



STATEMENT OF ACCOUNTS

2003 - 2004

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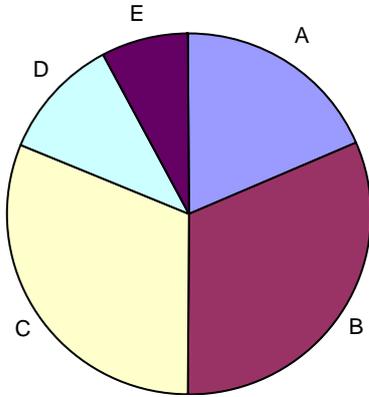
This document comprises the Council's Statements of Accounts for the financial year 2003/04, and has been prepared in accordance with the 2003/04 Statement of Recommended Practice. The following sections of the Statement of Accounts are accompanied by supporting notes as appropriate:-

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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.

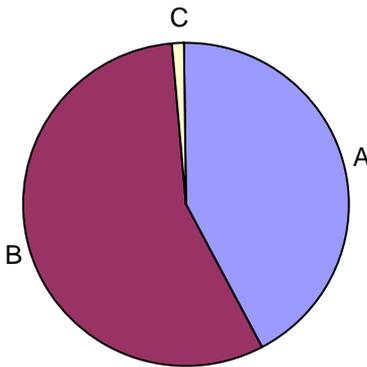
WHERE THE MONEY COMES FROM



	£000	%
A Rents, Fees and Charges	73,833	19%
B Revenue Support Grant	124,616	31%
C Other Government Grants	124,693	31%
D Business Rates Grant	44,055	11%
E Net Council Tax	30,563	8%
	397,760	100%

Funding for the Council's total gross expenditure

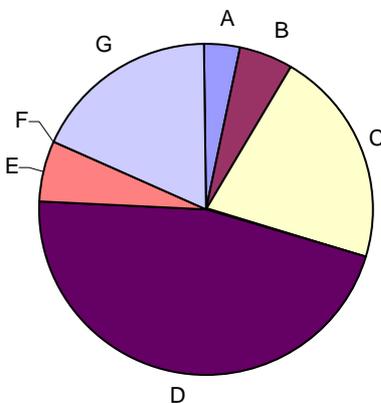
WHAT THE MONEY IS SPENT ON



	£000	%
A Employees	168,394	42%
B Running Expenses	224,520	57%
C Capital Finance	4,846	1%
	397,760	100%

Based on the Council's total gross expenditure

WHAT THE MONEY PROVIDES



	£000	%
A Central Services	14,237	4%
B Corporate & Democratic Core	21,310	5%
C Cultural, Environmental & Planning Services	82,277	21%
D Education Services	182,902	46%
E Highways, Road & Transport Services	23,560	6%
F Housing Services	488	0%
G Social Services	72,986	18%
	397,760	100%

Based on the Council's total gross expenditure

FOREWORD

BUDGET

2. The main components of the General Fund Revenue Budget for 2003/04 and how these compare with actual income and expenditure are set out below:

	Budget £000	Actual £000	Difference £000
Service Expenditure (Net)	196,952	198,014	1,062
Interest and Capital Financing Costs	10,567	9,492	(1,075)
Use of General Fund Balances	<u>0</u>	<u>13</u>	<u>13</u>
Total Net Revenue Expenditure	<u>207,519</u>	<u>207,519</u>	<u>0</u>
Council Tax	(38,849)	(38,849)	0
Government Grants	<u>(168,670)</u>	<u>(168,670)</u>	<u>0</u>
Total	<u>(207,519)</u>	<u>(207,519)</u>	<u>0</u>

CAPITAL

3. A significant capital programme was undertaken in the year with actual expenditure amounting to £41.280m, a 20.2% increase from the previous year.
4. With borrowing approvals limited to £17.561m, the Council has enhanced its programme by attracting grants of £15.060m, using £5.712m of capital receipts and other financing of £2.947m.

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 INTERNAL CONTROL

1. Scope of Responsibility

The Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, the Council is also responsible for ensuring that there is a sound system of internal control which facilitates the effective exercise of the Council's functions and which includes arrangements for the management of risk.

2. The Purpose of the System of Internal Control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives. Therefore, the system of internal control can only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

Accordingly, the scope of internal control spans the whole range of local authority activities and includes those controls designed to ensure that:

- the Council's policies are put into practice;
- the Council's values are met;
- laws and regulations are complied with;
- required processes are adhered to;
- financial statements and other published information are accurate and reliable; and
- human, financial and other resources are managed efficiently and effectively.

The system of internal control has been in place at the Council for the year ended 31 March 2004 and up to the date of approval of the annual report and accounts.

3. The Internal Control Environment

The Council's system of internal control is based fundamentally around the Constitution, and is supported by numerous procedure rules, codes of practice, procedure manuals, management supervision, and a system of delegation and accountability. A policy framework representing the governance arrangements of the Council has been developed into a local Code of Corporate Governance, which will be formally adopted in 2004/05. This brings together all aspects of corporate governance, grouped by community focus, service delivery arrangements, structure and processes, risk management and internal control, and standards of conduct, which are cross referenced to actual practices and activities.

A significant part of the Code of Corporate Governance is the internal control environment, and the key elements that the Council had in place in 2003/04 include the:

- Constitution, which defines and facilitates policy and decision-making processes, also defines the:
 - Role of Scrutiny Committees;
 - Member & employee Codes of Conduct;
 - Scheme of Delegation;
 - Contract Procedure Rules;
 - Financial Procedure Rules that determine the financial management of the Council and the reporting of financial matters;
 - arrangements for identifying, and managing the key strategic aims of the Council;
 - arrangements for whistle-blowing & complaints procedures; and
 - Anti-fraud and Corruption Policy (including procedures for investigating suspected financial irregularities);

STATEMENT ON INTERNAL CONTROL

- Corporate Risk Management Strategy that:
 - identifies, analyses, evaluates and manages the key strategic and operational risks facing the Council;
 - ensures potential losses, service disruption, failure to achieve corporate aims, negative publicity and claims compensation are minimised; and
 - promotes informed decisions on policy and service delivery options;
- Performance Management Framework that provides for:
 - a systematic review and reporting of performance across the Council;
 - establishing and monitoring the achievement of the Council's aims;
 - ensuring the economical, effective and efficient use of resources as required by Best Value; and
 - securing continuous improvement in the way functions are exercised;
- an independent internal audit function with arrangements for reviewing the implementation of their recommended actions; and
- reports of the Council's independent external auditor and other inspection bodies, for example the Benefit Fraud Inspectorate, the Social Services Inspectorate, and Office for Standards in Education.

4. Review of Effectiveness

In order to comply fully with the requirements of this statement, the Council should conduct a formal annual review of the effectiveness of the system of internal control. However, transitional arrangements for introducing these requirements allow the Council to complete the first full review in 2004/05. The Council will undertake a comprehensive assessment of the Council's governance arrangements and will use the local Code of Corporate Governance as a checklist to judge the arrangements in place. The review will be reported to the Council's Governance & Audit Committee, whose terms of reference cover the review of and compliance with the Code, the work of internal audit, the reports of the external auditor, and approval of the Statement on Internal Control and the annual Statement of Accounts.

However, the effectiveness of the system of internal control is informed by the work of internal audit and the managers within the Council who have responsibility for the development and maintenance of the internal control environment, and also by comments made by the external auditors in their Annual Audit Letter and other review agencies' and inspectorates' reports.

The Council's continued to be rated as a "Good" local authority under the Comprehensive Performance Assessment in 2003, with the report stating, *"the Council has made good progress in developing the way it manages its performance and its people management systems. The benefits are clear, as significant improvement has already taken place, and these developments will drive further improvement."*

In accordance with Section 5 of the Local Government and Housing Act 1989, the Director of Corporate and Customer Services is appointed as the Council's Monitoring Officer. This Officer is responsible for ensuring that, at all times, the Council acts within its legal powers. Similarly, in accordance with Section 151 of the Local Government Act 1972, the Director of Finance and Information Society Technologies is the officer responsible for ensuring the proper administration of the Council's financial affairs. In discharging these functions during the year, neither officer was required to report any adverse matters under these Acts. No complaints were made to the Standards Board for England about any Member's conduct.

The Council's internal audit function concluded in the Annual Internal Audit Report for 2003/04 that there are sound internal financial control systems in place. No major financial irregularities were identified and investigated during 2003/04. The Head of Audit Operations reports the findings of audits to Chief Officers and action is agreed to address these findings as necessary. The Annual Internal Audit Report on audit activity together with details on the implementation of recommendations was submitted to the Cabinet, which having considered the report agreed that the Council has a sound internal financial control environment.

During the year, risk management has become more firmly embedded into the culture of the organisation and forms an integral part of the Council's policy, planning, operational and control processes. All major corporate risks are identified and action taken to control them has been put in place, against a background of training, and raising awareness. The corporate risks, along with various service specific risks are now held in a database that is readily accessible for management use along with financial and performance management information.

STATEMENT ON INTERNAL CONTROL

The year also saw a review of budget monitoring, which strengthened the arrangements for controlling expenditure, estimating available external funding, reporting, and identifying budget pressures earlier. In addition, the Financial Procedure Rules are reviewed each year to ensure there are effective financial controls that reflect any changes and developments in the Council's financial administration.

During October 2003, the Benefit Fraud Inspectorate identified the need to improve internal controls within the Benefit service. Appropriate action was taken at the time to address many of the concerns and the outstanding matters are being actioned as part of a service improvement plan.

The Office for Standards in Education (Ofsted), in conjunction with the Audit Commission reviewed the education service in June 2003. They concluded that there are particular strengths in the strategy for school improvement, targeting resources to priorities, monitoring schools including the use made of performance data, and in effective partnership working. The strategy for special educational needs was noted for its considerable progress, and support in this area is now highly satisfactory.

The external auditor (the Audit Commission) reported in January 2004 that the Council has sound arrangements in place for considering the legality of transactions, taken effective action including governance training to strengthen standards of conduct in preventing and detecting fraud and corruption, and the arrangements for managing risk are developing satisfactorily. In addition, it was stated that the Council's main financial systems are fit for purpose and are subject to adequate internal audit review and testing, with internal audit providing an effective and independent contribution to the Council's internal financial control processes.

5. Significant Internal Control Issues

Taking into account the work of managers, internal audit, and the various other reviews that were reported to the Council or the Cabinet during 2003/04, we can conclude reasonably that there are no significant internal control issues. However, the rapid changes in the way the Council undertakes its business, particularly the development of partnerships, eCouncil initiatives, and the increase in funding streams for which the Council is accountable, mean that internal controls need to continue to be monitored closely and subject to regular review.

In addition, there have been several major financial systems developments to meet changing business demands. The complexity of these systems requires regular review by management to improve the control environment.

To this end and to ensure compliance with the requirements of this statement beyond this transitional year, the Council is conducting a comprehensive formal review of the effectiveness of the system of internal control. The review's outcome will be reported to the Governance & Audit Committee, and a resultant plan to address any weaknesses and ensure continuous improvement of the system will be put in place. This will complement the Council's strengthening of arrangements with the introduction of the Code of Corporate Governance, and the role of the Governance & Audit Committee.

Signed:

Cllr Ron Round
Leader of the Council

Steve Gallagher
Chief Executive

Dated: 16 July 2004

ACCOUNTING POLICIES

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 2003 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 transactions.

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 there is no intention 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 M Fagan, Fellow of the Royal Institute of Chartered Surveyors, a Knowsley Borough Council employee. Fixed assets are classified into the groupings required by the 2003 Code of Practice on Local Authority Accounting. The valuations have been determined as follows:

- * 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 2004;
- * 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 were revalued during 2003/04. 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; and
- * 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.

ACCOUNTING POLICIES

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 3.5% for assets carried at current cost and 4.6% for assets carried at historic cost. 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.

PROVISIONS

These are amounts set aside, which may need to be paid in respect obligations that have been incurred, although there may be uncertainty as to the precise amounts concerned or the dates on which the liabilities arise. A review of Provisions was undertaken during 2003/04 and several were re-classified as Reserves. Details of Provisions held at 31st March 2004 are shown in Note 11 to the Consolidated Balance Sheet.

RESERVES

These are amounts set aside for purposes falling outside the definition of a Provision. They 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 2004 are shown in the Statement of Total Movement in Reserves and Notes 12-16 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, any net gains or losses, after the use of the Provision for Credit Liabilities for financing premia, are recognised over the life of the replacement borrowing.

ACCOUNTING POLICIES

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.

Since the Large Scale Voluntary Transfer of the dwellings in 2002/03, the Council's share of each former council house sale is below the minimum value for the income to be treated as a capital receipt under the regulations.

PENSION COSTS

The costs of providing retirement benefits are shown in the accounts when they are earned by employees, rather than when the benefits are eventually paid as pensions, in accordance with Financial Reporting Standard 17 "Retirement Benefits". This is a change to previous practice where they were only included as a note to the accounts. The comparative figures for the preceding year, except for Teachers' Added Years Pensions, have also been amended to reflect this change. There is no effect on the net surplus/deficit in the Consolidated Revenue Account, although the Total Equity shown in the Balance Sheet is reduced by £100.239m (£125.426m in 2002/03). Further details are shown in Note 9 to the Consolidated Revenue Account, Note 15 to the Balance Sheet and Note 1 to the Statement of Total Movements in Reserves.

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 2004.

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 2003/04.

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

Councils 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. Where such arrangements are with other local authorities, these group accounts are not required. An assessment of these criteria has shown that the Council is not required to produce group accounts for the period to 31st March 2004.

COMPARATIVE FIGURES

The comparative figures for 2002/03 have been re-stated to reflect changes in accounting requirements for Pensions and Best Value Accounting Code of Practice.

COUNCIL BALANCES

The Council's general balances have been reviewed to confirm their continued suitability. As a result of this review the Consolidated Net Revenue Account includes an adjustment for the reclassification of general balances as items within the Council's strategy reserve, which have been reserved, for specific corporate contingencies.

CONSOLIDATED REVENUE ACCOUNT

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

2002/03		Expenditure	Income	2003/04 Net
£000	Services	£000	£000	£000
4,255	Central Services to the Public	71,459	(63,990)	7,469
32,265	Cultural, Environmental & Planning Services	99,303	(57,232)	42,071
100,659	Education Services	150,689	(47,134)	103,555
19,053	Highways, Roads & Transport Services	24,016	(5,537)	18,479
6,632	Housing Services	4,499	(4,220)	279
38,893	Social Services	69,897	(28,067)	41,830
18,812	Corporate & Democratic Core	40,088	(27,897)	12,191
940	Non Distributed Costs	1,484	0	1,484
221,509	Net Cost of Services	461,435	(234,077)	227,358
883	Parish Precepts			847
	Net Surplus:			
(823)	-Trading Operations (Note 1)			(252)
(19,777)	Transfer from Asset Management Revenue Account (Note 2)			(11,412)
23,445	Premium on the early settlement of borrowing (Note 16)			11,548
0	Impairment Adjustment (Note 15)			(600)
(2,164)	Interest and Investment Income			(1,322)
(676)	Pensions interest and return on asset (Note 9)			6,704
222,397	Net Operating Expenditure			232,871
(3,961)	Transfer to/(from) Housing Revenue Account balances			(215)
	Contributions to Earmarked Reserves			
(427)	- Schools' Balances			97
1,342	- Other Reserves			1,294
	Contributions to/(from) Capital Reserves			
433	- Financing of capital expenditure			140
2,579	- Provision for repayment of external loans (Note 3)			542
(23,445)	Financing of early settlement of borrowing (Note 16)			(11,548)
(4,416)	Statutory amount set aside for the repayment of loan principal (Note 4)			(11,189)
(183)	Contribution to/(from) Pension Reserve (Note 9)			(3,639)
194,319	Amount to be met from Government Grant and Taxpayers			208,353
(38,812)	Demands on the Collection Fund			(39,696)
(108,605)	Government Grants			(124,616)
(45,472)	Distribution from National Non-Domestic Rate pool			(44,054)
1,430	(Surplus) / Deficit for the year			(13)
	General Fund Balances			
(7,350)	Balance at beginning of year			(5,920)
0	Reclassification of earmarked balances			1,893
1,430	(Surplus) / Deficit for year			(13)
(5,920)	Balance at end of year			(4,040)

NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

1. SIGNIFICANT TRADING OPERATIONS

The Council 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 record the income and expenditure for the services provided by the Trading Operation. Details of the significant Trading Operations of the Council are set out in the table below.

	2002/03	2003/04	
	(Surplus)/Deficit	Turnover	(Surplus)/Deficit
Organisation	£000	£000	£000
Highways and Sewerage	(127)	4,021	(31)
Transport	(59)	3,701	(2)
School Meals	(234)	4,774	(263)
Building Cleaning	(66)	3,349	44
Information Technology *	(337)	0	0
Net (Surplus)/Deficit	<u>(823)</u>	<u>15,845</u>	<u>(252)</u>

* From 2003/04, Information Technology is operated as a support service, rather than a trading account.

2. ASSET MANAGEMENT REVENUE ACCOUNT

		2002/03	2003/04
		£000	£000
Income			
Capital charges	- General Fund	(30,765)	(27,245)
	- Housing Revenue Account	(6,626)	0
	- Trading Operations	(613)	(62)
		<u>(38,004)</u>	<u>(27,307)</u>
Expenditure			
Provision for depreciation		8,621	9,332
External interest charges		9,606	6,563
		<u>18,227</u>	<u>15,895</u>
Net (Surplus)/Deficit		<u>(19,777)</u>	<u>(11,412)</u>

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.

	2002/03	2003/04
	£000	£000
Transferred Debt Repayments	525	553
Deferred Purchase Repayments	2,065	0
Transferred Debt Income	(11)	(11)
Net Charge to the Revenue Account	<u>2,579</u>	<u>542</u>

NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

4. STATUTORY AMOUNT TO BE SET ASIDE FOR THE REPAYMENT OF LOANS PRINCIPAL

This is the minimum amount, which must be charged to the Council'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.

	2002/03 £000	2003/04 £000	£000
Outstanding loan advances	262,989		140,108
Less reserved part of capital receipts	48,283		50,870
Initial credit ceiling 1.4.2003	214,706		89,238
Minimum revenue provision at 4% (2% Housing Revenue Account)	6,031		3,569
<u>Less: Amounts Charged to the Revenue Account</u>			
Amount charged as depreciation against the Revenue Account	9,329	10,371	
Depreciation on Government Grant write off	(708)	(1,039)	
Deferred Charges (net of grant)	1,826	5,426	14,758
Net Charge to the Revenue Account	(4,416)	(11,189)	

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 £0.014m in 2003/04 (£0.027m in 2002/03) compared to a maximum allowable level of £0.752m. The majority of this expenditure relates to the provision of grants to voluntary bodies.

6. AGENCY WORK

The Council has had no agency agreements in place during 2003/04.

7. LOCAL AUTHORITY (GOODS AND SERVICES) ACT 1970

Under this Act, the Council provided no significant services to public bodies during 2003/04. 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 £0.950m in 2003/04 (£1.047m in 2002/03) and the Council received £0.188m (£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 2003/04, expenditure on publicity totalled £2.665m (£3.426m in 2002/03) and included staff recruitment costs of £0.219m (£0.202m), Media and Customer Relations Unit costs of £0.128m (£0.115m) and Other Publicity Costs, including promotional activities, cultural activities and other advertising costs of £2.318m (£3.109m).

NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

9. PENSION COSTS

Teachers: In 2003/04, the Council paid an employer's contribution of £6.248m (£3.593m in 2002/03), representing 13.5% (8.3%) of employees' pensionable pay, to the Department for Education and Skills 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 2003/04, these amounted to £1.479m (£1.622m), representing 3.2% (3.8%) of pensionable pay.

Other employees and Members: In 2003/04, the Council paid an employer's contribution of £9.854m (9.761m), representing 13.9% (13.1%) of employees' pensionable pay, to the Merseyside Pension Fund, which provides defined benefits related to pay and service. The Fund's Actuary, based on triennial valuations, the last available review being at 31 March 2001, determines the contribution rate. 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 2003/04, these amounted to £1.566m, representing 2.20% of pensionable pay (including in-year retirements costs which amounted to £0.057m).

The Merseyside Pension Fund is a defined benefit scheme and the last full available actuarial valuation was at 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 cost of retirement benefits are shown in the Net Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge to be met in the year is based on the amounts set by the Pension Fund, so the real cost of accrued retirement benefits is reversed out of the Consolidated Revenue Account after Net Operating Expenditure. The following transactions are included in the Consolidated Revenue Account:

	Merseyside Pension Fund		Teachers Added Yrs
	2002/03 £000	2003/04 £000	2003/04 £000
Net Cost of Services			
Current Service Cost	8,227	8,782	0
Past Service/Curtailment/Settlement Costs	2,492	231	51
Net Operating Expenditure			
Interest Cost	19,633	18,894	991
Expected Return on Assets	(20,309)	(13,181)	0
Amount to be met from Government grant and Local Taxpayers			
Movement on Pensions Reserve	<u>(183)</u>	<u>(3,852)</u>	<u>213</u>
Actual amount charged in the year			
Employer Contributions	<u>9,860</u>	<u>10,874</u>	<u>1,255</u>

Note 15 to the Consolidated Balance Sheet contains details of the assumptions made in estimating the above figures.

Note 1 to the Statement of Total Movements in Reserves details the costs that have arisen where the estimates made for previous years have had to be revised.

NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

10. EMPLOYEES REMUNERATION OVER £50,000

Local authorities are required to provide details of the number of employees whose remuneration is in excess of £50,000. Remuneration relates to all payments arising from their employment, net of the employee's pension contributions, paid to or receivable by an employee. It also includes all taxable 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 Authority remuneration. In 2003/04 these were:

Total Remuneration	Number of Employees	
	2002/03	2003/04
£50,000 - £59,999	37	52
£60,000 - £69,999	13	14
£70,000 - £79,999	3	7
£80,000 - £89,999	4	2
£90,000 - £99,999	2	4
£100,000 - £109,999	1	0
£110,000 - £119,999	0	2
£120,000 - £129,999	1	0
£130,000 - £139,999	0	2

11. MEMBERS' ALLOWANCES

During 2003/04, the Council paid a total of £0.744m in respect of Members' Allowances (£0.717m in 2002/03). Further details can be obtained from the Head of Democratic Services, Corporate and Customer Support Services, 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 40)
- Local authorities and other bodies precepting or levying demands on the Council Tax (see page 19)
- Subsidiary and Associated Companies (see note 19 page 34)
- Members of the Council have direct control over financial and operational policies. During 2003/04, works and services totalling £0.067m were commissioned from companies in which 3 Members had an interest. Contracts were entered into in full compliance with the Council's Constitution. Payments and grants totalling £1.822m were paid to housing associations, hospital trusts, and voluntary organisations in which 12 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 £9.035m in payments and £19.392m in receipts. Five Members of the Council are Board Members and have declared an interest.
- The Council established a partnership agreement with Knowsley Primary Care Trust during 2003/04 using powers under Section 31 of the Health Act 1999 (see Note 18). The Partnership Board includes 2 Members and 2 Officers of the Council.
- Chief Officers during 2003/04 did not declare any pecuniary interests, in accordance with Section 117 of the Local Government Act 1972.
- Pension Fund (see note 9 page 13).

NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

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 Local Authority.
- An inspection charge, payable on demand after the Local Authority carries 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 Local 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 Local 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 Local Authority in accordance with Regulation 13(A) of the Building Regulations.

	2002/03		2003/04	
	Chargeable £000	Chargeable £000	Non Chargeable £000	Total £000
Expenditure				
Employee Expenses	209	163	108	271
Premises	10	0	0	0
Transport	4	7	4	11
Supplies and Services	49	39	26	65
Central and Support Services	69	37	25	62
Total Expenditure	341	246	163	409
Income				
Building Regulation Charges	(299)	(316)	0	(316)
Net (Surplus)/Deficit	42	(70)	163	93

14. LEASES

The Council's policy is generally to acquire vehicles and equipment through leasing, and during 2003/04 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 2004 is approximately £0.003m of which the estimated outstanding obligations amount to £0.004m per annum, with payments for the year amounting to £0.001m (£0.005m in 2002/03). Other lease payments of a non-capital nature in 2003/04 relating to operating leases amounted to £1.877m (£2.162m). The Council has future operational leasing obligations amounting to £3.877m for primary periods up to 2013 (£5.452m).

NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

15. IMPAIRMENT

Heatwaves Leisure Centre suffered serious damage from flooding and an impairment adjustment of £0.600m has been made to reduce the value of the asset and this is reflected in the accounts.

16. PREMIUM REPAYMENT FOR EARLY REDEMPTION OF DEBT

Long-term debt of £40.593m was repaid and refinanced in a restructuring exercise during the year. This incurred a premium payment of £11.548m for early redemption of the repaid loans. The cost has been fully financed from the Provision for Credit Liabilities, within the Capital Financing Reserve, as authorised by The Local Authorities (Capital Finance) (Amendment) Regulations 2000 (Statutory Instrument 2000/1773).

17. AUDITOR'S REMUNERATION

The following amounts were paid to the Council's external auditors, the Audit Commission, during the year:

	2002/03	2003/04
	£000	£000
External Audit Services	149	195
Statutory Inspection under (Section 10 Local Government Act 1999)	126	46
Certification of Grant Claims and Returns (Section 28 Audit Commission Act 1998)	243	191
Total	518	432

The 2002/03 audit fee for external audit services is not directly comparable with the 2003/04 figure due to a change to the commencement of the Audit Commission's financial year.

18. POOLED BUDGETS

The Council established a partnership agreement with Knowsley Primary Care Trust during 2003/04 to pool funds from the two organisations and create a single budget, using powers under Section 31 of the Health Act 1999. The pooled budget, which is hosted by the Council, has been utilised to provide supported accommodation for adults with learning disabilities.

Gross Funding	Supported Accommodation			Learning Disability Development Fund		
	Cash	Staff	Other (Grants)	Cash	Staff	Other (Grants)
	£000	£000	£000	£000	£000	£000
Knowsley Metropolitan Borough Council	1,975	0	607	0	0	0
Knowsley Primary Care Trust	715	0	0	68	0	0
Total Funding	2,690	0	607	68	0	0
Total Expenditure	2,675	0	607	37	0	0
Net underspend carried Forward	15	0	0	31	0	0

HOUSING REVENUE ACCOUNT

OPERATING ACCOUNT

The Housing Revenue Account is a record of expenditure and income relating to the Local 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 Local Authority's General Fund, which means that there is no general discretion to transfer sums into or out of the Housing Revenue Account.

The Council transferred all of its housing stock, approximately 17,000 dwellings, in a Large Scale Voluntary Transfer during 2002/03. The transactions in 2003/04 have therefore been final adjustments arising from activities in 2002/03. The Secretary of State gave consent for the Housing Revenue Account to close as at 31 March 2004. The closing balance was transferred to the General Fund.

2002/03		2003/04
£000		£000
	Income	
	Gross Rental Income	
(11,551)	- Dwelling Rents	0
(72)	- Non-Dwelling Rents	(6)
(12,051)	Housing Revenue Account Subsidy Receivable	(45)
<u>(213)</u>	Housing Benefit Transfers From General Fund	<u>0</u>
<u><u>(23,887)</u></u>	Total Income	<u><u>(51)</u></u>
	Expenditure	
	Repairs, Maintenance and Management	
5,547	- Repairs and Maintenance or contribution to Housing Repairs Account	29
2,019	- Supervision & Management	16
9,768	Rent Rebates	221
261	Write off of Rent Arrears	0
613	Cost of Capital	0
	Depreciation	
208	- On Dwellings	0
<u>29</u>	Debt Management Expenses	<u>0</u>
<u><u>18,445</u></u>	Total Expenditure	<u><u>266</u></u>
(5,442)	Net Income from Services	215
1,289	Adjusting Transfer / Asset Management Revenue Account	0
<u>(100)</u>	Housing Revenue Account Investment Income	<u>0</u>
<u><u>(4,253)</u></u>	Net Operating Income	<u><u>215</u></u>
	Appropriations	
1,100	Revenue Contributions to Capital Expenditure	0
4,623	Housing Revenue Account set aside (contribution to Minimum Revenue Provision)	0
<u>2,491</u>	Transfer to Major Repairs Reserve	<u>0</u>
<u><u>8,214</u></u>	Total Appropriations	<u><u>0</u></u>
<u><u>3,961</u></u>	(Surplus) / Deficit for Year	<u><u>215</u></u>
	Housing Revenue Account Balances	
(4,193)	Balance at beginning of year	(232)
3,961	(Surplus) / Deficit for year	215
<u>0</u>	Closing Transfer to General Fund	<u>17</u>
<u><u>(232)</u></u>	Balance at end of year	<u><u>0</u></u>

COLLECTION FUND
INCOME AND EXPENDITURE ACCOUNT

The Collection Fund Income and Expenditure Account shows the income from Council Tax and National Non Domestic Rates (Business Rates) together with their distribution.

2002/03 £000		2003/04 £000	£000
	Income		
(30,437)	Council Tax Receivable		(30,563)
	Transfers from/to General Fund		
<u>(14,210)</u>	- Council Tax Benefit		<u>(15,392)</u>
(44,647)			(45,955)
<u>(25,332)</u>	Income Collectable from Business Ratepayers		<u>(25,222)</u>
<u>(69,979)</u>			<u>(71,177)</u>
	Expenditure		
	Precepts and Demands		
38,811	- Knowsley Metropolitan Borough Council	39,696	
1,726	- Fire and Civil Defence Authority	2,044	
3,905	- Police Authority	<u>4,184</u>	
			45,924
25,198	Payment to National Non Domestic Rate Pool	25,088	
134	Costs of Collection	<u>134</u>	
			25,222
440	Provision for Council Tax Bad and Doubtful Debts		<u>(200)</u>
<u>70,214</u>			<u>70,946</u>
<u>235</u>	(Surplus)/Deficit for the year		<u>(231)</u>
	Collection Fund Balances		
388	Balance at beginning of year		623
<u>235</u>	(Surplus)/Deficit for year		<u>(231)</u>
<u>623</u>	Balance at end of year		<u>392</u>

NOTES TO THE COLLECTION FUND

1. COUNCIL TAX BASE 2003/04

Most dwellings within the Borough are subject to Council Tax and each dwelling is allocated to one of eight bands according to its open Market capital value at 1 April 1991. Each band is then converted to a "Band D Equivalent" to establish the Tax Base.

Band	Value	Number of Dwellings	Band D Equivalent
A	Up to £40,000	38,285	25,523
B	£40,001 to £52,000	11,720	9,116
C	£52,001 to £68,000	8,235	7,320
D	£68,001 to £88,000	3,277	3,277
E	£88,001 to £120,000	1,388	1,696
F	£120,001 to £160,000	243	351
G	£160,001 to £320,000	121	202
H	Over £320,000	17	34
		<u>63,286</u>	<u>47,519</u>
Less Exemptions and Discounts			<u>(5,896)</u>
			41,623
Collection Rate (Estimated)			99%
Council Tax Base 2003/04			<u>41,207</u>

2. COUNCIL TAX

The 2003/04 basic amount of Council Tax at Band D for properties without a Parish precept was calculated as follows:

	£000
Budget Requirements (excluding Parish Precepts)	207,519
Government Grants/Business Rates	(168,670)
Collection Fund Surplus (Estimated for distribution)	0
Council Tax Demand	38,849
Divided by Council Tax Base (Note 1)	41,207
Council Tax at Band D (£)	<u>942.75</u>

3. NATIONAL NON-DOMESTIC RATES (BUSINESS RATES)

National Non Domestic Rate or more commonly known as Business Rates, is organised on a national basis. The Government specifies a rate in the pound, and subject to any transitional arrangements, local businesses pay rates calculated by multiplying the rateable value of their property by the rate in the pound set (43.7p in 2002/03 and 44.4p for 2003/04).

The Council is responsible for collecting Business Rates 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 Business Rates income of £25.222m for 2003/04 was based on a rateable value as at 31.3.2003 of £68.807m (£67.430m at 31.3.2002).

CONSOLIDATED BALANCE SHEET

Balance at 31.3.2003	£000	£000	Balance at 31.3.2004	Note
			£000	
Financed by				
(16,006) Fixed Asset Restatement Reserve			(30,538)	12
323,630 Capital Financing Reserve			310,461	13
46,802 Government Grants Deferred			56,309	
2,809 Deferred Capital Receipts			1,573	
7,965 Usable Capital Receipts Reserve			21,776	14
(125,426) Pensions Reserve			(100,239)	15
12,531 Reserves			16,492	16
Revenue Balances				
5,920 - General Fund		4,040		
232 - Housing Revenue Account		0		
(623) - Collection Fund		(392)		
			3,648	
257,834 Total Equity			279,482	

NOTES TO THE CONSOLIDATED BALANCE SHEET

1. FIXED ASSETS

Movements in fixed assets during the year were as follows:

	Land & Building £000	Vehicle Plant & Equipment £000	Infrastructure £000	Non- operational Community Assets £000	Community Assets £000	Total £000
Gross book value 1.4.2003	293,249	40,737	110,465	32,470	1,354	478,275
Opening Revaluations	(66)	270	(83)	(86)	(43)	(8)
Restatements	0	0	0	0	0	0
	<u>293,183</u>	<u>41,007</u>	<u>110,382</u>	<u>32,384</u>	<u>1,311</u>	<u>478,267</u>
Additions	0	1,961	9,463	0	0	11,424
Other Expenditure	11,311	263	0	8,398	0	19,972
Disposals	(1,369)	(137)	0	(5,527)	0	(7,033)
Revaluations	(4,992)	454	(1,311)	(1,641)	0	(7,490)
Gross book value at 31.3.2004	<u>298,133</u>	<u>43,548</u>	<u>118,534</u>	<u>33,614</u>	<u>1,311</u>	<u>495,140</u>
Depreciation and Impairment						
Balance as at 1.4.2003	14,245	9,448	2,960	651	26	27,330
Depreciation	5,577	3,098	1,492	178	26	10,371
Impairment	600	0	0	0	0	600
Balance at 31.3.2004	<u>20,422</u>	<u>12,546</u>	<u>4,452</u>	<u>829</u>	<u>52</u>	<u>38,301</u>
Net book value as at 31.3.2004	<u>277,711</u>	<u>31,002</u>	<u>114,082</u>	<u>32,785</u>	<u>1,259</u>	<u>456,839</u>

The capital expenditure was financed through:

	£000
Loans	14,496
Capital Receipts	3,737
Grants	10,602
Capital Expenditure from Revenue	136
Reserves	818
Contributions from Partners and Developers	1,555
Accruals	52
	<u>31,396</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:

Land & Buildings / Community Assets	50 years
Vehicles, Plant & Equipment	20 years
Information Technology Equipment	5 years
Non Operational Assets (excluding land and leases)	50 years

The Net Book Value as at 31.3.2004 can be split over:

	£000
General Fund	454,518
Trading Operations	2,321
	<u>456,839</u>

NOTES TO THE CONSOLIDATED BALANCE SHEET

Capital Expenditure

The main items of capital expenditure during 2003/04 were:

	£000
Regeneration and Development - Economic Development	
- Huyton Lathom Road Development	3,089
- County Road Kirkby – Residential Development Site	1,421
- Prescott Regeneration Phase 1	464
- Kings Business Park 2	951
- Knowsley Development Partnership Phase 2	931
Regeneration and Development – Transport	
- Structural Maintenance of Highways	2,614
- Prescott Town Centre Regeneration	792
- Strategic Freight Network	737
- Prescott Regeneration Phase 1	538
Regeneration and Development – Housing	
- Renovation Grants	1,275
- Disabled Facility Grants	1,162
Education and Lifelong Learning	
- Malvern School New Build	2,335
- Space for Sports and Arts	1,826
- City Learning Centres	740
Leisure, Community and Culture	
- King George V Playing Fields	206
- Frensham Way	155
- Halewood Leisure Centre	129
Corporate and Customer Services	
- Courtroom Alterations	55
- Huyton One Stop Shop Improvements	34
Community Safety and Social Inclusion	
- Office Accommodation	294
Environment and Operational Services	
- Hornhouse Lane, Kirkby	256
- Recycling Initiatives Phase 1	249
Finance and Information Society Technologies	
- National Workflow Project	1,671
- Housing Benefit Capitalisation	1,718
- North West eGovernment Group	899
- Knowsley Transformation Project	596
Health and Social Care	
- Client Records in Social Services Provision Replacement System	378
- Nutgrove Villa	290
- Intermediate Care Facilities	191

NOTES TO THE CONSOLIDATED BALANCE SHEET

Significant commitments for future capital expenditure as at 31st March 2004 include the following:

	£000
Prescot Regeneration Phase 1	5,080
Kirkby Sports Centre	9,000
Knowsley Development Partnership Phase 2	1,736
Ravencourt	1,422
Knowsley Youth Academy – North Mersey Business Centre	1,162
Structural Maintenance of Highways	1,271
Knowsley Industrial and Business Park Strategy	1,050
Prescot Town Centre Regeneration	803
Safety and Access Schemes	533
Children’s Centres	2,699
Neighbourhood Nursery Initiative	2,369
Space for Sports and Arts	736
Tower Hill Community Centre	718
Northwood Community Centre	624
Parks Packed with People	592
Urban Greenspace	528
Housing Site Improvements	276
Greenscene	220
Southdene New Deal for Communities	219
Administrative Buildings – Emergency Works	1,000
Recycling Initiatives Phase 2	279
National Workflow Project	503
North West eGovernment Group	350

An analysis of the type and number of fixed assets

	31.3.2003	31.3.2004	
Administrative buildings	5	5	
Offices	15	17	
Depots and Workshops	3	3	
Magistrates Courts	1	1	
Museums	1	1	
Leisure and sports centres	8	8	
Club House	1	1	
Civic halls and suites	2	2	
Community and Youth Centres	18	21	
Libraries	7	7	
Parks, playing fields, and open spaces	488	488	Ha
Market	1	1	
Cemeteries	2	2	
Allotments	122	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	1	0	
Other Social Services establishments	15	12	
Commercial properties - rented/leased	204	202	
- void	13	20	
Industrial properties - rented/leased	396	399	
- void	7	4	
Public conveniences	2	2	
Roads – principal	85	85	Km
- other	450	450	Km
Bridges	117	117	
Lamp units	18,469	18,469	
Vehicles and plant	357	324	
Community Assets	20	20	

NOTES TO THE CONSOLIDATED BALANCE SHEET

2. DEFERRED CHARGES

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

	Balance 31.3.2003	Expenditure	Written Off	Balance 31.3.2004
	£000	£000	£000	£000
Capital Grants	0	239	239	0
Improvement Grants	0	1,274	1,274	0
Other	0	8,371	8,371	0
TOTAL	0	9,884	9,884	0

The expenditure was financed as follows:

	£000
Loans	3,065
Capital Receipts	1,975
Grants	4,458
Capital Expenditure from Revenue Account	4
Reserves	370
Accruals	12
	9,884

3. LONG TERM INVESTMENTS

This £0.003m relates to 3.5% Treasury Stock.

4. STOCKS AND WORK IN PROGRESS

	31.3.2003	31.3.2004
	£000	£000
Work in Progress	196	89
<u>Stocks</u>		
- Environmental and Operational Services	473	462
- Leisure Services Direct Service Organisation	33	9
- Other General Fund	23	25
Total Stocks	529	496
TOTAL	725	585

5. SHORT TERM INVESTMENTS

This represents cash on deposit and other liquid investments.

NOTES TO THE CONSOLIDATED BALANCE SHEET

6. DEBTORS

	31.3.2003	31.3.2004
	£000	£000
Amounts falling due in one year:		
Government Departments	18,408	18,402
Other Local Authorities	773	106
Employee Related	145	19
Housing rents	131	0
Sundry Debtors	13,368	16,019
Car loans	139	83
Payments in advance	3,059	2,667
Collection Fund	10,221	11,145
Total Amounts falling due within one year:	<u>46,244</u>	<u>48,441</u>
Provision for bad debts		
General	(1,268)	(1,288)
Collection Fund	(2,114)	(1,853)
Total Provision for bad debts	<u>(3,382)</u>	<u>(3,141)</u>
Total Debtors	<u><u>42,862</u></u>	<u><u>45,300</u></u>

7. SHORT TERM BORROWING

Source of Loan	Range of interest rates payable (%)	31.3.2003	31.3.2004
		£000	£000
Public Works Loan Board	Fixed (2.5% to 7.35%)	2,642	387
Public Works Loan Board	Variable	0	11,472
Other Local Authorities	Variable	553	584
		<u>3,195</u>	<u>12,443</u>

8. CREDITORS

	31.3.2003	31.3.2004
	£000	£000
Amounts falling due in one year:		
Government Departments	13,469	17,102
Other Local Authorities	1,161	978
Employee Related	1,443	1,601
Interest	1,114	908
Sundry Creditors	10,405	17,089
Income in advance	2,898	3,245
Collection Fund	1,483	3,810
Total Creditors	<u><u>31,973</u></u>	<u><u>44,733</u></u>

9. CASH

At 31st March 2004 the actual bank account balance was £8.082m in hand. However, cheques raised but unpresented at the bank and other miscellaneous balances totalled £12.438m which would produce a cash overdrawn figure of £4.356m.

NOTES TO THE CONSOLIDATED BALANCE SHEET

10. LONG TERM BORROWING

Source of Loan	Range of interest rates payable (%)	31.3.2003 £000	31.3.2004 £000
Public Works Loan Board	Fixed (2.5% to 7.35%)	89,556	72,612
Public Works Loan Board	Variable	0	9,084
Other Local Authorities *	Variable	7,982	7,397
		97,538	89,093
An analysis of loans by maturity is:			
Maturing in 1-2 years		3,501	10,421
Maturing in 2-5 years		9,936	2,463
Maturing in 5-10 years		9,506	5,565
Maturing in more than 10 years		74,595	70,644
		97,538	89,093

* This represents debt transferred on Local Government reorganisation in 1974 and 1986 but administered by other local authorities on behalf of the Council.

11. PROVISIONS

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

	Balance 31.3.2003 £000	Provided in year £000	Applied in year £000	Balance 31.3.2004 £000
Building Works – Performance Improvement Fund	100	0	0	100
Disputed Accounts	0	35	0	35
Community Consultation	30	0	30	0
Education Building Officers (SLA)	20	0	20	0
Education Neighbourhood Renewal Fund Funding	16	0	16	0
Fairclough Road	30	0	30	0
Insurance	10,296	3,263	4,788	8,771
Provision for Building Cleaning Equipment	45	0	45	0
Rechargeable Works	42	0	42	0
Replacement of Client Records in Social Services Provision System	20	345	19	346
Mental Health Act - Section 117	0	411	0	411
Sustainable School Improvement	0	59	0	59
	10,599	4,113	4,990	9,722
Reclassified as Reserves in 2003/04	1,061			
	11,660			

The main provisions held by the Council at 31st March 2004 are in respect of:-

Building Works Performance Improvement Fund – Provision for performance improvement funding relating to building works required to ensure conformance to the Disability Discrimination Act.

Disputed Accounts – Provision for the value of outstanding accounts to be settled in 2004/05.

Community Consultation - Funding to contribute towards a communications audit (Best Value Review).

Education Building Officer Service Level Agreement – This service supports schools with their asset management responsibilities and the provision is for temporary staffing requirements.

Education Neighbourhood Renewal Fund Funding – To contribute to the Council’s future commitment to provide “match funding” for the Neighbourhood Renewal Fund Teaching & Learning initiative.

NOTES TO THE CONSOLIDATED BALANCE SHEET

Fairclough Road – To provide funding for a capital scheme to refurbish a building in order to provide staff accommodation for the Community Safety and Social Inclusion Division.

Insurance - This provision provides cover for those risks, which are not insured 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.

Provision for Building Cleaning Equipment – To provide for the costs of purchasing building cleaning equipment.

Rechargeable Works – Outstanding costs for urgent street works caused by road traffic accidents.

Replacement of Client Records in Social Services Provision System - Outstanding costs of replacing the Community Care database hardware and software.

Mental Health Act 1983 Section 117 (Provision of After Care) – Following a judgement in the House of Lords, the Council must refund any charges made to recipients of community care services under section 117 of this act. This provision is for payments as a result of this legislation.

Sustainable School Improvement – To fund a post to support the school improvement team in a project to ensure best practice.

12. FIXED ASSET RESTATEMENT RESERVE

This reserve was created in 1994/95 for the valuation of assets on the introduction of the current capital accounting system, as well as differences arising from future valuations, disposals and write-offs.

	2002/03	2003/04
	£000	£000
Balance at beginning of year	(24,131)	(16,006)
Surplus/(Deficit) on revaluation and restatement of fixed assets	42,865	(7,499)
Disposal of fixed assets	(34,740)	(7,033)
Balance at end of year	(16,006)	(30,538)

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.

	2002/03	2003/04
	£000	£000
Balance at beginning of year	188,225	323,630
Capital receipts set aside	1,341	949
Transferred Debt receipts set aside	14	15
Capital financing - capital receipts	2,685	5,712
- revenue	1,332	140
- other	5,640	2,744
Transfer from Government Grants Deferred	709	1,039
Write off non-Council Assets	0	56
Office of Deputy Prime Minister – Write off of Public Works Loan	127,376	0
Board Debt		
Less		
Net Adjustment for Statutory Loan Repayment Calculation	(708)	(6,250)
Write down of deferred charges (net of grant)	(2,984)	(5,426)
Impairment	0	(600)
Early Repayment of External Loans - Premium	0	(11,548)
Balance at end of year	323,630	310,461

NOTES TO THE CONSOLIDATED BALANCE SHEET

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.

	2002/03	2003/04
	£000	£000
Balance at beginning of year	3,260	7,965
Prior year financing adjustment	0	48
Capital receipts in year for sales of assets	8,814	20,424
	12,074	28,437
Less:		
Set aside for loan redemption	(1,341)	(949)
	10,733	27,488
Capital Receipts applied during year	(2,768)	(5,712)
Balance at end of year	7,965	21,776

15. PENSIONS LIABILITY AND RESERVE

The Council is a member of the Merseyside Pension Fund for the provision of retirement benefits as set out by the Local Government Pensions scheme. The Council is also liable for all future added years benefits that it has awarded to teachers.

Note 9 to the Consolidated Revenue Account details the Council's participation in these schemes.

The underlying assets and liabilities for retirement benefits attributable to the Council at 31 March are as follows:

	Merseyside Pension Fund		Teachers Pensions Added Years		Total	
	31.3.2003	31.3.2004	31.3.2003	31.3.2004	31.3.2003	31.3.2004
	£000	£000	£000	£000	£000	£000
Estimated Assets	206,768	249,310	0	0	206,768	249,310
Estimated Liabilities	(315,680)	(333,248)	(16,514)	(16,301)	(332,194)	(349,549)
Net Asset/(Liability)	(108,912)	(83,938)	(16,514)	(16,301)	(125,426)	(100,239)

The assets in the Merseyside Pension Fund attributable to the Authority, and their estimated rate of return, have been analysed as follows:

	31.3.2003			31.3.2004		
	Rate of Return	Value		Rate of Return	Value	
	%	£000	%	%	£000	%
Equities	7.5	117,651	56.9	7.5	146,096	58.6
Government Bonds	4.5	44,248	21.4	4.7	41,385	16.6
Other Bonds	5.4	3,515	1.7	5.5	10,222	4.1
Property	6.5	22,124	10.7	6.5	24,183	9.7
Other Assets	3.75	19,230	9.3	4.0	27,424	11.0
		206,768			249,310	

NOTES TO THE CONSOLIDATED BALANCE SHEET

Liabilities have been assessed by the Fund's actuaries, Mercer Human Resource Consulting Ltd., using estimates of pension benefits payable in future years, based on assumptions of mortality rates, salary levels and other financial estimates. The main assumptions have been:

	31.3.2003	31.3.2004
	%	%
Rate of inflation	2.5	2.8
Rate of increase in salaries	3.5	3.8
Rate of increase in pension	2.5	2.8
Discount rate	6.0	6.3

The liabilities show the underlying commitments that the Council has to pay retirement benefits in the future. The total liabilities exceed assets by £113m. The Merseyside Pension Fund is a Local Government Pension Scheme and is therefore required by Superannuation Regulations to set contribution rates to meet 100% of the overall liabilities of the Fund. The contribution rate is determined by the Fund's Actuary, based on triennial valuations, the last available review being at 31 March 2001.

16. RESERVES

The reserves held by the Council at 31 March 2004 are set out in the following table, with details of the main reserves identified below.

Reserve	Description	Balance 31.3.2003	Reclassified from Provisions	Movement in year	Balance 31.3.2004
		£000	£000	£000	£000
Capital Reserve	To fund future costs within the Council's capital programme.	160	0	25	185
Contract Services Reserve	Cumulative effect of surpluses/deficits generated by Contract Services trading operations and under/over recovery in respect of departmental overhead accounts.	311	311	(214)	408
Customer Relationship Management	To fund the modernisation and transformation of the Council's customer focused services through the implementation of a Customer Relationship Management System.	256	0	(256)	0
Disability Discrimination Act	Cost of bringing buildings in to compliance with the Disability Discrimination Act.	0	0	211	211
eCouncil	To promote the Council's eCouncil agenda to transform the delivery of services to customers.	140	0	(9)	131
Education Support	To fund tuition of excluded pupils and office accommodation for staff employed on fixed term initiatives within the department.	95	0	(95)	0
Environmental Initiatives	To fund air improvement initiatives, waste minimisation, and exhibition areas.	140	89	10	239
Extra District Contributions	To fund outstanding extra district claims.	366	0	0	366

NOTES TO THE CONSOLIDATED BALANCE SHEET

RESERVES (Contd)

Reserve	Description	Balance 31.3.2003	Reclassified from Provisions	Movement in year	Balance 31.3.2004
Halewood Leisure Centre	Additional retention costs for Halewood leisure centre.	211	0	(39)	172
Housing Stock Transfer	Created to cover ongoing costs arising from the Housing Stock Transfer in 2002/03.	429	0	(429)	0
Housing Survey	Costs involved in carrying out housing survey.	0	25	(16)	9
Information Technology Strategy	To fund E-procurement efficiency plan, asset replacement and services development.	336	0	584	920
Insurance Excess Reserve	To fund future insurance excess costs affecting the Regeneration and Development department.	133	0	16	149
Joint Venture Company	The setting up and project management of new joint venture company.	0	0	103	103
King George V	Monies set aside for future retention costs of this capital scheme.	50	0	0	50
Kings Business Park	Monies set aside for future retention costs of this capital scheme.	224	0	0	224
Kirkby Market Reserve	This reserve holds the cumulated surpluses made from the Council's markets.	372	0	(57)	315
Knowsley Industrial Park Railfreight	This represents the retention element of costs associated with the construction of the Railfreight Terminal, which was completed in 2002/03.	13	0	0	13
Learn Direct	This reserve is for the delivery of service for on-line learning.	0	0	89	89
Leisure - Special Events	Funding for future events to be held by the Council for which sponsorship has already been received as part funding.	0	0	108	108
Leisure - Various	Includes reserves for improving parks, for community and youth facilities, for Prescott Museum and a best value review.	103	43	83	229
Loweswater Shops	Set up to cover the costs of re-development of the shopping arcade.	13	0	0	13

NOTES TO THE CONSOLIDATED BALANCE SHEET

RESERVES (Contd)

Reserve	Description	Balance 31.3.2003	Reclassified from Provisions	Movement in year	Balance 31.3.2004
Manor Farm Wall	Works on Manor Farm wall due in 2004/05.	0	0	20	20
Neighbourhood Renewal Fund Reserve	To cover costs related to Neighbourhood Renewal Fund schemes.	150	0	269	419
Nutgrove Villa	Development and future running costs of Nutgrove Villa.	0	0	88	88
Out of School Education	To fund the range of out of school activities	0	0	43	43
Pathways Reserve	Reserve set up to fund objective one Pathways scheme costs.	50	103	3	156
Performance Improvement Fund	To support service developments for performance improvement.	123	0	584	707
Public Service Agreement Resource 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.	1,386	0	432	1,818
Pump Priming Initiatives in Schools	To provide initial funding for the creation of new initiatives in school improvement and attainment.	300	0	89	389
Ravencourt	Future development of Ravencourt site	0	358	(117)	241
Risk Management	Funding for future risk management initiatives.	291	0	(164)	127
School Balances	The reserve is the sum of the individual balances of delegated budgets that are held by schools (£1.337m) and Standards Fund (£0.580m). There are 61 schools with underspends (£2.174m) and 17 schools with overspends (£0.837m).	1,821	0	96	1,917
School Maintenance Reserve	Individual school reserves to set aside funds for specific maintenance requirements, such as improved security, Closed Circuit Television equipment and refurbishment of playgrounds.	1,006	0	57	1,063

NOTES TO THE CONSOLIDATED BALANCE SHEET

RESERVES (Contd)

Reserve	Description	Balance 31.3.2003	Reclassified from Provisions	Movement in year	Balance 31.3.2004
School Trading Activities	Balances relating to Trading Activities with the Council's schools covering financial support, school meals consultancy and supporting school forum.	25	0	(12)	13
Social Services - Community Care	To provide for the future costs of the range of Social Services provided by the Council.	170	0	0	170
Social Services - Initiatives	Includes reserves for workstep and disability services – multi agency training.	7	0	8	15
Social Services - Pooled Budget	To provide for future costs of pooled budget – supported accommodation.	0	0	16	16
Standard Fund Match	To be utilised for future standards fund match requirements.	94	0	0	94
Strategy Reserve	Monies set aside to meet identified corporate policy developments.	1,682	0	1,123	2,805
Information Technology Staffing	To fund staff time spent on the development of new systems and the replacement of old information technology equipment.	98	0	(43)	55
Teachers Pensions	Reserve for the payment of lump sum pension costs for teachers retiring prematurely.	866	0	138	1,004
Service Trading Reserves	This represents the combined surpluses for the Council's trading services. The reserves are earmarked for future service improvement and development	635	0	166	801
Unitary Development Plan	Cost of carrying out Unitary Development Plan delayed until 2004/05	0	0	33	33
Welfare to Work (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 Council and the Employment Service.	0	132	0	132
Winter Maintenance	Reserve set up for additional costs in severe winter periods.	91	0	0	91
Yorkshire Purchasing Organisation	This is the allocation of profits distributable of which are used for a variety of corporate purposes.	384	0	(43)	341
TOTAL		12,531	1,061	2,900	16,492

NOTES TO THE CONSOLIDATED BALANCE SHEET

17. 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.

	2002/03	2003/04
	£000	£000
Balance at beginning of year	62,742	64,083
Minimum Revenue Provision	6,031	3,569
Reserved capital receipts	1,341	949
	70,114	68,601
Amount of debt repaid	(6,031)	(3,569)
Early repayment premia	0	(11,548)
Balance at end of year	64,083	53,484

18. TRUST FUNDS

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

	Balance	Receipts	Payments	Balance
	31.3.2003			31.3.2004
	£000	£000	£000	£000
King George V Playing Fields	837	29	29	837
Huyton Distress Fund	31	2	0	33
Social Services Trust Funds	84	11	30	65
Education Trust Funds	6	1	0	7
Client Records In Social Services Provision (CRISSP) User Fund	33	1	0	34
	991	44	59	976

19. 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. has 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 £0.021m at 31 August 2003 and reported a loss of £0.040m 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.

20. GROUP ACCOUNTS

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

NOTES TO THE CONSOLIDATED BALANCE SHEET

21. EURO COSTS

No expenditure was incurred during 2003/04 in preparing for the possible national introduction of the Euro currency. There are no commitments in respect of costs to be incurred.

22. POST BALANCE SHEET EVENTS

Since the financial year end of 31 March 2004, there have been no significant post balance sheet events that have occurred which would require additional adjustment or disclosure in the financial statements. However, a community centre, with a net book value of £0.345m on the Balance Sheet, has been destroyed by fire. The Council is continuing to provide services from alternative sites, while reviewing the future of this site.

23. CONTINGENT LIABILITIES

Following a judgement in the House of Lords, the Council must refund any charges made to recipients of community care services under section 117 of Mental Health Act 1983 (Provision Of After Care). An amount of £0.411m has been estimated and provided for in the 2003/04 accounts. This is currently the best available estimate, although the actual amount of the refunds is still in the process of being determined.

There are no other contingent liabilities other than those that have been properly recorded and disclosed in the financial statements. In particular:

- there are no significant pending or threatened litigation, other than those already disclosed in the financial statements.
- there are no material commitments or contractual issues, other than those already disclosed in the financial statements.

STATEMENT OF TOTAL MOVEMENT IN RESERVES

The Statement of Total Movement in Reserves brings together all of the recognised gains and losses of the Council during the year.

2002/03		2003/04
£000		£000
	Movements on:	
(1,285)	General Fund	(1,880)
3,961	Housing Revenue Account	(232)
235	Collection Fund	231
914	Specific Revenue Reserves	3,961
(183)	Appropriations (from)/to Pensions Reserve	(3,639)
(52,090)	Actuarial gains/(losses) on Pensions	28,826
<u>(48,448)</u>	Total increase/(decrease) in revenue resources (Note 1)	<u>27,267</u>
4,705	Usable capital receipts	13,811
0	Unapplied capital grants and contributions	0
<u>4,705</u>	Total increase/(decrease) in realised capital resources (Note 2)	<u>13,811</u>
42,865	Gains/(losses) on revaluation of fixed assets	(7,499)
0	Impairment losses on fixed assets due to general changes in prices	0
<u>42,865</u>	Total increase/(decrease) in unrealised value of fixed assets (Note 3)	<u>(7,499)</u>
<u>(34,740)</u>	Value of assets sold, disposed of or decommissioned (Note 3)	<u>(7,033)</u>
4,041	Capital receipts set aside	6,676
127,454	Revenue Resources Set Aside	(19,845)
11,054	Movement on Government Grants Deferred	9,507
(185)	Movement on Deferred Capital Receipts	(1,236)
<u>142,364</u>	Total increase/(decrease) in amounts set aside to finance capital investment (Note 4)	<u>(4,898)</u>
<u>106,746</u>	Total Recognised Gains and Losses	<u>21,648</u>

NOTES TO THE STATEMENT OF TOTAL MOVEMENT IN RESERVES

1. MOVEMENTS IN REVENUE RESOURCES

	General Fund £000	Housing Revenue Account £000	Collection Fund £000	Specific Revenue Reserves £000	Pensions Reserve £000
Surplus/(Deficit) for the year	13	(215)	231	0	0
Appropriations to/from revenue	(1,893)	(17)	0	3,961	(3,639)
Actuarial gains and losses	0	0	0	0	28,826
Total (increase)/decrease in revenue resources	(1,880)	(232)	231	3,961	25,187
Balance brought forward at 1 April 2003	5,920	232	(623)	12,531	(125,426)
Balance carried forward at 31 March 2004	4,040	0	(392)	16,492	(100,239)
Further information on Pages	10	17	18	30	29

The actuarial gain on the Pensions Reserve of £28.826m (loss of £58.129m in 2002/03) is the difference between the expected and actual return on assets of the Merseyside Pension Fund and represent 11.6% (28.1%) of the Fund's liabilities. There have been no gains or losses arising from changes in assumptions.

There has been no actuarial gain or loss for Teachers' Pensions Added Years, although the 2002/03 actuarial gain in the Statement also includes the impact of changing the basis of valuation from an estimate, using guidance issued in the Chartered Institute of Public Finance and Accountancy's Local Authority Accounting Panel Bulletin 51, to an actuarial valuation.

2. MOVEMENTS IN REALISED CAPITAL RESOURCES

Usable Capital Receipts	£000
Amounts receivable in the year	19,475
Amounts applied to finance new capital investment	(5,712)
Prior Year Adjustment	48
Total (increase)/decrease in realised capital resources in 2003/04	13,811
Balance brought forward at 1 April 2003	7,965
Balance carried forward at 31 March 2004	21,776

Further information on page 29

NOTES TO THE STATEMENT OF TOTAL MOVEMENT IN RESERVES

3. MOVEMENTS ON FIXED ASSET RESTATEMENT RESERVE

	£000
Gains/(losses) on revaluation of fixed assets	(7,499)
Impairment losses on fixed assets due to general changes in prices	<u>0</u>
Total increase/(decrease) in realised capital resources	(7,499)
Value of assets sold, disposed of or decommissioned	<u>(7,033)</u>
Total movement on reserve in the year	(14,532)
Balance brought forward at 1 April 2003	<u>(16,006)</u>
Balance carried forward at 31 March 2004	<u><u>(30,538)</u></u>

Further information on page 28

4. MOVEMENT IN AMOUNTS SET ASIDE TO FINANCE CAPITAL INVESTMENT

	Capital Financing Reserve £000	Government Grants Deferred £000	Deferred Capital Receipts £000	Total £000
Capital receipts set aside				
- reserved receipts	964			
- useable capital receipt applied	<u>5,712</u>			
Total capital receipts set aside	<u>6,676</u>			6,676
Revenue resources set aside				
- capital expenditure financed from revenue	140			
- capital financing other	2,744			
- write off of depreciation on Government Grants Deferred	1,039			
- write down of deferred charges	(5,426)			
- impairment	(600)			
- reconciling amount for provisions of loan payment	<u>(17,742)</u>			
Total revenue resources set aside	<u>(19,845)</u>			(19,845)
Grants applied to capital investment		15,060		
Amounts credited to the asset management revenue account		<u>(5,553)</u>		
Movement on Government Grants Deferred		<u>9,507</u>		9,507
Mortgage principal payments received			<u>(1,236)</u>	
Movement on Deferred Capital Receipts			<u>(1,236)</u>	(1,236)
Total (Increase)/decrease in amounts set aside to finance capital investment				
Total movement on reserve in the year	(13,169)	9,507	(1,236)	(4,898)
Balance brought forward at 1 April 2003	323,630	46,802	2,809	373,241
Balance carried forward at 31 March 2004	<u>310,461</u>	<u>56,309</u>	<u>1,573</u>	<u>368,343</u>

Further information on page 28

CASH FLOW STATEMENT

This Cash Flow Statement summarises the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes.

2002/03		2003/04	
£000		£000	£000
REVENUE ACTIVITIES			
Cash Outflows			
155,600	Cash paid to and on behalf of employees	168,110	
167,308	Other operating cash payments	163,062	
41,145	Housing Benefit paid out	51,334	
25,164	National Non Domestic Rate Payments to National Pool	25,323	
6,515	Precepts Paid	7,075	
<u>395,732</u>		<u> </u>	414,904
Cash Inflows			
(1,522)	Housing Rents	0	
(23,260)	Council Tax income	(31,704)	
(45,473)	National Non Domestic Rate	(44,055)	
(20,308)	Non-domestic rate receipts	(18,731)	
(108,138)	Revenue Support Grant	(124,616)	
(39,954)	Department for Work and Pensions Grants for Benefits (Note	(48,680)	
(64,309)	Other Government Grants (Note 1)	(79,304)	
(58,120)	Cash received for goods and services	(45,849)	
(22,174)	Other operating cash receipts	(29,728)	(422,667)
<u>12,474</u>		<u> </u>	(7,763)
SERVICING OF FINANCE			
Cash Outflows			
9,300	Interest paid	6,563	
Cash Inflows			
(2,164)	Interest received	(1,321)	5,242
<u>19,610</u>	Net Revenue Activities (Note 2)	<u> </u>	(2,521)
CAPITAL ACTIVITIES			
Cash Outflows			
7,283	Purchase of Fixed Assets	29,375	
6,384	Other Capital Cash Payments	9,872	39,247
Cash Inflows			
(8,815)	Sale of fixed assets	(19,188)	
(14,168)	Capital Grants received (Note 1)	(15,059)	
(127,366)	Other capital cash receipts	(2,309)	2,691
<u>(117,072)</u>		<u> </u>	<u>170</u>
FINANCING			
Cash Outflows			
141,713	Repayments of amounts borrowed		43,236
Cash Inflows			
(22,023)	New loans raised		(44,038)
<u>119,690</u>			<u> </u>
Management of Liquid Resources			
(580)	Short term Investments	(10,015)	
(2,038)	Net (Increase)/Decrease in cash (Note 3)	10,647	632
<u>117,072</u>		<u> </u>	<u> </u>

NOTES TO THE CASH FLOW STATEMENT

1. ANALYSIS OF PRINCIPAL GRANTS

Type of Grant

	£000
Department for Education and Skills	
Standards Fund	17,206
Under 5's - Early Years Childcare Grant	1,180
Teachers' Pay Reform	2,720
School Standards Grant	2,917
Education Maintenance Allowances	1,284
Sure Start	1,198
Children's Fund	1,517
Learning and Skills Council	
Post-16 Education	1,795
Adult Education	950
Office of the Deputy Prime Minister	
Neighbourhood Renewal Fund	7,391
Single Regeneration Budget	1,390
European Regional Development Fund	1,634
North West Development Agency	2,008
English Partnership	630
New Deal for Communities	4,251
Supporting People	8,037
New Opportunities Fund	305
Offender Programmes (funds from Youth Justice Board)	636
National Workflow Project	1,726
Tradenet	353
Disabled Facilities Grant	480
Department for Work and Pensions	
Council Tax Rebates Grant	15,018
Housing Benefit Verification Framework / Fraud Incentive / Tax Credits	381
Job Centre Plus 2003/04	1,546
Department of Health	
Mental Health	521
Children's Services	1,191
Carers' Grant	419
Social Services Training Support	338
Preserved Rights Grant	2,473
Children and Adolescent Mental Health Services	260
Residential Allowance	595
Performance Fund	390
Delayed Charges	206
Access and Systems Capacity	699
Children Leaving Care	2,048
Home Office	
Drug Action Team Co-ordinator	307
Building Safer Communities / Communities Against Drugs Grant	449
Other	
Lottery	1,422
Mersey Travel	1,144
Children's First	210
Children and Young Peoples Unit	225
Environmental Task Force 2003/04	306
European Social Fund 2002/03 Grant	316

NOTES TO THE CASH FLOW STATEMENT

2. RECONCILIATION OF REVENUE ACTIVITIES

	2002/03	2003/04	
	£000	£000	£000
Surplus/(Deficit) for year per Consolidated Revenue Account	(1,430)		13
Non cash transactions			
Add Depreciation	9,330	9,332	
Add Additional charge in respect of Minimum Revenue Provision	(4,416)	(11,189)	
Add Direct revenue financing of Capital Expenditure	1,332	140	
			(1,717)
Less contributions from reserves/provisions	(18,472)	(6,437)	
	(13,656)	(8,141)	
Items on an accruals basis			
Add decrease in stocks	1,070	98	
Add decrease/(increase) in debtors	(982)	(2,196)	
Add increase/(decrease) in creditors	(6,042)	12,760	10,662
Net cashflow from revenue activities	(19,610)	2,521	

3. RECONCILIATION OF MOVEMENT IN CASH AND CASH EQUIVALENTS

	Balance	Balance	Movement
	31.3.2003	31.3.2004	in the year
	£000	£000	£000
Cash in hand/at bank	1,997	2,296	299
Bank overdraft (includes unrepresented cheques)	(15,646)	(5,298)	10,348
Short term investments	43,520	33,505	(10,015)
			632

STATEMENT OF RESPONSIBILITIES

THE AUTHORITY'S RESPONSIBILITIES

The Council is required to:

- * make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Council, that officer is the Director of Finance and 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 AND INFORMATION SOCIETY TECHNOLOGIES' RESPONSIBILITIES

The Director of Finance and Information Society Technologies is responsible for the preparation of the Council'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 and 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 and 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 Council's 2003/04 Statement of Accounts presents fairly the financial position of the Council at 31 March 2004, and its income and expenditure for the year ended 31 March 2004.

STEVE HOUSTON
Director of Finance and Information Society Technologies

STATEMENT OF THE CHAIR OF THE GOVERNANCE AND AUDIT COMMITTEE

I confirm that these accounts were approved by the Governance and Audit Committee at its meeting held on 16th July 2004.

Signed on behalf of Knowsley Metropolitan Borough Council.

COUNCILLOR RON ROUND

AUDITOR'S REPORT TO KNOWSLEY BOROUGH COUNCIL

I have audited the statement of accounts on pages 2 to 41 which have been prepared in accordance with the accounting policies applicable to local authorities as set out on pages 7 to 9.

This report is made solely to Knowsley Council's Governance and Audit Committee 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 42, the Director of Finance and Information Society Technologies is responsible for the preparation of the statement of accounts in accordance with the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2003. 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 statement of accounts present fairly the financial position of the Council and its income and expenditure for the year. I review whether the statement on internal control on pages 4-6 reflects compliance with the Chartered Institute of Public Finance and Accountancy's guidance - "The Statement on Internal Control in Local Government: Meeting the Requirements of the Accounts and Audit Regulations 2003" published on 2 April 2004. I report if it does not comply with proper practices specified by the Chartered Institute of Public Finance and Accountancy or if the statement is misleading or inconsistent with other information I am aware of from my audit of financial statements. I am not required to consider, nor have I considered, whether the statement on internal control covers all risks and controls. I am also not required to form an opinion on the effectiveness of the Authority's corporate governance procedures or its risk and control procedures. 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 statement of accounts 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 statement of accounts present fairly the financial position of Knowsley Council as at 31 March 2004 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.

Signature: Date:

Name: T Watkinson [District Auditor]..... Address:

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.

GLOSSARY OF TERMS

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.