EXIT PACKAGES / TERMINATION BENEFITS

The number of exit packages with total cost per band and the total cost of the compulsory and other redundancies are set out in the tables below:

Exit Packages in 2011/2012

Exit Package Cost Band (including special payments)	Number of Compulsory Redundancies	Number of Other Departures Agreed	Total Number of Exit Packages by Cost Band	Total Cost of Exit Packages in each Band
£0 - £20,000	91	146	237	£1.479m
£20,001 - £40,000	9	45	54	£1.457m
£40,001 - £60,000	2	9	11	£0.547m
£60,001 - £80,000	1	4	5	£0.319m
£80,001 - £100,000	0	0	0	£0.000m
£100,001 - £150,000	0	0	0	£0.000m
Total	103	204	307	£3.802m

Exit Packages in 2010/2011

Exit Package Cost Band (including special payments)	Number of Compulsory Redundancies	Number of Other Departures Agreed	Total Number of Exit Packages by Cost Band	Total Cost of Exit Packages in each Band
£0 - £20,000	123	275	398	£3.008m
£20,001 - £40,000	10	38	49	£1.320m
£40,001 - £60,000	3	14	16	£0.828m
£60,001 - £80,000	0	5	5	£0.331m
£80,001 - £100,000	0	4	4	£0.352m
£100,001 - £150,000	0	4	4	£0.456m
Total	136	340	476	£6.295m

17 EXTERNAL AUDIT COSTS

The following fees relating to external audit and inspection were charged to the Comprehensive Income and Expenditure Account.

2010/2011 £000		2011/2012 £000
329	Fees payable to the Audit Commission and PricewaterhouseCoopers LLP for external audit services carried out by the appointed auditor	269
0	Fees payable to the Audit Commission for statutory inspections	0
54	Fees payable to the Audit Commission and PricewaterhouseCoopers LLP for the certification of grant returns	61
0	Fees payable in respect of any other services	16
383	**Total**	346

18 DEDICATED SCHOOLS' GRANT

The Council's expenditure on schools is funded primarily 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, as defined in the School Finance [England] Regulations 2008. The Schools' Budget includes elements for a range of educational services provided on an authority-wide basis and for the Individual School Budget, which is divided into a budget share for each maintained school.

Details of the deployment of DSG receivable for 2011/2012 are as follows (in accordance with regulations made under the relevant sections of the School Standards Framework Act 1998):

	Central Expenditure £000s	Individual Schools Budget £000s	Total £000s
Final DSG for 2011/2012			-176,075
Brought forward from 2010/2011			-1,055
Carry forward to 2012/2013 agreed in advance			1,055
Agreed budgeted distribution in 2011/2012	-12,252	-163,823	-176,075
Actual central expenditure	11,934		11,934
Actual ISB deployed to schools		163,823	163,823
Local Authority contribution for 2011/2012	0	0	0
Total Carry forward to 2012/2013	-318	0	-1,373

19 GRANT INCOME

The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2011/2012:

2010/2011 £000s	Credited to Taxation and Non-specific Grant Income	2011/2012 £000s
	Non-Ringfenced Government Grants	
-15,808	Revenue Support Grant	-29,815
-30,354	Area Based Grant	0
-2,540	Performance Reward Grant	0
0	Early Intervention Grant	-11,413
0	Learning Disability and Health Reform Grant	-4,217
0	Government Resources for Social Care	-4,173
0	Council Tax Freeze Grant	-2,947
0	Other Non-Ringfenced Government Grants	-1,604
-48,702		-54,169
	Capital Grants and Contributions	
-27,287	Standards Fund Grant	-4,344
-5,601	New Heartlands – HMRI Grant	-3,458
-2,127	Transport Capital Grant	-3,614
-2,057	English Partnership Grant – HMRI	0
0	Environment Agency-CERMS Grant	-767
-1,601	Sea Change Grant – Cultural Centre	-1,128
-11	Housing Capital Allocation	0
0	Health and Safety Contribution	0
-57	Surestart – Sustainability	0
-3,199	North West Development Agency	-120
-1,080	LAA Performance Reward Grant	0
-6,603	Other Capital Grants and Contributions	-2,645
-49,623		-16,076

2010/2011 £000s	Grants Credited to Services	2011/2012 £000s
	Revenue Grants	
-164,576	Dedicated Schools Grant	-176,075
-22,640	Standards Fund Grant	0
-8,473	School Standards Grant	0
-92,877	Housing Benefit Subsidy	-100,588
-27,679	Council Tax Benefit Subsidy	-27,333
-16,192	Young People's Learning Agency	-11,113
-9,591	Sure Start Grant	0
0	Pupil Premium	-3,137
-2,655	Step Clever	-3,124
-2,642	Housing Benefit and Council Tax Benefit Administration	-2,363
-1,558	Social Care Reform	0
-942	Future Jobs Fund	-1,021
-644	Youth Justice Board	-568
-561	PFI Grant	-561
-6,247	Other Revenue Grants	-5,141
-357,277		-331,024
	Capital Grants	
-11,147	Capital Grants utilised to fund Revenue Expenditure Funded from Capital Under Statute	-3,973
	Contributions	
-7,558	NHS Sefton and Mersey Care – Adult Social Care	-4,927
-774	NHS Sefton – Leisure Services	-929
0	NHS Sefton – Environment	-52
-243	Knowsley Council – Leisure Services	-167
-283	St Helens Council – Leisure Services	-195
-145	Wirral Council – Leisure Services	-64
-148	Big Lotto Funding for Growing Business	-35
0	Sports Council	-70
-116	Southport Tourist Business Network	-116
-196	Other Contributions	-435
-9,463		-6,990

The revenue element of the Standards Fund and Schools Standards Grant were rolled into Dedicated Schools Grant in 2011/12. Sure Start Grant ended in 2010/11 with the funding being transferred into the new Early Intervention Grant in 2011/12. The Pupil Premium is a new grant introduced in 2011/12. The Social Care Reform Grant ended in 2010/11 with the funding being recycled into Formula Grant in 2011/12.

The Authority has received grants and contributions that have yet to be recognised as income as they have conditions attached to them that will require the monies or property to be returned to the giver should those conditions not be met. The balances at the year-end are as follows:

2010/2011 £000s	Capital Grants and Contributions Receipts in Advance	2011/2012 £000s
-8	Heritage Lottery Fund	-4
-100	NHS Sefton	-100
0	Sefton PCT	-375
-108		-479

20 PROPERTY PLANT AND EQUIPMENT

Movement on Balances

Movements in 2011/2012:

	Other Land and Buildings £000s	Vehicles Plant and Equipment £000s	Infrastructure Assets £000s	Community Assets £000s	Surplus Assets £000s	Assets Under Construction £000s	Total £000s
Cost or Valuation							
At 1 April 2011	581,592	21,872	144,857	13,988	21,845	35,449	819,603
Additions	15,424	839	7,019	768	5,034	2,030	31,114
Revaluations - recognised in the Revaluation Reserve	1,482	0	0	0	685	0	2,167
Revaluations – Impairments recognised in the Surplus/Deficit on the Provision of Services	-8,055	0	0	0	-14,726	0	-22,781
Derecognition - Disposals	-116,012	-1,054	0	0	0	0	-117,066
Reclassifications to Assets Held for Sale	-210	0	0	0	0	0	-210
Other Reclassifications	24,818	0	0	0	0	-24,818	0
At 31 March 2012	499,039	21,657	151,876	14,756	12,838	12,661	712,827
Accumulated Depreciation and Impairment							
At 1 April 2011	-22,412	-8,532	-27,590	0	0	0	-58,534
Depreciation Charge	-10,310	-2,640	-3,621	0	0	0	-16,571
Accumulated Depreciation written out upon impairment	393	0	0	0	0	0	393
Derecognition - Disposals	4,520	979	0	0	0	0	5,499
Reclassifications to Assets Held for Sale	6	0	0	0	0	0	6
At 31 March 2012	-27,803	-10,193	-31,211	0	0	0	-69,207
Net Book Value							
At 1 April 2011	559,180	13,340	117,267	13,988	21,845	35,449	761,069
At 31 March 2012	471,236	11,464	120,665	14,756	12,838	12,661	643,620

The disposals shown under Other Land and Buildings relates to seven secondary schools that transferred to academy status during 2011/2012.

Comparative movements in 2010/2011:

	Other Land and Buildings	Vehicles Plant and Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total
	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Cost or Valuation							
At 1 April 2010 Restated	596,348	20,257	137,863	13,039	24,761	12,503	804,771
Additions	16,183	1,615	7,108	949	10,416	22,656	58,927
Revaluations - recognised in the Revaluation Reserve	-6,931	0	0	0	755	0	-6,176
Revaluations – Impairments recognised in the Surplus/Deficit on the Provision of Services	-13,609	0	0	0	-13,597	0	-27,206
Derecognition - Disposals	-10,395	0	0	0	0	0	-10,395
Reclassifications from Assets Held for Sale	0	0	0	0	270	0	270
Reclassifications to (-) / from Investment Property	172	0	0	0	-760	0	-588
Other Reclassifications	-176	0	-114	0	0	290	0
At 31 March 2011 Restated	581,592	21,872	144,857	13,988	21,845	35,449	819,603
Accumulated Depreciation and Impairment							
At 1 April 2010 Restated	-13,406	-6,277	-24,143	0	0	0	-43,826
Depreciation Charge	-10,250	-2,255	-3,447	0	0	0	-15,952
Accumulated Depreciation written out upon impairment	914	0	0	0	0	0	914
Derecognition - Disposals	330	0	0	0	0	0	330
Reclassifications	0	0	0	0	0	0	0
At 31 March 2011 Restated	-22,412	-8,532	-27,590	0	0	0	-58,534
Net Book Value							
At 1 April 2010 Restated	582,942	13,980	113,720	13,039	24,761	12,503	760,945
At 31 March 2011 Restated	559,180	13,340	117,267	13,988	21,845	35,449	761,069

Depreciation

Depreciation is provided for on the straight-line basis over an asset's estimated useful life as detailed below:

Asset Type	Basis	Estimated Life
Other Land and Buildings	Straight-line	5 to 75 Years
Vehicles, Plant and Equipment (excluding Computers)	Straight-line	5 Years
Vehicles, Plant and Equipment (Computers)	Straight-line	3 Years
Infrastructure	Straight-line	40 Years
Community Assets	Not Depreciated	-
Surplus Assets	Not Depreciated	-
Assets Under Construction	Not Depreciated	-

The estimated useful life of different categories of Operational assets are detailed below:

Asset Type	Estimated Life
Southport Library / Atkinson Art Gallery	75 Years
Schools and Educational Establishments	50 Years
Civic Buildings	50 Years
Social Care Establishments	40 to 50 Years
Libraries	40 Years
Leisure Facilities	30 Years
Garages / Depots	10 Years

Capital Commitments

At 31 March 2012, the Authority has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2012/13 and future years budgeted to cost £22.543m. Similar commitments at 31 March 2011 were £28.288m. The major commitments are:

Scheme	Expenditure approved and contracted at 31 March 2012 £000s
Southport Cultural Centre	6,516
HMRI Acquisitions	2,996
HMRI Projects	2,972
Aintree Davenhill Primary School Ph2	1,169
HMRI Remediation	1,155
Litherland One School Pathfinder	1,092

Revaluations

Valuations are carried out as part of a rolling programme over a five-year cycle.

All freehold and leasehold land and properties which comprise the Authority's property portfolio have been valued by Mr. K. Shutter (MRICS). Mr Shutter was previously part of the Council's own qualified in-house valuers. On 1 October 2008 the Council's own in-house valuers transferred to Capita Symonds.

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 Institution of Chartered Surveyors.

Capita Symonds has considered valuation uncertainty and market instability insofar as those properties valued this year are concerned and reflected any changes in the valuations supplied.

The table below shows the dates and amounts of valuations for each class of Property, Plant and equipment included in the balance sheet at current value:

	Other Land and Buildings £000	Vehicles, Plant and Equipment £000	Surplus Assets £000	Total £000
Carried at Historical Cost	0	20,818	0	20,818
Valued at Current Value in:				
2011/2012	55,727	839	9,928	66,494
2010/2011	19,117	0	946	20,063
2009/2010	175,002	0	1,481	176,483
2008/2009	223,893	0	57	223,950
2007/2008	25,300	0	426	25,726
	499,039	21,657	12,838	533,534

21 INVESTMENT PROPERTY

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:

2010/2011 £000s		2011/2012 £000s
-1,623	Rental Income from Investment Property	-1,462
41	Direct operating expenses arising from Investment Property	71
-1,582	Net gain	-1,391

There are no restrictions on the Authority's ability to realise the value inherent in its investment property or on the Authority's right to the remittance of income and the proceeds of disposal.

At 31 March 2012, the Authority had no contractual obligations for the construction or enhancement of investment property in 2012/13 and future years budgeted to cost. There were no similar commitments at 31 March 2011.

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

2010/2011 £000s		2011/2012 £000s
43,642	Balance at the start of the year	43,809
722	Additions – Subsequent expenditure	1,987
0	Disposals	-193
-1,065	Net gains/losses from fair value adjustments	-148
	Transfers to/from:	
588	- Property Plant and Equipment	0
-78	- Assets Held for Sale	-400
43,809	**Balance at the end of the year**	**45,055**

22 HERITAGE ASSETS

A heritage asset is an asset that is held due to its historical, artistic, scientific, technological, or environmental qualities, and is maintained principally for its contribution to knowledge and culture.

Movements in Heritage Assets during the year were as follows:

2010/2011 Restated				2011/2012		
Art Collection	Other	Total		Art Collection	Other	Total
£000s	£000s	£000s		£000s	£000s	£000s
9,397	1,660	11,057	Balance at the start of the year	9,397	1,660	11,057
0	0	0	Additions (Expenditure)	0	0	0
0	0	0	Disposals	0	0	0
0	0	0	Revaluations	0	0	0
0	0	0	Depreciation	0	0	0
9,397	**1,660**	**11,057**	**Balance at the end of the year**	**9,397**	**1,660**	**11,057**

The Art Collection consists principally of a ceramic collection, a silver collection, works of art and an Egyptology collection and is described in more detail below. Other Heritage Assets consists of several war memorials and the art installation “Another Place”.

The code requires that there should be a disclosure of five years of transactions on Heritage Assets. For 2007/2008, 2008/2009 and 2009/2010 there were no Acquisitions, Donations, Disposals or Impairments so the value of Heritage Assets as at 1 April 2007 was the same as shown in the table above.

CERAMICS

The Authority owns a large collection of ceramics and china. The collection consists of 186 pieces of Crown Derby “Imari”, and 757 pieces of Tuscan Ware, and is mainly held at Bootle Town Hall. Due to the age of the collection no accurate records are maintained of how the collection was acquired. An inventory of the collection is made at both Bootle and Southport Town Halls.

It is not the Authority’s policy to proactively acquire assets. When assets are bequeathed to the Authority appropriate documentation is completed to transfer the write of ownership to the Authority. It is not the Authority’s policy to dispose of these assets although appropriate procedures and documentation are available for completion should an asset be disposed of. It is not the Authority’s policy to loan these assets unless to the donator.

Certain items are on public display within the Town Halls. Requests to view those items not on public display would require written request to be submitted.

The Authority does not have an active preservation policy for these assets.

<u>SILVER</u>

The Authority owns 251 pieces of silverware, consisting of an eclectic mix of cups, salvers, and civic regalia. The collection was principally acquired by donation. An inventory of the collection is held at both Bootle and Southport Town Halls.

The policy for acquisition, disposal, management, and public access of the silver collection is the same as for the ceramic collection. However, those assets in use, such as maces, are regularly reviewed for wear and tear that requires repair.

<u>ARTWORKS</u>

The Authority holds approximately 3,500 artworks at the Atkinson Art Gallery and 20,000 at the Botanic Gardens Museum. The gallery collection consists of paintings, prints, and sculpture. The museum collection consists of paintings, photographs, postcards, furniture, costume, natural history, archaeology, and Egyptology. The majority of assets were donated to the Authority, although some items were purchased, whilst others were transferred from other museums.

Some records of assets are held on various systems, but an on going project is in place to document all items on the Authority's collection management database. This process is documented within the Authority's Documentation Procedural Manual, a copy of which is available from the Authority.

Currently due to the refurbishment of the Atkinson Art Gallery the collection held by the gallery is in storage. Due to the closure of the Botanic Garden Museum in April 2011, the collection is no longer on display, although some items are on display at libraries. Access is available to the museum collection via appointment with the Authority's documentation office. The Atkinson Gallery will eventually house both the gallery and museum collections.

The policy for acquisitions and disposals are contained within the Acquisition and Disposal Policy Document Atkinson Art Gallery, and the Acquisition and Disposal Policy Document Botanic Garden Museum, copies of which are available from the Authority.

The Authority does loan such items to other galleries and museums.

There is no collection management policy currently in place, and assets are maintained or repaired as and when required. An Emergency Plan is in place in case of an incident of fire or flood.

The Art Collection (excluding Egyptology) is reported in the Balance Sheet at insurance valuation which is based on market values. These insurance valuations were last updated in 2005. The Authority considers that obtaining updated valuations for the collection would involve disproportionate cost. This is because of the diverse nature of the assets and the lack of comparable market values makes valuation expensive. As the valuations are for insurance purposes only, there is an inherent limitation on the precise valuation of Heritage Assets.

The Authority does not consider that reliable cost of valuation information can be obtained for its Egyptology collection. This is because of the diverse nature of the assets and the lack of comparable market values. Consequently the Authority does not recognise these assets in the Balance Sheet.

23 <u>INTANGIBLE ASSETS</u>

Intangible assets held by the Authority relate entirely to purchased software licences. Expenditure on purchased software licences is amortised to the relevant service revenue accounts on a straight-line basis over an estimated economic life of three years.

The amortisation of £0.192m charged to revenue in 2011/12 was charged to the IT Administration cost centre and then absorbed as an overhead across all the service headings in the Net Expenditure of Services. It is not possible to quantify exactly how much of the amortisation is attributable to each service heading.

Movements in purchased software licences during the year were as follows:

2010/2011 £000s	Purchased Software Licences	2011/2012 £000s
2,186	Gross Carrying Amount	2,326
-624	Accumulated Amortisation	-727
1,562	Net carrying amount at start of the year	1,599
140	Purchases the in year	16
-103	Amortisation in the year	-192
1,599	**Net carrying amount at the year end**	**1,423**
	Comprising:	
2,326	Gross Carrying Amount	2,342
-727	Accumulated Amortisation	-919
1,599		**1,423**

24 CAPITAL EXPENDITURE AND CAPITAL FINANCING

The total amount of capital expenditure incurred in the year is shown in the table below 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 Authority, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Authority that has yet to be financed. The movements in CFR is analysed in the second part of this note.

2010/2011 £000s	Capital Financing Requirement	2011/2012 £000s
203,632	Opening Capital Financing Requirement	210,324
	Capital Expenditure:	
58,927	Property, Plant and Equipment	31,114
722	Investment Properties	1,987
140	Intangible Assets	16
-1,015	Prepayment	-279
16,395	Revenue expenditure funded from capital under statute	6,449
	Sources of Finance	
-32	Capital Receipts	-858
-56,872	Government Grants	-22,637
-1,804	Other Contributions	-3,222
-290	Direct Revenue Contributions	-1,014
	Provision for Repayment of Debt	
-9,372	Statutory Provision for financing capital investment	-10,067
-107	Amortisation of Deferred Income re. Crosby PFI	-107
0	Capital Receipts Set Aside to Repay Debt	0
210,324	**Closing Capital Financing Requirement**	**211,706**

2010/2011 £000s	Explanation of movements in the year	2011/2012 £000s
	Increase in underlying need to borrow:	
3,067	Borrowing supported by Government financial assistance	2,142
13,104	Borrowing unsupported by Government financial assistance	9,414
-9,479	Provision for Repayment of Debt	-10,174
6,692		1,382
0	Assets acquired under finance leases	0
0	Assets acquired under PFI/PPP contracts	0
6,692	**Increase / decrease in Capital Financing Requirement**	**1,382**

25 LONG TERM INVESTMENTS

The Council's only Long-Term Investment as at 31 March 2012 was £0.001m in Sefton New Directions (£0.001m at 31 March 2011) (see Note 50 for more details).

26 LONG TERM RECEIVABLES

1 April 2010 Restated £000s	31 March 2011 Restated £000s		31 March 2012 £000s
		Transferred Services	
248	213	Merseyside Residuary Body	180
1,855	1,781	Merseyside Probation Committee	1,710
2,103	1,994		1,890
		Other	
3,889	4,767	Long Term Sundry Debtor Accounts	5,004
1,249	1,128	Finance Lease Agreements	998
134	100	Mortgages	77
0	69	Car Loans to Officers	102
141	134	Loan to Plaza Community Cinema	127
5,413	6,198		6,308
7,516	**8,192**	**Total**	**8,198**

Merseyside Probation Committee

Following the transfer of the Merseyside Probation Committee from local authority control to the National Probation Service, on 1 April 2001, the five Merseyside district councils became responsible for repaying the debt still outstanding at that date. Sefton's share of the debt totalled £1.395m at 31 March 2012 (£1.453m at 31 March 2011). The remaining £0.315m is payable by the other four Merseyside district councils (£0.328m at 31 March 2011).

27 SHORT TERM INVESTMENTS

Short Term Investments were held with the following banks at the balance sheet date:

31 March 2011 £000s		31 March 2012 £000s
5,000	Barclays Bank	5,000
10,000	Lloyds Bank	5,000
0	Nationwide Building Society	5,000
10,000	Santander Bank	0
25,000		15,000
90	Accrued Interest Receipts	181
25,090	**Total**	**15,181**

28 ASSETS HELD FOR SALE

2010/2011 £000s	**Movements in the year**	2011/2012 £000s
981	Balance Outstanding at start of the year	285
	Assets newly classified as held for sale:	
0	- Property Plant and Equipment	204
78	- Investment Properties	400
	Assets declassified as held for sale:	
-270	- Property Plant and Equipment	0
-504	Assets Sold	-295
285	**Balance Outstanding at the year-end**	**594**

29 INVENTORIES

2010/2011			Activity	2011/2012		
Stores £000s	Work in Progress £000s	Total £000s		Stores £000s	Work in Progress £000s	Total £000s
232	35	267	Balance Outstanding at the start of the year	264	45	309
3,982	27	4,009	Purchases	3,571	46	3,617
-3,950	-17	-3,967	Recognised as an expense in the year	-3,510	-41	-3,551
0	0	0	Write-offs	0	0	0
264	45	**309**		325	50	**375**

30 SHORT TERM RECEIVABLES

1 April 2010 £000s	31 March 2011 £000s		31 March 2012 £000s
		Amounts Falling Due Within One Year	
18,796	7,951	Central Government Bodies	6,601
3,548	4,084	Other Local Authorities	2,848
86	155	NHS Bodies	235
10,518	10,644	Council Tax Payers	11,618
25,192	23,471	Other Entities and Individuals	24,764
151	40	Car Loans to Employees	54
58,291	46,345		46,120
		Less Impairment	
-1,586	-1,598	Council Tax Payers	-3,059
-2,233	-2,624	Other Entities and Individuals	-4,472
-3,819	-4,222		-7,531
54,472	**42,123**	**Net Receivables**	**38,589**

31 CASH AND CASH EQUIVALENTS

The balance of Cash and Cash Equivalents is made up of the following elements:

31 March 2011 £000s		31 March 2012 £000s
92	Cash in hand of officers	89
-3,751	Bank current accounts	-1,479
40,144	Short-term deposits with banks and building societies	37,784
36,485	**Total Cash and Cash Equivalents**	**36,394**

32 SHORT TERM PAYABLES

31 March 2011 £000s		31 March 2012 £000s
-5,010	HM Revenue and Customs	-4,001
-1,448	Government Departments	-2,394
-4,436	Other Local Authorities	-3,768
-338	NHS Bodies	-232
-24,056	Other entities and individuals	-18,235
-5,785	Accumulated Absences	-5,133
-41,073	**Total**	**-33,763**

33 PROVISIONS

Movements in provisions during 2011/2012 were as follows:

		1 April 2011 £000s	Additions in Year £000s	Applied In Year £000s	Released In Year £000s	31 March 2012 £000s
	Short-term					
(a)	Equal Pay Claims	-605	0	165	0	-440
		-605	0	165	0	**-440**
	Long-term					
(b)	Internal Insurance Cover	-8,419	-2,599	1,469	0	-9,549
(c)	Court Liability Costs	-150	0	131	0	-19
(d)	Claims against the Council	-1,000	-1,667	0	0	-2,667
		-9,569	-4,266	1,600	0	**-12,235**

Movements in provisions during 2010/2011 were as follows:

		1 April 2010 £000s	Additions in Year £000s	Applied In Year £000s	Released In Year £000s	31 March 2011 £000s
	Short-term					
(a)	Equal Pay Claims	0	-605	0	0	-605
		0	-605	0	0	**-605**
	Long-term					
(b)	Internal Insurance Cover	-10,280	-2,645	3,379	1,127	-8,419
(c)	Court Liability Costs	-150	0	0	0	-150
(d)	Claims against the Council	0	-1,000	0	0	-1,000
		-10,430	-3,645	3,379	1,127	**-9,569**

(a) **Equal Pay Claims** – The Council is currently in the process of trying to settle a number of Equal Pay claims brought by employees. Sefton has established a provision to cover the potential costs of known claims that are expected to be settled in 2012/2013.

(b) **Internal Insurance Cover** - The purpose of the insurance provision is to enable certain known uninsured losses to be met centrally, i.e., losses arising from the excesses that apply to the Authority's main insurance policies (Public Liability, Property, Employers Liability and Motor Insurance). The amount required to cover these uninsured losses is based on claims actually reported as outstanding. The timing of settlement of these claims is uncertain but is likely to be over a number of years. Based on an assessment by Sefton's insurance advisors (AON), the resources available in the Authority's Insurance Fund are in excess of known liabilities.

(c) **Court Liability Costs –** The Council is required to pay the Magistrates Court for any costs incurred in bringing cases relating to the non-payment of Council Tax and Business Rates. Sefton has established a provision to cover the potential repayment of costs for which the Council has yet to be billed. The timing of any repayments is uncertain.

(d) **Claims against the Council –** Sefton has established a provision to cover potential payments relating to claims made against the Council and associated legal costs if the Council were not able to successfully defend the claims. The timing of any repayments is uncertain.

34 DEFERRED LIABILITIES

1 April 2010 Restated £000s	31 March 2011 Restated £000s		31 March 2012 £000s
		Short Term	
-438	-438	Merseyside Residuary Body	-437
-77	-97	Finance Lease Liability – Crosby Baths PFI	-26
-435	-660	Finance Lease Liability – Arvato	-876
-1,034	-1,105	Finance Lease Liability – Property, Plant and Equipment	-987
-108	-107	PFI Deferred Income	-108
-2,092	**-2,407**	**Total Short Term**	**-2,434**
		Long Term	
-6,564	-6,126	Merseyside Residuary Body	-5,689
-3,194	-3,098	Finance Lease Liability – Crosby Baths PFI	-3,072
-8,944	-8,284	Finance Lease Liability – Arvato	-7,408
-9,557	-8,451	Finance Lease Liability – Property, Plant and Equipment	-7,401
-1,827	-1,719	PFI Deferred Income	-1,611
-30,086	**-27,678**	**Total Long Term**	**-25,181**

Wirral MBC manages debt on behalf of the former Merseyside Residuary Body. Sefton MBC (along with the other Merseyside Districts, Precepting and Levying Bodies), as a successor body, inherited debt relating to services transferred to its control. As at 31 March 2012 the amount outstanding in respect of Sefton MBC was £6.126m (£6.564m at 31 March 2011).

35 TRUST FUNDS

The Council acts as Sole Trustee of a number of legacies and bequests. Details of the transactions and the Committees controlling the funds are shown below. In compliance with the Code, Trust Funds have been excluded from the Council's Balance Sheet.

Portfolio and Name of Trust	Balance at 1 April 2011 £	Income £	Expenditure £	Balance at 31 March 2012 £
Children's Services				
Bootle Holiday Camp - Children	21,520	247	0	21,767
Wignall Scholarship	11,599	120	0	11,719
Corporate Services				
Netherton Green Trust	13,618	121	0	13,739
Other				
Mayor of Sefton's Charity Fund	2,073	43,492	-43,470	2,095
Total	48,810	43,980	-43,470	49,320
The balances are invested as follows:				
Government Securities	300			300
Sefton Cash Balances	48,510			49,020
Total	48,810			49,320

Children's Services Trust Funds

The Educational Trust Funds aim to help in the advancement of education and training of young people within the Sefton area by providing financial assistance to those who have difficulty in paying fees and by the award of prizes as rewards to deserving students.

At a meeting of the Children's Services Cabinet Member (the Trustees) on 20 September 2006, and following consultation with the Charity Commission, it was agreed that the administration of most of these Trust Funds would transfer to the Community Foundation for Merseyside (CFM). The CFM will continue to distribute available funds for educational purposes but will amalgamate some of the smaller and dormant ones into a "Sefton Education and Learning Fund".

This transfer process has been on-going and the CFM will now manage the funds to benefit young people within Sefton. Only two funds now remain and further discussion with CFM will determine how these remaining funds will be administered.

Netherton Green Trust

The Netherton Green Trust Fund was set up prior to 1974 as a bequest, converted into shares with the former Mersey Docks and Harbour Company. These were subsequently redeemed in 2005/2006. The original sum was applied towards the upkeep of an area within the Borough called Netherton Green.

Mayor of Sefton's Charity Fund

This fund has a year-end of 30 June. The opening and closing balances included in the Trust Fund Statement above are therefore as at 1 July 2011 and 30 June 2012. They have been included in the Statement for completeness. The Trustees of the Fund are due to meet before the end of 2012 to agree the Fund surplus.

36 GENERAL FUND RESERVES

Movements in the Authority's General Fund Reserves are detailed in sections 7 and 8 of the Explanatory Foreword on Pages 3 and 4. General Fund reserves arise due to planned contributions or underspends in previous years. Amounts held by schools are to fund expenditure in future years and as a prudent measure against future uncertainty. General Fund reserves attributable to the Council are held as a prudent measure against future uncertainty.

37 EARMARKED RESERVES

The movements in earmarked reserves during the last two years are shown below:

	Movements in 2011/2012	1 April 2011 £000s	Transfers in £000s	Transfers Out £000s	31 March 2012 £000s
(a)	Standards Fund expenditure	-5,793	0	5,793	0
(b)	Modernisation Fund	-1,250	0	200	-1,050
(c)	Environmental Warranty	-10,324	-2,676	0	-13,000
(d)	Insurance Fund	-2,034	0	1,792	-242
(e)	Transforming Sefton	-3,622	0	672	-2,950
(f)	Redundancy Reserve	-12,000	0	3,700	-8,300
(g)	Pensions Reserve	-3,000	-2,800	0	-5,800
(h)	Revenue Grants and Contributions Unapplied	-12,125	-4,928	6,729	-10,324
(i)	Earmarked Reserves relating to Schools	-2,073	-892	0	-2,965
(j)	Other Earmarked Reserves	-5,532	-3,050	564	-8,018
	Total	**-57,753**	-14,346	19,450	**-52,649**

	Movements in 2010/2011	1 April 2010 £000s	Transfers in £000s	Transfers Out £000s	31 March 2011 £000s
(a)	Standards Fund expenditure	-6,597	-5,793	6,597	-5,793
(b)	Modernisation Fund	-1,377	0	127	-1,250
(c)	Environmental Warranty	-7,890	-2,434	0	-10,324
(d)	Insurance Fund	-6,907	-1,127	6,000	-2,034
(e)	Transforming Sefton	-2,450	-1,236	64	-3,622
(f)	Redundancy Reserve	0	-12,000	0	-12,000
(g)	Pensions Reserve	-899	-2,101	0	-3,000
(h)	Revenue Grants and Contributions Unapplied	-11,557	-10,594	10,026	-12,125
(i)	Earmarked Reserves relating to Schools	-1,377	-696	0	-2,073
(j)	Other Earmarked Reserves	-5,341	-2,463	2,272	-5,532
	Total	**-44,395**	-38,444	25,086	**-57,753**

(a) **Standards Fund** - Schools had until August 2011 to spend their 2010/2011 allocations of Standards Fund grant from central government. As at the year-end, the entire total grant was spent. From 2011/2012 this grant is now paid directly to schools as part of the Dedicated Schools Grant.

(b) **Modernisation Fund** - The Council is currently undergoing a review of relative staff responsibilities / remuneration levels as a result of the Single Status agreement in 1997. This potentially could result in a significant level of additional expenditure for the Council over the next few years. A reserve has been created to offset some of this expenditure in future years. In addition, it will be used to help the Council modernise its services and meet "one-off" invest to save costs.

(c) **Environmental Warranty** - The Council has provided a 35 year environmental warranty for the land / property that has been transferred to One Vision Housing Limited. This warranty requires the Council to remediate any environmental contamination found on these sites during the life of the warranty. Resources are being set-aside over the coming years as a prudent measure against a potential cost.

(d) **Insurance Fund** - The resources available in the Authority's Insurance Fund are in excess of known liabilities.

(e) **Transforming Sefton** – The Council is currently undertaking a Transformation Programme to deliver customer focussed services through a high performance culture whilst achieving significant ongoing savings. A reserve has been created to enable Sefton to progress the Programme over the next few years.

(f) **Redundancy Reserve** – The Council has to make significant savings over the next three years in order to meet the demands of reducing external resources and increased spending pressures. A reserve has been created to fund redundancy costs associated with making these savings.

(g) **Pensions Reserve** – The Council is required to pay contributions to Merseyside Pension Fund for the additional costs arising from employees taking early retirement. Resources have been set aside to fund these costs over the coming years.

(h) **Revenue Grants and Contributions Unapplied** – In line with proper accounting practice, the Council credits the Income and Expenditure Account with grants and contributions as and when conditions for claiming the grant or contribution have been met. However, these amounts are required to fund expenditure on specific schemes in future years. They are therefore reserved to offset this future expenditure.

(i) **Earmarked Reserves Relating to Schools –** There are a number of earmarked reserves held by the Council that relate to schools. These are created when schools close and their balances are passed back to the Council and are reserved to fund future school related activity.

(j) **Other Earmarked Reserves –** There are a number of other earmarked reserves held by the Council. These include a Contamination Clearance Reserve (£1.500m), the Taxi Service Surplus (£0.652m), the Capital Reserve (£0.481m) and the Waste Recycling Surplus (£0.554m).

38 CAPITAL RECEIPTS RESERVE

2010/2011 Total £000s		2011/2012 Total £000s
-5,041	Balance at 1 April	-6,341
	Receipts in the Year	
-980	Sale proceeds credited to the Comprehensive Income and Expenditure Account as part of the gain/loss on disposal of non-current assets	-512
-305	Capital Receipts from Former Council House Sales	-337
-38	Capital Receipts from Repayment of Grants by Housing Associations	
-29	Transfer from Deferred Capital Receipts Reserve upon receipt of cash	-19
	Applied in the Year	
32	Applied to finance new capital expenditure	858
0	Set aside to repay debt	0
0	Contribution towards the administrative costs of disposals	0
20	Payments to Housing Receipts Pool	19
-6,341	**Balance at 31 March**	**-6,332**

39 CAPITAL GRANTS AND CONTRIBUTIONS UNAPPLIED

2010/2011 £000s		2011/2012 £000s
-14,548	Balance at 1 April	-16,204
-12,489	Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	-7,111
10,833	Transferred to the Capital Adjustment Account	13,019
-16,204	**Balance at 31 March**	**-10,296**

40 REVALUATION RESERVE

The Revaluation Reserve contains the gains made by the Authority 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 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.

2010/2011 Restated £000s		2011/2012 £000s	£000s
-116,152	**Balance at 1 April**		-107,003
-1,950	Upward revaluation of assets	-4,206	
8,126	Downward revaluation of assets and impairment losses not charged to Surplus/Deficit on the Provision of Services	2,039	
6,176	Surplus or Deficit on revaluation of non-current assets not posted to the Surplus/Deficit on the Provision of Services		-2,167
1,306	Difference between fair value depreciation and historical cost depreciation	949	
1,667	Accumulated gains on assets sold or scrapped	22,532	
2,973	Amount written off to the Capital Adjustment Account		23,481
-107,003	**Balance at 31 March**		**-85,689**

41 CAPITAL ADJUSTMENT ACCOUNT

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of 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 Authority as finance for the costs of acquisition, construction and enhancement.

The Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Authority.

The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

Note 5 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

2010/2011 Restated £000s		2011/2012 £000s
-499,625	**Balance at 1 April**	-500,699
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement	
15,037	Depreciation of non-current assets	16,178
27,207	Revaluation of Property Plant and Equipment	22,781
103	Amortisation of intangible assets	192
5,249	Revenue expenditure funded from capital under statute	2,476
10,568	Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	112,054
-107	Amortisation of Deferred Income re. Crosby PFI Scheme	-107
58,057		153,574
	Amounts written out to the Revaluation Reserve	
-1,306	Difference between fair value depreciation and historical cost depreciation	-949
-1,667	Accumulated gains on assets sold or scrapped	-22,532
-2,973		-23,481
	Capital financing applied in the year	
-32	Capital receipts applied to finance capital expenditure	-858
0	Capital receipts set aside to reduce indebtedness	0
-36,696	Capital Grants and Contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to finance capital expenditure	-8,867
-10,833	Transfer from the Capital Grants and Contributions Unapplied Account to finance capital expenditure	-13,019
-9,372	Statutory provision for the financing of capital investment	-10,067
-290	Capital expenditure charged to the General Fund	-1,014
-57,223		-33,825
	Other Movements	
1,065	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	148
0	Movement in the Donated Assets Account credited to the Comprehensive Income and Expenditure Statement	0
1,065		148
-500,699	**Balance at 31 March**	**-404,283**

42 FINANCIAL INSTRUMENTS ADJUSTMENT ACCOUNT

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions.

The Authority uses the Account to manage premiums paid on the early redemption of loans. Premiums are debited to the Comprehensive Income and Expenditure Statement when they are incurred, but reversed out of the General Fund Balance to the Account in the Movement in Reserves Statement. Over time, the expense is posted back to the General Fund Balance in accordance with statutory arrangements for spreading the burden on council tax. In the Authority's case, this period is the unexpired term that was outstanding on the loans when they were redeemed.

2010/2011 £000s		2011/2012 £000s
961	**Balance at 1 April**	902
-59	Proportion of premiums incurred in previous financial years charged against the General Fund Balance in accordance with statutory requirements	-59
902	**Balance at 31 March**	**843**

43 PENSIONS 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 Authority 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 Authority makes employer's 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 Authority has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

2010/2011 £000s		2011/2012 £000s
323,837	**Balance at 1 April**	246,846
-44,442	Actuarial losses / gains (-) on pensions assets and liabilities	45,718
-11,019	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	16,649
-21,530	Employer's pensions contributions and direct payments to pensioners payable in the year	-21,838
246,846	**Balance at 31 March**	**287,375**

44 DEFERRED CAPITAL RECEIPTS

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 Authority 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.

2010/2011 Restated £000s		2011/2012 £000s
-1,360	**Balance at 1 April**	-1,209
122	Repayment of Long Term Debtor	130
29	Transfer to the Capital Receipts Reserve upon receipt of cash	19
-1,209	**Balance at 31 March**	**-1,060**

45 COLLECTION FUND ADJUSTMENT ACCOUNT

The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax 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.

2010/2011 £000s		2011/2012 £000s
605	**Balance at 1 April**	285
-320	Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from Council Tax income calculated for the year in accordance with statutory requirements	29
285	**Balance at 31 March**	**314**

46 ACCUMULATED ABSENCES ACCOUNT

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year, e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

2010/2011 £000s		2011/2012 £000s
4,076	**Balance at 1 April**	5,785
	Transactions in Year	
-4,076	Settlement or cancellation of accrual made at the end of the preceding year	-5,785
5,785	Amounts accrued at the end of the current year	5,133
1,709	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	-652
5,785	**Balance at 31 March**	**5,133**

47 EVENTS AFTER THE BALANCE SHEET DATE

The Statement of Accounts was authorised for issue by the Head of Corporate Finance and ICT on 18 September 2012. 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 March 2012, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

48 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 an assessment of 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.

Central Government
The Government has effective control over the general operations of the Council – it is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. Housing Benefits). Grants received from government departments are set out in the analysis in Note 19. In addition Sefton paid £13.740m to HM Revenue and Customs for Employers' National Insurance Contributions. Amounts owed from and to Central Government at 31 March 2012 are shown in Notes 30 and 32.

Members Interests
Members of the Council have direct control over the Council's financial and operating policies. During 2011/2012, works and services to the value of £0.062m were commissioned from companies in which one or more Members have declared an interest. These are shown in the table below. Contracts were entered into in full compliance with the Council's standing orders. In addition, grants and payments for goods and services totalling £1.656m were made to voluntary organisations in which one or more Members have declared an interest. The most significant of these are shown in the table below. The grants were awarded by the Corporate Services Committee and were made with proper consideration of declarations of interest. The relevant Members did not take part in any discussion or decision relating to the grants.

2010/2011					2011/2012			
Income	Expenditure	Receivables	Payables		Income	Expenditure	Receivables	Payables
£000s	£000s	£000s	£000s		£000s	£000s	£000s	£000s
0	235	0	0	Shieldcom Limited	0	33	0	0
0	210	19	0	Hill Dickinson	-11	29	11	-5
0	0	0	0	Sefton Carers Centre	-7	1,029	0	-14
-75	532	38	0	Imagine Independence Charity	0	540	0	0
-19	146	0	0	Queen's Road Neighbourhood Centre	0	0	0	0

As at 31 March 2012 there was no provision for bad or doubtful debts relating to the Receivables balances outstanding above as all amounts have been assessed as being fully collectable.

Other Public Bodies
A number of Councillors are nominated to serve as representatives on other public bodies. These include, for example, Aintree University Hospital NHS Foundation Trust, British Resorts and Destination Association, Environment Agency, Formby Pool Trust, Local Government Association, Merseycare NHS Trust, Merseyside Fire & Civil Defence Authority, Merseyside Integrated Transport Authority, Merseyside Pension Fund, Merseyside Police Authority, NHS Sefton, One Vision Housing and Sefton Council for Voluntary Service.

Significant transactions during the year and balances at year-end with related public bodies included:

2010/2011					2011/2012			
Income	Expenditure	Receivables	Payables		Income	Expenditure	Receivables	Payables
£000s	£000s	£000s	£000s		£000s	£000s	£000s	£000s
-23	13,558	1,027	-3	Merseyside Police Authority Precept	-76	13,561	973	0
-31	6,005	462	0	Merseyside Fire and Civil Defence Authority Precept	-25	6,007	437	0
-23	983	0	0	Parish Precepts	-38	974	0	0
-190	24,304	0	0	Merseyside Integrated Transport Authority Levy	-446	25,773	0	0
-1,890	12,974	678	0	Merseyside Waste Disposal Authority Levy	-1,820	12,974	0	0
0	17,043	0	-1,413	Merseyside Pensions Authority - Employers' Contributions	0	17,444	0	-1,287
-429	1,813	71	0	Merseycare NHS Trust	-339	1,587	84	0
-14,771	1,587	576	-67	NHS Sefton	-17,104	579	682	-63
-3,707	555	3,085	-3	One Vision Housing	-3,342	562	1,008	-45
0	2,920	0	0	Sefton CVS	-7	1,424	0	0

The amounts owed by the Merseyside Police Authority and Merseyside Fire and Civil Defence Authority are the net amounts of Council Tax outstanding (after allowing for the Provision for Bad and Doubtful Debts) that relates to these bodies. There is no Provision for Bad and Doubtful Debts for amounts due from other bodies as all amounts have been assessed as being fully collectable.

Officers Interests

The Husband of the Head of Planning is a Director of King Construction. The Council has made payments totalling £0.391m to King Construction during the 2011/2012 financial year.

The Husband of the Head of Vulnerable People is an employee of Sefton CVS and the financial transactions have been disclosed in the table above.

No senior officers have received a car loan in the year and none had any loan outstanding at the end of the year.

Subsidiary and associated companies

Details of the Council's interest in companies is set out in note 50 on page 60.

49 CASH FLOW STATEMENT – OPERATING ACTIVITIES

The cash flows for operating activities include the following items:

2010/2011 £000s		2011/2012 £000s
-992	Interest received	-848
7,456	Interest paid	6,049

50 INTEREST IN COMPANIES

Sefton New Directions Limited

Sefton New Directions Limited was incorporated on 15 January 2007 and began trading on 1 April 2007. It is a wholly owned subsidiary of the Council. Its principal activity is providing Social Care Services for Adults and those with Learning and/or Physical Disabilities.

On 31 March 2012, the Company had net liabilities of £5.352m (£2.884m on 31 March 2011). In 2011/2012 the Company reported a pre tax loss of £0.765m (£1.454m in 2010/2011) and a loss of £0.860m after tax (£1.294m in 2010/2011).

The Council has not received any dividends from the Company during 2011/2012 or 2010/2011.

Should the company be wound up, the Council has committed to meeting any accumulated deficit on the Merseyside Pension Fund plus any retirement costs in respect of the Company's employees. The accumulated deficit was estimated to be £6.134m at 31 March 2012 (£3.831m at 31 March 2011).

The Company's accounts for 2011/2012 are due to be audited by September 2012. Once audited, copies of the Company's accounts can be obtained from The Company Secretary, Sefton New Directions Head Office, Third Floor, The Investment Centre, 375 Stanley Road, Bootle, Merseyside, United Kingdom, L20 3EF.

51 OPERATING LEASES

Authority as a Lessee

The Council employs operating leases to obtain the use of certain vehicles and equipment. During 2011/2012 operating lease payments totalled £0.918m (£0.870m in 2010/2011).

In addition, the Council leases a number of properties from third parties under operating lease agreements. During 2011/2012 lease rentals paid for properties under these lease agreements totalled £0.253m (£0.319 in 2010/2011).

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

31 March 2011 £000s		31 March 2012 £000s
1,024	Not later than one year	642
1,216	Later than one year and not later than five years	537
1,714	Later than five years	1,695
3,954		2,874

Authority as a Lessor

The Council leases a number of properties to third parties under operating lease agreements. The assets leased include shops, offices, land and other commercial properties. These property leases are for economic development purposes to provide suitable affordable accommodation for local businesses.

During 2011/2012 lease rentals received from these operating lease agreements totalled £1.460m (£1.605m in 2010/2011).

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

31 March 2011 £000s		31 March 2012 £000s
1,460	Not later than one year	1,526
5,389	Later than one year and not later than five years	5,466
258,932	Later than five years	258,421
265,781		265,413

52 FINANCE LEASES

Authority as Lessee

The Council has acquired a number of administrative buildings and its IT and telecommunications system under finance leases.

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

31 March 2011 £000s		31 March 2012 £000s
7,590	Other Land and Buildings	6,899
1,102	Vehicles, Plant, Furniture and Equipment	471
8,692		7,370

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

31 March 2011 £000s		31 March 2012 £000s
	Finance lease liabilities (net present value of minimum lease payments):	
1,106	• Current	987
8,450	• Non-current	7,401
5,991	Finance costs payable in future years	5,444
15,547	Minimum lease payments	13,832

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

	Minimum Lease Payments		Finance Lease Liabilities	
	31 March 2011 £000s	31 March 2012 £000s	31 March 2011 £000s	31 March 2012 £000s
Not later than one year	1,651	1,492	1,106	987
Later than one year and not later than five years	4,891	4,423	3,027	2,671
Later than five years	9,005	7,917	5,423	4,730
	15,547	13,832	9,556	8,388

Authority as Lessor

The Authority has leased out four properties on finance leases with remaining terms of between 3 and 10 years.

The Authority has a gross investment in the lease, made up of the minimum lease payments expected to be received over the remaining term and the residual value anticipated for the property when the lease comes to an end. The minimum lease payments comprise settlement of the long-term debtor for the interest in the property acquired by the lessee and finance income that will be earned by the Authority in future years whilst the debtor remains outstanding. The gross investment is made up of the following amounts:

31 March 2011 £000s		31 March 2012 £000s
	Finance lease debtor (net present value of minimum lease payments):	
130	• Current	139
998	• Non-current	859
260	Unearned finance income	202
322	Unguaranteed residual value of property	273
1,710	Gross investment in the lease	1,473

The gross investment in the lease and the minimum lease payments will be received over the following periods:

	Gross Investment in the Lease		Minimum Lease Payments	
	31 March 2011 £000s	31 March 2012 £000s	31 March 2011 £000s	31 March 2012 £000s
Not later than one year	238	238	188	188
Later than one year and not later than five years	861	751	687	599
Later than five years	611	484	513	413
	1,710	1,473	1,388	1,200

There is a possibility that worsening financial circumstances might result in lease payments not being made. The Authority collects the lease payments due by issuing sundry debtor accounts. The Council has set aside an allowance for uncollectible sundry debtor accounts of £3.344m at 31 March 2012 (£1.575m at 31 March 2011) to which any unrecoverable lease payments would therefore be charged.

53 PFI AGREEMENT / SERVICE CONCESSION

Crosby Leisure Centre

On 18 September 2001, the Council entered into an agreement under a Private Finance Initiative with Waterfront Leisure (Crosby) Limited for the provision and operation of a leisure centre in Crosby. Under the terms of the agreement Waterfront Leisure constructed the centre and will operate it for a period of 25 years in accordance with the Council's specification. The contractor has the obligation to maintain the building to a minimum acceptable condition and to procure and maintain the plant and equipment needed to operate the leisure centre. The building and any plant and equipment installed will be transferred to the Council at the end of the 25 year contract for nil consideration. The Council only has the right to terminate the contract if it pays within three months:

1. the senior cost;
2. any redundancy payments of the contractor that have been reasonably incurred;
3. all amounts shown in the base financial model as payable by the contractor from the termination date.

Payments

The Council will pay an annual unitary charge for the serviced facility. At the start of the contract it was estimated this would total £23.860m over the life of the concession period (25 years). The figure is subject to inflationary increases with potential reductions should the service provided fall below specified standards. The charge is also eligible for government grant. The centre was opened on 17 February 2003. Payments to the contractor in 2011/2012 were £1.151m (£1.126m in 2010/2011) with government grants of £0.561m received in the year (£0.561m in 2010/2011).

The outstanding commitments (Unitary Payments) due to be made to Waterfront Leisure PLC each year until the end of the contract in 2028 are required to be brought in to the Comprehensive Income and Expenditure Statement. In addition to this unitary payment, Waterfront Leisure generates income through the provision of goods and services, which has enabled a lower unitary payment charge.

The table below shows the outstanding commitment for the PFI contract and has been split between the key elements. It should be noted that the outstanding commitment has been inflated using the inflationary factors included within the original contract.

Commitments under PFI Contract	Reimbursement of Capital Expenditure £000s	Interest £000s	Service Charge £000s
Contract Payments in 2012/2013	25	421	691
Contract Payments between 2013/2014 and 2016/17	451	1,682	2,610
Contract Payments between 2017/2018 and 2021/22	763	1,829	3,796
Contract Payments between 2022/2023 and 2026/27	1,440	1,240	4,260
Contract Payments in 2027/28	419	138	901

Liabilities

Although the payments made to the contractor are described as unitary payments, they have been calculated to compensate the contractor for the fair value of the services they provide, the capital expenditure incurred and interest payable whilst the capital expenditure remains to be reimbursed. The liability outstanding to pay the liability to the contractor for capital expenditure incurred is as follows:

2010/2011 £000s		2011/2012 £000s
-3,271	Balance outstanding at start of year	-3,194
77	Payments during the year	96
0	Capital expenditure incurred in the year	0
-3,194	Balance outstanding at the year-end	-3,098

Property Plant and Equipment

The assets used to provide services at Crosby Leisure Centre are recognised on the Council's Balance Sheet. The following table shows the value of assets held under Crosby Leisure Centre PFI scheme at each Balance Sheet date and an analysis of the movement in those values:

2010/2011 £000s	Other Land & Buildings: PFI Assets	2011/2012 £000s
	Cost or Valuation	
7,525	Opening Balance at 1 April	7,535
10	Additions	49
0	Revaluations	0
7,535	Closing Balance at 31 March	7,584
	Depreciation and Impairments	
0	Opening Balance at 1 April	-218
-218	Depreciation Charge	-219
0	Impairment losses	0
-218	Closing Balance at 31 March	-437
	Balance Sheet Amount	
7,525	Opening Balance at 1 April	7,317
7,317	Closing Balance at 31 March	7,147

Arvato Government Services (Sefton) Limited

On 1 October 2008, the Council entered into an agreement with Arvato Government Services (Sefton) Limited to manage the following services: Information Technology, Transactional Human Resources and Payroll, Benefits, Revenues and Customer Contact. The contract also contains an element for assets to be provided by arvato to deliver the services contained in the contract. This has been assessed as requiring the administrative plant and equipment assets involved to be accounted for in the same way as the PFI contract, i.e. on Balance Sheet with a corresponding liability. Depreciation is totally attributable to the principal charge. Any increase due to indexation (Contingent Rent) is removed from the Net Cost of Services and charged to Financing and Investment Income and Expenditure.

The Council only has the right to terminate the contract if it pays redundancy payments, breakage costs, service provider lost profit for the remainder of the contract, handover costs and direct losses. The service provider has the right to terminate the contract if it pays the Council's retendering costs, reprocurement costs, interim management costs handover costs and direct losses.

Payments
The contract price for the ten years was agreed at the start of the contract and yearly inflation is added to the contract price each 1 April based on the pay award and retail price index for the relevant year, subject to agreed service standards which are reviewed annually. Where necessary, variations to the contract price are negotiated and agreed following changes to statutory requirements or changes in demand.

At 31 March 2012, the amount of payments (at Balance Sheet date prices) due to be made under the agreement, separated into repayment of liability and service charges is as follows (no future interest costs can be established until a contingent rents is calculated in the year the actual 'unitary' charge is made)

Commitments under Service Concession	Repayment of Liability £000s	Service Charge £000s	Total £000s
Contract Payments in 2012/2013	876	15,484	16,360
Contract Payments between 2013/2014 and 2016/2017	4,071	61,462	65,533
Contract Payments between 2017/2018 and 2018/2019	3,337	23,197	26,534

Liabilities
An analysis of the movement in the value of the liabilities for both schemes is shown below:

2010/2011 £000s		2011/2012 £000s
-9,380	Balance outstanding at start of year	-8,944
436	Payments during the year	660
0	Capital expenditure incurred in the year	0
-8,944	Balance outstanding at the year-end	-8,284

Property Plant and Equipment / Intangible Assets

The following table shows the value of assets held under the arvato contract at each Balance Sheet date and an analysis of the movement in those values:

2010/2011 Vehicles, Plant & Equipment £000s	2010/2011 Intangible Assets £000s	Arvato	2011/2012 Vehicles, Plant & Equipment £000s	2011/2012 Intangible Assets £000s
		Cost or Valuation		
8,186	1,355	Opening Balance at 1 April	8,186	1,355
0	0	Additions	0	0
8,186	1,355	Closing Balance at 31 March	8,186	1,355
		Depreciation and Impairments		
-162	0	Opening Balance at 1 April	-572	-25
0	-25	Amortisation for the Year	0	-75
-410	0	Depreciation Charge	-585	0
-572	-25	Closing Balance at 31 March	-1,157	-100
		Balance Sheet Amount		
8,024	1,355	Opening Balance at 1 April	7,614	1,330
7,614	1,330	Closing Balance at 31 March	7,029	1,255

54 PARTICIPATION IN PENSION SCHEMES

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

The Authority participates in two pension schemes:

Teachers' Pension Scheme (TPS)

Teachers employed by the Authority are members of the Teachers' Pension Scheme, administered by Capita Teachers' Pensions on behalf of the Department for Education. It provides teachers with defined benefits upon their retirement, and the Authority contributes towards the costs of making contributions based on a percentage of members' pensionable salaries.

In 2011/2012, the Council paid £11.63m to Teachers' Pensions in respect of teachers' retirement benefits, representing 14.1% of teachers' pensionable pay. The figures for 2010/2011 were £13.38m and 14.1%. The Reduction is due to seven secondary schools transferring to academy status during 2011/2012. Contributions of £0.840m remained payable at the year-end.

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

In cases of redundancy or early retirement in the interests of the efficiency of the service, the Authority is responsible for the cost of any additional benefits awarded that are outside the terms of the teachers' scheme. In 2011/2012 these contributions amounted to £1.30m, representing 1.58% of teachers pensionable pay. The figures for 2010/2011 were £1.29m and 1.36%.

Local Government Pension Scheme (LGPS)

All employees not eligible to join the Teachers' Pension Scheme are, subject to certain qualifying criteria, eligible to join the Local Government Pension Scheme. Wirral Metropolitan Borough Council acts as the administering authority of the LGPS as lead authority for the Merseyside councils scheme, the Merseyside Pension Fund (MPF). This is a funded defined benefit final salary scheme, meaning that the Authority and employees pay contributions into the fund, calculated at a level intended to balance the pensions liabilities with investment assets.

In 2011/2012, the Council paid £19.15m to the MPF in respect of retirement benefits, representing 20.8% of non-teachers' pensionable pay. The figures for 2010/2011 were £18.88m and 18.9%. Contributions of £1.244m remained payable at the year-end.

In cases of redundancy or early retirement in the interests of the efficiency of the service, the cost of any added years awarded is borne by the Council and not the Local Government Pension Scheme. In 2011/2012 these contributions amounted to £1.38m representing 1.50% of pensionable pay. The figures for 2010/2011 were £1.36m and 1.36%.

Transactions relating to Post-employment benefits

The cost of retirement benefits is recognised in the Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge we are required to make against Council Tax is based on the cash payable in the year, so the real cost of retirement benefits are reversed out of the General Fund via the Movement in Reserves Statement.

The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year:

2010/2011		**Comprehensive Income and Expenditure Statement**	2011/2012	
LGPS £000s	TPS Unfunded Liabilities £000s		LGPS £000s	TPS Unfunded Liabilities £000s
		Cost of Services:		
17,825	0	Current Service Cost	15,381	0
-44,091	-761	Past Service Cost / Gain (-)	6	0
2,078	0	Curtailment Cost	1,587	0
0	0	Settlements	-8,588	0
		Financing and Investment Income and Expenditure:		
43,010	729	Interest Cost	38,728	669
-29,809	0	Expected Return on Assets	-31,134	0
-10,987	-32	Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	15,980	669
-44,921	479	Actuarial Losses (-) and Gains	45,289	429
-55,908	447	Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	61,269	1,098

2010/2011		**Movement in Reserves Statement**	2011/2012	
LGPS £000s	TPS Unfunded Liabilities £000s		LGPS £000s	TPS Unfunded Liabilities £000s
10,987	-447	Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	-15,980	-669
		Actual amount charged against the General Fund for pensions in the year:		
20,239		• employers' contributions payable to the scheme	20,534	1,304
	1,291	• retirement benefits payable direct to pensioners		

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to the 31 March 2012 is a net loss of £234.159m (a net loss of £188.364m to 31 March 2011).

Assets and Liabilities in Relation to Retirement Benefits

Reconciliation of present value of scheme liabilities

2010/2011			2011/2012	
LGPS £000s	TPS Unfunded Liabilities £000s		LGPS £000s	TPS Unfunded Liabilities £000s
770,445	13,894	Opening Balance at 1 April	715,364	13,050
17,825	0	Current Service Cost	15,381	0
43,010	729	Interest cost	38,728	669
6,429	0	Contributions by scheme participants	5,858	0
-51,242	479	Actuarial gains (-) and losses	25,290	429
-29,090	-1,291	Benefits paid	-30,002	-1,304
-44,091	-761	Net Past Service Cost / gain (-)	6	0
2,078	0	Curtailment Cost	1,587	0
0	0	Settlements	-12,103	0
715,364	13,050	Closing Balance at 31 March	760,109	12,844

Reconciliation of fair value of scheme assets:

2010/2011			2011/2012	
LGPS £000s	TPS Unfunded Liabilities £000s		LGPS £000s	TPS Unfunded Liabilities £000s
460,502	0	Opening Balance at 1 April	481,568	0
29,809	0	Expected rate of return	31,134	0
-6,321	0	Actuarial gains and losses (-)	-19,999	0
20,239	1,291	Employer contributions	20,534	1,304
6,429	0	Contributions by scheme participants	5,858	0
-29,090	-1,291	Benefits paid	-30,002	-1,304
0	0	Settlements	-3,515	0
481,568	0	Closing Balance at 31 March	485,578	0

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date.

Expected returns on equity investments reflect long-term rates of return experienced in the retrospective markets.

The actual return on scheme assets in the year was a gain of £11.134m (compared with a gain of £37.019m in 2010/2011).

Scheme History

	2007/2008 £000s	2008/2009 £000s	2009/2010 £000s	2010/2011 £000s	2011/2012 £000s
Present value of liabilities:					
LGPS	-698,180	-551,076	-770,445	-715,364	-760,109
TPS Unfunded Liabilities	-14,624	-12,233	-13,894	-13,050	-12,844
Fair value of assets in the LGPS	464,203	342,315	460,502	481,568	485,578
Deficit in the Scheme:					
LGPS	-233,977	-208,761	-309,943	-233,796	-274,531
TPS Unfunded Liabilities	-14,624	-12,233	-13,894	-13,050	-12,844
Total	-248,601	-220,994	-323,837	-246,846	-287,375

The liabilities show the underlying commitments that the Authority has in the long-run to pay additional retirement benefits. The total liability of £287m has a substantial impact on the net worth of the Authority as recorded in the Balance Sheet, resulting in an overall balance of £288m. However statutory arrangements for funding the deficit mean that the financial position of the Authority remains healthy.

The deficit on the local government pension scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme Actuary.

The total contributions expected to be made to the local government pension scheme by the Council in the year to 31 March 2013 is £19.994m.

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent upon assumptions about mortality rates, salary levels etc. The pension fund liabilities have been assessed by Mercer Human Resource Consulting, an independent firm of actuaries, estimates being based on the latest full actuarial valuation of the scheme as at 1 April 2010.

The principal assumptions used by the actuary have been:

2010/2011		2011/2012
	Long-term expected rate of return on assets in the scheme:	
7.5%	Equity Investments	7.0%
4.4%	Government Bonds	3.1%
5.1%	Other Bonds	4.1%
6.5%	Property	6.0%
0.5%	Cash/Liquidity	0.5%
7.5%	Other Assets	7.0%
	Mortality assumptions (years):	
21.4	Longevity at 65 for current pensioners: Men	21.5
24.1	Longevity at 65 for current pensioners: Women	24.2
22.8	Longevity at 65 for future pensioners: Men	22.8
25.7	Longevity at 65 for future pensioners: Women	25.8
	Other assumptions	
2.9%	Rate of Inflation - CPI	2.5%
4.4%	Rate of increase in salaries	4.0%
2.9%	Rate of increase in pensions	2.5%
5.5%	Rate for discounting scheme liabilities	4.9%
50%	Take-up of option to convert annual pension into retirement lump sum	50%

The Local Government Pension Scheme assets consist of the following categories, by proportion of total assets held:

31 March 2011		31 March 2012
%		%
60.7	Equity Investments	59.1
10.7	Government Bonds	15.7
6.7	Other Bonds	4.0
7.9	Property	9.3
2.3	Cash/Liquidity	2.2
11.7	Other Assets	9.7
100.0		100.0

History of experience gains and losses

The actuarial gains / losses identified as movements on the Pensions Reserve in 2011/2012 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2012:

	2007/2008 %	2008/2009 %	2009/2010 %	2010/2011 %	2011/2012 %
Differences between the expected and actual return on assets:					
LGPS	-12.3	-31.4	20.3	-1.3	-4.1
Experience losses on liabilities:					
LGPS	-0.6	0.0	0.0	8.1	0.0
TPS Unfunded Liabilities	-1.6	0.0	0.0	0.1	0.0

55 CONTINGENT LIABILITIES

Equal Pay Claims

The Council have created a provision to cover the potential costs of claims received to 31 March 2012 which are expected to be settled in 2012/2013. There are currently no other equal pay claims that have been lodged with the Council.

Housing Stock Transfer Warranties

Collateral warranty by the Council in favour of the Security Trustee (Prudential Security Trustee Limited)

The Council has given a number of warranties for up to 35 years in respect of environmental pollution, statements, title, encumbrances, planning matters, statutory obligations, adverse orders, tenancies, information and statistics supplied, sales off, disputes and litigation, rights of entry to maintain and repair, absence of adverse replies, electricity sub-stations and shop leases, leasehold property, wayleaves, telecommunications and works undertaken.

In addition the following specific warranties have been given:

- Unlimited warranty for up to 35 years in respect of vires claims
- Warranty for up to 20 years in respect of claims in relation to asbestos, except that this shall not apply in respect of the first £10,685,780 of costs and expenses incurred in aggregate on asbestos works.

In aggregate the value of these warranties is limited to £100,500,000 plus any costs associated with interest and loan breakage costs due under the One Vision Loan Agreement.

Collateral warranty by the Council in favour of One Vision Housing Limited

The Council has given a number of warranties for up to 17 years in respect of statements, title, encumbrances, planning matters, statutory obligations, adverse orders, tenancies, information and statistics supplied, sales off, disputes and litigation, rights of entry to maintain and repair, absence of adverse replies, electricity sub-stations and shop leases, leasehold property, wayleaves, telecommunications and works undertaken.

In addition the following specific warranties have been given:

- Warranty not exceeding £100,500,000 for up to 20 years in respect of environmental pollution.
- Warranty for up to 20 years in respect of claims in relation to asbestos, except that this shall not apply in respect of the first £8,439,750 of costs and expenses incurred in aggregate on asbestos works.
- Unlimited warranty for up to 17 years in respect of vires claims.

Merseyside Pension Fund - Contractor Admission Bodies
The Council provides guarantees for any potential unfunded liabilities on the Merseyside Pension Fund for Sefton New Directions Limited, Arvato Government Services (Sefton) Limited and Capita Symonds. The most recently notified value of the guarantee for Sefton New Directions is £2.724m. The most recently notified total value of the guarantee for Arvato and Capita Symonds is £nil. Sefton and the parent companies of the two bodies would jointly fund any future liability, the split dependent on the factors leading to the liability.

Claims Against the Council
The Council has received claims seeking damages relating to various matters concerning the Authority. Sefton has established a provision of £2.667m to cover the potential payments relating to these claims and associated legal costs if the Council are not able to successfully defend these claims. There is a potential further liability if all aspects of these claims cannot be successfully defended.

Contamination Costs
During 2011/2012 it was identified there was a site in the Borough that was contaminated and there would be significant costs associated with clearing the contamination. Sefton has established an Earmarked Reserve of £1.500m to cover potential costs associated with clearing the contamination. There is a potential further liability if the costs of clearing the contamination are greater than currently envisaged.

56 CONTINGENT ASSETS

VAT Sharing Arrangement
As part of the voluntary stock transfer an agreement was reached with One Vision Housing Limited to share their VAT that they can claim from HM Revenue and Customs. This arrangement is unique to councils and registered social landlords upon transfer. Sefton's share of reclaimable VAT is likely to be in the region of £2.2m over the next 5 years.

Receipts from Former Council House Sales
The Council have agreed to share any proceeds of former council house sales if they are subsequently sold by One Vision Housing Limited. The arrangement lasts until 31 March 2037 and the amount received will depend on the number of sales each year.

Plaza Community Cinema, Crosby
The Council provided £300,000 of financial assistance to the Trustees of the Plaza Cinema between 2006 and 2008. If the Cinema ceases to trade before 16 July 2013 then Sefton will be repaid the full amount from the proceeds of selling the site. If the Cinema ceases trading between 17 July 2013 and 16 July 2016 then £100,000 will be due to the Council.

57 FINANCIAL INSTRUMENTS

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability of another. Typical financial instruments include trade payables and borrowings (liabilities) and investments and trade receivables (assets).

Financial Instruments in so far as the Authority is concerned relate to loans receivable, borrowings, trade payables and receivables.

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

	Long Term		Current	
	31/03/2011 £000s	31/03/2012 £000s	31/03/2011 £000s	31/03/2012 £000s
Investments				
Loans and receivables	1	1	25,090	15,181
Cash and cash equivalents			40,236	37,873
Total investments	1	1	65,326	53,054
Receivables				
Loans and receivables	8,192	8,198		
Financial assets carried at contract amounts			42,123	38,589
Total Receivables	8,192	8,198	42,123	38,589
Borrowings				
Financial liabilities at amortised cost	130,813	123,311	1,858	9,763
Bank overdraft			3,751	1,479
Total borrowings	130,813	123,311	5,609	11,242
Other Long Term Liabilities				
PFI and finance lease liabilities	27,678	25,181		
Total other long term liabilities	27,678	25,181		
Payables				
Financial liabilities carried at contract amount			41,073	33,763
PFI and finance lease liabilities			2,407	2,434
Total payables			43,480	36,197

The gains and losses recognised in the Comprehensive Income and Expenditure Statement in relation to the above financial instruments are made up as follows:

	31 March 2012		
	Financial Liabilities	Financial Assets	
	Liabilities measured at amortised cost £000s	Loans and receivables £000s	Total £000s
Interest expense	-7,557	-	
Interest payable and similar charges	-7,557	0	-7,557
Interest income	-	2,401	
Interest and investment income	0	2,401	2,401
Net loss (-) / gain for the year	-7,557	2,401	

Comparative figures for the previous financial year are made up as follows:

	31 March 2011		
	Financial Liabilities	Financial Assets	
	Liabilities measured at amortised cost £000s	Loans and receivables £000s	Total £000s
Interest expense	-7,536	-	
Interest payable and similar charges	-7,536	0	-7,536
Interest income	-	2,441	
Interest and investment income	0	2,441	2,441
Net loss (-) / gain for the year	-7,536	2,441	

<u>Fair Value of Assets and Liabilities.</u>

Financial liabilities and financial assets represented by loans and receivables 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:

- The discount rate used in the net present value calculation is equal to the current rate in relation to the same instrument from a comparable lender. This rate will be the rate applicable in the market on the date of valuation, for an instrument of the same duration.
- For PWLB debt the new borrowing rate has been used, as opposed to the premature repayment rate.

The fair value calculation has been based on the comparable new borrowing/ deposit rate for the same financial instruments from a comparable lender. A consistent approach has been applied to assets and liabilities.

The purpose of the fair value valuation is to allow evaluation quantitatively of the Authority's financial position and performance with regard to each class of financial instrument, and also to indicate the extent of the Authority's risk exposure arising as a result of these transactions. The fair value also indicates the cost/ benefits to the Council of retaining fixed interest borrowings and investments to maturity.

The fair values calculated are as follows:

	31 March 2011		31 March 2012	
	Carrying amount £000s	Fair value £000s	Carrying amount £000s	Fair value £000s
Borrowing	132,671	126,062	133,074	141,813
Other Long-term liabilities	27,678	27,678	25,181	25,181

The fair value is more than the carrying amount because the Authority's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the rates available for similar loans at the Balance Sheet date. This commitment to pay interest above the current market rate increases the amount that the Authority would have to pay if the lender requested or agreed to early repayment of the loan.

	31 March 2011		31 March 2012	
	Carrying amount £000s	Fair value £000s	Carrying amount £000s	Fair value £000s
Loans and receivables	25,090	25,202	15,181	15,209
Long-term Receivables	8,192	8,192	8,198	8,198

The fair value is more than the carrying amount because the Authority's portfolio of investments includes a number of fixed rate investments where the interest rate receivable is higher than the rates available for similar investments at the Balance Sheet date. This guarantee to receive interest above the current market rate increases the amount that the Authority would receive if it agreed to early repayment of the investments.

Short term receivables and payables are carried at cost as this is a fair approximation of the value.

58 NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

The Authority is required to disclose information, which enables the user of these statements of accounts to evaluate the nature and extent of any risk arising from Financial Instruments.

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

i) Credit risk – the possibility that other parties may fail to pay amounts due to the Authority;
ii) Liquidity risk – the possibility that the Authority may not have funds available to meet its commitments to make payments;
iii) Market risk – the possibility that financial loss may arise for the Authority as a result of changes in such measures as interest rates or stock market movements.

The Treasury Management Policy and Strategy documents approved by Council annually seek to limit the risk of potential adverse effects on resources available to fund services arising due to the impact of unpredictable movements in the financial markets on treasury management activity undertaken by the in-house team.

Credit Risk

The main element of credit risk the Authority is exposed to arises from deposits with banks, building societies and money market funds, as well as credit exposures to the Authority's customers.

This risk is managed through the Authority's Treasury Management Policy and Strategy documents approved by Council annually. These documents set out the limits in terms of value and duration over which investment can be made with the various Banks and Building Societies included on the Authority's Counter Party lending list. This counter party list is made up of the institutions that have been rated using the Fitch and Moody's scoring methodologies and any changes to the institutions rating that result in a non compliance with the minimum criteria will see the institution taken off the counter party list.

Credit rating agencies such as Fitch and Moody's rate institutions depending upon:

- Long term ability to meet all of their most senior financial obligations on a timely basis
- Short term ability to meet financial obligations within a relatively short time period
- Individual rating attempts to assess how a bank would be viewed if it was entirely independent of any external support
- Support rating is the likelihood of a potential supporter's propensity and ability to support the institution

The sovereign rating is an additional rating criteria that is now used. It reflects the strength of a country's economy, and hence the ability of a country's Government to support its financial institutions.

The credit criteria in respect of Financial Assets held by the Authority is as detailed below:

Financial Asset Category	Criteria	Maximum Investment
Deposits with banks	Sovereign rating: AAA Short Term: F1 Long Term: A- Individual rating: C Support: 2 Active in sterling markets	£25m (the Authority currently operates a £15m operational limit)
Deposits with building societies	Short Term: F1 (Fitch) / P-1 (Moody) Active in sterling markets Minimum total assets: £2,000m	£7.5m (except Nationwide £15m)
Deposits with money market funds	Sovereign rating: AAA	£15m

The above table demonstrates that the Authority will only invest in institutions that have the highest credit rating scores. For Banks, a risk score of F1 (highest credit quality), A- (high credit quality – low credit risk and considered to have strong capacity to pay financial commitments but may be vulnerable) and Building Societies that have a risk score of F1 (highest credit quality), P-1 (low risk).

In June 2009 it was decided to revise the maximum investment with each individual bank on the counterparty list to a level of £25m. The decision was taken as the counterparty list has reduced significantly the number of banks the Authority can invest with. This reduction is due to banks no longer being deemed credit worthy according to our strict lending criteria. As a result, the Authority currently only invests with banks that have the highest credit rating and are backed by the Government of the country in which they are domiciled. Whilst the maximum limit of £25m is retained, a day to day operational maximum of £15m is currently being imposed. This will spread the risk of investments for the Authority, but will have a small detrimental impact on the returns the Authority will receive in the future.

The following analysis summarises the Authority's potential maximum exposure to credit risk at the balance sheet date. The figures represent the actual investment made and, based on experience of default and uncollectability over the last 7 financial years, adjusted to reflect current market conditions:

Estimated maximum exposure at 31/03/11		Amount at 31/03/12	Historical experience of default	Historical experience adjusted for market conditions at 31/03/12	Estimated maximum exposure to default & uncollectability at 31/03/12
£000s		£000s A	% B	% C	£000s (AxC)
0	Deposits with Banks	31,041	0	0	0
0	Deposits with Money Market	21,924	0	0	0
348	Customers	13,508	2.24%	2.24%	303
348					**303**

The Authority has no history of non-repayment of investments. There were no instances of counterparties failing to meet contractual obligations in relation to deposits during the financial year, and whilst no guarantee can be given against default, the Authority does not expect any losses from non-performance by any of its counterparties in relation to deposits.

The Authority also reduces its exposure of credit risk by limiting the number of investments with a maturity period of between 1 and 5 years to a maximum of 40% of our total investments. This ensures that the Authority does not tie up all its funds for a long period of time, increasing the risk of a bank running into financial problems.

As mentioned previously, the Authority has changed its investment policy with banks and now only invests with extremely highly rated banks (with a Sovereign rating: AAA) that are backed by the Government in which the bank is situated. The profile of investments by country is shown below:

	Total Investments at 31 March 2011 £000s	Total Investments at 31 March 2012 £000s
UK Banks	25,090	15,181
Other: Republic of Ireland	0	0
	25,090	15,181

The Authority does not generally allow credit for customers, such that £11.636m of the £13.508m balance is past its due date for payment. The past due amount can be analysed by age as follows:

	31 March 2011 £000s	31 March 2012 £000s
Less than three months	2,509	2,200
Three months to one year	2,778	2,058
More than one year	6,911	7,378
	12,198	11,636

A provision for bad debts relating to customers exists which totals £3.344m at 31 March 2012. This provision relates to a wide variety of assets of which none are individually significant. The provision was increased by £1.845m in 2011/2012 (£0.152m in 2010/2011) and £0.077m was written-off during the year (£0.073m in 2010/2011).

Of this debt £5.004m is secured against properties (£4.767m as at 31 March 2011). These properties are held as collateral but cannot be pledged or resold unless the owner defaults.

Liquidity Risk

The Authority has a comprehensive cash flow management system that seeks to ensure that cash is available as needed. If unexpected movements happen, the Authority has ready access to borrowings from the Public Works Loans Board (PWLB) and Money Markets as a result of the annual Treasury Management Policy and Strategy documents approved by Council. The authority has set an affordable borrowing limit that reflects its underlying need to borrow for a capital purpose, and this includes an allowance for exceptional cash flow movements. There is thus no significant risk that the Authority will be unable to raise finance to meet its commitments.

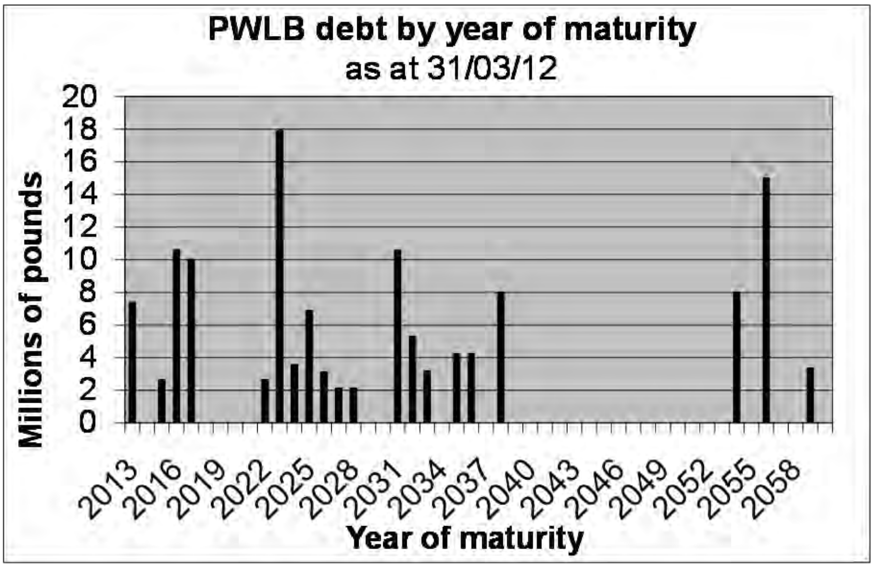
The risk for the Authority is that it will need to replace its borrowings at a time when interest rates are unfavourable, leading to additional ongoing financing costs. The strategy for the Council is to ensure that by careful planning of the repayment date for new and replacement loans, and (when economic to do so) the restructuring of debt, the maturity profile of its fixed rate loans do not exceed or fall below the limits for the periods set out below. These limits also ensure that the Authority does not have significant amounts of variable borrowing in the long term, exposing itself to major movements in interest rates. Analyses of the Council's debt by type and maturity are shown in the following tables.

31 March 2011 £000s	**Analysis of Loans by Type:**	Range of Interest Rates Payable (%)	31 March 2012 £000s
132,177	Public Works Loan Board	1.86 – 11.13	133,054
0	Money Market		0
16	Individuals	0.00	16
474	Other Local Authorities	2.69 – 7.69	0
4	Other	From 6.50	4
132,671	**Total**		133,074

31 March 2011 £000s	**Analysis of Loans by Maturity:**	31 March 2012 £000s
1,858	Maturing within one year	9,763
7,502	Maturing in 1-2 years	140
13,114	Maturing in 2-5 years	22,974
10,000	Maturing in 5-10 years	2,645
34,086	Maturing in 10-15 years	33,557
14,809	Maturing in 15-20 years	17,982
16,924	Maturing in 20-25 years	11,635
8,000	Maturing in 25-30 years	8,000
0	Maturing in 30-35 years	0
0	Maturing in 35-40 years	0
23,000	Maturing in 40-45 years	23,000
3,378	Maturing in more than 45 years	3,378
132,671	**Total**	133,074

The Analysis of Loans by Type shows the total of loans that are due to be repaid within one year (shown as Short-Term Borrowing on the Balance Sheet) and those due to be repaid in more than one year (shown as Long-Term Borrowing on the Balance Sheet).

The maturity profile of the Council's PWLB debt only is shown in the chart below.



All trade and other payables are due to be repaid within one year.

Market Risk

a) Foreign Exchange Risk
The Authority has no financial assets or liabilities denominated in foreign currencies, and thus has no exposure to loss arising from movements in exchange rates.

b) Price Risk
The Authority has no financial assets at the Balance Sheet date which are classified as 'Available for Sale' for example equity shareholdings and quoted investments and is thus not exposed to risk arising from movements in the price of such assets due to changes in general economic conditions.

c) Interest Rate Risk
The Authority is exposed to significant risk in terms of its exposure to interest rate movements on its borrowings and investments. As an example of this, a rise in interest rate has the following effects:

i) Borrowings at variable rates – the interest payable charged to the Comprehensive Income and Expenditure Statement will rise;
ii) Borrowings at fixed rates – the fair value of the loan will fall;
iii) Investments at variable rates – the interest receivable credited to the Comprehensive Income and Expenditure Statement will rise;
iv) Investments at fixed rates – the fair value of the investment will fall.

Borrowings are carried at amortised cost on the Balance Sheet not fair value, and so nominal gains and losses on fixed rate borrowings would not impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure. However, changes in variable rates on borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services and affect the General Fund Balance.

The annual Treasury Management Policy and Strategy documents approved by Council contain a number of strategies for managing interest rate risk. To guard against the impact of adverse changes in interest rates, the maximum proportion of borrowing subject to variable interest rates is limited to 33% along with a maximum proportion of investments subject to variable rates limited to 40%.

During periods of falling interest rates, and where economic circumstances make it favourable, the Authority will look to reschedule its loans in order to limit its exposure to losses and so reduce its capital financing costs.

The in-house Treasury Management team receives professional advice and has an active strategy for assessing interest rate exposure via the use of indicators. This is used to establish and monitor the budget for capital financing costs, allowing any adverse changes to be accommodated. The monitoring of interest rate exposure assists with the decision as to whether new borrowing or investment undertaken is fixed or variable.

Based on the assessment strategy for interest rate risk if interest rates had been 1% higher with all other variables held constant on 31 March, the financial effect would be:

31 March 2011 £000s		31 March 2012 £000s
308	Increase in interest receivable on variable rate investments (and resultant impact on the Surplus or Deficit on the Provision of Services)	326
-11,867	Decrease in fair value of fixed rate loans (impact on Other Comprehensive Income and Expenditure)	-1,027
-62	Decrease in fair value of fixed rate investments (no impact on Other Comprehensive Income and Expenditure)	-19

The impact of a 1% fall in interest rates would be as above but with the movements being reversed. The 1% variation chosen for sensitivity analysis can be treated as a flat line change, so a 5% variation will result in amounts totalling five times the amount included in the table above.

The Authority held no loans at variable rate at the Balance Sheet date so any movement in interest rates will have no effect on the Comprehensive Income and Expenditure Statement.

59 STATEMENT OF ACCOUNTING POLICIES

(a) GENERAL PRINCIPLES

The Statement of Accounts summarises the Council's transactions for the 2011/2012 financial year and its position at the year end of 31 March 2012. The Council is required to prepare an Annual Statement of Accounts by the Accounts and Audit Regulations 2011 in accordance with proper accounting practices. These practices primarily comprise the *Code of Practice on Local Authority Accounting in the United Kingdom 2011/2012* and the *Service Reporting Code of Practice for Local Authorities 2011/2012*, supported by *International Financial Reporting Standards (IFRS)* and statutory guidance issued under section 12 of the 2011 Act.

The accounting convention adopted in the Statement of Accounts is primarily historical cost, modified by the revaluation of certain categories of non current assets and financial instruments. All accounting policies have been consistently applied.

The accounts have been prepared on a going concern basis. The assumption is that the Council will continue in operation for the foreseeable future.

(b) 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, in particular:

- 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.

- Supplies are recorded as expenditure when they are consumed - where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.

- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.

- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.

- 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 receivables is written down and a charge made to revenue for the income that might not be collected.

(c) 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 investments that mature in three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value. The Authority has five different reserve accounts as at 31 March 2012 that it has determined to be Cash Equivalents.

In the Balance Sheet and 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.

(d) PRIOR YEAR ADJUSTMENTS, CHANGES IN ACCOUNTING POLICY AND ESTIMATES AND ERRORS

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

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

(e) CHARGES TO REVENUE FOR NON CURRENT ASSETS

Services, support services and trading accounts are debited with the following amounts to record the cost of holding Property, Plant and Equipment and Intangible Assets during the year:

- Depreciation attributable to the assets used by the relevant service;
- Revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off; and
- Amortisation of intangible assets attributable to the service.

The Council is not required to raise Council Tax to fund depreciation, revaluation and impairment losses or amortisations. However it 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 are therefore replaced by the contribution in the General Fund Balance (Statutory Provision for the Financing of Capital Investment) by way of an adjusting transaction with the Capital Adjustment Account in the Movement of Reserves Statement for the difference between the two.

(f) EMPLOYEE BENEFITS

Benefits payable during employment

Short term employee benefits are those due to be settled within 12 months of the year end. They include such benefits as wages, salaries, paid annual leave and paid sick leave, bonuses and non monetary benefits (e.g. cars) for current employees and are recognised as an expense for services in the year in which the employees render service for the Council. An accrual is made for the cost of holiday entitlements (or any form of leave e.g. time off in lieu), earned by employees but not taken before the year end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following financial year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday entitlements are charged to revenue in the financial year to which the holiday absence occurs.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the authority to terminate an officer's appointment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the Non Distributed Costs line in the Comprehensive Income and Expenditure Statement when the Council is demonstrably committed to the termination of the employment of an officer or group of officers or making an offer to encourage voluntary redundancy.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Authority to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination 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.

Post Employment Benefits

Employees of the Council are members of two separate pension schemes:

- The Teachers Pension Scheme, administered by Capita Teachers' Pensions on behalf of the Department for Education.

- Local Government Pensions Scheme (Merseyside Pension Fund) administered by Wirral Metropolitan Borough Council.

Both Schemes are defined benefits schemes in that they provide defined benefits to members (retirement lump sums and pensions) earned as employees working for the Council.

However, the arrangements for the teachers' scheme mean that liabilities for these benefits cannot ordinarily be identified specifically to the Council. The scheme is therefore accounted for as if it were a defined contribution scheme and no liability for future payments of benefits is recognised in the Balance Sheet. The Children's and Education Services line in the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to Teachers' Pensions in the year.

The Local Government Pension Scheme

The Local Government Scheme is accounted for as a defined benefits scheme:

- The liabilities of the Merseyside Pension Fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. 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 current earnings for current employees.

- Liabilities are discounted to their present value at current prices using a discount rate of 5.5% based on the indicative rate of return on high quality corporate bonds (based on a weighted average of 'spot yields' on AA rated corporate bonds).

- The assets of Merseyside Pension Fund attributable to the Council are included in the Balance Sheet at their fair value:
  - Quoted Securities – current bid price,
  - Unquoted securities – professional estimate,
  - Unitised securities- current bid price,
  - Property – market value.

- The change in the net pensions liability is analysed into seven components:
  - Current Service Cost – the increase in liabilities as a result of years of service earned this year - allocated in the Comprehensive Income and Expenditure Statement to the services for which the employee worked,
  - Past Service Cost - the increase in liabilities arising from current year decisions whose effect relates to years of service 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,
  - Interest Cost - the expected increase in the present value of liabilities during the year as they move one year closer to being paid - debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement,
  - Expected Return on Assets - The annual investment return on the fund assets attributable to the Authority, based on an average of the expected long term return - credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement,
  - Gains or losses on settlements and curtailments - the result of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees - debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs,

- Actuarial gains and losses - changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions - debited to the Pensions Reserve,
- Contributions paid to the Merseyside Pension Fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Authority to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations 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 Pensions Reserve therefore measures the beneficial impact on the General Fund of being required to account for retirement benefits on the basis of cash flows rather than benefits which are earned by employees.

Discretionary Benefits

The Council has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff (including teachers) are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

(g) EVENTS AFTER THE BALANCE SHEET DATE

Events after the Balance Sheet date are those events, both favourable and unfavourable that occur between the end of the reporting period and the date when the Statement of Accounts is 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 is 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 authorisation to issue are not reflected in the Statement of Accounts.

(h) FINANCIAL INSTRUMENTS

General Comment

A financial instrument is any contract that gives rise to a financial asset in one entity, and a financial liability in another. Most straight forward financial assets (receivables, bank deposits, investments etc) and liabilities (payables, borrowings etc) are covered by this policy.

Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are subsequently carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in 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 investment. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

For most of the borrowings that the Council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

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. The Council has no Available for Sale Assets.

Loans and receivables

Loans and receivables are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at 'fair value'. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the council has made, this means that the amount presented in the Balance Sheet is the principle outstanding plus or minus accrued interest and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

If an asset is identified as impaired because of the likelihood arising from a past event that payments due under a contract will not be made, the asset is written down and a charge made to the relevant service (for receivables specific to that service) or the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate.

Any gains or losses that result from the de-recognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

Warranties and Guarantees

The Council has entered into a number of Guarantees that are not required to be accounted for as Financial Instruments. These guarantees are reflected in the Statement of Accounts to the extent that at some future date a provision or earmarked reserve may have to be set up. These guarantees relate to:

- Housing stock transfer warranties,
- Pension guarantees related to Greater Merseyside Connexions partnership and other contractor admissions bodies, such as New Directions, Arvato and Capita.

(i) GOVERNMENT GRANTS AND CONTRIBUTIONS

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

- The Authority 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 embodied in the asset received in the form of the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as payables. When conditions are satisfied, the grant or contribution is credited to the relevant services line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (Non-Ringfenced Government Grants and Capital Grants and Government Grants) in the Comprehensive Income and Expenditure Statement. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has 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 Adjustments Account. Amounts in the Capital Grants Unapplied Reserve are transferred to the Capital Adjustments Account once they have been applied to fund capital expenditure.

(j) HERITAGE ASSETS

A heritage asset is an asset that is held due to its historical, artistic, scientific, technological, or environmental qualities, and is maintained principally for its contribution to knowledge and culture. The Authority's heritage assets are held in a number of locations, such as Town Halls and the Atkinson Art Gallery.

The collection consists principally of a ceramic collection, a silver collection, works of art, an Egyptology collection, several war memorials, and the art installation "Another Place". The collection is mainly valued on an insurance valuation basis. However, a number of war memorials are held that are valued at a nominal £1.

The assets are felt to have indeterminate lives and a high residual value; hence the Authority does not consider it appropriate to charge depreciation.

The Authority considers that obtaining valuations for the collection would involve disproportionate cost. This is because of the diverse nature of the assets and the lack of comparable market values.

The carrying amounts of Heritage Assets would be reviewed where there was evidence of impairment, e.g. where an item has suffered physical deterioration or breakage or where doubts arise about its authenticity. Any impairment would be recognised and measured in accordance with the Authority's general policies on impairment (see Impairment section of note (q) Property, Plant and Equipment). If any items were disposed of, the proceeds would be accounted for in accordance with the Authority's general provisions relating to the disposal of property, plant and equipment. Disposal proceeds are disclosed separately in the notes to the financial statements and are accounted for in accordance with statutory accounting requirements relating to capital expenditure and capital receipts.

(k) 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 licenses) is capitalised when it is expected that the future economic benefits or service potential will flow from the intangible asset to the Council.

Expenditure on the development of websites is not capitalised if the website is solely or primarily intended to promote or advertise the Councils goods or services.

Intangible assets are carried at amortised cost. An intangible asset is amortised over its useful life to the relevant service lines in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired - any losses recognised are posted to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement of Reserves Statement and posted to the Capital Adjustments Account and (if sales proceeds exceed £10,000) the Capital Receipts Reserve.

(l) INTERESTS IN COMPANIES AND OTHER ENTITIES

The Council has a material interest in a company that is a subsidiary and is required to prepare group accounts. In the Council's own single entity accounts the interest in the company is recorded as a long term investment at cost.

In the group accounts transactions and balances between the Council and subsidiary are netted out on consolidation.

(m) INVENTORIES AND LONG TERM CONTRACTS

Inventories are included in the Balance Sheet at the lower of cost or net realisable value. The cost of inventories is assigned using the First-In-First-Out costing formula.

Long term contracts are accounted for on the basis of charging the Surplus or Deficit on the Provision of Services with the value of works and services received under the contract during the financial year. The Council has no long term contracts relating to works in progress.

(n) INVESTMENT PROPERTY

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or the production of goods or is held for sale.

Investment Properties are measured initially at cost. This is the amount of cash or cash equivalents paid or the fair value of other consideration given to acquire an asset at the time of its acquisition. They are subsequently measured at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arms length. Properties are not depreciated but are 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 for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any proceeds above £10,000) the Capital Receipts Reserve.

(o) LEASES

Leases have been classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to the ownership of property from the lessor to the lessee. All other leases are to be classified as operating leases.

However, where lease agreements now deemed to be finance leases were concluded before December 2010 the Local Authorities (Capital Finance and Accounting) (Amendment) (England) Regulations 2010 Number 454 allows ameliorating transactions to be made. This means the impact on Council Taxpayers will be the same as under the previously held policy of treating these leases as revenue items. This will remain the case until the agreements are reassigned.

Subsequent to this, leases will be classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to the ownership of property from the lessor to the lessee. All other leases are to be classified as operating leases.

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

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for a payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

<u>The Council as lessee</u>

Finance Leases

Property, plant and equipment held under Finance leases will be 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 will be matched by a liability for the obligation to pay the lessor. Initial direct costs of the Authority 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.

Lease payments will be apportioned between:

- A charge for the acquisition of the interest in the property, plant or equipment - applied to write down the lease liability,
- A finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

Property, Plant and Equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the Council at the end of the lease period).

The Council is not required to raise Council Tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

Operating Leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefiting from the use of the leased property, plant and equipment. Charges are made on a straight line basis over the life of the lease, even if this does not match the pattern of payments (i.e. there is a rent free period at the commencement of the lease).

<u>The Council as lessor</u>

Finance Leases

Where the Council grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the balance sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. A gain, representing the Authority's net investment in the lease is credited to the same line in the Comprehensive Income and Expenditure Statement also as part of a gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal) matched by a lease (long term debtor) asset in the balance sheet.

Lease rentals receivable will be apportioned between:

- A charge for the acquisition of the interest in the property, plant or equipment - applied to write down the lease debtor (together with any premiums received), and

- Finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

The gain credited to the Comprehensive Income and Expenditure Statement is not permitted by Statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where a premium, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement. When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve.

The written off value of disposals is not a charge against council tax, as the cost of Property, Plant and Equipment is fully provided for under separate arrangements for capital financing. Amounts are therefore appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

Operating Leases

Where the Council grants an operating lease over a property or an item of Plant or Equipment, the asset is retained in the Balance Sheet. Rental Income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.
Charges are made on a straight line basis over the life of the lease, even if this does not match the pattern of payments (i.e. there is a premium paid at the commencement of the lease).

Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the term on the same basis as rental income.

(p) OVERHEAD AND SUPPORT SERVICES

The costs of overhead and support services are charged to those services that benefit from them, in accordance with the costing principles of the CIPFA Service Reporting Code of Practice for Local Authorities 2011/2012. The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received with the exception of:

- Corporate and Democratic Core — costs relating to the Councils status as a multi functional, democratic organisation,
- Non Distributed Costs — the cost of discretionary benefits awarded to employees retiring early and impairment losses chargeable on Assets Held for Sale.

These two cost categories are defined in the Service Reporting Code of Practice and accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of the Total Cost of Services.

(q) PROPERTY, PLANT AND EQUIPMENT

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment (PP&E).

Recognition

Expenditure on the acquisition, creation or enhancement of Property Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the authority and the cost of the item can be measured reliably. Expenditure that remains but does not add to an assets potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

Measurement

Assets are initially measured at cost, comprising:

- The purchase price,
- 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,
- The initial estimate of the costs of dismantling and removing the item and restoring the site upon which it is located.

The Council does not capitalise borrowing costs incurred whilst assets are under construction.

The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (i.e. it will not lead to a variation in the cash flows of the authority). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying value of the asset given up by the Authority.

Assets are then carried in the Balance Sheet using the following measurement bases:

- Infrastructure, community assets and assets under construction – depreciated historical cost,
- Non HRA dwellings and rented property - fair value, determined using the basis of existing use,
- All other assets - fair value, determined as the amount that would be paid for the asset in its existing use.

Where there is no market based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of fair value.

Where non property assets that have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for fair value.

Assets that create networks i.e. a series of small items that together create a single service potential are not recognised unless they constitute 5% of PP&E or £5m, whichever is the lesser.

Assets included in the balance sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. (Exceptionally gains might be credited to the Comprehensive Income and Expenditure Statement 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 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 Revaluation Reserve contains gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

Impairment

Assets are assessed at each 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, 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 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.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e. freehold land and certain Community Assets such as Parks), and assets that are not yet available for use (i.e. assets under construction) and assets held for a commercial return (i.e. investment properties).

Where an item of Property Plant or Equipment asset has major components whose cost is significant in relation to the total cost of the item, then the components are depreciated separately. However, CIPFA has allowed an amnesty so that only as assets are revalued do significant components need to be valued separately. Therefore buildings not revalued in 2011/2012 may contain significant components that have yet to be separated. These are currently being depreciated over the useful life of the building. As the Council has a five year revaluation programme, all components should be separately valued by 2014/2015.

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.

Disposals and non current assets held for sale

When it becomes apparent that the carrying amount of an asset will be recovered principally through a sale 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 losses previously recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

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 the carrying amount before they were classified as held for sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Held for sale, and their recoverable amount at the date of the decision not to sell.

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal, Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

When an asset has been fully depreciated it is assumed, unless otherwise known, that the asset is disposed of or decommissioned in the following year. The gross value of the asset and the matching accumulated depreciation are then written out as disposals in that year.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts.

The written off value of disposals is not a charge against council tax, as the cost of Property, Plant and Equipment is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the capital adjustments account from the General Fund Balance in the Movement in Reserves Statement.

(r) PRIVATE FINANCE INITIATIVE AND SIMILAR CONTRACTS

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 its 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 Authority carries the assets used under the contracts on its Balance Sheet as Property Plant and Equipment.

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

These non current assets recognised on the Balance Sheet are revalued and depreciated in the same way as property plant and equipment owned by the Council.

The amounts payable to the PFI operator 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 on the same basis as for a finance lease);
- Lifecycle replacement costs - proportion of the amounts payable is posted to the Balance Sheet as a prepayment and then recognised as additions to Property, Plant and Equipment when the relevant works are eventually carried out.

(s) PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

Provisions

Provisions are made where an event has taken place that gives the Authority 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. For instance, the authority may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that 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 into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried within the Balance Sheet. Estimated settlements are reviewed at the end of each financial year - where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made) the provision is reversed and credited back to the relevant service.

Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. an insurance claim), this is only recognised as income for the relevant service if it is virtually certain the reimbursement will be received if the Council settles the obligation.

Amounts required to settle any obligation have not been discounted when included in the accounts.

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 authority. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

Contingent Assets

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

Contingent Assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefit or service potential.

(t) RESERVES

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When the expenditure to be financed from a reserve is incurred, it is charged to the appropriate 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 into the General Fund Balance in the Movement of Reserves Statement so that there is no net change against council tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non current assets, financial instruments, retirement and employee benefits and do not represent usable resources for the authority- these reserves are explained in the relevant notes and policies.

(u) REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Council has determined to meet the cost of this expenditure from existing capital resources or from borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of council tax.

(v) VAT

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income.

8 COLLECTION FUND

The Collection Fund (England) is an agent's 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 distribution to local authorities and the Government of council tax and non-domestic rates.

2010/2011 £000s	INCOME AND EXPENDITURE ACCOUNT	Notes	2011/12 £000s
	INCOME		
-113,046	**Income from Council Tax Payers**		-112,925
	Transfers from General Fund		
-26,517	Council Tax Benefits Grant		-27,069
-63,832	**Income from Business Ratepayers**		-67,296
-500	**Contributions towards previous years' estimated deficit**		-501
-203,895	**Total Income**		**-207,791**
	EXPENDITURE		
138,482	**Precepts and Demands**	2	138,510
	Business Rates	3	
65,561	Payment to National Pool		65,785
331	Cost of Collection Allowance		326
65,892			66,111
	Bad and Doubtful Debts	4	
2,388	Write offs		1,354
-3,239	Increase / Decrease (-) in Provisions		1,849
-851			3,203
203,523	**TOTAL EXPENDITURE**		**207,824**
-372	**MOVEMENT ON THE FUND BALANCE**		**33**
	COLLECTION FUND BALANCES		
700	Balances Brought Forward		328
-372	Movement on the Fund Balance in Year		33
328	**BALANCES AT YEAR END**		**361**
	BALANCES TO BE ALLOCATED		
285	Sefton MBC		314
29	Merseyside Police Authority		32
14	Merseyside Fire and Civil Defence Authority		15
328			**361**

NOTES TO THE COLLECTION FUND

1 COUNCIL TAX BASE

The Council's tax base, i.e., the number of chargeable dwellings in each valuation band for 2011/12 (adjusted for dwellings where discounts apply) converted to a number of band D dwellings, has been calculated as follows:

Band	Number of Chargeable Dwellings After Discounts	Proportion of Band D Charge	Band D Equivalent Dwellings
A*	77.75	5/9	43.19
A	31,303.45	6/9	20,868.97
B	22,965.35	7/9	17,861.94
C	26,726.75	8/9	23,757.11
D	13,434.80	9/9	13,434.80
E	7,402.20	11/9	9,047.13
F	3,572.70	13/9	5,160.57
G	2,520.85	15/9	4,201.42
H	175.75	18/9	351.50
	108,179.60		94,726.63
Adjustment for estimated collection rate (98.25%)			-1,657.72
Adjustment for Ministry of Defence properties			7.00
Council Tax Base			93,075.91

* Properties subject to disabled relief

Band "D" Equivalent is the statutory method of expressing the cost of Council Tax for any given area if all properties are valued as a proportion of a band D property, e.g. band H, which is equivalent to twice the value of band D, would therefore be charged twice the band D equivalent.

2 PRECEPTS AND DEMANDS ON THE COLLECTION FUND

The following precepts and demands have been made on the fund during the year:

	2010/2011 £000	2011/12 £000
Sefton M.B.C. (Including Parish Precepts)	118,848	118,871
Merseyside Police Authority Precept	13,607	13,610
Merseyside Fire & Civil Defence Authority Precept	6,027	6,029
	138,482	138,510

3 INCOME FROM BUSINESS RATE PAYERS

Under the arrangements for nationally uniform business rates, the Council collects NNDR for its area, which is based on local rateable values multiplied by a uniform rate. In 2011/12 this rate was 43.3p. The total amount less certain relief and other reductions is paid to a central pool (the NNDR pool) managed by Central Government, which in turn pays back to authorities their share of the pool as formula grant. At 31 March 2012 the total non-domestic rateable value was £182,170,926.

4 BAD AND DOUBTFUL DEBTS

In 2011/20 12, debts of £1.057m (£1.264m in 2010/2011)in respect of Business Rates and £0.297m (£1.124m in 2010/2011) in respect of Council Tax were written off. These amounts were funded from provisions made in previous years. As a result there is no effect on the deficit declared for the Collection Fund.

5 COLLECTION FUND DEFICIT (-) / SURPLUS REPAYMENTS IN THE YEAR

The amounts were received during the year in respect of the estimated collection fund deficit (-) / surplus:

	2010/2011 £000	2011/12 £000
Sefton M.B.C.	-430	-430
Merseyside Police Authority	-49	-49
Merseyside Fire and Rescue Service	-21	-22
	-500	-501

6 COLLECTION FUND SURPLUS / DEFICIT

The Collection Fund comprises two separate elements - one in respect of Council Tax transactions and the other in respect of residual Community Charge receipts. Any surplus or deficit on Council Tax transactions is shared between Sefton, the Merseyside Fire and Rescue Service and the Police Authority and is taken into account in determining the level of Council Tax and precepts in future years. Any surplus or deficit on residual Community Charge transactions affects only Sefton's Council Tax requirement in future years - i.e., it is not shared with the Joint Authorities.

When the 2012/13 budget was set, Sefton's share of the forecast net deficit on the Collection Fund at 31 March 2012 was estimated at £0.430m. This was taken into account in setting Council Tax levels for 2012/2013.

The fund was in deficit at the 31 March 2012 as a result of an increase in the bad debts provision required at the year-end. Sefton's share of the net deficit is £0.314m, with a further £0.047m due from the Police Authority and Fire Service. These sums will be taken into account in estimating the likely Collection Fund balance at 31 March 2013, which in turn will influence the level of Council Tax in 2013/2014.

9 GROUP ACCOUNTS

The standard financial statements consider the Council only as a single entity. Sefton Council now conducts some of its adult and social care services activities through a wholly owned company, Sefton New Directions Limited, which began trading on 1 April 2007.

Thus a full picture of the Council's economic activities, financial position, service position, accountability for resources and exposure to risk is not presented in the Council's single entity financial statements. As a result, group financial statements are used to reflect the full extent of Sefton Council's involvement with its group undertakings in order to provide a clearer picture of the Council's activities as a group.

The following pages include:

- Group Movement in Reserves Statement,
- Group Comprehensive Income and Expenditure Statement,
- Reconciliation of the Single Entity Deficit / Surplus (-) on Provision of Services to the Group Deficit / Surplus (-) on Provision of Services,
- Group Balance Sheet,
- Group Cash Flow Statement, and,
- Notes to the Group Accounts.

The main effect of consolidation has been to reduce revenue reserves by £1.865m (£1.005m as at 31 March 2011), representing the Authority's 100% share of accumulated net losses in the Company.

The Group Comprehensive Income and Expenditure Statement records a deficit for Sefton New Directions Limited of £2.468m (a £1.100m surplus in 2010/2011).

After adjusting for Movements on Reserves the deficit achieved by Sefton New Directions Limited in 2011/2012 was £0.860m (£1.294m in 2010/2011).

Both organisations have a financial year-end of 31 March.

The Company's accounts for 2011/2012 are due to be audited in September 2012. Following completion of the audit, copies of the Company's accounts can be obtained from The Company Secretary, Sefton New Directions Head Office, Third Floor, The Investment Centre, 375 Stanley Road, Bootle, Merseyside, United Kingdom, L20 3EF.

GROUP MOVEMENT IN RESERVES STATEMENT

This statement shows the movement in the year on the different reserves held by the authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and unusable reserves. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance for Council Tax setting purposes. 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.

Movements in Reserves in 2011/2012	Sefton Council – Usable Reserves £000	New Directions Surplus £000	New Directions Pensions Reserve £000	**Total Usable Reserves £000**	Unusable Reserves – Sefton £000	**Total Authority Reserves £000**
Balance at 1 April 2011	-99,183	1,005	1,880	-96,298	-355,093	-451,391
Movements in Year						
Surplus on the provision of services	121,822	860	0	122,682	0	122,682
Other Comprehensive Income and Expenditure	0	0	1,608	1,608	43,550	45,158
Total Comprehensive Income and Expenditure	121,822	860	1,608	124,290	43,550	167,840
Adjustments between accounting basis and funding basis under regulations (Note 5 of single entity accounts)	-114,176	0	0	-114,176	114,176	0
Net Increase before Transfers to Earmarked Reserves	7,646	860	1,608	10,114	157,726	167,840
Transfers to / from Earmarked Reserves (Note 37 of single entity accounts)	0	0	0	0	0	0
Increase in Year	7,646	860	1,608	10,114	157,726	167,840
Balance at 31 March 2012	-91,537	1,865	3,488	-84,684	-197,367	-283,551

Movements in Reserves in 2010/2011	Sefton Council – Usable Reserves £000	New Directions Surplus £000	New Directions Pensions Reserve £000	**Total Usable Reserves £000**	Unusable Reserves – Sefton £000	**Total Authority Reserves £000**
Balance at 1 April 2010 Restated	-80,375	-289	4,274	-76,390	-287,658	-364,048
Movements in Year						
Surplus on the provision of services	-47,977	1,294	0	-46,683	0	-46,683
Other Comprehensive Income and Expenditure	0	0	-2,394	-2,394	-38,266	-40,660
Total Comprehensive Income and Expenditure	-47,977	1,294	-2,394	-49,077	-38,266	-87,343
Adjustments between accounting basis and funding basis under regulations (Note 5 of single entity accounts)	29,169	0	0	29,169	-29,169	0
Net Increase before Transfers to Earmarked Reserves	-18,808	1,294	-2,394	-19,908	-67,435	-87,343
Transfers to / from Earmarked Reserves (Note 37 of single entity accounts)	0	0	0	0	0	0
Increase in Year	-18,808	1,294	-2,394	-19,908	-67,435	-87,343
Balance at 31 March 2011 Restated	-99,183	1,005	1,880	-96,298	-355,093	-451,391

GROUP 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 to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

2010/ 2011 Restated Gross Expenditure	2010/ 2011 Restated Gross Income	2010/ 2011 Restated Net Expenditure	Note		2011/ 2012 Gross Expenditure	2011/ 2012 Gross Income	2011/ 2012 Net Expenditure
£000s	£000s	£000s		Cost of Services	£000s	£000s	£000s
-43,681	0	-43,681	8	Non Distributed Costs – Retirement Benefits - Past Service Gain / Curtailment Cost / Settlements	-6,811	0	-6,811
14,391	0	14,391		Non Distributed Costs - Other	15,297	0	15,297
-29,290	0	-29,290		Total Non Distributed Costs	8,486	0	8,486
112,176	-29,571	82,605		Adult Social Care	113,382	-26,641	86,741
9,482	-320	9,162		Corporate and Democratic Core	8,907	-248	8,659
40,945	-34,872	6,073		Central Services to the Public	38,177	-33,301	4,876
327,999	-257,503	70,496		Children's and Education Services	283,025	-216,470	66,555
32,641	-9,554	23,087		Cultural and Related Services	28,486	-9,736	18,750
24,964	-6,878	18,086		Environmental and Regulatory Services	22,807	-6,843	15,964
23,197	-6,357	16,840		Highways and Transport Services	21,130	-4,831	16,299
105,910	-98,003	7,907		Other Housing Services	113,289	-104,783	8,506
20,286	-11,858	8,428		Planning Services	17,132	-8,623	8,509
2,112	0	2,112	3	Exceptional Costs – New Directions	229	0	229
670,422	**-454,916**	**215,506**		**Total Cost of Services**	**655,050**	**-411,476**	**243,574**
				Other Operating Income and Expenditure			
		983		Precepts paid to Parish Councils			974
		37,571		Levies			39,033
		20		Contribution to Housing Pooled Capital Receipts			19
		9,588		Gain or Loss on the disposal of non-current assets			111,542
		-4,106		Other Operating Income			-3,131
		0		Transfer of School Balances to Academies			2,700
		44,056					151,137
				Financing and Investment Income & Expenditure			
		7,536		Interest payable and similar charges			7,557
		14,112	8	Pensions interest cost & expected return on pensions assets			8,223
		-833		Interest Receivable			-953
		-456		Trading Operations			-595
		-1,582		Income and Expenditure on Investment Properties			-1,391
		1,065		Changes in the Fair Value of Investment Properties			148
		19,842					12,989
				Taxation and Non-specific Grant Income			
		-160		Taxation			96
		-118,737		Income from Council Tax			-118,412
		-108,865		Contribution from National Non-Domestic Rate Pool			-96,457
		-48,702		Non-Ringfenced Government Grants			-54,169
		-49,623		Capital Grants and Contributions			-16,076
		-326,087					-285,018
		-46,683		**Deficit / Surplus (-) on Provision of Services**			**122,682**
		6,176		Surplus (-) / Deficit on revaluation of Property, Plant and Equipment			-2,168
		-47,850	8	Actuarial Losses / Gains (-) on Pension Assets and Liabilities			47,761
		1,014		Deferred Tax re. Actuarial losses / gains (-) on pension fund assets and liabilities for Sefton New Directions Limited			-435
		-40,660		**Other Comprehensive Income and Expenditure**			**45,158**
		-87,343		**Total Comprehensive Income and Expenditure**			**167,840**

Reconciliation of the Single Entity Deficit / Surplus (-) on Provision of Services to the Group Deficit / Surplus (-) on Provision of Services

2010/2011 Restated £000s		2011/2012 £000s
-47,977	Deficit / Surplus (-) for the year on Provision of Services on the Authority Income and Expenditure Statement	121,822
1,294	Deficit in the Group Income and Expenditure Statement Attributable to Group Entities (adjusted for Intra-Group Transactions)	860
-43,683	**Deficit / Surplus (-) for the year on Provision of Services on the Group Income and Expenditure Statement**	**122,682**

GROUP BALANCE SHEET

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the authority. The net assets of the authority (assets less liabilities) are matched by the reserves held by the authority. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the authority 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'.

1 April 2010 Restated £000s	31 March 2011 Restated £000s		Note	31 March 2012 £000s
761,069	761,171	Property, Plant and Equipment	9	643,692
43,642	43,809	Investment Property		45,055
11.057	11,057	Heritage Assets		11,057
1,562	1,599	Intangible Assets		1,423
7,516	8,192	Long Term Receivables		8,198
824,846	825,828	**Long-Term Assets**		709,425
15,080	25,090	Short Term Investments		15,181
981	285	Assets Held for Sale		594
267	309	Inventories		375
54,480	42,327	Short Term Receivables	10	37,689
5,405	2,540	Prepayments		2,159
9,848	38,889	Cash and Cash Equivalents	11	36,807
86,061	109,440	**Current Assets**		92,805
-11,780	-1,858	Short Term Borrowing		-9,763
-37,594	-41,569	Short Term Payables	12	-33,244
-13,448	-17,326	Receipts in Advance		-18,761
0	-2,717	Provisions	13	-1,235
-2,092	-2,407	Deferred Liabilities		-2,434
-64,914	-65,877	**Current Liabilities**		-65,437
-10,430	-9,569	Provisions		-12,235
-111,862	-130,813	Long Term Borrowing		-123,311
-30,086	-27,678	Deferred Liabilities		-25,181
-329,274	-249,832	Pensions Liability	8	-292,036
-292	-108	Capital Grants/Contributions Receipts in Advance		-479
-481,944	-418,000	**Long Term Liabilities**		-453,242
364,049	**451,391**	**Net Assets**		**283,551**

1 April 2010 Restated £000s	31 March 2011 Restated £000s	Balance Sheet (Continued)	Notes	31 March 2012 £000s
		Reserves		
		Usable Reserves		
12,730	15,198	General Fund - Delegated Schools		18,549
3,661	3,687	General Fund - Non Delegated Services		3,711
289	-1,005	New Directions - Profit and Loss Account		-1,865
44,396	57,753	Earmarked Reserves		52,649
5,041	6,341	Capital Receipts Reserve		6,332
14,548	16,204	Capital Grants and Contributions Unapplied		10,296
80,665	98,178			89,672
		Unusable Reserves		
116,152	107,003	Revaluation Reserve		85,689
499,625	500,699	Capital Adjustment Account		404,283
-961	-902	Financial Instruments Adjustment Account		-843
-328,111	-248,726	Pensions Reserve	8	-290,863
1,360	1,209	Deferred Capital Receipts		1,060
-605	-285	Collection Fund Adjustment Account		-314
-4,076	-5,785	Accumulated Absences Account		-5,133
283,384	353,213			193,879
364,049	**451,391**	**Total Group Reserves**		**283,551**

GROUP CASH FLOW STATEMENT

The Cash Flow Statement shows the changes in cash and cash equivalents of the authority during the reporting year. 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 authority are funded by way of taxation and grant income or from the recipients of services provided by the authority. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the authority's 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 authority.

2010/2011 Restated £000s		Note	2011/2012 £000s
	Operating Activities		
-46,683	Net Deficit / Surplus (-) on the provision of services		122,682
-29,037	Adjustments to net surplus or deficit on the provision of services for non-cash movements		-30,634
39,625	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities		-96,715
-36,095	Net cash flows from Operating Activities	14	-4,667
	Investing Activities		
58,724	Purchase of property, plant and equipment, investment property and intangible assets		33,026
10,184	Purchase of short-term and long-term investments		0
0	Other payments for investing activities		0
-1,323	Proceeds from the sale of property, plant and equipment, investment property and intangible assets		-850
0	Proceeds from short-term and long-term investments		-10,000
-49,355	Other receipts from investing activities		-17,518
18,230	Net cash flows from Investing Activities		4,658
	Financing Activities		
-20,000	Cash receipts of short- and long-term borrowing		0
-4,319	Other receipts from financing activities		-1,424
1,655	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts		2,032
11,428	Repayments of short- and long-term borrowing		1,483
60	Other payments for financing activities		0
-11,176	Net cash flows from Financing Activities		2,091
-29,041	**Net decrease / increase (-) in cash and cash equivalents**		**2,082**
-9,848	Cash and cash equivalents at the beginning of the reporting period		-38,889
-38,889	**Cash and cash equivalents at the end of the reporting period**	11	**-36,807**

NOTES TO THE GROUP ACCOUNTS

1 INTRODUCTION

The notes below include details of where the inclusion of Sefton New Directions Limited has altered the disclosures within Sefton's single entity accounts. All other notes to the Group Financial Statements are as shown in the Notes to the single entity accounts.

2 PRIOR YEAR ADJUSTMENTS

The Group Accounts have been amended to take account of the new disclosure requirements introduced by the Code and the correction of any errors. Details of the adjustments made are outlined in Note 1 to the single entity accounts.

In addition, the Group Accounts for 2010/2011 were based on an unaudited version of Sefton New Direction's accounts. Following audit a number of amendments were made to their accounts. These have now been incorporated in the 2010/2011 comparator figures and the adjustments are shown below (there were no amendments required to the 1 April 2010 opening Balance Sheet figures):

31 March 2011 Balance Sheet:	**2010/2011 Statements £000**	**Adjustments Made £000**
Short Term Receivables	42,164	163
Short Term Payables	-41,721	152
Short Term Provisions	-605	-2,112
Pensions Liability	-249,186	-646
New Directions – Profit and Loss Account	-1,378	2,383
Pensions Reserve	248,666	60

2010/2011 Comprehensive Income and Expenditure Statement:	**2010/2011 Statements £000**	**Adjustments Made £000**
Non Distributed Costs – Retirement Benefits - Past Service Gain / Curtailment Cost / Settlements - Expenditure	-46,361	581
Adult Social Care - Expenditure	111,860	316
Exceptional Costs – New Directions - Expenditure	0	2,112
Pensions interest cost and expected return on pensions assets	14,176	-64
Taxation	402	-562
Deferred Tax re. Actuarial gains (-) / losses on pension fund assets and liabilities for Sefton New Directions Limited	954	60

3 EXCEPTIONAL COSTS

During 2011/2012 New Directions incurred exceptional costs as follows:

2010/2011 £000		2011/2012 £000
1,024	Provision for Restructuring Costs	44
1,088	Provision for Pay and Grading Review	185
2,112	**Total**	229

4 DISCLOSURE OF AUDIT COSTS

Sefton New Directions Limited incurred the following fees relating to external audit and inspection.

2010/2011 £000		2011/2012 £000
15	Fees payable to Grant Thornton for external audit services carried out	14
3	Fees payable in respect of any other services	3
18	**Total**	17

Sefton's expenditure on audit costs is shown in Note 17 to the single entity accounts.

5 ASSETS ON OPERATING LEASES

Sefton New Directions Limited made operating lease payments of £16,191 in 2011/2012 relating to Land and Buildings (£16,191 in 2010/2011). Sefton New Directions was committed to making payments of £23,536 for operating leases in 2012/2013; this commitment is due to expire between one and five years.

Sefton's expenditure on operating leases is shown in Note 51 to the single entity accounts.

6 AMOUNTS REPORTED FOR RESOURCE ALLOCATIONS DECISIONS

The analysis of income and expenditure by service on the face of the Group Comprehensive Income and Expenditure Statement is that specified by the Service Reporting Code of Practice.

The authority is also required to disclose this information in the way it is reported internally to management. The Authority's departmental income and expenditure analysis is provided in Note 6 to the single entity accounts. This remains unchanged when presented on a Group Basis and as a result is not repeated here.

The following tables provide a reconciliation between the departmental income and expenditure provided in Note 6 to the single entity accounts and (1) the cost of services and (2) the surplus or deficit on the provision of services shown in the Group Comprehensive Income and Expenditure Statement.

Reconciliation of Departmental Income and Expenditure to Cost of Services in the Group Comprehensive Income and Expenditure Statement

This reconciliation shows how the figures in the analysis of departmental income and expenditure relate to the amounts included in the Comprehensive Income and Expenditure Statement.

2010/2011 £000		2011/2012 £000
257,726	**Net expenditure in the Departmental Analysis**	256,575
1,287	Net expenditure of services and support services not included in the Analysis	818
-42,958	Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis	-13,376
-549	Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement	-443
215,506	**Cost of Services in Group Comprehensive Income and Expenditure Statement**	243,574

Reconciliation to Subjective Analysis

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

2011/2012	Departmental Analysis £000	Sefton New Directions £000	Amounts not reported to management for decision making £000	Amounts not included in I&E £000	Allocation of Recharges £000	**Cost of Services £000**	Corporate Amounts £000	**Total £000**
Fees, charges & other Service Income	-96,597	-10,312	10,511	0	26,909	**-69,489**	-7,629	**-77,118**
Interest and investment income	0	0	0	0	0	**0**	-2,415	**-2,415**
Income from council tax	0	0	0	0	0	**0**	-118,412	**-118,412**
Other Operating Income	0	0	0	0	0	**0**	-3,131	**-3,131**
Government grants and contributions	-343,101	0	1,114	0	0	**-341,987**	-166,702	**-508,689**
Total Income	-439,698	-10,312	11,625	0	26,909	**-411,476**	-298,289	**-709,765**
Employee Expenses	241,612	8,651	-11,592	0	0	**238,671**	10,872	**249,543**
Other service expenses	395,204	2,479	-13,409	-443	-8,646	**375,185**	6,621	**381,806**
Support Service Recharges	18,263	0	0	0	-18,263	**0**	0	**0**
Depreciation amortisation and impairment	41,194	0	0	0	0	**41,194**	683	**41,877**
Interest Payments	0	0	0	0	0	**0**	7,557	**7,557**
Precepts and Levies	0	0	0	0	0	**0**	40,007	**40,007**
Payment to Housing Capital Receipts Pool	0	0	0	0	0	**0**	19	**19**
Gain or Loss on Disposal of Property, Plant and Equipment	0	0	0	0	0	**0**	111,542	**111,542**
Taxation	0	0	0	0	0	**0**	96	**96**
Total Expenditure	696,273	11,130	-25,001	-443	-26,909	**655,050**	177,397	**832,447**
Surplus or deficit on the provision of services	256,575	818	-13,376	-443	0	**243,574**	-120,892	**122,682**

The table below shows comparative figures for 2010/2011:

2010/2011	Departmental Analysis £000	Sefton New Directions £000	Amounts not reported to management for decision making £000	Amounts not included in I&E £000	Allocation of Recharges £000	**Cost of Services £000**	Corporate Amounts £000	**Total £000**
Fees, charges & other Service Income	-103,193	-12,209	10,712	0	27,661	**-77,029**	-8,290	**-85,319**
Interest and investment income	0	0	0	0	0	**0**	-2,457	**-2,457**
Income from council tax	0	0	0	0	0	**0**	-118,737	**-118,737**
Other Operating Income	0	0	0	0	0	**0**	-4,106	**-4,106**
Government grants and contributions	-381,035	0	3,148	0	0	**-377,887**	-207,190	**-585,077**
Taxation	0	0	0	0	0	**0**	-160	**-160**
Total Income	-484,228	-12,209	13,860	0	27,661	**-454,916**	-340,940	**-795,856**
Employee Expenses	267,017	10,261	-38,143	0	0	**239,135**	17,013	**256,148**
Other service expenses	412,577	3,235	-17,242	-549	-7,688	**390,333**	4,292	**394,625**
Support Service Recharges	19,973	0	0	0	-19,973	**0**	0	**0**
Depreciation amortisation and impairment	42,387	0	-1,433	0	0	**40,954**	1,748	**42,702**
Interest Payments	0	0	0	0	0	**0**	7,536	**7,536**
Precepts and Levies	0	0	0	0	0	**0**	38,554	**38,554**
Payment to Housing Capital Receipts Pool	0	0	0	0	0	**0**	20	**20**
Gain or Loss on Disposal of Property, Plant and Equipment	0	0	0	0	0	**0**	9,588	**9,588**
Total Expenditure	741,954	13,496	-56,818	-549	-27,661	**670,422**	78,751	**749,173**
Surplus or deficit on the provision of services	257,726	1,287	-42,958	-549	0	**215,506**	-262,189	**-46,683**

7 EMPLOYEES' EMOLUMENTS IN EXCESS OF £50,000

Sefton New Directions Limited had one employee whose remuneration was over £50,000 in 2011/2012 (one in 2010/2011):

New Directions Staff				
Employed on 31/03/11	Left during the year	Remuneration Band	Employed on 31/03/12	Left during the year
0	0	£50,000 - £54,999	0	0
0	0	£55,000 - £59,999	0	1
0	0	£60,000 - £64,999	0	0
0	0	£65,000 - £69,999	0	0
0	1	£70,000 - £74,999	0	0
0	0	£75,000 - £79,999	0	0

Details of Sefton Employees' Emoluments are shown in Notes 14 and 15 to the single entity accounts.

8 PARTICIPATION IN PENSION SCHEMES

Sefton New Directions Limited employees are eligible to join the same Local Government Pension Scheme as those employees in Sefton.

The following transactions have been made in the Group Comprehensive Income and Expenditure Statement during the year:

2010/2011		Comprehensive Income and Expenditure Statement	2011/2012	
Sefton Council £000s	Sefton New Directions Limited Restated £000s		Sefton Council £000s	Sefton New Directions Limited £000s
		Cost of Services:		
17,825	1,253	Current Service Cost	15,381	1,006
-44,852	-1,509	Past Service Cost / Gain (-)	6	0
2,078	602	Curtailment Cost	1,587	184
0	0	Settlements	-8,588	0
		Financing and Investment Income & Expenditure:		
43,739	1,360	Interest Cost	39,397	1,103
-29,809	-1,178	Expected Return on Assets	-31,134	-1,143
-11,019	528	Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	16,649	1,150
-44,442	-3,408	Actuarial Losses or Gains (-) on Pension assets and Liabilities	45,718	2,043
0	1,014	Deferred Tax re. Actuarial losses or gains (-) on pension fund assets and liabilities for Sefton New Directions Limited	0	-435
-55,461	-1,866	Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	62,367	2,758

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement is a net loss of £238.729m (a net loss of £190.891m to 31 March 2011).

Assets and Liabilities in Relation to Retirement Benefits

Reconciliation of present value of scheme liabilities

2010/2011			2011/2012	
Sefton Council £000s	Sefton New Directions Limited Restated £000s		Sefton Council £000s	Sefton New Directions Limited £000s
784,339	31,679	1 April	728,414	26,690
17,825	1,253	Current Service Cost	15,381	1,006
43,739	1,360	Interest cost	39,397	1,103
6,429	409	Contributions by scheme participants	5,858	343
-50,763	-7,069	Actuarial losses and gains (-)	25,719	1,090
-30,381	-513	Benefits paid	-31,306	-772
-44,852	-1,509	Net Past Service Cost / Gain (-)	6	0
2,078	602	Curtailment Cost	1,587	184
0	0	Settlements	-12,103	0
0	478	Deferred Taxation recognised in respect of interest costs	0	349
728,414	26,690	31 March	772,953	29,993

Reconciliation of fair value of scheme assets:

2010/2011			2011/2012	
Sefton Council £000s	Sefton New Directions Limited Restated £000s		Sefton Council £000s	Sefton New Directions Limited £000s
460,502	24,127	1 April	481,568	22,859
29,809	1,178	Expected rate of return	31,134	1,143
-6,321	-3,661	Actuarial losses	-19,999	-953
21,530	905	Employer contributions	21,838	878
6,429	409	Contributions by scheme participants	5,858	343
-30,381	-513	Benefits paid	-31,306	-772
0	0	Settlements	-3,515	0
0	414	Deferred Taxation recognised in respect of expected return on scheme assets		361
481,568	22,859	31 March	485,578	23,859

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

The actual return on scheme assets in the year was a gain of £10.583m (compared with a gain of £35.042m in 2010/2011).

Scheme history

	2007/2008 £000s	2008/2009 £000s	2009/2010 £000s	2010/2011 Restated £000s	2011/2012 £000s
Present value of liabilities:					
Sefton Council	-712,804	-563,309	-784,339	-728,414	-772,953
Sefton New Directions Limited	-23,439	-19,914	-31,679	-26,690	-29,993
Fair value of assets in the LGPS:					
Sefton Council	464,203	342,315	460,502	481,568	485,578
Sefton New Directions Limited	19,427	17,120	24,127	22,859	23,859
Deficit in the Scheme:					
Sefton Council	-248,601	-220,994	-323,837	-246,846	-287,375
Sefton New Directions Limited	-4,012	-2,794	-7,552	-3,831	-6,134
Related Deferred Tax Asset	1,123	782	2,115	845	1,473
Total	-251,490	-223,006	-329,274	-249,832	-292,036

The liabilities show the underlying commitments that the Authority and Sefton New Directions Limited have in the long-run to pay additional retirement benefits. The total liability of £292m has a substantial impact on the net worth of the Group as recorded in the Balance Sheet, resulting in an overall balance of £284m.

The deficit for Sefton New Directions Limited on the Local Government Pension Scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme Actuary.

The total contributions expected to be made to the Local Government Pension Scheme by Sefton New Directions Limited in the year to 31 March 2013 is £0.883m.

Basis for Estimating Assets and Liabilities

All assumptions are the same as for Sefton Council and are shown in Note 54 to the Notes to the single entity accounts.

History of experience gains and losses

The actuarial gains / losses identified as movements on the Pensions Reserve in 2011/2012 for Sefton New Directions Limited can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2012:

	2007/2008 %	2008/2009 %	2009/2010 %	2010/2011 Restated %	2011/2012 %
Differences between the expected and actual return on assets:					
LGPS	-4.4	-28.9	19.9	-16.0	-4.0
Experience gain and losses (-) on liabilities:					
LGPS	-10.4	0	-29.2	26.5	-3.6

9 PROPERTY, PLANT AND EQUIPMENT

The Property, Plant and Equipment (PP&E) figure in the Group Balance Sheet includes £0.072m for Vehicles, Plant and Equipment of Sefton New Directions Limited at 31 March 2012 (£0.102m at 31 March 2011). Details of Sefton's PP&E are shown in Note 20 to the single entity accounts.

10 CURRENT ASSETS

The Current Assets figure in the Group Balance Sheet includes £1.074m for Receivables of Sefton New Directions Limited at 31 March 2012 (£0.291m at 31 March 2011). Details of Sefton's Receivables are shown in Note 30 to the single entity accounts.

11 CASH AND CASH EQUIVALENTS

The balance of Cash and Cash Equivalents held by Sefton MBC and Sefton New Directions Limited are shown below:

31 March 2011 £000s		31 March 2012 £000s
36,485	Sefton MBC - Cash and Cash Equivalents	36,394
2,404	Sefton New Directions Limited - Bank Deposits	413
38,889	**Total Cash and Cash Equivalents**	36,807

12 CURRENT LIABILITIES

The Current Liabilities figure in the Group Balance Sheet includes £1.454m for Payables of Sefton New Directions Limited at 31 March 2012 (£0.582m at 31 March 2011). Details of Sefton's Payables are shown in Note 32 to the single entity accounts.

13 PROVISIONS

The Current Liabilities figure in the Group Balance Sheet includes £0.795m for Short Term Provisions of Sefton New Directions Limited at 31 March 2012 (£2.112m at 31 March 2011). Details of Sefton's provisions are shown in Note 33 to the single entity accounts. Movements in New Directions' provisions during 2011/2012 were as follows:

		1 April 2011 £000s	Additions in Year £000s	Applied In Year £000s	Released In Year £000s	31 March 2012 £000s
	Short-term					
(a)	Restructuring Costs	-1,024	-60	405	0	-679
(b)	Pay and Grading	-1,088	-185	1,157	0	-116
		-2,112	**-245**	**1,562**	**0**	**-795**

Movements in New Directions' provisions during 2010/2011 were as follows:

		1 April 2010 £000s	Additions in Year £000s	Applied In Year £000s	Released In Year £000s	31 March 2011 Restated £000s
	Short-term					
(a)	Restructuring Costs	0	-1,024	0	0	-1,024
(b)	Pay and Grading	0	-1,088	0	0	-1,088
		0	**-2,112**	**0**	**0**	**-2,112**

(a) **Restructuring Costs** – Restructuring costs reflects a provision for severance payments as management made and communicated a formal decision prior to 31 March 2012 to eliminate certain positions. Payments are expected to be made in the year ending 31 March 2013. All restructuring costs excluding £101,472 have been paid post year end. The full amount was not utilised during the year ended 31 March 2012 due to the longer than expected process of implementing the restructuring and liaising with trade unions. Such factors are the mainuncertainties regarding the timing and quantum of payments yet to be made.

(b) **Pay and Grading** - The pay and grading review reflects a contingent liability disclosed in prior years where management have reached a negotiated resolution and are now able to reliably measure the liability arising on the company. Final payments are expected to be made in the year ending 31 March 2013.

14 CASH FLOW STATEMENT – OPERATING ACTIVITIES

The cash flows for operating activities include the following items:

2010/2011 £000s		2011/2012 £000s
-1,007	Interest received	-862
7,456	Interest paid	6,049

10 ANNUAL GOVERNANCE STATEMENT

1. SCOPE OF RESPONSIBILITY

1.1 Sefton Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards and that public money is safeguarded and properly accounted for and used economically, efficiently and effectively. Sefton 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.

1.2 In discharging this overall responsibility, Sefton 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.

1.3 Sefton Council has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government. This statement explains how Sefton Council has complied with the code and also meets the requirements of regulation 4(2) of the Accounts and Audit Regulations 2011 Para 4 (a) in relation to the publication 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 outcomes.

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 Sefton 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 Sefton Council for the year ended 31 March 2012 and up to the date of approval of the Statement of Accounts.

3. THE GOVERNANCE FRAMEWORK

The key elements of the systems and processes that comprise Sefton Council's governance arrangements include arrangements as follows:

3.1 The Community Strategy and Corporate Plan, plus other key plans/strategies such as the Children and Young People Plan, Crime and Disorder Reduction Strategy, Local Transport Plan identifies and communicates the Council's vision of its purpose and intended outcomes for citizens and service users.

3.2 There is an annual refresh of the Corporate Plan and Community Strategy, as well as an updating of the Council's Constitution. The Council undertook a full review of prioritisation during the 2010/11 financial year and identified its priorities based on Critical, Frontline, Regulatory work in Tiers 1, 2 and 3. This prioritisation has led the development of the transformation agenda / plan for Sefton Council which will form the basis for the Council's Corporate Plan.

3.3 As part of the transformation agenda for Sefton the Council undertook a fundamental far reaching review of its governance arrangements in 2010/11, this has seen the establishment of a Corporate Commissioning Department responsible for Performance Management and Governance. A restructure of Performance Management as part of the restructure / review of Corporate Commission was started in 2011/12 with a fully established structure expected early 2012/13. The review of governance arrangements in 2010/11 included a Partnership mapping exercise and a review of a selection of partnerships – those for which the Council is the accountable body and others: a review of risk and performance management, review of all outside bodies plus a number of other workstreams.

3.4 In addition to this fundamental governance review the Council has also decided to undertake a strategic budget review to ensure it can demonstrate it is resourcing its priorities effectively and that the Council is in a position to face the many challenges. A new organisational structure has been established, with refreshed ideas for the Strategic Leadership Team, which meets fortnightly to provide strategic leadership to the Council. The SLT has thematic responsibilities, and are responsible for performance managing Heads of Service. The review of the thematic responsibility is complete, and the restructure of Departments / Directorates has been completed. The transformation plan includes reviewing working practices and resources; the transformation team is working with SLT and Heads of Service in order to identify areas where improvements in the effectiveness and efficiencies within the services the Council delivers can be made.

3.5 A review of the performance management framework will also be undertaken in order to drive out policies, systems and process improvements in preparation for the cessation of the Audit Commission and CAA. New KPI's will also be developed during 2012/13. This will also ensure that services are delivered in line with corporate aims and objectives. The Council has begun this process with a number of visioning workshops to drive out the Corporate Objectives; this is expected to be complete by September 2012.

3.6 The Councils' Constitution was reviewed in 2010/11 and published in May 2011. This clearly sets out the executive, scrutiny and regulatory roles within Sefton Council, this encompasses how decisions are made and the procedures which are followed to ensure that these are efficient, transparent and accountable to local people. The Constitution is codified into one document and is available on the intranet and internet. The Council has had four Overview and Scrutiny Committees. Their role is to hold the Executive to account through the pre-scrutiny of executive decisions, the call-in mechanism or the holding of in-depth reviews into matters of public concern or general interest. A further review of the Constitution will be undertaken in 2012/13 in order to address the impact of the Localism Bill and the cessation of the Standards of England Board. As part of this process the Standards Committee has been amalgamated into the Councils Audit & Governance Committee.

3.7 Sefton has Codes of Conduct for employees and for Elected Members, which set out the responsibilities of the two respective groups, in relation to the standards of conduct required from them in their roles. The Officers and Members Code of Conduct were reviewed in 2010/11 in order to address the impact of the Bribery Act, The Council has a Member Officer Protocol. All Members have had the opportunity for training on the Code and both of the Codes are available on the Council's intranet.

3.8 The Council has an established framework for Risk Management including a Strategy and Policy. Risk Management has been a high priority for development in 2011/12 and will continue to be developed through 2012/13 in order to ensure that the authority is compliant and in line with good practice. A fundamental review of Risk Management has been undertaken in 2011/12 including restructuring to deliver an integrated Risk and Audit Team. This has been operating since January 2012 and will continue to be embedded throughout 2012/13. A Community and Corporate Risk Management Group has been established and will have its inaugural meeting in April 2012. The Corporate Risk Register will be one of the items on the Groups standing agenda and continues to be reviewed by the Audit and Governance Committee on a quarterly basis. Where appropriate, large or corporate projects have their own separate Risk Register to aid project management and these are also identified and reported within the Corporate Risk Register. The principles of Risk Management form part of the governance review and endeavours to embed them into the operation and planning of the Council continue. The Council is also to establish Departmental / Section / Operational risk registers as part of the process to embed risk management throughout the Council.

3.9 The Council established a dedicated Audit & Governance Committee in May 2006 in accordance with CIPFA Best Practice.

3.10 The Head of Corporate Legal Services is the Council's Monitoring Officer under the Local Government and Housing Act 1989 and is responsible for ensuring that, at all times, the Council is acting within its legal powers and for advice in relation to probity issues and ethical standards generally for all elected members. The Head of Corporate Finance & ICT is the Responsible Finance Officer and has responsibility under Section 151 of the Local Government Act 1972 for ensuring the proper administration of the Council's financial affairs. The role of HCF&IS is now permanently filled and the officer has assumed lead responsibility for the development, communication and maintenance of an appropriate Risk Management process.

3.11 The Council has effective financial management and control incorporating:

(a) The Council's Constitution which contains principles of financial control, including the scheme of delegation;
(b) Setting of key actions and targets in Corporate and Service Plans and the transformation plan;
(c) Comprehensive budgeting systems including the three year Medium Term Financial Plan;
(d) Budget monitoring systems within Departments together with risk-based overview monitoring in Corporate Finance & ICT Department;
(e) Monthly reviews and reporting of performance against forecasts/targets to the Leader of the Council and Leaders Group and on a quarterly basis to Cabinet Members;
(f) Clearly defined capital expenditure guidelines linked to revenue implications including the impact on prudential borrowing, and a strategic overview by the Strategic Asset Management Group; and,
(g) Project management disciplines in Service Departments.

3.12 CIPFA have published a Statement on the Role of the Chief Financial Officer (CFO) which describes the roles and responsibilities of the CFO in Local Government. As part of the Annual Governance Statement and the Council's review of governance arrangements the Council must confirm that the authority's financial management arrangements conform to the CIPFA statement or provide an explanation why they do not and how the authority delivers the same impact. The role of the CFO and the role of Section 151 Officer is provide by the Head of Corporate Finance & ICT who meets the requirements of the CIPFA Statement in that the Head of Corporate Finance & ICT :-

- Is a key member of the Leadership Team, developing and implementing strategy and enabling the delivery of the Council's strategic objectives;
- Is involved in and able to bring influence to bear on all key decisions;
- Leads the promotion and delivery of good financial management, to ensure that public monies is safeguarded at all times;
- is involved in the leadership and direction of the finance function that is resourced to be fit for purpose; and
- is professionally qualified and suitably experienced.

3.13 The Council maintains an adequate and effective Internal Audit service undertaking a comprehensive programme of work providing a framework of assurance available to satisfy the Council that the risks to its objectives and the risks inherent in undertaking its work have been properly identified and are being managed by controls that are adequately designed and effective in operation. The Council's external auditors undertake a number of planned and special audits into key service areas.

3.14 Reports are received on a periodic basis from a variety of inspection bodies to assess service performance in a number of areas. In addition, the capacity and performance of the overall Council is assessed as part of the Corporate Assessments and annual Use of Resources Assessment.

3.15 There are HR policies and procedures in place designed to ensure the integrity and proper conduct of staff and that the workforce is appropriately skilled and rewarded to deliver the Council's services

3.16 The Council has adopted a Confidential Reporting Policy (whistle-blowing policy) and a corporate complaints procedure for receiving complaints from the public. With regard to staff raising concerns about possible malpractice within the Council, the Confidential Reporting Policy enables such matters to be raised in a formal and confidential way, which complies with the Public Interest Disclosure Act.

3.17 The Council has been awarded the North West Charter for Member Development in recognition of its commitment to establishing high leadership standards and elected Member proficiency. It has adopted a Formal Member Training and Development Strategy.

3.18 The Council achieved Corporate IIP accreditation after being assessed in October 2009. An appraisal system is in place which involves regular one to one meetings with line managers. This system, together with the delegated responsibilities, outlined in the Constitution, and in job descriptions, ensures that performance is monitored, and that training needs are identified, and plans developed to meet those needs. A review of the Performance Review and Development Scheme and Chief Officer Appraisal Scheme is to be undertaken to ensure there are clear and robust measures in place to deliver the Councils agreed aims and objectives

3.19 The Council communicates with all sections of the community through various channels including the Communication Team, Contact Centres and One Stop Shops, direct consultation, Area Committees and Member surgeries, to name a few. The active participation of the Community Empowerment Network within the Sefton Borough Partnership and the work of the Engagement and Consultation Unit and the Equalities Partnership provide assurance that all sections of the community can be heard.

3.20 The Code of Corporate Governance refers to governance of partnerships. The Sefton Borough Partnership operates to a Governance protocol that is kept under regular review. A partnership mapping exercise was undertaken in 2010/11 and a Partnership Working Protocol established and published on the intranet.

4. <u>REVIEW OF EFFECTIVENESS</u>

Sefton Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of senior managers within the authority who have responsibility for the development and maintenance of the governance environment, the Chief Internal Auditor's annual report, which includes a report on the effectiveness of internal audit and also by comments made by the external auditors and other review agencies and inspectorates. An improvement plan has been drawn up resulting from the review, progress against the improvement plan will be reported to Audit & Governance on a quarterly basis.

The process that has been applied in maintaining and reviewing the effectiveness of the governance framework is outlined as follows:

4.1 The Council has a Corporate Plan outlining its corporate aims and objectives progress is reported to Cabinet Members half yearly. Following the Governments Spending review the Council has drawn up a transformation plan which aligns critical, regulatory, frontline services, tiers 1, 2 and 3. Resource allocation has been undertaken on this significant Council wide re-allocation and the budget has been re-configured to match alignment to the transformation plan. Updates are reported to Cabinet / Council on a regular basis.

A fundamental review / restructure of performance management functions were undertaken 2011/12 as part of the restructuring of the Corporate Commissioning Department, this is to continue into 2012/13. The Council is monitoring progress against the transformation plan in line with the achievement of savings and the prioritisation undertaken. A transformation board has been established to monitor progress against established plans. As part of the transformation programme a process of Quality Assurance has been established in order to ensure projects are appropriately progressing, to provide challenge as required and a process of escalation for relevant issues.

4.2 The Constitution was reviewed and updated in 2010/11 and approved by Council in May 2011. The Council's Monitoring Officer (Head of Corporate Legal Services) and Responsible Financial Officer (Head of Corporate Finance & ICT) have statutory responsibilities as previously described. This is to be further reviewed in line with the Localism Bill during 2012/13.

4.3 The Council continues to assess how its overall corporate governance responsibilities are discharged. A new Code of Corporate Governance (based on the new CIPFA/SOLACE guidance on ensuring 'Good Governance in Local Government') was approved by Audit & Governance Committee on 26th March 2008. This replaced the previous set of principles, which the Council had adopted in 2004.

4.4 The Council's Audit and Governance Committee is well established and meets quarterly. Its terms of reference are set out in the Constitution and include consideration of governance/risk management issues/ policies; annual/ periodic reports from internal audit and external audit and the annual statement of accounts.

4.5 The Council has four Overview and Scrutiny Committees- Performance & Corporate Services; Childrens Services; Regeneration & Environmental Services and Health & Social Care. Their terms of reference are set out in the Constitution. These Overview and Scrutiny Committees meet regularly and in public. Further information can be found in The Overview & Scrutiny Handbook and this together with, reports arising from their work is available to the public on the Councils website. The

Scrutiny Chairs also meet fairly regularly as a Management Board to progress cross cutting issues and emerging issues which affect all committees.

4.6 The Standards Committee is responsible for ensuring high ethical standards amongst Elected Members and produces an annual review. The Committees role included responsibility for the initial sifting of complaints and their subsequent investigation. The role of this Committee will be reviewed in 2012/13 in line with the Localism Bill in order to ensure continued compliance, this includes the merging of the Standards Committee into Audit & Governance Committee.

4.7 Internal Audit is provided in accordance with the statutory requirements of the Accounts and Audit Regulations 2011. Sefton Internal Audit operates in accordance with the CIPFA Code of Practice for Internal Audit in Local Government 2006. A revised framework for the Council's Internal Audit Plan for 2012/13 was presented to the Audit & Governance Committee and approved at the meeting of 28th March 2012. The Plan will be presented to Audit & Governance at its meeting in June 2012 for approval. Internal Audit work provides assurances to the Council and enables the Chief Internal Auditor (CIA) to provide an Annual Report and opinion on the overall control environment. During 2011/12 Internal Audit has undertaken a wide range of reviews reporting the findings and recommendations to relevant Directors, Managers, Headteachers and Chairs of Governors. The CIA provides Audit and Governance Committee with a quarterly report on Internal Audit performance summarising Audit reviews undertaken and identifying any issues requiring to be brought to the attention of Members or for potential consideration for the Annual Governance Statement. The CIA Annual Report to Audit and Governance Committee provides an opinion on the overall control environment. Internal Audit concluded from their work that they were generally satisfied with the level and adequacy of controls and in their opinion it was reasonable to conclude that the Council continues to operate within an adequate and generally effective overall control environment.

4.8 A review of the Councils Risk Management strategy was undertaken in 2011/12, this involved all relevant staff and a revised Risk Management Handbook was produced, this is available on the Council's intranet. The Corporate Risk Register is reported on a quarterly basis to Audit & Governance Committee. This has provided a formal review and reporting mechanism to ensure that the corporate standards are embedded. The development of an embedded risk management process is a high priority and the Head of Corporate Finance & ICT and Chief Internal Auditor undertake a fundamental review of Risk Management in 2011/12 in order to ensure the authority is compliant with requirements and in line with good practice. Restructuring was undertaken to deliver an integrated Risk and Audit Team, this includes Health & Safety, Insurance, Emergency Planning and Risk and Audit. A Risk Resilience Manager has been appointed who reports directly to the Chief Internal Auditor. A Community and Corporate Risk Management Group has been established, its inaugural meeting is to take place in April 2012.

4.9 The Council's review of effectiveness of the system of internal control is informed by:

- Directorate Assurance Statements;
- the work undertaken by Internal Audit during the year;
- the review of Internal Audit and compliance with the CIPFA Code of Practice for Internal Audit;
- the work undertaken by the external auditor and reported in the annual audit and inspection letter;
- other work undertaken by independent inspection bodies;
- The Governance Review.

4.10 Service Directors have responsibility for establishing and implementing internal control within their Department. To provide assurances on this and inform the review each Service Director has supplied a Directors Assurance Statement supported by a Controls Assurance Assessment Statement.

5. <u>SIGNIFICANT GOVERNANCE ISSUES</u>

5.1 <u>Delivery of Outsourced Functions</u>

The Council is in its third year of two contracts for delivery of major services via third party suppliers,. The contracts are with Capita Symonds (Construction and Property Related services) and arvato government services (Finance Transactional and ICT Services). These contracts generate significant financial, service and reputational risk to the authority. There are appropriate governance arrangements in place within the Council and the partner organisations in that the operation of the new partnerships are overseen by Service Client Units and an Operational Board for each contract together with a Joint Strategic Partnership Board. In 2011/12 arvato Management provided a letter of assurance providing the Council with assurance that internal controls are operating as they should be within systems operating within Arvato government services in respect of those systems utilised for processing Sefton MBC data. However, there has been no evidence to support the work undertaken in order to provide that assurance statement. Further work is to be undertaken in respect of assurance in 2012/13.

5.2 Sefton New Directions

On the 1st April 2007 the Council established Sefton New Directions, as a wholly owned subsidiary company for the provision of Social Care. There are risks associated with the governance arrangements as New Directions are autonomous from the Council and have their own financial systems and operational processes. However, these are mitigated by the presence of the Chief Executive of the Council and other Chief Officers on the board of the company. Internal controls systems within SND are subject to review and Internal Audit have right of access to review those areas operated by the Company in order to provide assurance to the Council in regard to the effectiveness of internal controls and risk.

5.3 Public Health

The Council is to take responsibility for a part of the Public Health service provision, there is currently massive uncertainty in regard to the transfer of the responsibility of this provision primarily due to this being a statutory responsibility that the Council has not previously had responsibility for. Further risk arises due to the restructuring of public health service provision being divided up between 3 different service providers and risks can arise from this disaggregation not just the transfer. The risks increase for the Council in terms of budget provision as these figures will not be known until September 2012 and there are also TUPE and transfer of contract implications that the Council is currently unaware of.

5.4 Governance Arrangements

The Council has undertaken a fundamental far reaching review of its governance arrangements and included a review of the governance of the Sefton Borough Partnership; the introduction of a strong leader model of Executive arrangements; a Partnership mapping exercise and a review of a selection of partnerships – those for which the Council is the accountable body and others: a review of risk and performance management, review of all outside bodies plus a number of other workstreams. This review was completed and had provided for more robust arrangements in regard to governance arrangements both within the Council and with our partners. However, following the Council’s review of the Senior Management Structure, the cessation of the CAA process and the impending cessation of the Audit Commission a further review / restructure of performance management is to be undertaken as part of the review / restructure of Corporate Commissioning. The implementation of internal control is based on an ongoing process designed to produce better accountability, align budgetary and other processes, streamline decisions on service planning and delivery and adopting a consistent, efficient and high standard of partnership working in order to minimise legal and financial implications in order to identify and prioritise any risks to the successful achievement of the Council and it’s partner’s policies, aims and objectives and ensure that such risks are efficiently, effectively and economically managed.

5.5 Strategic Budget Review

In addition to this fundamental governance review the Council undertook a strategic budget review following the Governments spending review in order to ensure it can demonstrate it is resourcing its priorities effectively and that the Council is in a position to face the many challenges. A transformation plan has been developed and produced aligning critical, regulatory, frontline, tiers 1, 2 and 3 services and resource allocation has been undertaken on this significant Council wide re-allocation. The budget book has been re-configured to match the alignment identified above. A further review of thematic responsibility has been undertaken and the Senior Management restructure is practically complete. Further work has been identified in order to review working practices and resources in order to identify areas where improvements in the effectiveness and efficiencies within the services the Council delivers can be made.

5.6 Risk Management

The Council's Risk Management strategy has been reviewed and a new Risk Management Handbook developed. This area remains a high priority and in order to address this key area a fundamental review of the Risk Management process / methodology was undertaken in 2011/12. This includes restructuring to deliver an integrated Risk and Audit Team and the inclusion of dedicated resources within the 2011/12 Audit Plan. A challenge initiative is being utilised in order to address weaknesses in risk management. This will continue into 2012/13.

5.7 System of Internal Control

The Council has undertaken a number of key reviews particularly in regard to the review of governance arrangements, including revision of the Constitution and the Financial Procedure Rules of the Council; a further review is to be undertaken in 2012/13 in order to ensure the robustness of the Council's Rules / Regulations and address the impact of the Localism Bill. Further Internal Audit have undertaken a self assessment of the effectiveness of Internal Audit and compiled an Action plan in order to address weaknesses in this area. Progress against this plan will be reported to Audit & Governance on a quarterly basis.

A review of the process for reviewing, compiling and approving the Annual Governance Statement was undertaken in 2011/12 in order to ensure a more robust and embedded process. This will continue to be enhanced in 2012/13. Each objective is to be considered separately by the Strategic Leadership Team and each Departmental Management Team on a bi-monthly cycle.

5.8 Resource Provision and Service Delivery

The Councils budget has been reduced by £64 Million over the last 2 years and a further £43 Million is required in the next 2 financial years, this reduction in budget as a result of the Government spending review has impacted on Council resources with a significant reduction in the number of employees. This reduction in staff increases the risk of impact on service delivery.

6. STATEMENT

6.1 We propose over the coming year to take the steps detailed in the attached Action Plan to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Signed	…………………………………………………	**Peter Dowd** **Leader of the Council**
	…………………………………………………	**Margaret Carney** **Chief Executive**
	…………………………………………………	**Margaret Rawding** **Head of Corporate Finance & ICT**
	26 September 2012	**Date**

ANNUAL GOVERNANCE STATEMENT 2011/2012

SIGNIFICANT GOVERNANCE ISSUES - ACTION PLAN

AGS Ref Number	Governance Issue	Actions Planned To Address The Issue	Responsible Officer(s)	Target Date
5.1	**Delivery of Outsourced Functions** Assurance in regard to the effectiveness of internal controls in place within the fundamental financial systems operated by arvato government services.	Arvato government services provided a template / example assurance statement for 2011/12. The document is sufficient, however, further work is required to substantiate the evidence that supports the statement. The Head of Corporate Finance & ICT and the Chief Internal Auditor to discuss with arvato government service Management to resolve the issue and ensure assurance is provided to the Council.	HCF&ICT / CIA	Sept 2012
5.2	**Sefton New Directions** There are risks associated with the governance arrangements as SND are autonomous from the Council and have their own financial systems and operational processes. Internal controls systems within SND are subject to review and Internal Audit have right of access to review those areas operated by the Company in order to provide assurance to the Council.	Review of effectiveness of governance arrangements. Review of arrangements following any review of service within People's Directorate. Review of those areas operated by the Company by Internal Audit	HCLS / CIA DCS CIA	On going On going March 2013
5.3	**Public Health** The Council is to take responsibility for part of the Public Health Services provision, there are a number of key risks associated with this transfer primarily in relation to the uncertainty and the Council not having managed this service previously, there are also TUPE and transfer of contract implications that the Council is currently unaware of.	A transfer working group to be established with a plan for the project, with appropriate governance and reporting arrangements. A specific project risk register to be produced and this to be monitored and escalated as appropriate in accordance with the Council's Corporate Risk Management Handbook.	All All	Ongoing Ongoing

AGS Ref Number	**Governance Issue**	**Actions Planned To Address The Issue**	**Responsible Officer(s)**	**Target Date**
5.4	**Governance Arrangements** A fundamental review of the governance arrangements of the Council has been undertaken, however, following the Council's review of the Senior Management structure, the cessation of the CAA process and the impending cessation of the Audit Commission a further review / restructure of performance management is to be undertaken as part of the review / restructure of Corporate Commissioning, further a review of governance will also include the impact of the Localism Bill.	Complete restructure of performance management functions in order to drive out polices, systems and process improvements in preparation of cessation of the Audit Commission and CAA and as part of review / restructure of Corporate Commissioning. New KPI's to be developed. Further review of governance to be undertaken to ensure arrangements take account of changes arising from Localism Bill.	DCC DCC DCC / HG&CS	Dec 2012 Dec 2012 Sept 2012
5.5	**Strategic Budget Review** A transformation plan for the Council has been developed and produced following the Governments spending review. The Council has aligned critical, frontline, regulatory, Tiers 1, 2 & 3 services and resource allocation has been undertaken on this significant Council wide re-allocation. Further work is required to develop the Council's strategy and review working practices and resources in order to identify areas where improvements in the effectiveness and efficiencies within the services the Council delivers can be made.	Develop the Council's strategy and review working practices and resources to identify areas where improvements in the effectiveness and efficiencies with the services the Council delivers can be made.	All	On going

AGS Ref Number	Governance Issue	Actions Planned To Address The Issue	Responsible Officer(s)	Target Date
5.6	**Risk Management** A fundamental review of Risk Management was undertaken in 2011/12, including re-structuring to deliver an integrated Risk & Audit Team. This are remains a high priority for development in order to ensure risk management is embedded within Council processes. Further work is required in 2012/13 to develop the risk management process and profile.	Review of the risk management process / methodology to continue Challenge initiative established in order to address weaknesses in risk management process. Review of Corporate Risk Register Development of Departmental Risk Registers.	HCF&ICT / CIA HCF&ICT / CIA HCF&ICT / CIA HCF&ICT / CIA	Ongoing Ongoing Sept 2012 March 2013
5.7	**System of Internal Control** A number of processes are in place to review the system of internal control across the authority; however, the processes in relation to this review and the production of the Annual Governance Statement require reviewing to ensure that the processes are in line with best practice and that the Council continues to operate a robust system of internal control.	Further review of the Council's Rules / Regulations to address the impact of the Localism Bill and ensure in line with best practice. Monitoring of Action Plan in relation to the Self Assessment of Internal Audit to improve processes within Internal Audit and Risk Management. A review of the process for reviewing, compiling and approving the Annual Governance Statement in order to ensure a more robust and embedded process.	All HCF&ICT / CIA / A&G HCF&ICT / CIA / HCLS / HG&CS	March 2013 Quarterly Sept 2012
5.8	**Resource Provision and Service Delivery** The Councils budget has been reduced by £64M in the last 2 years and a further £43M is expected in the next 2 financial years, this reduction in budget as a result of the Government spending review has impacted on Council resources with a significant reduction in the number of employees. This reduction in staff increases the risk of impact on service delivery.	Clearly identify where changes in resources will impact on the ability to continue to deliver the Council's agreed objectives and where such reductions will have a direct impact on risk management / staffing / operational & financial performance / value for money / probity and contingency planning. Continue to ensure risks are clearly identified in risk registers. Monitor impact on service delivery.	All All All	Ongoing Ongoing Ongoing

Independent auditors' report to the Members of Sefton Metropolitan Borough Council

We have audited the statement of accounts of Sefton Metropolitan Borough Council and its Group for the year ended 31 March 2012 which comprises the Authority and Group Comprehensive Income and Expenditure Statement, the Authority and Group Movement in Reserves Statement, the Authority and Group Balance Sheet as at the end of the period, the Authority and Group Cash Flow Statement, the Collection Fund, the accounting policies and the related notes. The financial reporting framework that has been applied in its preparation is the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 supported by the CIPFA Service Reporting Code of Practice 2011/12.

Respective responsibilities of the Head of Corporate Finance and ICT and auditors

As explained more fully in the Statement of Responsibilities for the Statement of Accounts set out on page 11, the Head of Corporate Finance and ICT is responsible for the preparation of the statement of accounts and for being satisfied that it gives a true and fair view in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 and the CIPFA Service Reporting Code of Practice 2011/12. Our responsibility is to audit and express an opinion on the statement of accounts in accordance with Part II of the Audit Commission Act 1998, the Code of Audit Practice 2010 – Local Government Bodies issued by the Audit Commission and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Authority's members as a body in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and of Audited Bodies – Local Government, published by the Audit Commission in March 2010. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of the audit of the statement of accounts

An audit involves obtaining evidence about the amounts and disclosures in the statement of accounts sufficient to give reasonable assurance that the statement of accounts is free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority and Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Authority and Group; and the overall presentation of the statement of accounts. In addition, we read all the financial and non-financial information in the explanatory foreword to identify material inconsistencies with the audited statement of accounts. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on statement of accounts

In our opinion the statement of accounts:

- gives a true and fair view, in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom and the CIPFA Service Reporting Code of Practice 2011/12, of the state of the Authority and Group's affairs as at 31 March 2012 and of the Authority's and Group's income and expenditure and cash flows for the year then ended; and

- has been properly prepared in accordance with the requirements of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 and the CIPFA Service Reporting Code of Practice 2011/12.

Opinion on other matter

In our opinion, the information given in the explanatory foreword for the financial year for which the statement of accounts is prepared is consistent with the statement of accounts.

Matters on which we are required to report by exception

We have nothing to report in respect of the Annual Governance Statement on which the Code of Audit Practice issued by the Audit Commission requires us to report to you if, in our opinion, the Statement does not comply with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007.

Peter Chambers

Peter Chambers
For and on behalf of PricewaterhouseCoopers LLP
Appointed auditors
Manchester
Date: 30 September 2012

Conclusion on Sefton Metropolitan Borough Council's arrangements for securing economy, efficiency and effectiveness in the use of resources

Authority's responsibilities

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

Auditors' responsibilities

We are required under Section 5 of the Audit Commission Act 1998 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires us to report to you our conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Scope of the review of the arrangements for securing economy, efficiency and effectiveness in the use of resources

We have undertaken our audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2011, 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 has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2012.

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 2011, we are satisfied that, in all significant respects, Sefton Metropolitan Borough Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2012.

Certificate

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

Peter Chambers

Peter Chambers
For and on behalf of PricewaterhouseCoopers LLP
Appointed auditors
Manchester
Date: 30 September 2012

(a) The maintenance and integrity of the Sefton Metropolitan Borough Council website is the responsibility of the council; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the statement of accounts since it was initially presented on the website.

(b) Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

12 GLOSSARY

ACCOUNTABLE BODY

Projects financed from Government / European resources in some instances require grant claims from recognised legal entities, especially when a partnership or voluntary organisation is involved. This accountable body (usually the local authority) is held responsible for the proper completion of grant claims, ensuring that appropriate financial systems are in place and to receive and distribute the grant.

ACCRUALS

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

ACTUARIAL GAINS AND LOSSES

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

(i) Events have not coincided with the actuarial assumptions made for the last valuation (Asset and Liability Gains and Losses); or
(ii) The actuarial assumptions have changed.

AREA BASED GRANT (ABG)

Area Based Grant was a grant that replaced the Local Area Agreement Grant and a number of specific grants from 2008/2009. Unlike the Local Area Agreement Grant and specific grants, ABG is a non-ringfenced general grant, with no conditions on its use imposed as part of the grant determination. This allows ABG to be accounted for in the Income and Expenditure Account as a general grant alongside Revenue Support Grant.

AMORTISATION

The accounting technique of recognising a cost or item of income in the Income and Expenditure Account over a period of years rather than when the initial payment is made. Its purpose is to charge/credit the cost/income over the accounting periods that gain benefit for the respective item. The technique is supported by relevant accounting policies and practices.

BALANCES

These represent accumulated monies of the Authority. Non-School General Fund balances may be utilised to reduce the amount to be met from Revenue Support Grant, NNDR and local taxpayers. School balances can be used by schools to finance future years expenditure.

BEST VALUE

The Local Government Act 1999 introduced the principle of Best Value and places a statutory duty on authorities to provide economy, efficiency and effectiveness in the provision of its services.

CAPITAL CHARGES

A charge to service revenue accounts to reflect the cost of fixed assets used in the provision of services.

CAPITAL EXPENDITURE

Capital expenditure is the acquisition of a fixed asset or expenditure which adds to the value of the existing fixed asset (e.g. building of a school). It can be spent either directly by the local authority or indirectly in the form of grants to other persons or bodies.

CAPITAL RECEIPTS

The proceeds from the sale of capital assets which, subject to various limitations, can be used to finance Capital Expenditure or to repay leasing charges or outstanding debt on assets originally financed through loan. A proportion of capital receipts may need to be set aside to meet future liabilities.

CHARTERED INSTITUTE OF PUBLIC FINANCE AND ACCOUNTANCY (CIPFA)

CIPFA is the leading professional accountancy body for public services, which has responsibility for setting accounting standards in Local Government.

CODE OF PRACTICE ON LOCAL AUTHORITY ACCOUNTING IN GREAT BRITAIN (THE CODE)

The Statement of Accounts is produced in accordance with CIPFA's Code of Practice on Local Authority Accounting in Great Britain, which is updated annually. The Code specifies the principles and practices of accounting required to prepare a Statement of Accounts which "presents fairly" the financial position and transactions of a local authority.

COMMUNITY ASSETS

These are assets that the Authority intends to hold indefinitely, have no determinable useful life and may have restrictions on their disposal. Examples include parks and historic buildings.

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.

CONTINGENT LIABILITY

A condition that exists at the balance sheet date, where the outcome will be confirmed only on the occurrence or non-occurrence of one or more uncertain future events. Where a material loss can be estimated with reasonable accuracy a contingent liability is accrued in the financial statements. If, however, a loss cannot be accurately estimated or the event is not considered sufficiently certain, it will be disclosed in a note to the balance sheet.

CORPORATE AND DEMOCRATIC CORE

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

COUNCIL TAX

A property based tax levied on all domestic properties in the Borough. The banding (and resultant sums due) is based on independent assessed property values. The Council sets levels of Council Tax on an annual basis under relevant statutory provisions.

CURRENT SERVICE COSTS (PENSIONS)

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

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:

(i) Termination of employees services earlier than expected, for example as a result of closing or discontinuing a segment of a business; and

(ii) Termination of, or amendment to the terms of, a defined benefit scheme so that some or all of future service by current employees will no longer qualify for benefits or will qualify only for reduced benefits.

DEFERRED CAPITAL RECEIPTS

Deferred Capital Receipts are derived from the sale of Assets receivable over an agreed period of time, principally mortgages relating to the sale of Council houses.

DEFERRED CREDITS

These represent capital income to be received in the future, when disposals have taken place, and deferred payments have been agreed e.g. the principal outstanding from the sale of Council houses.

DEFINED BENEFIT SCHEME

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

DEFINED CONTRIBUTION SCHEME

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

DEPRECIATED REPLACEMENT COST (DRC)

A method of valuation that provides a recognised proxy for the market value of specialised properties.

DEPRECIATION

The measure of the wearing out, consumption, or other reduction in the useful life of a fixed asset, whether arising from use, effluxion of time or obsolescence through technological or other changes.

DISCRETIONARY BENEFITS

Retirement benefits that the employer has no legal, contractual or constructive obligation to award and which are awarded under the Authority's discretionary powers.

EARMARKED RESERVES

Earmarked reserves are created by setting resources aside for future events or to equalise expenditure between years. Earmarked reserves do not affect service expenditure in the year of creation.

EMOLUMENTS

Amounts paid to or receivable by an employee including expenses allowances chargeable to tax, and the estimated money value of any other benefits received by an employee other than in cash.

EVENTS AFTER THE BALANCE SHEET DATE

Events after the Balance Sheet date are those events, favourable or unfavourable, that occur between the Balance Sheet date and the date when the Statement of Accounts is authorised for issue.

EXISTING USE VALUE (EUV)

The estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arms-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion assuming that the buyer is granted vacant possession of all parts of the property and disregarding potential alternative uses and any other characteristics that would cause its market value to differ from that needed to replace the remaining service potential at least cost.

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.

FAIR VALUE

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

FAIR FUNDING

Under Section 48 of the School Standards Framework Act 1998, Local Education Authorities (LEAs) are required to have schemes dealing with the financing of schools. These govern the financial relationship between maintained schools and LEAs from the inception of the new funding framework on 1 April 1999

FINANCE LEASE

A lease that transfers substantially all the risks and rewards of ownership of a fixed asset to the lessee.

FINANCIAL REPORTING STANDARDS (FRS)

Financial Reporting Standards are issued by the Accounting Standards Board to provide authoritative guidance on accounting practice.

FIXED ASSETS

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

GENERAL FUND

This is the account where costs are charged for the year of the major functions for which the Authority is responsible (excluding the Collection Fund). Income to the Fund includes charges made by the Authority, specific Government and other grants and receipts from the Collection Fund.

HERITAGE ASSETS

Heritage assets are assets that are held by the Authority principally for their contribution to knowledge or culture.

IMPAIRMENT

A reduction in the value of a fixed asset below its carrying amount on the balance sheet.

INFRASTRUCTURE ASSETS

These include facilities to enable other developments to take place, including roads, street lighting and coastal defence works.

INTANGIBLE FIXED ASSET

“Non-financial” fixed assets that do not have physical substance but are identifiable and are controlled by the Authority through custody or legal rights. Purchased intangibles (e.g. software licences) are capitalised at cost, whilst internally developed intangibles are only capitalised where there is a readily ascertainable market value for them.

INTEREST COST (PENSIONS)

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

LIQUID RESOURCES

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

LOCAL AUTHORITY BUSINESS GROWTH INITIATIVE (LABGI) GRANT

An unringfenced grant from Central Government, which is paid to, Local Authorities based on a number of factors around local economic growth. The notion of the grant is that it provides additional incentives for Authorities to work in partnership with businesses and other key partners to maximise such growth.

LOCAL MANAGEMENT OF SCHOOLS (FAIR FUNDING)

The Authority is required to delegate responsibility for the management of a large proportion of its Nursery, Primary, Secondary and Special Schools budgets to schools. Individual schools are allocated a share of the budget through a formula mechanism, which distributes funds primarily on the basis of age weighted pupil numbers.

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.

MARKET VALUE

The estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arms-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

MINIMUM REVENUE PROVISION

This is an amount, required by the Local Government Act 2003 that has to be set aside from revenue for the repayment of external loans. This is calculated by applying specified percentage rates to the Authority's Capital Financing Requirement (after taking account of adjustments).

NATIONAL NON-DOMESTIC RATES (NNDR)

These are often referred to as Business Rates, and are a levy on business properties based on a national rate in the pound applied to the ‘rateable value’ of the property. The Government determines that national rate poundage, Local Authorities collect the sums due, but the proceeds are pooled (paid over) to Central Government who redistributes the sums back to Authorities on a pro-rata basis to the Authority’s population.

NET BOOK VALUE

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

NET CURRENT REPLACEMENT COST

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

NET REALISEABLE VALUE

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

NON-OPERATIONAL ASSETS

These are assets, which are held by the authority but not directly occupied, used or consumed in the delivery of services. Examples include assets that are surplus to requirements, pending sale or redevelopment.

OPERATING LEASES

In an operating lease, the ownership of the asset remains with the leasing company and the annual rent is charged to the annual service account. Expenditure financed by operating leases does not count against capital allocations.

OPERATIONAL ASSETS

These are assets that are held and occupied, used or consumed in the direct delivery of services for which the Authority is responsible.

PAST SERVICE COST / GAIN

For a defined benefit scheme, the increase or reduction in the present value of the scheme liabilities related to employees service in prior periods arising in the current period as a result of the revision of scheme benefits.

PAYABLES

Amounts owed by the Authority for goods and services provided for which payment has not been made by the end of the financial year.

POOLED BUDGET

Arrangement permissible under the Health Act 1999 and National Health Service Act 2006 that provides an opportunity for partners to bring money together, in a discrete fund, to pay for the services that are an agreed part of the pooled fund arrangement for the client group who are to benefit from one or all of the services. Instead of users being inconvenienced by disputes about Health and Local Authority responsibilities, organisations will agree at the outset the range of Health and Local Government services to be purchased and provided from a pooled fund.

PRECEPT

This is a charge issued by the Merseyside Police Authority, Merseyside Fire and Civil Defence Authority (and Parish Councils where appropriate), which is collected by the Council on their behalf by adding the precept to its own Council Tax.

PRIOR YEAR ADJUSTMENTS

Those material adjustments applicable to prior years arising from changes in accounting policies and from the correction of fundamental errors. They do not include normal recurring corrections and adjustments of accounting estimates made in prior years.

PROVISIONS

Provisions represent sums set aside for liabilities or losses, which are certain to arise but, owing to their inherent nature, cannot be quantified with any certainty.

RECEIVABLES

Sums of money due to the Authority but not received by the end of the financial year.

RELATED PARTY TRANSACTION

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. Related party transactions include the provision of services to a related party.

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

REMUNERATION

All sums paid to or receivable by an employee and sums due by way of expenses allowances (as far as those sums are chargeable to UK income tax) and the money value of any other benefits received other than in cash. Pension contributions payable by the employer are excluded.

RESERVES

A reserve is an amount, which has been set aside for a specific purpose in one financial year and carried forward to meet expenditure in future years. Reserves include earmarked reserves set aside for specific policy purposes and balances that represent resources set aside for purposes such as general contingencies and cash flow management.

RETIREMENT BENEFITS

All forms of consideration given by an employer in exchange for services rendered by employees that are payable after the completion of employment. Retirement benefits do not include termination benefits payable as a result of either: -

i. An employer's decision to terminate an employee's employment before the normal retirement date, or
ii. An employee's decision to accept voluntary redundancy in exchange for those benefits, because these are not given in exchange for services rendered by employees.

REVENUE SUPPORT GRANT (RSG)

This is a Government grant in aid of Local Authority services generally. It is based on the Government's assessment of how much an authority needs to spend in order to provide a standard level of service.

REVENUE EXPENDITURE

This is money spent on the day-to-day running costs of providing services (e.g. salary costs). It is usually of a constantly recurring nature and produces no permanent asset.

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.

SECTION 52 / 106 AGREEMENTS

The Council is able to restrict or regulate the development or use of land by requiring that a developer deposit funds with the Authority when granting planning permission. The funds are either used directly by the Authority to undertake work, such as providing access from the existing highway to a new development, or held as a deposit which is refundable to the developer when the conditions attached to the planning permission, such as landscaping work, are complied with. The statutory basis for such agreements is currently contained within Section 106 of the 1990 Town and Country Planning Act and previously, within Section 52 of the 1971 Town and Country Planning Act.

SERVICE REPORTING CODE OF PRACTICE

A CIPFA Code established to modernise the system of Local Authority accounting and reporting to ensure that it meets the changed and changing needs of modern Local Government; particularly the duty to secure and demonstrate best value in the provision of services.

The Code establishes 'proper practice' with regard to consistent financial reporting below the Statement of Accounts level and is statutory force in England by regulations made under the Local Government Act 2003.

SET ASIDE CAPITAL RECEIPTS

These are receipts that have to be reserved under the Local Government and Housing Act 1989 and can only be used to repay external debt or in substitution for new external borrowing.

SETTLEMENT

An irrevocable action that relieves the employer of the primary responsibility for a pension obligation and eliminates significant risks relating to the obligation and the assets used to effect the settlement. Settlement includes the transfer of scheme assets and liabilities relating to a group of employees leaving the Authority's scheme.

SPECIFIC GOVERNMENT GRANTS

These are designed to aid particular services or reimburse the costs of payments made to claimants. Examples of specific grants include Dedicated Schools Grant, Standards Fund and Housing and Council Tax Benefit Subsidy. Assistance may also be given in aid of specific capital expenditure, e.g. Housing Market Renewal Grant and Stronger Safer Communities Fund.

USABLE CAPITAL RECEIPTS

These are receipts which, after allowing for the proportion to be set aside, may be used to finance capital expenditure.

USEFUL LIFE

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

13 ABBREVIATIONS

ABG	Area Based Grant
CAA	Comprehensive Area Assessment
CDC	Corporate and Democratic Core
CFM	Community Foundation for Merseyside
CIA	Chief Internal Auditor
CIPFA	Chartered Institute of Public Finance and Accountancy
CPA	Comprehensive Performance Assessment
DRC	Depreciated Replacement Cost
DSG	Dedicated Schools Grant
DWP	Department of Work and Pensions
EUV	Existing Use Value
FRS	Financial Reporting Standard
HCF&ICT	Head of Corporate Finance and ICT
HMRC	HM Revenue and Customs
HMRI	Housing Market Renewal Initiative
HR	Human Resources
HRA	Housing Revenue Account
ICT	Information and Communication Technology
IIP	Investors in People
IFRIC	International Financial Reporting Interpretations Committee
IFRS	International Financial Reporting Standards
LAA	Local Area Agreement
LABGI	Local Authority Business Growth Incentive
LASAAC	Local Authority (Scotland) Accounts Advisory Committee
LEA	Local Education Authority
LGPS	Local Government Pension Scheme
MBC	Metropolitan Borough Council
MPC	Merseyside Probation Committee
MPF	Merseyside Pension Fund
MRICS	Member of the Royal Institution of Chartered Surveyors
MSR	Major Service Review

NHS	National Health Service
NNDR	National Non-Domestic Rates
PFI	Private Finance Initiative
PLC	Public Limited Company
PP&E	Property, Plant and Equipment
PWLB	Public Works and Loans Board
RICS	Royal Institution of Chartered Surveyors
RSG	Revenue Support Grant
SBP	Sefton Borough Partnership
SLT	Strategic Leadership Team
SOLACE	Society of Local Authority Chief Executives
SORP	Statement of Recommended Practice
TPS	Teachers' Pension Scheme
VAT	Value Added Tax
VOA	Valuation Office Agency

14 USEFUL ADDRESSES

Additional financial information on Sefton MBC and related organisations is usually available at libraries throughout the Borough and on our website (www.sefton.gov.uk). Further copies are also available upon request to the following addresses.

Sefton Council

Head of Corporate Finance and ICT,
Magdalen House
30 Trinity Road
Bootle
L20 3NJ

Sefton New Directions

Sefton New Directions Limited Annual Financial Statements can be obtained from:

Sefton New Directions Limited Head Office,
Third Floor,
The Investment Centre,
375 Stanley Road,
Bootle,
Merseyside,
United Kingdom
L20 3EF

Pension Fund Information

The Merseyside Pension Fund's Annual Report can be obtained from:

The Pension Manager
Merseyside Pension Fund,
PO Box 120,
7^{th} Floor,
Castle Chambers,
43 Castle Street,
Liverpool
L69 2NW

CONTACT US

If you have any questions or comments on the Statement of Accounts please write to the Head of Corporate Finance and ICT at the above address. We would particularly like to hear from you if you have any suggestions on how the accounts could be improved.

If you would like to access a copy of the Statement of Accounts in a different format, e.g. in a language other than English, in large print or a speaking version, please contact the Head of Corporate Finance and ICT at the above address who will try to provide the information in the required format.