Sefton Council

STATEMENT OF ACCOUNTS 2012/2013

As approved by the Audit and Governance Committee on 25 September 2013

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 15 September 2013.

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

(a) Movement in Reserves Statement (page 11)

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 13)

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 15 - 16)

The Balance Sheet shows the value as at 31 March 2013 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 17)

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 19 - 92)

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 93 - 95)

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 and Crime Commissioner, the Merseyside Fire and Rescue Authority, and Central Government.

(g) Group Accounts (pages 97 – 110)

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 111 - 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 DURING THE YEAR

This Statement of Accounts is prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2012/2013 (the Code).

The most significant change to the 2012/2013 Code is a change in accounting policy in relation to the amendments to IFRS 7 - Financial Instruments: Disclosures (transfers of financial assets, issued October 2010), which requires additional disclosures relating to all transferred financial assets. 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 were required in 2012/2013.

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 1 March 2012, the Council approved a revenue budget for 2012/2013 of £236.512m, which included £0.950m relating to the expenditure of Parish Councils. It was anticipated that balances for non-school budgets would total £3.687m at 31 March 2013. As a result of an underspend of £0.024m in 2011/2012, and no planned contribution to reserves in 2012/2013, the anticipated year-end balances position was revised to £3.711m when the 2013/2014 Budget was approved on 28 February 2013.

Overall, actual expenditure for 2012/2013 on General Fund services (excluding Schools' delegated expenditure) was £2.865m lower than revised estimates. This has been added to General Fund Balances. The net underspend on services was £5.865m. However, £3.000m has been added to reserves for the Capital Priorities Fund (£1.000m), Business Rates Appeals / Reduction in Income (£1.200m) and Strain on the Fund Pension Costs (£0.800m).

In line with previous practice, savings agreed by Council in October / November 2012 for future years were approved for immediate implementation. This has led to significant underspends in 2012/2013 due to this early implementation.

The Authority's reported Non-School General Fund balances at 31 March 2013 are therefore £6.576m as shown in the following table:

Non-School General Fund Balances	£m
Estimated Non-School General Fund Balances at 31 March 2013	-3.711
Add underspend in comparison to the 2012/2013 revised estimate	-2.865
Actual Non-School General Fund Balances at 31 March 2013	-6.576

Some of the major variations from the revised estimates in 2012/2013 include: -

Additional Spending / Reduced Income	**£m**
Specialist Transport Unit – continued demand pressure	1.427
Adult Social Care – Supporting People Programme	1.375
Underspending / Additional Income	
Adult Social Care – Community Care Packages	-1.670
Adult Social Care – NHS Sefton resources for Winter Pressures / Single Point of Assessment Team	-0.706
Children in Need placements and care packages	-0.858
Street Cleansing / Recycling	-1.126
Debt Repayment / Net Investment	- 1.106

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 £1.108m in 2012/2013. This comprised an overspend of £0.400m on schools' delegated funding and an underspend of £1.508m on the non-delegated (centrally retained) element. Movements in Schools' balances during 2012/2013 can be summarised as follows:

Schools' Balances	£m
Schools' balances as at 1 April 2012	-18.549
Overspend on Schools' Delegated Budgets	0.400
Schools' balances at 31 March 2013	-18.149

The underspend on the non-delegated part of the DSG (£1.508m) contributes to the centrally retained DSG reserve. This reserve amounted to £1.373m at 31 March 2012 and has therefore increased to £2.881m at the end of 2012/2013. In addition, the underspend on unallocated Individual Schools Budgets in 2011/2012 is still reserved (£0.570m).

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 2012/2013. Figure 3 highlights the main sources of General Fund Financing for 2012/2013.

Figure 1 - Gross Expenditure on Services (including Levies) for 2012/2013 (by Expenditure Type)

Expenditure Type	£m	%
Employees	214.900	32
Running Expenses	415.491	62
Capital Charges	39.174	6
	669.565	100

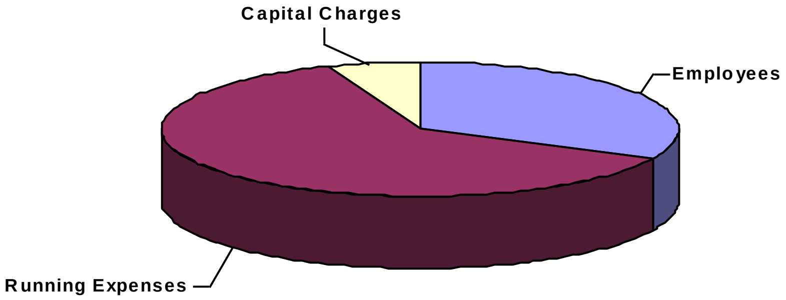


Figure 2 - Gross General Fund Expenditure on Services (including Levies) for 2012/2013

Service	£m	%
Adult Social Care	112.108	17
Corporate and Democratic Core (CDC)	9.300	1
Central Services to the Public	35.113	5
Children's and Education Services - Non-School	102.262	15
- School	162.171	24
Cultural, Environmental, Regulatory and Planning Services	66.241	10
Highways and Transport Services	20.293	3
Housing Services	117.978	18
Non-Distributed Costs	5.517	1
Levies	38.582	6
	669.565	100

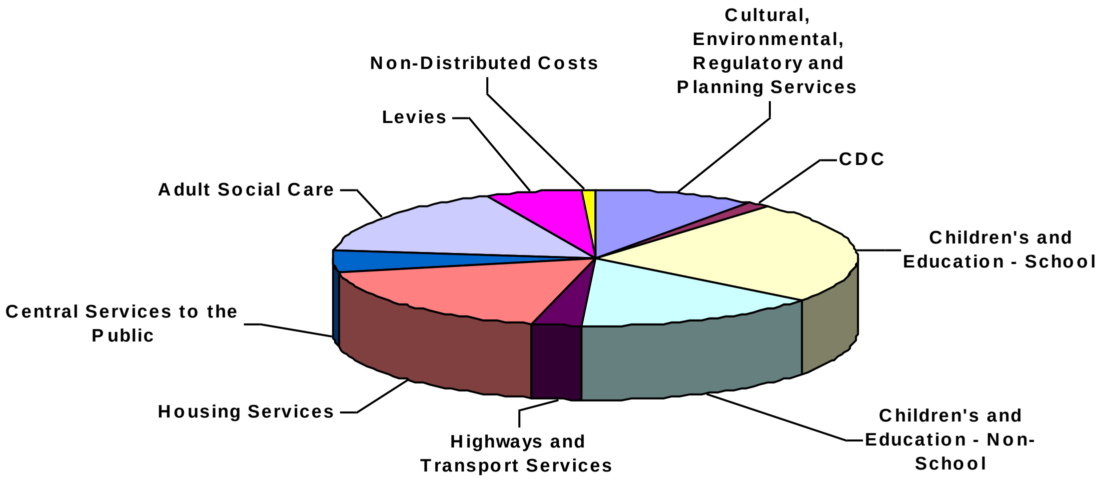
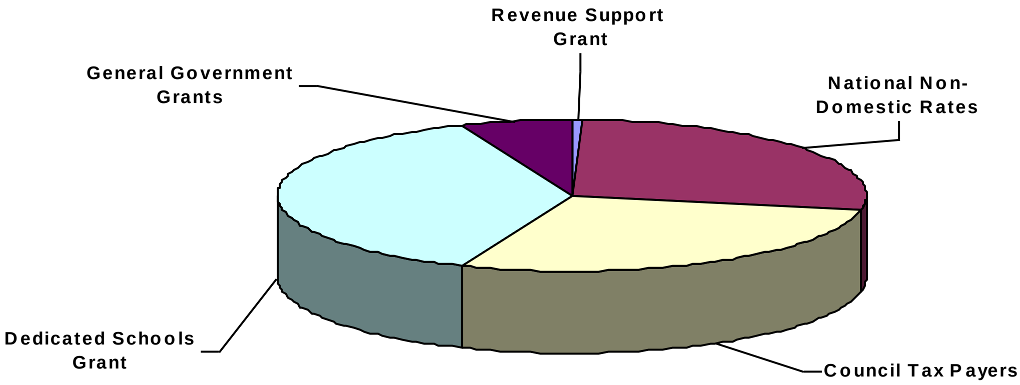


Figure 3 – Main Sources of General Fund Financing for 2012/2013

Source of Income	£m	%
Revenue Support Grant	2.245	1
General Government Grants	25.577	6
National Non-Domestic Rates	115.794	27
Council Tax Payers	117.921	28
Dedicated Schools Grant	158.981	38
	420.518	100



10 CAPITAL EXPENDITURE

In 2012/2013 the Authority spent £37.8m on capital projects. Examples of some of the major areas of spend include expenditure on the Southport Cultural Centre (£8.1m), the Renewables and Energy Efficiency in Community Housing (REECH) scheme (£4.3m), Housing Market Renewal (£3.4m), the purchase of new Refuse Collection Vehicles (£3.0m) and Housing Renovation Grants (£1.9m).

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 2012/2013

Service	£m	%
Adult Social Care	0.283	1
Children's Services	5.468	15
Corporate Services	4.288	11
Environmental	1.285	3
Housing Market Renewal	3.419	9
Leisure and Tourism	9.460	25
Regeneration	6.842	18
Technical Services	6.783	18
	37.828	100

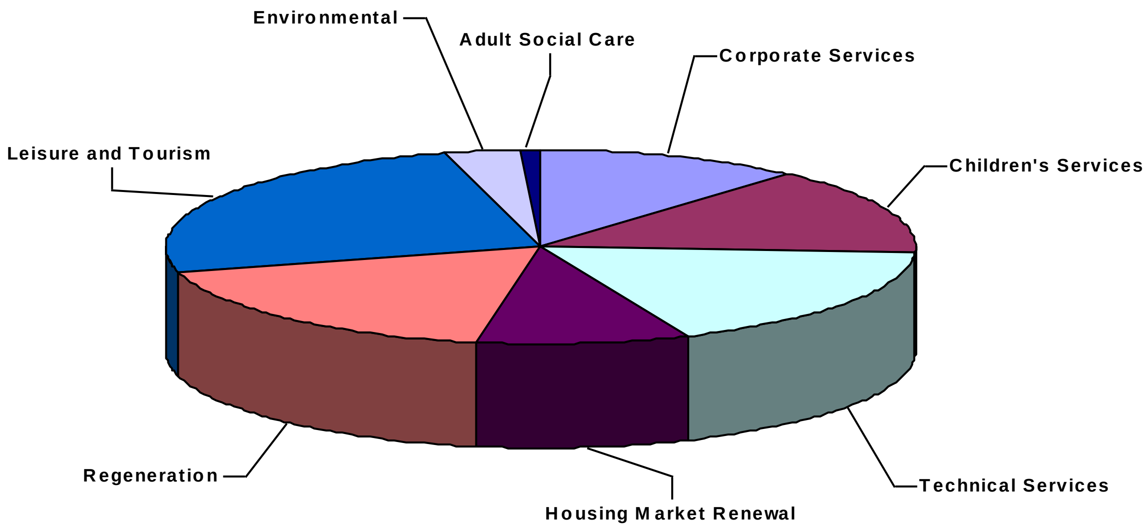
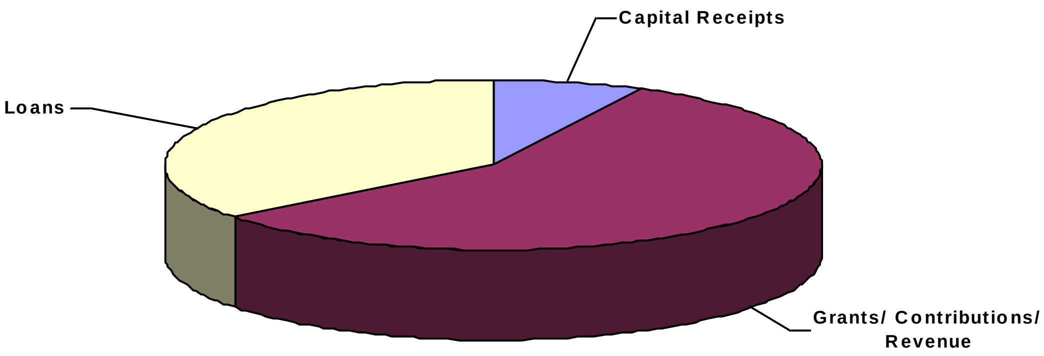


Figure 5 - Financing of Sefton's 2012/2013 Capital Expenditure

Source of Finance	£m	%
Capital Receipts	2.843	7
Grants / Contributions / Revenue	21.492	57
Loans	13.493	36
	37.828	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 2012/2013 this limit was set at £206.5m; the Council stayed within this figure during the year.

As at 31 March 2013, the Council had outstanding borrowing of £124.112m (£133.074m as at 31 March 2012). This includes local authority bonds, stocks, mortgages and loans from the Public Works Loans Board (PWLB). As at 31 March 2013, borrowing of £0.140m, plus accrued interest of £0.801m, was due to be repaid within 12 months, of which £0.140m represents the principal element of annuity loans that will mature in the year.

During 2012/2013, no new long term borrowing from the PWLB was required to fund capital expenditure. Principal of £7.501m was repaid during the year.

Interest on long term borrowing from the PWLB totalled £5.856m during the year.

12 PENSION LIABILITY

As at 31 March 2013 there was a net deficit on the Local Government Pension Scheme Fund attributable to Sefton of £333.9m (£274.5m as at 31 March 2012). 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 2012/2013.

The only material write-offs in 2012/2013 relate to revaluation losses on the Authority's assets. These total £21.2m (£22.4m in 2011/2012).

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 LOCAL GOVERNMENT REFORM IN 2013/2014

Business Rates Retention

A significant change in the way in which local authorities are funded is due to be made in 2013/2014. Up until 31 March 2013 all business rates collected locally by local authorities were paid over to the Government. These receipts were then used to help fund grant allocations to local authorities. There was no financial consequence to the Council or any change in business rates income.

With effect on 1 April 2013, the Council will retain 49% of any business rates it collects locally. The Government has reduced the Council's grant allocations in 2013/2014 to reflect this change. This shifts a significant level of risk onto local authorities who will now share a proportion of any reduction in business rates income in future years as well as a share of the cost of any successful rating appeals. The forecast financial impact of this change was taken into account when setting the 2013/2014 budget (see commentary on the financial outlook in paragraph 16 below). The Council will also need to make a provision for the potential cost of appeals at 31 March 2014 when preparing its 2013/2014 financial statements. An estimate of the provision required to meet the level of appeals outstanding at 31 March 2013 has been disclosed as a non-adjusting event after the reporting period in this year's financial statements (see Note 47).

Public Health Transfer

From April 2013, new public health responsibilities are being transferred from primary care trusts to local authorities. The Council will be provided with a ring-fenced public health grant of £19.408m in 2013/2014 to discharge its new responsibilities. The impact of this change has been taken into account in the financial outlook note below.

16 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 2012/2013 resulted in approximately £20m of budget savings being introduced. The Council set its budget seeking to achieve the savings required while protecting the key services that were the most important to Sefton residents. In addition, Sefton Council froze its Council Tax for the second year running to help residents (and has frozen it again for 2013/2014). The vast majority of these savings have been achieved, with alternative resources being identified to enable the Council to spend within its resources during 2012/2013; the year end Accounts showing an underspend of £2.865m. A significant element of this underspend is due to the early implementation of savings agreed to achieve a balanced budget in 2013/2014.

Further savings of £25.8m have been identified for 2013/2014. Officers are currently engaged in implementing the agreed proposals; the monitoring regime used in 2012/2013 to ensure that this target is achieved will continue for 2013/2014.

As part of the 2013/2014 budget process the Council also agreed a provisional budget for 2014/2015. This included further savings of £25.0m being identified. Officers are currently engaged in preparing for implementation of the agreed proposals.

The Comprehensive Spending Review announced on 26 June 2013 indicated a general reduction in funding for local government of 10%. However, there are a number of areas of uncertainty about various funding streams. Officers will be assessing the information available as it is published by the Government to try to establish its potential impact on Sefton. Based on this assessment, reports will be presented to Cabinet over the coming months in order estimate the level of savings the Council will be required to make to balance its budget for 2015/2016.

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

17 CONCLUSION

During the 2012/2013 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 an underspend which has been used to increase General Balances.

Decisions taken for the 2013/2014 budget are expected to retain General Fund balances at £6.576m. 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 2013/2014 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 133.

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 Sefton 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 2013, and its income and expenditure for the financial year ended 31 March 2013.

Margaret Rawding

Margaret Rawding
Head of Corporate Finance and ICT
Date: 25 September 2013

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 25 September 2013.

Diane Roberts

Councillor Diane Roberts
Chair, Audit and Governance Committee
Date: 25 September 2013

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 2012/2013	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 2012	-22,260	-52,649	-6,332	-10,296	-91,537	-197,367	-288,904
Movements in Year							
Deficit on the provision of services	23,430	0	0	0	23,430	0	23,430
Other Comprehensive Income and Expenditure	0	0	0	0	0	63,647	63,647
Total Comprehensive Income and Expenditure	23,430	0	0	0	23,430	63,647	87,077
Adjustments between accounting basis and funding basis under regulations (Note 4)	-24,420	0	961	-46	-23,505	23,505	0
Net Increase before Transfers to Earmarked Reserves	-990	0	961	-46	-75	87,152	87,077
Transfers to / from Earmarked Reserves (Note 37)	-1,475	1,475	0	0	0	0	0
Increase (-) / Decrease in Year	-2,465	1,475	961	-46	-75	87,152	87,077
Balance at 31 March 2013	-24,725	-51,174	-5,371	-10,342	-91,612	-110,215	-201,827

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 4)	-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

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.

2011/2012			Note		2012/2013		
Gross Expenditure	Gross Income	Net Expenditure			Gross Expenditure	Gross Income	Net Expenditure
£000s	£000s	£000s			£000s	£000s	£000s
				Cost of Services			
112,449	-26,113	86,336		Adult Social Care	112,108	-25,188	86,920
38,177	-33,301	4,876		Central Services to the Public	35,113	-34,043	1,070
283,025	-216,470	66,555	18	Children's and Education Services	264,433	-196,267	68,166
8,907	-248	8,659		Corporate and Democratic Core	9,300	-291	9,009
28,486	-9,736	18,750		Cultural and Related Services	27,036	-9,784	17,252
22,807	-6,843	15,964		Environmental and Regulatory Services	22,165	-7,293	14,872
21,130	-4,831	16,299		Highways and Transport Services	20,293	-5,279	15,014
113,665	-105,159	8,506		Housing Services	117,978	-109,017	8,961
8,302	0	8,302	5	Non Distributed Costs	5,517	0	5,517
17,132	-8,623	8,509		Planning Services	17,040	-7,957	9,083
654,080	**-411,324**	**242,756**		**Total Cost of Services**	**630,983**	**-395,119**	**235,864**
				Other Operating Income and Expenditure			
		974		Precepts paid to Parish Councils			948
		39,033		Levies			38,582
		19		Contribution to Housing Pooled Capital Receipts			14
		111,542		Loss on the disposal of non-current assets			10,171
		-3,131	7	Other Operating Income			-1,034
		2,700		Transfer of School Balances to Academies			0
		151,137					48,681
				Financing and Investment Income & Expenditure			
		7,557	8	Interest payable and similar charges			7,374
		8,263	54	Pensions interest cost and expected return on pensions assets			9,478
		-939		Interest Receivable			-652
		-595	9	Trading Operations			-1,162
		-1,391	22	Income and Expenditure on Investment Properties			-1,835
		148	22	Changes in the Fair Value of Investment Properties			-1,380
		0		Gain or Loss on the disposal of Investment Properties			-25
		13,043					11,798
				Taxation and Non-specific Grant Income			
		-118,412		Income from Council Tax			-117,921
		-96,457		Contribution from National Non-Domestic Rate Pool			-115,794
		-54,169	19	Non-Ringfenced Government Grants			-27,822
		-16,076	19	Capital Grants and Contributions			-11,376
		-285,114					-272,913
		121,822		**Deficit on Provision of Services**			**23,430**
		-2,168	40	Surplus (-) / Deficit on Revaluation of non-current assets			3,162
		45,718	54	Actuarial Losses on Pension Assets and Liabilities			60,485
		43,550		**Other Comprehensive Income and Expenditure**			**63,647**
		165,372		**Total Comprehensive Income and Expenditure**			**87,077**

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'.

31 March 2012 £000s		Note	31 March 2013 £000s
643,620	Property, Plant and Equipment	20	618,860
11,057	Heritage Assets	21	11,057
45,055	Investment Property	22	39,506
1,423	Intangible Assets	23	1,460
1	Long Term Investments	25	1
8,198	Long Term Receivables	26	7,898
709,354	**Long-Term Assets**		678,782
15,181	Short Term Investments	27	20,056
594	Assets Held for Sale	28	7,704
375	Inventories	29	292
38,589	Short Term Receivables	30	33,943
2,159	Prepayments		2,248
36,394	Cash and Cash Equivalents	31	19,930
93,292	**Current Assets**		84,173
-9,763	Short Term Borrowing	57	-941
-33,763	Short Term Payables	32	-35,261
-18,761	Receipts in Advance		-19,475
-440	Provisions	33	-284
-2,434	Deferred Liabilities	34	-2,831
-65,161	**Current Liabilities**		-58,792
-12,235	Provisions	33	-8,259
-123,311	Long Term Borrowing	57	-123,171
-25,181	Deferred Liabilities	34	-22,796
-287,375	Pensions Liability	54	-347,649
-479	Grants and Contributions Receipts in Advance (Capital)	19	-461
-448,581	**Long Term Liabilities**		-502,336
288,904	**Net Assets**		**201,827**

31 March 2012 £000s	Balance Sheet (Continued)	Note	31 March 2013 £000s
	Reserves		
	Usable Reserves		
18,549	General Fund - Delegated Schools	36	18,149
3,711	General Fund - Non Delegated Services	36	6,576
52,649	Earmarked Reserves	37	51,174
6,332	Capital Receipts Reserve	38	5,371
10,296	Capital Grants and Contributions Unapplied	39	10,342
91,537			91,612
	Unusable Reserves		
85,689	Revaluation Reserve	40	76,741
404,283	Capital Adjustment Account	41	386,495
-843	Financial Instruments Adjustment Account	42	-783
1,060	Deferred Capital Receipts Reserve	43	557
-287,375	Pensions Reserve	44	-347,649
-314	Collection Fund Adjustment Account	45	-866
-5,133	Accumulated Absences Account	46	-4,280
197,367			110,215
288,904	**Total Reserves**		**201,827**

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.

2011/2012 £000s		Note	2012/2013 £000s
	Operating Activities		
121,822	Net deficit on the provision of services		23,430
-31,765	Adjustments to net surplus or deficit on the provision of services for non-cash movements		-44,020
-96,715	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities		2,570
-6,658	Net cash flows from Operating Activities	49	-18,020
	Investing Activities		
33,026	Purchase of property, plant and equipment, investment property and intangible assets		27,274
0	Purchase of short-term and long-term investments		5,030
0	Other payments for investing activities		700
-850	Proceeds from the sale of property, plant and equipment, investment property and intangible assets		-1,507
-10,000	Proceeds from short-term and long-term investments		0
-17,518	Other receipts from investing activities		-11,500
4,658	Net cash flows from Investing Activities		19,997
	Financing Activities		
0	Cash receipts of short- and long-term borrowing		0
-1,424	Other receipts from financing activities		-103
2,032	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts		1,996
1,483	Repayments of short- and long-term borrowing		7,749
0	Other payments for financing activities		4,845
2,091	Net cash flows from Financing Activities		14,487
91	**Net decrease in cash and cash equivalents**		**16,464**
-36,485	Cash and cash equivalents at the beginning of the reporting period		-36,394
-36,394	**Cash and cash equivalents at the end of the reporting period**	31	**-19,930**

7 NOTES TO THE FINANCIAL STATEMENTS

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

The Code of Practice on Local Council Accounting in the United Kingdom 2012/2013 (the Code) has introduced several changes in accounting policies which will be required from 1 April 2013. The following changes are not considered to have a significant impact on the Statement of Accounts as demonstrated below:

- IAS 1 Presentation of Financial Statements – The changes require authorities to disclose separately the gains or losses reclassifiable into the Surplus or Deficit on the Provision of Services. This change is only likely to affect local authorities reporting gains or losses on available for sale financial assets. The Council does not currently hold any available for sale financial assets so this change will not affect the Statement of Accounts.

- Service Concession Arrangements, clarifications for the recognition criteria for assets under construction or intangible assets – There are currently no PFI scheme assets under construction so the changes to the Code are not expected to impact the Statement of Accounts.

- IAS 12 Income taxes – This change in the accounting policy concerns the determination of deferred tax on investment property measured at fair value. It is considered that this change will not affect the Statement of Accounts

- IFRS 7 Financial Instruments: Disclosures – The change in accounting policy is in relation to the offsetting of financial assets and liabilities. Within the cash and cash equivalents line on the balance sheet there is a bank overdraft, Note 31 provides a breakdown of this item.

There have been several significant changes in relation IAS 19 Employee Benefits. IAS19 is changing for accounting years starting on or after 1 January 2013 and this will affect the budgeted pension expense for the next financial year. The key change affecting LGPS employers relates to the expected return on assets. Advance credit for anticipated outperformance of return seeking assets (such as equities) will no longer be permitted. The expected return on assets is currently credited to profit and loss, however from 2013 this is effectively replaced with an equivalent figure calculated using the discount rate (as opposed to that calculated using the Expected Return on Assets assumption). For 2012/2013 this would result in a £4.652m increase in the Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement (with a corresponding decrease in Other Comprehensive Income and Expenditure).

2 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 a 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, £3.647m 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 £1.0m over the next 4 Years. The Council accounts for the income only as it becomes due in the year.

- Investment properties have been estimated using the identifiable criteria under IFRS of being held for rental income or for capital appreciation. These properties have been assessed using these criteria, which is subject to interpretation.

- The Council has examined its leases, and classified them as either operational or finance leases. In some cases the lease transaction is not always conclusive and the Council uses judgement in determining whether the lease is a finance lease arrangement that transfers substantially all the risks and rewards incidental to ownership. In reassessing the lease the Council has estimated the implied interest rate within the lease to calculate interest and principal payments.

- The Council does not recognise Voluntary Aided, Academies or Free schools on its Balance Sheet. All other types of school are recognised on the Council's Balance Sheet.

3 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 2013 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 2013 is £618.860m.	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 £0.847m for every year that useful lives had to be reduced.
Provisions	The Authority has made a provision of £0.284m 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 £0.028m 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 2013 the value of assets was £551.075m and liabilities was £898.724m. The net liability is therefore £347.649m.	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 £75.160m, a 0.5% increase in the salary inflation assumption would increase the pension liability by £76.565m and an increase of one year in members' life expectancy would increase the liability by £18.145m. However, the assumptions interact in complex ways. During 2012/13, the Authority's actuaries advised that the net pensions liability had decreased by £35.602m as a result of estimates being corrected as a result of experience but increased by £96.087m attributable to updating the assumptions.

Arrears	At 31 March 2013, Sefton had a net balance of sundry debtor accounts issued by the Authority but not yet paid of £13.177m. A review of significant balances suggested that an impairment of doubtful debts of approximately 23% (£2.966m) was appropriate for these accounts. At 31 March 2013, Sefton had a balance of Council Tax arrears (including Court Costs) of £10.104m. A review of significant balances suggested that an impairment of doubtful debts of approximately 32% (£3.261m) was appropriate for these accounts. At 31 March 2013, Sefton had a balance of Housing Benefit arrears of £4.119m. A review of significant balances suggested that an impairment of doubtful debts of approximately 38% (£1.577m) 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 £7.804m to be set aside as an allowance.

4 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.

Descriptions of the reserves that the adjustments are made against can be found in the relevant notes for each reserve.

Adjustments in 2012/2013	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	-18,160			18,160
Revaluation losses on non-current assets	-21,182			21,182
Movements in the market value of Investment Properties	1,380			-1,380
Amortisation of intangible assets	-245			245
Capital grants and contributions applied	4,509			-4,509
Revenue expenditure funded from capital under statute - Gross	-8,337			8,337
Revenue expenditure funded from capital under statute – Related Capital Grants and Contributions	7,486			-7,486
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	-11,284			11,284
Amortisation of Deferred Income re. Crosby PFI Scheme	107			-107

Adjustments in 2012/2013 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	9,812			-9,812
Capital expenditure charged against the General Fund	2,669			-2,669
Adjustments primarily involving the Capital Grants Unapplied Account:				
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	6,874		-6,874	
Application of grants to capital financing transferred to the Capital Adjustment Account			6,828	-6,828
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	1,138	-1,138		
Transfers to Usable Capital Receipts not relating to the disposal of assets	369	-369		
Use of the Capital Receipts Reserve to finance new capital expenditure		2,472		-2,472
Contribution from the Capital Receipts Reserve to finance payments to the Government capital receipts pool	-14	14		
Transfer from Deferred Capital Receipts Reserve upon receipt of cash		-18		18
Adjustments primarily involving the Deferred Capital Receipts Reserve:				
Reduction of Capital Receipts Deferred re. Leased Out Buildings	-114			114
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	60			-60
Adjustments primarily involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	-26,142			26,142
Employer's pensions contributions and direct payments to pensioners payable in the year	26,353			-26,353
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	-552			552
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	853			-853
Total Adjustments	-24,420	961	-46	23,505

The table below provides comparative figures for 2011/2012:

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	-16,571			16,571
Revaluation losses on Property Plant and Equipment	-22,388			22,388
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
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

Adjustments in 2011/2012 Continued	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Unusable Reserves £000
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	-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

5 NON-DISTRIBUTED COSTS

Non-distributed costs included in the Comprehensive Income and Expenditure Statement can be analysed between costs relating to retirement benefits and other non-distributed costs as shown below:

2011/2012 £000s	Other Income	2012/2013 £000s
	Retirement Benefits	
6	Past Service Cost	0
1,587	Curtailment Cost	1,049
-8,588	Settlements	0
-6,995		1,049
14,727	Impairment Charges on Surplus Assets	3,451
570	Other Non-Distributed Costs	1,017
8,302	**Total**	5,517

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 2012/2013	Older People £000	Young People And Families £000	Finance and ICT £000	Other Services £000	**Total £000**
Fees, Charges and Other Service Income	-21,399	-17,227	-8,829	-50,283	-97,738
Grants and Contributions	-3,941	-174,715	-135,476	-13,077	-327,209
Total Income	-25,340	-191,942	-144,305	-63,360	**-424,947**
Employee Expenses	11,156	159,451	3,874	43,469	217,950
Other Service Expenditure	103,904	82,975	143,069	60,849	390,797
Support Service Recharges	3,155	2,143	1,529	12,527	19,354
Depreciation and Impairment	1,305	16,312	101	25,602	43,320
Total Expenditure	119,520	260,881	148,573	142,447	**671,421**
Net Expenditure	94,180	68,939	4,268	79,087	**246,474**

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	29,956	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**

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.

2011/2012 £000		2012/2013 £000
256,575	**Net expenditure in the Departmental Analysis**	246,474
-13,376	Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis	-9,824
-443	Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement	-786
242,756	**Cost of Services in Comprehensive Income and Expenditure Statement**	235,864

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.

2012/2013	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	-97,738	1,418	0	28,410	**-67,910**	-7,813	**-75,723**
Interest and investment income	0	0	0	0	**0**	-2,528	**-2,528**
Income from council tax	0	0	0	0	**0**	-117,921	**-117,921**
Other Operating Income	0	0	0	0	**0**	-1,034	**-1,034**
Government grants and contributions	-327,209	0	0	0	**-327,209**	-154,992	**-482,201**
Total Income	-424,947	1,418	0	28,410	**-395,119**	-284,288	**-679,407**
Employee Expenses	217,950	-3,050	0	0	**214,900**	12,254	**227,154**
Other service expenses	390,797	-4,046	-786	-9,056	**376,909**	3,503	**380,412**
Support Service Recharges	19,354	0	0	-19,354	**0**	0	**0**
Depreciation amortisation, impairment and changes in fair value	43,320	-4,146	0	0	**39,174**	-967	**38,207**
Interest Payments	0	0	0	0	**0**	7,374	**7,374**
Precepts and Levies	0	0	0	0	**0**	39,530	**39,530**
Payment to Housing Capital Receipts Pool	0	0	0	0	**0**	14	**14**
Loss on Disposal of non-current assets / Investment Properties	0	0	0	0	**0**	10,146	**10,146**
Total Expenditure	671,421	-11,242	-786	-28,410	**630,983**	71,854	**702,837**
Surplus or deficit on the provision of services	246,474	-9,824	-786	0	**235,864**	-212,434	**23,430**

The table below shows comparative figures for 2011/2012:

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	-671	-443	-8,646	**385,444**	6,621	**392,065**
Support Service Recharges	18,263	0	0	-18,263	**0**	0	**0**
Depreciation amortisation, impairment and changes in fair value	41,194	-2,578	0	0	**38,616**	683	**39,299**
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 non-current assets	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**

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:

2011/2012 £000s	Other Income	2012/2013 £000s
-337	Capital Receipts re. Former Council Dwellings	-278
0	Capital Receipts from Developer re. Surplus Land Value	-91
-2,542	Sefton's share of a VAT Shelter Agreement with One Vision Housing	-665
-252	Technical Levy Refund from Merseyside Integrated Transport Authority	0
-3,131		-1,034

8 INTEREST PAYABLE AND SIMILAR CHARGES

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

2011/2012 £000s		2012/2013 £000s
6,410	External Interest Charges	6,273
545	Finance Charge re. Leasing Agreements	525
543	Finance Charge re. PFI Schemes	520
59	Transferred Service debt charges	56
7,557	**Total**	7,374

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

2011/2012			Activity	2012/2013		
Income £000s	Expenditure £000s	Deficit / Surplus (-) £000s		Income £000s	Expenditure £000s	Deficit / Surplus (-) £000s
-1,355	5,625	4,270	Other Commercial Land and Buildings	-1,202	2,477	1,275
-57	147	90	Southport and Other Markets	-352	2,928	2,576
-591	942	351	Commercial Cleansing Services	-606	745	139
-207	1,326	1,119	Arts Operations / Development	-180	1,503	1,323
-79	3,502	3,423	Netherton Activity Centre	-207	513	306
-5,903	10,070	4,167	Sports Facilities	-6,075	11,915	5,840
-5,299	5,302	3	School Meals	-4,810	4,826	16
-2,045	1,612	-433	Cemeteries and Crematoria Services	-2,599	2,381	-218
-504	722	218	Tourism Related Facilities in Southport	-519	2,109	1,590
-16,040	29,248	13,208	**Total Trading Surplus for Year**	-16,550	29,397	12,847

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

2011/2012			Activity	2012/2013		
Income £000s	Expenditure £000s	Deficit / Surplus (-) £000s		Income £000s	Expenditure £000s	Deficit / Surplus (-) £000s
-2,198	2,002	-196	Building Cleaning	-2,222	1,978	-244
-66	12	-54	Civic Trading Account	-72	14	-58
-4,800	4,540	-260	Vehicle Maintenance	-4,678	3,945	-733
-64	98	34	Merseyside Engineers Laboratory	0	0	0
-501	382	-119	Other Catering	-841	714	-127
-7,629	7,034	-595	**Total Trading Surplus for Year**	-7,813	6,651	-1,162

Descriptions of the services and significant changes in the surplus or deficit on trading services can be explained as follows:

Trading Service	**Reason for change**
Other Commercial Land and Buildings: The leasing and rental, at market rates, of commercial land and buildings owned by the Council.	There is a significant reduction in impairment charges of £3.0m between 2011/2012 and 2012/2013 as a result of valuations undertaken in the two years.
Southport Market: The operation of Southport Indoor Market and any Farmers' Markets that occur in the Borough.	The market fully re-opened on 7 July 2012 following an extensive refurbishment. Levels of income and expenditure have therefore increased. In addition, there were impairment charges of £2.5m in 2012/2013.
Commercial Cleansing Services: The operation of various cleansing services on a commercial basis including Trade Waste, Clinical Waste and Skip Hire.	Expenditure on employees has reduced following reviews of the service.
Arts Operations / Development: Provision of all arts activities within the Borough including the operation of The Atkinson cultural centre and Crosby Civic Hall.	Income has reduced because of a reduced arts programme at Crosby Civic Hall. Expenditure increased due to an additional £0.1m of capital charges.
Netherton Activity Centre: The operation of the Centre which includes leisure and library facilities as well as a youth club, beauticians, crèche and Jake's Sensory World.	Income has increased following the refurbishment during 2011/2012. Gross expenditure has reduced as a result of no impairment costs in 2012/2013 (£3.0m in 2011/2012).
Sports Facilities: The provision of sports facilities within Sefton including the direct operation of Bootle Leisure Centre, Crosby Lakeside Adventure Centre, Dunes Splashworld, Litherland Sports Park and Meadows Leisure Centre. It also includes the third party operation of Crosby Leisure Centre and Formby Pool.	Gross expenditure has increased due to additional capital charges of £2.1m in 2012/2013.
School Meals and Welfare Catering: The provision of a catering service to certain schools within the Borough.	No significant change.
Cemeteries and Crematoria Services: The operation of two Crematoria in Southport and Thornton and Cemeteries in Birkdale, Bootle, Southport and Thornton.	Gross expenditure has increased due to additional impairment charges of £0.7m in 2012/2013.
Tourism Related Facilities: The operation of Southport Pier and various other facilities at the seafront in Southport.	Gross expenditure has increased due to additional impairment charges of £1.4m in 2012/2013.

Trading Service	Reason for change
Building Cleaning: The provision of building cleaning services to schools and other Council owned buildings.	No significant change.
Civic Trading Account: Any income and expenditure relating to the letting of civic buildings in the Borough.	No significant change.
Vehicle Maintenance: The provision, management and maintenance of Council owned vehicles and small plant.	New vehicles were purchased in 2012/2013 using Prudential Borrowing rather than leasing the vehicles. The borrowing costs are not recorded against the service but shown under Interest Payable. Gross expenditure has reduced by £0.4m as a result of this.
Merseyside Engineers Laboratory: The provision of testing facilities to Sefton and all other local authorities on Merseyside.	This service, previously provided to local authorities on Merseyside, was closed during 2011/2012 with councils making alternative arrangements for service provision.
Other Catering: The provision of the Community Meals service and of services to schools other than for school meals, e.g. for breakfast / after school clubs.	There has been an increase in the provision of services to schools other than for school meals. As a result both income and expenditure have increased.

10 SIGNIFICANT AGENCY INCOME AND EXPENDITURE

The Authority carried out work to the value of £0.058m on behalf of the Highways Agency and received fees of £0.141m according to agreed charging in 2012/2013 (£0.073m value of work and £0.116m fees in 2011/2012). 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 £1.342m from NHS Sefton (£1.373m in 2011/2012) and £1.332m from Sefton Council (£1.373m in 2011/2012), £2.674m in total (£2.746m in 2011/2012), 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 £0.478m from NHS Sefton (£0.465m in 2011/2012) and £0.495m from Sefton Council (£0.466m in 2011/2012), 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 81 Members who were paid allowances (some for only part of the year) as shown below:

2011/2012 £000s		2012/2013 £000s
562	Basic Allowances	562
317	Special Responsibility Allowances	202
1	Expenses	2
880	**Total**	766

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 expired on 31 March 2013 but was been extended to 31 March 2014, when a new agreement will be negotiated. Payments to the contractor are increased each year in line with the Retail Price Index. Contract payments of £0.325m were made in 2012/2013 (£0.314m in 2011/2012).

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 2012/2013 was £8.580m (£9.580m in 2011/2012). 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 £15.367m were made under this contract in 2012/2013 (£15.577m in 2011/2012). The contract is uplifted by pay and price inflation on 1 April each year.

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 £4.995m were made under this contract in 2012/2013 (£5.518m in 2011/2012). The contract is uplifted by pay and price inflation on 1 April each year.

In October 2011 the Council gave notice to end its contract for technical services with Capita Symonds Limited, and in October 2013 those services, along with the staff that provide them, will return to the Council under the Investment Programmes and Infrastructure Division.

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 £1.179m were made under this contract in 2012/2013 (£1.151m in 2011/2012) with government grants of £0.561m received in the year (£0.561m in 2011/2012). The contract is uplifted by price inflation on 1 April each year.

14 EMPLOYEES' EMOLUMENTS IN EXCESS OF £50,000

The Accounts and Audit (England) 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)				
2011/2012		Remuneration Band	2012/2013	
Employed on 31/03/12	Left during the year		Employed on 31/03/13	Left during the year
67	3	£50,000 - £54,999	57	0
39	2	£55,000 - £59,999	40	1
31	0	£60,000 - £64,999	33	0
14	0	£65,000 - £69,999	15	0
2	0	£70,000 - £74,999	5	0
2	0	£75,000 - £79,999	1	0
5	0	£80,000 - £84,999	3	0
4	0	£85,000 - £89,999	4	0
1	0	£90,000 - £94,999	2	0
0	0	£95,000 - £99,999	0	0
0	0	£100,000 - £104,999	0	0
1	0	£105,000 - £109,999	0	0

Non-Teaching Staff (including schools)				
2011/2012		Remuneration Band	2012/2013	
Employed on 31/03/12	Left during the year		Employed on 31/03/13	Left during the year
22	3	£50,000 - £54,999	20	3
13	1	£55,000 - £59,999	11	0
11	2	£60,000 - £64,999	8	3
4	2	£65,000 - £69,999	4	1
5	1	£70,000 - £74,999	6	0
4	1	£75,000 - £79,999	4	0
4	2	£80,000 - £84,999	4	1
2	0	£85,000 - £89,999	2	0
0	0	£90,000 - £94,999	0	0
2	0	£95,000 - £99,999	1	0
0	0	£100,000 - £104,999	0	0
0	0	£105,000 - £109,999	0	0
0	0	£110,000 - £114,999	0	0
1	0	£115,000 - £119,999	1	0
0	0	£120,000 - £124,999	0	0
0	0	£125,000 - £129,999	0	0
1	0	£130,000 - £134,999	1	0
0	0	£135,000 - £139,999	0	1
0	0	£140,000 - £144,999	0	0
0	0	£145,000 - £149,999	0	0
0	0	£150,000 - £154,999	0	1

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 2012/2013:

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	27,297	161,018
Strategic Director (Place)	(a)	98,093	0	53,495	151,588	114,061	265,649
Strategic Director (People)		118,159	0	0	118,159	24,120	142,279
Director of Corporate Commissioning		84,463	0	0	84,463	17,242	101,705
Director of Young People and Families		96,949	0	0	96,949	19,791	116,740
Director of Older People		88,135	0	0	88,135	17,991	106,126
Director of Built Environment		86,718	0	0	86,718	16,850	103,568
Director of Street Scene		76,996	0	0	76,996	15,708	92,704
Director of Corporate Support Services	(a)	88,135	0	48,064	136,199	98,791	234,990
Head of Corporate Finance and ICT		82,543	0	0	82,543	16,849	99,392

a) A revised Senior Management Structure has been agreed with effect from April 2013. The Strategic Director (Place) and Director of Corporate Support Services have both taken Voluntary Early Retirement and their posts deleted.

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

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 2012/2013

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	28	66	94	£0.547m
£20,001 - £40,000	3	21	24	£0.664m
£40,001 - £60,000	0	3	3	£0.131m
£60,001 - £80,000	2	3	5	£0.371m
£80,001 - £100,000	0	0	0	£0.000m
£100,001 - £150,000	0	2	2	£0.276m
Total	33	95	128	£1.989m

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	138	229	£1.406m
£20,001 - £40,000	9	49	58	£1.596m
£40,001 - £60,000	2	11	13	£0.633m
£60,001 - £80,000	1	4	5	£0.319m
£80,001 - £100,000	0	0	0	£0.000m
£100,001 - £150,000	0	1	1	£0.102m
£150,001 - £200,000	0	1	1	£0.161m
Total	103	204	307	£4.217m

17 EXTERNAL AUDIT COSTS

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

2011/2012 £000		2012/2013 £000
286	Fees for external audit services carried out by the appointed auditor	168
61	Fees payable for the certification of grant returns	38
18	Fees payable in respect of any other services	2
-19	Rebate from the Audit Commission	-15
346	**Total**	193

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 2012/2013 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 2012/2013			-190,873
Academy figure recouped for 2012/13			31,892
Total DSG after Academy Recoupment			-158,981
Brought forward from 2011/2012			-1,373
Carry forward to 2013/2014 agreed in advance			1,373
Final budgeted distribution in 2012/2013	-12,264	-146,717	-158,981
Actual central expenditure	10,756		10,756
Actual ISB deployed to schools		146,717	146,717
Total Carry forward to 2013/2014	-1,508	0	-2,881

19 GRANT INCOME

Grants and contributions credited to the Comprehensive Income and Expenditure Statement

The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2012/2013:

2011/2012 £000s	Credited to Taxation and Non-specific Grant Income	2012/2013 £000s
	Non-Ringfenced Government Grants	
-29,815	Revenue Support Grant	-2,245
-11,413	Early Intervention Grant	-11,808
-4,217	Learning Disability and Health Reform Grant	-4,345
-4,173	NHS Support for Social Care	-3,970
-2,947	Council Tax Freeze Grant	-2,949
-1,604	Other Non-Ringfenced Government Grants	-2,505
-54,169		-27,822
	Capital Grants and Contributions	
-4,344	Standards Fund Grant	-3,459
-3,458	New Heartlands - HMRI Grant	0
-3,614	Local Transport Plan Grant	-3,517
-767	Environment Agency - CERMS Grant	-849
0	Department of Health – Capital Investment in Community Capacity Grant	-808
-1,128	Sea Change Grant - Cultural Centre	0
-120	North West Development Agency	0
-2,645	Other Capital Grants and Contributions	-2,743
-16,076		-11,376

2011/2012 £000s	Grants Credited to Services	2012/2013 £000s
	Revenue Grants	
-176,075	Dedicated Schools Grant	-158,981
-100,588	Housing Benefit Subsidy	-105,306
-27,333	Council Tax Benefit Subsidy	-27,219
-11,113	Education Funding Agency	-7,772
-3,137	Pupil Premium	-5,503
-2,363	Housing Benefit and Council Tax Benefit Administration	-2,559
-657	Skills Funding Agency	-962
-568	Youth Justice Board	-536
-561	PFI Grant	-561
-1,021	Future Jobs Fund	-131
-3,124	Step Clever	-120
-4,484	Other Revenue Grants	-2,886
-331,024		-312,536
	Capital Grants	
-3,973	Capital Grants utilised to fund Revenue Expenditure Funded from Capital Under Statute	-7,486
	Contributions	
-4,927	NHS Sefton and Mersey Care – Adult Social Care	-3,931
-929	NHS Sefton – Health & Wellbeing	-840
-52	NHS Sefton – Environment	0
-167	Knowsley Council – Landscape Services	-215
-195	St Helens Council – Landscape Services	-251
-64	Wirral Council – Landscape Services	0
-35	Big Lotto Funding for Growing Business	0
0	Scottish Power – Carbon Reduction Schemes	-83
-70	Sports Council	-33
-116	Southport Tourist Business Network	-92
0	Trading Standards Northwest	-200
-435	Other Contributions	-193
-6,990		-5,838

Capital Grants and Contributions Receipts in Advance

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:

2011/2012 £000s	Capital Grants and Contributions Receipts in Advance	2012/2013 £000s
-4	Heritage Lottery Fund	-4
-100	NHS Sefton	-100
-375	Sefton PCT	-357
-479		-461

20 PROPERTY PLANT AND EQUIPMENT

Movement on Balances

Movements in 2012/2013:

	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 2012	499,039	21,657	151,876	14,756	12,838	12,661	712,827
Additions	6,244	4,289	6,055	507	2,840	8,903	28,838
Revaluations - recognised in the Revaluation Reserve	-4,558	0	0	0	739	0	-3,819
Revaluations – Impairments recognised in the Surplus/Deficit on the Provision of Services	-38,142	0	0	0	-3,451	0	-41,593
Derecognition - Disposals	-11,431	0	0	0	0	0	-11,431
Reclassifications to Assets Held for Sale	-634	0	0	0	0	0	-634
At 31 March 2013	450,518	25,946	157,931	15,263	12,966	21,564	684,188
Accumulated Depreciation and Impairment							
At 1 April 2012	-27,803	-10,193	-31,211	0	0	0	-69,207
Depreciation Charge	-11,764	-2,599	-3,797	0	0	0	-18,160
Revaluations - recognised in the Revaluation Reserve	657	0	0	0	0	0	657
Accumulated Depreciation written out upon impairment	20,415		0	0	0	0	20,415
Derecognition - Disposals	847	0	0	0	0	0	847
Reclassifications to Assets Held for Sale	120	0	0	0	0	0	120
At 31 March 2013	-17,528	-12,792	-35,008	0	0	0	-65,328
Net Book Value							
At 1 April 2012	471,236	11,464	120,665	14,756	12,838	12,661	643,620
At 31 March 2013	432,990	13,154	122,923	15,263	12,966	21,564	618,860

The disposals shown under Other Land and Buildings mainly relates to a secondary school that transferred to free school status during 2012/2013.

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.

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	10 to 75 Years
Vehicles, Plant and Equipment (excluding Computers)	Straight-line	5 to 10 Years
Vehicles, Plant and Equipment (Computers)	Straight-line	3 Years
Infrastructure Assets	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 Other Land and Buildings assets are detailed below:

Asset Type	Estimated Life
Southport Cultural Centre (The Atkinson)	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 2013, the Authority has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2013/2014 and future years which are budgeted to cost £35.253m. Similar commitments at 31 March 2012 were £22.543m. The major commitments are:

Scheme	Expenditure approved and contracted at 31 March 2013 £000s
Thornton Switch Island Link Road	15,680
Kings Garden Redevelopment	4,057
HMRI Projects	3,834
REECH Project	1,565
Southport Cultural Centre	1,793
HMRI Acquisitions	1,466
Birkdale Primary School - Additional Accommodation	1,441
Litherland One School Pathfinder	1,061

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	25,946	0	25,946
Valued at Current Value in:				
2012/2013	263,163	0	2,031	265,194
2011/2012	53,871	0	9,405	63,276
2010/2011	17,325	0	488	17,813
2009/2010	104,360	0	991	105,351
2008/2009	11,799	0	51	11,850
	450,518	25,946	12,966	489,430

21 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:

2011/2012				2012/2013		
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 2008/2009, 2009/2010 and 2010/2011 there were no Acquisitions, Donations, Disposals or Impairments so the value of Heritage Assets as at 1 April 2008 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 right 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.

SILVER

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.

ARTWORKS

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 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.

22 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:

2011/2012 £000s		2012/2013 £000s
-1,462	Rental Income from Investment Property	-1,876
71	Direct operating expenses arising from Investment Property	41
-1,391	Net gain	-1,835

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 2013, the Authority had no contractual obligations for the construction or enhancement of investment property in 2013/2014 and future years. There were also no similar commitments at 31 March 2012.

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

2011/2012 £000s		2012/2013 £000s
43,809	Balance at the start of the year	45,055
1,987	Additions – Subsequent expenditure	371
-193	Disposals	-300
-148	Net gains/losses from fair value adjustments	1,380
	Transfers to/from:	
-400	- Assets Held for Sale	-7,000
45,055	**Balance at the end of the year**	**39,506**

23 INTANGIBLE ASSETS

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 £0.245m charged to revenue in 2012/2013 was charged to the ICT 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.

At 31 March 2013, the Authority had no contractual obligations for the construction or enhancement of intangible assets in 2013/2014 and future years. There were also no similar commitments at 31 March 2012.

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

2011/2012 £000s	Purchased Software Licences	2012/2013 £000s
2,325	Gross Carrying Amount	2,341
-726	Accumulated Amortisation	-918
1,599	Net carrying amount at start of the year	1,423
16	Purchases the in year	282
-192	Amortisation in the year	-245
1,423	**Net carrying amount at the year end**	**1,460**
	Comprising:	
2,341	Gross Carrying Amount	2,623
-918	Accumulated Amortisation	-1,163
1,423		**1,460**

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.

2011/2012 £000s	Capital Financing Requirement	2012/2013 £000s
210,324	Opening Capital Financing Requirement	211,706
	Capital Expenditure:	
31,114	Property, Plant and Equipment	28,838
1,987	Investment Properties	371
16	Intangible Assets	282
-279	Prepayment	0
6,449	Revenue expenditure funded from capital under statute	8,337
	Sources of Finance	
-858	Capital Receipts	-2,843
-22,637	Government Grants	-17,902
-3,222	Other Contributions	-921
-1,014	Direct Revenue Contributions	-2,669
	Provision for Repayment of Debt	
-10,067	Statutory Provision for financing capital investment	-9,812
-107	Amortisation of Deferred Income re. Crosby PFI	-107
0	Capital Receipts Set Aside to Repay Debt	0
211,706	**Closing Capital Financing Requirement**	**215,280**

2011/2012 £000s	Explanation of movements in the year	2012/2013 £000s
	Increase in underlying need to borrow:	
2,142	Borrowing supported by Government financial assistance	283
9,414	Borrowing unsupported by Government financial assistance	13,210
-10,174	Provision for Repayment of Debt	-9,919
1,382	**Increase in Capital Financing Requirement**	**3,574**

25 LONG TERM INVESTMENTS

The Council's only Long-Term Investment as at 31 March 2013 was £0.001m in Sefton New Directions (£0.001m at 31 March 2012) (see Note 50 for more details).

26 LONG TERM RECEIVABLES

31 March 2012 £000s		31 March 2013 £000s
	Transferred Services	
180	Merseyside Residuary Body	152
1,710	Merseyside Probation Committee	1,641
1,890		1,793
	Other	
5,004	Long Term Sundry Debtor Accounts	4,990
998	Finance Lease Agreements	513
77	Mortgages	56
102	Car Loans to Officers	76
0	Loan to Sefton New Directions Limited	350
127	Loan to Plaza Community Cinema	120
6,308		6,105
8,198	**Total**	**7,898**

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 £1.339m at 31 March 2013 (£1.395m at 31 March 2012). The remaining £0.302m is payable by the other four Merseyside district councils (£0.315m at 31 March 2012).

27 SHORT TERM INVESTMENTS

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

31 March 2012 £000s		31 March 2013 £000s
5,000	Barclays Bank	0
0	HBOS Bank	5,000
5,000	Lloyds Bank	5,000
5,000	Nationwide Building Society	0
0	Natwest Bank	10,030
15,000		20,030
181	Accrued Interest Receipts	26
15,181	**Total**	**20,056**

28 ASSETS HELD FOR SALE

2011/2012 £000s	Movements in the year	2012/2013 £000s
285	Balance Outstanding at start of the year	594
	Assets newly classified as held for sale:	
204	- Property Plant and Equipment	514
400	- Investment Properties	7,000
	Revaluations	
0	Revaluation Losses	-4
-295	Assets Sold	-400
594	**Balance Outstanding at the year-end**	**7,704**

29 INVENTORIES

Movements 2012/2013	Stores £000s	Work in Progress £000s	Total £000s
Balance Outstanding at the start of the year	325	50	375
Purchases	3,822	19	3,841
Recognised as an expense in the year	-3,895	-25	-3,920
Write-offs	-4	0	-4
Balance Outstanding at the year-end	248	44	**292**

Movements 2011/2012	Stores £000s	Work in Progress £000s	Total £000s
Balance Outstanding at the start of the year	264	45	309
Purchases	3,571	46	3,617
Recognised as an expense in the year	-3,510	-41	-3,551
Balance Outstanding at the year-end	325	50	**375**

30 SHORT TERM RECEIVABLES

31 March 2012 £000s		31 March 2013 £000s
	Amounts Falling Due Within One Year	
2,636	Central Government Bodies	8,252
3,965	HM Revenue and Customs	3,653
0	Academies	129
2,848	Other Local Authorities	2,225
235	NHS Bodies	109
0	Public Corporations	15
11,618	Council Tax Payers	10,104
24,764	Other Entities and Individuals	17,275
54	Car Loans to Employees	47
46,120		41,809
	Less Impairment	
-3,059	Council Tax Payers	-3,261
-4,472	Other Entities and Individuals	-4,605
-7,531		-7,866
38,589	**Net Receivables**	**33,943**

31 CASH AND CASH EQUIVALENTS

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

31 March 2012 £000s		31 March 2013 £000s
89	Cash in hand of officers	87
-1,479	Bank current accounts	-505
37,784	Short-term deposits with banks and building societies	20,348
36,394	**Total Cash and Cash Equivalents**	**19,930**

32 SHORT TERM PAYABLES

31 March 2012 £000s		31 March 2013 £000s
-4,001	HM Revenue and Customs	-3,774
-2,394	Government Departments	-5,422
-3,768	Other Local Authorities	-2,905
-232	NHS Bodies	-217
-18,235	Other entities and individuals	-18,663
-5,133	Accumulated Absences	-4,280
-33,763	**Total**	**-35,261**

33 PROVISIONS

Movements in provisions during 2012/2013 were as follows:

		1 April 2012 £000s	Additions in Year £000s	Applied In Year £000s	Released In Year £000s	31 March 2013 £000s
	Short-term					
(a)	Equal Pay Claims	-440	0	156	0	-284
		-440	0	156	0	**-284**
	Long-term					
(b)	Internal Insurance Cover	-9,549	-2,497	3,571	216	-8,259
(c)	Court Liability Costs	-19	0	0	19	0
(d)	Claims against the Council	-2,667	0	1,858	809	0
		-12,235	-2,497	5,429	1,044	**-8,259**

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**

(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 2013/2014.

(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.

Included within this balance is an amount to cover potential liabilities following the announcement on the 13 November 2012 that the Municipal Mutual Insurance Limited (MMI) Scheme of Arrangement has now been triggered.

MMI was formed as a limited company by guarantee in 1903 and by 1974 some 90% of local authorities were insured by the company. Due to dramatic increases in claims, coincidental with a fall in the property market and poor investment environment, along with its inability to raise capital because of its mutual status, MMI's net assets fell below the minimum regulatory solvency requirement and the company went into run-off in September 1992.

The amount paid to the Council plus the amount outstanding under this arrangement is £3.515m, and under the Scheme or Arrangement a levy is chargeable on this amount. After the imposition of the levy, the Council is also liable to contribute to each and every subsequent claim paid by MMI on the Council's behalf, thereby creating an on-going financial obligation. The initial levy requested by the scheme administrator from the Council is a percentage of the total sum paid on behalf of the Council by MMI since 30 September 1992, less the first £50,000 of such payments. As a result and following assessment by a scheme actuary, a levy rate of 15% is being applied creating a liability to the Council of approximately £0.520m. There is a possibility that the ultimate levy rate could eventually be higher than this and as such the Council has made a specific provision of £1.169m million in the accounts to cover this potential liability, based on an assessment by Sefton's insurance advisors.

(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 had established a provision to cover the potential repayment of costs for which the Council has yet to be billed. There is no known liability so the remaining provision has been reclassified as an Earmarked Reserve.

(d) **Claims against the Council –** Sefton had 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 claims have now been fully settled and the remaining provision has been credited back to the Comprehensive Income and Expenditure Statement.

34 DEFERRED LIABILITIES

31 March 2012 £000s		31 March 2013 £000s
	Short Term	
-437	Merseyside Residuary Body	-883
-26	Finance Lease Liability – Crosby Baths PFI	-107
-876	Finance Lease Liability – Arvato	-1,054
-987	Finance Lease Liability – Property, Plant and Equipment	-679
-108	PFI Deferred Income	-108
-2,434	**Total Short Term**	**-2,831**
	Long Term	
-5,689	Merseyside Residuary Body	-5,251
-3,072	Finance Lease Liability – Crosby Baths PFI	-2,965
-7,408	Finance Lease Liability – Arvato	-6,354
-7,401	Finance Lease Liability – Property, Plant and Equipment	-6,722
-1,611	PFI Deferred Income	-1,504
-25,181	**Total Long Term**	**-22,796**

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 2013 the amount outstanding in respect of Sefton MBC was £5.689m plus £0.445m of accrued interest (£6.126m at 31 March 2012).

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 2012 £	Income £	Expenditure £	Balance at 31 March 2013 £
Children's Services				
Bootle Holiday Camp - Children	21,767	226	0	21,993
Wignall Scholarship	11,719	106	0	11,825
Corporate Services				
Netherton Green Trust	13,739	125	0	13,864
Other				
Mayor of Sefton's Charity Fund	2,095	49,829	-49,194	2,730
Total	49,320	50,286	-49,194	50,412
The balances are invested as follows:				
Government Securities	300			300
Sefton Cash Balances	49,020			50,112
Total	49,320			50,412

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.

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 balancesincluded in the Trust Fund Statement above are therefore as at 1 July 2012 and 30 June 2013. They have been included in the Statement for completeness. The Trustees of the Fund are due to meet before the end of 2013 to agree the Fund surplus.

36 GENERAL FUND BALANCE

The General Fund is the statutory fund into which all the receipts of an authority are required to be paid and out of which all liabilities of the authority are to be met, except to the extent that statutory rules might provide otherwise. These rules can also specify the financial year in which liabilities and payments should impact on the General Fund Balance, which is not necessarily in accordance with proper accounting practice. The General Fund Balance therefore summarises the resources that the Council is statutorily empowered to spend on its services or on capital investment (or the deficit of resources that the Council is required to recover) at the end of the financial year.

Movements in the Authority's General Fund Balances are detailed in Sections 7 and 8 of the Explanatory Foreword on Pages 2 and 3. General Fund Balances 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 Balances 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 2012/2013	1 April 2012 £000s	Transfers in £000s	Transfers Out £000s	31 March 2013 £000s
(a)	Modernisation Fund	-1,050	0	129	-921
(b)	Environmental Warranty	-13,000	0	0	-13,000
(c)	Insurance Fund	-242	-217	0	-459
(d)	Transforming Sefton	-2,950	0	2,595	-355
(e)	Redundancy Reserve	-8,300	0	1,614	-6,686
(f)	Pensions Reserve	-5,800	0	4,750	-1,050
(g)	Capital Priorities Fund	0	-1,000	0	-1,000
(h)	Community Transition Fund	0	-1,000	0	-1,000
(i)	Contamination Clearance Reserve	-1,500	0	0	-1,500
(j)	Rating Appeals / Reduction in NNDR Income Reserve	0	-1,200	0	-1,200
(k)	Revenue Grants and Contributions Unapplied	-10,324	-4,018	4,565	-9,777
(l)	Schools' Earmarked Reserves	-2,965	-3,745	790	-5,920
(n)	Other Earmarked Reserves	-6,518	-1,925	137	-8,306
	Total	**-52,649**	-13,105	14,580	**-51,174**

	Movements in 2011/2012	1 April 2011 £000s	Transfers in £000s	Transfers Out £000s	31 March 2012 £000s
(a)	Modernisation Fund	-1,250	0	200	-1,050
(b)	Environmental Warranty	-10,324	-2,676	0	-13,000
(c)	Insurance Fund	-2,034	0	1,792	-242
(d)	Transforming Sefton	-3,622	0	672	-2,950
(e)	Redundancy Reserve	-12,000	0	3,700	-8,300
(f)	Pensions Reserve	-3,000	-2,800	0	-5,800
(i)	Contamination Clearance Reserve	0	-1,500	0	-1,500
(k)	Revenue Grants and Contributions Unapplied	-12,125	-4,928	6,729	-10,324
(l)	Schools' Earmarked Reserves	-2,073	-892	0	-2,965
(m)	Standards Fund expenditure	-5,793	0	5,793	0
(n)	Other Earmarked Reserves	-5,532	-1,550	564	-6,518
	Total	**-57,753**	-14,346	19,450	**-52,649**

(a) **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.

(b) **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.

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

(d) **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.

(e) **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.

(f) **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.

(g) **Capital Priorities Fund** - Council on 28 February 2013 agreed to the establishment of a new one-off fund to invest in Council priorities including town centres, youth employment and the local economy.

(h) **Community Transition Fund** - Council on 28 February 2013 agreed to the establishment of a new one-off Community Transition Fund. The aim of this resource was to facilitate, where possible, the transfer of certain services to become community run and self sustaining.

(i) **Contamination Clearance Reserve** - During 2011/2012 it was identified there was a site in the Borough that was contaminated and there could be significant costs associated with clearing the contamination. It was therefore considered prudent to set resources aside to cover these potential costs.

(j) **Rating Appeals / Reduction in NNDR Income Reserve** - From 2013/2014 the Council will retain 49% of Business Rates paid in the Borough. The Council has budgeted for a level of receipts in 2013/2014 and 2014/2015 but there is a risk that this income will not be achieved due to the potential impact of appeals and current economic situation. It is considered prudent to set-aside resources to offset the potential loss of income.

(k) **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.

(l) **Schools' Earmarked Reserves –** 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.

(m) **Standards Fund –** Schools previously has until August to spend their allocations of Standards Fund from the previous year. From 2011/2012 this is now paid directly to schools as part of the Dedicated Schools Grant.

(n) **Other Earmarked Reserves –** There are a number of other earmarked reserves held by the Council. These include a Capital Reserve (£1.022m), the Taxi Service Surplus (£0.743m), and the Waste Recycling Surplus (£0.554m).

38 CAPITAL RECEIPTS RESERVE

The Capital Receipts Reserve holds the proceeds from the disposal of land or other assets, which are restricted by statute from being used other than to fund new capital expenditure or to be set aside to finance historical capital expenditure. The balance on the reserve shows the resources that have yet to be applied for these purposes at the year-end.

2011/2012 Total £000s		2012/2013 Total £000s
-6,341	Balance at 1 April	-6,332
	Receipts in the Year	
-512	Sale proceeds credited to the Comprehensive Income and Expenditure Account as part of the gain/loss on disposal of non-current assets	-1,138
-337	Capital Receipts from Former Council House Sales	-278
0	Capital Receipts from Developer re. Surplus Land Value	-91
-19	Transfer from Deferred Capital Receipts Reserve upon receipt of cash	-18
	Applied in the Year	
858	Applied to finance new capital expenditure	2,472
19	Payments to Housing Receipts Pool	14
-6,332	**Balance at 31 March**	**-5,371**

39 CAPITAL GRANTS AND CONTRIBUTIONS UNAPPLIED

The Capital Grants and Contributions Unapplied Account (Reserve) holds the grants and contributions received towards capital projects for which the Council has met the conditions that would otherwise require repayment of the monies but which have yet to be applied to meet expenditure. The balance is restricted by grant terms as to the capital expenditure against which it can be applied and / or the financial year in which this can take place.

2011/2012 £000s		2012/2013 £000s
-16,204	Balance at 1 April	-10,296
-7,111	Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	-6,874
13,019	Transferred to the Capital Adjustment Account	6,828
-10,296	**Balance at 31 March**	**-10,342**

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.

2011/2012 £000s		2012/2013 £000s
-107,003	**Balance at 1 April**	-85,689
-4,206	Upward revaluation of assets	-18,528
2,039	Downward revaluation of assets and impairment losses not charged to Surplus/Deficit on the Provision of Services	21,690
-2,167	Surplus or Deficit on revaluation of non-current assets not posted to the Surplus/Deficit on the Provision of Services	3,162
949	Difference between fair value depreciation and historical cost depreciation	2,675
22,532	Accumulated gains on assets sold or scrapped	3,111
23,481	Amount written off to the Capital Adjustment Account	5,786
-85,689	**Balance at 31 March**	**-76,741**

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 4 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve and Deferred Capital Receipts Reserve.

2011/2012 £000s		2012/2013 £000s
-500,699	**Balance at 1 April**	-404,283
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement	
16,571	Depreciation of non-current assets	18,160
22,388	Revaluation of non-current assets	21,182
192	Amortisation of intangible assets	245
2,476	Revenue expenditure funded from capital under statute	851
112,054	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	11,284
-107	Amortisation of Deferred Income re. Crosby PFI Scheme	-107
153,574		51,615
	Amounts written out to the Revaluation Reserve	
-949	Difference between fair value depreciation and historical cost depreciation	-2,675
-22,532	Accumulated gains on assets sold or scrapped	-3,111
-23,481		-5,786
	Capital financing applied in the year	
-858	Capital receipts applied to finance capital expenditure	-2,472
0	Capital receipts set aside to reduce indebtedness	0
0	Deferred capital receipts applied to finance leased out property	-371
-8,867	Capital Grants and Contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to finance capital expenditure	-4,509
-13,019	Transfer from the Capital Grants and Contributions Unapplied Account to finance capital expenditure	-6,828
-10,067	Statutory provision for the financing of capital investment	-9,812
-1,014	Capital expenditure charged to the General Fund	-2,669
-33,825		-26,661
	Other Movements	
148	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	-1,380
148		-1,380
-404,283	**Balance at 31 March**	**-386,495**

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.

2011/2012 £000s		2012/2013 £000s
902	**Balance at 1 April**	843
-59	Proportion of premiums incurred in previous financial years charged against the General Fund Balance in accordance with statutory requirements	-60
843	**Balance at 31 March**	**783**

43 DEFERRED CAPITAL RECEIPTS RESERVE

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.

2011/2012 £000s		2012/2013 £000s
-1,209	**Balance at 1 April**	-1,060
130	Repayment of Long Term Debtor	114
0	Deferred capital receipts applied to finance leased out property	371
19	Transfer to the Capital Receipts Reserve upon receipt of cash	18
-1,060	**Balance at 31 March**	**-557**

44 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.

2011/2012 £000s		2012/2013 £000s
246,846	**Balance at 1 April**	287,375
45,718	Actuarial losses / gains (-) on pensions assets and liabilities	60,485
16,649	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	26,142
-21,838	Employer's pensions contributions and direct payments to pensioners payable in the year	-26,353
287,375	**Balance at 31 March**	**347,649**

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.

2011/2012 £000s		2012/2013 £000s
285	**Balance at 1 April**	314
29	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	552
314	**Balance at 31 March**	**866**

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.

2011/2012 £000s		2012/2013 £000s
5,785	**Balance at 1 April**	5,133
	Transactions in Year	
-5,785	Settlement or cancellation of accrual made at the end of the preceding year	-5,133
5,133	Amounts accrued at the end of the current year	4,280
-652	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	-853
5,133	**Balance at 31 March**	**4,280**

47 EVENTS AFTER THE BALANCE SHEET DATE

The Statement of Accounts was authorised for issue by the Head of Corporate Finance and ICT on 15 September 2013. 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 2013, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

Business Rates Retention: Appeals

When the new arrangements for the retention of business rates come into effect on 1 April 2013, local authorities will assume the liability for refunding ratepayers who have successfully appealed against the rateable value of their properties on the rating list.

This will include amounts that were paid over to Central Government in respect of 2012/13 and prior years. Previously, such amounts would not have been recognised as income by the authorities, but would have been transferred to DCLG.

When the Council assumes these liabilities on 1 April 2013, a provision will need to be recognised in the accounts. The Council's locally retained share of the provision (49%) has been estimated at £1.621m based on the rateable value of properties subject to outstanding appeals at 31 March 2013.

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 £12.039m to HM Revenue and Customs for Employers' National Insurance Contributions. Amounts owed from and to Central Government at 31 March 2013 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 2012/2013, works and services to the value of £1.689m 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 £0.570m 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 Cabinet Member 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.

2012/2013	Income £000s	Expenditure £000s	Receivables £000s	Payables £000s
Greater Merseyside Connexions Partnership	0	1,689	0	0
Imagine Independence Charity	-1	544	0	0

2011/2012	Income £000s	Expenditure £000s	Receivables £000s	Payables £000s
Greater Merseyside Connexions Partnership	0	2,084	0	0
Hill Dickinson	-11	29	0	0
Imagine Independence Charity	0	540	0	0
Sefton Carers Centre	-7	1,029	0	-14
Shieldcom Limited	0	33	0	0

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, Formby Pool Trust, Local Government Association, Merseyside Fire and Rescue Authority, Merseyside Integrated Transport Authority, Merseyside Pension Fund, Merseyside Police Authority, Merseyside Recycling and Waste Authority, One Vision Housing and Sefton Council for Voluntary Service.

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

2012/2013	Income £000s	Expenditure £000s	Receivables £000s	Payables £000s
Merseyside Police and Crime Commissioner	-21	14,010	892	0
Merseyside Fire and Rescue Authority	-34	6,254	406	0
Parish Councils	-54	1,265	9	-3
Merseyside Integrated Transport Authority	-18	25,682	0	0
Merseyside Recycling and Waste Authority	-2,412	12,614	88	0
Merseyside Pensions Authority - Employers' Contributions	0	17,668	0	-1,469
One Vision Housing	-996	425	263	0
Sefton CVS	-48	965	0	0

2011/2012	Income £000s	Expenditure £000s	Receivables £000s	Payables £000s
Merseyside Police and Crime Commissioner	-76	13,561	973	0
Merseyside Fire and Rescue Authority	-25	6,007	437	0
Parish Councils	-38	974	0	0
Merseyside Integrated Transport Authority	-446	25,773	0	0
Merseyside Recycling and Waste Authority	-1,820	12,974	0	0
Merseyside Pensions Authority - Employers' Contributions	0	17,444	0	-1,287
One Vision Housing	-3,342	562	1,008	-45
Sefton CVS	-7	1,424	0	0
Merseycare NHS Trust	-339	1,587	84	0

The amounts owed by the Merseyside Police Authority and Merseyside Fire and Rescue 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 Strategic Director (People) is a trustee of Greater Merseyside Connexions Partnership. The financial transactions have been disclosed in the table above under Members' Interests.

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

One senior officer received a car loan in 2012/2013 of £0.014m. The loan outstanding at the end of the year was £0.010m.

Subsidiary and associated companies
Details of the Council's interest in companies is set out in note 50.

Note: Some organisations ceased to be related parties at the end of 2011/2012 so are not shown in 2012/2013.

49 CASH FLOW STATEMENT – OPERATING ACTIVITIES

The cash flows for operating activities include the following items:

2011/2012 £000s		2012/2013 £000s
-848	Interest received	-807
6,049	Interest paid	8,547

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 2013, the Company had net liabilities of £6.150m (£5.352m on 31 March 2012). In 2012/2013 the Company reported a pre tax profit of £0.879m (a £0.765m loss in 2011/2012) and a profit of £1.067m after tax (a £0.860m loss in 2011/2012).

The Council has not received any dividends from the Company during 2012/2013 or 2011/2012.

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 £8.591m at 31 March 2013 (£6.134m at 31 March 2012).

The Company's accounts for 2012/2013 will be audited before the end of September 2013. 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 2012/2013 operating lease payments totalled £0.307m (£0.918m in 2011/2012).

In addition, the Council leases a number of properties from third parties under operating lease agreements. During 2012/2013 lease rentals paid for properties under these lease agreements totalled £0.164m (£0.253 in 2011/2012).

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

31 March 2012 £000s		31 March 2013 £000s
642	Not later than one year	352
537	Later than one year and not later than five years	546
1,695	Later than five years	1,642
2,874		2,540

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 2012/2013 lease rentals received from these operating lease agreements totalled £1.876m (£1.460m in 2011/2012).

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

31 March 2012 £000s		31 March 2013 £000s
1,526	Not later than one year	1,434
5,466	Later than one year and not later than five years	5,259
258,421	Later than five years	257,194
265,413		**263,887**

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 2012 £000s		31 March 2013 £000s
6,899	Other Land and Buildings	6,207
471	Vehicles, Plant, Furniture and Equipment	67
7,370		6,274

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 2012 £000s		31 March 2013 £000s
	Finance lease liabilities (net present value of minimum lease payments):	
987	• Current	679
7,401	• Non-current	6,722
5,444	Finance costs payable in future years	4,938
13,832	Minimum lease payments	12,339

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

	Minimum Lease Payments		Finance Lease Liabilities	
	31 March 2012 £000s	31 March 2013 £000s	31 March 2012 £000s	31 March 2013 £000s
Not later than one year	1,492	1,158	987	679
Later than one year and not later than five years	4,423	4,301	2,671	2,663
Later than five years	7,917	6,880	4,730	4,059
	13,832	12,339	8,388	7,401

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2012/2013 £0.020m contingent rents were payable by the Authority (no contingent rents were paid in 2011/2012).

Authority as Lessor

The Authority has leased out four properties on finance leases with remaining terms of between 2 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 2012 £000s		31 March 2013 £000s
	Finance lease debtor (net present value of minimum lease payments):	
139	• Current	149
859	• Non-current	710
202	Unearned finance income	153
273	Unguaranteed residual value of property	223
1,473	Gross investment in the lease	1,235

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 2012 £000s	31 March 2013 £000s	31 March 2012 £000s	31 March 2013 £000s
Not later than one year	238	238	188	188
Later than one year and not later than five years	751	641	599	512
Later than five years	484	356	413	312
	1,473	1,235	1,200	1,012

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 £2.966m at 31 March 2013 (£3.344m at 31 March 2012) 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 2012/2013 were £1.179m (£1.151m in 2011/2012) with government grants of £0.561m received in the year (£0.561m in 2011/2012).

The outstanding commitments (Unitary Payments) due to be made to Waterfront Leisure (Crosby) Limited 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 2013/2014	107	442	607
Contract Payments between 2014/2015 and 2017/2018	344	1,571	2,907
Contract Payments between 2018/2019 and 2022/2023	950	1,776	3,769
Contract Payments between 2023/2024 and 2027/2028	1,671	1,100	4,284

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:

2011/2012 £000s		2012/2013 £000s
-3,194	Balance outstanding at start of year	-3,098
96	Payments during the year	26
-3,098	Balance outstanding at the year-end	-3,072

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:

2011/2012 £000s	Other Land & Buildings: PFI Assets	2012/2013 £000s
	Cost or Valuation	
7,535	Opening Balance at 1 April	7,584
49	Additions	113
0	Revaluations	-247
7,584	Closing Balance at 31 March	7,450
	Depreciation and Impairments	
-218	Opening Balance at 1 April	-437
-219	Depreciation Charge	-220
0	Revaluations	657
-437	Closing Balance at 31 March	0
	Balance Sheet Amount	
7,317	Opening Balance at 1 April	7,147
7,147	Closing Balance at 31 March	7,450

Arvato Public Sector Services Limited

On 1 October 2008, the Council entered into an 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 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 2013, 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 2013/2014	1,054	15,284	16,338
Contract Payments between 2014/2015 and 2017/2018	3,918	61,637	65,555
Contract Payments in 2018/2019	2,436	7,738	10,174

Liabilities

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

2011/2012 £000s		2012/2013 £000s
-8,944	Balance outstanding at start of year	-8,284
660	Payments during the year	876
-8,284	Balance outstanding at the year-end	-7,408

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:

2011/2012		Arvato	2012/2013	
Vehicles, Plant & Equipment £000s	Intangible Assets £000s		Vehicles, Plant & Equipment £000s	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		
-572	-25	Opening Balance at 1 April	-1,157	-100
0	-75	Amortisation for the Year	0	-126
-585	0	Depreciation Charge	-750	0
-1,157	-100	Closing Balance at 31 March	-1,907	-226
		Balance Sheet Amount		
7,614	1,330	Opening Balance at 1 April	7,029	1,255
7,029	1,255	Closing Balance at 31 March	6,279	1,129

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 2012/2013, the Council paid £9.538m to Teachers' Pensions in respect of teachers' retirement benefits, representing 14.1% of teachers' pensionable pay. The figures for 2011/2012 were £11.630m and 14.1%. The Reduction is due to seven secondary schools transferring to academy status during 2011/2012 and two secondary schools that closed before the opening of a new free school during 2012/2013. Contributions of £0.813m 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 2012/2013 these contributions amounted to £1.297m, representing 1.92% of teachers' pensionable pay. The figures for 2011/2012 were £1.304m and 1.58%.

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 pension liabilities with investment assets.

In 2012/2013, the Council paid £23.629m to the MPF in respect of retirement benefits, representing 27.2% of non-teachers' pensionable pay. The figures for 2011/2012 were £19.154m and 20.8%. Contributions of £2.044m 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 2012/2013 these contributions amounted to £1.308m representing 1.51% of pensionable pay. The figures for 2011/2012 were £1.380m and 1.50%.

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:

2011/2012		**Comprehensive Income and Expenditure Statement**	2012/2013	
LGPS £000s	TPS Unfunded Liabilities £000s		LGPS £000s	TPS Unfunded Liabilities £000s
		Cost of Services:		
15,381	0	Current Service Cost	15,615	0
6	0	Past Service Cost	0	0
1,587	0	Curtailment Cost	1,049	0
-8,588	0	Settlements	0	0
		Financing and Investment Income and Expenditure:		
38,728	669	Interest Cost	37,057	561
-31,134	0	Expected Return on Assets	-28,140	0
15,980	669	Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	25,581	561
45,289	429	Actuarial Losses	58,864	1,621
61,269	1,098	Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	84,445	2,182

2011/2012		**Movement in Reserves Statement**	2012/2013	
LGPS £000s	TPS Unfunded Liabilities £000s		LGPS £000s	TPS Unfunded Liabilities £000s
-15,980	-669	Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	-25,581	-561
		Actual amount charged against the General Fund for pensions in the year:		
20,534		• employers' contributions payable to the scheme	25,056	
	1,304	• retirement benefits payable direct to pensioners		1,297

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to the 31 March 2013 is a net loss of £294.644m (a net loss of £234.159m to 31 March 2012).

Assets and Liabilities in Relation to Retirement Benefits

Reconciliation of present value of scheme liabilities

2011/2012			2012/2013	
LGPS £000s	TPS Unfunded Liabilities £000s		LGPS £000s	TPS Unfunded Liabilities £000s
715,364	13,050	Opening Balance at 1 April	760,109	12,844
15,381	0	Current Service Cost	15,615	0
38,728	669	Interest cost	37,057	561
5,858	0	Contributions by scheme participants	5,510	0
25,290	429	Actuarial losses	94,466	1,621
-30,002	-1,304	Benefits paid	-28,811	-1,297
6	0	Net Past Service Cost	0	0
1,587	0	Curtailment Cost	1,049	0
-12,103	0	Settlements	0	0
760,109	12,844	Closing Balance at 31 March	884,995	13,729

Reconciliation of fair value of scheme assets:

2011/2012			2012/2013	
LGPS £000s	TPS Unfunded Liabilities £000s		LGPS £000s	TPS Unfunded Liabilities £000s
481,568	0	Opening Balance at 1 April	485,578	0
31,134	0	Expected rate of return	28,140	0
-19,999	0	Actuarial gains and losses (-)	35,602	0
20,534	1,304	Employer contributions	25,056	1,297
5,858	0	Contributions by scheme participants	5,510	0
-30,002	-1,304	Benefits paid	-28,811	-1,297
-3,515	0	Settlements	0	0
485,578	0	Closing Balance at 31 March	551,075	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 £63.742m (compared with a gain of £11.134m in 2011/2012).

Scheme History

	2008/2009 £000s	2009/2010 £000s	2010/2011 £000s	2011/2012 £000s	2012/2013 £000s
Present value of liabilities:					
LGPS	-551,076	-770,445	-715,364	-760,109	-884,995
TPS Unfunded Liabilities	-12,233	-13,894	-13,050	-12,844	-13,729
Fair value of assets in the LGPS	342,315	460,502	481,568	485,578	551,075
Deficit in the Scheme:					
LGPS	-208,761	-309,943	-233,796	-274,531	-333,920
TPS Unfunded Liabilities	-12,233	-13,894	-13,050	-12,844	-13,729
Total	-220,994	-323,837	-246,846	-287,375	-347,649

The liabilities show the underlying commitments that the Authority has in the long-run to pay additional retirement benefits. The total liability of £348m has a substantial impact on the net worth of the Authority as recorded in the Balance Sheet, resulting in an overall balance of £202m. 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 2014 is £20.630m.

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:

2011/2012		2012/2013
	Long-term expected rate of return on assets in the scheme:	
7.0%	Equity Investments	7.0%
3.1%	Government Bonds	2.8%
4.1%	Other Bonds	3.9%
6.0%	Property	5.7%
0.5%	Cash/Liquidity	0.5%
7.0%	Other Assets	7.0%
	Mortality assumptions (years):	
21.5	Longevity at 65 for current pensioners: Men	21.8
24.2	Longevity at 65 for current pensioners: Women	24.7
22.8	Longevity at 65 for future pensioners: Men	23.7
25.8	Longevity at 65 for future pensioners: Women	26.6
	Other assumptions	
2.5%	Rate of Inflation - CPI	2.4%
4.0%	Rate of increase in salaries	3.9%
2.5%	Rate of increase in pensions	2.4%
4.9%	Rate for discounting scheme liabilities	4.2%
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 2012		31 March 2013
%		%
59.1	Equity Investments	60.6
15.7	Government Bonds	15.7
4.0	Other Bonds	3.6
9.3	Property	8.3
2.2	Cash/Liquidity	2.3
9.7	Other Assets	9.5
100.0		100.0

History of experience gains and losses

The actuarial gains / losses identified as movements on the Pensions Reserve in 2012/2013 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2013:

	2008/2009 %	2009/2010 %	2010/2011 %	2011/2012 %	2012/2013 %
Differences between the expected and actual return on assets:					
LGPS	-31.4	20.3	-1.3	-4.1	6.5
Experience losses on liabilities:					
LGPS	0.0	0.0	8.1	0.0	0.0
TPS Unfunded Liabilities	0.0	0.0	0.1	0.0	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 2013 which are expected to be settled in 2013/2014. 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 Trustee Company 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 from the date of transfer (30 October 2006):

- 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 from the date of transfer (30 October 2006):

- 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 £8.682m. The most recently notified total value of the guarantee for Arvato is £7.743m and for Capita Symonds is £2.654m. 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.

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. This arrangement is due to end on 30 October 2016. Sefton's share of reclaimable VAT is likely to be in the region of £1.0m over the next 4 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 investments, cash and cash equivalents, 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	
	31/03/2012 £000s	31/03/2013 £000s	31/03/2012 £000s	31/03/2013 £000s
Investments				
Loans and receivables	1	1	15,181	20,056
Cash and cash equivalents			37,873	20,435
Total investments	1	1	53,054	40,491
Receivables				
Loans and receivables	8,198	7,898		
Financial assets carried at contract amounts			38,589	33,943
Total Receivables	8,198	7,898	38,589	33,943
Borrowings				
Financial liabilities at amortised cost	123,311	123,171	9,763	941
Bank overdraft			1,479	561
Total borrowings	123,311	123,171	11,242	1,502
Other Long Term Liabilities				
PFI and finance lease liabilities	25,181	22,796		
Total other long term liabilities	25,181	22,796		
Payables				
Financial liabilities carried at contract amount			33,763	35,261
PFI and finance lease liabilities			2,434	2,831
Total payables			36,197	38,092

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 2013		
	Financial Liabilities	Financial Assets	
	Liabilities measured at amortised cost £000s	Loans and receivables £000s	Total £000s
Interest expense	-7,374	-	
Interest payable and similar charges	-7,374	0	-7,374
Interest Receivable		652	
Income on Investment Properties	-	1,876	
Interest and investment income	0	2,528	2,528
Net loss (-) / gain for the year	-7,374	2,528	

Comparative figures for the previous financial year 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 Receivable		939	
Income on Investment Properties	-	1,462	
Interest and investment income	0	2,401	2,401
Net loss (-) / gain for the year	-7,557	2,401	

Fair Value of Assets and Liabilities.

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 2012		31 March 2013	
	Carrying amount £000s	Fair value £000s	Carrying amount £000s	Fair value £000s
Borrowing	133,074	141,813	124,112	136,161
Other Long-term liabilities	25,181	25,181	22,796	22,796

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 2012		31 March 2013	
	Carrying amount £000s	Fair value £000s	Carrying amount £000s	Fair value £000s
Loans and receivables	15,181	15,209	20,056	20,073
Long-term Receivables	8,198	8,198	7,898	7,898

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: AA- 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+ (exceptionally strong credit quality), AA- (very high credit quality – very low credit risk and very strong capacity to pay financial commitments) 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 8 financial years, adjusted to reflect current market conditions:

Estimated maximum exposure at 31/03/12		Amount at 31/03/13	Historical experience of default	Historical experience adjusted for market conditions at 31/03/13	Estimated maximum exposure to default & uncollectability at 31/03/13
£000s		£000s A	% B	% C	£000s (AxC)
0	Deposits with Banks	32,356	0	0	0
0	Deposits with Money Market	8,048	0	0	0
303	Customers	13,784	2.62%	2.62%	361
303					**361**

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 2012 £000s	Total Investments at 31 March 2013 £000s
United Kingdom Banks	15,181	20,056
Other: Republic of Ireland	0	0
	15,181	20,056

The Authority does not generally allow credit for customers, such that £11.992m of the £13.784m balance is past its due date for payment. The past due amount can be analysed by age as follows:

	31 March 2012 £000s	31 March 2013 £000s
Less than three months	2,200	2,829
Three months to one year	2,058	2,388
More than one year	7,378	6,775
	11,636	11,992

A provision for bad debts relating to customers exists which totals £2.966m at 31 March 2013. This provision relates to a wide variety of assets of which none are individually significant. The provision was increased by £0.213m in 2012/2013 (£1.845m in 2011/2012) and £0.613m was written-off during the year (£0.077m in 2011/2012).

Of this debt £4.990m is secured against properties at 31 March 2013 (£5.004m as at 31 March 2012). 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.

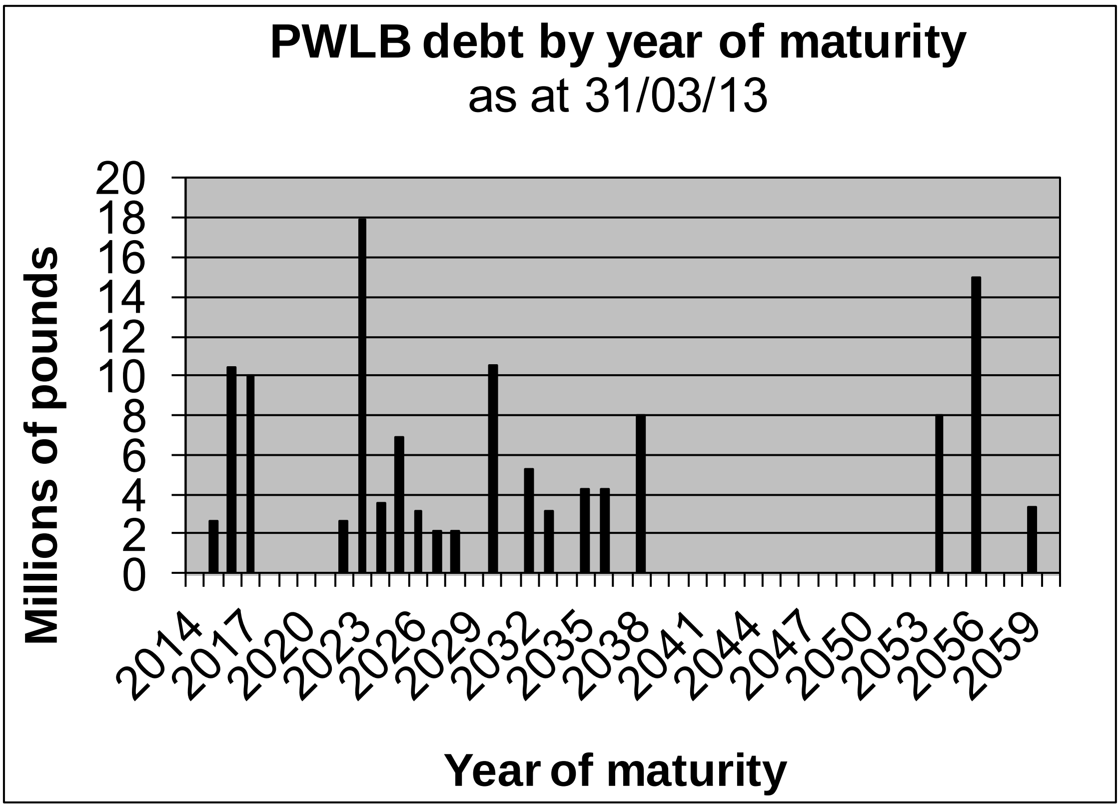
The risk for the Authority is that it will need to replace its borrowings at a time when interest rates are unfavourable, leading to additional ongoing financing costs. The strategy for the Council is to ensure that by careful planning of the repayment date for new and replacement loans, and (when economic 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 2012 £000s	**Analysis of Loans by Type:**	Range of Interest Rates Payable (%)	31 March 2013 £000s
133,054	Public Works Loan Board	1.86 – 11.13	124,092
0	Money Market		0
16	Individuals	0.00	16
0	Other Local Authorities	2.69 – 7.69	0
4	Other	From 6.50	4
133,074	**Total**		124,112

31 March 2012 £000s	**Analysis of Loans by Maturity:**	31 March 2013 £000s
9,763	Maturing within one year	941
140	Maturing in 1-2 years	2,800
22,974	Maturing in 2-5 years	20,174
2,645	Maturing in 5-10 years	20,547
33,557	Maturing in 10-15 years	17,770
17,982	Maturing in 15-20 years	19,040
11,635	Maturing in 20-25 years	16,462
8,000	Maturing in 25-30 years	0
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
133,074	**Total**	124,112

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 expense charged to the surplus or deficit on the provision of services will rise;
ii) Borrowings at fixed rates – the fair value of the loan will fall;
iii) Investments at variable rates – the interest income credited to the surplus or deficit on the provision of services 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 2012 £000s		31 March 2013 £000s
326	Increase in interest receivable on variable rate investments (and resultant impact on the Surplus or Deficit on the Provision of Services)	450
-1,027	Increase in fair value of fixed rate loans (no impact on Other Comprehensive Income and Expenditure)	13,540
-19	Increase in fair value of fixed rate investments (impact on Other Comprehensive Income and Expenditure)	24

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 2012/2013 financial year and its position at the year end of 31 March 2013. The Council is required to prepare an Annual Statement of Accounts by the Accounts and Audit (England) Regulations 2011 in accordance with proper accounting practices. These practices primarily comprise the *Code of Practice on Local Authority Accounting in the United Kingdom 2012/2013* and the *Service Reporting Code of Practice for Local Authorities 2012/2013*, supported by *International Financial Reporting Standards (IFRS)*.

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) CARBON REDUCTION COMMITMENT

The Council is required to participate in the Carbon Reduction Commitment (CRC) EnergyEfficiency Scheme. This scheme has completed its introductory phase and the second phase of the scheme will start in April 2013. The Council is required to purchase allowances retrospectively, on the basis of emissions (i.e. carbon dioxide produced as energy is used). As carbon dioxide is emitted (i.e. as energy is used), a liability and an expense are recognised.

The liability is measured at the best estimate of the expenditure required to meet the obligation, normally at the current market price of the number of allowances required to meet the liability at the reporting date. The cost to the Council is recognised and reported in the cost of the Councils services and is apportioned to services on the basis of energy consumption.

(d) 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 2013 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.

(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 Pension 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 contractor admissions bodies, such as New Directions, arvato and Capita Symonds.

(i) FOREIGN CURRENCY TRANSLATION

Where the Council has entered into a transaction denominated in a foreign currency, the transaction is converted into sterling at the exchange rate applicable on the date the transaction was effected.

(j) 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.

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.

(k) 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.

Heritage Assets are recognised and measured (including the treatment of revaluation gains and losses) in accordance with the Authority's accounting policies on property, plant and equipment (note (q). 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)). 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.

(l) 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.

(m) 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.

(n) 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.

(o) 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.

(p) 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.

THE COUNCIL AS A LESSEE

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).

THE COUNCIL AS A LESSOR

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.

Credits 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.

(q) OVERHEADS 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 2012/2013. 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 Council’s 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, Assets Under Construction and Surplus Assets.

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.

(r) 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.

(s) **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.

(t) **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 2012/2013 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.

(u) 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.

Equal Pay Claims
The Authority has established a provision to cover the potential costs of known Equal Pay claims that are expected to be settled in 2013/2014. This is accounted for in line with the normal policy above.

Internal Insurance Cover
The Authority has established a provision to cover the potential costs of certain known uninsured losses, i.e. losses arising from excesses that apply to the Authority's main insurance policies. This is accounted for in line with the normal policy above.

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.

(v) 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.

(w) 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.

(x) **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.

2011/2012 £000s	INCOME AND EXPENDITURE ACCOUNT	Notes	2012/2013 £000s
	INCOME		
-112,925	**Income from Council Tax Payers**		-113,780
	Transfers from General Fund		
-27,069	Council Tax Benefits Grant		-26,930
-67,296	**Income from Business Ratepayers**		-60,128
-501	**Contributions towards previous years' estimated deficit**		-501
-207,791	**Total Income**		**-201,339**
	EXPENDITURE		
138,510	**Precepts and Demands**	2	139,201
	Business Rates	3	
65,785	Payment to National Pool		58,351
326	Cost of Collection Allowance		322
66,111			58,673
	Bad and Doubtful Debts	4	
1,354	Write offs		4,955
1,849	Increase / Decrease (-) in Provisions		-842
3,203			4,113
207,824	**TOTAL EXPENDITURE**		**201,987**
33	**MOVEMENT ON THE FUND BALANCE**		**648**
	COLLECTION FUND BALANCES		
328	Balances Brought Forward		361
33	Movement on the Fund Balance in Year		648
361	**BALANCES AT YEAR END**		**1,009**
	BALANCES TO BE ALLOCATED		
314	Sefton MBC		866
32	Merseyside Police and Crime Commissioner		98
15	Merseyside Fire and Rescue Authority		45
361			**1,009**

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 2012/2013 (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*	79.50	5/9	44.17
A	31,680.70	6/9	21,120.47
B	23,053.70	7/9	17,930.66
C	26,812.40	8/9	23,833.24
D	13,351.80	9/9	13,351.80
E	7,435.50	11/9	9,087.83
F	3,560.45	13/9	5,142.87
G	2,490.60	15/9	4,151.00
H	175.40	18/9	350.80
	108,640.05		95,012.84
Adjustment for estimated collection rate (98.00%)			-1,900.26
Adjustment for Ministry of Defence properties			7.00
Council Tax Base			93,119.58

* 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:

	2011/2012 £000	2012/2013 £000
Sefton M.B.C. (Including Parish Precepts)	118,871	118,903
Merseyside Police and Crime Commissioner Precept	13,610	14,026
Merseyside Fire & Rescue Authority Precept	6,029	6,272
	138,510	139,201

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 2012/2013 this rate was 45.8p. 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 2013 the total non-domestic rateable value was £179,114,696.

4 BAD AND DOUBTFUL DEBTS

In 2012/2013, debts of £2.066m (£1.057m in 2011/2012) in respect of Business Rates and £2.889m (£0.297m in 2011/2012) 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 REPAYMENTS IN THE YEAR

The following amounts were received during the year in respect of the estimated collection fund deficit:

	2011/2012 £000	2012/2013 £000
Sefton MBC	-430	-430
Merseyside Police and Crime Commissioner	-49	-49
Merseyside Fire and Rescue Service	-22	-22
	-501	-501

6 COLLECTION FUND SURPLUS / DEFICIT

Any surplus or deficit on Council Tax transactions is shared between Sefton Council, the Merseyside Police and Crime Commissioner and the Merseyside Fire and Rescue Service and is taken into account in determining the level of Council Tax and precepts in future years.

When the 2013/2014 budget was set, Sefton's share of the forecast net deficit on the Collection Fund at 31 March 2013 was estimated at £0.855m. This was taken into account in setting Council Tax levels for 2013/2014.

The fund was in deficit at the 31 March 2013 as a result of an increase in the bad debts provision required at the year-end. Sefton's share of the net deficit is £0.866m, with a further £0.143m due from the Merseyside Police and Crime Commissioner and the Merseyside Fire and Rescue Service. These sums will be taken into account in estimating the likely Collection Fund balance at 31 March 2014, which in turn will influence the level of Council Tax in 2014/2015.

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 £0.798m (£1.865m as at 31 March 2012), 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 £0.797m (a £2.468m deficit in 2011/2012).

After adjusting for Movements on Reserves the surplus achieved by Sefton New Directions Limited in 2012/2013 was £1.067m (a £0.860m deficit in 2011/2012).

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

Copies of the Company's accounts for 2012/2013 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 2012/2013	Council	Sefton New Directions		**Total**	Council	**Total**
	Usable Reserves £000	Surplus £000	Pensions Reserve £000	**Usable Reserves £000**	Unusable Reserves £000	**Authority Reserves £000**
Balance at 1 April 2012	-91,537	1,865	3,488	-86,184	-197,367	-283,551
Movements in Year						
Deficit / Surplus (-) on the provision of services	23,430	-1,067	0	22,363	0	22,363
Other Comprehensive Income and Expenditure	0	0	1,864	1,864	63,647	65,511
Total Comprehensive Income and Expenditure	23,430	-1,067	1,864	24,227	63,647	87,874
Adjustments between accounting basis and funding basis under regulations (Note 4 of single entity accounts)	-23,505	0	0	-23,505	23,505	0
Net Increase before Transfers to Earmarked Reserves	-75	-1,067	1,864	722	87,152	87,874
Transfers to / from Earmarked Reserves (Note 37 of single entity accounts)	0	0	0	0	0	0
Increase in Year	-75	-1,067	1,864	722	87,152	87,874
Balance at 31 March 2013	-91,612	798	5,352	-85,462	-110,215	-195,677

Movements in Reserves in 2011/2012	Council	Sefton New Directions		**Total**	Council	**Total**
	Usable Reserves £000	Surplus £000	Pensions Reserve £000	**Usable Reserves £000**	Unusable Reserves £000	**Authority Reserves £000**
Balance at 1 April 2011	-99,183	1,005	1,880	-96,298	-355,093	-451,391
Movements in Year						
Deficit 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 4 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	-86,184	-197,367	-283,551

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.

2011/2012			Note		2012/2013		
Gross Expenditure	Gross Income	Net Expenditure			Gross Expenditure	Gross Income	Net Expenditure
£000s	£000s	£000s		Cost of Services	£000s	£000s	£000s
113,382	-26,641	86,741		Adult Social Care	111,618	-25,796	85,822
38,177	-33,301	4,876		Central Services to the Public	35,113	-34,043	1,070
283,025	-216,470	66,555		Children's and Education Services	264,433	-196,267	68,166
8,907	-248	8,659		Corporate and Democratic Core	9,300	-291	9,009
28,486	-9,736	18,750		Cultural and Related Services	27,036	-9,784	17,252
22,807	-6,843	15,964		Environmental and Regulatory Services	22,165	-7,293	14,872
21,130	-4,831	16,299		Highways and Transport Services	20,293	-5,279	15,014
113,289	-104,783	8,506		Housing Services	117,556	-108,595	8,961
8,486	0	8,486		Non Distributed Costs	5,517	0	5,517
17,132	-8,623	8,509		Planning Services	17,040	-7,957	9,083
229	0	229	2	Exceptional Costs (New Directions)	149	0	149
655,050	**-411,476**	**243,574**		**Total Cost of Services**	**630,220**	**-395,305**	**234,915**
				Other Operating Income and Expenditure			
		974		Precepts paid to Parish Councils			948
		39,033		Levies			38,582
		19		Contribution to Housing Pooled Capital Receipts			14
		111,542		Gain or Loss on the disposal of non-current assets			10,171
		-3,131		Other Operating Income			-1,034
		2,700		Transfer of School Balances to Academies			0
		151,137					48,681
				Financing and Investment Income & Expenditure			
		7,557		Interest payable and similar charges			7,388
		8,223	7	Pensions interest cost & expected return on pensions assets			9,540
		-953		Interest Receivable			-658
		-595		Trading Operations			-1,162
		-1,391		Income and Expenditure on Investment Properties			-1,835
		148		Changes in the Fair Value of Investment Properties			-1,380
		0		Gain or Loss on the disposal of Investment Properties			-25
		12,989					11,868
				Taxation and Non-specific Grant Income			
		96		Taxation			-188
		-118,412		Income from Council Tax			-117,921
		-96,457		Contribution from National Non-Domestic Rate Pool			-115,794
		-54,169		Non-Ringfenced Government Grants			-27,822
		-16,076		Capital Grants and Contributions			-11,376
		-285,018					-273,101
		122,682		**Deficit / Surplus (-) on Provision of Services**			**22,363**
		-2,168		Surplus (-) / Deficit on Revaluation of non-current assets			3,162
		47,761	7	Actuarial Losses/Gains on Pension Assets and Liabilities			62,906
		-435		Deferred Tax re. Actuarial losses/gains on pension fund assets and liabilities for Sefton New Directions Limited			-557
		45,158		**Other Comprehensive Income and Expenditure**			**65,511**
		167,840		**Total Comprehensive Income and Expenditure**			**87,874**

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

2011/2012 £000s		2012/2013 £000s
121,822	Deficit for the year on Provision of Services on the Authority Income and Expenditure Statement	23,430
860	Deficit in the Group Income and Expenditure Statement Attributable to Group Entities (adjusted for Intra-Group Transactions)	-1,067
122,682	**Deficit for the year on Provision of Services on the Group Income and Expenditure Statement**	**22,363**

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’.

31 March 2012 £000s		Note	31 March 2013 £000s
643,692	Property, Plant and Equipment	8	618,917
11,057	Heritage Assets		11,057
45,055	Investment Property		39,506
1,423	Intangible Assets		1,460
8,198	Long Term Receivables		7,548
709,425	**Long-Term Assets**		678,488
15,181	Short Term Investments		20,056
594	Assets Held for Sale		7,704
375	Inventories		292
37,689	Short Term Receivables	9	33,841
2,159	Prepayments		2,248
36,807	Cash and Cash Equivalents	10	21,398
92,805	**Current Assets**		85,539
-9,763	Short Term Borrowing		-941
-33,244	Short Term Payables	11	-35,592
-18,761	Receipts in Advance		-19,475
-1,235	Provisions	12	-560
-2,434	Deferred Liabilities		-2,831
-65,437	**Current Liabilities**		-59,399
-12,235	Provisions		-8,259
-123,311	Long Term Borrowing		-123,171
-25,181	Deferred Liabilities		-22,796
-292,036	Pensions Liability	7	-354,264
-479	Grants/Contributions Receipts in Advance (Capital)		-461
-453,242	**Long Term Liabilities**		-508,951
283,551	**Net Assets**		**195,677**

31 March 2012 £000s	Balance Sheet (Continued)	Notes	31 March 2013 £000s
	Reserves		
	Usable Reserves		
18,549	General Fund - Delegated Schools		18,149
3,711	General Fund - Non Delegated Services		6,576
-1,865	New Directions - Profit and Loss Account		-798
52,649	Earmarked Reserves		51,174
6,332	Capital Receipts Reserve		5,371
10,296	Capital Grants and Contributions Unapplied		10,342
89,672			90,814
	Unusable Reserves		
85,689	Revaluation Reserve		76,741
404,283	Capital Adjustment Account		386,495
-843	Financial Instruments Adjustment Account		-783
1,060	Deferred Capital Receipts		557
-290,863	Pensions Reserve	7	-353,001
-314	Collection Fund Adjustment Account		-866
-5,133	Accumulated Absences Account		-4,280
193,879			104,863
283,551	**Total Group Reserves**		**195,677**

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.

2011/2012 £000s		Note	2012/2013 £000s
	Operating Activities		
122,682	Net Deficit on the provision of services		22,363
-30,634	Adjustments to net surplus or deficit on the provision of services for non-cash movements		-43,323
-96,715	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities		2,570
-4,667	Net cash flows from Operating Activities	13	-18,390
	Investing Activities		
33,026	Purchase of property, plant and equipment, investment property and intangible assets		27,289
0	Purchase of short-term and long-term investments		5,030
0	Other payments for investing activities		0
-850	Proceeds from the sale of property, plant and equipment, investment property and intangible assets		-1,507
-10,000	Proceeds from short-term and long-term investments		0
-17,518	Other receipts from investing activities		-11,500
4,658	Net cash flows from Investing Activities		19,312
	Financing Activities		
0	Cash receipts of short- and long-term borrowing		0
-1,424	Other receipts from financing activities		-103
2,032	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts		1,996
1,483	Repayments of short- and long-term borrowing		7,749
0	Other payments for financing activities		4,845
2,091	Net cash flows from Financing Activities		14,487
2,082	**Net decrease in cash and cash equivalents**		**15,409**
-38,889	Cash and cash equivalents at the beginning of the reporting period		-36,807
-36,807	**Cash and cash equivalents at the end of the reporting period**	10	**-21,398**

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 EXCEPTIONAL COSTS

During 2012/2013 New Directions incurred exceptional costs as follows:

2011/2012 £000		2012/2013 £000
44	Provision for Restructuring Costs	149
185	Provision for Pay and Grading Review	0
229	**Total**	149

3 DISCLOSURE OF AUDIT COSTS

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

2011/2012 £000		2012/2013 £000
14	Fees payable to Hazlewoods for external audit services (Grant Thornton in 2011/2012)	13
3	Fees payable in respect of any other services	0
17	**Total**	13

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

4 ASSETS ON OPERATING LEASES

Sefton New Directions Limited made operating lease payments of £0.029m in 2012/2013 relating to Land and Buildings and other assets (£0.016m in 2011/2012). Sefton New Directions was committed to making payments of £0.079m for operating leases in 2013/2014; £0.002m of this commitment is due to expire in one year and £0.077m 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.

5 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.

2011/2012 £000		2012/2013 £000
256,575	**Net expenditure in the Departmental Analysis**	246,474
818	Net expenditure of services and support services not included in the Analysis	-949
-13,376	Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis	-9,824
-443	Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement	-786
243,574	**Cost of Services in Group Comprehensive Income and Expenditure Statement**	234,915

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.

2012/2013	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	-97,738	-9,391	10,623	0	28,410	**-68,096**	-7,813	**-75,909**
Interest and investment income	0	0	0	0	0	**0**	-2,534	**-2,534**
Income from council tax	0	0	0	0	0	**0**	-117,921	**-117,921**
Other Operating Income	0	0	0	0	0	**0**	-2,439	**-2,439**
Government grants and contributions	-327,209	0	0	0	0	**-327,209**	-154,992	**-482,201**
Taxation	0	0	0	0	0	**0**	-188	**-188**
Total Income	-424,947	-9,391	10,623	0	28,410	**-395,305**	-285,887	**-681,192**
Employee Expenses	217,950	6,669	-3,050	0	0	**221,569**	12,316	**233,885**
Other service expenses	390,797	1,773	-13,251	-786	-9,056	**369,477**	3,504	**372,981**
Support Service Recharges	19,354	0	0	0	-19,354	**0**	0	**0**
Depreciation amortisation and impairment	43,320	0	-4,146	0	0	**39,174**	412	**39,586**
Interest Payments	0	0	0	0	0	**0**	7,388	**7,388**
Precepts and Levies	0	0	0	0	0	**0**	39,530	**39,530**
Payment to Housing Capital Receipts Pool	0	0	0	0	0	**0**	14	**14**
Gain or Loss on Disposal of non-current assets	0	0	0	0	0	**0**	10,171	**10,171**
Total Expenditure	671,421	8,442	-20,447	-786	-28,410	**630,220**	73,335	**703,555**
Surplus or deficit on the provision of services	246,474	-949	-9,824	-786	0	**234,915**	-212,552	**22,363**

The table below shows comparative figures for 2011/2012:

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 non-current assets	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**

6 EMPLOYEES' EMOLUMENTS IN EXCESS OF £50,000

Sefton New Directions Limited had no employees whose remuneration was over £50,000 in 2012/2013 (one in 2011/2012):

New Directions Staff				
Employed on 31/03/12	Left during the year	Remuneration Band	Employed on 31/03/13	Left during the year
0	0	£50,000 - £54,999	0	0
0	1	£55,000 - £59,999	0	0
0	0	£60,000 - £64,999	0	0
0	0	£65,000 - £69,999	0	0
0	0	£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.

7 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:

2011/2012		**Comprehensive Income and Expenditure Statement**	2012/2013	
Sefton Council £000s	Sefton New Directions Limited £000s		Sefton Council £000s	Sefton New Directions Limited £000s
		Cost of Services:		
15,381	1,006	Current Service Cost	15,615	669
6	0	Past Service Cost	0	0
1,587	184	Curtailment Cost	1,049	0
-8,588	0	Settlements	0	0
		Financing and Investment Income & Expenditure:		
39,397	1,103	Interest Cost	37,618	1,451
-31,134	-1,143	Expected Return on Assets	-28,140	-1,389
16,649	1,150	Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	26,142	731
45,718	2,043	Actuarial Losses on Pension Assets and Liabilities	60,485	2,421
0	-435	Deferred Tax re. Actuarial losses on pension fund assets and liabilities for Sefton New Directions Limited	0	-557
62,367	2,758	Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	86,627	2,595

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement is a net loss of £301.635m (a net loss of £238.729m to 31 March 2012).

Assets and Liabilities in Relation to Retirement Benefits

Reconciliation of present value of scheme liabilities

2011/2012			2012/2013	
Sefton Council £000s	Sefton New Directions Limited £000s		Sefton Council £000s	Sefton New Directions Limited £000s
728,414	26,690	1 April	772,953	29,993
15,381	1,006	Current Service Cost	15,615	669
39,397	1,103	Interest cost	37,618	1,451
5,858	343	Contributions by scheme participants	5,510	217
25,719	1,090	Actuarial losses	96,087	4,178
-31,306	-772	Benefits paid	-30,108	-603
6	0	Net Past Service Cost	0	0
1,587	184	Curtailment Cost	1,049	0
-12,103	0	Settlements	0	0
0	349	Deferred Taxation recognised in respect of interest costs	0	0
772,953	29,993	31 March	898,724	35,905

Reconciliation of fair value of scheme assets:

2011/2012			2012/2013	
Sefton Council £000s	Sefton New Directions Limited Restated £000s		Sefton Council £000s	Sefton New Directions Limited £000s
481,568	22,859	1 April	485,578	23,859
31,134	1,143	Expected rate of return	28,140	1,389
-19,999	-953	Actuarial gains and losses (-)	35,602	1,757
21,838	878	Employer contributions	26,353	695
5,858	343	Contributions by scheme participants	5,510	217
-31,306	-772	Benefits paid	-30,108	-603
-3,515	0	Settlements	0	0
0	361	Deferred Taxation recognised in respect of expected return on scheme assets	0	0
485,578	23,859	31 March	551,075	27,314

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 £66.889m (compared with a gain of £11.685m in 2011/2012).

Scheme history

	2008/2009 £000s	2009/2010 £000s	2010/2011 £000s	2011/2012 £000s	2012/2013 £000s
Present value of liabilities:					
Sefton Council	-563,309	-784,339	-728,414	-772,953	-898,724
Sefton New Directions Limited	-19,914	-31,679	-26,690	-29,993	-35,905
Fair value of assets in the LGPS:					
Sefton Council	342,315	460,502	481,568	485,578	551,075
Sefton New Directions Limited	17,120	24,127	22,859	23,859	27,314
Deficit in the Scheme:					
Sefton Council	-220,994	-323,837	-246,846	-287,375	-347,649
Sefton New Directions Limited	-2,794	-7,552	-3,831	-6,134	-8,591
Related Deferred Tax Asset	782	2,115	845	1,473	1,976
Total	-223,006	-329,274	-249,832	-292,036	-354,264

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 £354m has a substantial impact on the net worth of the Group as recorded in the Balance Sheet, resulting in an overall balance of £196m.

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 2014 is £0.601m.

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 2012/2013 for Sefton New Directions Limited can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2013:

	2008/2009 %	2009/2010 %	2010/2011 %	2011/2012 %	2012/2013 %
Differences between the expected and actual return on assets: LGPS	-28.9	19.9	-16.0	-4.0	6.4
Experience gain and losses (-) on liabilities: LGPS	0.0	-29.2	26.5	0.0	0.0

8 PROPERTY, PLANT AND EQUIPMENT

The Property, Plant and Equipment (PP&E) figure in the Group Balance Sheet includes £0.057m for Vehicles, Plant and Equipment of Sefton New Directions Limited at 31 March 2013 (£0.072m at 31 March 2012). Details of Sefton's PP&E are shown in Note 20 to the single entity accounts.

9 CURRENT ASSETS

The Current Assets figure in the Group Balance Sheet includes £0.310m for Receivables of Sefton New Directions Limited at 31 March 2013 (£1.074m at 31 March 2012). Details of Sefton's Receivables are shown in Note 30 to the single entity accounts.

10 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 2012 £000s		31 March 2013 £000s
36,394	Sefton MBC - Cash and Cash Equivalents	19,930
413	Sefton New Directions Limited - Bank Deposits	1,468
36,807	**Total Cash and Cash Equivalents**	21,398

11 CURRENT LIABILITIES

The Current Liabilities figure in the Group Balance Sheet includes £0.366m for Payables of Sefton New Directions Limited at 31 March 2013 (£1.454m at 31 March 2012). Details of Sefton's Payables are shown in Note 32 to the single entity accounts.

12 PROVISIONS

The Current Liabilities figure in the Group Balance Sheet includes £0.276m for Short Term Provisions of Sefton New Directions Limited at 31 March 2013 (£0.795m at 31 March 2012). Details of Sefton's provisions are shown in Note 33 to the single entity accounts. Movements in New Directions' provisions during 2012/2013 were as follows:

		1 April 2012 £000s	Additions in Year £000s	Applied In Year £000s	Released In Year £000s	31 March 2013 £000s
	Short-term					
(a)	Restructuring Costs	-679	-149	552	0	-276
(b)	Pay and Grading	-116	0	116	0	0
		-795	**-149**	**668**	**0**	**-276**

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**

(a) **Restructuring Costs** – Restructuring costs reflects a provision for severance payments as management made and communicated a formal decision prior to 31 March 2013 to eliminate certain positions. Payments are expected to be made in the year ending 31 March 2014. The full amount was not utilised during the year ended 31 March 2013 due to the longer than expected process of implementing restructuring and liaising with trade unions. Such factors are the main uncertainties 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 were made in the year ending 31 March 2013.

13 CASH FLOW STATEMENT – OPERATING ACTIVITIES

The cash flows for operating activities include the following items:

2011/2012 £000s		2012/2013 £000s
-862	Interest received	-799
6,049	Interest paid	8,547

14 STATEMENT OF ACCOUNTING POLICIES

In addition to the accounting policies described in the Note 59 to the single entity accounts, the following policy is applicable to Sefton New Directions.

(a) EXCEPTIONAL COSTS

When items of income and expense are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are to an understanding of Sefton New Directions' financial performance. The additions to the Restructuring and Pay and Grading Provisions are considered to be exceptional.

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 regulation 4 (3) which requires all relevant bodies to prepare an Annual Governance Statement.

2. THE PURPOSE OF THE GOVERNANCE FRAMEWORK

2.1 The governance framework comprises the systems and processes, culture and values, by which the authority is directed and controlled and its activities through which it accounts to, engages with and leads its communities. 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 services and value for money.

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 and potential impact of those risks being 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 2013 and up to the date of approval of the statement of accounts.

3. THE GOVERNANCE FRAMEWORK

3.1 The information relating to the Governance Framework is included in the table at Appendix A.

4. REVIEW OF EFFECTIVENESS

4.1 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:

4.2 The Council has a Corporate Vision outlining its corporate aims and objectives; progress is reported to Cabinet Members half yearly. Following the Government's 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 was completed in 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.

4.3 The Constitution was reviewed and updated in 2012/13 and approved by Council, a process of review has been established and amendments / updates are to be reported to Audit & Governance Committee twice annually. 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.

4.4 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.

4.5 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.

4.6 The Council has four Overview and Scrutiny Committees- Performance & Corporate Services; Children's Services; Regeneration & Environmental Services; 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.

4.7 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 was 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.

4.8 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. The Audit Plan for 2013/14 was presented to Audit & Governance Committee for approval in March 2012. 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 2012/13 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.

4.9 The Councils Risk Management strategy continues to be developed. 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. A Corporate Risk Management Group has been established in 2012/13, the Corporate Risk Register is presented to this group on a quarterly basis for review, amendment and update prior to being presented to Audit & Governance Committee. The continued development of an embedded risk management process continues to be a high priority. The Head of Corporate Finance & ICT and Chief Internal Auditor undertook a fundamental review of Risk Management in 2012/13 in order to ensure the authority is compliant with requirements and in line with good practice. The restructuring to deliver an integrated Risk and Audit Team, including Health & Safety, Insurance, Emergency Planning and Risk and Audit has delivered a more robust approach to risk management in the Council and developments continue to ensure risk management is embedded throughout the authority.

4.10 The Councils 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.

4.11 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.

4.12 We have been advised on the implications of the results of the review of the effectiveness of the governance framework by the Annual Governance Statement Working Group including the Head of Corporate Finance & ICT, Head of Corporate Legal Services, Head of Governance & Civic Services, Deputy Head of Corporate Personnel and the Chief Internal Audit and the Audit & Governance Committee and that the arrangements continue to be regarded as fit for purpose in accordance with the governance framework. The areas already addressed and those to be specifically addressed with new actions planned are outlined below.

5. SIGNIFICANT GOVERNANCE ISSUES

5.1 The following includes an outline of actions taken or proposed to deal with significant governance issues in relation to the authority achieving its vision.

5.2 Risk Management

The responsibility for the risk function has been amalgamated into the Risk & Resilience Section under the management of the Risk & Audit Manager (Chief Internal Auditor). This has strengthened the establishment of the framework for identifying and managing risks. A Corporate Risk Management Group has been established, chaired by the Head of Corporate Finance & ICT, attended by Directors and Heads of Service. This group is responsible for ensuring that risk management is embedded within the Council. The Corporate Risk Register (CRR) is managed, reviewed and monitored via the Corporate Risk Management Group and is a standing item on the agenda of the Audit & Governance Committee at each quarterly meeting. The Council has an established Risk Strategy and Policy which was re-launched in 2012/13 as part of the review of risk management. However, further development of the Council's risk framework is required in 2013/14 with the standardisation of Departmental / Section / Operational risk registers in order to further embed risk management processes throughout the Council.

5.3 Strategic Counter Fraud Arrangements

A review of the Council's strategic counter fraud and anti corruption arrangements was undertaken in 2012/13. The Council's current position was reviewed against best practice (CIPFA's 'Managing the Risk of Fraud'). A report has been produced and the action plan is currently being finalised. Relevant policies and procedures will be reviewed as part of the agreed actions and training will be delivered to raise awareness. A Fraud Response Plan will also be developed and implemented.

5.4 System of Internal Control

The CIPFA Statement on the Role of the Head of Internal Audit (2010) requires the Chief Internal Auditor (CIA) to provide an objective and evidence based opinion on all aspects of governance, risk management and internal control. This opinion is derived from the completion of the annual risk based Audit Plan. In order to inform the 2014/15 audit planning process, maximise use of audit resources and further inform / enhance the CIA's annual opinion, a review of the Council's assurance framework will be undertaken in 2013/14.

An effective Internal Audit Section is a key element of the system of internal control. An annual assessment of the effectiveness of Internal Audit is a requirement of the Accounts and Audit Regulations 2011. A self assessment of the effectiveness of Internal Audit during 2012/13 has been undertaken and an action plan has been compiled to address any weaknesses identified. Progress against this Action Plan will be reported to Audit & Governance on a quarterly basis.

A new set of Public Sector Internal Audit Standards came into effect from 1st April 2013. A review will be undertaken in 2013/14 to ensure compliance with those Standards.

5.5 Effective Management of the Transformation Programme

The transformation programme is a regular item reported to the Cabinet and Overview and Scrutiny Committees. Risk Registers are reported to Audit & Governance Committee quarterly and the Strategic Leadership Team receive regular update reports on each of these items. In addition, all major projects have their own project boards and risk registers. Failure to realise agreed budget savings is a key financial and reputational risk for the Council. It is crucial that the current arrangements outlined continue in order to effectively manage the achievement of agreed savings within agreed timescales and expected service delivery levels / impact on the community.

6. STATEMENT

6.1 We propose over the coming year to take steps 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 the effectiveness and will monitor the implementation and operation as part of the next annual review.

Signed	……*Diane Roberts*…………….	**Diane Roberts** **Chair, Audit and Governance Committee**
	……*Margaret Carney*………………….	**Margaret Carney** **Chief Executive**
	25 September 2013	**Date**

Appendix A

Sefton MBC
Governance Framework – Annual Governance Statement 2012/13

Ref	Key Elements of Authority's Governance Arrangements	
	Expected Arrangements for:	**Sefton MBC Actual**
The key elements of the systems and processes that comprise an authority's governance include arrangements for :-		
K1	Identifying and Communicating the authority's vision of its purpose and intended outcomes for citizens and service users.	The Council continues to review the Strategic Leadership of the Council to further develop the Council's key areas of purpose, the Council have utilised this in the allocation of resources throughout the year. This is aligned to the budget setting, transformation and budget monitoring process which is reported to Council / Cabinet on a regular basis.
K2	Reviewing the authorities vision and its implications for the authority's governance arrangements	The strategic management and re-alignment of resources via the Council's transformation plan, budget monitoring and review of the Strategic Leadership of the Council has allowed governance arrangements to be realigned, including the new arrangements for capital investment, and the ability to develop community proposals for the running of services and assets.
K3	Translating the vision into objectives for the authority and its partnerships	Members have clearly articulated their priorities including the most vulnerable and economic growth. This is included in the development of relationships with regional partners as well as local partners including Health and VCF.
K4	Measuring the quality of services for users, for ensuring they are delivered in accordance with the authority's objectives and for ensuring that they represent the best use of resources and value for money	Performance management remains a key component of driving up quality within available resources. The use of benchmarking has been an integral part of the resource challenges. Management accountability frameworks are now the responsibility of the Deputy Chief Executive to ensure that they drive improvement throughout the Council.
K5	Defining and documenting their roles and responsibilities of the executive, non executive, scrutiny and officer functions with clear delegation arrangements and protocols for effective communication in respect of the authority and partnership arrangements	The roles and responsibilities of the executive, non-executive and scrutiny functions are all contained within the Council's Constitution - Executive functions (Chapter 5), non-executive functions (Chapter 7) and Overview and Scrutiny (Chapter 6). Statutory Officer delegations are included within Chapter 10 but further Officer delegations are recorded at Service Director level indicating the level of delegation to staff below. The Member Officer protocol contains details of the communication arrangements between Members and Officers.
K6	Developing, communicating and embedding codes of conduct, defining the standards of behaviour for members and staff	Codes of Conduct for Members and Staff are contained within the Council's Constitution at Chapters 2 and 10 respectively. Training for Members on the new Code of Conduct took place in June 2012 and refresher training on the submission of discloseable pecuniary interests has taken place in April 2013.

K7	Reviewing the effectiveness of the authority's decision making framework, including delegation arrangements, decision making in partnerships and robustness of data quality.	All decisions made by Committees, Council, Cabinet, Cabinet Members under their delegated powers and Chief Officers executive decisions are recorded and published online for transparency. Delegation arrangements to Cabinet Members are reviewed annually as part of the annual appointments process.
K8	Reviewing the effectiveness of the framework for identifying and managing risks and demonstrating clear accountability	The responsibility for the risk function has been amalgamated into the Risk & Resilience Section under management of the Risk & Audit Manager (Chief Internal Auditor) this has strengthened the establishment of the framework for identifying and managing risks. A Corporate Risk Management Group has been established, chaired by the Head of Corporate Finance & ICT, attended by Directors and Heads of Service. This group is responsible for ensuring that risk management is embedded within the Council. The Corporate Risk Register (CRR) is managed, reviewed and monitored via the Corporate Risk Management Group and is a standing item on the agenda, the CRR is presented to Audit & Governance at each quarterly meeting. The Council has an established Strategy and Policy which has been re-launched and re-issued in 2012/13 as part of the review of risk management. The Council is to develop its risk framework further in 2013/14 with the standardisation of Departmental / Section/ Operational risk registers as part of the process to further embed risk management throughout the Council.
K9	Ensuring effective counter fraud and anti corruption arrangements are developed and maintained	A review of counter fraud and anti corruption arrangements has been undertaken in 2012/13, which identified the Council's position against the CIPFA Managing the Risk of Fraud requirements. A report has been produced and the action plan is currently being finalised. Policies and procedures are to be reviewed as part of the agreed actions and training to be implemented to raise awareness. A fraud response plan is to be developed in conjunction with the Head Of Corporate Personnel and Head of Corporate Legal Services. Regular reports are provided to Audit & Governance Committee in relation to anti fraud and anti corruption arrangements / work and investigations undertaken.
K10	Ensuring effective management of change and transformation	The transformation programme is a regular item reported to the Cabinet and Overview and Scrutiny Committees. Risk Registers are reported to Audit & Governance Committee quarterly and the Strategic Leadership Team receive regular update reports on each of these items. All major projects have their own project boards and risk registers in order to manage the achievement of agreed savings within expected service delivery levels / impact on the community.

K11	Ensuring the authority's financial management arrangements conform with the governance requirements of the *CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010)* and, where they do not, explain why and how they deliver the same impact	The Council has effective financial management and control incorporating:- The Council's constitution which contains principles of financial control; Setting of key actions and targets in Corporate Service Plans and the transformation plan; Comprehensive budgeting systems including the Medium Term Financial Plan; Budget monitoring systems within Departments together with risk based overview monitoring within Corporate Finance; 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. Monthly reports are also presented to the Strategic Leadership Team; 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 Project management disciplines in Service Departments. The role of the CFO and Section 151 Officer is provided 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 Strategic Leadership Scheme, developing and implementing strategy and enabling the delivery of the Council's strategic objectives; Is involved in and able to bring influence to bear in 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. The compliance of all the above confirms that the Council's financial management arrangements conform to the CIPFA Statement on the role of the CFO.
K12	Ensuring the authority's assurance arrangements conform with the governance requirements of the *CIPFA Statement on the Role of the Head of Internal Audit (2010)* and, where they do not, explain why and how they deliver the same impact	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 those inherent in undertaking its service delivery 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 audits into key service areas.

		The Role of the Head of Internal Audit is provided by the Risk and Audit Manager (Chief Internal Auditor) who meets the requirements of the CIPFA Statement in that the Risk & Audit Service Manager:- ***1**. Contributes to the delivery of the Council's strategic objectives by championing best practice in governance, objectively assessing the adequacy of governance and management of existing risks, commenting on responses to emerging risks and proposed developments* by having a comprehensive plan which includes compliance / assurance work, value for money studies and project support work, reviewing and commenting on governance arrangements and contributing to the implementation of the risk management framework; ***2.** Provides an objective and evidence based opinion on all aspects of governance, risk management and internal control* by ensuring delivery of the Audit plan which includes a comprehensive range of work in order to provide a range of assurances, providing quarterly reports to Audit & Governance Committee and an Internal Audit Annual report including an opinion on the internal control environment, a Risk Management Annual Report including an update on Corporate Risks and and Annual Fraud Report identifying all proactive and reactive fraud work undertaken throughout the year. A review of the Council's assurance framework and the impact of the Public Sector Internal Audit Standards is to be undertaken in 2013/14 in order to ensure compliance with those standards; ***3.** Is a Senior Manager with regular and open engagement with the Leadership Team and with the Audit Committee* – the CIA reports directly to the Head of Corporate Finance & ICT who is a member of the Strategic Leadership Team, where relevant the CIA reports directly to the Chief Executive and / or member (s) of the Strategic Leadership Team; the CIA attends a briefing with the Chair of the Audit & Governance Committee and attends all meetings and provides training as required; ***4.** Must lead and direct an Internal Audit Service that is resourced fit for purpose* – the IA service comprises 1 Audit Manager, 1 Computer Auditor 4 Principal Auditors and 1 Value for Money Auditor, the Council has undertaken significant cuts in services and budgets as a result of the spending review, the reduction of services has reduced the Strategic requirements of the Audit Plan and resources have been reviewed accordingly, the Section have also improved delivery of the IA service by implementing new ways of working and utilising all resources available including electronic methods of delivery / review where appropriate; ***5.** must be professionally qualified and suitable experienced* – the CIA is a Member of the Institute of Internal Auditors, has been a Chief Internal Auditor for 3 years, Audit Manager for 8 years previous to that and has worked in Local Authority Internal Audit for 16 years.

		The compliance of all the above confirms that the Council's financial management arrangements conform to the CIPFA Statement on the Role of the Head of Internal Audit.
K13	Ensuring effective arrangements are in place for the discharge of the monitoring officer function	The duties of all statutory officers cited in the Constitution were reviewed and updated as part of the revamp of the Constitution in September 2012.
K14	Ensuring effective arrangements are in place for the discharge of the head of paid service function	The duties of all statutory officers cited in the Constitution were reviewed and updated as part of the revamp of the Constitution in September 2012.
K15	Undertaking the core functions of an audit committee, as identified, in *CIPFA's Audit Committee's ; Practical Guidance for Local Authorities*	The Council established a dedicated Audit & Governance Committee in May 2006 in accordance with CIPFA Best Practice. The Committee has clearly documented and approved Terms of Reference which are included in the Council's Constitution. The Committee has responsibility for considering and approving the Council's accounts, systems of internal control and governance issues. It meets quarterly and fulfils the core functions of an audit committee, as defined in CIPFA's '*Audit Committees – Practical Guidance for Local Authorities'*, as follows : *Audit committees will :* **1.** *Consider the effectiveness of the authority's risk management arrangements, the control environment and associated anti-fraud and anti-corruption arrangements* - the Committee's terms of reference include : 'to monitor the effective development and operation of risk management and corporate governance in the Council'. In order to support the Committee in discharging this responsibility the Risk & Audit Service provides the Committee with quarterly reports updating Members on any changes to the Council's Corporate Risk Register (copy of CRR included as an Annex) and the work of the Corporate Risk Management Group. An annual report is also provided. The Committee is also provided with quarterly reports detailing Internal Audit performance and work undertaken to enable it to keep under review the adequacy and effectiveness of the Council's internal control environment and governance arrangements. Any significant concerns / issues identified as part of internal audit work are included. The CIA's Annual Report is also submitted to the Committee and includes an overall opinion of the Council's control environment. The Committee's terms of reference also include: 'to monitor Council policies on 'whistle-blowing' and the anti-fraud and anti-corruption strategy anti-money laundering, bribery and the Council's

		complaints process and review as necessary'. The Risk and Audit Service provides quarterly reports to the Committee detailing the proactive anti-fraud work and any investigations undertaken by Internal Audit and other Departments / Sections within the Council. The Council's Anti Fraud & Corruption Policy and Confidential Reporting Policy have been approved by the Committee. **2.** *Seek assurances that action is being taken on risk-related issues identified by auditors and inspectors* – Internal Audit Performance reports submitted to the Committee quarterly include details of management's response to audit recommendations. Details of any instances where Internal Audit consider management action to address risk-related issues is inadequate are highlighted to the Committee who have the opportunity to seek further information and assurances from the relevant senior manager. **3.** *Be satisfied that the authority's assurance statements, including the Annual Governance Statement, properly reflect the risk environment and any actions required to improve it* – The Authority's Annual Governance Statement (AGS) is approved annually by the Committee as part of the Statement of Accounts. The AGS includes an Action Plan that details the actions required to improve the Council's governance arrangements. **4.** *Approve (but not direct) internal audit's strategy, plan and monitor performance* – Internal Audit's Mission Statement and Charter have been approved by this Committee. The Annual Audit Plan is compiled independently of the Committee following consultation with senior management and the application of an established risk assessment model. The resulting Annual Plan is approved by the Committee who monitor performance against the Plan via quarterly Internal Audit Performance Reports. **5.** *Review summary internal audit reports and the main issues arising, and seek assurance that action has been taken where necessary* – Internal Audit's quarterly Performance Reports summarise internal audit work and include any significant issues arising together with management actions agreed to address such issues. **6.** *Receive the annual report of the head of internal audit* – As required by the Committee's terms of reference, the Chief Internal Auditor's Annual Report, including the overall opinion on the Council's control environment, is submitted to the Committee for approval. **7.** *Consider the reports of external audit and inspection agencies* – As per the Comittee's terms of reference, the Council's external auditor (PWC) submit their Annual Audit Plan to the Committee together with subsequent reports detailing progress against the Plan. PWC's 'Report to those

		Charged with Governance (ISA (UK & I) 260)' which details the results of their planned work is submitted to the Committee as part of the Statement of Accounts. PWC's Annual Audit Letter is also submitted to the Committee. Reports of other inspection agencies are provided to the Committee where relevant. **8.** *Ensure that there are effective relationships between external and internal audit, inspection agencies and other relevant bodies, and that the value of the audit process is actively promoted* – Audit & Governance Committee co-ordinates the relationship between internal and external audit by receiving the Plans and reports of both Internal Audit and PWC who are also both represented at every meeting of the Committee. The Committee is fully supportive and appreciative of the value of the audit process. **9.** *Review the financial statements, external auditor's opinion and reports to members, and monitor management action in response to the issues raised by external audit* – In accordance with its terms of reference, the Committee reviews and approves the Authority's Statement of Accounts including the external auditor's opinion. The findings arising from PWC's work are detailed in their Annual Audit Letter submitted to the Committee. This also includes the responses of senior management including actions to be taken, accountability and planned action date. This facilitates monitoring of the Council's response to PWC's work by the Committee. It is concluded that the Council's Audit & Governance Committee fulfil all the core functions of an Audit Committee as specified by CIPFA.
K16	Ensuring compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful	The Council's financial and contract procedure rules are contained within Chapter 12 of the Constitution. Advice and guidance to Officers on compliance is given by the Corporate Procurement Team
K17	Whistle-blowing and for receiving and investigating complaints from the public	The Council has a Confidential Reporting Police in place and this has recently (June 2013) been updated in accordance with changes to employment law. A Corporate Complaints system operates throughout the Council with an established system for investigation and response.
K18	Identifying the development needs of members and senior officers in relation to their strategic roles, supported by appropriate training	The Council has adopted a formal Member Training and Development Strategy. This follows from an award of North West Charter for Member Development that recognises the need for high Leadership standards in local government. The Council has created a Learning and Development Board consisting of representation from all services and this informs the Cabinet Member Corporate Services.

K19	Establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation	A Public Consultation and Engagement Panel, led by Members is a central feature of ensuring the most effective channels are used to engage a wide range of the communities and stakeholders. Local Area Committees continue to give a clear communication channel for matters specific to individual areas. Other focus and consultation groups are actively utilised to seek the views of a wide range of interest groups, including age related groups, disability groups, through to landlords and business groups.
K20	Ensuring the accountability for service delivery and effectiveness of other public service providers'	The Council's Overview and Scrutiny function have undertaken a number of pieces of work looking at the work of other public sector providers, most notably in the Health Service where improvements have been made to the phlebotomy service following a scrutiny review. Quality Accounts from all foundation trusts are considered annually by the Overview and Scrutiny Committee (Health and Social Care) and regular updates are also provided throughout the year.
K21	Incorporating good governance arrangements in respect of partnerships and other joint working as identified by the Audit Commission's report on the governance of partnerships and reflecting these in the authority's overall governance arrangements	The Authority's Code of Corporate Governance includes a section in respect of the governance of partnerships. The Sefton Borough Partnership operates to a Governance protocol that is kept under regular review. The Council's Chief Executive chairs quarterly meetings of the Partnership's Operations Board which includes representatives from all the Council's significant community partners. The Council has published a Partnership Working Protocol on the intranet which will help to ensure that effective governance arrangements are consistently applied to all partnership working arrangements entered into by the Council.

ANNUAL GOVERNANCE STATEMENT 2012/2013

SIGNIFICANT GOVERNANCE ISSUES - ACTION PLAN

AGS Ref Number	Governance Issue	Actions Planned To Address The Issue	Responsible Officer(s)	Target Date
5.1	**Risk Management** A Corporate Risk Management Group has been established, chaired by the Head of Corporate Finance & ICT, attended by Directors and Heads of Service. This group is responsible for ensuring that risk management is embedded within the Council. Work will continue in 2013/14 to further develop and embed risk management processes.	Development of Departmental Risk Registers	HCF&ICT / CIA	March 2014
5.2	**Strategic Counter Fraud Arrangements** A review of the Council's strategic counter fraud and anti corruption arrangements was undertaken in 2012/13. A report has been produced which includes a number of findings. An action plan is currently being finalised in order to address the weaknesses identified.	Strategic Anti Fraud policies and procedures to be reviewed. Fraud awareness training to be delivered. Fraud Response Plan to be developed	HCF&ICT / CIA / HCLS CIA HCF&ICT / CIA / HCP / HCLS	Dec 2013 March 2014 Dec 2013
5.3	**System of Internal Control** Actions are required to further improve the Council's system of internal control and the effectiveness of Internal Audit.	Conduct a review of the Council's assurance framework. Regularly report progress against the Internal Audit Action Plan to the Audit & Governance Committee. Conduct a review to ensure compliance with the Public Sector Internal Audit Standards.	CIA HCF&ICT / CIA / A&G CIA	Sept 2013 Quarterly Dec 2013

AGS Ref Number	Governance Issue	Actions Planned To Address The Issue	Responsible Officer(s)	Target Date
5.4	**Effective Management of the Transformation Programme** The transformation programme is a regular item reported to the Cabinet and Overview and Scrutiny Committees. Risk Registers are reported to Audit & Governance Committee quarterly and the Strategic Leadership Team receive regular update reports on each of these items. In addition, all major projects have their own project boards and risk registers. Failure to realise agreed budget savings is a key financial and reputational risk for the Council. It is crucial that the current arrangements outlined continue in order to effectively manage the achievement of agreed savings within agreed timescales and expected service delivery levels / impact on the community.	Maintain current robust arrangements to ensure effective management of the Transformation Programme :		
		Continue to ensure that Cabinet and Overview and Scrutiny Committees receive regular reports in respect of the Transformation Programme	HCF&ICT	Ongoing
		Continue to ensure that Risk Registers are reported to Audit & Governance Committee quarterly	HCF&ICT / CIA	Ongoing
		Continue to ensure that the Strategic Leadership Team receives regular update reports on each item.	HCF&ICT	Ongoing
		Continue to ensure that governance arrangements (including Project Boards and risk registers) in respect of all major projects remain effective.	HCF&ICT	Ongoing

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

Report on Statement of Accounts

We have audited the statement of accounts of Sefton Metropolitan Borough Council for the year ended 31 March 2013 which comprise 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 2012/13 supported by the CIPFA Service Reporting Code of Practice 2012/13.

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 9, 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 2012/13 and the CIPFA Service Reporting Code of Practice 2012/13. 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 of the state of the Authority and Group's affairs as at 31 March 2013 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 2012/13 and the CIPFA Service Reporting Code of Practice 2012/13.

Opinion on other matter prescribed by the Code of Audit Practice

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 following matters where the Code of Audit Practice issued by the Audit Commission requires us to report to you if:

- in our opinion, the Annual Governance Statement does not comply with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007 (updated as at December 2012) or is misleading or inconsistent with information of which we are aware from our audit;
- we issue a report in the public interest under section 8 of the Audit Commission Act 1998;
- we make any recommendations under section 11 of the Audit Commission Act 1998 that requires the Authority to consider it at a public meeting and to decide what action to take in response ; or
- we exercise any other special powers of the auditor under the Audit Commission Act 1998.

Conclusion on the Authority'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 November 2012, 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 2013.

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 November 2012, 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 2013.

Certificate

We certify that we have completed the audit of the Authority and Group statement of 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.

Ian Looker
For and on behalf of PricewaterhouseCoopers LLP
Appointed auditors
Leeds
Date: 27 September 2013

(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 the statement of accounts 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.

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.

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.

INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

Defined Accounting Standards that must be applied by all reporting entities to all financial statements in order to provide a true and fair view of the entity's financial position, and a standardised method of comparison with financial statements of the other entities.

INVENTORIES

Amounts of unused or unconsumed stocks held in expectation of future use. Inventories are comprised of the following categories:

- Goods or other assets purchased for resale
- Consumable stores
- Raw materials and components
- Products and services in intermediate stages of completion
- Finished goods

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 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 and Crime Commissioner, Merseyside Fire and Rescue 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.

PUBLIC WORKS LOANS BOARD (PWLB)

An arm of Central Government which is the major provider of loans to finance long term funding requirements for Local Authorities.

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 (SERCOP)

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.

TREASURY MANAGEMENT

This is the process by which the Authority controls its cash flow and its borrowing anD lending activities.

TRUST FUNDS

These are funds administered by the Council on behalf of charitable organisations and/or specific organisations.

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

A & G	Audit and Governance
CAA	Comprehensive Area Assessment
CDC	Corporate and Democratic Core
CERMS	Continuous Emission Rate Monitoring System
CFR	Capital Financing Requirement
CIA	Chief Internal Auditor
CIPFA	Chartered Institute of Public Finance and Accountancy
CPI	Consumer Price Index
CVS	Council for Voluntary Service
DCLG	Department of Communities and Local Government
DRC	Depreciated Replacement Cost
DSG	Dedicated Schools Grant
EUV	Existing Use Value
FRS	Financial Reporting Standard
HCF&ICT	Head of Corporate Finance and ICT
HCLS	Head of Corporate Legal Services
HCP	Head of Corporate Personnel
HMRI	Housing Market Renewal Initiative
HR	Human Resources
HRA	Housing Revenue Account
IAS	International Accounting Standards
ICT	Information and Communication Technology
IIP	Investors in People
IFRS	International Financial Reporting Standards
LAAP	Local Authority Accounting Panel
LASAAC	Local Authority (Scotland) Accounts Advisory Committee
LEA	Local Education Authority
LGPS	Local Government Pension Scheme
MBC	Metropolitan Borough Council
MPF	Merseyside Pension Fund
MRICS	Member of the Royal Institution of Chartered Surveyors

NHS	National Health Service
NNDR	National Non-Domestic Rates
PCT	Primary Care Trust
PFI	Private Finance Initiative
PLC	Public Limited Company
PP&E	Property, Plant and Equipment
PWLB	Public Works and Loans Board
REECH	Renewables and Energy Efficiency in Community Housing
RSG	Revenue Support Grant
SLT	Strategic Leadership Team
SOLACE	Society of Local Authority Chief Executives
TPS	Teachers' Pension Scheme
VAT	Value Added Tax

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,
7th 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.