KNOWSLEY METROPOLITAN BOROUGH COUNCIL

STATEMENT OF ACCOUNTS

2012 – 2013

Knowsley Council

CONTENTS

EXPLANATORY FOREWORD

1. INTRODUCTION

In preparing its annual Statement of Accounts, Knowsley Council adopts the relevant national and international accounting requirements. To comply with these accounting requirements, the Statement of Accounts is a long and complex document. This foreword aims to help readers understand the Statement of Accounts. It explains the various accounting statements; provides a summary of the Council's overall financial position at 31 March 2013; and explains the most significant matters that are reported in the detailed Statements.

You can also use the Council's website (www.knowsley.gov.uk) to access further related information including:

- Electronic versions of the Statement of Accounts (after the external audit inspection is complete)
- Council Tax information leaflet
- Council budget reports
- Corporate Plan

Your Comments

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

You can also request a version of the Statement of Accounts in a more accessible format - for example produced in a larger print. Please call 0151 443 3064 if you wish to discuss the options that are available.

2. PURPOSE OF THE ACCOUNTING STATEMENTS

The Statement of Accounts aims to help readers understand the Council's financial position at the end of the year; give assurance that expenditure was efficient and effective; and demonstrate that the Council is financially viable. To achieve this, the Statement of Accounts provides information on the following areas:

- What money was spent and received during the year.
  - The Comprehensive Income and Expenditure Statement shows the day-to-day revenue costs of providing services, and the income Knowsley received from Government Grant, fees and charges and Council Tax.

- What assets the Council holds, what it is owed and what it owes to others.
  - The Balance Sheet shows:
  - How much money is set aside in general balances, provisions and reserves;
  - How much money was spent on acquiring or improving assets (capital expenditure);
  - How much money is owed to the Council (debtors) and by the Council (creditors); and,
  - The Council's share of the Pensions Fund Liability.

3. THE ACCOUNTING STATEMENTS

The individual statements within the overall Statement of Accounts are as follows:

Statement of Responsibilities: This sets out the financial responsibilities of Council Members and the Council's Chief Financial Officer – the Director of Finance and Information Technology.

Main Financial Statements

Movement in Reserves Statement: This statement shows the movement in the year on the different reserves held by the Council – analysed into 'usable' reserves (that can be applied to fund expenditure) and other reserves.

Comprehensive Income and Expenditure Statement: This summarises the Council's income and expenditure for the year. It also shows how the Council paid for the day-to-day cost of its services.

Balance Sheet: This sets out the financial position of the Council at the end of the financial year, and gives details of the Council's assets and liabilities.

Cash Flow Statement: This summarises how the Council generates and uses its cash flows by classifying them as those arising from operating, investing and financing decisions.

Explanatory Notes: Each of the main statements is accompanied by explanatory notes that provide additional analysis and help to provide a wider context to the figures.

Collection Fund: This shows the income collected from the Council Tax and Business Rates.

Accounting Policies: These explain how the Council accounts for its expenditure, income and balance sheet items using the recommended accounting practices.

4. FINANCIAL PERFORMANCE AGAINST SERVICE BUDGETS IN 2012/13

The Comprehensive Income and Expenditure Statement shows the overall income and expenditure relating to all of the Council's services in the year; the principal sources of funding (such as Government grants and Council Tax); and the net position at the end of the year.

In line with best accounting practice, the Comprehensive Income and Expenditure Statement uses the Government's "Service Expenditure Reporting" analysis to show the cost of services, with adjustments for other expenditure that relates to the Council's overall operations rather than specific service provision. The Comprehensive Income and Expenditure Statement excludes amounts set aside by the Council in reserves for future years and a number of other statutory adjustments that the Government requires to avoid any undue impact on the Council Tax payer. These adjustments are recorded in the Movement in Reserves Statement, which shows how much money has actually been added to the Council's General Fund at the end of the year.

These accounting requirements mean that the service expenditure figures in the Statement of Accounts do not match the way in which the Council sets and manages its service budgets on a day to day basis during the year.

The Council's Net Revenue Budget for 2012/13 was approved by the Council on 7 March 2012. Overall, a net expenditure budget of £163.110m was approved, funded by Government Grant of £110.459m and Council Tax receipts of £52.651m. Financial performance against approved service budgets is monitored and reported to Members throughout the year, and the Council's final outturn position against its 2012/13 Net Revenue Budget was reported to the Council's Cabinet on 26 June 2013.

During 2012/13 a combination of management actions and surpluses arising from the early implementation of savings enabled the Council's services to achieve a surplus against original budgets of £0.524m. Additional one-off resources of £2.574m were also available at outturn due mainly to windfall income relating to the refund of top-sliced Academy funding and deferred Health and Social Care income. The Council has used these resources to fund £0.700m of additional Discretionary Housing Payments to provide the maximum support possible for Knowsley residents disadvantaged by the Government's welfare benefit reforms. The remaining balance of £2.398m was set aside to contribute to the Council's Equal Pay liability. This approach meant that overall a balanced position against the total budget for the year was reported. The Council's accounts therefore reflect that the General Fund balance at 31 March 2013 remains at £5.270m.

5. THE COUNCIL'S ASSETS AND LIABILITIES

The Balance Sheet and the accompanying notes show the Council's financial position at the year end and reflect everything that the Council owes and is owed at that date. As a result of the Comprehensive Income and Expenditure Statement final position, the total General Fund balance at 31 March 2013 has remained at £5.270m which is in line with the Council's approved policy to provide a prudent financial safety-net for unforeseen events.

In addition to General Fund balances, the Council also sets money aside in provisions (for future expenditure relating to an event that has already occurred) and reserves (for approved future commitments). By putting money aside now to pay for future commitments, the Council ensures that it manages the impact of its spending in a planned and prudent way – avoiding sudden changes in Council Tax and making sure that it can afford to fund key services in the future. At 31 March 2013, the total of the Council's reserves (excluding those held by schools) was £56.260m.

Borrowing and Investments

The Council's Treasury Management Strategy is based upon the Chartered Institute of Public Finance and Accountancy's Code of Practice on Treasury Management in Local Authorities (the Treasury Management Code). Each year the Council approves its Treasury Management Strategy for the following year, and the Governance and Audit Committee is responsible for ensuring the effective review of the Treasury Management Strategy and performance during the year. The Treasury Management Strategy for 2012/13 was reported to the Governance and Audit Committee on 24 January 2012 and was subsequently approved by the Council on 7 March 2012.

The authorised limit for external debt for the Council for 2012/13 was £320m. The actual level of outstanding long-term and short-term debt at the year-end totalled £242.008m (including £118.490m of liabilities related to the Council's Private finance Initiative schemes and Finance Leases).

At 31 March 2013, the Council had £109.267m of long term borrowing (compared to £115.546m in 2011/12). This included £101.305m of loans from the Public Works Loans Board and £5m of other market debt. The remaining balance of £2.962m relates to debt transferred on the local government reorganisation in 1974 and 1986. At 31 March 2013 the Council held cash and investments of £86.068m (the 2011/12 figure totalled £61.259m).

The Council paid £8.490m of interest and similar charges in year for its Private finance Initiative schemes (2011/12 £7.669m) and a further £5.285m (2011/12 £5.474m) on its treasury management activities. The Council received £0.839m of interest and investment income during the year (2011/12 £0.964m). The movement in interest payable is due to the inclusion of the special educational needs school in the schools Private finance Initiative scheme and the latest phase of the Street Lighting Private finance Initiative coming on line.

The Council's bank overdraft facility amounts to £0.500m, but cash balances are monitored on a daily basis and investments adjusted to ensure any overdraft charges are minimised.

Capital Expenditure

All capital expenditure, and how the Council paid for it, is included within the Balance Sheet items and the accompanying notes. In 2012/13, the Council's total capital expenditure (including revenue expenditure funded from capital resources) was £39.408m – which was spent on acquiring or improving Council buildings and other capital assets.

The main item of capital expenditure (£17.145m) related to the Council's Future Schooling in Knowsley programme. This programme has seen the Council investing over £250m in new centres for learning, new primary schools and a new special educational needs facility. This expenditure has been funded by Government grant. Expenditure of £6.957m has also been incurred on the Street Lighting Private Finance Initiative scheme. This scheme will see the replacement of over 70% of the street lighting and traffic signs throughout the borough and will primarily be funded by Government Grant. The total grant spent during 2012/13 was £9.081m. During the year there were also schemes totalling £1.716m funded by Council borrowing. A full analysis of borrowing is given in the notes to the accounts.

Pension Fund Liability

The Balance Sheet also reflects the Council's participation in the Local Government Pension Scheme (administered by Merseyside Pension Fund). At the end of 2012/13, the Council's share of the overall Fund liability (excluding Teachers) was £313m – compared with £252m the previous year. This increase in liability was mainly due to lower than forecast valuations of the Fund's assets (with the assumed discount rate reducing from 4.9% to 4.2%).

While the Accounts show the pension liability position at 31 March 2013, in reality the actual pension payments will not be made until many years into the future. Therefore in the short term the Council's share of the overall Fund liability has had a significant negative impact on the net worth of the Council. This will however be recovered, as the Council and its employees pay contributions into the Pension Fund at a rate which is calculated by the Fund's actuary to ensure that the position is balanced in the longer term based upon forecast movements in investment values and changes in actuarial assumptions.

6. MAJOR INFLUENCES ON THE 2012/13 ACCOUNTS

During 2012/13 there have been a number of developments that have had an unusual influence on the Council's accounts. The major items are set out below:

Equal Pay Act (Amendment) Regulations 2003

As in previous years, the 2012/13 Statement of Accounts reflects the recommended accounting practice for compensation claims under the Equal Pay Act (Amendment) Regulations 2003 in relation to equal pay for work of equal value.

Following the completion of negotiations between the Council, the Single Status Trade Unions (UNISON, UNITE and GMB) and their solicitors, agreement has been reached regarding the principles for settling legitimate equal pay claims. As a result, the Council now faces a total maximum liability of up to £24.084m from current and former Council employees. The Council has therefore created a provision for this amount in the accounts, of which £18.305m can be funded through Government borrowing approval previously secured for this purpose. The balance of up to £5.779m is funded using available one-off revenue resources.

The negotiated settlement figures also provides for a liability of up to £5.070m for community school claims – the funding for which has to be met by schools through their reserves and the Dedicated Schools Grant. A provision has therefore also been created for this amount, however as the ability of the Schools to fund this liability in full in 2012/13 was limited, an element of the provision (£4.097m) has been offset in line with accounting guidance so that there is no impact of this amount on the Council's balances.

Instability in the Global Economy

During the year there continued to be concerns about the future stability of the UK economy, and the impact on the security and value of local authority investments. Knowsley Council has a very prudent approach to the way it makes investments and only lends to institutions with very high credit ratings. As a result of this approach it avoids exposure to the same risks that have affected other UK authorities and organisations in the past. However the unprecedented events in national economies in recent years demonstrate that even top-rated institutions can be vulnerable so the Council makes sure it constantly reviews its investments to minimise any undue risks.

Government Funding Cuts

Like other local authorities across the country, the Council continues to face significant cuts in Government funding. In fact, these cuts impact on Knowsley more than on other councils because we get more of our total funding from the Government, and because the Government is reducing how much of that funding is actually based on the needs of residents.

Following a reduction of more than 20% in the Council's funding in 2011/12, a further reduction of over 7% was imposed for 2012/13, which meant that the Council had to make budget savings of £6.8m. The Council set its 2012/13 budget on 7 March 2012 seeking to achieve its savings targets while protecting the key services that were most important to Knowsley residents. For the second year running Knowsley Council froze its Council Tax to help residents during times of unprecedented financial difficulty.

In February 2013 the Government announced further cuts of over 15% – which meant that the Council had to manage a budget shortfall of almost £17m over 2013/14 and 2014/15. The Council has worked hard to address this financial challenge and at its meeting on 7 March 2013 agreed measures that would balance the Council's budget in 2013/14 and 2014/15 and would also plan ahead for the future cuts that the Government is expected to impose.

These significant budget reductions set the context for how the Council managed its finances in 2012/13. The balanced outturn position that was reported to the Cabinet on 26 June 2013, and is reflected in these financial statements, underlines the effectiveness of the Council's approach to financial management during the year.

The Government has also changed the way in which it provides funding to Councils. From 2013/14 onwards the majority of Government funding is based on the level of Business Rates that are collected locally, with 'top-up' funding provided to bridge any shortfall against a 'baseline' level of funding determined by the Government (the start-up funding assessment). The Government will also set targets for local authorities to increase their local Business Rates yield each year. Any failure to keep up with this target will result in a loss of resources to the Council. Further funding is provided to the Council through the Revenue Support Grant, which provides the balance of required resources as determined by the start-up funding assessment. It is this funding that the Government will reduce each year.

With a large proportion of the Council's funding coming through the Government's grant formula, and with Council Tax increases restricted by the Government, the ability of the Council to sustain current funding levels is very limited. Without fundamental changes in the population and business base of the borough, the only effective option for addressing budget shortfalls is to reduce the Council's costs and service levels.

The Council is developing a number of policies and initiatives to make Knowsley a sustainable borough; reducing dependency and demand for services, attracting thriving families, increasing the numbers and mix of houses to increase the Tax Base, achieving business growth (and subsequent Business Rate income), and delivering effective services at a lower cost are all key components of ensuring that the Borough of Knowsley is sustainable in the long-term.

Academy Transfers

On 1 May 2013 Halewood Centre for Learning transferred to Academy status. The Council has granted a 125 year lease of the property to the Academy from this date and as a result the asset will be removed from the Council's Balance Sheet. At 31 March 2013, the value of this asset on the Council's Balance Sheet was £16.688m.

James Duncan, CPFA
Director of Finance and Information Technology
28 June 2013

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 Technology;
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets; and,
- arrange the approval of the Statement of Accounts by the Governance and Audit Committee.

THE DIRECTOR OF FINANCE AND INFORMATION TECHNOLOGY'S RESPONSIBILITIES

The Director of Finance and Information Technology 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 (CIPFA)/Local Authority (Scotland) Accounts Advisory Committee (LASAAC) 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 Technology has:

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

The Director of Finance and Information Technology has also:

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

DIRECTOR OF FINANCE AND INFORMATION TECHNOLOGY'S STATEMENT

I certify that the Council's 2012/13 Statement of Accounts present a true and fair view of the financial position of the Council at 31 March 2013 and its income and expenditure for the year ended 31 March 2013.

James Duncan

JAMES DUNCAN CPFA
Director of Finance and Information Technology
24 September 2013

STATEMENT OF THE CHAIRMAN OF THE GOVERNANCE AND AUDIT COMMITTEE

I confirm on behalf of the Council that these accounts and the outcome of the audit of them were approved by the Governance and Audit Committee at its meeting on 24 September 2013.

P. A Kelly

COUNCILLOR P KELLY
Chairman of the Governance and Audit Committee
24 September 2013

MOVEMENT IN RESERVES STATEMENT

This statement shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' and 'unusable reserves'. Usable reserves are those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use such as the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt. The Unusable reserves are those that the Council is not able to use to provide services. This category of reserves include those that hold unrealised gains or losses, for example the Revaluation Reserve, where amounts would only become available to provide services if the assets are sold. The surplus or deficit on the provision of services line shows the true economic cost of providing the Council's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance for council tax setting purposes. The net increase or decrease before transfers to earmarked reserves line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.

	Usable Reserves						
	General Fund Balance £000	Earmarked General Fund Reserves £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Council Reserves £000
Balance at 31 March 2011	5,270	54,623	0	5,912	65,805	63,658	129,463
<u>Movement in Reserves during 2011/12</u>							
Surplus on Provision of Services	3,465	0	0	0	3,465	0	3,465
Other Comprehensive Income and Expenditure	0	0	0	0	0	(18,096)	(18,096)
Total Comprehensive Income and Expenditure	**3,465**	**0**	**0**	**0**	**3,465**	**(18,096)**	**(14,631)**
Adjustments between Accounting Basis and Funding Basis under Regulations (Note 6)	3,905	0	0	(1,466)	2,439	(2,439)	0
Net Increase / (Decrease) before Transfers to Earmarked Reserves	**7,370**	**0**	**0**	**(1,466)**	**5,904**	**(20,535)**	**(14,631)**
Transfers to/from Earmarked Reserves (Note 7)	(7,370)	7,370	0	0	0	0	0
Increase / (Decrease) in 2011/12	**0**	**7,370**	**0**	**(1,466)**	**5,904**	**(20,535)**	**(14,631)**
Balance at 31 March 2012	**5,270**	**61,993**	**0**	**4,446**	**71,709**	**43,123**	**114,832**

MOVEMENT IN RESERVES STATEMENT

	Usable Reserves						
	General Fund Balance £000	Earmarked General Fund Reserves £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Council Reserves £000
Balance at 31 March 2012	**5,270**	**61,993**	**0**	**4,446**	**71,709**	**43,123**	**114,832**
Movement in Reserves during 2012/13							
Deficit on Provision of Services	(47,086)	0	0	0	(47,086)	0	(47,086)
Other Comprehensive Income and Expenditure	0	0	0	0	0	(43,980)	(43,980)
Total Comprehensive Income and Expenditure	**(47,086)**	**0**	**0**	**0**	**(47,086)**	**(43,980)**	**(91,066)**
Adjustments between Accounting Basis and Funding Basis under Regulations (Note 6)	50,396	0	0	(518)	49,878	(49,878)	0
Net Increase / (Decrease) before Transfers to Earmarked Reserves	**3,310**	**0**	**0**	**(518)**	**2,792**	**(93,858)**	**(91,066)**
Transfers to/from Earmarked Reserves (Note 7)	(3,310)	3,310	0	0	0	0	0
Increase / (Decrease) in 2012/13	**0**	**3,310**	**0**	**(518)**	**2,792**	**(93,858)**	**(91,066)**
Balance at 31 March 2013 carried forward	**5,270**	**65,303**	**0**	**3,928**	**74,501**	**(50,735)**	**23,766**

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

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

2011/12 Gross Expenditure £000	2011/12 Gross Income £000	2011/12 Net Expenditure £000		Note	2012/13 Gross Expenditure £000	2012/13 Gross Income £000	2012/13 Net Expenditure £000
			Council Services				
93,554	(37,910)	55,644	Adult Social Care		104,796	(52,156)	52,640
23,400	(21,699)	1,701	Central Services to the Public		24,164	(22,381)	1,783
26,339	(7,186)	19,153	Cultural and Related Services		17,946	(6,434)	11,512
218,542	(187,776)	30,766	Education and Children's Services		278,090	(199,560)	78,530
35,910	(16,960)	18,950	Environmental and Regulatory Services		31,188	(24,914)	6,274
17,264	(5,088)	12,176	Highways, Roads & Transport Services		18,557	(6,092)	12,465
90,223	(89,764)	459	Housing Services		85,658	(85,933)	(275)
34,108	(21,789)	12,319	Planning Services		16,972	(10,688)	6,284
4,539	(176)	4,363	Corporate & Democratic Core		3,638	(182)	3,456
1,800	(185)	1,615	Non Distributed Items		1,854	(510)	1,344
545,679	**(388,533)**	**157,146**	**Cost of Services**		**582,863**	**(408,850)**	**174,013**
23,952	0	23,952	Other Operating Expenditure	8	22,872	0	22,872
21,652	(11,863)	9,789	Financing and Investment Income and Expenditure	9	24,088	(2,958)	21,130
0	(194,352)	(194,352)	Taxation and Non-specific Grant Income	10	0	(170,929)	(170,929)
		(3,465)	**Surplus/(Deficit) on Provision of Services**				**47,086**
		(23,185)	Surplus on Revaluation of Property, Plant and Equipment	25			(14,509)
		41,281	Actuarial Losses on Pension Assets/Liabilities	25			58,489
		18,096	**Other Comprehensive Income and Expenditure**				**43,980**
		14,631	**Total Comprehensive Income and Expenditure**				**91,066**

BALANCE SHEET

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the Council is not able to use to provide services. This category of reserves include reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

Balance at 31 March 2012 £000		Note	Balance at 31 March 2013 £000
524,575	Property, Plant and Equipment	11	495,057
39,661	Investment Property	12	40,533
1,992	Intangible Assets	13	1,306
199	Heritage Assets	14	253
3	Long Term Investments	15	3
938	Long Term Debtors	15	569
567,368	***Long Term Assets***		**537,721**
29,422	Short Term Investments	15	49,662
401	Inventories	16	405
29,040	Short Term Debtors	17	23,740
31,834	Cash and Cash Equivalents	18	36,403
25,324	Assets Held for Sale	19	25,156
116,021	***Current Assets***		**135,366**
(10,301)	Short Term Borrowing	15	(14,251)
(32,740)	Short Term Creditors	20	(37,469)
(804)	Provisions	21	(30,536)
(43,845)	***Current Liabilities***		**(82,256)**
(115,546)	Long Term Borrowing	15	(109,267)
(39,945)	Provisions	21	(5,855)
(271,032)	Pension Liability	43	(333,562)
(94,759)	Other Long Term Liabilities	22	(114,214)
(3,430)	Capital Grants Receipts in Advance	23	(4,167)
(524,712)	***Long Term Liabilities***		**(567,065)**
114,832	***Net Assets***		**23,766**
(71,709)	Usable Reserves	24	(74,501)
(43,123)	Unusable Reserves	25	50,735
(114,832)	***Total Reserves***		**(23,766)**

JAMES DUNCAN CPFA
Director of Finance and Information Technology

CASH FLOW STATEMENT

The Cash Flow Statement shows the changes in cash and cash equivalents of the Council during the reporting period. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Council are funded by way of taxation and grant income or from the recipients of services provided by the Council. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Council's future service delivery (e.g. the purchase or sale of property, plant and equipment). Cash flows arising from financing activities are useful in predicting commitments on future cash flows by providers of capital (i.e. borrowing) to the Council.

2011/12 £000		2012/13 £000
(3,465)	Net (surplus) or deficit on the provision of services	47,086
(20,797)	Adjustments to net surplus or deficit on the provision of services for non-cash movements	(89,930)
18,842	Adjustments for items included in the net surplus or deficit on the provision of services that are investing or financing activities	8,092
(5,420)	Net cash flows from Operating Activities (Note 26)	(34,752)
(22,193)	Net cash flows from Investing Activities (Note 27)	30,150
(6,055)	Net cash flows from Financing Activities (Note 28)	33
(33,668)	Net increase or decrease in cash and cash equivalents	(4,569)
1,834	Cash and cash equivalents at the beginning of the reporting period	(31,834)
(31,834)	**Cash and cash equivalents at the end of the reporting period (Note 18)**	**(36,403)**

NOTES TO THE ACCOUNTS

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

The Code of Practice on Local Authority Accounting in the United Kingdom 2012/13 (the Code) has introduced several changes in accounting policies which will be required from 1 April 2013. The following changes are not considered to have a significant impact on the Council's Statement of Accounts.

International Accounting Standard 1 – Presentation of Financial Statements
The changes to IAS1 require authorities to disclose separately the gains or losses reclassifiable into the Surplus or Deficit on the Provision of Services. As this standard only addresses presentational issues, no further disclosure is required.

International Accounting Standard 12 – Deferred Tax
This change in accounting policy particularly affects investment properties. It is not considered that this change will have a significant impact on the Council.

International Accounting Standard 19 – Employee Benefits
There have been several significant changes in relation to IAS19 Employee Benefits, commencing from 1 April 2013. The key changes affecting the Local Government Pension Scheme employers relates to the expected return on assets. Credits for anticipated equity investment outperformance will no longer be permitted. The expected return on assets is currently credited to the Comprehensive Income and Expenditure Statement, however from 2013 this is effectively replaced with an equivalent figure calculated using the discount rate (as opposed to the Expected Return on Assets assumption). For 2012/13, this would have resulted in an increase in expenditure of £4.042m charged to the Comprehensive Income and Expenditure Statement.

International Financial Reporting Standard 7 – Financial Instruments: Disclosures
The change in accounting policy is in relation to new disclosure requirements for financial assets and liabilities that are offset in the Balance Sheet. It is not considered that this will have a significant impact on the Council.

2. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

In applying the accounting policies, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

Local Government Funding
There remains a high degree of uncertainty about the future levels of funding for local government. However, the Council has assumed that this uncertainly will not affect its ability to operate as a going concern.

Private Finance Initiative Assets
The Council has entered into a Private Finance Initiative (PFI) arrangement with Transform Schools for the provision of seven Centres for Learning. The contract includes Hard Facilities Management for a period of 25 years from service commencement, with a contract expiry date of 31 August 2034.

NOTES TO THE ACCOUNTS

During 2012/13, the PFI arrangement with Transform Schools was amended to incorporate the new Special Educational Needs School at Bluebell Park in respect of the building works and ongoing services. The Hard Facilities Management Services will be provided by the PFI Contractor from the opening of the school on 1 September 2012 until the expiry of the contract on 31 August 2034.

The Council has also entered into a further PFI arrangement with Tay Valley Lighting to deliver street lighting and traffic sign services for a 25 year period.

Following the guidance given in the Code and the International Financial Reporting Interpretations Committee interpretation for service concession arrangements (IFRIC 12), the Council has concluded that the four Centres for Learning which are Community schools, the special educational needs school, and the street lighting and traffic signs should remain on the Balance Sheet.

Group Accounts
The Council, where it has an interest in entities that would otherwise be regarded as subsidiaries, associates or joint ventures, is required to produce supplementary information in the form of summarised group accounts. The Council has reviewed its relationships with third parties under these requirements and has concluded that for 2012/13 it has no such interests.

Single Status
The Council is aware that there is a risk that possible future costs could arise from the local implementation of the national single status agreement. The Council has undertaken a comprehensive job evaluation exercise with the aim of resolving the issue with a break even outcome in respect of future costs. It is however recognised that there may be a one-off cost to the Council in respect of implementing the revised pay arrangements, but the Council is currently working towards achieving a settlement that is cost neutral on an ongoing basis.

Valuation and Componentisation of Property, Plant and Equipment
Under the Code guidelines, each component of an item of Property, Plant and Equipment should be separately identified and depreciated where the cost is significant in relation to the total cost of the asset. Authorities are only required to follow these requirements where significant components of material items of Property, Plant and Equipment have been identified. The Council has determined that only assets with a value of above £5m will be considered for componentisation.

3. ASSUMPTIONS MADE ABOUT THE FUTURE AND OTHER MAJOR SOURCES OF ESTIMATION UNCERTAINTY

The Statement of Accounts contains estimated figures that are based on assumptions made by the Council about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the Council Balance Sheet as at 31 March 2013 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

- Property, Plant and Equipment – if the useful life of assets is reduced then depreciation will increase and the carrying amount of the asset on the Balance Sheet will fall. As at 31 March 2013, the value of Property, Plant and Equipment held on the Balance Sheet is £495.057m.

NOTES TO THE ACCOUNTS

- Provisions – a provision is included in the Balance Sheet at 31 March 2013 of £29.577m in total (including Schools) for the Council's estimate of the maximum expected costs in relation to compensation claims made under the Equal Pay (Amendment) Regulations 2003. Following the completion of negotiations between the Council, the Single Status Trade Unions (UNISON, UNITE and GMB) and their solicitors, agreement has been reached regarding the principles for settling legitimate equal pay claims.

- Pensions Liability – estimation of the net liability in relation to the Merseyside Pension Fund depends on a number of complex judgements determined by the Funds appointed actuaries. Changes in these assumptions can have a significant impact on the net liability. As at 31 March 2013, the total pension liability, including Teachers Pensions is £333.562m.

4. MATERIAL ITEMS OF INCOME AND EXPENSE

Equal Pay
As in previous years, the 2012/13 Statement of Accounts reflects the recommended accounting practice for compensation claims under the Equal Pay Act (Amendment) Regulations 2003 in relation to equal pay for work of equal value.

Following the completion of negotiations between the Council, the Single Status Trade Unions (UNISON, UNITE and GMB) and their solicitors, agreement has been reached regarding the principles for settling legitimate equal pay claims. As a result, the Council now faces a total maximum liability of up to £24.084m from current and former Council employees. The Council has therefore created a provision for this amount in the accounts, of which £18.305m can be funded through Government borrowing approval previously secured for this purpose. The balance of up to £5.779m is funded using available one-off revenue resources.

The negotiated settlement figures also provides for a liability of up to £5.070m for community school claims – the funding for which has to be met by schools through their reserves and the Dedicated Schools Grant. A provision has therefore also been created for this amount, however as the ability of the Schools to fund this liability in full in 2012/13 was limited, an element of the provision (£4.097m) has been offset in line with accounting guidance so that there is no impact of this amount on the Council's balances.

5. EVENTS AFTER THE BALANCE SHEET DATE

The Statement of Accounts was authorised for issue by the Director of Finance and Information Technology on 28 June 2013. Events taking place after this date are not reflected in the financial statements or notes.

On 1 May 2013 Halewood Centre for Learning transferred to Academy status. The Council has granted a 125 year lease of the property to the Academy from this date and as a result the asset will be removed from the Council's Balance Sheet. At 31 March 2013, the carrying amount on the Council's Balance Sheet was £16.688m.

NOTES TO THE ACCOUNTS

6. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATION

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

The following sets out a description of the reserves that the adjustments are made against:

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

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

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

NOTES TO THE ACCOUNTS

2012/13

	Usable Reserves			
	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Unusable Reserves
	£000	£000	£000	£000
Adjustments involving the Capital Adjustment Account:				
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement				
Charges for depreciation and impairment of non-current assets	(14,791)			14,791
Revaluation losses on Property, Plant and Equipment	(62,699)			62,699
Movement in the market value of Investment Properties	(539)			539
Amortisation of intangible assets	(705)			705
Capital grants and contributions	2,246			(2,246)
Revenue expenditure funded from capital under statute	(292)			292
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(1,674)			1,674
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement				
Statutory provision for the financing of capital investment	12,844			(12,844)
Principal repayment on external loans	239			(239)
Capital expenditure charged against General Fund	2,024			(2,024)
Adjustments involving the Capital Grants Unapplied Account:				
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	4,392		(4,392)	
Application of grants to capital financing transferred to the Capital Adjustment Account			4,910	(4,910)
Adjustments involving the Capital Receipts Reserve:				
Transfer of sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	1,415	(1,474)		59
Use of the Capital Receipts Reserve to finance new expenditure		1,748		(1,748)
Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposals	(20)	20		
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	(26)	26		
Transfer of capital receipts to the Capital Adjustment Account to finance future expenditure		(261)		261

NOTES TO THE ACCOUNTS

2012/13 (cont'd)

	Usable Reserves			
	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Unusable Reserves £000
Adjustments involving the Deferred Capital Receipts Reserve:				
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	59	(59)		
Adjustments involving the Financial Instruments Adjustment Account:				
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in year in accordance with statutory requirements	77			(77)
Adjustments involving the Pension Reserve:				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(22,276)			22,276
Employer's pension contributions and direct payments to pensioners payable in the year	18,235			(18,235)
Adjustments involving the Collection Fund Adjustment Account:				
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	0			0
Adjustments involving the Equal Pay Adjustment Account:				
Amount by which amounts charged for equal pay claims to the Comprehensive Income and Expenditure Statement are different from the cost of settlements chargeable in year in accordance with statutory requirements	11,115			(11,115)
Adjustments involving the Accumulating Compensated Absences Adjustment Account:				
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from the remuneration chargeable in year in accordance with statutory requirements	(20)			20
Total Adjustments	**(50,396)**	**0**	**518**	**49,878**

NOTES TO THE ACCOUNTS

2011/12 Comparative Figures

	Usable Reserves			
	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Unusable Reserves
	£000	£000	£000	£000
Adjustments involving the Capital Adjustment Account:				
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement				
Charges for depreciation and impairment of non-current assets	(29,728)			29,728
Revaluation losses on Property, Plant and Equipment	(7,780)			7,780
Movement in the market value of Investment Properties	8,780			(8,780)
Amortisation of intangible assets	(655)			655
Capital grants and contributions	13,665			(13,665)
Revenue expenditure funded from capital under statute	(753)			753
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(1,632)			1,632
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement				
Statutory provision for the financing of capital investment	9,930			(9,930)
Principal repayment on external loans	239			(239)
Capital expenditure charged against General Fund	8,150			(8,150)
Adjustments involving the Capital Grants Unapplied Account:				
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	4,186		(4,186)	
Application of grants to capital financing transferred to the Capital Adjustment Account			5,652	(5,652)
Adjustments involving the Capital Receipts Reserve:				
Transfer of sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	991	(991)		
Use of the Capital Receipts Reserve to finance new expenditure		3,766		(3,766)
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	(30)	30		
Transfer of capital receipts to the Capital Adjustment Account to finance future expenditure		(2,734)		2,734

NOTES TO THE ACCOUNTS

2011/12 Comparative Figures (cont'd)

	Usable Reserves			
	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Unusable Reserves £000
Adjustments involving the Deferred Capital Receipts Reserve:				
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	71	(71)		
Adjustments involving the Financial Instruments Adjustment Account:				
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in year in accordance with statutory requirements	(31)			31
Adjustments involving the Pension Reserve:				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(20,888)			20,888
Employer's pension contributions and direct payments to pensioners payable in the year	18,760			(18,760)
Adjustments involving the Collection Fund Adjustment Account:				
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(167)			167
Adjustments involving the Equal Pay Adjustment Account:				
Amount by which amounts charged for equal pay claims to the Comprehensive Income and Expenditure Statement are different from the cost of settlements chargeable in year in accordance with statutory requirements	(7,365)			7,365
Adjustments involving the Accumulating Compensated Absences Adjustment Account:				
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from the remuneration chargeable in year in accordance with statutory requirements	352			(352)
Total Adjustments	**(3,905)**	**0**	**1,466**	**2,439**

NOTES TO THE ACCOUNTS

7. MOVEMENT ON EARMARKED RESERVES

In addition to the Council's un-earmarked General Balances the Council sets aside resources in its earmarked reserves to fund approved policy developments and future financial commitments.

Note	Reserve	Balance at 31 March 2011	Net Movement 2011/12	Balance at 31 March 2012	Net Movement 2012/13	Balance at 31 March 2013
		£000	£000	£000	£000	£000
	Reserves held for Revenue Purposes					
(a)	Service Development Reserve					
	Approved Budget Investments	**(660)**	(6,243)	**(6,903)**	(8,798)	**(15,701)**
	Service Commitments	**(12,036)**	1,836	**(10,200)**	(2,232)	**(12,432)**
	Budget Strategy Reserve	**(15,361)**	(1,923)	**(17,284)**	9,875	**(7,409)**
	Major Project Financing	**(1,783)**	(2,466)	**(4,249)**	31	**(4,218)**
	Workforce Remodelling	**(5,098)**	(439)	**(5,537)**	3,085	**(2,452)**
	Social Care Funding	**0**	(1,694)	**(1,694)**	523	**(1,171)**
		(34,938)	(10,929)	**(45,867)**	2,484	**(43,383)**
(b)	Schools Balances	**(2,231)**	(4,054)	**(6,285)**	(2,758)	**(9,043)**
(c)	Centres for Learning	**(6,644)**	3,867	**(2,777)**	(2,289)	**(5,066)**
(d)	Insurance Fund	**(2,949)**	82	**(2,867)**	119	**(2,748)**
	Reserves held for Capital Purposes					
(e)	Street Lighting PFI	**(2,179)**	(939)	**(3,118)**	(1,408)	**(4,526)**
(f)	Stockbridge Village Regeneration	**(4,876)**	4,276	**(600)**	290	**(310)**
(g)	Future Schooling in Knowsley development	**(806)**	327	**(479)**	252	**(227)**
	Total	**(54,623)**	**(7,370)**	**(61,993)**	**(3,310)**	**(65,303)**

Notes

(a) Funding for the future financial commitments of the Council's services.
(b) Balances held on delegated budgets to fund future schools expenditure.
(c) Sinking fund to finance the costs of the new Centres for Learning across the Borough.
(d) Contributions to offset the cost of future insurance claims.
(e) Contributions to development work on the street lighting private finance initiative scheme.
(f) To fund development work associated with the redevelopment of Stockbridge Village.
(g) To fund ongoing development costs of the Future Schooling In Knowsley Programme.

NOTES TO THE ACCOUNTS

8. OTHER OPERATING EXPENDITURE

2011/12 £000		2012/13 £000
1,154	Parish council precepts	1,181
22,198	Levies	21,445
30	Payments to the Government Housing Capital Receipts Pool	26
570	Gains/Losses on disposal of non current assets	220
23,952	**Total**	**22,872**

9. FINANCING AND INVESTMENT INCOME AND EXPENDITURE

2011/12 £000		2012/13 £000
13,143	Interest payable and similar charges	13,775
8,069	Pensions interest cost and expected return on pensions assets	9,331
(964)	Interest receivable and similar income	(839)
(10,459)	Income and expenditure in relation to investment properties and changes in their fair value	(1,137)
9,789	**Total**	**21,130**

10. TAXATION AND NON SPECIFIC GRANT INCOME

2011/12 £000		2012/13 £000
(53,489)	Council tax income	(53,832)
(90,352)	Non domestic rates	(108,359)
(32,660)	Non-ringfenced Government grants	(2,100)
(17,851)	Capital grants and contributions	(6,638)
(194,352)	**Total**	**(170,929)**

NOTES TO THE ACCOUNTS

11. PROPERTY, PLANT AND EQUIPMENT

Movements in 2012/13

	Land and Buildings £000	Vehicles, Plant and Equipment £000	Infrastructure £000	Sub total £000
Cost or Valuation				
Balance at 1 April 2012	395,699	53,995	173,124	**622,818**
Additions	23,321	1,627	10,217	**35,165**
Revaluations in Revaluation Reserve	(426)	0	0	**(426)**
Revaluation in Surplus/Deficit on Provision of Services	(64,828)	0	0	**(64,828)**
Disposals	(591)	0	(959)	**(1,550)**
Assets reclassified to/from Held for Sale	0	0	0	**0**
Transfers between categories	(2,227)	0	0	**(2,227)**
Balance at 31 March 2013	**350,948**	**55,622**	**182,382**	**588,952**
Accumulated Depreciation and Impairment				
Balance at 1 April 2012	39,934	40,144	23,338	**103,416**
Depreciation charge	6,413	4,009	3,796	**14,218**
Depreciation written out to Revaluation Reserve	(14,894)	0	0	**(14,894)**
Depreciation written out to Surplus/Deficit on Provision of Services	(2,577)	0	0	**(2,577)**
Impairment losses in Revaluation Reserve	(42)	0	0	**(42)**
Impairment losses in Surplus/Deficit on Provision of Services	549	0	0	**549**
Disposals	0	0	0	**0**
Transfers between categories	(187)	0	0	**(187)**
Balance at 31 March 2013	**29,196**	**44,153**	**27,134**	**100,483**
Net Book Value				
At 31 March 2013	**321,752**	**11,469**	**155,248**	**488,469**
At 31 March 2012	**355,765**	**13,851**	**149,786**	**519,402**

NOTES TO THE ACCOUNTS

11. PROPERTY, PLANT AND EQUIPMENT (cont'd)

	Community Assets £000	Assets Under Construction £000	Total Property, Plant and Equipment £000	PFI Assets included in PPE £000
Cost or Valuation				
Balance at 1 April 2012	4,611	867	**628,296**	102,858
Additions	845	0	**36,010**	24,123
Revaluations in Revaluation Reserve	0	0	**(426)**	7,827
Revaluation in Surplus/Deficit on Provision of Services	0	0	**(64,828)**	(23,599)
Disposals	0	0	**(1,550)**	0
Assets reclassified to/from Held for Sale	0	0	**0**	0
Transfers between categories	1,683	(867)	**(1,411)**	0
Balance at 31 March 2013	**7,139**	**0**	**596,091**	**111,209**
Accumulated Depreciation and Impairment				
Balance at 1 April 2012	305	0	**103,721**	12,598
Depreciation charge	107	0	**14,325**	1,630
Depreciation written out to Revaluation Reserve	0	0	**(14,894)**	0
Depreciation written out to Surplus/Deficit on Provision of Services	0	0	**(2,577)**	0
Impairment losses in Revaluation Reserve	0	0	**(42)**	0
Impairment losses in Surplus/Deficit on Provision of Services	0	0	**549**	0
Disposals	0	0	**0**	0
Transfers between categories	139	0	**(48)**	0
Balance at 31 March 2013	**551**	**0**	**101,034**	**14,228**
Net Book Value				
At 31 March 2013	**6,588**	**0**	**495,057**	**96,981**
At 31 March 2012	**4,306**	**867**	**524,575**	**90,260**

NOTES TO THE ACCOUNTS

11a. PROPERTY, PLANT AND EQUIPMENT (cont'd)

Comparative Movements in 2011/12

	Land and Buildings	Vehicles, Plant and Equipment	Infrastructure	Sub total
	£000	£000	£000	£000
Cost or Valuation				
Balance at 1 April 2011	347,900	50,732	166,031	**564,663**
Opening Adjustments	(943)	0	0	**(943)**
Additions	34,971	3,263	10,021	**48,255**
Revaluations in Revaluation Reserve	21,536	0	0	**21,536**
Revaluation in Surplus/Deficit on Provision of Services	(8,535)	0	0	**(8,535)**
Disposals	(39)	0	(2,928)	**(2,967)**
Assets reclassified to/from Held for Sale	(38,295)	0	0	**(38,295)**
Transfers between categories	39,104	0	0	**39,104**
Balance at 31 March 2012	**395,699**	**53,995**	**173,124**	**622,818**
Accumulated Depreciation and Impairment				
Balance at 1 April 2011	34,095	36,369	22,078	**92,542**
Opening Adjustments	(943)	0	0	**(943)**
Depreciation charge	8,539	3,775	3,602	**15,916**
Depreciation written out to Revaluation Reserve	(564)	0	0	**(564)**
Depreciation written out to Surplus/Deficit on Provision of Services	(755)	0	0	**(755)**
Impairment losses in Revaluation Reserve	(1,656)	0	0	**(1,656)**
Impairment losses in Surplus/Deficit on Provision of Services	1,383	0	0	**1,383**
Disposals	0	0	(2,342)	**(2,342)**
Other movements	(165)	0	0	**(165)**
Balance at 31 March 2012	**39,934**	**40,144**	**23,338**	**103,416**
Net Book Value				
At 31 March 2012	**355,765**	**13,851**	**149,786**	**519,402**
At 31 March 2011	**313,805**	**14,363**	**143,953**	**472,121**

The Total Gross Cost or Valuation and Accumulated Depreciation and Impairment opening figures for Land and Buildings above have been reduced by £0.943m following a review of historic costs. There has been no impact on the carrying Net Book Value reported on the Balance Sheet.

NOTES TO THE ACCOUNTS

11a PROPERTY, PLANT AND EQUIPMENT (cont'd)

	Community Assets £000	Assets Under Construction £000	Total Property, Plant and Equipment £000	PFI Assets included in PPE £000
Cost or Valuation				
Balance at 1 April 2011	1,229	41,465	**606,414**	96,348
Additions	1,115	773	**50,143**	6,510
Revaluations in Revaluation Reserve	0	0	**21,536**	0
Revaluation in Surplus/Deficit on Provision of Services	0	0	**(8,535)**	0
Disposals	0	0	**(2,967)**	0
Assets reclassified to/from Held for Sale	0	0	**(38,295)**	0
Transfers between categories	2,267	(41,371)	**0**	0
Balance at 31 March 2012	**4,611**	**867**	**628,296**	**102,858**
Accumulated Depreciation and Impairment				
Balance at 1 April 2011	111	0	**91,710**	8,744
Depreciation charge	29	0	**15,945**	3,854
Depreciation written out to Revaluation Reserve	0	0	**(564)**	0
Depreciation written out to Surplus/Deficit on Provision of Services	0	0	**(755)**	0
Impairment losses in Revaluation Reserve	0	0	**(1,656)**	0
Impairment losses in Surplus/Deficit on Provision of Services	0	0	**1,383**	0
Disposals	0	0	**(2,342)**	0
Other movements	165	0	**0**	
Balance at 31 March 2012	**305**	**0**	**103,721**	**12,598**
Net Book Value				
At 31 March 2012	**4,306**	**867**	**524,575**	**90,260**
At 31 March 2011	**1,118**	**41,465**	**514,704**	**87,604**

NOTES TO THE ACCOUNTS

Depreciation and Measurement

The basis for measurement and depreciation for each class of asset is shown in the table below. Depreciation is calculated on the straight line method based on the following useful life of assets:

Asset	Measurement Basis	Depreciation
Buildings	Fair value based on Existing Use Value	50 years unless otherwise stated by valuer
Vehicles, Plant and Equipment	Depreciated Replacement Cost	5 – 20 years
Infrastructure	Depreciated Historical Cost	50 years
Community Assets	Depreciated Historical Cost	50 years unless otherwise stated by valuer
Assets under Construction	Fair Value	Not depreciated
Assets Held for Sale	Fair value based on Existing Use Value	Not depreciated

Revaluations

The Council carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at fair value is revalued at least every five years. All valuations are carried out internally. Valuations of land and building are carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institute of Chartered Surveyors.

NOTES TO THE ACCOUNTS

Capital Expenditure

The main items of capital expenditure during 2012/13 were:

	£000
Children and Family Services Portfolio	
Bluebell Park Private Finance Initiative Scheme	17,145
Schools' New Pupil Places	1,187
Schools' and Children's Centre Improvement Programme	743
Schools' Devolved Formula Capital Programme	700
Leisure, Community and Culture Portfolio	
BMX Velodrome	513
Prescot Leisure Refurbishment	261
Leisure Demolitions	249
Finance and Information Technology Portfolio	
Data Centre Refresh	939
Regeneration, Economy and Skills Portfolio	
Street Lighting Private Finance Initiative Scheme	6,957
Private Tenants Grants	1,257
Highway Maintenance Programme	1,183
Kirkby Regeneration	992
Stockbridge Village Regeneration	785

NOTES TO THE ACCOUNTS

Capital Commitments

At 31 March 2013, the Council had entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2012/13 and future years. The major commitments are:

Scheme	Purpose	Expected Period	£000
Street Lighting Private Finance Initiative Scheme	The remaining phases for the delivery of street lighting and traffic sign services over the next 25 year period. The scheme includes the replacement of over 70% of the lighting stock.	2013/14 to 2014/15	19,770
Kirkby Town Centre Regeneration	This redevelopment in partnership with Tesco will have a significant beneficial impact for the Kirkby Town Centre area and beyond. The scheme will result in over 100 construction jobs together with the creation of 835 jobs in the retail sector, a remodelled Kirkby Suite, improved Kirkby Market, a new bus station and an enhanced public realm. The size and scale of this development together with the job opportunities to be created represent a major transformation opportunity for Kirkby Town Centre.	2013/14 to 2014/15	11,338
Strategic Highway Network	Structural maintenance of the carriageways and bridges and schemes aimed at improving the management and control of traffic (both within and through the borough) with signals and signs.	2013/14	3,122
New Pupil Places	To support the extension of schools where space is insufficient for the effective delivery of the curriculum.	2013/14	1,777
Prescot Leisure Redevelopment	Replace the existing Prescot Leisure Centre Building and construct a new community leisure facility including a fitness suite, multi-function area and changing facilities with a focus on outdoor sports.	2013/14	1,116
School and Children's Centre Maintenance	This Programme assures the condition of schools and children's centres building stock. Adequate maintenance supports the raising of standards of achievement of pupils by ensuring that teaching and learning takes place in suitable environments.	2013/14	1,000

NOTES TO THE ACCOUNTS

Capital Commitments (cont'd)

Decent Homes for All	Financial Assistance to Owner Occupiers to bring their homes to the Decent Homes Standard by Housing Renewal, Energy Efficiency and Disabled Facilities works. In addition, to allow people to minimise their fuel bills or to have their home adapted to cater for a disability and allow them to remain in their home, if that is their wish.	2013/14	941
Devolved Formula Capital	Allowances provided to schools on a formulaic basis to allow local decision making on asset management subject to identification of priority within the asset plan.	2013/14	611

12. INVESTMENT PROPERTY

The following items of income and expenditure have been accounted for in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

2011/12 £000		2012/13 £000
2,119	Rental income from investment property	2,119
(440)	Direct operating expenses arising from investment property	(443)
1,679	**Net gain**	**1,676**

There are no restrictions on the Council's ability to realise the value inherent in its investment property or on the Council's right to the remittance of income and the proceeds of disposal. The Council has no contractual obligations to purchase, construct or develop investment property or repairs, maintenance or enhancement.

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

2011/12 £000		2012/13 £000
31,729	**Balance at 1 April**	39,661
	Additions:	
159	- Subsequent expenditure	174
(1,007)	Disposals	(126)
8,780	Net gains / (losses) from fair value adjustments	(539)
0	Transfers between categories	1,363
39,661	**Balance at 31 March**	**40,533**

NOTES TO THE ACCOUNTS

13. INTANGIBLE ASSETS

The Council accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and Equipment.

All software is given a finite useful life, based on assessments of the period that the software is expected to be of use to the Council. The useful lives assigned to software and internally generated intangible assets used by the Council are 5 years.

2011/12 Software Licences £000	2011/12 Internally Generated Assets £000	2011/12 Total £000		2012/13 Software Licences £000	2012/13 Internally Generated Assets £000	2012/13 Total £000
			Cost or Valuation			
8,406	0	**8,406**	Balance at start of year	8,877	98	**8,975**
471	98	**569**	Additions	19	0	**19**
8,877	**98**	**8,975**	**Balance at end of year**	**8,896**	**98**	**8,994**
			Accumulated Amortisation and Impairment			
6,328	0	**6,328**	Balance at start of year	6,983	0	**6,983**
655	0	**655**	Amortisation	685	20	**705**
6,983	**0**	**6,983**	**Balance at end of year**	**7,668**	**20**	**7,688**
1,894	**98**	**1,992**	**Net carrying amount at end of year**	**1,228**	**78**	**1,306**
2,078	**0**	**2,078**	**Net carrying amount at start of year**	**1,894**	**98**	**1,992**

The carrying amount of intangible assets is amortised on a straight line basis. The amortisation of £0.705m charged to revenue in 2012/13 was charged to the Information Technology cost centre and then absorbed as an overhead across all the service headings in the Cost of Services. It is not possible to quantify exactly how much of the amortisation is attributable to each service heading.

NOTES TO THE ACCOUNTS

14. HERITAGE ASSETS

Reconciliation of the Carrying Value of Heritage Assets

2011/12 £000	Public Art	2012/13 £000
	Cost	
0	Balance at 1 April	199
199	Additions	64
0	Depreciation	(10)
199	**Balance at 31 March**	**253**

The Knowsley Alphabet Public Art trail consists of 26 pieces of artwork which are totally unique to Knowsley. The pieces take inspiration from the borough's history, particularly from the famous artist Edward Lear who was based in Knowsley Hall in the 1830s.

The new artworks have been created especially for the Knowsley Leisure and Culture Park by artists, designers and craftspeople led by renowned artist Gordon Young. As part of the design process many local people, including school children, residents and even construction workers on site wrote their own rhymes which were incorporated with Lear's poems.

During 2012/13 further Public artwork pieces were commissioned as part of the Kirkby town centre regeneration programme.

These pieces of Public Art are reported in the Balance Sheet at cost and will be depreciated following the year of acquisition over 20 years.

NOTES TO THE ACCOUNTS

15. FINANCIAL INSTRUMENTS

A financial instrument is any contract which gives rise to a financial asset of one entity (such as cash, an equity instrument or a right to receive cash or an equity instrument) and a financial liability of another (such as an obligation to deliver cash or another financial asset).

Financial Liabilities

A financial liability is an obligation to transfer economic benefits controlled by the Council and can be represented by a contractual obligation to deliver cash or financial assets or an obligation to exchange financial assets and liabilities with another entity that are potentially unfavourable to the Council.

The Council's non-derivative financial liabilities held during the year are measured at amortised cost and comprise of:

- long-term loans from the Public Works Loan Board and commercial lenders;
- short term loans from commercial lenders;
- bank overdraft;
- finance leases;
- Private Finance Initiative contracts detailed in Note 22; and
- Trade payables for goods and services received.

The Council does not hold any derivative financial liabilities.

Financial Assets

A financial asset is a right to future economic benefits controlled by the Council that is represented by cash or other instruments or a contractual right to receive cash or another financial asset. The financial assets held by the Council during the year are held under the following two classifications:

Loans and receivables:

- cash
- bank accounts
- fixed term deposits with banks and building societies
- trade receivables for goods and service delivered

Available for sale financial assets (those that are quoted in an active market) comprising:

- money market funds
- certificates of deposits issued by banks and building societies

NOTES TO THE ACCOUNTS

a) Financial Instrument Balances

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

Long Term 31 March 2012 £000	Current 31 March 2012 £000		Long Term 31 March 2013 £000	Current 31 March 2013 £000
		Investments		
		Loans and Receivables		
3	29,422	- Fixed deposits	3	49,662
0	25,928	- Cash and cash equivalents	0	36,403
		Available for sale assets		
0	5,906	- Cash and cash equivalents	0	0
3	**61,256**	**Total Investments**	**3**	**86,065**
		Debtors		
938	29,040	- Loans and receivables	569	23,740
938	**29,040**	**Total Included in Debtors**	**569**	**23,740**
941	**90,296**	**Total Financial Assets**	**572**	**109,805**
		Borrowings		
112,337	10,054	- Financial liabilities at amortised cost	106,305	14,004
112,337	**10,054**	**Total included in Borrowing**	**106,305**	**14,004**
		Other Long Term Liabilities		
94,759	0	- PFI and finance lease liabilities	114,214	0
94,759	**0**	**Total Other Long Term Liabilities**	**114,214**	**0**
		Creditors		
0	32,740	- Financial liabilities at amortised cost	0	37,469
0	**32,740**	**Total Creditors**	**0**	**37,469**
207,096	**42,794**	**Total Financial Liabilities**	**220,519**	**51,473**

Transferred debt arising from local government reorganisation in 1974 and 1986 that is administered by other local authorities on behalf of the Council has been excluded from the financial instrument balances (borrowings) due to its statutory nature. An analysis of total borrowings, including transferred debt is shown in the following table.

NOTES TO THE ACCOUNTS

The following shows an analysis of borrowing by the type of debt:

Long Term 31 March 2012 £000	Current 31 March 2012 £000		Long Term 31 March 2013 £000	Current 31 March 2013 £000
		Borrowings		
101,337	1,536	Public Works Loans Board	101,305	1,510
11,000	6,496	Lender Offer Borrowing Option	5,000	12,494
0	2,022	Other Market Debt	0	0
3,209	247	Other Local Authorities (Note i)	2,962	247
115,546	**10,301**	**Total Borrowing**	**109,267**	**14,251**

Note i) This represents debt transferred on local government reorganisation in 1974 and 1986 but administered by other local authorities on behalf of the Council.

b) Financial Instruments Gains and Losses

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

	Financial Liabilities measured at amortised cost £000	Financial Assets: loans and receivables £000	Financial Assets: available for sale assets £000	Total £000
2011/12				
Interest payable and similar charges	(12,863)	0	0	(12,863)
Interest and investment income	0	899	56	955
Net gain/(loss) for the year	**(12,863)**	**899**	**56**	**(11,908)**
2012/13				
Interest payable and similar charges	(13,519)	0	0	(13,519)
Interest and investment income	0	825	0	825
Net gain/(loss) for the year	**(13,519)**	**825**	**0**	**(12,694)**

The interest expense and income excludes statutory transferred debt interest (and therefore differs from the figure reported in Comprehensive Income and Expenditure Statement) of £0.256m in 2012/13 (£0.280m in 2011/12).

The increase in net loss in 2012/13 reflects the increase in PFI interest payments in relation to the development of the Councils Street Lighting and Future Schooling in Knowsley projects and reduction in investment income as interest rates remain low with reduced investment opportunities.

NOTES TO THE ACCOUNTS

c) Fair Value of Assets and Liabilities Carried at Amortised Cost

For each class of financial assets and financial liabilities, the Council is required to disclose the fair value of that class of assets and liabilities. The fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's-length transaction.

The fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using the following assumptions which do not have a material effect on the fair value of the instrument:

- no early repayment or impairment is recognised;
- interest is calculated using the most common market convention. Where a relevant date occurs on a non working day the interest value and date have not been adjusted;
- where interest is paid/received every six months on a day basis, the value of interest is rounded to two equal instalments;
- for fixed term deposits it is assumed that interest is received on maturity; and
- the fair value of trade and other receivables is taken to be the invoiced or billed amount.

The following methodology has been adopted:

Public Works Loan Board debt
The new borrowing rate, as opposed to the premature repayment rate, has been used as the discount factor for calculating the fair value for all Public Works Loan Board borrowing. This is because the premature repayment rate includes a margin which represents the lender's profit as a result of rescheduling the loan, and which the Council considers would distort the fair value.

Inclusion of accrued interest
The purpose of the fair value disclosure is primarily to provide a comparison with the carrying value in the Balance Sheet. Since this includes accrued interest as at the Balance Sheet date, the accrued interest up to and including the valuation date is also included in the fair value calculation.

Financial liabilities and financial assets represented by loans and receivables are carried in the Balance Sheet at amortised cost. Available for sale assets are carried at fair value. In the case of very short dated financial assets (Cash, Money market funds and Call Accounts), debtors and creditors, and deferred liabilities (PFI and Finance leases) the authority deems the carrying amount to be a reasonable approximation of the fair value.

Discount rates used to calculate present value
The rates used in the fair value calculation were obtained from the market on 31 March 2013, using bid prices where applicable.

NOTES TO THE ACCOUNTS

The fair values calculated are as follows:

	31 March 2012		31 March 2013	
	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
Financial Liabilities				
PWLB fixed loans	102,873	104,635	102,815	111,551
LOBO fixed loans	17,496	20,280	17,494	23,988
Market temporary loans	2,022	2,025	0	0
PFI & Finance Leases	94,759	94,759	114,214	114,214
Trade payables	32,740	32,740	37,469	37,469
	249,890	254,439	271,992	287,222
Financial Assets				
Fixed Term Deposits	29,425	29,392	49,665	49,740
Call Account Investments	30,037	30,037	34,624	34,624
Money Market Funds	5,906	5,906	0	0
Trade Receivables	29,978	29,978	24,309	24,309
Soft Loan	501	501	0	0
	95,847	95,814	108,598	108,673

Cash balances have been excluded from the above table.

Financial liabilities

Lender Offer Borrower Option (LOBO)
The fair value is higher than the carrying amount because the Council's Lender Offer Borrower Option portfolio includes a number of fixed rate loans where the interest payable is higher than the rates available for similar loans at the balance sheet date.

Public Works Loan Board (PWLB)
The fair value is greater than the carrying amount because the Council's Public Works Loan Board portfolio includes a number of fixed rate loans where interest payable is greater than the rates available for similar loans at the balance sheet date. The Public Works Loan Board's alternative calculations, based on the rates relevant to the premature repayment of loans, show the fair value of loans outstanding as at 31 March 2013 is £133.052m. This represents a variance of £21.501m when compared to the valuations above, prepared using rates available for new loans.

Financial Assets

Fixed term deposits
The fair value is higher than the carrying amount because the Council's portfolio of investments includes a number of fixed rate deposits where the interest rate receivable is higher than the rates available for similar deposits at the balance sheet date. The £0.003m of investments in 3.5% Treasury Stock is also included here, the carrying value of which is deemed to be a reasonable approximation of the fair value.

NOTES TO THE ACCOUNTS

Soft loan

On 22 December 2008 an interest free loan of £1.184m was made to Huyton Churches, the repayment terms of which were renegotiated during 2011/12. In line with the Council's accounting policies for soft loans an additional notional loss of interest based on 3.75%, the prevailing market rate when the loan was granted, was charged to the Comprehensive Income and Expenditure Statement in 2011/12. Following the 2011/12 adjustment, this left a carrying value at 31 March 2012 of £0.501m, comprising a £0.329m long term debtor and a £0.172m short term debtor. As there was no active market for the loan the carrying amount, which was calculated using an effective interest rate, it was deemed a reasonable approximation of the fair value.

In 2012/13 it became apparent that Huyton Churches were having difficulties meeting their soft loan financial obligation to the Council. The Council however held security for the soft loan against the land owned by Huyton Churches. The land was transferred to North Huyton Communities Future but the Council retained a legal charge over the land.

As part of legal negotiations, the Council was required to write the Huyton Churches soft loan balance to nil. When the land is sold the Council will receive a capital receipt.

16. INVENTORIES

	Consumable Stores	
	2011/12	2012/13
	£000	£000
Balance outstanding at start of year	332	401
Purchases	3,817	3,465
Recognised as expense in the year	(3,742)	(3,461)
Written off balances	(6)	0
Balance outstanding at year-end	**401**	**405**

17. DEBTORS

The amounts owed to the Council by others are as follows:

Long Term 31 March 2012 £000	Current 31 March 2012 £000		Long Term 31 March 2013 £000	Current 31 March 2013 £000
0	11,632	Government Departments	0	7,223
178	1,104	Other Local Authorities	171	1,328
760	12,834	Other Entities and Individuals	398	11,249
0	54	NHS Bodies	0	329
0	0	Public Corporations	0	36
0	3,416	Collection Fund	0	3,575
938	**29,040**	**Total Debtors**	**569**	**23,740**

Each line is presented net of allowance for non-collection. As at 31 March 2013 the total allowance for non-collection was £3.151m (£2.746m at 31 March 2012).

NOTES TO THE ACCOUNTS

18. CASH AND CASH EQUIVALENTS

The balance of cash and cash equivalents is made up of the following elements:

31 March 2012 £000		31 March 2013 £000
(4,109)	Cash held by the Council	1,779
35,943	Short-term deposits with money market funds and call accounts	34,624
31,834	**Total Cash and Cash Equivalents**	**36,403**

19. ASSETS HELD FOR SALE

2011/12 £000		2012/13 £000
0	**Balance outstanding at start of year**	25,324
0	Additions	187
38,295	Assets newly classified as Held for Sale	0
(571)	Revaluation gains/(losses) in Revaluation Reserve	0
(12,400)	Revaluation losses in Surplus/Deficit on Provision of Services	(448)
0	Impairment losses in Surplus/Deficit on Provision of Services	93
0	Assets sold	0
25,324	**Balance outstanding at year-end**	**25,156**

20. SHORT TERM CREDITORS

The amounts owed by the Council to others are as follows:

31 March 2012 £000		31 March 2013 £000
8,368	Government Departments	9,705
3,574	Other Local Authorities	5,468
19,720	Other Entities and Individuals	21,221
302	NHS Bodies	302
50	Public Corporations	1
726	Collection Fund	772
32,740	**Total Creditors**	**37,469**

NOTES TO THE ACCOUNTS

21. PROVISIONS

A number of provisions have been set aside at 31 March 2013 to cover the following liabilities:

	Balance 31 March 2012 £000	Provided in year £000	Applied in year £000	Balance 31 March 2013 £000
Long Term Provisions				
Insurance	5,677	1,894	(1,888)	5,683
Early Retirement Severance Costs	170	2	0	172
Total	5,847	1,896	(1,888)	5,855
Short Term Provisions				
Equal Pay Back Pay	34,098	10,967	(15,488)	29,577
Carbon Reduction Costs	300	300	(290)	310
Land Charges Fees	300	0	0	300
Other Provisions	204	312	(167)	349
Total	34,902	11,579	(15,945)	30,536
Total Provisions	**40,749**	**13,475**	**(17,833)**	**36,391**

Detail of Council Provisions

Insurance: estimated settlement cost of claims received at the Balance Sheet date. The Insurance Provision covers claims above the excess/retention levels for risks associated with property and liability. The timing of the liability is dependent on the individual claims process.

Early Retirement and Severance Costs: to meet anticipated costs associated with the early retirement and severance of a number of employees across the Council. These costs are expected to be incurred over the next four years.

Equal Pay Act (Amendment) Regulations 2003: As in previous years, the 2012/13 Statement of Accounts reflects the recommended accounting practice for compensation claims under the Equal Pay Act (Amendment) Regulations 2003 in relation to equal pay for work of equal value. Following the completion of negotiations between the Council, the Single Status Trade Unions (UNISON, UNITE and GMB) and their solicitors, agreement has been reached regarding the principles for settling legitimate equal pay claims enabling a more accurate estimate of the total maximum liability for these claims (including Schools) to be made. In previous years this provision has been classified as long term.

Carbon Reduction Costs: for payment of costs relating to Carbon Reduction which will be required in 2013/14.

Land Charges Fees: for repayment of fees relating to Land Charges which will be required in 2013/14.

NOTES TO THE ACCOUNTS

22. PRIVATE FINANCE INITIATIVE TRANSACTIONS

The Council currently has two Private Finance Initiative schemes in operation, the first relating to the provision of Centres for Learning, and the second, most recent one, for the provision of street lighting services.

a) Centres for Learning / Primary Learning Centre

On 13 December 2007, the Council entered into a Private Finance Initiative (PFI) arrangement with Transform Schools for the provision of seven Centres for Learning. The contract includes Hard Facilities Management for a period of 25 years from service commencement, with a contract expiry date of 31 August 2034.

On 19 May 2011, the PFI arrangement with Transform Schools was amended to incorporate the new Special Educational Needs School at Bluebell Park in respect of the building works and ongoing services. The Hard Facilities Management Services will be provided by the PFI Contractor from the opening of the school on 1 September 2012 until the expiry of the contract on 31 August 2034.

Assets held under PFI arrangements

Four of the total seven Centres for Learning are Council owned and these Centres are included in the Council's Balance Sheet. The Centres for Learning that are voluntary aided have not been included on the Council's Balance Sheet on the basis that Liverpool Archdiocese has legal ownership of the land and of the residual interest at the end of the agreement. Bluebell Park Primary Leaning Centre is Council owned and therefore the fixed asset figures in the Balance Sheet include the following values.

2011/12 £000		2012/13 £000
87,604	Balance at beginning of year	83,773
23	Additions	17,166
0	Revaluations	(15,772)
(3,854)	Depreciation	(1,500)
83,773	**Balance at 31 March**	**83,667**

Value of liabilities under PFI arrangements

As well as assets being held on the Balance Sheet the Council also has to include the outstanding liability to Transform Schools. This liability is split between long and short term liabilities on the Balance Sheet and comprises the following figures.

2011/12 £000		2012/13 £000
92,852	Balance at beginning of year	90,761
0	Additions	17,145
(2,091)	Principal repayments during year	(2,639)
90,761	**Balance at 31 March**	**105,267**

NOTES TO THE ACCOUNTS

Payments due to be made under PFI arrangements

The outstanding payments due to Transform Schools in relation to the Council owned Centres for Learning are detailed in the table below.

	Repayment of Liability £000	Interest £000	Service Charges £000	Total £000
Within 1 year	3,113	7,836	3,405	14,354
Within 2 to 5 years	13,218	29,082	14,774	57,074
Within 6 to 10 years	19,080	30,625	20,927	70,632
Within 11 to 15 years	26,418	22,269	21,248	69,935
Within 16 to 20 years	31,960	11,370	25,980	69,310
Within 21 to 25 years	11,478	876	7,227	19,581
	105,267	**102,058**	**93,561**	**300,886**

b) Street Lighting

During 2011/12, the Council entered into a Private Finance Initiative scheme with Tay Valley Lighting to deliver street lighting and traffic sign services for a 25 year period. The scheme includes the replacement of over 70% of the stock with a new white light solution enabling the Council where appropriate, to dim and trim the lighting across the borough in order to reduce the CO2 emissions and the levels of electricity consumed.

Assets held under PFI arrangements

During 2012/13, the following infrastructure assets have been included in the Balance Sheet.

2011/12 £000		2012/13 £000
0	Balance at beginning of year	6,487
6,487	Additions	6,957
0	Depreciation	(130)
6,487	**Balance at 31 March**	**13,314**

Value of liabilities under PFI arrangements

As well as assets being held on the Balance Sheet the Council also has to include the outstanding liability to Tay Valley Lighting. This liability is split between long and short term liabilities on the Balance Sheet and comprises the following figures.

2011/12 £000		2012/13 £000
0	Balance at beginning of year	5,857
6,487	Additions	6,957
(630)	Principal repayments during year	(762)
5,857	**Balance at 31 March**	**12,052**

NOTES TO THE ACCOUNTS

Payments due to be made under PFI arrangements

The outstanding payments due to Tay Valley Lighting for the whole of the PFI contract are detailed in the table below.

	Repayment of Liability £000	Interest £000	Service Charges £000	Total £000
Within 1 year	586	1,417	1,627	3,630
Within 2 to 5 years	1,846	10,518	6,256	18,620
Within 6 to 10 years	4,192	12,765	8,338	25,295
Within 11 to 15 years	6,707	10,231	9,597	26,535
Within 16 to 20 years	8,400	6,994	11,053	26,447
Within 21 to 25 years	10,090	1,681	8,349	20,120
	31,821	**43,606**	**45,220**	**120,647**

The Street Lighting Scheme will be implemented over 4 years and the Repayment of Liability of £31.821m shown above is the total liability of the scheme. The 2012/13 liability of £12.052m shown in the Value of Liabilities table above reflects the first two phases of the scheme only.

23. CAPITAL GRANTS RECEIPTS IN ADVANCE

The Council has received a number of grants and contributions that have yet to be recognised as income as they have conditions attached to them that will require the monies or property to be returned to the giver. The balances at year-end are as follows:

	31 March 2012 £000	31 March 2013 £000
Capital Grants Receipts in Advance		
Standards Fund	3,138	3,464
Renovation Grants	0	410
Aiming Higher	0	134
Surestart – Children's Centre	116	0
Other	176	159
Total	**3,430**	**4,167**

NOTES TO THE ACCOUNTS

24. USABLE RESERVES

Movements in the Council's Earmarked Reserves are detailed in Note 7.

CAPITAL RECEIPTS RESERVE

Income from the disposal of fixed assets is credited to the Capital Receipts Reserve and used for current capital spending, or is set aside for future capital spending.

2011/12 £000		2012/13 £000
0	**Balance at 1 April**	**0**
(1,062)	Capital receipts in year for sales of assets	(1,513)
(1,062)		(1,513)
30	Payments re Pooling Housing Capital Receipt	26
1,032	Capital Receipts applied for future expenditure see i) below	1,487
0	**Balance at 31 March**	**0**

i) This represents receipts that are earmarked by the Council as funding for future capital schemes. During 2012/13 £1.748m of previously set aside receipts were used to finance expenditure.

25. UNUSABLE RESERVES

31 March 2012 £000		31 March 2013 £000
(285,625)	Capital Adjustment Account	(229,099)
(46,520)	Revaluation Reserve	(60,605)
100	Financial Instruments Adjustment Account	23
271,032	Pensions Reserve	333,562
0	Collection Fund Adjustment Account	0
2,855	Accumulating Compensated Absences Adjustment Account	2,875
15,213	Unequal Pay Back Pay Account	4,098
(178)	Capital Receipts Deferred	(119)
(43,123)	**Total Unusable Reserves**	**50,735**

NOTES TO THE ACCOUNTS

CAPITAL ADJUSTMENT ACCOUNT

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement. The account is credited with the amounts set aside by the Council as finance for the costs of acquisition, construction and enhancement.

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

2011/12 £000		2012/13 £000	£000
(278,249)	**Balance at 1 April**		(285,625)
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement		
29,728	- Charges for depreciation and impairment of non-current assets	14,791	
7,780	- Revaluation losses on Property, Plant and Equipment	62,699	
655	- Amortisation of intangible assets	705	
753	- Revenue expenditure funded from capital under statute	292	
1,632	- Amounts of non-current assets written off on disposal or sale as part of the gains/losses on disposal to the Comprehensive Income and Expenditure Statement	1,674	
(237,701)			80,161
(405)	Adjusting amounts written out of the Revaluation Reserve		(424)
(238,106)	Net amount written out of the cost of non-current assets consumed in the year		(205,888)
	Capital financing applied in the year:		
(3,766)	- Use of the Capital Receipts Reserve to finance new capital expenditure	(1,748)	
2,734	- Use of Capital Receipts Reserve to finance future capital expenditure	261	
(13,665)	- Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(2,246)	
(5,652)	- Application of grants to capital financing from the Capital Grants Unapplied Account	(4,910)	
(9,930)	- Statutory provision for the financing of capital investment charged against General Fund	(12,844)	
(239)	- Principal repayment on external loans	(239)	
(8,150)	- Capital expenditure charged against General Fund	(2,024)	
(71)	- Other Contributions	0	
(38,739)			(23,750)
(8,780)	Movement in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement		539
(285,625)	**Balance at 31 March**		**(229,099)**

NOTES TO THE ACCOUNTS

REVALUATION RESERVE

The Revaluation Reserve contains the gains made by the Council arising from increases in the value of Property, Plant and Equipment. The balance is reduced when assets with accumulated gains are:

- revalued downwards or impaired and the gains are lost;
- used in the provision of services and the gains are consumed through depreciation; or
- disposal of and the gains are realised.

The reserve contains only revaluation gains accumulated since 1 April 2007, the date that the reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

2011/12 £000		2012/13 £000	£000
(23,740)	**Balance as at 1 April**		(46,520)
(23,851)	Upward revaluation of assets	(17,952)	
666	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	3,443	
(23,185)	Surplus or deficit on revaluation of non-current assets not posted to the Surplus/Deficit on the Provision of Services		**(14,509)**
405	Difference between the fair value depreciation and historical cost depreciation	365	
0	Accumulated gains on assets sold	45	
0	Impairment losses	14	
405	Amount written off to the Capital Adjustment Account		**424**
(46,520)	**Balance as at 31 March**		**(60,605)**

NOTES TO THE ACCOUNTS

FINANCIAL INSTRUMENTS ADJUSTMENT ACCOUNT

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions. The Council uses the account to manage premiums paid on the early redemption of loans and the loss of interest when granting soft loans to third parties. Premiums and interest are debited to the Comprehensive Income and Expenditure Statement when they are incurred, but reversed out of the General Fund Balance to the Account in the Movement in Reserves Statement. Over time, the expense is posted back to the General Fund Balance in accordance with statutory arrangements for spreading the burden on council tax. In the Council's case, this period is the unexpired term that was outstanding on the loans when they were redeemed, or the remaining term of the soft loan.

2011/12 £000		2012/13 £000	2012/13 £000
69	**Balance as at 1 April**		100
0	Notional loss incurred in the year on interest free loan and charged to the Comprehensive Income and Expenditure Statement	(71)	
37	Proportion of notional loss incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	0	
(6)	Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	(6)	
31	Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in year in accordance with statutory requirements		(77)
100	**Balance as at 31 March**		**23**

NOTES TO THE ACCOUNTS

PENSIONS RESERVE

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. The Council accounts for post employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Council makes the employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

The Council is a member of the Merseyside Pension Fund which is responsible 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 43 to the accounts details the Council's participation in these schemes. The underlying assets and liabilities for retirement benefits attributable to the Council at 31 March 2013 are as follows:

2011/12 £000		2012/13 £000
227,623	**Balance as at 1 April**	271,032
41,281	Actuarial gains or losses on pensions assets and liabilities	58,489
20,888	Reversal of items relating to retirement benefits debited or credited to the Surplus/Deficit on the Provision of Services	22,276
(18,760)	Employer's pension contributions and direct payments to pensioners payable in the year	(18,235)
271,032	**Balance as at 31 March**	**333,562**

COLLECTION FUND ADJUSTMENT ACCOUNT

The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax income in the Comprehensive Income and Expenditure Statement as it falls due from council tax payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

2011/12 £000		2012/13 £000
(167)	**Balance at 1 April**	0
167	Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	0
0	**Balance at 31 March**	**0**

NOTES TO THE ACCOUNTS

ACCUMULATED ABSENCES ACCOUNT

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

2011/12 £000		2012/13 £000	2012/13 £000
3,207	**Balance as at 1 April**		2,855
(3,207)	Settlement or cancellation of accrual made at the end of the preceding year	(2,855)	
2,855	Amounts accrued at the end of the current year	2,875	
(352)	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements		20
2,855	**Balance as at 31 March**		**2,875**

EQUAL PAY ADJUSTMENT ACCOUNT

The Equal Pay Adjustment Account compensates for the differences between the rate at which the Council provides for the potential costs of back pay settlements in relation to Equal Pay cases and the ability under statutory provisions to defer the impact on the General Fund Balance until such time as cash might be paid out to claimants.

2011/12 £000		2012/13 £000	2012/13 £000
7,848	**Balance as at 1 April**		15,213
7,365	Increase/(Decrease) in provision for back pay in relation to Equal Pay cases	(11,115)	
7,365	Amount by which amounts charged for Equal Pay claims to the Comprehensive Income and Expenditure Statement are different from the cost of settlements chargeable in the year in accordance with statutory requirements		(11,115)
15,213	**Balance as at 31 March**		**4,098**

NOTES TO THE ACCOUNTS

DEFERRED CAPITAL RECEIPTS RESERVE

The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of non-current assets but for which cash settlement has yet to take place. Under statutory arrangements, the Council does not treat these gains as usable for financing new capital expenditure until they are backed by cash receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the Capital Receipts Reserve.

2011/12 £000		2012/13 £000
(249)	**Balance at 1 April**	(178)
71	Transfer to the Capital Receipts Reserve upon receipt of cash	59
(178)	**Balance at 31 March**	**(119)**

26. CASH FLOW STATEMENT – OPERATING ACTIVITIES

The cash flows for operating activities included the following items:

2011/12 £000		2012/13 £000
(1,273)	Interest received	(699)
13,355	Interest paid	13,812
(223)	Dividends received	(263)

27. CASH FLOW STATEMENT – INVESTING ACTIVITIES

The cash flows for investment activities included the following items:

2011/12 £000		2012/13 £000
45,214	Purchase of property, plant and equipment, investment property and intangible assets	12,536
379,430	Purchase of short-term and long-term investments	202,862
0	Other payments for investing activities	0
(1,062)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(1,513)
(436,820)	Proceeds from short-term and long-term investments	(182,762)
(8,955)	Other receipts from investing activities	(973)
(22,193)	**Net cash flows from investing activities**	**30,150**

NOTES TO THE ACCOUNTS

28. CASH FLOW STATEMENT – FINANCING ACTIVITIES

The cash flows for financing activities included the following items:

2011/12 £000		2012/13 £000
(18,420)	Cash receipts of short-term and long-term borrowing	0
(9,741)	Other receipts from financing activities	(5,850)
2,636	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	3,591
19,470	Repayments of short-term and long-term borrowing	2,292
0	Other payments for financing activities	0
(6,055)	**Net cash flows from financing activities**	**33**

NOTES TO THE ACCOUNTS

29. AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the Service Expenditure Reporting Code of Practice. However, decisions about resource allocation are taken by the Council's Cabinet on the basis of budget reports analysed across Portfolios. These reports are prepared on a different basis from the accounting policies used in the financial statements.

Portfolios must be reported separately where either gross expenditure or gross income is 10% or more of the totals included within the Cost of Service in the Comprehensive Income and Expenditure Statement. Where Portfolios have less than 10% of the gross expenditure or income, they have been combined together. Portfolios for Leader's, Community Safety and Social Inclusion, Corporate and Customer Services, Human Resources, and Leisure, Community and Culture are therefore combined.

Portfolio Income and Expenditure 2012/13

	Health and Social Care £000	Children and Family Services £000	Regeneration, Economy and Skills £000	Neighbourhood Delivery £000	Finance and Information Technology £000	Total £000	Other Council Portfolios £000
Employee expenses	14,736	107,705	7,454	13,594	9,755	**153,244**	21,250
Support services recharges	2,097	5,718	3,706	3,109	1,712	**16,342**	4,943
Other service expenses	69,136	98,602	29,305	15,533	103,797	**316,373**	18,222
Total Expenditure	**85,969**	**212,025**	**40,465**	**32,236**	**115,264**	**485,959**	**44,415**
Government grants	(7,079)	(146,168)	(4,550)	0	(98,691)	**(256,488)**	(6,657)
Fees and charges and other service income	(32,565)	(20,602)	(13,588)	(20,290)	(11,624)	**(98,669)**	(11,116)
Total Income	**(39,644)**	**(166,770)**	**(18,138)**	**(20,290)**	**(110,315)**	**(355,157)**	**(17,773)**
Net Expenditure	**46,325**	**45,255**	**22,327**	**11,946**	**4,949**	**130,802**	**26,642**

Portfolio Income and Expenditure 2011/12 Comparatives

	Health and Social Care £000	Children and Family Services £000	Regeneration, Economy and Skills £000	Neighbourhood Delivery £000	Finance and Information Technology £000	Total £000	Other Council Portfolios £000
Employee expenses	14,613	112,463	7,031	14,307	10,723	**159,137**	21,471
Support services recharges	2,076	3,033	4,604	3,268	1,698	**14,679**	4,675
Other service expenses	67,888	93,427	36,169	16,357	108,105	**321,946**	22,611
Total Expenditure	**84,577**	**208,923**	**47,804**	**33,932**	**120,526**	**495,762**	**48,757**
Government grants	(7,758)	(140,236)	(5,904)	(27)	(104,185)	**(258,110)**	(5,038)
Fees and charges and other service income	(26,348)	(23,318)	(20,691)	(20,734)	(11,069)	**(102,160)**	(17,766)
Total Income	**(34,106)**	**(163,554)**	**(26,595)**	**(20,761)**	**(115,254)**	**(360,270)**	**(22,804)**
Net Expenditure	**50,471**	**45,369**	**21,209**	**13,171**	**5,272**	**135,492**	**25,953**

NOTES TO THE ACCOUNTS

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

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

2011/12 £000		2012/13 £000
135,492	Net expenditure in the Portfolio analysis	130,802
25,953	Net expenditure of services not included in analysis	26,642
8,693	Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the analysis	27,417
(12,992)	Amounts included in the analysis not included in the Comprehensive Income and Expenditure Statement	(10,848)
157,146	**Cost of Services in Comprehensive Income and Expenditure Statement**	**174,013**

NOTES TO THE ACCOUNTS

Reconciliation to Subjective Analysis

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

2012/13 Subjective Analysis

	Portfolio Analysis £000	Services not in Analysis £000	Amounts not reported to management for decision making £000	Amounts not included in CI&ES £000	Cost of Service £000	Corporate Amounts £000	Total £000
Employee expenses	153,244	21,250	15,037	-	189,531	-	**189,531**
Other service expenses	301,327	16,523	72,808	(34,107)	356,551	-	**356,551**
Support service recharges	16,342	4,943	-	-	21,285	-	**21,285**
Depreciation, amortisation and impairment	15,046	1,699	(1,249)	-	15,496	-	**15,496**
Interest payments	-	-	-	-	-	13,775	**13,775**
Precepts and Levies	-	-	-	-	-	22,626	**22,626**
Payments to Housing Capital Receipts Pool	-	-	-	-	-	26	**26**
Pension interest cost and return	-	-	-	-	-	9,331	**9,331**
Expenditure and revaluation on investment properties	-	-	-	-	-	(1,137)	**(1,137)**
Loss on disposal of non-current assets	-	-	-	-	-	220	**220**
Total Expenditure	**485,959**	**44,415**	**86,596**	**(34,107)**	**582,863**	**44,841**	**627,704**
Fees, charges and other service income	(98,669)	(11,116)	(45,554)	23,259	(132,080)	0	**(132,080)**
Interest and investment income	-	-	-	-	-	(839)	**(839)**
Income from council tax	-	-	-	-	-	(53,832)	**(53,832)**
Government grants and contributions	(256,488)	(6,657)	(13,625)	-	(276,770)	(117,097)	**(393,867)**
Total Income	**(355,157)**	**(17,773)**	**(59,179)**	**23,259**	**(408,850)**	**(171,768)**	**(580,618)**
Surplus or deficit on the provision of services	**130,802**	**26,642**	**27,417**	**(10,848)**	**174,013**	**(126,927)**	**47,086**

NOTES TO THE ACCOUNTS

2011/12 Comparative Subjective Analysis

	Portfolio Analysis £000	Services not in Analysis £000	Amounts not reported to management for decision making £000	Amounts not included in CI&ES £000	Cost of Service £000	Corporate Amounts £000	Total £000
Employee expenses	159,137	21,471	5,714	-	186,322	-	**186,322**
Other service expenses	307,281	20,302	16,835	(34,798)	309,620	-	**309,620**
Support services recharges	14,679	4,675	-	-	19,354	-	**19,354**
Depreciation, amortisation and impairment	14,665	2,309	13,409	-	30,383	-	**30,383**
Interest payments	-	-	-	-	-	13,143	**13,143**
Precepts and Levies	-	-	-	-	-	23,352	**23,352**
Payments to Housing Capital Receipts Pool	-	-	-	-	-	30	**30**
Pension interest cost and return	-	-	-	-	-	8,069	**8,069**
Expenditure and Revaluation on Investment Properties	-	-	-	-	-	(10,459)	**(10,459)**
Loss on disposal of non-current assets	-	-	-	-	-	570	**570**
Total Expenditure	**495,762**	**48,757**	**35,958**	**(34,798)**	**545,679**	**34,705**	**580,384**
Fees, charges and other service income	(102,160)	(17,766)	(14,860)	21,806	(112,980)	0	**(112,980)**
Interest and investment income	-	-	-	-	-	(964)	**(964)**
Income from council tax	-	-	-	-	-	(53,489)	**(53,489)**
Government grants and contributions	(258,110)	(5,038)	(12,405)	-	(275,553)	(140,863)	**(416,416)**
Total Income	**(360,270)**	**(22,804)**	**(27,265)**	**21,806**	**(388,533)**	**(195,316)**	**(583,849)**
Surplus or deficit on the provision of services	**135,492**	**25,953**	**8,693**	**(12,992)**	**157,146**	**(160,611)**	**(3,465)**

NOTES TO THE ACCOUNTS

30. SIGNIFICANT TRADING OPERATIONS

The Council operates several trading operations, whereby services are provided to users on the basis of an agreed charge, for example, a quoted price, a service level agreement or a schedule of rates. Trading accounts are maintained for such activities in order to 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.

	2011/12			2012/13		
	Turnover	Total Spend	(Surplus) / Deficit	Turnover	Total Spend	(Surplus) / Deficit
	£000	£000	£000	£000	£000	£000
Highways	(328)	475	147	(37)	296	259
Transport	(2,793)	2,335	(458)	(2,882)	2,353	(529)
School Meals	(5,731)	4,320	(1,411)	(5,728)	4,236	(1,492)
Building Cleaning	(4,093)	3,065	(1,028)	(3,860)	2,789	(1,071)
Licensing	(653)	608	(45)	(573)	598	25
	(13,598)	**10,803**	**(2,795)**	**(13,080)**	**10,272**	**(2,808)**

Highways: The provision of a winter maintenance service. The maintenance of the Council's Street Lighting and Traffic Signs is no longer carried out in house.

Transport: The provision, management and maintenance of Council owned vehicles and small plant.

School Meals: The provision of a catering service to all primary and special schools and Centres for Learning in the borough.

Building Cleaning: The provision of building cleaning services to schools and other Council owned buildings.

Licensing: The inspections, control, supervision and granting of licenses for hackney carriages and private hire vehicles.

31. AGENCY WORK

The Council, as the billing authority, acts as agent for the Government in collecting National Non-Domestic Rates (NNDR). The Government paid an allowance for the cost of collection of £0.136m in 2012/13 (£0.136m in 2011/12).

NOTES TO THE ACCOUNTS

32. POOLED BUDGETS

Section 75 of the NHS Act 2006 (formerly Section 31 of the Health Act 1999) allows the establishment of joint working arrangements between NHS bodies and local authorities. This enables the bodies to "pool" funds to work together to address specific local health issues. Where pooled budgets are established, the main financial statements in these accounts reflect only the Council's share of the overall budget, and exclude the share(s) attributable to partner organisations. The details of the entire pooled budget including all partners' shares are disclosed in the notes below.

During 2012/13, the Council was involved with three pooled budgets each hosted by the Council's Health and Social Care Portfolio. Details of all the pooled budgets are shown below.

Pooled Budget	Purpose
Community Support Services	Provision of supported accommodation and community-based support
Mental Health	Provision of support in the community for people with a mental illness
Adults with Learning Disabilities	Provision of supported accommodation for adults with learning disabilities

Details of the three hosted pooled budget accounts are shown in the table below.

Income and Expenditure	Community Support Services		Mental Health		Learning Disabilities		Total	
	2011/12 £000	2012/13 £000	2011/12 £000	2012/13 £000	2011/12 £000	2012/13 £000	2011/12 £000	2012/13 £000
Gross Funding								
Reserve B/fwd	(638)	0	(9)	0	0	0	(647)	0
Transfer of Funding	638	1,261	0	0	(638)	(1,261)	0	0
Knowsley Primary Care Trust	(5,708)	(6,165)	(2,320)	(1,573)	(3,483)	(658)	(11,511)	(8,396)
Knowsley MBC	(496)	(845)	(48)	(203)	(11,097)	(11,320)	(11,641)	(12,368)
Other Grant and Contributions	(93)	0	(80)	(74)	(7,160)	(7,377)	(7,333)	(7,451)
Total Funding	**(6,297)**	**(5,749)**	**(2,457)**	**(1,850)**	**(22,378)**	**(20,616)**	**(31,132)**	**(28,215)**
Pooled Expenditure	**6,297**	**5,749**	**2,457**	**1,850**	**22,378**	**20,616**	**31,132**	**28,215**
Net (surplus) / deficit	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**

33. MEMBERS' ALLOWANCES

During 2012/13, the Council paid a total of £0.851m in respect of Members' Allowances (£0.858m in 2011/12). Further details can be obtained from the Head of Democratic Services, Municipal Buildings, Huyton.

34 OFFICER REMUNERATION

The Council discloses officer remuneration in line with the requirements of the Code of Practice on Local Authority Accounting (the Code) as follows:

a) Officers with remuneration of £50,000 or more

This note shows the number of officers whose remuneration was £50,000 or more, grouped in £5,000 bands. Remuneration is defined for this disclosure as all amounts paid to or receivable by a person, including sums by way of expenses allowance (so far as those sums are chargeable to UK income tax). It also includes the estimated money value of any other benefits received by an employee otherwise than in cash, and payments made in respect of retirement and / or redundancy, but excludes employer's pension contributions.

b) Senior officer remuneration

In accordance with the requirements of the Code the Council also discloses individual remuneration of all senior employees whose annualised salary is £50,000 or more, and who have responsibility for the management of the authority to the extent that they have the power to direct and control the major activities for which they are responsible. This figure includes the full remuneration of each senior employee and also employer's pension contributions. Where the annualised salary is £150,000 or more the Code also requires the employee to be named.

During 2012/13 the Council completed a fundamental review of its senior management arrangements. All service areas were reviewed in order to identify where senior management posts could be reduced, and how the Council could ensure that its reduced senior management capacity is focused on the delivery of its priorities as clearly as possible. The outcomes of the review were approved by the Council's Employments and Appointments Committee on 12 December 2012. Overall the review will achieve savings in annual senior management costs of £2m. This saving is in addition to the £6m annual savings achieved from 2011/12 in relation to senior management costs.

The deletion of the former Executive Director posts has meant that direct responsibility for the management of the authority has been spread more widely and a lower tier of management is now responsible for directing and controlling the major activities of the Council. These managers now report directly to the Chief Executive (the Head of Paid Service) or the Deputy Chief Executive rather than to a further tier of management as under the previous structure. As a result, while there has been a significant reduction in the overall senior management capacity and costs of the organisation, the number of officers whose remuneration must be disclosed in this note to the Statement of Accounts has increased.

The new arrangements are reflected in the Council's annual Pay Policy Statement (approved by the Council on 6 March 2013) which now includes the new role of Director in its definition of senior manager, as well as the Council's Head of Paid Service and Deputy Chief Executive. These categories include all of the Council's statutory chief officers in accordance with the Local Government and Housing Act 1989 and the Localism Act 2011.

c) Exit Packages

The Code requires the disclosure in bands of the number of exit packages and the cost of those packages to the Council during the year.

34. a) Officers with remuneration of £50,000 or more

This note shows the number of officers whose remuneration was £50,000 or more, grouped in £5,000 bands. Remuneration is defined for this disclosure as all amounts paid to or receivable by a person, including sums by way of expenses allowance (so far as those sums are chargeable to UK income tax). It also includes the estimated money value of any other benefits received by an employee otherwise than in cash, and payments made in respect of retirement and / or redundancy, but excludes employer's pension contributions

Total Remuneration	**Number of Employees 2011/12***	**2012/13**
£50,000 - £54,999	77	87
£55,000 - £59,999	43	41
£60,000 - £64,999	50	37
£65,000 - £69,999	19	24
£70,000 - £74,999	22	19
£75,000 - £79,999	5	10
£80,000 - £84,999	3	5
£85,000 - £89,999	7	5
£90,000 - £94,999	6	6
£95,000 - £99,999	3	1
£100,000 - £104,999	2	3
£105,000 - £109,999	0	2
£110,000 - £114,999	3	1
£115,000 - £119,999	1	0
£120,000 - £124,999	2	0
£130,000 - £134,999	1	0
£140,000 - £144,999	0	1
£145,000 - £149,999	0	1
£155,000 - £159,999	1	0
£175,000 - £179,999	0	1
£190,000 - £194,999	1	1
	246	**245**

**The 2011/12 figures have been restated to include Senior Officers (who are also disclosed in Note 34 b) in line with the requirements of the Code.*

34. b) Senior Officer remuneration

This note shows individual remuneration of all senior employees (as defined above) whose annualised salary is £50,000 or more. Where the annualised salary is £150,000 or more the employee is named.

Post Title and Name	Notes	2012/13 Salary (includes redundancy payments) £	2012/13 Benefits in Kind (part-year – see note 1) £	2012/13 Pension Contributions made by the Council £	2012/13 Total £
a) Senior Employees whose annual salary is £150,000 or more					
Chief Executive - S M Ramsey	2	189,222	2,806	35,006	227,034
b) Senior Employees whose annual salary is between £50,000 and £150,000					
Director of Adult Social Care	3	172,941	2,806	20,016	195,763
Deputy Chief Executive	4	136,420	9,391	25,238	171,049
Executive Director of Children and Family Services		141,514	378	766	142,658
Director of Neighbourhood Delivery		101,964	2,806	18,863	123,633
Director of Integrated Commissioning (Adult Social Care)	5	99,155	1,731	18,344	119,230
Director of Finance and Information Technology	6	99,155	1,731	18,344	119,230
Director of Social Inclusion		95,006	1,731	17,576	114,313
Director of Regeneration and Housing		90,554	1,731	16,752	109,037
Director of Business, Investment and Sustainability		90,554	1,731	16,752	109,037
Director of Change and Transformation		88,239	2,610	16,324	107,173
Director of Policy and Partnerships		88,718	1,731	16,413	106,862
Director of Community and Leisure		86,034	3,790	15,916	105,740
Director of Regulation and Enforcement		86,789	1,731	16,056	104,576
Director of Customer and Employee Services		86,789	1,731	16,056	104,576
Director of Schools and Educational Attainment		76,580	1,731	14,167	92,478
Executive Director of Neighbourhood Services		75,100	2,920	5,862	83,882

34. b) Senior Officer remuneration (continued)

NOTES

1. Benefits in Kind are the estimated financial value of taxable non-cash benefits received by an employee. The figures set out in the table above do not represent the actual costs to the Council which are generally lower. In August 2012 the Council ceased paying cash-equivalent payments for Leased Cars as a benefit in kind and additional salary remuneration was made instead.

2. The Chief Executive of the Council also fulfils the statutory role of Head of the Paid Service as set out in the Local Government and Housing Act 1989. For the period 1 April 2012 to 31 March 2013 the Chief Executive also undertook the duties of the Chief Executive of NHS Knowsley, which is a post jointly appointed and funded by both organisations. The Council received funding of £96,014 in 2012/13 from NHS Knowsley towards the total remuneration cost for this post. The previous post holder of Chief Executive of NHS Knowsley (the Executive Director Wellbeing Services) left the authority on 31 May 2012 with a termination remuneration of £87,306 which was 50% funded by NHS Knowsley, the post has since been deleted.

3. The post of Director of Adult Social Care fulfils the statutory role of Director of Adult Social Services as set out in the Local Authority Social Services Act 1970 as amended by the Children's Act 2004.

4. The Deputy Chief Executive also fulfils the statutory responsibility of Monitoring Officer for the Authority as set out in the Local Government and Housing Act 1989.

5. The Director of Integrated Commissioning (Adult Social Care) was seconded to NHS Knowsley during 2012/13 and the Council received full reimbursement of the remuneration costs from that organisation.

6. The post of Director of Finance and Information Technology fulfils the statutory role of Chief Finance Officer as set out in the Local Government Act 1972.

NOTES TO THE ACCOUNTS

34. b) Senior Officer remuneration - 2011/12 Comparator Figures

Post Title and Name	Notes	2011/12 Salary (includes redundancy payments) £	2011/12 Benefits in Kind (part-year – see note 1) £	2011/12 Pension Contributions made by the Council £	2011/12 Total £
a) Senior Officers whose annual salary is £150,000 or more					
Chief Executive - S M Ramsey	2	181,893	10,135	33,650	225,678
b) Senior Officers whose annual salary is between £50,000 and £150,000					
Deputy Chief Executive	3	125,066	8,936	23,137	157,139
Executive Director of Children and Family Services	4	114,705	10,252	21,220	146,177
Executive Director of Neighbourhood Services		109,680	9,978	20,291	139,949
c) Officers Appointed Under Statutory Requirements					
Director of Health and Social Care	5	103,821	9,028	19,207	132,056
Borough Treasurer	6	94,272	6,251	17,440	117,963

NOTES

1. Benefits in Kind are the estimated financial value of taxable non-cash benefits received by an employee. The figures set out in the table above do not represent the actual costs to the Council which are generally lower.

2. The Chief Executive of the Council also fulfils the statutory role of Head of the Paid Service as set out in the Local Government and Housing Act 1989. For the period 1 April 2011 to 31 March 2012 the Chief Executive also undertook the duties of the Chief Executive of NHS Knowsley, which is a post jointly appointed and funded by both organisations. The Council received funding of £96,014 in 2011/12 from NHS Knowsley towards the total remuneration costs for this post. For that period, the previous post holder of Chief Executive of NHS Knowsley (the Executive Director Wellbeing Services) was seconded to another organisation. The Council received full reimbursement of £170,288 from that organisation for this role and remuneration costs for that post holder are therefore not shown above. The post holder left the organisation on 31 May 2012 and the post has since been deleted.

3. The Deputy Chief Executive also fulfils the statutory responsibility of Monitoring Officer for the Authority as set out in the Local Government and Housing Act 1989. For the period 1 April 2011 to 31 May 2011 the Deputy Chief Executive also undertook the duties of the Executive Director of Regeneration, Economy and Skills while that post holder was seconded to another organisation. The Council received full re-imbursement from that organisation for this role and remuneration costs for that post holder are therefore not shown above. The post holder left the organisation on 31 May 2011 and the post has since been deleted.

4. The Executive Director of Children and Family Services also fulfils the statutory responsibility of Director of Children's Services as set out in the Children's Act 2004.

5. The post of Director of Health and Social Care fulfils the statutory role of Director of Adult Social Services as set out in the Local Authority Social Services Act 1970 as amended by the Children's Act 2004. The post is jointly appointed and was funded by the Council and NHS Knowsley. In 2011/12 the Council reviewed the funding arrangements with NHS Knowsley and agreed that the Council would no longer contribute towards the remuneration of the Director of Public Health post and NHS Knowsley would cease to contribute towards the total remuneration costs for this post.

6. The post of Borough Treasurer fulfils the statutory role of Chief Finance Officer as set out in the Local Government Act 1972.

NOTES TO THE ACCOUNTS

34. c) EXIT PACKAGES

The Council agreed exit packages for a number of employees. These packages include the costs of compulsory and voluntary redundancy costs, pension contributions in respect of added years, ex gratia payments and other departure costs.

Exit package cost band (including special payments)	Number of Compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band	
	2011/12	2012/13	2011/12	2012/13	2011/12	2012/13	2011/12 £000	2012/13 £000
£0 - £20,000	72	19	128	108	200	127	1,196	745
£20,001 - £40,000	5	0	29	21	34	21	981	547
£40,001 - £60,000	0	0	3	10	3	10	144	512
£60,001 - £80,000	0	0	3	6	3	6	201	435
£80,001 - £150,000	0	0	3	7	3	7	314	678
£150,001 - £250,000	0	0	2	0	2	0	368	0
Total	**77**	**19**	**168**	**152**	**245**	**171**	**3,204**	**2,917**

35. AUDITORS' REMUNERATION

In 2012/13, Knowsley MBC incurred the following fees relating to external audit and inspection:

2011/12 Total £000		2012/13 Pricewaterhouse Coopers LLP £000	2012/13 Audit Commission £000	2012/13 Total £000
227	Fees payable with regard to external audit services carried out by the appointed auditor	162	(9)	153
53	Fees payable for the certification of grant claims and returns	34	0	34
0	Fees payable for other services	0	0	0
280		**196**	**(9)**	**187**

NOTES TO THE ACCOUNTS

36. DEDICATED SCHOOLS GRANT

The Council's expenditure on schools is funded primarily by grant monies provided by the Department for Education, the Dedicated Schools Grant (DSG). The Dedicated Schools Grant is ring-fenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the School Finance (England) Regulations 2011. The Schools Budget includes elements for a range of educational services provided on an authority-wide basis and for the Individual Schools Budget, which is divided into a budget share for each maintained school. Details of the deployment of the Dedicated Schools Grant receivable for 2012/13 are shown in the following table.

	Central Expenditure £'000	Individual Schools Budget £'000	Total £'000
Final DSG for 2012/13 before Academy recoupment			(114,342)
Academy figure recouped for 2012/13			0
Total DSG after Academy recoupment for 2012/13			**(114,342)**
Brought forward from 2011/12			87
Carry forward to 2013/14 agreed in advance			0
Agreed initial budgeted distribution for 2012/13	(14,910)	(99,345)	(114,255)
In-year adjustments	(212)	212	0
Final budgeted distribution for 2012/13	**(15,122)**	**(99,133)**	**(114,255)**
Less Actual central expenditure	14,423		14,423
Less Actual ISB deployed to Schools		99,133	99,133
Plus local authority contribution for 2012/13	0	0	0
Carry forward to 2013/14	**(699)**	**0**	**(699)**

37. GRANT INCOME

The Council credited the following grants and contributions to the Comprehensive Income and Expenditure Statement during 2012/13:

	2011/12 £000	2012/13 £000
Credited to Taxation and Non Specific Grant Income		
National Non Domestic Rates	(90,352)	(108,359)
Revenue Support Grant	(27,928)	(2,100)
Standards Fund	(4,869)	(2,395)
Department of Transport	0	(2,324)
Local Sustainable Transport Fund	0	(951)
Local Services Support Grant	(4,732)	0
New Deal for Communities	(4,324)	0
Highways Supported Capital Grant	(2,592)	0
Local Area Agreement Grant	(1,283)	0
Regional Housing Pot Capital Grant	(256)	0
Other	(4,527)	(968)
Total	**(140,863)**	**(117,097)**

NOTES TO THE ACCOUNTS

37. GRANT INCOME (cont'd)

	2011/12 £000	2012/13 £000
Credited to Services		
Dedicated Schools Grant	(114,028)	(113,957)
Council Tax / Housing Benefit Rebates Grant	(101,867)	(96,415)
Private Finance Initiative Subsidy	(16,364)	(23,768)
Early Intervention Grant	(11,093)	(11,461)
Learning Disability and Health Reform Grant	(6,330)	(6,938)
Pupil Premium	(3,130)	(5,531)
European Social Fund	(4,480)	(4,548)
Learning and Skills Council	(2,670)	(2,986)
Benefit Verification Framework / Fraud Incentive / Tax Credits	(2,147)	(1,879)
Council Tax Freeze Grant	(1,313)	(1,316)
Disabled Facilities Grant	(1,155)	(1,205)
Youth Justice Board	(603)	(570)
European Regional Development Fund	(394)	(338)
Regional Housing Programme Capital Grant	(1,720)	(208)
Standards Fund	(1,670)	(174)
Adult Personal Social Services Grant	(65)	(59)
Lottery	(103)	(3)
Future Jobs Fund	(4,580)	0
Social Care Reform Grant	(853)	0
North West Development Agency	(254)	0
New Deal for Communities	(181)	0
Other	(4,895)	(5,414)
Total	**(279,895)**	**(276,770)**

38. RELATED PARTY TRANSACTIONS

The Council is required to disclose material transactions with related parties. Related parties are individuals or organisations that have the potential to control or influence the Council or be controlled or influenced by the Council. The following identifies the Council's related party transactions during 2012/13:

Central Government
The Government has effective control over the general operations of the Council. It is responsible for providing the statutory framework within which the Council operates and provides funding in the form of grants. Grants received from government departments are set out in the subjective analysis in Note 29 on reporting for resource allocation decisions. Grant receipts outstanding at 31 March 2013 are shown in Note 20 (Short term Creditors) and Note 23 (Capital Grants Receipts in Advance).

Subsidiary and Associated Companies
Details of the Council's interests in companies are set out in Note 48 to the Accounts.

NOTES TO THE ACCOUNTS

Other Public Bodies

- **Primary Care Trust**
  The Council established a partnership agreement with Knowsley Primary Care Trust during 2004/05 using powers originally under Section 31 of the Health Act 1999 (see Note 32 to the Accounts) and then under section 75 of the NHS Act 2006. These partnership arrangements remained in place until the abolition of the Primary Care Trust on 31st March 2013. During 2012-2013 the Borough's Shadow Health and Wellbeing Board provided oversight of the partnership arrangements. The Shadow Board included five Council Members plus senior Council Officers in its membership. Under this partnership agreement, a number of the Council's officers were funded jointly by the Council and the Primary Care Trust.

  A revised Section 75 agreement has since been put in place between the Council and the new Clinical Commissioning Group with effect from 1 April 2013.

- **Pension Fund**
  Full details of the Council's Pension Fund transactions are disclosed in Note 43 to the Accounts and the Accounting Policies. One Member of the Council is a member of the Merseyside Pension Fund Committee.

- **Knowsley Housing Trust**
  The Board of Knowsley Housing Trust includes three Council Members out of a total of 18 Members who have expressed an interest. Transactions to Knowsley Housing Trust consisted of £5.349m in payments and £1.918m in receipts. At 31 March 2013 outstanding debtors totalled £0.003m and creditors totalled £0.084m.

Transactions relating to Other Public Bodies also included

- Merseytravel £0.179m
  Five Members have expressed an interest. At 31 March 2013 outstanding debtors totalled £0.818m and creditors totalled £0.051m.

- Police and Crime Commissioner for Merseyside (formally Merseyside Police Authority) £0.678m
  The Board includes one Council Member. At 31 March 2013 outstanding debtors totalled £0.030m and creditors totalled £0.127m.

- Merseyside Fire Authority £0.005m
  The Board included two Council Members out of the four Members who have expressed an interest. At 31 March 2013 outstanding creditors totalled £0.008m.

- Merseyside Passenger Transport Authority
  The Board includes two Council Members. Apart from the Levy, there were no other transactions and no debtors or creditors as at 31 March 2013.

- Merseyside Recycling and Waste Authority £0.003m
  The Board included one Council Member. At 31 March 2013 outstanding debtors totalled £0.026m and creditors totalled £0.001m.

- Wirral MBC £4.621m
  Two Council Members have expressed an interest. At 31 March 2013 outstanding debtors totalled £0.001m and creditors totalled £0.953m.

NOTES TO THE ACCOUNTS

Members' Interests

Members of the Council have direct control over the Council's financial and operational policies. During 2012/13, works and services totalling £0.956m were commissioned from organisations in which six Members had an interest. Contracts were entered into in full compliance with the Council's Constitution. Payments and grants totalling £30.058m were paid to housing associations, hospital trusts, and voluntary organisations, in which there were 118 expressions of interest from Members. In all cases, the relevant Members have declared their interest and taken no part in any prejudicial discussion or decision relating to the transactions.

Officers' Interests

During 2012/13, one Director expressed an interest in to which total payments of £0.009m were made during the year. No other specific interest declarations were made surrounding activities falling outside normal duties.

NOTES TO THE ACCOUNTS

39. CAPITAL EXPENDITURE AND CAPITAL FINANCING

The total amount of capital expenditure incurred in the year is shown in the table below (including the value of assets acquired under finance lease and Private Finance Initiative contracts), together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Council, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Council that has yet to be financed. The CFR is analysed in the second part of this note.

2011/12 £000		2012/13 £000
246,522	*Opening Capital Financing Requirement*	259,606
	Capital Investment	
50,143	- Property, Plant and Equipment	36,010
159	- Investment Properties	174
569	- Intangible Assets	19
199	- Heritage Assets	64
0	- Assets Held for Sale	187
4,989	- Revenue Expenditure Funded from Capital Under Statute	2,954
	Sources of Finance	
(23,624)	- Government Grant and Other Contributions	(9,081)
(1,032)	- Capital Receipts	(1,487)
(8,150)	- Direct Revenue Contributions	(2,759)
(10,169)	- Statutory Provision for Repayment of Debt	(13,087)
259,606	***Closing Capital Financing Requirement***	**272,600**
	Movements in Year:	
3,840	Increase/(decrease) in underlying need to borrow	(11,369)
6,510	Assets Acquired under PFI Contracts	24,102
0	Assets Acquired under Finance Leases	0
2,734	Capital Receipts applied that had been transferred to Capital Adjustment Account in previous years	261
13,084	**Increase in Capital Financing Requirement**	**12,994**

NOTES TO THE ACCOUNTS

40. LEASES

Finance Leases

The Council has acquired its community information network under finance lease. The assets acquired under this lease are carried as Property, Plant and Equipment in the Balance Sheet at the following net amounts:

31 March 2012 £000		31 March 2013 £000
1,732	Vehicles, Plant, Furniture and Equipment	1,196
1,732		**1,196**

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

31 March 2012 £000		31 March 2013 £000
	Finance lease liabilities (net present value of minimum lease payments):	
561	- current	577
1,171	- non current	594
99	Finance costs payable in future years	51
1,831	Minimum lease payments	**1,222**

NOTES TO THE ACCOUNTS

40. LEASES (cont'd)

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

	Minimum Lease Payments		Finance Lease Liabilities	
	31 March 2012 £000	31 March 2013 £000	31 March 2012 £000	31 March 2013 £000
Not later than one year	611	611	561	577
Later than one year and not later than five years	1,220	611	1,171	594
Later than five years	0	0	0	0
	1,831	**1,222**	**1,732**	**1,171**

Operating Leases

The Council has acquired its fleet of refuse collection and other industrial vehicles by entering into operating leases, with typical lives of seven years. The future minimum lease payments due under non-cancellable leases in future are:

31 March 2012 £000		31 March 2013 £000
4	Not later than one year	4
0	Later than one year and not later than five years	0
0	Later than five years	0
4		**4**

The expenditure charged to the Environmental and Regulatory Services line in the Comprehensive Income and Expenditure Statement during the year in relation to these leases was:

2010/12 £000		2011/13 £000
6	Minimum lease payments	4
6		**4**

41. IMPAIRMENT OF ASSETS

The Council's approach to impairment of assets is set out in the Council's accounting policies. The amounts that have been recognised as charges to cost of service are £0.549m (£13.783m in 2011/12). These charges related to the demolition of an old primary school sites as a result of building the Council's new Primary Learning Centres. These charges have been made to cost of service under Education and Children's Services.

NOTES TO THE ACCOUNTS

42. TERMINATION BENEFITS

The Council terminated the contracts of 171 employees during 2012/13, incurring liabilities of £2.917m (£3.204m in 2011/12) as per Note 34 – Officer's Remuneration. The payments were made to officers who left the employment of the Council to enable the Council to realise the approved budget savings.

43. PENSION SCHEMES

The Council participates in two pension schemes:

Teachers Pension Scheme – Defined Benefit Scheme: Teachers employed by the Council are members of the Teachers Pensions Scheme, administered by the Department for Education. The scheme provides teachers with specified benefits upon their retirement, and the Council contributes towards the cost by making contributions based on a percentage of the members' pensionable salaries. The scheme is technically a defined benefit scheme. However, the Scheme is unfunded and the Department for Education uses a notional fund as the basis for calculating the employers' contribution rate paid by local authorities. The Council is not able to identify its share of the underlying financial position and performance of the scheme with sufficient reliability for accounting purposes. For the purposes of the Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme.

In 2012/13, the Council paid an employer's contribution of £6.118m (£6.413m in 2011/12), representing 14.07% (14.1% in 2011/12) of employees' pensionable pay, to the Department for Education, 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 2012/13, these amounted to £1.458m (£1.410m in 2011/12), representing 3.4% (3.2% in 2011/12) of pensionable pay.

Other Employees and Members – Defined Benefit Pension Schemes: As part of the terms and conditions of employment of its officers, the Council makes contributions towards the cost of post-employment benefits. Although these benefits will not actually be payable until employees retire, the Council has a commitment to make the payments that need to be disclosed at the time that employees earn their future entitlement. The Council participates in the Local Government Pension Scheme, which is administered by the Merseyside Pension Fund – this is a defined benefit scheme where the Council and employees pay contributions to the fund, calculated at a level intended to balance the pensions liabilities with investment assets.

The transactions that are included in the 2012/13 Comprehensive Income and Expenditure Statement in respect of the Council's pensions scheme are set out in the following table, based upon information provided to the Council by the Pension Fund's independent actuary. The cost of retirement benefits is 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 accounts as indicated in the Movement in Reserves Statement.

NOTES TO THE ACCOUNTS

43. PENSION SCHEMES (Cont'd)

	Merseyside Pension Fund		Teachers Added Years		Total	
	2011/12	2012/13	2011/12	2012/13	2011/12	2012/13
	£000	£000	£000	£000	£000	£000
Cost of Services:						
Current Service Cost	11,841	12,443	0	0	**11,841**	**12,443**
Past Service or Curtailment or Settlement Costs	978	502	0	0	**978**	**502**
	12,819	12,945	0	0	**12,819**	**12,945**
Financing and Investment Income and Expenditure:						
Interest Cost	34,273	33,039	972	836	**35,245**	**33,875**
Expected Return on Assets	(27,176)	(24,544)	0	0	**(27,176)**	**(24,544)**
	7,097	8,495	972	836	**8,069**	**9,331**
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	19,916	21,440	972	836	**20,888**	**22,276**
Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement:						
Actuarial Losses	40,649	56,043	632	2,446	**41,281**	**58,489**
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	60,565	77,483	1,604	3,282	**62,169**	**80,765**
Movement in Reserves Statement						
Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	(19,916)	(21,440)	(972)	(836)	**(20,888)**	**(22,276)**
Actual amount charged against the General Fund Balance for pensions in the year:						
Employers' contributions payable to scheme	17,350	16,777	1,410	1,458	**18,760**	**18,235**

In addition to the recognised gains and losses included in the Comprehensive Income and Expenditure Statement, an actuarial loss of £58.489m (£41.281m loss in 2011/12) is included in Other Comprehensive Income and Expenditure.

NOTES TO THE ACCOUNTS

	Funded Liabilities: Merseyside Pension Fund		Unfunded Liabilities: Teachers Pension Fund		Total	
	2011/12 £000	2012/13 £000	2011/12 £000	2012/13 £000	2011/12 £000	2012/13 £000
Reconciliation of Liabilities						
1 April	(627,304)	(677,666)	(18,699)	(18,893)	(646,003)	(696,559)
Current Service Cost	(11,841)	(12,443)	-	-	(11,841)	(12,443)
Interest Cost	(34,273)	(33,039)	(972)	(836)	(35,245)	(33,875)
Contributions	(4,817)	(4,695)	-	-	(4,817)	(4,695)
Actuarial Losses	(23,427)	(87,097)	(632)	(2,446)	(24,059)	(89,543)
Benefits Paid	24,974	23,917	1,410	1,458	26,384	25,375
Past Service Costs	(978)	(502)	-	-	(978)	(502)
31 March	**(677,666)**	**(791,525)**	**(18,893)**	**(20,717)**	**(696,559)**	**(812,242)**

Merseyside Pension Fund

	2011/12 £000	2012/13 £000
Reconciliation of Assets		
1 April	418,380	425,527
Expected rate of return	27,176	24,544
Actuarial gains and (losses)	(17,222)	31,054
Employer Contributions	17,350	16,777
Contributions by scheme members	4,817	4,695
Benefits paid	(24,974)	(23,917)
31 March	**425,527**	**478,680**

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

The actual return on scheme assets in the year was £55.598m (2011/12: £9.954m). Total liabilities (including Teacher's Pensions) exceed assets by £333.562m (2011/12: £271.032m). The Fund's Actuary is required to set contribution rates to meet 100% of the overall liabilities of the Fund.

NOTES TO THE ACCOUNTS

Scheme History

	2008/09 £000	2009/10 £000	2010/11 £000	2011/12 £000	2012/13 £000
Present value of liabilities:					
Merseyside Pension Fund	(481,742)	(668,917)	(627,304)	(677,666)	(791,525)
Teachers Pension Fund	(16,772)	(19,514)	(18,699)	(18,893)	(20,717)
Fair value of assets:					
Merseyside Pension Fund	298,398	396,207	418,380	425,527	478,680
Surplus / Deficit in the scheme:					
Merseyside Pension Fund	(183,344)	(272,710)	(208,924)	(252,139)	(312,845)
Teachers Pension Fund	(16,772)	(19,514)	(18,699)	(18,893)	(20,717)
Total	**(200,116)**	**(292,224)**	**(227,623)**	**(271,032)**	**(333,562)**

The liabilities show the underlying commitments that the authority has in the long run to pay retirement benefits. The total liability of £333.562m has a substantial impact on the net worth of the authority as recorded in the Balance Sheet. However, statutory arrangements for funding the deficit mean that the financial position of the authority remains healthy:

- the deficit on the Merseyside Pension Fund will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary,
- finance is only required to be raised to cover Teachers' pensions when the pensions are actually paid.

The total contributions expected to be made to the Merseyside Pension Fund by the Council in the year to 31 March 2014 is £17.053m.

Basis for Estimating Assets and Liabilities

The liabilities are the underlying commitments that the Council has to pay for retirement benefits in the future. These have been assessed by the Fund's actuaries, Mercer Limited, using estimates of pension benefits payable in future years, based on assumptions of mortality rates, salary levels and other financial estimates.

NOTES TO THE ACCOUNTS

The principal assumptions used by the actuary have been:

	Merseyside Pension Fund		Teachers Pension Fund	
	2011/12	2012/13	2011/12	2012/13
Long-term expected rate of return on assets in the scheme:				
Equities	7.0%	7.0%	n/a	n/a
Government bonds	3.1%	2.8%	n/a	n/a
Other bonds	4.1%	3.9%	n/a	n/a
Property	6.0%	5.7%	n/a	n/a
Cash/Liquidity	0.5%	0.5%	n/a	n/a
Other	7.0%	7.0%	n/a	n/a
Mortality assumptions:				
Longevity at 65 for current pensioners				
Men	21.5	21.8	21.5	21.8
Women	24.2	24.7	24.2	24.7
Longevity at 65 for future pensioners				
Men	22.8	23.7	22.8	23.7
Women	25.8	26.6	25.8	26.6
Actuarial assumptions:				
Rate of CPI inflation	2.5%	2.4%	2.3%	2.4%
Rate of increase in salaries	4.0%	3.9%	n/a	n/a
Rate of increase in pensions	2.5%	2.4%	2.3%	2.4%
Rate for discounting scheme liabilities	4.9%	4.2%	4.6%	3.7%

The Teachers Pension Scheme has no assets to cover its liabilities. The Merseyside Pension Fund's assets consist of the following categories, by proportion of the assets held:

	2011/12	2012/13
Equities	59.1%	60.6%
Government Bonds	15.7%	15.7%
Other Bonds	4.0%	3.6%
Property	9.3%	8.3%
Cash / Liquidity	2.2%	2.3%
Other Assets	9.7%	9.5%
	100.0%	**100.0%**

History of Experience Gains and Losses

The actuarial gains and losses identified as movements on the Pensions Reserve in 2012/13 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March:

	2008/09	2009/10	2010/11	2011/12	2012/13
	%	%	%	%	%
Differences between the expected and actual return on assets	(29.6)	(20.5)	0.1	4.0	6.5
Experience gains and losses on liabilities	0.0	0.0	(6.9)	0.0	0.0

NOTES TO THE ACCOUNTS

44. CONTINGENT LIABILITIES

The Council is aware that there is a risk that possible future costs could arise from the local implementation of the national single status agreement. The Council has undertaken a comprehensive job evaluation exercise with the aim of resolving the issue with a break even outcome in respect of future costs. It is however recognised that there may be a one-off cost to the Council in respect of implementing the revised pay arrangements, but the Council is currently working towards achieving a settlement that is cost neutral on an ongoing basis.

There are no other significant contingent liabilities at 31 March 2013 other than those that have been properly recorded and disclosed in the financial statements. In particular:

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

45. CONTINGENT ASSETS

The Council had no contingent assets as at 31 March 2013.

46. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

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

- Credit risk – the possibility that a party to a financial instrument might fail to pay amounts contractually due to the Council;
- Liquidity risk – the possibility that the Council might not have cash available to meet its contractual commitments; and
- Market risk – the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates and stock market movements.

The Council's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on Council resources. Risk management is carried out by a central team with written policies. The Council's approach to financial instruments is strengthened by its adoption of CIPFA's Code of Practice on Treasury Management in the Public Services; its 2012/13 Treasury Management Strategy (approved by the Council on 7 March 2012); and its Treasury Management Practices (TMPs) that include specific areas such as interest rate risk, credit risk, and the investment of surplus cash. The Council's Treasury Management Strategy, together with its TMP's are based on seeking the highest rate of return consistent with proper levels of security and liquidity.

In accordance with CIPFA's Prudential Code, the Council has set and regularly monitors treasury management indicators for the following three years to control key financial instrument risks. Accordingly, these indicators limit:

- The Council's overall borrowing;
- Its maximum and minimum exposures to fixed and variable interest rates;
- Its maximum and minimum exposures regarding the maturing structure of its debt; and
- Its maximum exposures to investments maturing beyond one year.

NOTES TO THE ACCOUNTS

Credit risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers. The Council manages credit risk by ensuring that investments are placed with the Debt Management Office, other Local Authorities, Police Authorities, AAA-rated money market funds and Banks and Building Societies of sufficiently high credit quality as set out in the Treasury Management Strategy.

The Council's policy is to ensure that high investment rates are not secured at the expense of unacceptable credit risk, by capping its exposure to financial institutions. As many separate institutions increasingly fall under a single group umbrella, where one banking licence is held by a parent company, the Council also sets group limits in order to minimise its counterparty risk to a single banking group.

The Council is alerted to changes in credit ratings through the use of its advisor's creditworthiness service. If a downgrade results in the counterparty or investment scheme no longer meeting the Council's minimum criteria for that class of investment, its further use as a new investment is immediately restricted to a lesser category or, if necessary, withdrawn completely until such a time as the counterparty's financial standing improves again.

Fitch's long term rating AAA denotes the highest credit quality with the lowest expectation of default risk. The lowest Fitch long term rating the Council used at the balance sheet date was A which denotes a high credit quality with an expectation of low default risk.

Fitch's short term rating F1 denotes the highest short term credit quality, indicating the strongest intrinsic capacity for timely payment of financial payments. An added "+" denotes any exceptionally strong credit features. The lowest Fitch short term rating the Council used at the balance sheet date was F1.

Fitch's Viability ratings replace individual ratings and are designed to be internationally comparable and represent Fitch's view as to the intrinsic creditworthiness of an issuer. Viability ratings are assigned to bank operating companies, bank holding companies and in limited cases, to similar legal entities where it is considered useful to clarify the source of an entity's financial strength.

Viability ratings represent not only the capacity of a rated entity to meet its obligations in the absence of extraordinary support but also in the absence of extraordinary constraints (e.g., transfer and convertibility risk). As such, viability ratings represent the capacity of the bank to maintain ongoing operations and to avoid failure, the latter being indicated by extraordinary and company specific measures becoming necessary to protect against a bank's default.

Fitch's viability rating aaa denotes the highest fundamental credit quality and f denotes the lowest i.e. an opinion of failure. An added "+" or "−" may be appended to a rating to denote relative status within major rating categories. The lowest Fitch Viability rating the Council used at the balance sheet date (excluding UK Nationalised and part nationalised banks that do not have this rating) was "a" that denotes a high fundamental credit quality.

The Council considers deposits made with UK Nationalised and Part Nationalised banks as effectively being made, at least in part, to the UK Government and are therefore considered low risk by the Council as long as the UK government support continues.

NOTES TO THE ACCOUNTS

Fitch's support ratings are an assessment of a potential supporter's propensity to support a bank/building society and of its ability to support it. Its propensity to support is a judgement made by Fitch ratings. Its ability to support is set by the potential supporter's own Issuer Default Ratings. A scale of 1-5 is used where 1 indicates a bank where there is an extremely high probability of external support and 5 is where external support, although possible, cannot be relied upon. The lowest Fitch support rating the Council had used at the balance sheet date was 1.

While the collapse of the Icelandic banks in 2008 did not directly affect the Council, it served to highlight the limitations of sole reliance on credit ratings which traditionally look at an institution's basic financial position and focus on the longer term view of the firm. The Council's advisors now provide additional analysis of the spread of credit default swaps (financial instruments which insure against debt default) held by a counterparty, as an overlay to the credit ratings to provide extra information to ascertain the market's perception of the credit quality of an institution. The Council uses this market information in conjunction with the usual credit rating analysis to provide a more rounded assessment of the creditworthiness of an institution, and thereby assess credit risk more effectively.

The Council will also lend to other local authorities from time to time, according to demand for funds and return available. While most local authorities do not have any credit ratings, due to their nature they are considered to pose negligible risk for the Council's funds.

At the balance sheet date the credit criteria in respect of investments held by the Council was as follows:

Counterparty Category	**Criteria**					**Maximum Investment & Duration per Institution / Group**	**Total Exposure 31 March 2013 £000**
	Country Rating	**Fitch Long Term Rating**	**Fitch Short Term Rating**	**Fitch Viability Rating**	**Fitch Support Rating**		
UK Bank	UK AAA	A	F1	a	1	£18m / up to 100 days	18,000
UK Bank	UK AAA	A	F1	a	1	£18m / up to 12 months	18,000
UK Building Society	UK AAA	A+	F1	a+	1	£18m / up to 12 months	11,500
UK Banks (part nationalised)	UK AAA	A	F1	n/a	1	£25m / up to 6 months	36,570 (investments held with two groups within this category)
UK Treasury Stock	Not applicable					Not applicable	3
Total Exposure to Credit Risk from Investments at 31 March 2013							**84,073**
Accrued interest at 31 March 2013							**216**
Total Exposure to Credit Risk including accrued interest at 31 March 2013							**84,289**

NOTES TO THE ACCOUNTS

The following analysis (excluding amounts held in the Council's own bank account and services covered by statute and not contractually based where the credit risk is deemed minimal) summarises the Council's potential maximum exposure to credit risk, based on past experience of default and uncollectability, adjusted to reflect current market conditions:

	Amount at 31 March 2013 (carrying amount) £000	Historical experience of default %	Historical experience adjusted for market conditions at 31 March 2013 %	Estimated maximum exposure at 31 March 2013 £000	Estimated maximum exposure at 31 March 2012 £000
Total Investments	84,289	0	0	0	0
Mortgagors	267	0	0	0	0
Car Loans/Employee Related Debtors	218	0	0	0	0
Other Debtors	12,392	10	12	1,487	1,738
Total	**97,166**			**1,487**	**1,738**

There were no instances of counterparties failing to meet contractual obligations in relation to deposits maturing during the financial year; and the Council does not expect any future losses from non-performance by any of its counterparties in relation to investments outstanding at the balance sheet date.

The only experience of default on investments that local authorities have experienced over the last five years was from the Icelandic banks defaulting in October 2008. In accordance with the Council's investment priorities of the security of capital and the liquidity of its investments, the Council has no exposure to Icelandic Banks as they have never featured on the Council's approved lending list.

On 31 March 2013 the Council held 56 mortgage accounts with outstanding loan amounts of £0.267m. Although a number of these accounts have arrears, the sum is only £0.012m. It has not been necessary to refer any accounts for legal action, as the arrears are for less than 4 months charges and are in managed arrangements to clear the debt due. The value of the mortgagee's home is secured as collateral against the default risk. Cases with arrears exceeding three months are routinely monitored, and the Council uses a specialist Loan and Mortgages Administrative Service to manage the accounts and recover arrears.

Both car loans and other employee related debt are recovered through automatic salary deductions, thereby eliminating any risk of default. If an employee leaves the Council and has debt outstanding, the credit risk is transferred to other entities and individuals.

Other debtors at 31 March 2013 include £11.122m of contractually based other entities and individuals, £1.234m of contractually based other local authority debtors and £0.036m of contractually based public corporations and trading funds. The Council does not generally allow credit for customers, such that £1.845m of the total other entities and individuals balance is past its due date for payment. The past due amount can be analysed by age as follows:

	£000
Less than three months	1,194
Three to six months	84
Six months to one year	134
More than one year	433
	1,845

NOTES TO THE ACCOUNTS

The Council has a clearly documented credit policy setting out the Council-wide responsibilities to minimise the risk to the Council of income that cannot be collected, or is difficult to collect. Debt is managed centrally with system-based recovery routines and overdue letter cycles. All available recovery methods are utilised including telephone collection, external collection agents, bankruptcy and charging orders where appropriate. A comprehensive analysis of all outstanding debt is undertaken, and collection performance monitored and reported to senior management, on a monthly basis throughout the year.
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The Council makes a provision for past due debtors based on the actual collection performance of previous years and according to the perceived level of risk associated with those debtors. All activities are supported by written procedures and policies including a Debt Recovery Strategy, Write-Off Policy and Partnership Working Agreement with Legal Services.

Liquidity Risk

The Council has a comprehensive cash flow management system that seeks to ensure that cash is available as needed. In addition to maintaining liquid balances that can be drawn upon as required, the Council has ready access to borrowings both from the Public Works Loans Board and commercial lenders. Therefore, there is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. Instead, there is a risk that the Council will be bound to replenish a significant proportion of its longer term debt portfolio at a time of unfavourable interest rates. The strategy is therefore to keep the upper limit of fixed rate borrowing to mature in each period as shown in the table below:

Maturity period of fixed rate borrowing	Upper limit of fixed rate borrowing to mature in each period	Public Works Loan Board maturity at 31 March 2013 £000	Lender Offer Borrower Option maturity at 31 March 2013 £000	Total maturity at 31 March 2013 £000	Actual % maturity of fixed rate borrowing at 31 March 2013
Under 12 months	20%	1,511	12,497	14,008	12
1-2 years	20%	16	5,000	5,016	4
2-5 years	50%	17	0	17	0
5-10 years	80%	1,172	0	1,172	1
10 years and above	100%	100,100	0	100,100	83
		102,816	**17,497**	**120,313**	

The Council has £17.497m of “Lender’s offer, borrower’s option” (LOBO) loans where the lender has the option to propose an increase in the rate payable once the loan falls out of the fixed rate period and becomes “callable” on a semi-annual basis. Of the £12.497m LOBO’s shown in the fixed rate maturity period of under 12 months, the Council has a LOBO with a principal balance of £6.300m that became callable from 1 May 2012. If this LOBO is called and the rate changed by the Lender, the Council will have the option to accept the new rate or repay the loan without penalty. Due to current low interest rates, in the unlikely event that the lender exercises its option, the Council is likely to repay this loan. The maturity date is therefore uncertain but the Council shows all LOBO’s in the maturity period that their fixed period ends to ensure sufficient funds are available to repay the loans if called.

Through a combination of careful planning of new loans taken out and making early repayments where it is economic to do so, the Council ensures that prudential targets are achieved. All trade and other payables are due to be paid in less than one year.

NOTES TO THE ACCOUNTS

Market Risk

Interest Rate Risk

The Council is exposed to risk in terms of its exposure to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Council. For instance, a rise in interest rates would have the following effects:

- borrowings at variable rates – interest charged to the Comprehensive Income and Expenditure Statement will rise;
- borrowings at fixed rates – the fair value of the liabilities will fall;
- investments at variable rates – interest credited to the Comprehensive Income and Expenditure Statement will rise;
- investments at fixed rates – the fair value of the assets will fall.

Investments and loans borrowed are not carried on the Balance Sheet at fair value, so changes in their fair value will have no impact on the Comprehensive Income and Expenditure Statement. Changes in interest payable and receivable on variable rate borrowings and investments would be posted to the Surplus or Deficit on the Provision of Services. However, the Council did not hold any variable rate borrowing as at 31 March 2013. Movements in the fair value of fixed rate investments classed as "available for sale" would be reflected in Other Comprehensive Income and Expenditure if material.

The Council has a number of strategies for managing interest rate risk. The treasury management strategy is to aim to keep a maximum of 50% of borrowings in variable rate loans. At 31 March 2013, the Council had no exposure to variable rate borrowing. The treasury management team receives professional advice and has a strategy for assessing interest rate exposure that feeds into the setting of the annual budget and which is used to update the budget quarterly during the year. This allows any adverse changes to be accommodated. The analysis will also advise whether new borrowing taken out is fixed or variable.

According to this assessment strategy, at 31 March 2013, if interest rates had been 1% higher with all other variables held constant, the financial effect would be as follows:

	£000
decrease in fair value of fixed rate investment assets (no impact on Comprehensive Income and Expenditure Statement)	189
decrease in fair value of fixed rate borrowings liabilities (no impact on Comprehensive Income and Expenditure Statement)	19,724

The impact of a 1% fall in interest rates would be as above but with the movements being reversed.

Currency Exchange Risk

On the balance sheet date The Council held approximately £0.162m financial assets and £0.150m liabilities denominated in Euro's. The Council does not consider it is exposed to any significant risk of adverse movements in the currency exchange rate.

Price risk

Under its Treasury Management Strategy, the Council does not invest in equity shares and is therefore not exposed to losses arising from fluctuations in the stock market.

NOTES TO THE ACCOUNTS

47. TRUST FUNDS

The Council administers the King George V Playing Fields Trust Fund as sole trustee.

	Balance 31 March 2012 £000	Receipts £000	Payments £000	Balance 31 March 2013 £000
King George V Playing Fields *A permanent Endowment from the sale of land left to KMBC from benefactors*	828	4	4	828

Other funds administered by the Council

The Council also administers other funds. These Funds are related principally to legacies left by individual benefactors over a period of years.

	Balance 31 March 2012 £000	Receipts £000	Payments £000	Balance 31 March 2013 £000
Health and Social Care Trust Funds (Note i)	269	125	89	305
Huyton Distress Fund *Long standing trust fund – for hardship cases within the area of Huyton*	43	1	0	44
Children and Family Services Trust Funds (Note ii)	8	0	0	8
Larry Nolan *Created in August 2007 and became a trust fund in October 2008. The plans for the fund include prizes for the Larry Nolan Award, funding of a memorial and the development of a young person's areas in Huyton Library*	36	0	35	1
Sean Hughes *Established in 1990, deed amended in May 2000 – to promote the study of history and/or politics by awarding scholarships or bursaries and to create a dedicated section within Huyton Library providing books on history and/or politics purchased through the fund. Funding has been transferred to KCVS.*	15	0	15	0
Charles McGhee *Established in 1982 – to provide holidays for the disabled who reside in the borough*	7	12	0	19
Fred Curran *Established in 1990 – to provide funding assistance for disabled athletes who reside in the borough relevant to training for and participation in Special Olympics*	53	0	0	53
Mayors Charity *Established in 1975 – to raise funds for charitable purposes in the borough as the trustees see fit*	27	26	36	17
	458	**164**	**175**	**447**

NOTES TO THE ACCOUNTS

47. TRUST FUNDS (Cont'd)

Note i) These funds include:

Criminal Injury Client Funds	Client funds held in trust due to criminal injuries.
Edmund S Morrow	Client funds to be released to learning disability revenue.
Area Child Protection	Contribution in excess of expenditure for Knowsley Child Protection Committee - developments under way to use some of this money in the next few years.
Appointee Client Funds	Client funds held by the Council where the Council has been made the appointee.

Note ii) These funds include:

Huyton Higher Education Prize	Established in 1944 (approximately) as an annual prize for attendance and progress at evening classes.
Huyton with Roby CE Endowment	The Trust was transferred from Lancashire to Knowsley in 1974 and is thought to date back to 1829.

NOTES TO THE ACCOUNTS

48. INTEREST IN COMPANIES

2020 Knowsley Limited

2020 Knowsley Limited was set up on 1 April 2005 as a formally incorporated Company between the Council and 2020 Liverpool Limited (itself an incorporated company between Liverpool City Council and Mouchel Parkman Services Limited) for the purpose of providing a range of design consultancy services as described in its Services Partnering Agreement between the company and the Council. 2020 Liverpool Limited. has a majority shareholding of 801 (80.1%) of the 1000 £1 ordinary shares. The Council's holding of 199 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 including accumulated losses.

The company had net assets of £0.026m at 31 March 2013 (net liabilities of £0.101m at 31 March 2012) and reported a pre tax profit of £0.133m as at that date (loss of £0.036m in 2011/12). Copies of the company's accounts can be obtained from Peter Seddon, 2020 Knowsley Limited, 9 West Street, Prescot Knowsley, Merseyside, L34 1LF.

49. GROUP ACCOUNTS

The Council, where it has an interest in entities that would otherwise be regarded as subsidiaries, associates or joint ventures, is required to produce supplementary information in the form of summarised group accounts. The Council has reviewed its relationships with third parties under these requirements and has concluded that for 2012/13 it has no such interests.

COLLECTION FUND STATEMENT

The Collection Fund (England) is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers and distribution to local authorities and the Government of council tax and non-domestic rates.

2011/12 £000		2012/13 £000	2012/13 £000
	Income		
(42,622)	Council Tax Receivable		(43,385)
	Transfers from General Fund		
(20,144)	- Council Tax Benefit		(20,095)
(62,766)			(63,480)
(38,412)	Income Collectable from Business Ratepayers		(40,260)
157	Contribution towards previous year's (deficit)/surplus		0
(101,021)	**Total Income**		**(103,740)**
	Expenditure		
62,547	Precepts and Demands (Note 1)		63,042
	Business Rates		
38,276	- Payment to National Non Domestic Rate Pool	40,124	
136	- Costs of Collection	136	
			40,260
	Bad and Doubtful Debts		
257	- Write-offs		438
0	- Allowance for non-collection		
101,216	**Total Expenditure**		**103,740**
195	**Movement on fund balance**		**0**
	Collection Fund Balances		
(195)	Balance at beginning of year		0
195	Movement on fund balance		0
0	**(Surplus)/Deficit at end of year**		**0**

NOTES TO THE COLLECTION FUND

1. PRECEPTS AND DEMANDS

The following table shows the authorities who have made a significant precept or demand on the Collection Fund in 2012/13:

2011/12 Total £000		Precept/ Demand £000	Share of 31 March 2013 Surplus £000	Total £000
53,657	Knowsley Metropolitan Borough Council	53,832	0	53,832
6,161	Merseyside Police Authority	6,364	0	6,364
2,729	Merseyside Fire and Rescue Authority	2,846	0	2,846

2. COUNCIL TAX BASE 2012/13

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 Ratio	Band D Equivalent
A	Up to £40,000	36,873	6/9	24,582
B	£40,001 to £52,000	13,125	7/9	10,208
C	£52,001 to £68,000	8,816	8/9	7,836
D	£68,001 to £88,000	3,881	9/9	3,881
E	£88,001 to £120,000	1,484	11/9	1,814
F	£120,001 to £160,000	262	13/9	379
G	£160,001 to £320,000	126	15/9	210
H	Over £320,000	17	18/9	34
		64,584		48,944
Less Exemptions and Discounts				(6,393)
Collection Rate (Estimated)				99.3%
Council Tax Base 2012/13				**42,253**

NOTES TO THE COLLECTION FUND

3. 2012/13 Council Tax

The 2012/13 basic amount of Council Tax for properties at Band D was calculated as follows:

	£000	£000
Total Budget Requirement		**267,245**
Less Resources:		
Revenue Support Grant		(102,954)
National Non-Domestic Rate Pool		(110,459)
Demand on the Collection Fund		**53,832**

$$\frac{\text{Demand on the Collection Fund (£)}}{\text{Council Tax Base (Band D Equivalents)}} = \frac{53,831,883}{42,253}$$

= Basic Amount of Council Tax at Band D (£)	**1,274.04**

4. NATIONAL NON-DOMESTIC RATES (BUSINESS RATES)

The National Non Domestic Rate (more commonly known as the Business Rate) is organised on a national basis. The Government specifies a rate in the pound and, subject to any transitionary arrangements, local businesses pay rates calculated by multiplying the rateable value of their property by the rate in the pound set at 45.8p for 2012/13 (43.3p in 2011/12).

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 on the basis of a fixed amount per head of population.

The Business Rates income to the General Fund in 2012/13 was based on a rateable value as at 31 March 2012 of £103.110m (£103.339m at 31 March 2011).

ACCOUNTING POLICIES

A General Principles

The Statement of Accounts summarises the Council's transactions for the 2012/13 financial year and its overall financial position as at 31 March 2013. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2011 which require them to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2012/13 (the Code) and the Service Reporting Code of Practice for Local Authorities 2012/13 (SeRCOP), supported by International Financial Reporting Standards (IFRS).

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

B Accounting Concepts

In accordance with the Code, the Council has adopted a number of principles to be followed in selecting accounting policies to be used and the corresponding use of disclosures needed to help users understand those adopted policies and how they have been implemented.

In doing so, the Council intends that the policies adopted are those most appropriate to its particular circumstances for the purposes of presenting a true and fair view of the financial position and transactions of the Council. Policies are reviewed regularly to ensure that they remain appropriate, and are changed when a new policy becomes more appropriate to the Council's circumstances. A full disclosure of any such changes will always be provided.

The concepts that the Council has regard to in selecting and applying the most appropriate policies and estimation techniques are:

- The qualitative characteristics of financial information
    - relevance
    - reliability
    - comparability
    - understandability
    - materiality

- Pervasive accounting concepts
    - accruals
    - going concern
    - primacy of legislative requirements

Accounting policies can be defined as the principles, bases, conventions, rules and practices applied, that specify how the transactions and other events are to be reflected in the financial statements through recognising, selecting measurement bases for, and presenting assets, liabilities, losses and changes in reserves. The principle accounting policies have been applied consistently throughout the year.

Materiality
Accounting policies need not be applied if the effect of applying them would be immaterial. Omissions or misstatements of items are considered material if they could, individually or collectively, influence the decisions or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatement judged in the surrounding circumstances.

Although the Code prescribes the requirements for disclosures in the accounts, the Council need not provide a specific disclosure if the information is not material.

Accruals of Income and Expenditure
Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- Revenue from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services supplied by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest payable on borrowings and receivable on investments is accounted for on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where there is evidence that debts are unlikely to be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

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
Where specific legislative requirements conflict with accounting principles, legislative requirements are applied.

C Balances

The Council's un-earmarked general balances will be assessed annually by the Director of Finance and Information Technology to ensure that they are maintained at an adequate level taking into account the strategic, operational and financial risks facing the authority.

D Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value. The Council has classified deposits with Money Market Funds and call accounts as cash equivalents within the Balance Sheet.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Council's cash management.

E Changes in Accounting Policies, Estimates and Errors and Prior Period Adjustments

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

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

Where the basis for measurement of an amount is uncertain, the Council will use a suitable estimation technique determined by the Director of Finance and Information Technology. Where a reasonable estimate has been made, but is subsequently identified as being insufficiently accurate, the Director of Finance and Information Technology will amend the Accounts accordingly. Changes in accounting estimates are accounted for prospectively, i.e., in the current and future years affected by the change.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

F Charges to Revenue for Non-Current Assets

Services, support services and trading accounts are debited with the following amounts to record the cost of holding non-current assets during the year:

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

The Council is not required to raise council tax to fund depreciation, impairment and revaluation losses or amortisation. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement. This amount is known as the Minimum Revenue Provision (MRP) and is calculated by the Council on a prudent basis determined by the authority in accordance with statutory guidance. Depreciation, impairment and revaluation losses and amortisations are therefore reversed and replaced by the MRP, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement.

G Employee Benefits

Benefits Payable During Employment

Short-term employee benefits are those falling due wholly within 12 months after the end of the period in which the employees render the related service. These include items such as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (e.g. cars) for current employees, and are recognised as an expense in services in the year in which employees render service to the Council. An accrual is made for the cost of holiday entitlements earned by employees but not taken before the year-end and which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The Council is not required to raise council tax to cover this accrual and so it is therefore reversed by way of an adjusting transaction with the Accumulated Absences Account in the Movement in Reserves Statement.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer’s employment before the normal retirement date or an officer’s decision to accept voluntary redundancy. These benefits are charged on an accruals basis to the appropriate service in the Comprehensive Income and Expenditure Statement when the Council is demonstrably committed to either terminating the employment of an officer or group of officers, or making an offer to encourage voluntary redundancy.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

Post Employment Benefits

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

- The Teachers’ Pension Scheme, administered by Capita Teachers’ Pensions on behalf of the Department for Education (DfE).
- The Local Government Pensions Scheme, administered by Wirral Metropolitan Borough Council as the Merseyside Pension Fund.

Both schemes provided defined benefits to members (retirement lump sums and pensions), earned as employees worked for the Council.

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

The Local Government Pension Scheme

The Local Government Scheme is accounted for as a defined benefits scheme. The liabilities of Merseyside Pension Fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of projected earnings for current employees.

Liabilities are discounted to their value at current prices, using appropriate discount rates (based on the indicative rate of return on high quality corporate bond).

The assets of the fund attributable to the Council are included in the Balance Sheet at their fair value:

- quoted securities at current bid price;
- unquoted securities at professional estimate;
- unitised securities at current bid price; and
- property at market value.

The change in the net pensions liability is analysed into seven components:

- current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked;
- past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus/Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs;
- interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to the Finance and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement;
- expected return on assets – the annual investment return on the fund assets attributable to the Council, based on an average of the expected long-term return – credited to the Finance and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement;
- gains/losses on settlements and curtailments – the result of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited/credited to the Surplus/Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs;
- actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – debited to the Pensions Reserve; and
- contributions paid to the fund – cash paid as employer’s contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

Discretionary Benefits

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

H Events After the Reporting Period

Events after the reporting period are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events; and
- those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

I Exceptional Items

When items of income and expenditure are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are to an understanding of the Council's financial performance.

J Financial Liabilities

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

The Council's borrowing presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest) and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Financing and Investment Income and Expenditure line in the Income and Expenditure Account in the year of repurchase/settlement. However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write-down to the Comprehensive Income and Expenditure Statement is spread over the life of the loan by an adjustment to the effective interest rate.

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund Balance to be spread over future years. The Authority has a policy of spreading the gain/loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

K Financial Assets

Financial assets are classified into two types:

- loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market; and
- available-for-sale assets – assets that have a quoted market price and/or do not have fixed or determinable payments.

Loans and Receivables

Loans and receivables are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. The amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

Where the Council has made a loan to a third party at less than market rates (a soft loan), a loss is recorded in the Comprehensive Income and Expenditure Statement (debited to the appropriate service) for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal. Interest is credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement at a marginally higher effective rate of interest than the rate receivable from the voluntary organisations, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year – the reconciliation of amounts debited and credited to the Comprehensive Income and Expenditure Statement to the net gain required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

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

Any gains and losses that arise on the derecognition of an asset are credited/debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

Available-for-sale Assets

Available-for-sale assets are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Where the asset has fixed or determinable payments, annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments (e.g. dividends), income is credited to the Comprehensive Income and Expenditure Statement when it becomes receivable by the Council.

Assets are maintained in the Balance Sheet at fair value. Values are based on the following principles:

- instruments with quotes market prices – market price
- other instruments with fixed and determinable payments – discounts cash flow analysis
- equity shares with no quotes market prices – independent appraisal of company valuations.

Changes in fair value are balanced by an entry in the Available-for-Sale Reserve and the gain/loss is recognised in the Surplus or Deficit on Revaluation of Available-for-Sale Financial Assets. The exception is where impairment losses have been incurred – these are debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any net gain or loss for the asset accumulated in the Available-for-Sale Reserve.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made (fixed or determinable payments) or fair value falls below cost, the asset is written down and a charge made to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. If the asset has fixed or determinable payments, the impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate. Otherwise, the impairment loss is measured as any shortfall of fair value against the acquisition cost of the instrument (net of any principal repayment and amortisation).

Any gains or losses that arise on the derecognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any accumulated gains or losses previously recognised in the Available-for-Sale Reserve.

Where fair value cannot be measured reliably, the instrument is carried at cost (less any impairment losses).

L Foreign Currency Translation

Where the Council has entered into a transaction denominated in a foreign currency, the transaction is converted into sterling at the exchange rate applicable on the date the transaction was effective. Where amounts in foreign currency are outstanding at year end, they are re-converted at the spot exchange rate at 31 March. Resulting gains or losses are recognised in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

M Government Grants and Contributions

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

- the Council will comply with the conditions attached to the payments; and
- the grants or contributions will be received.

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset received in the form of grant or contribution are required to be consumed as specified or returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants/contributions) or Taxation and Non-Specific Grant Income (non-ring-fenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied Account. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied Account are transferred to the Capital Adjustment Account once they have been applied.

A grant or contribution that becomes repayable shall be accounted for as a revision to an accounting estimate. Repayment shall first be applied to any receipt in advance set up in respect of the grant or contribution. To the extent that the repayment exceeds any such receipt in advance, or where no receipt in advance exists, the repayment shall be recognised within the Comprehensive Income and Expenditure Statement as an expense.

N Heritage Assets

Heritage assets are those with historical, artistic, scientific, technological, geophysical or environmental qualities that are held and maintained principally for their contribution to knowledge and culture. Heritage assets are a distinct class of asset which is reported separately from property, plant and equipment. Previously, heritage assets would have been held under Community Assets.

Heritage assets are recognised and measured (including the treatment of revaluation gains and losses) in accordance with accounting policies on Property, Plant and Equipment.

O Internal Interest

Internal interest is paid to or received from certain accounts, such as school balances, and is included in the Comprehensive Income and Expenditure Statement as contributions to or from reserves. The interest is calculated on the basis of average monthly balances and the 7-day money market rate.

P Intangible Assets

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Council as a result of past events (e.g. software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Council.

Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and is intended to be completed (with adequate resources being available) and the Council will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset. Expenditure is capitalised where it can be measured reliably as attributable to the asset and restricted to that incurred during the development phase (research expenditure is not capitalised).

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

Intangible assets are measured initially at cost. Amounts are not revalued, as the fair value of the assets held by the Council cannot be determined by reference to an active market. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

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

Q Interests in Companies and Other Entities

Councils with material interests in companies and other entities that have the nature of subsidiaries, associates and jointly controlled entities are required to prepare group accounts. In such cases, the Council's own single-entity accounts will reflect the interests in companies and other entities as financial assets at cost, less any provision for losses.

R Inventories

Inventories are included in the Balance Sheet at the lower of cost and net realisable value. The cost of inventories is assigned using the first in first out basis.

S Investment Properties

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

Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's length. Properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and the Capital Receipts Reserve.

T Jointly Controlled Operations and Jointly Controlled Assets

Jointly controlled operations are activities undertaken by the Council in conjunction with other venturers that involve the use of the assets and resources of the venturers rather than the establishment of a separate entity. The Council recognises on its Balance Sheet the assets that it controls and the liabilities that it incurs and debits and credits the Comprehensive Income and Expenditure Statement with the expenditure its incurs and the share of income it earns from the activity of the operation.

Jointly controlled assets are items of property, plant or equipment that are jointly controlled by the Council and other venturers, with the assets being used to obtain benefits for the venturers. The joint venture does not involve the establishment of a separate entity. The Council accounts for its share of the jointly controlled assets, the liabilities and expenses that it incurs on its own behalf or jointly with others in respect of its interest in the joint venture and income that it earns from the venture.

Under Section 31 of the Health Act 1999, the Council is able to establish joint working arrangements with NHS bodies and to pool funds from the two organisations to create a single budget. Where pooled budgets are established, the Council's accounts reflect only the Council's share of the overall budget and exclude the share attributable to partner organisations.

U Leases

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

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

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

The Council as Lessee

Finance Leases
Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Council are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability.

Lease payments are apportioned between:
- a charge for the acquisition of the interest in the property – applied to write down the lease liability; and
- a finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

Property, Plant and Equipment recognised under finance leases are accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life.

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

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

The Council as Lessor

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

Lease rentals receivable are apportioned between:
- a capital receipt for the disposal of the asset – applied to write down the Debtor (together with any premiums received); and
- finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

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

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

Operating Leases
Where the Council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g., there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

V Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Service Reporting Code of Practice for Local Authorities 2012/13 (SeRCOP). The total absorption costing principle is used, so that the full cost of overheads and support services is shared between users in proportion to the benefits received, with the exception of:
- Corporate and Democratic Core – costs relating to the Council's status as a multi-functional, democratic organisation.
- Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early and any depreciation and impairment losses chargeable on assets held for sale.

These two cost categories are defined in SeRCOP and accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of Net Expenditure on Continuing Services.

W Principal and Agent Transactions

The Council's financial statements have regard to the general principle of whether the Council is acting as the principal or agent.

Where the Council acts as a Principal, i.e. it is acting on its own behalf, transactions are included in the Council's financial statements.

Where the Council acts as an agent i.e. it is acting as an intermediary, transactions are not reflected in the Council financial statements, with the exception in respect of cash collected or expenditure incurred by the agent on behalf of the principal, in which case there is a debtor or creditor position and the net cash position being included in financing activities in the cash flow statement.

The Council currently acts as an agent for the collection of NNDR and the preceptor's element of Council Tax. The Council acts as a principal for its own share of Council Tax.

X Property, Plant and Equipment

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

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

Where a component of an asset is replaced or restored, the current net book value of the old component shall be removed to avoid double counting and the new component reflected in the net book value. In line with the Council's approach to componentisation, only assets where changes would significantly affect the carrying value in the Balance Sheet will be separated into components.

Measurement
Assets are initially measured at cost, comprising:
- the purchase price; and
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

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

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-Specific Grant Income line of the Comprehensive Income and Expenditure Statement, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the Donated Assets Account. Where gains are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

Assets are then carried in the Balance Sheet using the following measurement bases:
- infrastructure, community assets and assets under construction – depreciated historical cost; and
- all other assets – fair value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV) as at 31 March 2013.

Where there is no market-based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost is used as an estimate of fair value as at 31 March 2013.

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

Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year-end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a revaluation loss previously charged to a service.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

Impairment

Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for by:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains); or
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

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

Revaluation losses

Where the carrying amount of an item of property, plant and equipment is decreased as a result of a revaluation, i.e. a significant decline in an asset's carrying amount during the period that is not specific to the asset (as opposed to an impairment as detailed above), the decrease shall be recognised in the Revaluation Reserve up to the credit balance existing in respect of the asset and thereafter in the Surplus or Deficit on the Provision of Services.

Depreciation

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

Deprecation is calculated on the following bases:

- Buildings and community assets – straight-line allocation over the useful life of the property (50 years unless otherwise stated by valuer;
- vehicles, plant and equipment – a percentage of the value of each class of assets in the Balance Sheet, as advised by a suitably qualified officer;
- infrastructure – straight-line allocation over 50 years; and
- investment properties and assets held for sale are not depreciated.

Where an item of Property, Plant and Equipment has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Disposals and Non-current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale.

The following criteria have to be met before an asset can be classified as held for sale:

- The asset must be available for immediate sale in its present condition subject to terms that are usual and customary for sales of such assets.
- The sale must be highly probable; the appropriate level of management must be committed to a plan to sell the asset and an active programme to locate a buyer and complete the plan must have been initiated.
- The asset must be actively marketed for a sale at a price that is reasonable in relation to its current fair value.
- The sale should be expected to qualify for recognition as a completed sale within one year of the date of classification.

The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previously losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale. Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as held for sale, and their recoverable amount at the date of the decision not to sell.

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

Amounts received for a disposal are categorised as capital receipts. A proportion of receipts relating to housing disposals (75% for dwellings, 50% for land and other assets, net of statutory deductions and allowances) is payable to the Government. The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Council’s underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

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

Y Private Finance Initiative (PFI) and Similar Contracts

PFI and similar contracts are agreements to receive services, where the responsibility for making available the property, plant and equipment needed to provide the services passes to the PFI contractor. As the Council is deemed to control the services that are provided under its PFI schemes and as ownership of the property, plant and equipment will pass to the Council at the end of the contracts for no additional charge, the Council carries the assets used under the contracts on its Balance Sheet as part of Property, Plant and Equipment.

The original recognition of these assets at fair value (based on the cost to purchase the property, plant and equipment) was balanced by the recognition of a liability for amounts due to the scheme operator to pay for the capital investment. Non-current assets recognised on the Balance Sheet are revalued and depreciated in the same way as property, plant and equipment owned by the Council.

The amounts payable to the PFI operators each year are analysed into five elements:

- fair value of the services received during the year – debited to the relevant service in the Comprehensive Income and Expenditure Statement;
- finance cost – an interest charge on the outstanding Balance Sheet liability, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement;
- contingent rent – increases in the amount to be paid for the property arising during the contract, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement;
- payment towards liability – applied to write down the Balance Sheet liability towards the PFI operator; and
- lifecycle replacement costs – recognised as additions to Property, Plant and Equipment on the Balance Sheet when the relevant works are carried out.

Z Provisions, Contingent Liabilities and Contingent Assets

<u>Provisions</u>

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For instance, the Council may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Council becomes aware of the obligation. They are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties, and are classified as current or non-current liabilities on the Balance Sheet.

When payments are eventually made, they are charged to the provision set up in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year and where it becomes likely that a payment will not be made or the estimated liability is reduced, the provision is reversed and credited back to the relevant service.

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

Provision for Back Pay Arising from Unequal Pay Claims

The Council has made a provision for the costs of settling potential compensation claims incurred under the Equal Pay Act (Amendment) Regulations 2003 in relation to equal pay for work equal value. However, statutory arrangements allow settlements to be financed from the General Fund in the year that payments actually take place, not when the provision is established. The provision is therefore balanced by an Equal Pay Back Pay Account created from amounts credited to the General Fund balance in the year the provision was made or modified. The balance on the Equal Pay Back Pay Account will be debited back to the General Fund balance in the Movement in Reserves Statement in future financial years as payments are made. The figure included in the accounts does not indicate an expected settlement figure and does not prejudice the Council's ongoing negotiations on this matter.

Carbon Reduction Commitment Scheme

The Council is required to participate in the Carbon Reduction Commitment (CRC) Energy Efficiency Scheme. The Council is required to purchase and surrender allowances, currently retrospectively, on the basis of emissions i.e. carbon dioxide produced as energy is used. As carbon dioxide is emitted, a liability and an expense are recognised. The liability will be discharged by surrendering allowances. The liability is measured at the best estimate of the expenditure required to meet the obligation, normally at the current market price of the number of allowances required to meet the liability at the reporting date. The cost to the Council is recognised and reported in the costs of the Council's services and is apportioned to services on the basis of energy consumption.

Contingent Liabilities

A contingent liability arises where an event has taken place that gives the Council a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

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

Contingent Assets

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

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

AA Reserves

In addition to its General Balances the Council sets aside specific amounts as reserves for future policy purposes, to cover contingencies or for specific areas of future risk. This allows the Council to manage the impact of its spending in a planned and prudent way. The Council continually reviews these reserves to ensure that they remain appropriate and aligned to the Council's priorities.

Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure.

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

AB Revenue Expenditure Funded from Capital under Statute

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

AC Value Added Tax

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

AD Work In Progress (Construction Contracts)

Construction contracts entered into whereby the Council is undertaking construction for its customers shall be appropriately reflected in the Council's accounts. When the outcome of a construction contract can be estimated reliably, the percentage of completion method shall be used to recognise revenue and expenses. When the outcome of a construction contract cannot be estimated reliably revenue shall be recognised only to the extent of contract costs incurred that it is probable will be recovered, and contract costs shall be recognised as an expense in the period in which they are incurred.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF KNOWSLEY METROPOLITAN BOROUGH COUNCIL

Report on Statement of Accounts

We have audited the Statement of Accounts of Knowsley Metropolitan Borough Council for the year ended 31 March 2013 which comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet as at the end of the period, the Cash Flow Statement, the Collection Fund Statement, the accounting policies and the related notes. The financial reporting framework that has been applied in its preparation is the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13 supported by the CIPFA Service Reporting Code of Practice 2012/13.

Respective responsibilities of the Director of Finance and Information Technology and auditors

As explained more fully in the Statement of Responsibilities for the Statement of Accounts set out on page 9, the Director of Finance and Information Technology is responsible for the preparation of the Statement of Accounts and for being satisfied that it gives a true and fair view in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13 and the CIPFA Service Reporting Code of Practice 2012/13. Our responsibility is to audit and express an opinion on the Statement of Accounts in accordance with Part II of the Audit Commission Act 1998, the Code of Audit Practice 2010 – Local Government Bodies issued by the Audit Commission and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

Scope of the audit of the Statement of Accounts

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

Opinion on Statement of Accounts

In our opinion the Statement of Accounts:

- gives a true and fair view of the state of the Authority's affairs as at 31 March 2013 and of the Authority's income and expenditure and cash flows for the year then ended; and
- has been properly prepared in accordance with the requirements of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13 and the CIPFA Service Reporting Code of Practice 2012/13.

Opinion on other matters prescribed by the Code of Audit Practice

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

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Code of Audit Practice issued by the Audit Commission requires us to report to you if:

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

CONCLUSION ON AUTHORITY'S ARRANGEMENTS FOR SECURING ECONOMY, EFFICIENCY AND EFFECTIVENESS IN THE USE OF RESOURCES

Authority's responsibilities

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

Auditors' responsibilities

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

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

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

We have undertaken our audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in November 2012, as to whether the Authority has proper arrangements for:

- securing financial resilience; and
- challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2013.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, the Authority had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Conclusion

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in November 2012, we are satisfied that, in all significant respects, *Knowsley Metropolitan Borough Council* put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2013.

Certificate

Our audit cannot be formally concluded and a certificate issued in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission because:

- we have not yet completed our assurance work on the Authority's Whole of Government Accounts return for the financial year; and
- there is an outstanding matter in relation to an objection on the 2011/12 and an objection on the 2012/13 Statements of Accounts in relation to taxi licensing.

Rachel McIlwraith
For and on behalf of PricewaterhouseCoopers LLP
Appointed auditors
Manchester
27 September 2013

Notes:

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

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

GLOSSARY OF TERMS

AAA FITCH RATING
Highest credit quality – 'AAA' denote the lowest expectation of credit risk. They are assigned only in case of exceptionally strong capacity for timely payment of financial commitments. This capacity is highly unlikely to be adversely affected by foreseeable events.

AA FITCH RATING
Very high credit quality - 'AA' ratings denote a very low expectation of credit risk. They indicate very strong capacity for timely payment of financial commitments. This capacity is not significantly vulnerable to foreseeable events.

A FITCH RATING
High credit quality - 'A' ratings denote a low expectation of credit risk. The capacity for timely payment of financial commitments is considered strong. This capacity may, nevertheless, be more vulnerable to changes in circumstances or in economic conditions than is the case for higher ratings.

ACCOUNTING PERIOD
The period of time covered by the accounts, normally a period of twelve months commencing on 1 April. The end of the accounting period is the Balance Sheet date.

ACCOUNTING POLICIES
Those principles, bases, conventions, rules and practices applied by an entity that specify how the effects of transactions and other events are to be reflected in the financial statements through recognising, selecting measurement bases for, and presenting assets, liabilities, gains, losses and changes in reserves. Accounting policies do not include estimation techniques.

ACCRUALS
An accounting concept that requires income and expenditure to be recognised as it is earned or incurred, not as money is received or paid.

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

(i) Events have not coincided with the actuarial assumptions made for the latest valuation (experience gains and losses); or

(ii) The actuarial assumptions have changed.

AMORTISATION
The equivalent of depreciation for intangible fixed assets.

ASSET
An item having value to the authority in monetary terms. Assets are categorised as either current or fixed:

- A current asset will be consumed or cease to have material value within the next financial year (e.g. cash and stock);
- A fixed asset provides benefits to the Authority and to the services it provides for a period of more than one year and may be tangible e.g. a community centre, or intangible, e.g. computer software licences.

AUDIT OF ACCOUNTS
An independent examination of the Authority's financial affairs.

BALANCE SHEET
A statement of the recorded assets, liabilities and other balances at the end of the accounting period.

BORROWING
Government support for capital investment is described as either Supported Capital Expenditure (Revenue) known as SCE(R) or Supported Capital Expenditure (Capital Grant) known as SCE(C). SCE can be further classified as either Single Capital Pot (SCP) or ring-fenced.

BUDGET
The forecast of net revenue and capital expenditure over the accounting period.

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

CAPITAL EXPENDITURE
Expenditure on the acquisition of a fixed asset or expenditure which adds to, rather than merely maintains, the value of an existing fixed asset. Capital expenditure is normally funded by loans, grants, external contributions, capital receipts or through a revenue contribution.

CAPITAL FINANCING
Funds raised to pay for capital expenditure. There are various methods of financing capital expenditure including borrowing, leasing, direct revenue financing, usable capital receipts, capital grants, capital contributions, revenue reserves and earmarked reserves.

CAPITAL RECEIPTS
Income received by the Council from the sale of its capital assets.

COLLECTION FUND
A separate fund that records the income and expenditure relating to Council Tax and non-domestic rates.

COMMUNITY ASSETS
Assets that the Local Authority intends to hold in perpetuity, that have no determinable useful life, and that may have restrictions on their disposal. Examples of community assets are parks and historic buildings.

CONSISTENCY
The concept that the accounting treatment of like items within an accounting period and from one period to the next are the same.

CONTINGENT ASSET
A contingent asset is a possible asset arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Authority's accounts.

CONTINGENT LIABILITY
A contingent liability is either:

- A possible obligation arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Authority's control; or
- A present obligation arising from past events where it is not probable that a transfer of economic benefits will be required, or the amount of the obligation cannot be measured with sufficient reliability.

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

CREDITOR
Amount owed by the Authority for work done, goods received or services rendered within the accounting period, but for which payment has not been made by the end of that accounting period.

CURRENT SERVICE COST (PENSIONS)
The increase in the present value of a defined benefit scheme's liabilities expected to arise from employee service in the current period.

CURTAILMENT
For a defined benefit scheme, an event that reduces the expected years of future service of present employees or reduces for a number of employees the accrual of defined benefits for some or all of their future service. Curtailments include:

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

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

DEBTOR
Amount owed to the Authority for works done, goods received or services rendered within the accounting period, but for which payment has not been received by the end of that accounting period.

DEFERRED CAPITAL RECEIPTS
Amounts derived from the sale of assets, but 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.

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

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

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

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

EXPECTED RATE OF RETURN (ON PENSIONS ASSETS)
For a funded defined benefit scheme, the average rate of return, including both income and changes in fair value but net of scheme expenses, expected over the remaining life of the related obligation on the actual assets held by the scheme.

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

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

GOING CONCERN
The concept that the Statement of Accounts is prepared on the assumption that the Authority will continue in operational existence for the foreseeable future.

GOVERNMENT GRANTS
Assistance by Government and inter-Government agencies and similar bodies, whether local, national or international, in the form of cash or transfers of assets to an Authority in return for past or future compliance with certain conditions relating to the activities of the Authority.

HERITAGE ASSETS
Heritage assets are those with historical, artistic, scientific, technological, geophysical or environmental qualities that are held and maintained principally for their contribution to knowledge and culture.

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

INCOME AND EXPENDITURE ACCOUNT
The revenue account of the Authority that reports the net cost for the year of the functions for which it is responsible and demonstrates how that cost has been financed from precepts, grants and other income.

INFRASTRUCTURE ASSETS
Fixed assets that cannot be transferred and where expenditure on such is recoverable only by the continued use of the asset created. Examples of infrastructure assets are highways and footpaths.

INTANGIBLE ASSETS
An intangible (non-physical) item may be defined as an asset when access to the future economic benefits it represents is controlled by the reporting entity. This Authority's intangible assets comprise computer software licences.

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

LIABILITY
A liability is where the Authority owes payment to an individual or another organisation.

- A current liability is an amount which will become payable or could be called in within the next accounting period, e.g. creditors or cash overdrawn.
- A deferred liability is an amount which by arrangement is payable beyond the next year at some point in the future or to be paid off by an annual sum over a period of time.

MATERIALITY
The concept that the Statement of Accounts should include all amounts which, if omitted, or mis-stated, could be expected to lead to a distortion of the financial statements and ultimately mislead a user of the accounts.

MINIMUM REVENUE PROVISION (MRP)
The minimum amount which must be charged to the revenue account each year in order to provide for the repayment of loans and other amounts borrowed by the Authority.

NATIONAL NON DOMESTIC RATES
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.

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

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

NET DEBT
The Authority's borrowings less cash and liquid resources.

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

NON-DISTRIBUTED COSTS
These are overheads for which no user now benefits and as such are not apportioned to services

NON-OPERATIONAL ASSETS
Fixed assets held by a Local Authority but not directly occupied, used or consumed in the delivery of services, or for the service or strategic objectives of the Authority. They may comprise:-

- (i) Assets held for the primary purpose of investment from which a commercial rental is obtained;
- (ii) Vacant property awaiting either redevelopment or disposal;
- (iii) Land and buildings currently in the course of development but not yet completed and occupied for the proposed service.

OPERATING LEASE
A lease where the ownership of the fixed asset remains with the lessor.

OPERATIONAL ASSETS
Fixed assets held and occupied, used or consumed by the Local Authority in the direct delivery of those services for which it has either a statutory or discretionary responsibility, or for the service or strategic objectives of the Authority.

OVERHEADS
Certain costs within Directorates providing support services are recharged to the services as shown in the Comprehensive Income and Expenditure Statement. This is in order to reflect the full cost of operating these services.

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

PENSION SCHEME LIABILITIES
The liabilities of a defined benefit pension scheme for outgoings due after the valuation date. Scheme liabilities measured during the projected unit method reflect the benefits that the employer is committed to provide for service up to the valuation date.

PRECEPTS
Amounts collected by the Council on behalf of the Police and Fire and Rescue Authorities and various Parish Councils.

PRIOR YEAR ADJUSTMENT
Material adjustments applicable to previous years arising from changes in accounting policies or from the correction of fundamental errors. This does not include normal recurring corrections or adjustments of accounting estimates made in prior years.

PROPERTY, PLANT AND EQUIPMENT
Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others or for administrative purposes and that are expected to be used for more than one financial year.

PROJECTED UNIT METHOD
An accrued benefits valuation method in which the scheme liabilities make allowance for projected earnings. An accrued benefits valuation method is a valuation method in which the scheme liabilities at the valuation date relate to:-

(i) the benefits for pensioners and deferred pensioners (i.e. the individuals who have ceased to be active members but are entitled to benefits payable at a later date) and their dependants, allowing where appropriate for future increases; and

(ii) the accrued benefits for members in service on the valuation date.

PROVISION
An amount put aside in the accounts for future liabilities or losses which are certain or very likely to occur but the amounts or dates of when they will arise are uncertain.

PUBLIC WORKS LOANS BOARD
A Government body which provides loans to local authorities for financing capital expenditure.

RATEABLE VALUE
The annual assumed rental of a hereditament, which is used for NNDR purposes.

RELATED PARTIES
There is a detailed definition of related parties in FRS 8. For the Council's purposes related parties are deemed to include the Authority's members, the Chief Executive, its Directors and their close family and household members.

RELATED PARTY TRANSACTIONS
The Statement of Recommended Practice requires the disclosure of any material transactions between the Authority and related parties to ensure that stakeholders are aware when these transactions occur and the amount and implications of such.

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

RESERVES
The accumulation of surpluses, deficits and appropriations over past years. Reserves of a revenue nature are available and can be spent or earmarked at the discretion of the Authority. Some capital reserves such as the fixed asset restatement account cannot be used to meet current expenditure.

RESIDUAL VALUE
The net realisable value of an asset at the end of its useful life.

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

(i) an employers decision to terminate an employee's employment before the normal retirement date; or

(ii) an employee's decision to accept voluntary redundancy in exchange for those benefits, because these are not given in exchange for services rendered by employees.

REVENUE EXPENDITURE
Day-to-day expenditure on items that will generally be consumed within twelve months from the date of purchase (e.g. salaries, service running costs, consumable materials and equipment, or the cost of financing capital assets).

REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE
Expenditure of a capital nature, where no tangible asset exists (e.g. capital grants to third parties).

REVENUE SUPPORT GRANT
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 the Dedicated Schools Grant, and Rent and Council Tax rebates and allowances.

SCHEME LIABILITIES
The liabilities of a defined benefits scheme for outgoings due after the valuation date. Scheme liabilities measured using the projected unit method reflect the benefits that the employer is committed to provide for service up to the valuation date.

STOCKS
The amount of unused or unconsumed stocks held in exception of future use. When use will not arise until a later period, it is appropriate to carry forward the amount to be matched to the use or consumption when it arises. Stocks comprise the following categories:-

(i) goods or other assets purchased for resale;

(ii) consumable stores; and

(iii) raw materials and components purchased for incorporation into products for sale.

TEMPORARY BORROWING
Money borrowed for a period of less than one year.

TRADING OPERATIONS
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.

TRUST FUNDS
Funds administered by the Authority for such purposes as prizes, charities, specific projects and on behalf of minors.

USEFUL LIFE
The period over which the Local Authority will derive benefits from the use of a fixed asset.