

Introduction to the Statement of Accounts 2002/2003

Knowsley Council's Statement of Accounts for the year ended 31 March 2003 is set out within this document. This introduction describes how the money available to the Council was used during the year to secure significant achievements and improvements in the delivery of services to Knowsley's community.

Where the money comes from

In 2002/2003 the Council received gross revenue funding and income of £366m. The main source of the Council's funding was the Government's Revenue Support Grant (30%). A further 12% came from Business Rate Grants and 29% came from a variety of other Government grants. Rents, fees and charges generated by service activities represented 21% of the total income of the Council. The Council Tax provided only 8% of the Council's overall funding. Full details of the Council's funding are contained in the Statement of Accounts.

How the money was spent

During the year, the Council continued to develop its approach to allocating money to its various service areas. The use of resources is now linked more closely with the aim of achieving improved performance in our priority service areas. These priorities reflect the key areas of business in the Community Plan, and our Neighbourhood Renewal Strategies.

Knowsley has long had a strategic approach to budget management. For over ten years, service departments have had cash limits allocated to them as part of a rolling three-year financial plan. Within these cash limits, services have a significant degree of flexibility, including the ability to carry forward any balances from year to year. This enables departments to plan their activities in a climate of relative financial stability. Over time, the cash limits are adjusted to reflect changing Government grant and Council Tax requirements, accommodate new service demands and promote efficiency savings for redirecting to priority service developments.

In addition, the Council sets aside a sum of money each year to fund ongoing and one-off new initiatives. Not surprisingly, the demands for those resources have far outweighed the amounts available, and the Council therefore now ensures that not only does it allocate additional money to areas of high priority, but also that it understands more clearly how performance in those areas will be improved before agreeing to distribute the money. The Council believes that this new approach ensures that Knowsley maintains and improves its existing high-levels of service performance.

A record of achievement

The way the Council used its resources in 2002/03 had and continues to have a major impact on crime and disorder, educational attainment, the condition of housing and the environment, employment and health outcomes for the Borough's population. Major achievements included:

- An excellent Local Education Authority OFSTED report confirming that the radical and creative change agenda for Education and Lifelong Learning is working.
- Significant improvements in our Social Services to the extent that we are now anticipating recognition as a "3 star" level of service. We have also begun a radical initiative, which will integrate our Social Services with the Primary Care Trust.
- We have exceeded our targets for smoking cessation by up to 100% (nearly 1000 people in 2002/03).
- Four new Neighbourhood Warden schemes, leading to dramatic reductions in crime and disorder.

Introduction to the Statement of Accounts 2002/2003

- Two brand new leisure developments in Halewood and Huyton with a total investment of £11m.
- Growth in our economy has risen over 1.8% per annum compared with a Merseyside average of 0.4% and a North West average of 0.9%.
- The Bridges to Inclusion mentoring team achieved a National Quality Kite Mark and recognition from the National Association for the Care and Rehabilitation of Offenders.
- Our eGovernment agenda has developed a brand new Customer Relationship Management System encompassing a range of generically provided front of house services.

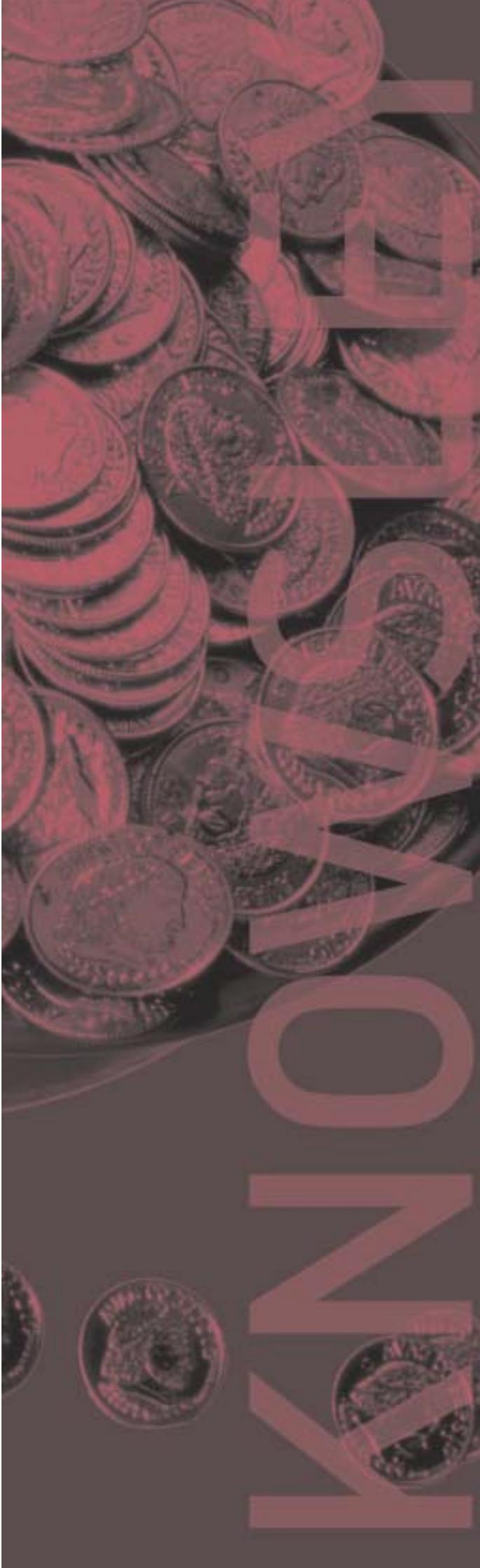
The accounts that follow are an important element in demonstrating the Council's stewardship of public money, and the above developments are just a selection of the various ways in which the Council has used its money to secure significant achievements for the Borough.

STEVE HOUSTON

Director of Finance & Information Society Technologies

Statement of Accounts

2002/2003



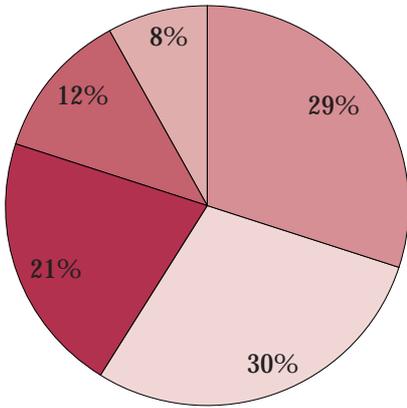
This publication provides the statements of accounts of the Council for the year 2002/2003. They have been prepared in accordance with the 2002/03 Statement of Recommended Practice. They consist of the following accounts, which are accompanied by supporting notes as appropriate:

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Foreword

1. This foreword provides a brief explanation of the financial aspects of the Council's activities and draws attention to the main characteristics of the Council's financial position. In broad terms the following three charts show where the Council's money comes from, what it is spent on and what services it provides.

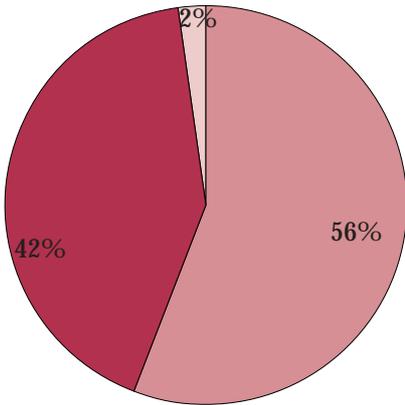
Where the money comes from



| | £000 | % |
|-------------------------|---------|-------|
| Rents, Fees and Charges | 76,434 | 21 |
| Revenue Support Grant | 108,419 | 30 |
| Other Government Grants | 104,836 | 29 |
| Business Rates Grant | 45,472 | 12 |
| Net Council Tax | 30,838 | 8 |
| | <hr/> | <hr/> |
| | 365,999 | 100 |

Based on gross expenditure on all funds

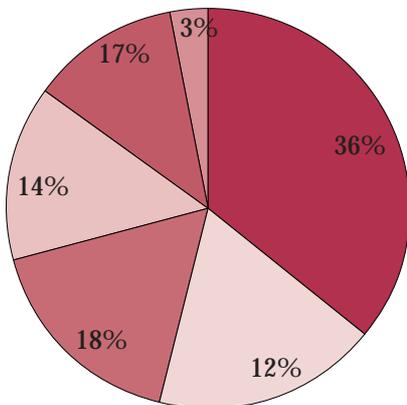
What the money is spent on



| | £000 | % |
|------------------|---------|-------|
| Employees | 155,354 | 42 |
| Running Expenses | 204,428 | 56 |
| Capital Finance | 6,217 | 2 |
| | <hr/> | <hr/> |
| | 365,999 | 100 |

Based on gross expenditure on all funds

What the money provides



| | £000 | % |
|---|---------|-------|
| Central Services | 65,848 | 18 |
| Cultural, Environmental & Planning Services | 45,471 | 12 |
| Education Services | 129,773 | 36 |
| Highways, Road & Transport Services | 9,323 | 3 |
| Housing Services | 62,927 | 17 |
| Social Services | 52,657 | 14 |
| | <hr/> | <hr/> |
| | 365,999 | 100 |

Based on gross expenditure on all funds

Budget

2. The main components of the General Fund Revenue Budget for 2002/2003 and how these compare with actual income and expenditure are set out below:

| | Budget £000 | Actual £000 | Difference £000 |
|--------------------------------------|------------------|------------------|--------------------|
| Service Expenditure (Net) | 213,522 | 213,610 | 88 |
| Interest and Capital Financing Costs | (22,315) | (23,356) | (1,041) |
| Use of Reserves/Balances | 332 | 1,285 | 953 |
| | <u>191,539</u> | <u>191,539</u> | <u>-</u> |
| Council Tax | (37,928) | (37,928) | - |
| Government Grants | (153,611) | (153,611) | - |
| | <u>(191,539)</u> | <u>(191,539)</u> | <u>-</u> |

Capital

3. A significant capital programme was undertaken in the year with actual expenditure amounting to £34.351m, a 17.2% decrease from the previous year.
4. With borrowing approvals limited to £10.526m the Council has enhanced its programme by attracting grants of £14,168m and using £2.768m capital receipts.

Further Information

5. Further information about the accounts is available from the Finance Department, Municipal Buildings, Huyton L36 9YZ (Tel: 0151 489 6000). This is part of the Council's policy of providing full information about the Council's affairs. In addition, interested members of the public have a statutory right to inspect the accounts before each annual audit is completed. The availability of the accounts for inspection is advertised in the local press.

STEVE HOUSTON

Director of Finance & Information Society Technologies

Statement on the System of Internal Financial Control

The Code of Practice on Local Authority Accounting in the UK 2002 requires that Local Authorities should include with their annual Statement of Accounts a statement on the system of internal financial control. This statement sets out the framework within which financial control is managed and reviewed by the Authority during the financial year.

The Director of Finance and Information Society Technologies, in conjunction with the Council's Chief Officers, is responsible for ensuring that an effective system of internal financial control is maintained with regard to the Council's operations. However the Council's system of internal financial control will provide reasonable, although not absolute assurance that assets are safeguarded, that transactions are authorised and properly recorded, and that material errors or irregularities are either prevented or would be detected within a timely period.

Internal Financial Control Systems

The Council's system of internal financial control is based on a framework of financial procedure rules, procedure manuals covering financial and administrative matters (including segregation of duties), management supervision, regular management information and a system of delegation and accountability.

Within this framework, the Council operates the following arrangements for the development and maintenance of internal financial control:

- An independent internal audit function.
- An anti-fraud and corruption policy.
- Procedures for investigating suspected irregularities.
- Use of data matching techniques for the prevention of fraud.
- Risk management systems to identify the authority's key strategic and operational risks.
- Revenue and capital budgets that are assigned to individual managers.
- Financial reports that relate to underlying financial records are prepared and reported to members at key stages during the year.
- The reasons for, and consequences of, service financial performance are taken into account when setting budgets.
- Revenue and capital budget assumptions are based on projections about the pressures and challenges facing the authority.
- Arrangements for a systematic review of performance across the authority.
- Professional financial support for Service projects and initiatives.
- Use of appropriate project management disciplines.

Risk Management

Risk management systems to identify the Authority's key strategic and operational risks are a fundamental part of the performance management process. The systems seek to provide a framework in which potential losses - financial, service disruption, failure to achieve corporate aims, negative publicity and claims compensation - are minimised. Risk Management will be used to promote informed decisions on policy and service delivery options.

During the next twelve months the Authority will continue to review and develop the effectiveness of its arrangements to ensure that risk management is embedded into the culture of the organisation and is an integral part of its policy, planning, operational and control processes

Corporate Governance

The following arrangements for Corporate Governance are in place:

- Arrangements for reviewing the work of Internal Audit
- Standing Orders, Contract Procedure Rules and Financial Procedure Rules
- Arrangements for identifying, analysing, evaluating and managing the key strategic and operational risks facing the authority
- Scheme of delegation
- Arrangements for whistle-blowing
- Anti-fraud and corruption policy (including procedures for investigating suspected irregularities)
- Complaints procedures
- Employee code of conduct

The Council is developing a formal Code of Corporate Governance, which will codify these arrangements. This will demonstrate that robust arrangements are in place to underpin the principles of openness, integrity and accountability that are fundamental to sound governance across the various dimensions of the Council's business.

Internal Audit

In order to ensure independent review of the adequacy, or otherwise, of the system of internal financial control, the council maintains an internal audit function which received a maximum score in the Corporate Performance Assessment. The internal audit programme is based on a managed audit approach, which reflects the confidence of the external auditor, who is able to use the work of internal audit.

As part of the new Council Constitution, the Council has designated its Cabinet to monitor the performance of the Council's internal audit function. The Head of Audit Operations reports to the Director of Finance and Information Society Technologies, but in order to ensure independence may report directly to the Cabinet.

Statement on the System of Internal Financial Control

The Head of Audit Operations reports the findings of audits to Chief Officers and action is agreed to address these findings as necessary. An annual report on audit activity together with details of the performance of Internal Audit and on the implementation of recommendations is made to the Cabinet. The Annual Internal Audit Report for 2001/2002 concluded that, based on the work undertaken, overall throughout the Authority there are sound systems in place. The Cabinet having considered the Annual Report agreed that the Authority has a sound control environment.

Effectiveness of Systems

My review of the effectiveness of the system of internal financial control is informed by:

- The work of managers within the Council;
- The work of the internal auditors;
- The Council's Corporate Performance Assessment; and
- The external auditors in their annual audit letter and other audit reports.
- The work of national inspection bodies (such as the Benefits Fraud Inspectorate, the Social Services Inspectorate and the Office for Standards in Education).

The work of the internal audit function has concluded that there are sound internal financial control systems in place. However the rapid changes in the way the Council undertakes its business, particularly the development of eCouncil initiatives and the increase in funding streams for which the Council is accountable, mean that these controls can always be improved. In conjunction with the Council's Chief Officers and with the support of Council Members I will ensure that ongoing improvements to the systems are implemented and that arrangements for responding to any control issues are maintained.

STEVE HOUSTON

Director of Finance & Information Society Technologies

Accounting Standards

The accounts in this report are prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom issued by the Chartered Institute of Public Finance and Accountancy, and Local Authority (Scotland) Accounts Advisory Committee, which has effect from April 2000 and as disclosed below.

In addition, the accounts have been prepared in accordance with Chartered Institute of Public Finance and Accountancy's Best Value Accounting Code of Practice, and the Accounts and Audit Regulations 2003.

Accounting Concepts

Accruals

The financial statements, other than the cash flow information, are prepared on an accruals basis. An accruals basis means that the non-cash effects of transactions are reflected in the accounts in the period when experienced and not in the period when the cash is paid or received. Hence, employee costs are accounted for in the period within which they worked, goods and services when they are consumed or received, income when it is due, and external interest income or interest payable on borrowings in the period that reflects the overall economic effect of the deals.

Going Concern

The accounts are prepared on a going concern basis, which assumes that the Council will continue in existence for the foreseeable future, and that other than the Large Scale Voluntary Transfer of the housing stock, there is no intension to significantly reduce operations.

Primacy of Legislative Requirements

Councils derive their powers from statute and the financial and accounting framework is closely controlled by primary and secondary legislation. To the extent that law prescribes accounting treatments, the accounting concepts may not apply in all cases. The fundamental principle of local authority accounting is that where specific legislative requirements and accounting principles conflict, legislative requirements are applied.

Fixed Assets

All expenditure on the acquisition, creation or enhancement of fixed assets is capitalised and classified as a fixed asset.

Fixed assets are valued on the basis recommended by Chartered Institute of Public Finance and Accountancy and in accordance with the Statements of Asset Valuation Principles and Guidance Notes issued by The Royal Institution of Chartered Surveyors by Mr I Brand, Fellow of the Royal Institute of Chartered Surveyors, a Knowsley Borough Council employee. Fixed assets are classified into the groupings required by the 2000 Code of Practice on Local Authority Accounting. The valuations have been determined as follows:

- council houses were at the valuation that reflects the Large Scale Voluntary Transfer of the dwellings, and all these assets were sold on 15th July 2002;
- land, operational properties and other operational assets are at the lower of net current replacement and net realisable value, and were valued as at 31st March 2003;

Accounting Policies

- non-operational assets, including investment properties and assets that are surplus to requirements, are at the lower of net current replacement cost and net realisable value. The last valuation of these assets was as at 31st March 2003, apart from the industrial properties that are due to be revalued during 2003/2004. In the case of investment properties, this is normally open market value. Fixed assets under construction are included, at historic cost;
- infrastructure assets are at historic cost, net of depreciation;
- community assets are at historic cost, net of depreciation.

The surpluses arising on the initial valuation of fixed assets have been credited to the Fixed Asset Restatement Reserve. Subsequent revaluations of fixed assets are planned at five yearly intervals, although material changes to asset valuations are adjusted in the interim period, as they occur in line with the requirements of Financial Reporting Standard 11 - Impairment of Fixed Assets and Goodwill.

Capital Charges

All revenue accounts are charged with a capital charge for all fixed assets used in the provision of services. The charge covers the annual provision for depreciation plus a capital financing charge determined by applying the specified notional rate of 6% interest to net asset values. The aggregate charge to individual services is determined on the basis of the capital employed in each service.

Depreciation

Depreciation is provided for on all fixed assets with a finite useful life (which can be determined at the time of acquisition or revaluation) according to the following policy: Newly acquired assets are not depreciated in the year of acquisition, whilst assets in the course of construction are not depreciated until they are brought into use. Depreciation is calculated using the straight line method.

Impairment

Impairment occurs when there has been a significant decline in a fixed asset's market value during the period, obsolescence or physical damage to the fixed asset, a significant adverse change in the Authority's statutory environment, or a significant reorganisation. Where a material impairment loss occurs the service revenue accounts are charged in the year in which the impairment has arisen. The Council's Asset Management Group is responsible for monitoring and identifying any impairment events.

Deferred Charges

Expenditure on deferred charges has been written off to service revenue accounts on the basis of the benefit obtained by the service from the expenditure. As no benefit accrues beyond the date it is incurred, expenditure has been written off totally in the current year.

Stocks, Stores and Work in Progress

These items are included in the accounts at actual or current cost, rather than at the lower of cost and net realisable value as specified in Statement of Standard Accounting Practice 9. It is considered that the difference between the two methods of valuation is not significant in relation to the total value of stocks held. Work in progress is valued at cost including an allocation of overheads.

Debtors and Creditors

The transactions of the Authority are recorded on an income and expenditure basis. All sums due to or from the Authority, with certain exceptions where the changes from year to year are not material, are included irrespective of whether the cash has actually been received or paid.

Debtors are shown net of a provision for bad debts of £3.383m to cover Housing Benefit overpayment provision (£0.150m), Council Tax arrears (£1.814m), National Non Domestic Rate arrears (£0.300m) and other miscellaneous debtors (£0.119m).

Reserves

These are amounts earmarked for specific policy purposes, and balances, which represent set aside resources such as general contingencies. Details of Reserves held at 31st March 2003 are shown in the Statement of Total Movement in Reserves and Notes 12-15 to the Consolidated Balance Sheet.

Provisions

These are amounts set aside for liabilities, which will be incurred, but where there may be uncertainty as to the amounts concerned or the dates on which these liabilities arise. Details of Provisions held at 31st March 2003 are shown in Note 11 to the Consolidated Balance Sheet.

Repurchase of Borrowing

Gains (discounts) or losses (premiums) from the repurchase or early settlement of borrowing are recognised in the consolidated revenue account in the period when the repurchase or early settlement is made. Where the repurchase of borrowing was coupled with a refinancing or restructuring of borrowing with substantially the same overall economic effect when viewed as a whole, gains or losses are recognised over the life of the replacement borrowing.

Overheads

In order to reflect fully the total cost of services, overheads such as the cost of support staff and offices, are allocated in accordance with the Chartered Institute of Public Finance and Accountancy's Best Value Accounting Code of Practice.

Capital Receipts

Income from the disposal of fixed assets is credited to the useable capital receipts reserve. Any proportion reserved for the repayment of external loans has been credited to the capital financing reserve.

Under the Local Government and Housing Act 1989 75% of Housing Revenue Account sales from the disposal of assets is held as a provision against debt redemption. The balance is available to finance either capital expenditure or debt redemption. Since the Large Scale Voluntary Transfer of the dwellings on 15th July 2002, the Council's share of each future council house sale is below the minimum value for the income to be treated as a capital receipt under the regulations.

Accounting Policies

Pension Costs

The costs of providing pensions for employees has been charged to the accounts in accordance with the statutory requirements governing the Merseyside Pension Fund and Teachers Superannuation Scheme.

These costs have been determined on the basis of contribution rates that are set to eventually meet 100% of the liabilities of the Superannuation Fund, in accordance with relevant Government regulations.

The share of the assets and liabilities of the Merseyside Pension Fund attributable to the Council is disclosed in a note to the accounts as required by the Financial Reporting Standard 17 "Retirement Benefits".

Government Grants

Grants and subsidies are credited to the appropriate revenue and capital accounts to match the expenditure to which they relate. Accruals have been made for balances known to be receivable for the period to 31st March 2003.

Leasing

The policy on leasing, together with details of payments in the year and estimated outstanding obligations, is outlined in Note 14 to the Consolidated Revenue Account. There were no new finance leases in 2002/2003.

Internal Interest

Internal Interest is paid to / received from revenue on the basis of average monthly balances and the 7 day money market rate. It is included in the Consolidated Revenue Account as contributions to / from reserves.

Group Accounts

Council's with, in aggregate, material and controlling interests in subsidiary and associated companies and joint ventures, which would be regarded as such under the Companies Acts, are required to prepare summarised group accounts. The exception being where such arrangements are with other local authorities. As a result, the Council is not required to produce group accounts.

The Consolidated Revenue Account reports the net cost for the year of the services for which Knowsley is responsible and demonstrates how that cost has been financed from government grants and income from local taxpayers.

| 2001/2002 | | 2002/2003 | | |
|----------------|--|---------------------|------------------|----------------|
| £000 | Services | Expenditure £000 | Income £000 | Net £000 |
| 24,621 | Central Services - Corporate & Democratic Core | 68,701 | (36,124) | 32,577 |
| 1,120 | - Unapportionable Central Overheads | 1,098 | 0 | 1,098 |
| 34,325 | Cultural, Environmental & Planning Services | 48,199 | (17,963) | 30,236 |
| 98,414 | Education Services | 137,560 | (36,568) | 100,992 |
| 13,587 | Highways, Roads & Transport Services | 9,882 | (65) | 9,817 |
| 1,348 | Housing Services | 66,558 | (59,861) | 6,697 |
| 36,318 | Social Services | 55,816 | (16,583) | 39,233 |
| <u>209,733</u> | Net Cost of Services | <u>387,814</u> | <u>(167,164)</u> | <u>220,650</u> |
| 894 | Parish Precepts | | | 883 |
| | Net Surplus: | | | |
| (573) | - Trading Operations (Note 1) | | | (823) |
| (15,962) | Transfer from Asset Management Revenue Account (Note 2) | | | (19,777) |
| 0 | Loss on the early settlement of borrowing (Note 16) | | | (23,445) |
| (1,727) | Interest and Investment Income | | | (2,164) |
| <u>192,365</u> | Net Operating Expenditure | | | <u>175,324</u> |
| 989 | Transfer to/(from) Housing Revenue Account balances | | | (3,961) |
| | Contributions to Earmarked Reserves | | | |
| (358) | - Schools' Balances | | | (427) |
| 795 | - Other reserves | | | 1,342 |
| | Contributions to/(from) Capital Reserves | | | |
| 1,083 | - Financing of capital expenditure | | | 433 |
| 1,488 | - Provision for repayment of external loans (Note 3) | | | 2,579 |
| 0 | Financing of early settlement of borrowing | | | 23,445 |
| (7,054) | Statutory amount to be set aside for the repayment of loans principal (Note 4) | | | (4,561) |
| <u>189,308</u> | Amount to be met from Government Grant and Taxpayers | | | <u>194,174</u> |
| (37,693) | Demands on the Collection Fund | | | (38,812) |
| (109,993) | Government Grants | | | (108,605) |
| (41,656) | Distribution from non-domestic rate pool | | | (45,472) |
| - | - Transfer from Collection Fund | | | - |
| <u>(34)</u> | (Surplus) / Deficit for the year | | | <u>1,285</u> |
| | General Fund Balances | | | |
| (7,316) | Balance at beginning of year | | | (7,350) |
| (34) | (Surplus) / Deficit for year | | | 1,285 |
| <u>(7,350)</u> | Balance at end of year | | | <u>(6,065)</u> |

Notes to the Consolidated Revenue Account

1. Significant Trading Operations

The authority operates several trading operations, whereby services are provided to users on the basis of an agreed charge, for example, either a quoted price or a schedule of rates. Trading accounts are maintained for such activities, which matches the income and expenditure for the services provided by the Trading Operation. Details of the significant Trading Operations of the Authority are set out in the table below.

| | (Surplus)/Deficit £000 | Turnover £000 |
|------------------------|---------------------------|------------------|
| Organisation | | |
| Highways and Sewerage | (127) | 4,326 |
| Transport | (59) | 3,228 |
| School Meals | (234) | 4,481 |
| Building Cleaning | (66) | 3,032 |
| Information Technology | (337) | 6,325 |
| TOTAL | (823) | 21,392 |

2. Asset Management Revenue Account

| | £000 | £000 |
|---|----------|-----------------|
| Income | | |
| Capital charges - General Fund | (30,765) | |
| - Housing Revenue Account | (6,626) | |
| - Trading Operations | (613) | (38,004) |
| Expenditure | | |
| Provision for depreciation | 8,621 | |
| External interest charges | 9,606 | 18,227 |
| Net (surplus)/deficit for the year | | (19,777) |

3. Provision for Repayment of External Loans

This represents the actual principal repayments of other external loans. These comprise payments for transferred debt held by other authorities and repayments under deferred purchase schemes.

| | £000 |
|----------------------------------|--------------|
| Transferred Debt Repayments | 525 |
| Deferred Purchase Repayments | 2,065 |
| Transferred Debt Income Coroners | (11) |
| | 2,579 |

4. Statutory Amount to be Set Aside for the Repayment of Loans Principal

This is the minimum amount which must be charged to the Authority's revenue account each year and set aside as a provision for credit liabilities. The following calculation determines that amount, which has been charged within the above account.

| | General Fund £000 | Housing Revenue Account £000 | Sub Total £000 | Total £000 |
|---|-------------------------|---------------------------------------|-------------------|---------------|
| Outstanding loan advances | 98,746 | 164,243 | 262,989 | |
| Less reserved part of capital receipts | 11,899 | 36,384 | 48,283 | |
| Initial credit ceiling 1.4.2002 | 86,847 | 127,859 | 214,706 | |
| Minimum revenue provision at 4% (2% Housing Revenue Account) | 3,474 | 2,557 | 6,031 | 6,031 |
| Less: Amounts Charged to the Revenue Account | | | | |
| Amount charged as depreciation against the Revenue Account | | | 9,474 | |
| Depreciation on Government Grant write off | | | (708) | |
| Deferred Charges (net of grant) | | | 1,826 | 10,592 |
| Net Charge to the Revenue Account | | | | (4,561) |

5. **Section 137 Payments**

Section 137 of the Local Government Act 1972 enables a local authority to incur expenditure up to the product of £5.00 per head of relevant population, for the benefit of people in its area on activities or projects not specifically authorised by other powers. Expenditure amounted to £0.205m in 2002/2003 (£0.200m in 2001/2002) compared to a maximum allowable of £0.765m. The majority of the expenditure relates to the provision of grants to voluntary bodies.

6. **Agency Work**

The Council carries out agency work on behalf of the North West Water. This work includes repairs to the sewer system and maintenance of sewage pumping stations. Total expenditure in 2002/2003 was £0.164m (£0.467m in 2001/2002).

7. **Local Authority (Goods and Services) Act 1970**

In 2002/2003 the Council provided no significant services to public bodies under this Act. This Act allows Local Authorities to form consortia to enable more effective procurement of goods and services. The Council is a member of the Yorkshire Purchasing Organisation, a consortium with other Local Authorities. Expenditure on purchases made through this consortium totalled £1.047m in 2002/03 and the Council received £0.223m as a share of profits for being a member of this consortium.

8. **Publicity**

Section 5 of the Local Government Act 1986 requires local authorities to keep a separate account of expenditure on publicity. During 2002/2003 expenditure on publicity totalled £3.426m (£2.924m in 2001/2002) and included recruitment of staff costs of £0.201m (£0.115m in 2001/2002), Media and Customer Relations Unit costs of £0.115m (£0.126m in 2001/2002) and Other Publicity Costs of £3.109m (£2.683m in 2001/2002).

9. **Pension Costs**

Teachers: In 2002/2003 the Council paid an employer's contribution of £3.593m (representing 8.34% of employees' pensionable pay) to the Department for Education and Employment in respect of teachers' pensionable pay. In addition, the Council is responsible for all pension payments relating to added years benefits it has awarded, together with the related increases. In 2002/2003 these amounted to £1.622m, representing 3.76% of pensionable pay.

Notes to the Consolidated Revenue Account

Other employees: In 2002/2003 the Council paid an employer's contribution of £9.761m, representing 13.1% of employees' pensionable pay into the Merseyside Pension Fund, which provides members with defined benefits related to pay and service. The contribution rate is determined by the Fund's Actuary based on triennial valuations, the last review being at 31 March 2001. Under Superannuation Regulations contribution rates are set to meet 100% of the overall liabilities of the Fund.

In addition, the Council is responsible for all pension payments relating to added years benefits it has awarded, together with the related increases. In 2002/2003 these amounted to £1.459m, representing 1.97% of pensionable pay (including in year retirements costs which amounted to £0.124m).

The Fund's Actuary had advised that the pension costs that it would have been necessary to provide for in the year in accordance with Statement of Standard Accounting Practice 24, 'Accounting for Pension Costs' are £9.848m, representing 13.3% of pensionable pay.

The Merseyside Pension Fund is a defined benefit scheme and the last full actuarial valuation was at the 31 March 2001. The average age for the Council's active members of the scheme has risen from 41.8 years as at 31 March 1998 to 42.3 years as at 31 March 2001, the last valuation date. The following disclosures are required in accordance with FRS 17 'Retirement Benefits' and although attributable to Knowsley Metropolitan Borough Council they do not form part of the Council's Consolidated Revenue Account and Balance Sheet. The liabilities have been assessed on an actuarial basis using a projection of pensions payable in future years dependant on assumptions about mortality rates, salary level, etc.

| Merseyside Pension Fund Balance Sheet Items | £000 |
|---|------------------|
| Attributable to Knowsley MBC as at 31 March 2003 | |
| Market Value of Assets | 206,768 |
| Liabilities | 315,680 |
| (Surplus)/Deficit | <u>(108,912)</u> |

Mercer Human Resource Consulting Ltd, the Fund's Actuary has assessed the liabilities, and the main assumptions used are:

| Financial Assumptions | As at | As at |
|------------------------------|------------------|------------------|
| | 31/3/2002 | 31/3/2003 |
| | % | % |
| Rate of inflation | 2.5 | 2.5 |
| Rate of increase in salaries | 3.5 | 3.5 |
| Rate of increase in pension | 2.5 | 2.5 |
| Discount rate | 6.0 | 6.0 |

| Split of Assets Between Investment Categories Attributable to Knowsley MBC | Assets as at | | Assets as at | |
|---|----------------------|----------|----------------------|----------|
| | 31 March 2002 | | 31 March 2003 | |
| | £000 | % | £000 | % |
| Equities | 183,150 | 66.0 | 117,651 | 56.9 |
| Government Bonds | 46,898 | 16.9 | 44,248 | 21.4 |
| Other Bonds | 0 | 0 | 3,515 | 1.7 |
| Property | 0 | 0 | 22,124 | 10.7 |
| Other | 47,452 | 17.1 | 19,230 | 9.3 |
| | <u>277,500</u> | | <u>206,768</u> | |

| Expected Rate of Return on Assets | As at 31/3/2002 % | As at 31/3/2003 % |
|-----------------------------------|-------------------------|-------------------------|
| Equities | 8.0 | 7.5 |
| Government Bonds | 6.0 | 4.5 |
| Other Bonds | 6.0 | 5.4 |
| Property | 6.0 | 6.5 |
| Other | 6.0 | 3.75 |

The movement in the net pension liability for the year to 31 March 2003 is as follows:

| Surplus/(Deficit) at the Beginning of the Year | £000 |
|--|-----------|
| Movements in the Year | (50,600) |
| Current Service Cost | (8,227) |
| Employer Contributions | 9,860 |
| Past Service / Curtailment / Settlement Costs | (2,492) |
| Net Interest / Return on Assets | 676 |
| Actuarial Gain or (Loss) | (58,129) |
| Surplus/(Deficit) at End of Year | (108,912) |

The actuarial gains can be analysed into the following categories, measured in absolute amounts and as a percentage of assets or liabilities at 31 March 2003.

| Settlement of Actuarial Gains & Losses | £000 | |
|--|----------|------------------------|
| Asset Gain (Loss) | (58,129) | (28.1% of Assets) |
| Liability Gain (Loss) | 0 | (0% of Liabilities) |
| Change in Assumptions | 0 | (0% of Liabilities) |
| Net Gain (Loss) | (58,129) | (18.4% of Liabilities) |

10. Employees Remuneration Over £50,000

Authorities are required to provide details of the number of employees whose remuneration is in excess of £50,000. Remuneration relates to all taxable amounts paid to or receivable by an employee and includes sums due by way of expenses allowance and the estimated money value of any other benefits received by an employee otherwise than in cash, excluding Merseyside Police remuneration. In 2002/2003 these were:

| Remuneration | Number of Employees | |
|---------------------|---------------------|-----------|
| | 2001/2002 | 2002/2003 |
| £50,000 - £59,999 | 26 | 37 |
| £60,000 - £69,999 | 9 | 13 |
| £70,000 - £79,999 | 2 | 3 |
| £80,000 - £89,999 | 4 | 4 |
| £90,000 - £99,999 | 1 | 2 |
| £100,000 - £109,999 | 1 | 1 |
| £110,000 - £119,999 | - | - |
| £120,000 - £129,999 | 1 | 1 |

11. Members' Allowances

During 2002/2003, the Council paid a total of £0.717m in respect of Members' Allowances. Further details can be obtained from the Head of Democratic Services, Corporate and Customer Support, Municipal Buildings, Huyton.

12. Related Party Transactions

The Accounting Standards Board introduced Financial Reporting Standard 8 to ensure that Financial Statements contained the disclosures necessary to draw attention to the possibility that the reported financial position may have been influenced by the existence of related parties and material transactions with them. The Chartered Institute of Public Finance and Accountancy/Local Authority (Scotland) Accounts and Advisory Committee Joint Committee considers the related parties of local authorities to include:

- Central Government is responsible for providing the statutory framework within which the Council operates, and provides the majority of funding in the form of grants (see note 1 page 46)
- Local authorities and other bodies precepting or levying demands on the Council Tax (see page 24)
- Subsidiary and Associated Companies (see note 18 page 42)
- Members of the Council have direct control over financial and operational policies. During 2002/2003, works and services totalling £0.497m were commissioned from a company in which 2 members had an interest. Contracts were entered into in full compliance with the Council's Constitution. Payments and grants totalling £0.484m were paid to housing associations, hospital trusts, and voluntary organisations in which 6 members had an interest. The relevant members would have declared an interest and took no part in any discussion or decision relating to the transactions.
- Transactions to Knowsley Housing Trust consisted of £241.408m in payments and £189.134m in receipts, mainly relating to the housing stock transfer. Two Members of the Council are board members, and the relevant members would have declared an interest.
- Chief Officers during 2002/2003 did not declare any pecuniary interests, in accordance with section 117 of the Local Government Act 1972.
- Pension Fund (see note 9 page 13).

13. Building Control Trading Account

The Local Authority Building Control Regulations require the disclosure of information regarding the setting of charges for the administration of the building control function. However, certain activities performed by the Building Control Unit cannot be charged for, such as providing general advice and liaising with other statutory authorities. The statement below shows the total costs of operating the Building Control Unit divided between the chargeable and non-chargeable activities.

Charges have been set for the functions prescribed in Regulation 4 of the Building (Local Authority Charges) Regulations 1998, namely:-

- A plan charge, payable when plans of the building work are deposited with the Authority.
- An inspection charge, payable on demand after the Authority carry out the first inspection in respect of which the charge is payable.
- A building notice charge, payable when the Building notice is given to the Local Authority.
- A reversion charge, payable for building work in relation to a building:
 - i. which has been substantially completed before plans are first deposited with the Authority in accordance with Regulation 18(2)(a)(i) of the Approved Inspectors Regulations, or
 - ii. in respect of which plans for further building work have been deposited with the Authority in accordance with Regulation 18(3) of the Approved Inspectors Regulations, on the first occasion on which those plans have been deposited.
- A regularisation charge which is payable at the time of the application to the Authority in accordance with Regulation 13(A) of the Building Regulations.

| | Chargeable £ | Non Chargeable £ | Total Building Control £ |
|--------------------------------|-----------------|------------------------|-----------------------------------|
| Expenditure | | | |
| Employee Expenses | 208,560 | 55,006 | 263,566 |
| Premises | 9,589 | 2,529 | 12,118 |
| Transport | 4,065 | 1,072 | 5,137 |
| Supplies and Services | 49,550 | 13,068 | 62,618 |
| Central and Support Services | 68,680 | 18,114 | 86,794 |
| | <hr/> | <hr/> | <hr/> |
| Total Expenditure | 340,444 | 89,789 | 430,233 |
| Income | | | |
| Building Regulation Charges | (298,910) | 0 | (298,910) |
| | <hr/> | <hr/> | <hr/> |
| Total Income | (298,910) | 0 | (298,910) |
| | <hr/> | <hr/> | <hr/> |
| Net (Surplus)/Deficit for Year | 41,534 | 89,789 | 131,323 |

14. **Leases**

The Council's policy is generally to acquire vehicles and equipment through leasing, and during 2002/2003 this was exclusively through operating lease agreements. There were no new finance leases in the year and all existing finance leases are now into their secondary term. The total capital value of finance lease agreements at 31 March 2003 is approximately £0.004m of which the estimated outstanding obligations amount to £0.0005m p.a. with payments for the year amounting to £0.0005m (£0.002m in 2001/2002). Other lease payments of a non-capital nature in 2002/2003 include operating leases of £2.162m (£2.011m in 2001/2002) and Exchange Hire Scheme of £0.031m (£0.648m in 2001/2002). The Authority has future operational leasing obligations amounting to £5.452m (for primary periods up to 2011) the Exchange Hire Scheme ending during 2002/3.

15. **Impairment**

There were no significant items of impairment.

16. **Premium Repayment for Early Redemption**

As a result of the Housing Stock Transfer, the long-term debt of £127.376m was repaid. In addition to this, a premium payment of £23.445m for early redemption of this loan was made. This has been fully financed by the capital receipt received for the Housing Stock Transfer and the Government's repayment of debt.

17. **Pooled Budgets**

Section 31 partnership arrangements within the Health Act 1999 have been developed to give local authorities and NHS bodies the flexibility to be able to respond effectively to enhance services. Knowsley Council intends to take advantage of these flexibilities in a number of ways, one of which will be to engage in pooled budgets with the Knowsley Primary Care Trust to improve the services provided to Knowsley residents.

Housing Revenue Account

Operating Account

The Housing Revenue Account is a record of expenditure and income relating to an Authority's own housing stock. The items to be credited and debited to the Housing Revenue Account are prescribed by Statute. It is a ring-fenced account within the Authority's General Fund, which means that Local Authorities have no general discretion to transfer sums into or out of the Housing Revenue Account.

Following a successful ballot of Knowsley's Council tenants in December 2001, Knowsley Metropolitan Borough Council undertook a Large Scale Voluntary Transfer of its housing stock on the 15 July 2002. This involved transferring approximately 17,000 dwellings and 567 staff to the newly created Knowsley Housing Trust. The impact of the housing stock transfer is recognised in the Authority's Balance Sheet and Housing Revenue Account with effect from the date of the positive ballot, and is therefore reflected in the Authority's 2001/02 Statement of Accounts.

It should be noted that due to the full introduction of Resource Accounting in the Housing Revenue Account during 2001-2002 that figures in certain lines of the Housing Revenue Account Operating Account are not directly comparable.

| 2001/2002 £000 | | 2002/2003 £000 |
|-------------------|--|-------------------|
| | Income | |
| | Gross Rental Income | |
| (41,209) | - Dwelling Rents (Note 10) | (11,551) |
| (248) | - Non-Dwelling Rents | (72) |
| (631) | Charges for Services & Facilities | 0 |
| (39,395) | Housing Revenue Account Subsidy Receivable (including Major Repairs Allowance) (Note 9) | (12,051) |
| (135) | Housing Benefit Transfers From General Fund | (213) |
| (81,618) | Total Income | (23,887) |
| | Expenditure | |
| | Repairs, Maintenance and Management | |
| 15,971 | - Repairs and Maintenance or contribution to Housing Repairs Account | 5,547 |
| 7,496 | - Supervision & Management | 2,019 |
| 33,395 | Rent Rebates | 9,768 |
| 600 | Write off of Rent Arrears | 261 |
| 11,105 | Cost of Capital | 613 |
| | Depreciation | |
| 3,831 | - On Dwellings | 208 |
| 83 | - On Other Assets | 0 |
| 258 | Debt Management Expenses | 29 |
| 72,739 | Total Expenditure | 18,445 |
| (8,879) | Net Income from Services | (5,442) |
| (1,199) | Adjusting Transfer / Asset Management Revenue Account | 1,289 |
| (459) | Housing Revenue Account Investment Income | (100) |
| (1,658) | | (1,189) |
| (10,537) | Net Operating Income | (4,253) |
| | Appropriations | |
| - | Revenue Contributions to Capital Expenditure Housing Revenue Account set aside | 1,100 |
| 3,652 | (contribution to Minimum Revenue Provision) | 4,623 |
| 5,896 | Transfer to Major Repairs Reserve | 2,491 |
| 9,548 | Total Appropriations | 8,214 |
| (989) | (Surplus) / Deficit for Year | 3,961 |
| | Housing Revenue Account Balances | |
| (3,203) | (Surplus) / Deficit at Beginning of Year | (4,192) |
| (989) | (Surplus) / Deficit for Year | 3,961 |
| (4,192) | Balance as at 31st March | (231) |

1. Housing Stock

Following a successful ballot of Knowsley's Council tenants in December 2001, Knowsley Metropolitan Borough Council undertook a Large Scale Voluntary Transfer of its housing stock on the 15 July 2002 to the newly created Knowsley Housing Trust. Following the transfer of the Council's housing stock to Knowsley Housing Trust in July 2002, the Field Lane Hostel was the only remaining property within the Housing Revenue Account. On 1 July 2003 the Hostel and its staff transferred to Liverpool Housing Trust. Due to the restrictions placed upon the use of the facility, it was considered that the facility had no commercial value and the building and related assets were sold to Liverpool Housing Trust for £1.

| | 2001/2002 £000 | 2002/2003 £000 |
|----------------------------|-------------------|-------------------|
| Houses | 11,939 | - |
| Flats | 5,705 | - |
| Bungalows | 276 | - |
| Total average stock | 17,920 | - |

The change in the stock can be summarised as follows:

| | 2001/2002 £000 | 2002/2003 £000 |
|----------------------------|-------------------|-------------------|
| Stock at 1st April | 18,428 | 17,411 |
| less: Sales | (517) | (17,411) |
| Demolition etc. | (500) | 0 |
| Stock at 31st March | 17,411 | 0 |

2. Fixed Assets

The Valuation of fixed assets held within the Housing Revenue Account during the year was as follows:

| | Gross 1 April 2002 £000 | Gross 1 April 2003 £000 | Net 1 April 2003 £000 |
|---------------------|-------------------------------|-------------------------------|-----------------------------|
| Operational Assets | | | |
| - Council Dwellings | 30,661 | - | - |
| - Other | 4,258 | - | - |
| | 34,919 | - | - |

Operational Assets are those, which are used or occupied in, direct delivery of the Housing Revenue Account service and comprise dwellings and other land, buildings and equipment. In accordance with Department of Transport, Local Government and the Regions guidance the basis of valuation for operational property is Existing Use Value for non-housing property and Existing Use Value for Social Housing for housing property. However, where an Authority has received a positive ballot for the transfer of its housing stock the valuation for the balance sheet for the properties to be transferred must be the expected Large Scale Voluntary Transfer valuation. A positive ballot was obtained in Knowsley in December 2001 and the closing balance sheet and Housing Revenue Account have therefore been amended to reflect this.

Notes to the Housing Revenue Account

3. Depreciation and Major Repairs Reserve

For Housing Revenue Account dwellings depreciation has been calculated on a straight line basis based on each asset's estimated useful life. The corresponding credit to the Major Repairs Reserve has been fully used to finance capital expenditure on those assets.

For other Housing Revenue Account assets (local offices, equipment, etc.) depreciation has been calculated on a straight line basis based on each asset's estimated useful life. The corresponding credit to the Major Repairs Reserve has been reversed out in the appropriations section of the Housing Revenue Account below net operating expenditure, since unlike the charge for Housing Revenue Account dwellings, it is not funded from Major Repairs Allowance, and depreciation charges not funded by the Major Repairs Allowance do not at present impact on rents or other Housing Revenue Account services.

The resultant transactions on the Major Repairs Reserve are detailed below:

| | 2002/2003 £000 |
|---|-------------------|
| Income | |
| Contribution from Housing Revenue Account (Major Repairs Allowance) | (2,491) |
| Depreciation on Fixed Assets | |
| - On Dwellings | (208) |
| | <u>(2,699)</u> |
| Expenditure | |
| Capital expenditure funded from Major Repairs Allowance | 2,699 |
| (Surplus)/Deficit for the year | <u>0</u> |
| Balance b/f | 0 |
| (Surplus)/Deficit for the year | 0 |
| Balance c/f | 0 |

4. Capital Financing Costs

Capital expenditure incurred by the Housing Revenue Account is analysed as follows:

| | 2001/2002 £000 | 2002/2003 £000 |
|--|-------------------|-------------------|
| Borrowing | 1,592 | 1,436 |
| Capital Receipts | 89 | - |
| Major Repairs Reserve | 9,810 | 2,699 |
| Capital Expenditure from Revenue Account | - | 1,100 |
| | <u>11,491</u> | <u>5,235</u> |
| Deferred Purchase Scheme Payments | 1,176 | 2,166 |
| | <u>12,667</u> | <u>7,401</u> |

5. Capital Receipts

Capital receipts during the financial year from the disposal of Housing Revenue Account assets were as follows:

| | 2001/2002 £000 | 2002/2003 £000 |
|-------------------------------|-------------------|-------------------|
| Right to Buy Sales | (4,620) | (1,656) |
| Land Sales | - | - |
| Mortgage Principal Repayments | (481) | (185) |
| | <u>(5,101)</u> | <u>(1,841)</u> |

6. Resource Accounting

The introduction of Resource Accounting into the Housing Revenue Account has resulted in the introduction of charges to reflect the cost of capital employed in providing housing assets. A key element of this new Financial Framework is the cost of capital charge, calculated as 6% of the value of Housing Revenue Account operational assets, carried out in accordance with the guidance on stock valuation published by Department of Transport, Local Government and the Regions in May 2000. This equated to £0.613m.

This adjustment £1.434m ensures that the Housing Revenue Account continues to bear its share of an Authority's debt financing and management costs as calculated in the Government's Item 8 determination. The debt financing and management costs charged in compliance with the Item 8 determination were £2.047m.

7. Impairment

There were no instances of impairment on Housing Revenue Account assets during the year.

8. Deferred Charges

The only charges to Housing Revenue Account in respect of deferred charges were to Right to Buy Admin.

9. Housing Revenue Account Subsidy

Housing Revenue Account Subsidy is intended not only to finance housing benefits but also contributes to the cost of housing provision to the extent that the local authority's resources fall short of its expenditure requirements. The subsidy is calculated by reference to a notional Housing Revenue Account, which is based on a range of estimates which central government believes an authority should spend and how much income it should raise.

HOUSING REVENUE ACCOUNT SUBSIDY

| | 2001/2002 £000 | 2002/2003 £000 |
|---|-------------------|-------------------|
| Expenditure | | |
| Management and Maintenance | 18,060 | 5,149 |
| Charges for Capital | 12,226 | 4,675 |
| Housing Benefits | 33,789 | 10,061 |
| Other Reckonable Expenditure | - | - |
| Major Repairs Allowance | 9,810 | 2,699 |
| | <u>73,885</u> | <u>22,584</u> |
| Income | | |
| Rents | (34,183) | (9,917) |
| Other Reckonable Income | - | - |
| Interest on receipts | (307) | (260) |
| | <u>(34,490)</u> | <u>(10,177)</u> |
| Housing Revenue Account Subsidy Payable | 39,315 | 12,407 |
| Prior Year Adjustment | 80 | 0 |
| | <u>39,395</u> | <u>12,407</u> |

Notes to the Housing Revenue Account

10. Gross Rent Income

This is the total rent income due for the year after allowance is made for voids. During the year an average of 6.24% (£0.721m) of lettable properties were vacant; in 2001/2002 the figure was 7.74% (£3.507m). Average rents were £51.25 a week in 2002/2003, an increase of £1.45 or 2.9% over the previous year. After allowing for housing benefit payments (£9.770m) the net rent collectable was £1.783m.

11. Rebates

Assistance with rents is available under the Housing Benefits Scheme for those on low incomes. Over 85% of the Council's tenants receive some help with the cost of rent.

12. Rent Arrears and Provision for Bad Debts

At 31.3.2003 rent arrears as a proportion of gross rent income are 00.00% of the amount due compared to 10.06% at 31.3.2002.

| | 2001/2002 £000 | 2002/2003 £000 |
|---------------------------------------|-------------------|-------------------|
| Arrears at 31st March | 4,502 | - |
| Provision for Bad Debts at 31st March | 2,586 | - |

13. Mortgage Interest

Interest receivable by the Council for mortgages can be analysed as follows:

| | 2001/2002 £000 | 2002/2003 £000 |
|------------------------|-------------------|-------------------|
| Right to Buy Mortgages | (276) | (62) |
| Other Mortgages | - | - |
| | <u>(276)</u> | <u>(62)</u> |

14. Asset Management Revenue Account

| | 2002/2003 £000 |
|--|-------------------|
| Income | |
| Cost of Capital Charges | (613) |
| Depreciation on Fixed Assets | |
| - On Dwellings | (208) |
| - On Other Assets | 0 |
| Impairment of Fixed Assets | 0 |
| Amortisation of Deferred Charges | 0 |
| | <u>(821)</u> |
| Expenditure | |
| Housing Revenue Account Interest Costs | 1,902 |
| Depreciation on Fixed Assets | |
| - On Dwellings | 208 |
| - On Other Assets | 0 |
| Transfer to/from Housing Revenue Account | (1,289) |
| | <u>821</u> |

Collection Fund Income and Expenditure Account

The Collection Fund Income and Expenditure Account shows the income from Council Tax and business rates together with their distribution.

| 2001/2002 £000 | | 2002/2003 £000 | 2002/2003 £000 |
|-------------------|--|-------------------|-------------------|
| | Income | | |
| (28,407) | Council Tax Receivable (Note 2) | | (30,437) |
| | Transfers from/to General Fund | | |
| (14,568) | - Council Tax Benefit | | (14,210) |
| <u>(42,975)</u> | | | <u>(44,647)</u> |
| | Income Collectable from Business | | |
| (23,753) | Ratepayers (Note 4) | | (25,332) |
| <u>(66,728)</u> | | | <u>(69,979)</u> |
| | Expenditure | | |
| | Precepts and Demands | | |
| 37,694 | - Knowsley MBC | 38,811 | |
| 1,607 | - Fire and Civil Defence Authority | 1,726 | |
| 3,504 | - Police Authority | 3,905 | |
| | | <u>44,442</u> | |
| 23,622 | Payment to National Non Domestic Rate Pool | 25,198 | |
| 131 | Costs of Collection | 134 | |
| | | <u>25,332</u> | |
| 423 | Provision for Council Tax Bad and Doubtful Debts | | 440 |
| <u>66,981</u> | | | <u>70,214</u> |
| (253) | Movement in year (Note 2) | | (235) |
| (135) | Balance B/F | | (388) |
| <u>(388)</u> | Balance C/F | | <u>(623)</u> |

1. Council Tax Base

| Band Value | Number of Dwellings | Band D Equivalent |
|--------------------------------------|---------------------|-------------------|
| A up to £40,000 | 38,860 | 25,907 |
| B £40,001 to £52,000 | 11,507 | 8,950 |
| C £52,001 to £68,000 | 8,156 | 7,250 |
| D £68,001 to £88,000 | 3,175 | 3,175 |
| E £88,001 to £120,000 | 1,314 | 1,606 |
| F £120,001 to £160,000 | 239 | 345 |
| G £160,001 to £320,000 | 116 | 193 |
| H Over £320,000 | 17 | 34 |
| | 63,384 | 47,460 |
| Less Exemptions and Discounts | | (5,830) |
| | | 41,630 |
| Collection Rate | | 99% |
| | | 41,214 |

2. Reconciliation of Knowsley Demand with Council Tax Receivable

| | Estimate £000 | Actual £000 | Variance £000 |
|--|------------------|----------------|------------------|
| Knowsley Demand (including Parish Precepts) | 38,811 | 38,576 | (235) |
| Preceptor Payments | 5,631 | 5,631 | - |
| | 44,442 | 44,207 | (235) |
| Less Benefit Received | (14,210) | (14,210) | - |
| | 30,232 | 29,997 | (235) |
| Contribution to Provision for non collection | 440 | 440 | - |
| Council Tax Receivable | 30,672 | 30,437 | (235) |

3. Council Tax

The 2002/2003 basic amount of Council Tax at Band D for properties without a Parish precept, was calculated as follows:

| | |
|--|-------------|
| | £000 |
| Budget Requirements (excluding Parish Precepts) | 191,539 |
| less Government Grants/National Non Domestic Rates | (153,611) |
| Collection Fund Surplus | - |
| Council Tax Demand | 37,928 |
| divided by Council Tax Base (Note 1) | 41,214 |
| Council Tax at Band D (£) | 920.27 |

4. **National Non-Domestic Rates**

National Non Domestic Rate is organised on a national basis. The Government specifies a rate in the £, and subject to any transitional arrangements, local businesses pay rates calculated by multiplying the rateable value of their property by the rate in the £ set (43.0p in 2001/2002 and 43.7p for 2002/2003).

The Council is responsible for collecting National Non Domestic Rate from payers within its area on behalf of the Government. Sums collected are held initially within the Council's Collection Fund and then paid into the National Non Domestic Rate Pool administered by the Government. The Government redistributes the sums paid into the Pool back to local authorities' General Funds on the basis of a fixed amount per head of population.

The National Non Domestic Rate income of £25.332m for 2002/2003 was based on a rateable value as at 31.3.2002 of £67.430m (£60.839m for 2001/2002).

Consolidated Balance Sheet

The General Fund Balance Sheet sets out the overall financial position of the Council (excluding Trust Funds) by comparing the net situations on the Authority's assets and liabilities.

| Balance at 31.3.2002 £000 | | Balance at 31.3.2003 £000 | £000 |
|---------------------------------|--|---------------------------------|---------|
| | Net Fixed Assets (Note 1) | | |
| 30,661 | Council dwellings | 0 | |
| | Other Operational Assets | | |
| 230,550 | - Other Land and Buildings | 279,004 | |
| 24,579 | - Vehicles, Plant, Furniture and Equipment | 31,289 | |
| 92,320 | - Infrastructure | 107,505 | |
| 1,278 | - Community Assets | 1,328 | |
| 43,800 | Non-operational Assets | 31,819 | |
| 423,188 | | | 450,945 |
| 3 | Long Term Investments (Note 3) | | 3 |
| | Long Term Debtors | | |
| 3,373 | Mortgagors | 2,662 | |
| 762 | Car Loans | 558 | |
| 8 | Houses in Possession | 0 | |
| | | | 3,220 |
| 427,334 | Total Long Term Assets | | 454,168 |
| | Current Assets | | |
| 1,792 | Work in Progress/Stock in Hand (Note 4) | 725 | |
| 44,100 | Investments (Note 5) | 43,520 | |
| 38,801 | Debtors (Note 6) | 42,862 | |
| 1,911 | Imprest/Cash in Hands of Collectors | 1,997 | 89,104 |
| 513,938 | Total Assets | | 543,272 |
| | Less Current Liabilities | | |
| 10,773 | Short Term Borrowing (Note 7) | 3,195 | |
| 38,016 | Creditors (Note 8) | 31,973 | |
| 948 | Trust Funds Cash in Hand | 957 | |
| 12,574 | Cash Overdrawn (Note 9) | 14,689 | |
| | | | 50,814 |
| 451,627 | Total Assets less Current Liabilities | | 492,458 |
| | Less Long Term Liabilities | | |
| 209,649 | Long Term Borrowing (Note 10) | 97,538 | |
| 35,747 | Government Grants Deferred Account | 46,802 | |
| 13,024 | Provisions (Note 11) | 11,660 | |
| | | | 156,000 |
| 193,207 | Total Assets less Liabilities | | 336,458 |

Consolidated Balance Sheet

| Balance at 31.3.2002 £000 | | Balance at 31.3.2003 £000 |
|---------------------------------|---|---------------------------------|
| | Financed by | |
| (24,131) | Fixed Asset Restatement Reserve (Note 12) | (16,006) |
| 188,225 | Capital Financing Reserve (Note 13) | 323,630 |
| 2,994 | Deferred Capital Receipts | 2,809 |
| 3,260 | Usable Capital Receipts Reserve (Note 14) | 7,965 |
| 11,704 | Reserves (Note 15) | 12,618 |
| | Revenue Balances | |
| 7,350 | - General Fund | 6,065 |
| 4,193 | - Housing Revenue Account | 0 |
| (388) | - Collection Fund | (623) |
| | | 5,442 |
| 193,207 | Total Equity | 336,458 |

Notes to the Consolidated Balance Sheet

1. Fixed Assets

Movements in fixed assets during the year were as follows:

| | Council Dwellings £000 | Other Land & Buildings £000 | Vehicle Plant & Equipment £000 | Infra- structure £000 | Non-oper- ational Assets £000 | Community Assets £000 | Total £000 |
|-------------------------------------|------------------------------|--------------------------------------|---|-----------------------------|--|-----------------------------|----------------|
| Gross book value as at 1.4.2002 | 39,206 | 240,078 | 31,129 | 94,121 | 44,130 | 1,278 | 449,942 |
| Opening Revaluations | | | | | | | |
| Restatements | - | - | - | - | - | - | - |
| | <u>39,206</u> | <u>240,078</u> | <u>31,129</u> | <u>94,121</u> | <u>44,130</u> | <u>1,278</u> | <u>449,942</u> |
| Additions | - | 605 | 2,708 | 7,616 | 3,756 | 76 | 14,761 |
| Other Expenditure | 4,461 | 9,178 | 208 | 151 | 197 | 6 | 14,201 |
| Disposals | (30,452) | (416) | (38) | - | (3,834) | - | (34,740) |
| Revaluations | (4,461) | 43,804 | 6,730 | 8,577 | (11,779) | (6) | 42,865 |
| Gross book value as at 31.3.2003 | <u>8,754</u> | <u>293,249</u> | <u>40,737</u> | <u>110,465</u> | <u>32,470</u> | <u>1,354</u> | <u>487,029</u> |
| Depreciation | | | | | | | |
| Balance as at 31.3.02 | 8,545 | 9,528 | 6,550 | 1,801 | 330 | - | 26,754 |
| Depreciation for year | 209 | 4,717 | 2,898 | 1,159 | 321 | 26 | 9,330 |
| Balance at 31.3.2003 | <u>8,754</u> | <u>14,245</u> | <u>9,448</u> | <u>2,960</u> | <u>651</u> | <u>26</u> | <u>36,084</u> |
| Net book value as at 31.3.2003 | <u>-</u> | <u>279,004</u> | <u>31,289</u> | <u>107,505</u> | <u>31,819</u> | <u>1,328</u> | <u>450,945</u> |

The capital expenditure was financed as follows:

| | £000 |
|--|---------------|
| Loans | 9,357 |
| Capital Receipts | 2,240 |
| Grants | 11,764 |
| Capital Expenditure from Revenue Account | 232 |
| Major Repairs Allowance | 2,699 |
| Reserves | 937 |
| Other | 1,733 |
| | <u>28,962</u> |

Depreciation, other than for Infrastructure which is written down by the amount of capitalised maintenance in the year, is calculated on the straight line method based on the following useful life of assets:

| | |
|---|-------------|
| Council Dwellings | 50 years |
| Other Land & Buildings/Community Assets | 50 years |
| Vehicles Plant & Equipment | 20 years |
| Non Operational Assets (excluding land and leases) | 50 years |
| The Net Book Value as at 31.3.2003 can be split over: | £000 |
| General Fund | 443,093 |
| Housing Revenue Account | 4,576 |
| Trading Operations | 3,276 |
| | <hr/> |
| | 450,945 |
| | <hr/> |

Capital Expenditure

The main items of capital expenditure during 2002/2003 were:

| | |
|--|-------------|
| | £000 |
| Regeneration & Development - Economic Development | |
| - Acquisition & Development of BICC Site | 1,907 |
| - Huyton Lathom Road Development | 1,494 |
| - Mini Corporate SME Enterprise | 1,289 |
| - Manor Farm Shops | 685 |
| - Overbrook Lane - Site Remediation & Development Works | 541 |
| Regeneration & Development - Transport | |
| - Structural Maintenance of Highways | 2,460 |
| - Knowsley Industrial & Business Park Strategy | 518 |
| - Street Lighting Improvements | 547 |
| Regeneration & Development - Housing | |
| - Page Moss Regeneration | 996 |
| - Demolitions/Homeloss Payments | 1,198 |
| - Renovation Grants - General Fund | 615 |
| - Central Heating Programme | 487 |
| Education & Lifelong Learning | |
| - City Learning Centre | 2,675 |
| - Malvern New Build | 1,296 |
| - Learning Academy | 500 |
| Leisure | |
| - King George V Playing Fields | 2,017 |
| - Halewood Leisure Centre | 320 |
| - Huyton & Kirkby Libraries Refurbishment | 310 |
| Corporate & Customer Support | |
| - Alterations to Kirkby Municipal Buildings (One Stop Shop) | 369 |

Notes to the Consolidated Balance Sheet

| | £000 |
|--|------|
| Community Safety & Social Inclusion | |
| - Office Accommodation | 75 |
| Environment & Operational Services | |
| - Hornhouse Lane Kirkby (formerly Littlebrook Depot) | 176 |
| - Northwood CCTV Initiative | 141 |
| - Street Cleansing / Litter Project | 102 |
| Finance | |
| - i-Procurement | 283 |
| - Core Financial Systems Replacement | 120 |
| Health & Social Care | |
| - Client Records in Social Services Provision Replacement System | 252 |
| - Adaptations for the Disabled | 57 |

Significant contracts for future capital expenditure as at 31st March 2003 include the following:

| | £000 |
|---|-------|
| Huyton Lathom Road Development | 3,560 |
| Knowsley Development Partnership 2 | 2,666 |
| Kings Business Park 2 | 600 |
| Overbrook Lane - Site Remediation & Development Works | 651 |
| Residential Development Site - County Road Kirkby | 1,493 |
| Prescot Town Centre Regeneration | 646 |
| Strategic Freight Network | 783 |
| Knowsley Industrial & Business Park Strategy | 658 |
| Disabled Facility Grants | 1,184 |
| Malvern New Build | 2,335 |
| Spaces for Sports & Arts | 2,110 |
| Various Neighbourhood Nursery Initiatives | 2,271 |
| Northwood Community Centre | 405 |
| Community Safety and Inclusion - Office Accommodation | 277 |
| Hornhouse Lane Kirkby | 256 |
| Bulking Station | 120 |

An analysis of the type and number of fixed assets is shown below:

| | 31.3.2002 | 31.3.2003 |
|--|-----------|-----------|
| Council dwellings | 17,411 | 0 |
| Administrative buildings | 4 | 5 |
| Offices | 18 | 15 |
| Depots and Workshops | 6 | 3 |
| Magistrates Courts | 1 | 1 |
| Museums | 1 | 1 |
| Leisure and sports centres | 6 | 8 |
| Club House | 1 | 1 |
| Civic halls and suites | 2 | 2 |
| Community and Youth Centres | 15 | 18 |
| Libraries | 7 | 7 |
| Parks, playing fields, and open spaces | 375 Ha | 488 Ha |
| Country and picnic parks | 113 Ha | 0 Ha |
| Market | 1 | 1 |
| Cemeteries | 2 | 2 |
| Allotments | 122 Plots | 122 Plots |
| Schools - Primary | 27 | 27 |
| - Secondary | 7 | 7 |
| - Other | 8 | 8 |
| Homes for people with learning disabilities | 1 | 1 |
| Centres for people with learning/physical disabilities | 5 | 5 |
| Day centres for the Elderly | 2 | 2 |
| Hostels for the Homeless | 2 | 1 |
| Other Social Services establishments | 15 | 15 |
| Commercial properties - rented/leased | 220 | 204 |
| - void | 5 | 13 |
| Industrial properties - rented/leased | 393 | 396 |
| - void | 12 | 7 |
| Public conveniences | 3 | 2 |
| Roads - principal | 85 Km | 85 Km |
| - other | 450 Km | 450 Km |
| Bridges | 117 | 117 |
| Lamp units | 18,105 | 18,469 |
| Vehicles and plant | 344 | 357 |
| Community Assets | 20 | 20 |

Notes to the Consolidated Balance Sheet

Post Balance Sheet Event

Following the transfer of the Council's housing stock to Knowsley Housing Trust in July 2002, the Field Lane Hostel was the only remaining property within the Housing Revenue Account. On 1 July 2003 the Hostel and its staff transferred to Liverpool Housing Trust. Due to the restrictions placed upon the use of the facility, it was considered that the facility had no commercial value and the building and related assets were sold to Liverpool Housing Trust for £1.

2. Deferred Charges

An analysis of the deferred charges and their movement is as follows:

| | Balance 31.3.2002 £000 | Expend in year £000 | Written Off £000 | Balance 31.3.2003 £000 |
|--------------------------|------------------------------|---------------------------|------------------------|------------------------------|
| Capital Grants | - | 3,280 | 3,280 | - |
| Improvement Grants | - | 1,257 | 1,257 | - |
| Housing Revenue Accounts | - | 58 | 58 | - |
| Other | - | 794 | 794 | - |
| TOTAL | - | 5,389 | 5,389 | - |

The capital expenditure was financed as follows:

| | £000 |
|------------------|--------------|
| Loans | 1,169 |
| Capital Receipts | 445 |
| Grants | 2,404 |
| Other | 1,371 |
| | 5,389 |

3. Long Term Investments

These are 3.5% Treasury Stock.

4. Stocks and Work in Progress

| | 31.3.2002 £000 | 31.3.2003 £000 |
|---|-------------------|-------------------|
| Work in progress | | |
| - Building Maintenance Direct Labour Organisation | 334 | - |
| - Contract Services | - | - |
| - Other General Fund | 181 | 196 |
| Total Work in Progress | 515 | 196 |
| Stocks | | |
| - Building Maintenance Direct Labour Organisation | 681 | - |
| - Contract Services | 497 | 473 |
| - Other General Fund | 26 | 23 |
| - Leisure Services Direct Service Organisation | 28 | 33 |
| - Housing | 45 | - |
| | 1,277 | 529 |
| Less Revaluation Provision | - | - |
| Total Stocks | 1,277 | 529 |
| TOTAL | 1,792 | 725 |

5. **Short Term Investments**

This represents cash on deposit and other liquid investments.

6. **Debtors**

| | 31.3.2002 £000 | 31.3.2003 £000 |
|---|-------------------|-------------------|
| Amounts falling due in one year: | | |
| Government Departments | 19,369 | 18,408 |
| Other Local Authorities | 1,069 | 773 |
| Employee Related | 87 | 145 |
| Housing rents | 4,509 | 131 |
| Sundry Debtors | 11,474 | 13,368 |
| Car loans | 190 | 139 |
| Payments in advance | 2,024 | 3,059 |
| Collection Fund | 5,779 | 10,221 |
| Total Amounts falling due within one year | <u>44,501</u> | <u>46,244</u> |
| Provision for bad debts | | |
| General | (3,836) | (1,268) |
| Collection Fund | (1,864) | (2,114) |
| Total Provision for bad debts | <u>(5,700)</u> | <u>(3,382)</u> |
| Total Debtors | <u>38,801</u> | <u>42,862</u> |

7. **Short Term Borrowing**

| Source of Loan | Range of interest rates payable(%) | 31.3.2002 £000 | 31.3.2003 £000 |
|-------------------------|------------------------------------|-------------------|-------------------|
| Public Works Loan Board | 2.5% to 11.375% | 6,248 | 2,642 |
| Deferred Purchase | Variable | 1,000 | - |
| Other Local Authorities | Variable | 525 | 553 |
| Temporary Loans | (3.875%) | 3,000 | - |
| | | <u>10,773</u> | <u>3,195</u> |

8. **Creditors**

| | 31.3.2002 £000 | 31.3.2003 £000 |
|-------------------------|-------------------|-------------------|
| Employee related | 1,632 | 1,443 |
| Government Departments | 15,372 | 13,469 |
| Other Local Authorities | 1,213 | 1,161 |
| Sundry creditors | 10,804 | 10,405 |
| Income in advance | 1,678 | 2,898 |
| Collection Fund | 4,618 | 1,483 |
| Interest | 2,699 | 1,114 |
| | <u>38,016</u> | <u>31,973</u> |

Notes to the Consolidated Balance Sheet

9. Cash

At 31st March 2003 the actual bank account balance was £0.816m in hand. However, cheques raised but un-presented at the bank and other miscellaneous balances totalled £15.721m producing the cash overdrawn account figure of £14.689m.

10. Long Term Borrowing

| Source of Loan | Range of interest rates payable(%) | 31.3.2002 £000 | 31.3.2003 £000 |
|--|------------------------------------|-------------------|-------------------|
| Public Works Loan Board | 2.5% to 11.375% | 200,043 | 89,551 |
| Other Local Authorities * | Variable | 8,536 | 7,982 |
| Deferred Purchase | Variable | 1,065 | - |
| Miscellaneous | 5.75% | 5 | 5 |
| | | <hr/> | <hr/> |
| | | 209,649 | 97,538 |
| | | <hr/> | <hr/> |
| An analysis of loans by maturity is: | | | |
| Maturing in 1-2 years | | 9,112 | 3,501 |
| Maturing in 2-5 years | | 26,376 | 9,936 |
| Maturing in 5-10 years | | 17,420 | 9,506 |
| Maturing in more than 10 years (inc OLA's) | | 156,741 | 74,595 |
| | | <hr/> | <hr/> |
| | | 209,649 | 97,538 |
| | | <hr/> | <hr/> |

* This represents debt transferred on Local Government reorganisation in 1974 and 1986 but administered by other Authorities.

11. Provisions

These monies have been set aside to cover the following potential liabilities.

| | Balance 31.3.2002 £000 | Receipts £000 | Payments £000 | Balance 31.3.2003 £000 |
|--|------------------------------|------------------|------------------|------------------------------|
| Asset Register | 28 | - | - | 28 |
| Best Value Review | 14 | - | 14 | - |
| Building Works - Performance Improvement Fund | - | 100 | - | 100 |
| Community and Youth Rates | 28 | - | 28 | - |
| Community Consultation | 30 | - | - | 30 |
| Contract Services | 56 | - | - | 56 |
| Council Tax | 196 | - | 196 | - |
| Education Building Officers (SLA) | - | 19 | - | 19 |
| Education Neighbourhood Renewal Fund Funding | 100 | - | 84 | 16 |
| Education Standards Fund Match (April to Sept 2002) | 162 | - | 162 | - |
| Fairclough Road | - | 30 | - | 30 |
| Field Lane | - | 3 | 2 | 1 |
| Green Flag | 3 | - | 3 | - |
| Halewood Leisure Centre Rate | 1 | - | 1 | - |
| Housing Survey | 25 | - | - | 25 |
| Insurance | 11,609 | 3,544 | 4,857 | 10,296 |
| King George V Feasibility | 50 | - | 50 | - |
| Kirkby Library Refurbishment | 166 | - | 166 | - |
| Kirkby Strategy | 33 | - | 19 | 14 |
| Merseyside Magistrates | 23 | - | 23 | - |
| Neutering Account | - | 10 | - | 10 |
| New Deal | 132 | - | - | 132 |
| Pathways | 54 | 49 | - | 103 |
| Play and Resource Centre - Seedcorn | 4 | - | 4 | - |
| Provision for Building Cleaning Equipment | - | 45 | - | 45 |
| Provision for Future Leases | - | 135 | - | 135 |
| Ravenscourt - Performance Improvement Fund | - | 358 | - | 358 |
| Rechargeable Works | 42 | - | - | 42 |
| Replacement of Client Records in Social Services Provision System | 157 | - | 137 | 20 |
| Safe Spaces | 10 | - | 10 | - |
| School Finance Service Level Agreement | 13 | - | 13 | - |
| School Kitchens Gas Legislation | 78 | 60 | 59 | 79 |
| School Meals Client Function | 5 | - | 5 | - |
| School Meals Equal Pay Provision | - | 121 | - | 121 |
| Whitestone Millennium Green | 5 | - | 5 | - |
| | <u>13,024</u> | <u>4,474</u> | <u>5,838</u> | <u>11,660</u> |

The main provisions held by the Authority at 31 March 2003 are in respect of:

- **Asset Register** - To provide for the cost of setting up a database for management and maintenance of the portfolio's assets.
- **Building Works Performance Improvement Fund** - Provision set up for performance improvement funding relating to building works required to ensure conformance to the Disability Discrimination Act.
- **Community Consultation** - Funding to contribute towards a communications audit (Best Value Review).
- **Contract Services** - This provision is for the write-off for obsolete stock on KCS stores.
- **Education Building Officer Service Level Agreement** - Monies set aside to cover future costs of the service that are over and above the school's buy-back.
- **Education Neighbourhood Renewal Fund Funding** - To contribute to the match funding for the Neighbourhood Renewal Fund - Teaching & Learning in the 2003/04 financial year.
- **Fairclough Road** - To provide funding a capital scheme to refurbish a building in order to provide staff accommodation for the Community Safety and Social Inclusion division.
- **Field Lane** - Contribution to maintenance works due for completion 2003/04.
- **Housing Survey** - To provide for the requirement to carry out a private housing stock condition survey in 2003/04.
- **Insurance** - This provision provides cover for those risks, which are not insured against externally, premiums are paid into the fund from revenue accounts and claims are met directly from the fund. The Insurance Provision covers claims up to £110,000 per incident for risks associated with property and liability. Any greater claims are covered by policies held with external insurance, along with all other types of risks.
- **Kirkby Strategy** - To provide for the review of sports facilities in Kirkby.
- **Neutering Account** - To provide for specific expenditure in relation to ongoing joint initiative with Health Authorities and Health Action Zone.
- **New Deal** - This is the employed option of the Government's New Deal Programme for 18-24 year olds. It has been funded from different sources since 1998/99, mainly by the Authority and the Employment Service.
- **Pathways** - Provision set up to contribute to pathways projects in 2003/2004.
- **Provision for Building Cleaning Equipment** - To provide for the costs of purchasing building cleaning equipment.
- **Provision for Future Leases** - To provide for the costs of leasing assets at the end of the lease period
- **Ravenscourt Performance Improvement Fund** - Provision set up for performance improvement funding relating to the development of Ravenscourt.
- **Rechargeable Works** - An allocation to cover losses where full recovery of costs is not made.
- **Replacement of Client Records in Social Services Provision System** - To provide for the outstanding costs of replacing the Community Care database hardware and software.
- **School Kitchen Gas Legislation** - To provide for remaining works required to update gas appliances in school kitchen premises to comply with the changes in legislation.
- **School Meals Equal Pay Provision** - To provide for the review of equal pay for school meals staff.

12. Fixed Asset Restatement Reserve

This reserve has been created for the valuation of assets under the new capital accounting system, as well as differences arising from future valuations, disposals and write-offs.

| | 2001/2002 £000 | 2002/2003 £000 |
|--|-------------------|-------------------|
| Balance brought forward | (190,776) | 24,131 |
| (Surplus)/Deficit on revaluation and restatement of fixed assets | 199,758 | (42,865) |
| Disposal of fixed assets | 15,149 | 34,740 |
| Balance carried forward | <u>24,131</u> | <u>16,006</u> |

13. Capital Financing Reserve

This reserve contains the amounts, which are required by statute to be set aside from capital receipts for the repayment of external loans and the amount of capital expenditure financed from revenue and capital receipts. It also contains the difference between amounts provided for depreciation and that required to be charged to revenue to repay the principal element of external loans.

| | 2001/2002 £000 | 2002/2003 £000 |
|---|-------------------|-------------------|
| Balance brought forward | 172,517 | 188,225 |
| Capital receipts set aside | 3,816 | 1,341 |
| Prior Year Adjustment Capital Receipts | - | - |
| Transferred Debt receipts set aside | 31 | 14 |
| Capital financing - capital receipts | 4,496 | 2,685 |
| - revenue | 500 | 1,332 |
| - other | 12,618 | 5,640 |
| Repayment of External loans | (4,645) | (708) |
| Office of Deputy Prime Minister - Write-off Of Public Works Loan Board Debt | - | 127,376 |
| Transfer from Government Grants Deferred | 765 | 709 |
| Less | | |
| Write down of deferred charges | (1,873) | (2,984) |
| Balance carried forward | <u>188,225</u> | <u>323,630</u> |

14. Usable Capital Receipts Reserve

Under the Local Government and Housing Act 1989 a statutory proportion of capital receipts must be set aside for loan debt redemption, as detailed under Accounting Policies (page 7). The balance is available to finance capital expenditure.

| | 2001/2002 £000 | 2002/2003 £000 |
|--|-------------------|-------------------|
| Balance at beginning of year | 3,540 | 3,260 |
| Prior year adjustment | - | - |
| Capital receipts in year for sales of assets | 8,032 | 8,814 |
| | <u>11,572</u> | <u>12,074</u> |
| Less: | | |
| Set aside for loan redemption | (3,816) | (1,341) |
| | <u>7,756</u> | <u>10,733</u> |
| Capital Receipts applied during year | (4,496) | (2,768) |
| Balance at end of year | <u>3,260</u> | <u>7,965</u> |

Notes to the Consolidated Balance Sheet

15. Reserves

| | Balance 31.3.2002 £000 | Receipts £000 | Payments £000 | Balance 31.3.2003 £000 |
|---|------------------------------|------------------|------------------|------------------------------|
| Analyst Fees Reserve | 11 | - | - | 11 |
| Best Value Review | - | 14 | - | 14 |
| Building Rationalisation | 213 | - | 213 | - |
| Capital Financing Reserve | - | 211 | - | 211 |
| Capital Financing Reserve - Highways | - | 75 | 18 | 57 |
| Capital Reserve | 182 | 577 | 656 | 103 |
| Community and Youth | - | 11 | - | 11 |
| Community Forums | - | 17 | - | 17 |
| Contract Services Reserve | 129 | 182 | - | 311 |
| Council Tax | - | 10 | - | 10 |
| E-council | - | 750 | 610 | 140 |
| Education Development Centre | 88 | - | - | 88 |
| E-procurement Efficiency Plan | - | 40 | - | 40 |
| Environmental Advisory Service | 15 | - | 15 | - |
| Environmental Charter Reserve | 11 | - | - | 11 |
| Excluded Pupils | 7 | - | - | 7 |
| Extra District Contributions | 366 | - | - | 366 |
| Exhibition Areas | - | 34 | - | 34 |
| Field Lane | 3 | - | 3 | - |
| Green Flag | - | 3 | - | 3 |
| Halewood Leisure Centre - rates | - | 2 | - | 2 |
| Housing Revenue Account | - | 87 | - | 87 |
| Housing Stock Transfer | 815 | - | 396 | 419 |
| Information Technology Equipment/Development | 42 | 56 | - | 98 |
| Information Technology Citizen Relationship Mgt | - | 560 | 304 | 256 |
| Insurance Excess Reserve | - | 132 | - | 132 |
| King George V Feasibility | - | 50 | - | 50 |
| Kings Business Park | 100 | 100 | - | 200 |
| Knowsley Industrial Park Railfreight | 21 | - | 8 | 13 |
| Loweswater Shops | 16 | - | 3 | 13 |
| Manor Farm | 184 | - | 184 | - |
| Market Reserve | 372 | - | - | 372 |
| Meteorology Lab Equipment | 10 | - | - | 10 |
| Museum | 25 | 1 | - | 26 |
| NRF Reserve | - | 164 | 14 | 150 |
| Pathways Reserve | - | 50 | - | 50 |
| Performance Improvement Fund | - | 1,393 | 1,270 | 123 |
| Playgrounds | 30 | - | - | 30 |
| Prescot Regeneration | 80 | - | 80 | - |
| Prescot Town Centre (Wall) | 30 | - | 30 | - |
| Public Service Agreement Resource Reserve | - | 1,551 | 165 | 1,386 |
| Pump Priming Initiatives in Schools | - | 300 | - | 300 |
| Risk Management | 188 | 103 | - | 291 |
| School Finance SLA | - | 25 | - | 25 |
| School Meals Client Function | - | 5 | 5 | - |

Continued

| | Balance 31.3.2002 £000 | Receipts £000 | Payments £000 | Balance 31.3.2003 £000 |
|--|------------------------------|------------------|------------------|------------------------------|
| School Balances | 2,249 | 65 | 493 | 1,821 |
| Schools Maintenance | 1,200 | 258 | 452 | 1,006 |
| Social Services | 1,981 | - | 1,804 | 177 |
| Standard Fund Match | 95 | 1 | 2 | 94 |
| St Marys Churchyard | - | 5 | - | 5 |
| Strategy Reserve | 1,751 | 220 | 289 | 1,682 |
| Supporting Pathways in Knowsley - Seedcorn | 113 | - | 113 | - |
| Teachers Pensions | 700 | 166 | - | 866 |
| Trading Reserve | 596 | 1,466 | 1,106 | 956 |
| Waste Minimisation | 22 | 60 | 12 | 70 |
| Winter Maintenance | 59 | 32 | - | 91 |
| YPO | - | 608 | 225 | 383 |
| | <u>11,704</u> | <u>9,384</u> | <u>8,470</u> | <u>12,618</u> |

The main reserves held by the Authority at 31 March 2003 are in respect of:

Analyst Fee Reserve - Set up to fund analyst fees for samples taken in accordance with the requirements of the Food Standards Agency.

Best Value Review - To provide for the co-ordination costs of the Community & Youth consultancy.

Capital Financing Reserve - Reserve created to fund future costs within the capital programme.

Capital Financing Reserve (Highways) - This reserve has been created to provide for expenditure on Highways capital schemes.

Capital Reserve - Monies set aside in order to maintain in part the capital programme of the Authority.

Community and Youth - (Mobile Community Facility, Discretionary Rate Relief, Community Forums) - To provide for expenditure in respect of discretionary rate relief, mobile playbus and area forums.

Contract Services Reserve - This reserve is the cumulative position as a result of a combination of the net effect of surpluses/deficits generated by Contract Services trading operations and under/over recovery in respect of departmental overhead accounts.

E-council - To promote funding in support of the Authority's e-council agenda to transform the delivery of services to customers.

Education Development Centre - To provide office accommodation for staff employed on fixed term initiatives within the Department.

Environmental Charter Reserve - Funding issues in relation to the Environment and Air Quality.

E-procurement Efficiency Plan - Funding for future e-procurement efficiency plans.

Excluded Pupils - To utilise for the tuition of pupils excluded from mainstream schools.

Exhibition Areas - To contribute towards upgrading and improvements to the One Stop Shop.

Extra District Contributions - Reserve created for outstanding extra district claims.

Green Flag - To provide for the costs of improving parks, leading to the Green Flag Award.

Halewood Leisure Centre Rates - To provide for outstanding costs relating to the Bridgefield/Halewood changeover.

Housing Revenue Account - This reserve is in relation to residual items in the Housing Revenue Account.

Housing Stock Transfer - Created to cover set up costs following the Housing Stock Transfer in 2002/03.

Information Technology Citizen Relationship Management - This is to fund the introduction and implementation of a Citizen Relationship Management System (CRM) to assist in the modernisation and transformation of the Council's customer focused services. The budget was agreed by E-Council and the reserve was set up from available E-Council reserves. The expenditure on this project is to plan and the remainder of the reserve will be spent in 2003/04 financial year.

Information Technology Equipment/Development - Development of new systems and replacement of old information technology equipment.

Insurance Excess Reserve - Set up to fund future insurance excess costs affecting the Regeneration and Development department.

King George V Feasibility - This represents a revenue contribution for feasibility costs for the KGV capital scheme.

Kings Business Park - Set up to cover the costs of the Kings Business Park scheme. This is expected to be utilised in 2003/04.

Knowsley Industrial Park Railfreight - This represents the retention element of costs associated with the construction of the Railfreight Terminal, which was completed in 2001/02.

Loweswater Shops - Set up to cover the costs of re-development of the shopping arcade. This is expected to be used in 2003/04.

Market Reserve - This reserve holds the cumulated surpluses made from the Authority's markets.

Meteorology Lab Equipment - Funding for meteorology equipment when required in relation to Trading Standards functions.

Museum - This reserve holds a bequest of £12,000 made by Arthur Rigby, and donations made from the public visiting the museum. The monies are used to purchase objects for display in the museum.

NRF Reserve - Reserve set up to cover costs related to Neighbourhood Renewal Fund schemes.

Pathways Reserve - Reserve set up to fund objective one Pathways scheme costs.

Performance Improvement Fund - To support service developments aimed specifically at addressing performance improvement.

Playgrounds - A revenue contribution funding the Stockbridge Village Playground.

Prescot Regeneration - Reserve set up to redevelop Prescot Town Centre (new roads, bus routes and pedestrian crossing).

Public Service Agreement Reserve - This represents funding received from the Government to support agreed improvements in the performance of specific service areas. This funding is planned to be fully utilised by 2005/06.

Pump Priming Initiatives in Schools - To provide initial funding for the creation of new initiatives in school improvement and attainment.

Risk Management - Reserve created for funding future risk management initiatives.

School Finance SLA - To provide for temporary staff cover due to a long term sickness and allow for a contingency plan to cover the impending retirement.

Schools Maintenance - Individual school reserves to set aside funds for maintenance requirement, such as improved security, Closed Circuit Television equipment and refurbishment of playgrounds.

Schools Reserve - This reserve is made up of individual school balances to fund future expenditure requirements for the running of the schools. The Schools Reserve is the sum of the individual balances of delegated budgets that are held by schools, and are committed to be spent by the schools. There are 61 schools with underspends totalling £2.338m and 18 schools with a total overspend of £0.580m.

Social Services - To provide for future costs of all services.

St Marys Churchyard - Reserve created for the ongoing maintenance of St Marys churchyard.

Standards Fund Match - To utilise for future standards fund match requirements.

Strategy Reserve - Monies set aside to meet identified corporate policy developments.

Teachers Pensions - Reserve for the future pension costs of teachers retiring prematurely since the new regulations were introduced in 1997.

Trading Reserve - This represents the combined net trading surplus for Chief Executives, Finance, Planning & Development, Building Maintenance, Leisure, and Construction & Property services and Contract Services.

Waste Minimisation - This represents monies set aside to contribute to Waste Minimisation initiatives such as kerbside collection of waste paper.

Winter Maintenance - Reserve set up for covering the additional costs in severe winter periods.

YPO - This is the allocation of profits distributable of which are used for a variety of corporate purposes.

16. **Provision for Credit Liabilities (Memorandum Account)**

This comprises amounts set aside from revenue and capital receipts to repay loans and credit arrangements as required by the Local Government and Housing Act 1989.

| | 2001/2002 | 2002/2003 |
|---|---------------|---------------|
| | £000 | £000 |
| Balance brought forward | 58,926 | 62,742 |
| Minimum Revenue Provision | 6,025 | 6,031 |
| Reserved capital receipts | 3,816 | 1,341 |
| Reserved capital receipts - Prior Year Adjustment | - | - |
| Reserved ERDF grants | - | - |
| | <u>68,767</u> | <u>70,114</u> |
| Amount of debt repaid | (6,025) | (6,031) |
| Balance carried forward | <u>62,742</u> | <u>64,083</u> |

17. Trust Funds

The Council administers a number of Funds as sole trustee and are related principally to legacies left by individual inhabitants over a period of years.

| | Balance 31.3.2002 £000 | Receipts £000 | Payments £000 | Balance 31.3.2003 £000 |
|--|------------------------------|------------------|------------------|------------------------------|
| King George V Playing Fields | 837 | - | - | 837 |
| Huyton Distress Fund | 29 | 2 | - | 31 |
| Social Services Trust Funds | 78 | 20 | 14 | 84 |
| Education Trust Funds | 6 | - | - | 6 |
| Client Records I Social Services Provision User Fund | 32 | 1 | - | 33 |
| | 982 | 23 | 14 | 991 |

18. Interest in Companies

Knowsley Development Partnership Ltd

Knowsley Development Partnership Ltd was set up on 23 October 1998 as a formally incorporated public/private sector partnership between the Council and Caddick Developments Ltd for the purpose of developing industrial units at Knowsley Industrial Park.

Caddick Developments Ltd have a majority shareholding of 829 (83%) of the 999 £1 ordinary shares. The Council's holding of 170 shares is therefore a minority share and is less than that required for the company to be regarded as an influenced company.

As the company is a private company limited by shares, the Council has no liability to contribute to any debts of the company included accumulated losses.

The company had net assets of £0.061m at 31 August 2002 and reported a loss of £0.090m as at that date.

Copies of the company's accounts can be obtained from the Director, Knowsley Development Partnership Ltd, Calder Grange, Knottingley, WF11 8DA.

19. Group Accounts

The Authority, where it has an interest in entities, which would be regarded as subsidiaries, associates or joint ventures if the Authority were subject to the Companies Acts, is required to produce supplementary information in the form of summarised group accounts. Under this definition, the Authority has no such interests and therefore is not required to produce such group accounts.

20. Euro Costs

No expenditure was incurred during 2002/2003 in preparing for the possible national introduction of the Euro currency. There are no commitments in respect of costs to be incurred.

Statement of Total Movement in Reserves

| | 2002/2003 £000 | 2002/2003 £000 |
|---|-------------------|-------------------|
| (Surplus)/Deficit for the year: | | |
| General Fund | 1,285 | |
| Housing Revenue Account | (3,961) | |
| Collection Fund | (235) | |
| Add back Movements on specific Revenue Reserves | (914) | |
| Total (increase)/decrease in Revenue Resources | | (3,825) |
| (Increase)/decrease in usable capital receipts | (4,705) | |
| (Increase)/decrease in unapplied capital grants and contributions | - | |
| Total (increase)/decrease in realised capital resources (Note 1) | | (4,705) |
| (Gains)/losses on revaluation of fixed assets | (42,865) | |
| Impairment losses on fixed assets due to general changes in prices | - | |
| Total (increase)/decrease in unrealised value of fixed assets (Note 2) | | (42,865) |
| Value of assets sold, disposed of or decommissioned (Note 3) | | 34,740 |
| Capital receipts set aside (Note 4) | | (4,041) |
| Revenue Resources Set Aside (Note 4) | | (127,454) |
| Movement on Government Grants Deferred (Note 4) | | (11,054) |
| Total (increase)/decrease in amounts set aside to finance capital investment | | (142,549) |
| Total recognised gains and losses | | (159,204) |

Note 1: Movements in realised capital resources

| | Usable Capital Receipts £000 | Unapplied Capital Grants and Cont- ributions £000 |
|---|---------------------------------------|--|
| Amounts receivable in 2002/03 | (8,814) | - |
| Amounts to applied to finance new capital new capital investment in 2002/03 | 4,109 | - |
| Total (increase)/decrease in realised capital resources in 2002/03 | (4,705) | - |
| Balance brought forward at 1 April 2002 | (3,260) | - |
| Balance carried forward at 31 March 2003 | (7,965) | - |

Note 2: Movements in unrealised value of fixed assets

| | £000 | £000 |
|--|------|-----------------|
| (Gains)/losses on revaluation of fixed assets | | (42,865) |
| Impairment losses on fixed assets due to general changes in prices | | - |
| Total (increase)/decrease in unrealised capital resources | | (42,865) |

Statement of Total Movement in Reserves

Note 3: Value of Assets sold, disposed of or decommissioned

| | £000 | £000 |
|---|------|---------------|
| Amounts written off fixed asset balances for disposals in 2002/03 | | 34,740 |
| Total movement on reserve in 2002/03 | | - |
| Balance brought forward at 1 April 2002 | | - |
| Total (Increase)/decrease in unrealised capital resources | | 34,740 |

Note 4: Movement in amounts set aside to finance capital investment

| | Capital Financing Reserve £000 | Govern- ment Grants Deferred £000 |
|---|---|---|
| Capital receipts set aside | | |
| - reserved receipts | (1,356) | - |
| - useable capital receipt applied | (2,685) | - |
| Total capital receipts set aside in 2002/03 | (4,041) | - |
| Revenue resources set aside in 2002/03 | | |
| - capital expenditure financed from revenue | 1,332 | |
| - capital financing other | (5,640) | |
| - Office of the Deputy Prime Minister Public Works Loan Board Repayment | (126,130) | |
| - write down of deferred charges | 2,984 | |
| - reconciling amount for provisions of loan payment | - | |
| Total revenue resources set aside in 2002/03 | (127,454) | |
| Grants applied to capital investment in 2002/03 | - | (11,763) |
| Amounts credited to the asset management revenue account in 2002/03 | | 709 |
| Movement on Government Grants Deferred | | (11,054) |
| Total (Increase)/decrease in amounts set aside to finance capital investment | (131,495) | |
| Total movement in reserve in 2002/03 | (135,405) | (11,054) |
| Balance brought forward at 1 April 2002 | (188,225) | (35,747) |
| Balance carried forward at 31 March 2003 | (323,630) | (46,801) |

This consolidated statement summarises the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes.

| 2001/2002 £000 | | £000 | 2002/2003 £000 | £000 |
|-------------------|--|-----------|-------------------|------------------|
| | Revenue Activities | | | |
| | Cash Outflows | | | |
| 151,555 | Cash paid to and on behalf of employees | | 155,600 | |
| 176,407 | Other operating cash payments | | 167,308 | |
| 18,041 | Housing Benefit paid out | | 41,145 | |
| 22,441 | National Non Domestic Rate Payments to National Pool | | 25,164 | |
| 6,005 | Precepts Paid | | 6,515 | |
| <u>374,449</u> | | | | 395,732 |
| | Cash Inflows | | | |
| (6,500) | Rents | | (1,522) | |
| (32,033) | Council Tax income | | (23,260) | |
| (41,656) | National Non Domestic Rate (Note 1) | | (45,473) | |
| (19,802) | Non-domestic rate receipts | | (20,308) | |
| (109,994) | Revenue Support Grant (Note 1) | | (108,138) | |
| (17,829) | Department of Social Security Grants for Benefits | | (39,954) | |
| (75,791) | Other Government Grants (Note 1) | | (64,309) | |
| (50,338) | Cash received for goods and services | | (58,120) | |
| (30,275) | Other operating cash receipts | | (22,174) | (383,258) |
| <u>(9,769)</u> | | | | 12,474 |
| | Servicing of Finance | | | |
| | Cash Outflows | | | |
| 16,761 | Interest paid | | 9,300 | |
| | Cash Inflows | | | |
| (1,727) | Interest received | | (2,164) | |
| | | | | <u>7,137</u> |
| <u>5,265</u> | Net Revenue Activities (Note 2) | | | 19,610 |
| | Capital Activities | | | |
| | Cash Outflows | | | |
| 23,487 | Purchase of Fixed Assets | 7,283 | | |
| (11,249) | Other Capital Cash Payments | (120,992) | (113,709) | |
| | Cash Inflows | | | |
| (8,032) | Sale of fixed assets | (8,815) | | |
| (16,091) | Capital Grants received (Note 1) | (14,168) | | |
| (580) | Other capital cash receipts | 10 | (22,973) | (136,682) |
| <u>(7,200)</u> | | | | <u>(117,072)</u> |
| | Financing | | | |
| | Cash Outflows | | | |
| 14,337 | Repayments of amounts borrowed | | | 3,669 |
| | Cash Inflows | | | |
| (14,675) | New loans raised | | | 116,021 |
| <u>(338)</u> | | | | <u>119,690</u> |
| | Management of Liquid Resources | | | |
| 12,675 | Short term Investments | | (2,038) | |
| (5,137) | Net Increase/Decrease in cash (Note 3) | | (580) | (2,618) |
| <u>7,200</u> | | | | <u>117,072</u> |

1. Analysis of Grants

| Type of Grant | £000 |
|---|---------|
| Department for Education | |
| Standards Fund | 12,738 |
| Under 5's - Early years Childcare Grant | 579 |
| Post 16 Budget Support Grant | 1,793 |
| Nursery Education Grant | 175 |
| Teachers Pay Reform | 1,258 |
| School Standards Grant | 2,375 |
| Education Maintenance Allowances | 1,326 |
| Mandatory Awards Grant | 151 |
| Mobile Community Bus | 105 |
| Department of the Environment, Transport and the Regions | |
| Revenue Support Grant | 108,138 |
| Neighbourhood Renewal Fund | 8,061 |
| Non Domestic Business Rates | 45,473 |
| Housing Subsidy | 10,586 |
| Objective One - European Social Fund | 123 |
| Single Regeneration Budget | 2,326 |
| European Regional Development Fund | 7,065 |
| North West Development Agency | 2,237 |
| New Deal in the Communities | 948 |
| Supporting People | 112 |
| New Opportunities Fund | 213 |
| Offender Programmes | 167 |
| Pathfinders | 622 |
| North West E-Government | 750 |
| Department of Social Security | |
| Housing Tax Benefit Administration Grant (35%) | 256 |
| Mandatory Rent Allowances | 39,222 |
| Council Tax Benefit Admin Grant (65%) | 476 |
| Council Tax Rebates Grant | 13,141 |
| Verification Framework | 255 |
| Department of Health | |
| Mental Health | 479 |
| Childrens' Services | 844 |
| Carers Grant | 256 |
| Social Services Training Support | 197 |
| Promotional Independence Grant | 342 |
| Reserved Rights Grant | 2,945 |
| Residential Allowance | 379 |
| Building Care Capacity | 649 |
| Information Management | 115 |
| Children Leaving Care | 1,639 |
| Other | |
| Lottery | 362 |
| Other Miscellaneous Grants | 998 |

2. **Reconciliation of Revenue Activities**

| | £000 | £000 |
|---|---------|----------|
| Deficit for year per Consolidated Revenue Account | | (1,285) |
| Non cash transactions | | |
| Add Depreciation | 9,329 | |
| Add Additional charge in respect of Minimum Revenue Provision | (4,416) | |
| Add Direct revenue financing of Capital Expenditure | 1,332 | 6,246 |
| Less contributions from reserves/provisions | | (18,617) |
| | | (13,656) |
| Items on an accruals basis | | |
| Add decrease in stocks | 1,070 | |
| Less increase in debtors | (982) | |
| Less decrease in creditors | (6,042) | (5,954) |
| Net cashflow from revenue activities | | 19,610 |

3. **Reconciliation of Movement in Cash and Cash Equivalents**

| | Balance 31.3.2002 £000 | Balance 31.3.2003 £000 | Movement in the year £000 |
|---|------------------------------|------------------------------|---------------------------------|
| Cash in hand/at bank | 1,911 | 1,997 | 86 |
| Bank overdraft (includes unrepresented cheques) | (13,522) | (15,646) | (2,124) |
| Short term investments | 44,100 | 43,520 | (580) |
| | | | (2,618) |

Statement of Responsibilities

The Authority's responsibilities:

The Authority is required to:

- make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Director of Finance & Information Society Technologies;
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- approve the Statement of Accounts.

The Director of Finance & Information Society Technologies Responsibilities

The Director of Finance & Information Society Technologies is responsible for the preparation of the Authority's Statement of Accounts in accordance with proper practices as set out in the Chartered Institute of Public Finance and Accountancy/Local Authority (Scotland) Accounts Advisory Committee Code of Practice on Local Authority Accounting in the United Kingdom ('the Code of Practice').

In preparing this Statement of Accounts, the Director of Finance & Information Society Technologies has:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with the Code of Practice.

The Director of Finance & Information Society Technologies has also:

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

Director's Statement

The Authority's 2002/03 Statement of Accounts presents fairly the financial position of the Authority at the 31 March 2003, and its income and expenditure for the year ended 31 March 2003.

STEVE HOUSTON

Director of Finance & Information Society Technologies

6 August 2003

Statement of the Leader of the Council

I confirm that these accounts were approved by the Council at the meeting held on 6 August 2003.

COUNCILLOR RON ROUND

Council Leader

6 August 2003

I have audited the financial statements on pages 4 to 47 which have been prepared in accordance with the accounting policies applicable to local authorities as set out on pages 7 to 10.

This report is made solely to Knowsley Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 54 of the Statement of Responsibilities of Auditors and of Audited Bodies, prepared by the Audit Commission.

Respective Responsibilities of the Director of Finance and Information Society Technologies and Auditor

As described on page 48 the Director of Finance and Information Society Technologies is responsible for the preparation of the financial statements in accordance with the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2002. My responsibilities, as independent auditor, are established by statute, the Code of Audit Practice issued by the Audit Commission and my profession's ethical guidance.

I report to you my opinion as to whether the financial statements present fairly the financial position of the Council and its income and expenditure for the year, I review whether the statement on page 48 reflects compliance with the requirements of the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2002'. I report if it does not meet the requirements specified by CIPFA/LASAAC or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider whether the statement on internal financial control covers all risks and controls, or to form an opinion on the effectiveness of the authority's system of internal financial control. My review was not performed for any purpose connected with any specific transaction and should not be relied upon for any such purpose. I read the other information published with the statement of accounts and consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the statement of accounts.

Basis of Audit Opinion

I conducted my audit in accordance with the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission, which requires compliance with relevant auditing standards issued by the Auditing Practices Board.

An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the council in the preparation of the financial statements, and of whether the accounting policies are appropriate to the council's circumstances, consistently applied and adequately disclosed.

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

Opinion

In my opinion the financial statements present fairly the financial position of Knowsley Council as at 31 March 2003 and its income and expenditure for the year then ended.

Certificate

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

TIM WATKINSON

District Auditor

6 November 2003

Glossary of Terms

Capital Charges

To reflect the value of an asset being used to provide services, a capital charge is charged to the revenue accounts.

Capital Expenditure

This is expenditure on the acquisition of a fixed asset, or expenditure that adds to the value, or extends the useful life of an existing asset. Capital expenditure is not usually a direct charge to the revenue accounts, being normally met by loan, grant, external contribution or capital receipts.

Capital Expenditure from Revenue Account

This relates to the financing of capital expenditure directly from revenue as opposed to financing from borrowing, other credit arrangements or grants.

Capital Receipts

This relates to income from the sale of assets.

Consolidated Balance Sheet

The Consolidated Balance Sheet represents a summary of the assets, liabilities, funds and reserves of the Council. It brings together the accounts of the Authority including the General Fund, the Housing Revenue Account, the Trading Operations and the Collection Fund but excludes the independent trust funds administered by the Authority.

Consolidated Revenue Account

The account which summarises the cost of all the functions for which the Council is responsible and demonstrates how the net cost has been financed from Government grants and local taxpayers.

Deferred Charges

A deferred charge is expenditure of a capital nature where no tangible asset exists, for example, capital grants to voluntary organisations.

Deferred Capital Receipts

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

Housing Revenue Account

This is the account that records the income and expenditure relating to the provision of council housing.

National Non Domestic Rate

The level of National Non Domestic Rate (Business Rate) is determined by Central Government. Amounts collected by local authorities are paid into a national pool and the total is redistributed by Central Government in proportion to the population of each authority.

Overheads

Certain costs within departments providing support such as Accountancy and Legal services are recharged to the services as shown in the Consolidated Revenue Account. This is in order to reflect the full cost of operating these services.

Precepts

The amounts collected by the Council on behalf of the Police, Fire and Civil Defence Authorities and various Parish Councils.

Provisions

Amounts set aside in the accounts for liabilities, which have arisen, however the amount and timing of the liability may be uncertain.

Public Works Loans Board

The Public Works Loan Board is a government body, which provides loans to local authorities for financing capital expenditure.

Reserves

Amounts set aside in the accounts to meet future commitments, for example, to implement a policy or as a contingency.

Revenue Accounts

The day-to-day expenditure and income of the Council on such items as salaries and wages of employees, running costs of services, and the purchase of consumable materials and equipment, together with the financing costs of capital assets.

Revenue Support Grant

This is the amount of general government grant support for local authority expenditure. The level of grant is intended to enable local authorities to provide a standard level of service. In addition, the Government also pays certain specific grants directly related to particular services and costs. These include Housing Subsidies, rent and Council Tax rebates and allowances and Magistrates Courts.

Trading Operations

Trading Operations are services provided to clients, either within the Authority or to external organisations, on a basis other than a recharge of cost, for example, quoted price or a schedule of rates.

