

Financial Review

The Council prepares its detailed Statement of Accounts, based on legal and national requirements, to show its financial position at the end of the year. This summary of the accounts aims to provide a more user-friendly overview of the key figures for 2006/07.

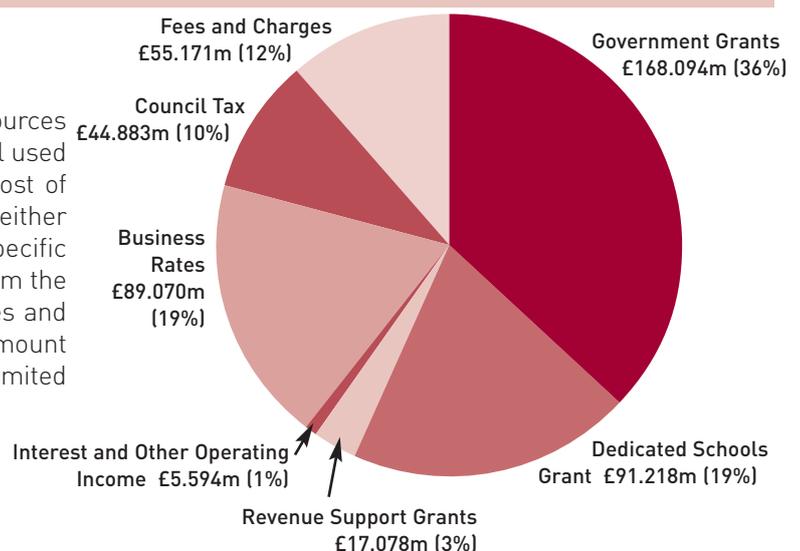
Income and Expenditure Account for the year ended 31st March 2007

The Income and Expenditure Account shows the total cost of running Council Services between 1st April 2006 and 31st March 2007, and where the money came from to pay for the day to day costs of those services. In 2006/07 the difference between the total gross operating expenses and the total funding is the Council's overall surplus of £0.041m for the year. As a result of this surplus the Council's general balances have increased to £4.634m, which represents 3% of the Council's 2007/08 budget and is in line with the Council's policy. The Council's general balances are important as they provide the Council with capacity to spend money while awaiting income, and with flexibility to meet unforeseen expenditure pressures.

Income and Expenditure 2006/07	Expenditure £000	Income £000	Net Expenditure £000
Cost of Council Services			
Central Services to the Public	22,988	(17,652)	5,336
Cultural, Environmental and Planning Services	104,154	(41,282)	62,872
Education Services	170,732	(151,433)	19,299
Highways, Roads and Transport Services	15,070	(308)	14,762
Housing Services	56,797	(54,775)	2,022
Social Services	98,039	(38,070)	59,969
Corporate and Democratic Core	17,072	(10,963)	6,109
Non Distributed Costs	3,119	0	3,119
Net cost of services	487,971	(314,483)	173,488
Interest received and other operating income			(5,594)
Interest payments and other operating expenditure			10,886
Amount to be met from government grants and local taxation			178,780
Government's Revenue Support Grant			(17,078)
Business Rates Grants			(89,070)
Council Tax Receipts			(44,883)
Income and Expenditure Account deficit for the year			27,749
Amounts credited to the General Fund balance for the year			(27,790)
Net General Fund Surplus for the year			41

Where the money came from

In 2006/07 the Council used money from several sources to pay for the revenue costs of services. The Council used resources totalling £471.108m during the year. Most of this money came directly from the Government as either Revenue Support Grant or other grants for specific services. Only 10% of the Council's money came from the Council Tax. Each year, the Council reviews its fees and charges to ensure that it receives the optimum amount of income to help provide services within its limited financial resources.



Balance sheet 2006/07 (What the council owns and is owed)

	31 March 2007 £000
Building and Land owned by the Council	468,668
Long Term Investments	3
Work in Progress / Stock in Hand	630
Money owed to the Council	102,811
Money owed by the Council	(436,014)
	136,098
Financed by:	
Non-Distributable Reserves	77,470
Distributable Reserves:	
Capital Receipts	13,071
Reserves	41,273
Revenue balances	4,284
Total	136,098

This Council's balance sheet sets out the financial position of the Council at the end of the year and gives details of the Council's assets and liabilities.

The balance sheet also includes a number of specific reserves which the Council has set aside to fund known future commitments.

Cash Flow	Cash transactions with third parties		
	Paid £000	Received £000	Net Total £000
Day to day services	507,116	(521,672)	(14,556)
Improving the Council's assets	35,244	(31,483)	3,761
Total of new loans and investments	10,795	0	10,795
Total Cash Flow	553,155	(553,155)	0

This shows where the Council's money came from and how the Council spent the money. It also reflects the change in the Council's financial structure during the year. The money paid out is mainly to employees and for other operating costs.

Capital expenditure

In 2006/07, the Council spent £32.996m on acquiring or improving its buildings and other assets (known as "capital" expenditure). Some of the Council's major commitments and investments are shown below:

Fixed assets - Significant future commitments		
Significant commitments for future capital investment as at 31.03.07 include the following projects:		
Scheme	Purpose	£000
Targeted Capital Primary Schools	To build a new, two form entry primary school with special needs support facilities and children's centre provision on Ruffwood Campus	9,632
Ravencourt	Regeneration of Ravencourt shopping area to improve facilities in Halewood	3,095
Decent Homes for all	To raise standards of housing through renewal, energy efficiency and disabled facilities works	2,731
Kirkby Sports Centre	State of the art leisure centre with facilities to better support the needs of the community	2,686

Major investments during 2006/07		
Theme	Scheme	£000
Education	Children's Centres	3,037
	Building Schools for the Future	1,089
Regeneration and Neighbourhoods	Highway maintenance	3,270
	Tower Hill Renovations	1,243
	A580 East Lancashire Road	1,975
Leisure, Community and Culture	Kirkby Sports Strategy	7,500
	Parks packed with people	592
	Scotchbarn pitches	437
Health and Social Care	Interim support services	160
Neighbourhood Delivery	School meals facilities	220

Major influences on the 2006/07 accounts

The new format for the Statement of Accounts helps to bring public sector accounts more into line with the private sector. The main changes are around how the Council accounts for its assets and a new Income and Expenditure Account showing the running cost of services. This year the cost of service also includes £26.4m as an estimate of maximum potential liability that the Council may face in relation to Equal Pay regulations. The Council's comprehensive job evaluation review is aimed at resolving this, and the estimate does not indicate an expected settlement figure.

In 2006 the Council's external auditors (PricewaterhouseCoopers) completed their annual Use of Resources assessment and for the second year running Knowsley was one of the best performing metropolitan authorities in the country - including a maximum score for the financial standing of the Council.

Future developments

Knowsley decides how to spend its money when it sets its annual budget, which is part of a rolling three-year spending plan for providing Council services. The Council has to ensure that it allocates extra money to areas of high priority, and that it continues to link its use of resources to achieving improved performance whilst continuing to ensure affordable levels of Council Tax.

Future developments for 2007/08 include changes to how the Council accounts for its assets and for the financial instruments used in its treasury management activities. The Government also has an ambition that accounts produced by Local Authorities from 2008/09 will be compliant with International Accounting Standards.

If you have any comments on any aspect of the Statement of Accounts then please contact **Dan Barlow** by email at dan.barlow@knowsley.gov.uk or by phone on **0151 443 3622**.