Knowsley Metropolitan Borough Council

Statement of Accounts for the year 2016/17

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NARRATIVE REPORT ON THE STATEMENT OF ACCOUNTS

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 narrative report 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 2017; and explains the most significant matters that are reported in the detailed Statements.

The report also comments on the development and the performance of the authority during the year and how that performance has been monitored through financial and non-financial performance indicators.

You can 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)
- Knowsley's Council Tax information leaflet
- Council budget reports
- The Council's Corporate Plan

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.

Your Comments

If you have any comments on the Statement of Accounts please contact the Council's Financial Management Service by email at finance@knowsley.gov.uk or by phoning the Council on 0151 489 6000.

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 by the Council during the year.
  - The Comprehensive Income and Expenditure Statement shows the day-to-day revenue costs of providing services, and the income that Knowsley received from grants, fees and charges and Council Tax.

- What assets the Council holds, what the Council is owed and what the Council 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 Executive Director (Resources).

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 2016/17

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.

The Comprehensive Income and Expenditure Statement shows 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.

The Council's Net Revenue Budget for 2016/17 was approved by the Council on 9 March 2016. Overall, a net expenditure budget of £146.534m was approved, funded by Government Grant of £103.301m and Council Tax receipts of £43.233m. Financial performance against approved service budgets has been monitored and reported to Members throughout the year, and the Council's final outturn position against its 2016/17 Net Revenue Budget was reported to the Council's Cabinet on 27 June 2017.

Budget monitoring reports to the Cabinet during 2016/17 focused on the key financial risk areas of Adult Social Care and Children's Services. A range of management actions were taken with a view to containing those pressures within existing budgets during the year.

At the end of the year, the Council had an overall overspend against approved budgets of £0.479m. Within this total, Services overspent by £1.184m - mainly due to continuing demand-related pressures. Although this is a significant amount of money, it is less than 1% of total service budgets.

The most significant service overspends were as follows:-

- Children's Social Care - £1.119m;
- Home to School Transport - £0.479m; and,
- Adult Social Care - £0.442m.

The overspend by services was partly offset by an underspend of £0.705m on Council-wide and contingency budgets - mainly due to additional income secured in recovering the Council's costs incurred in supporting the Liverpool City Region Combined Authority.

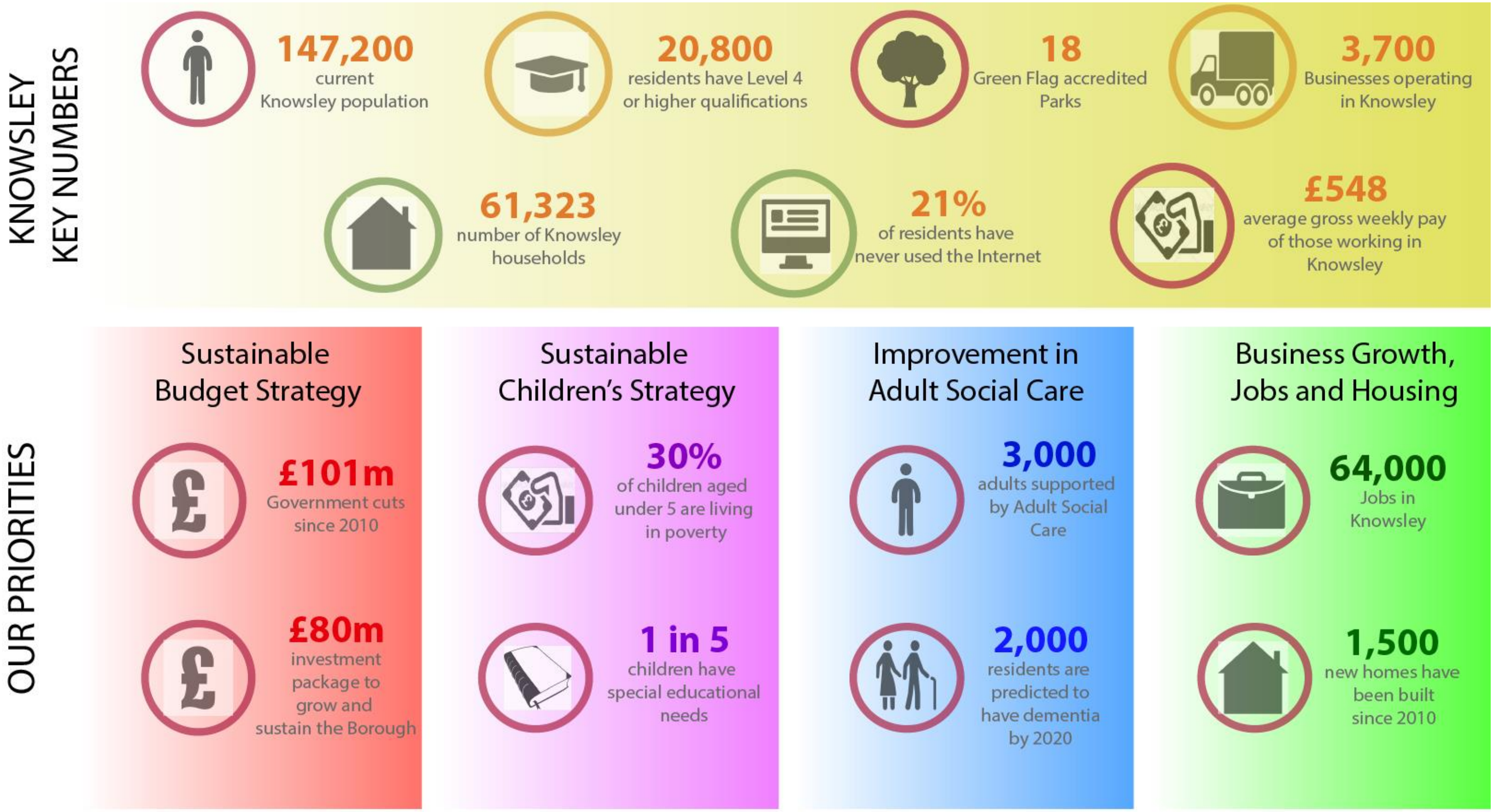
The remaining overspend was fully funded by reallocating one-off resources which were released from service reserves as part of the usual year-end challenge and review process.

This means that the Council could report an overall balanced position for the year.

Looking ahead, there are still significant financial challenges for the Council to manage, particularly in Adult Social Care and Children's Services. Further work must be undertaken to ensure that the Council's Social Care services are sustainable in future years, and are able to contribute towards the Council's future financial strategy. This will be a significant challenge at a time when both demand for and external scrutiny on such services are increasing and overall resources are reducing. Substantial work has already been undertaken to improve processes within these services so that robust financial management is at the heart of service decision-making.

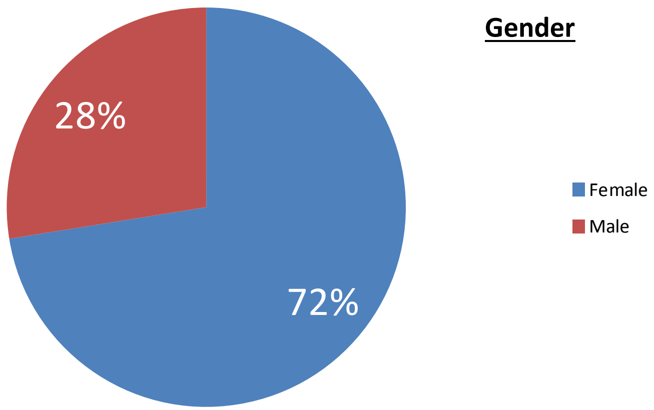
5. REVIEW OF COUNCIL PERFORMANCE DURING THE YEAR

Key Local Data

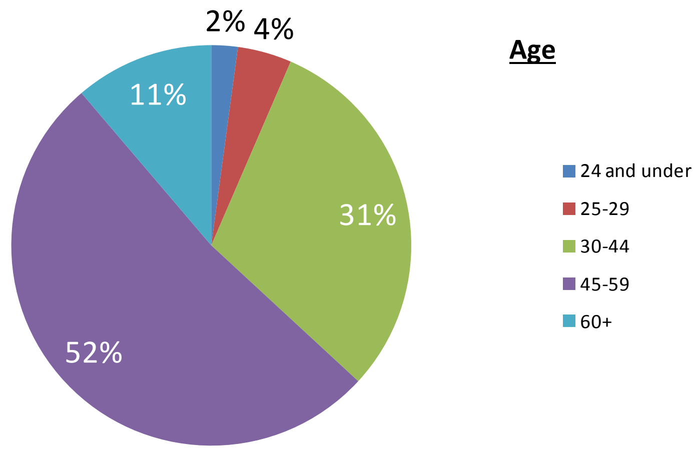


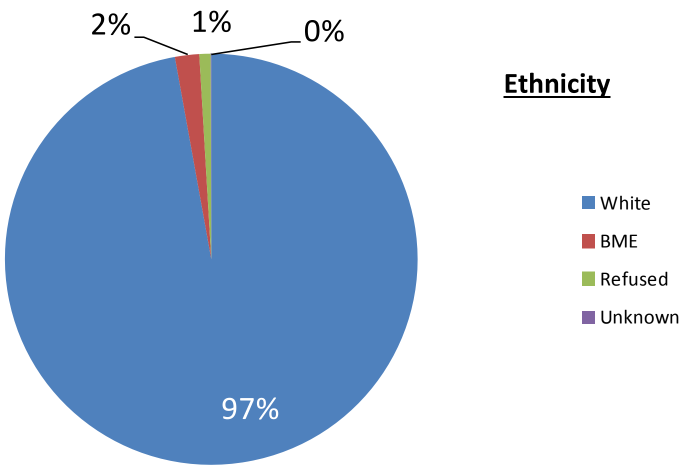
Key Council Data

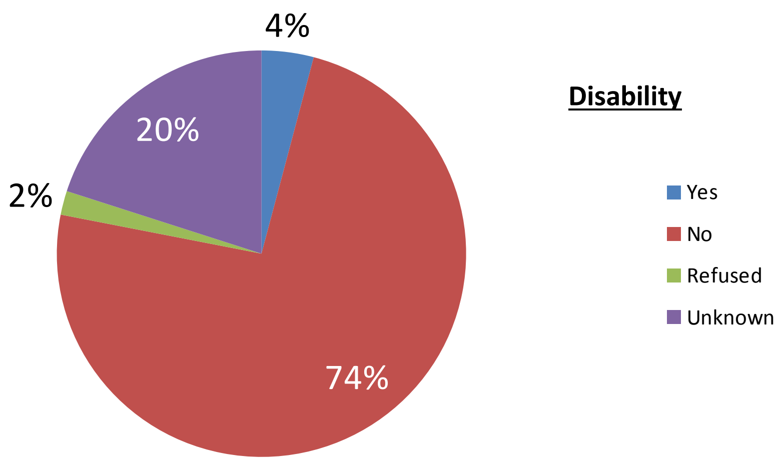
Knowsley Council employs 2,640 people in both full and part time contracts. The charts below show the make-up of our non-school workforce. (Source: Knowsley Establishment Report, May 2017).



Key







Priorities 2016/17

The remit of key services for Knowsley, as with many local authorities, is very wide ranging, from day-to-day services such as waste collections and libraries through to adult social care, education and housing. Since 2010, Knowsley Council has seen its funding from Central Government cut in real terms by 55%, resulting in difficult decisions being made about which services should be categorised as a priority.

In 2016/17 the Council's Key priorities included:

- Sustainable Children's Services – supporting sustainability through reducing demand for Children's Social Care, and delivering high quality services which ensure the safety of and improved outcomes for the Borough's children (including educational attainment);

- Improved Adult Social Care – supporting sustainability by reducing demand for acute services and long-term residential accommodation through building self-reliance, enhancing quality of life, and giving residents choice about services;

- Business Growth, Jobs and Housing – supporting the long-term sustainability of the Borough of Knowsley by improving the conditions for businesses to prosper and increasing opportunities for people to work and live in Knowsley; and,

- A Sustainable Budget Strategy – under-pinning the delivery of everything the Council does by ensuring that the Authority not only makes savings to balance the budget but is also able to fund the investments required to deliver and achieve strategic priorities. The sustainability of services is the golden thread throughout the Corporate Plan priorities.

From a financial point of view the main corporate priority is the delivery of a sustainable budget strategy

Progress against Strategic Objectives

Progress against the Council's Corporate Plan was reported to the Cabinet on 27th June 2017 in the Corporate Plan Monitoring Report. The report confirms that significant progress was made during 2016/17 against each of the four strategic priorities. These included:

- Following Ofsted's re-inspection of Children's Services, we were judged to be "Good" in three out of five areas, with two areas rated as "Requires Improvement". This gives us an overall judgement of "Requires Improvement". The "Inadequate" tag, which Ofsted gave us back in 2014, has now been formally removed.

- An Independent Peer Review of Adult Safeguarding arrangements in December 2016 reported that substantial improvements have been made since our last review in 2014.

- Knowsley's new Housing Strategy has been adopted, and during 2016/17, 557 new houses have been built with many more on the way.

- Significant progress has been made with the Masterplans for both Huyton and Kirkby, and the Prescot masterplan has now been adopted by Cabinet and a project pipeline is under development.

Service Recipient Feedback

Knowsley Council uses the feedback it receives from its customers to identify where we need to do better. Customer feedback is used to help understand how we are doing 'on the ground' and helps us to deliver the best services that we can within the challenging context of reducing budgets.

Knowsley Local Account

The Local Account is a type of annual report which explains to residents how well adult social care is supporting people in their local area. Local Accounts are important because they give information about how people are supported, where the Council and its partners are doing well and where they need to get better and improve going forward. The most recent Local Account 2017 contains a wealth of information and feedback over many different aspects of social care, including:

Progress on priorities from last year
The report begins by highlighting the progress of Knowsley's three year plan to Transform & Improve Adult Social Care and important projects to date. This is then followed by an update on priorities identified from the Local Account 2016; of the 30 actions 18 were completed and 12 had progressed but not yet fully complete.

Performance Information
Performance results aligned to the Adult Social Care Outcomes Framework (ASCOF) are included, headline figures include:

- Overall satisfaction with local adult care services in 2015/16 was 66.5%, this is a 4% decrease on the previous financial year – although satisfaction remains higher than the England average of 64.4%

- All residents accessing social care are now receiving direct payments and self-directed support, remaining the same since the previous year.

- 83% of people say that the services they have used made them feel safer; this has decreased from 87% in 2014/15.

Adult Social Care – Service Areas
The Local Account takes a look at provision Adult Social Care including comments and views from service users, residents, partners and other groups for feedback, below are a few examples:

What has been good?
- The availability of extra care housing facilities in the borough has provided service users with dementia the opportunity to be placed within appropriate Supported Accommodation

- Autism Accreditation - Following an external inspection, the Adult Disability Service has been re-awarded with the National Autistic Societies 'Autism Accreditation Award'.

What needs to improve?
- Service users and parents have said that there needs to be more planning for transition from an earlier age and that social workers should be involved before transition even takes place.

- Communication between services needs to improve to ensure that people know what they are entitled to in terms of adaptations and benefits.

Response to this years document
The Council provides an official response to the identified areas for improvement in the 'What needs to improve?' action log, which is published alongside the local account. Here the Council sets out actions that it plans to implement, in an attempt to improve these areas; these actions then form the basis of the priorities section in the following year's Local Account.

Review of Strategic Risks

The Council has an embedded risk management strategy and process to identify and manage risks, supporting effective strategic decision-making, service planning and delivery in order to safeguard the wellbeing of stakeholders and to increase the likelihood of achieving corporate and business priorities. In an increasingly complex environment, a certain amount of risk is inevitable if an organisation is to move forward and achieve challenging objectives. Knowsley's Strategic Risk Register reflects the challenges facing the Council and is characteristic of risks being managed by local authorities nationally.

Risk management is exercised alongside the Council's financial and performance management systems to enable the Council to demonstrate the adequacy of its governance arrangements and internal controls and maintain the effective use of its resources.

The Council has a structured approach to strategic risk management which includes quarterly updates from Executive Directors and risk owners and monitoring by the Executive Management Team. This combined with annual review and approval by the Council's Governance Committee and the Cabinet provides a robust framework to manage strategic risks effectively and to provide for the timely identification and management of any emergent issues or concerns.

Good progress was made during 2016/17 enhancing organisational resilience arrangements. At the start of 2016/17 the Council had 38 strategic risks of which 8 were high, 20 were medium and 10 were low. At the end of the financial year the position had changed to 35 strategic risks in total, 7 of which were high, with 20 medium and 8 low. The Council's direction of travel is positive with risks continuing to be managed effectively. This is a significant achievement given the significant resource constraints faced by the Council. Full details of progress in addressing the Council's strategic risks have been report to the Council's management team during the year and will be reported formally to the Cabinet on 13 September 2017.

During 2017/18, the focus on the management of risk to the Authority's priorities will be maintained with a view to ensuring the effective use of resources, maximisation of opportunities, and continuation of service delivery, particularly in an environment of change both internally and externally.

6. 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 2017 remained at £4.984m which is still in line with the Council's approved policy to provide a prudent financial safety-net for unforeseen events.

Council Reserves

At 31 March 2017, the total of the Council's earmarked reserves was £39.519m (excluding those held by schools and reserves that the Council holds on behalf of other partners). The reserves include amounts which are held to help the Council phase in the impact of service savings that have been approved for implementation in 2017/18, and to manage unpredictable risks within the Council's Financial Strategy (for example future insurance claims, increases in superannuation costs or the costs of implementing future savings). The Council also sets money aside in earmarked reserves to pay for specific initiatives or spending commitments arising from decisions which (in many cases) were taken some time ago.
In line with the more challenging approach to one-off budgets which is now adopted by the Council, all reserves are kept under continual review with greater emphasis now placed on managing the risks within existing budgets in the relevant year. The Council also considers alternative approaches to funding the investments that have been identified in order to release one-off resources for re-allocation.

There are significant risks associated with using one-off reserves to fund permanent budget gaps (because the Government's cuts to local authority funding are permanent, but reserves can only be used once which would only delay rather than reduce the need to make future savings). However, the seriousness of the Authority's financial challenges mean that the Council's financial strategy does include the limited use of one-off resources to help manage the impact of Government funding cuts over the medium term.

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 2016/17 was reported to the Governance and Audit Committee on 26 January 2016 and was subsequently approved by the Council on 9 March 2016.

The authorised limit for external debt for the Council for 2016/17 was £330m. The actual level of outstanding long-term and short-term debt at the year-end totalled £261.850m (including £139.402m of liabilities related to the Council's Private finance Initiative schemes).

At 31 March 2017, the Council had £109.546m of long term borrowing (compared to £103.479m in 2015/16). This included £101.272m of loans from the Public Works Loans Board. Included in the balance is £2.221m relating to debt transferred on the local government reorganisation in 1974 and 1986. At 31 March 2017 the Council held cash and investments of £68.974m (the 2015/16 figure totalled £71.949m).

The Council paid £11.364m of interest and similar charges in year for its Private finance Initiative schemes (2015/16 £11.620m) and a further £5.063m (2015/16 £5.228m) on its treasury management activities. The Council received £1.183m of interest and investment income during the year (2015/16 £1.126m).

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 2016/17, the Council incurred significant capital expenditure on acquiring or improving Council buildings and other capital assets. This included the payment of grants to private tenants for disabled facilities in their homes (£2.605m); improvements to the A5300 Knowsley Expressway (£2.116m); and a wide ranging Highways Maintenance programme (£1.782m). The total amount of grant and other contributions that was spent during 2016/17 was £11.031m. There were also schemes totalling £1.211m which were funded by Council borrowing, and a full analysis of this 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 2016/17 the Council's share of the overall Fund liability (excluding Teachers) was £364m – compared with £278m the previous year. During 2016/17, the Pension Fund's actuaries carried out a full revaluation of the Fund and changed some of the assumptions that they had previously used. One of the assumptions that was recalculated was the discount rate used which led to a large increase in the value of the liability.

While the Accounts show the pension liability position at 31 March 2017, 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 a significant negative impact on the net worth of the Council. This will however be recovered, as the Council pays 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.

7. MAJOR INFLUENCES ON THE 2016/17 ACCOUNTS

During the year there have been a number of developments that have had a particular influence on the Council's accounts. The major items are set out below:

Increase in Pensions Liability

In preparing the pensions figures for inclusion in the Accounts, the Pension Fund Actuaries make a number of assumptions about potential future influences on the levels of payable benefits and the value of the assets and liabilities of the Pension Fund. This will include assumptions about the future value of benefits, inflation, growth in salaries, life expectancy, retirement ages etc.

A major influence this year has been a reduction in the discount rate (the rate used by the actuaries to estimate the future value of benefits). The discount rate is based on the expected return on assets, and as this is expected to remain low, the overall value of the Fund's net liability has increased from £277.663m in 2015/16 to £364.475m in 2016/17.

Academy Transfers

During 2016/17 two of the Council's Schools transferred to Academy status. The Council has granted 125 year leases of the property to the Academies and as a result the buildings will be removed from the Council's Balance Sheet. At 31 March 2017, the value of the assets removed from the Council's Balance Sheet was £18.353m.

The Local Government Funding System

Collection Fund

The Statement of Accounts includes the 2016/17 Collection Fund, which shows the income collected from Council Tax and Business Rates.

Council Tax

The forecast total Council Tax Collection Fund in-year surplus of £0.243m (as reported to the Council on 25 January 2017) was achieved as expected at outturn, and was mainly the result of lower than budgeted levels of Council Tax discount being awarded. The Council's 84.91% share of this surplus (£0.206m) is available for use during 2017/18.

Business Rates

When the national Business Rates Retention Scheme was introduced, Central Government set a baseline level for each authority identifying the expected level of retained business rates and a top-up or tariff amount to ensure that all authorities receive their baseline amount. Tariffs due from authorities payable to Central Government are used to finance the top-ups to those authorities who do not achieve their targeted baseline funding. In this respect Knowsley received an estimated top-up grant to the General Fund in 2016/17 to the value of £36.844m (£36.539m in 2015/16).

The forecast Business Rates Collection Fund in-year surplus of £3.405m (as reported to the Council on 25 January 2017) was primarily based on expectations for improvements in the rateable value of properties in the Borough. However, in addition to the local management of business rates, local authorities are also expected to finance the cost of appeals made about rateable values. At the outturn stage the Council's latest expectations regarding increases in the cost of these appeals required a further £1.953m to be set aside in the Collection Fund provision for appeals. This reduced the final in-year surplus to £1.452m.

In January 2016 it was estimated that the Collection Fund would be carrying a £10.686m cumulative deficit at the end of 2015/16 and that this would therefore be recovered from the Council's preceptors in 2016/17. Under the national Business Rates Retention Scheme, the Council retains a 49% share of the total collectable business rates. The remainder is distributed to preceptors: 50% to Central Government and 1% to the Merseyside Fire & Rescue Authority (MFRA). Any declared deficit must be recovered from preceptors in these proportions in the following financial year.

Knowsley's 49% share of the declared deficit (£5.236m) was therefore charged to the General Fund in 2016/17. The actual position at the end of 2016/17 as reported in these Accounts is a cumulative surplus of £13.185m at 31 March 2017. This has confirmed that the declared (and recovered) 2015/16 deficit was over-estimated. This will be incorporated into the estimated position for 2017/18 which will be formally declared in January 2018.

In January 2015 the Council declared an estimated 2014/15 deficit to be recovered from preceptors during 2015/16. While this deficit was properly recovered, the Council has identified that the 2015/16 Collection Fund Income and Expenditure Account did not reflect this recovery. The 2015/16 position has therefore been restated in the 2016/17 Accounts.

Cuts in Local Government Funding

Knowsley Council has been the hardest hit local authority across the country when it comes to central Government funding cuts. Since 2010, the council has had to manage budget cuts of £101m. The impact of these cuts continues to be reflected on the Council's Income and Expenditure Statement.

The Government's cuts in Knowsley have been the highest cuts per person in the country, equating to £485 per person, compared to more affluent areas such as Wokingham which has had cuts of just £43 per person. At the same time as having to manage these funding cuts, demand for the council's services, as well as the cost of providing them, is increasing. These unprecedented budget reductions set the context for how the Council managed its finances during the year. The Council is managing these challenges - seeking to ensure that the borough is sustainable and also raising more money locally to protect key services.

Along with central Government funding, the council is also funded through Council Tax, Business Rates, partner contributions and fees and charges. The Council is working hard to build more houses in the borough, offering greater choice, as well as attracting new businesses into the borough and helping existing ones to expand. This in turn will help to generate more income through Council Tax and Business Rates.

The Council's Investment Programme

In order to grow and sustain the borough, the council also needs to invest in key projects and initiatives that will attract more residents, businesses, investors and visitors into the borough. In November 2016 the Cabinet agreed a £100m investment package which will grow and sustain the borough over the coming years. The wide range of projects and initiatives will include :-

- The construction of the Shakespeare North Playhouse in Prescot;
- The development of Halsnead Garden Village;
- Improved retail, visitor attractions and leisure offerings (such as a cinema) in town centres;
- Support to accelerate housing developments, which offer opportunities for first-time buyers as well as executive homes;
- Investment in assistive technology which will help people to remain independent for longer;
- A permanent new investment of £300,000 will be provided to keep the borough's neighbourhoods cleaner and well maintained;
- The establishment of a £1m social sector fund to enable the community, voluntary and faith sectors to work better with the council to provide services and support for residents and communities;
- Funding for the council's Internship programme – supporting and preparing up to 20 young people and adults with learning difficulties and disabilities for employment within the council and other local employers;
- Junction improvements on the M57;
- Funding to recruit a further eight social workers in Children's Social Care to further progress the improvements that have been made in Children's Social Care following the Ofsted inspection;
- Funding to secure 450 new childcare places to meet demands of the extended childcare offer from September 2017;
- Improving educational attainment via the work of Knowsley's Education Commission;
- Funding for the Ways to Work programme, which will target 4,000 and help them to improve their employment prospects over the next three years;

- Investment in a three year fly tipping initiative, raising awareness of fly tipping including the consequences and taking robust action against perpetrators; and
- Investment to support the regeneration programmes in both Kirkby and Prescot town centres

Where these investments add to the value of the Council's assets, then there will be a consequent impact on the Council's Balance Sheet – with additions reflected in the Council's fixed assets. In many cases, investments will be funded from the Council's revenue or capital reserves, and this is also reflected on the balance sheet as reductions in the levels of those reserves.

James Duncan, CPFA
Executive Director (Resources)
30 June 2017

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 Executive Director (Resources);
- 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 EXECUTIVE DIRECTOR (RESOURCES)'S RESPONSIBILITIES

The Executive Director (Resources) 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 Executive Director (Resources) 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 Executive Director (Resources) 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.

EXECUTIVE DIRECTOR (RESOURCES)'S STATEMENT

I certify that the Council's 2016/17 Statement of Accounts presents a true and fair view of the financial position of the Council at 31 March 2017 and its income and expenditure for the year ended 31 March 2017.

JAMES DUNCAN CPFA
Executive Director (Resources)
25 September 2017

STATEMENT OF THE CHAIRMAN OF THE GOVERNANCE COMMITTEE

I confirm on behalf of the Council that these accounts and the outcome of the audit of them were approved by the Governance Committee at its meeting on 25 September 2017.

COUNCILLOR A FLUTE
Chairperson of the Governance Committee
25 September 2017

Expenditure and Funding Analysis

The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources (government grants, council tax and business rates) by local authorities in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the Council's services. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and expenditure Statement.

2015/16 Net Expenditure Chargeable to the General Fund Balance	2015/16 Adjustments	2015/16 Net Expenditure in the Compre-hensive Income and Expenditure Statement		2016/17 Net Expenditure Chargeable to the General Fund Balance	2016/17 Adjustments	2016/17 Net Expenditure in the Compre-hensive Income and Expenditure Statement
£000	£000	£000		£000	£000	£000
46,573	717	47,289	Adult Social Care	46,291	3,473	49,764
23,369	321	23,690	Children's Social Care	21,629	120	21,749
(6,791)	(424)	(7,215)	Council Wide	12,621	(425)	12,196
8,679	1,127	9,806	Customer and Employees	8,364	850	9,214
3,354	451	3,805	Early Help	3,573	1,743	5,317
11,542	(7,284)	4,258	Economic Development	(8,881)	19,120	10,240
3,305	109	3,414	Education Improvement and Inclusion Service	3,476	6,286	9,762
1,033	72	1,105	Environmental Health	935	74	1,010
3,020	218	3,238	Financial Management and Exchequer Services	2,597	184	2,781
2,655	98	2,753	Governance	2,426	89	2,515
8,275	1,275	9,550	Neighbourhoods	6,944	1,579	8,523
6,299	149	6,448	Policy and Partnerships	2,011	123	2,133
4,375	1,348	5,723	Public Health and Wellbeing	1,313	6,760	8,072
16,859	1,685	18,544	Regeneration and Housing	2,720	17,035	19,755
1,547	88	1,635	Safeguarding and Quality Assurance	897	654	1,551
(18,431)	19,049	619	Schools	(31,452)	21,711	(9,730)
115,663	**18,999**	**134,662**	**Net Cost of Services**	**75,464**	**79,376**	**154,852**
(107,697)	(14,946)	(122,642)	Other Income and Expenditure	(66,950)	(13,115)	(80,076)
7,966	**4,053**	**12,019**	**Surplus or Deficit on Provision of Services**	**8,514**	**66,261**	**74,776**
(66,389)			Opening General Fund Balance	(58,423)		
7,966			Plus / less Surplus or Deficit on the General Fund Balance for the Year (Statutory basis)	8,514		
(58,423)			**Closing General Fund Balance**	**(49,909)**		

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.

	2015/16				2016/17	
Expenditure	Income	Net		Expenditure	Income	Net
£000	£000	£000		£000	£000	£000
86,208	(38,919)	47,289	Adult Social Care	92,940	(43,176)	49,764
27,320	(3,630)	23,690	Children's Social Care	24,670	(2,921)	21,749
5,468	(12,683)	(7,215)	Council Wide	16,736	(4,540)	12,196
13,387	(3,581)	9,806	Customer and Employees	13,557	(4,343)	9,214
13,208	(9,403)	3,805	Early Help	14,245	(8,928)	5,317
16,287	(12,029)	4,258	Economic Development	14,480	(4,240)	10,240
13,890	(10,476)	3,414	Education Improvement and Inclusion Service	19,653	(9,891)	9,762
2,315	(1,210)	1,105	Environmental Health	2,345	(1,335)	1,010
87,019	(83,781)	3,238	Financial Management and Exchequer Services	80,694	(77,913)	2,781
3,655	(902)	2,753	Governance	3,870	(1,355)	2,515
29,999	(20,449)	9,550	Neighbourhoods	29,982	(21,459)	8,523
12,640	(6,192)	6,448	Policy and Partnerships	3,979	(1,846)	2,133
27,976	(22,253)	5,723	Public Health and Wellbeing	26,579	(18,507)	8,072
28,469	(9,925)	18,544	Regeneration and Housing	33,256	(13,501)	19,755
2,707	(1,072)	1,635	Safeguarding and Quality Assurance	2,747	(1,196)	1,551
186,740	(186,121)	619	Schools	161,353	(171,083)	(9,730)
557,288	**(422,626)**	**134,662**	**Cost of Services**	**541,086**	**(386,234)**	**154,852**
23,556	0	23,556	Other Operating Expenditure	54,574	0	54,574
46,609	(32,092)	14,517	Financing and Investment Income and Expenditure	48,132	(26,782)	21,350
0	(160,716)	(160,716)	Taxation and Non Specific Grant Income	0	(156,000)	(156,000)
627,453	**(615,434)**	**12,019**	**Surplus or Deficit on Provision of Services**	**643,792**	**(569,016)**	**74,776**
		(26,298)	Surplus or deficit on revaluation of Property, Plant and Equipment			(25,353)
		416	Impairment losses on non-current assets charged to the Revaluation Reserve			205
		(130)	Surplus or deficit on revaluation of available for sale financial assets			(748)
		(33,692)	Remeasurement of the net defined benefit liability / asset			72,260
		(59,704)	**Other Comprehensive Income and Expenditure**			**46,364**
		(47,685)	**Total Comprehensive Income and Expenditure**			**121,139**

From 2016/17 local authorities are required to report their service segments based on the way in which they operate and manage services. There is no longer a requirement for that service analysis to be based on the definitions in the Service Reporting Code of Practice. This new format means that the service section of the Comprehensive Income and Expenditure Statement supports accountability and transparency as it reflects the way in which services operate and performance is managed. The comparative figures for 2015/16 have therefore been restated under these new service headings.

The 2015/16 figures have also been restated for a revaluation of Assets Held for Sale that had been charged to Cost of Service instead of Other Operating Expenditure in error. The Cost of Service has therefore been reduced by £1.827m and Other Operating Expenditure has been increased by the same amount. This has not had an effect on the overall bottom line of the Comprehensive Income and Expenditure Statement.

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.

	General Fund Balance £000	Earmarked General Fund Reserves £000	Capital Receipts Reserve £000	Capital Grants Un-applied Account £000	Total Usable Reserves £000	Unusable Reserves £000	Total Reserves £000
Balance at 31 March 2016	(4,984)	(53,439)	0	(2,431)	**(60,855)**	29,779	**(31,076)**
Movement in reserves during 2016/17							
Surplus or deficit on the provision of services	74,776				**74,776**		**74,776**
Other Comprehensive Income / Expenditure						46,364	**46,364**
Total Comprehensive Income and Expenditure	**74,776**	**0**			**74,776**	**46,364**	**121,139**
Adjustments between accounting basis and funding basis under regulations	(66,261)		(449)	(34)	**(66,744)**	66,744	**0**
Net Increase or Decrease before Transfers to Earmarked Reserves	**8,515**	**0**	**(449)**	**(34)**	**8,032**	**113,108**	**121,139**
Transfers to / from Earmarked Reserves	(8,515)	8,515			**0**		**0**
Increase or Decrease in 2016/17	**0**	**8,515**	**(449)**	**(34)**	**8,032**	**113,108**	**121,139**
Balance at 31 March 2017	**(4,984)**	**(44,925)**	**(449)**	**(2,466)**	**(52,823)**	**142,887**	**90,064**

	General Fund Balance £000	Earmarked General Fund Reserves £000	Capital Receipts Reserve £000	Capital Grants Un-applied Account £000	Total Usable Reserves £000	Unusable Reserves £000	Total Reserves £000
Balance at 31 March 2015	(4,984)	(61,405)	0	(2,144)	**(68,533)**	85,142	**16,609**
Movement in reserves during 2015/16							
Surplus or deficit on the provision of services	12,019				**12,019**		**12,019**
Other Comprehensive Income / Expenditure						(59,704)	**(59,704)**
Total Comprehensive Income and Expenditure	**12,019**	**0**			**12,019**	**(59,704)**	**(47,685)**
Adjustments between accounting basis and funding basis under regulations	(4,053)		0	(288)	**(4,341)**	4,341	**0**
Net Increase or Decrease before Transfers to Earmarked Reserves	**7,966**	**0**	**0**	**(288)**	**7,678**	**(55,363)**	**(47,685)**
Transfers to / from Earmarked Reserves	(7,966)	7,966			**0**		**0**
Increase or Decrease in 2015/16	**0**	**7,966**	**0**	**(288)**	**7,678**	**(55,363)**	**(47,685)**
Balance at 31 March 2016	**(4,984)**	**(53,439)**	**0**	**(2,432)**	**(60,855)**	**29,779**	**(31,076)**

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'.

31 March 2016 £000		Note	31 March 2017 £000
471,122	Property, Plant and Equipment	13	442,708
496	Heritage Assets	14	476
61,248	Investment Property	15	66,735
451	Intangible Assets	16	427
17,879	Long Term Investments	17	21,113
4,267	Long Term Debtors	17	4,217
555,463	**Long Term Assets**		**535,677**
35,149	Short-term Investments	17	24,072
19,126	Assets Held for Sale	21	6,186
530	Inventories	18	534
32,100	Short Term Debtors	19	24,818
18,921	Cash and Cash Equivalents	20	23,790
105,826	**Current Assets**		**79,401**
(20,235)	Short-Term Borrowing	17	(12,902)
(48,699)	Short-Term Creditors	22	(45,222)
(591)	Provisions	23	(3,209)
(952)	Grants Receipts in Advance - Capital	36	(990)
(70,476)	**Current Liabilities**		**(62,323)**
(20,671)	Provisions	23	(15,945)
(103,497)	Long Term Borrowing	17	(109,546)
(435,569)	Other Long-Term Liabilities	40/44	(517,327)
(559,737)	**Long Term Liabilities**		**(642,818)**
31,076	**Net Assets**		**(90,064)**
(60,855)	Usable Reserves	24	(52,823)
29,779	Unusable Reserves	25	142,887
(31,076)	**Total Reserves**		**90,064**

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.

2015/16 £000		2016/17 £000
12,019	Net (surplus) or deficit on the provision of services	74,776
(27,763)	Adjustment to surplus or deficit on the provision of services for noncash movements	(82,891)
13,027	Adjustment for items included in the net surplus or deficit on the provision of services that are investing or financing activities	11,004
(2,717)	**Net cash flows from operating activities**	**2,889**
29,889	Net cash flows from investing activities	(6,368)
(3,597)	Net cash flows from financing activities	(1,389)
23,575	**Net (increase) or decrease in cash and cash equivalents**	**(4,868)**
42,496	Cash and cash equivalents at the beginning of the reporting period	18,922
18,921	**Cash and cash equivalents at the end of the reporting period**	**23,790**

Note 1 - Accounting Policies

A General Principles

The Statement of Accounts summarises the Council's transactions for the 2016/17 financial year and its overall financial position as at 31 March 2017. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2015 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 2016/17 (the Code), 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. The following accounting policies have been consistently applied.

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.

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 Executive Director (Resources) 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 and Estimates and Errors

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error.

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 Executive Director (Resources). Where a reasonable estimate has been made, but is subsequently identified as being insufficiently accurate, the Executive Director (Resources) 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 and do not give rise to a prior period adjustment.

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 Council Tax and Non-Domestic Rates

Billing authorities act as agents, collecting council tax and non-domestic (NDR) rates on behalf of the major preceptors (including Government for NDR) and, as principals, collecting council tax and NDR for themselves. Billing authorities are required by statute to maintain a separate fund (Collection Fund) for the collection and distribution of amounts due in respect of council tax and NDR. Under legislative framework for the Collection Fund, billing authorities, major preceptors and central government share proportionally the risks and rewards that the amount of council tax and NDR collected could be less or more than predicted.

Accounting for Council Tax and NDR
The council tax and NDR income included in the Comprehensive Income and Expenditure Statement is the authority's share of accrued income for the year. However, regulations determine the amount of council tax and NDR that must be included in the authority's General Fund. Therefore the difference between the income included in the Comprehensive Income and Expenditure Statement and the amount required by regulation to be credited to the General Fund is taken to the Collection fund Adjustment Account and included as a reconciling item in the Movement in Reserves Statement.

The Balance sheet includes the Council's share of the year end balances in respect of Council Tax and NDR relating to arrears, impairment allowances for doubtful debts, overpayments and prepayments and appeals.

H 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 accrual is charged to the Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday entitlements are charged to revenue in the financial year in which the holiday absence occurs.

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 the following pension schemes:

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

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

However, the arrangements for the teachers' and NHS schemes mean that liabilities for these benefits cannot be identified specifically to the Council. The schemes are therefore accounted for as if they were a defined contributions scheme – no liability for future payments of benefits is recognised in the Balance Sheet. The Schools service line in the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to Teachers' Pensions in the year. The Public Health and Wellbeing Services line in the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to the NHS Pension Scheme 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 pension's liability is analysed into five 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 the Council Wide service line;
- net interest on the net defined benefit liability (asset) – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. This is calculated by applying the discount rate used to

measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period, taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments;

- remeasurements – these comprise of the return on plan assets, excluding amounts included in the net interest on the net defined benefit liability (asset), and is charged to the Pensions Reserve as Other Comprehensive Income and Expenditure. Remeasurements also include actuarial gains and losses which are the result of changes in the net pension liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions. These are charged to the Pensions Reserve as Other Comprehensive Income and Expenditure; 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 transfers 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.

I 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 are 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.

J 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.

K 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.

L 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.

<u>Loans and Receivables</u>
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, 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.

<u>Available-for-sale Assets</u>
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.

The inputs to the measurement techniques are categorised in accordance with the following three levels:

- Level 1 inputs – quoted prices (unadjusted) in active markets for identical assets that the authority can access at the measurement date;
- Level 2 inputs – inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly; or,
- Level 3 inputs – unobservable inputs for the asset.

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).

M 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.

N 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.

O 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.

The carrying amount of heritage assets are reviewed where there is evidence of impairment, e.g. where an item has suffered physical deterioration or breakage, or where doubts arise to its authenticity. Any impairment is recognised and measured in accordance with the Council’s general policy on impairment.

P 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 overall weighted average interest rate that the Council receives.

Q 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.

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.

R 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.

Volair Ltd is a not for profit organisation, established on 1 April 2016, and wholly owned by the Council. Employing about 140 staff it delivers a wide range of leisure services. The Council's will not prepare group accounts in its financial statements as the balances, transactions and cash flows of Volair Ltd are not considered to be material.

S 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.

T 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.

U Joint Operations

Joint operations are arrangements where the parties that have joint control of the arrangement have the rights to the assets and obligations for the liabilities relating to the arrangement. The activities undertaken by the Council in conjunction with other joint operators involve the use of the assets and resources of those joint operators. In relation to its interest in a joint operation, the authority as a joint operator recognises:

- its assets, including its share of any assets held jointly;
- its liabilities, including its share of any liabilities incurred jointly;
- its revenue from the sale of its share of the output arising from the joint operation;
- its share of the revenue from the sale of the output by the joint operation; and,
- its expenses, including its share of any expenses incurred jointly.

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.

V 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).

<u>The Council as Lessor</u>

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.

W Overheads and Support Services

The costs of overheads and support services are charged to service segments in accordance with the authority's arrangements for accountability and financial performance.

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;
- council offices – current value determined as the amount that would be paid for the asset in its existing use (existing use value – EUV);

- school building – current value, but because of their specialist nature, are measured at depreciated replacement cost which is used as an estimate of current value;
- surplus assets – the current value measurement base is fair value, estimated at highest and best use from a market participant's perspective; and
- all other assets – current value determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

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.

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

Assets included in the Balance Sheet at current value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their curent 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.

Where decreases in value are identified, they are accounted for by:

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

The Revaluation Reserve contains 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.

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 as estimated by the 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; and
- infrastructure – straight-line allocation over 50 years.

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 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 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

Provisions

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.

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 also sets aside resources specifically for future policy developments, 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. These resources are kept under review by the Executive Director (Resources) as part of ongoing budget monitoring processes, and outcomes are reported to the Cabinet throughout the year, so that decisions can be made on any reallocations.

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 Schools

The Code confirms that the balance of control for local authority maintained schools (those categories of school identified in the School Standards and Framework Act 1998) lies with the local authority. The Code also stipulates that those schools' assets, liabilities, reserves and cash flows are recognised in the local authority financial statements. Therefore schools' transactions, cash flows, and balances are recognised in each of the financial statements of the Council as if they were the transactions, cash flows and balances of the Council.

AD 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.

AE Fair Value Measurement

The Council measures some if its non-financial assets such as surplus assets and investment properties and some of its financial instruments such as equity shareholdings at fair value at each reporting date. Fair value is the price that would be received to sell and asset of paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability; or,
- in the absence of a principal market, in the most advantageous market for the asset or liability.

The Council measures the fair value of an asset or liability using the assumptions that market participants would use when pricing the asset or liability, assuming that marker participants act in their economic best interest.

When measuring the fair value of a non-financial asset, the Council takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Council uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Inputs to the valuation techniques in respect of assets and liabilities for which fair value is measured or disclosed in the Council's financial statements are categorised within the fair value hierarchy as follows:

- Level 1 inputs – quoted prices (unadjusted) in active markets for identical assets or liabilities that the authority can access at the measurement date;
- Level 2 inputs – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; or,
- Level 3 inputs – unobservable inputs for the asset or liability.

Note 2 - Accounting Standards Issued, Not Adopted

Authorities are required to disclose information relating to the probable impact of an accounting change that will be required by a new standard that has been issued but not yet adopted by the Code of Practice. The accounting changes introduced in the 2017/18 Code relate to an amendment to the reporting of pension fund scheme transaction costs, and an amendment to the reporting of investment concentration. Neither of these are expected to have a material impact on the authority and will not require a restatement of this year's financial statements in 2017/18.

Note 3 - 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
As part of the 2017/18 Local Government Finance Settlement, the Government confirmed its offer of four-year funding through to 2019/20. These figures included Revenue Support Grant, Retained Business Rates and Top-Up Grant, but excluded other grants such as Public Health Grant. By making this offer, the Government sought to encourage local authorities to take a longer-term view of budget setting. The four-year Settlement provides greater certainty for the Council, as the Revenue Support Grant funding received will not be subject to the annual process of determining the Local Government Finance Settlement (when allocations can be subject to additional reductions dependent on the fiscal climate and the need to make further savings to reduce the national deficit).

There remains continued uncertainty about the future levels of funding streams that were not included in the four-year offer, and there also remains considerable risk regarding the need to make continued savings in response to the Government's cuts. The Medium-Term Financial Strategy report to the Council (8 March 2017) notes that Knowsley's acceptance of the Government's four-year funding offer and also its participation in the Government's 100% Business Rates Retention pilot scheme, give the Council a greater degree of certainty regarding the financial challenges it will face over the coming years. However there was sufficient assurance for the Council to set a three-year balanced budget based on the Council's performance priorities. In doing so the Council has assumed that this uncertainty will not affect its ability to operate as a going concern.

Accounting for Schools
The Council recognises the land and buildings used by schools in line with the requirements of the Code of Practice. Property used by schools should be recognised in accordance with the asset recognition tests relevant to the arrangements that prevail for the property. The Council recognises the schools assets for Community Schools on its Balance Sheet as it directly owns those assets. For the Voluntary Aided schools, the legal ownership of the land and buildings rests with the Diocese and Archdiocese who grant a license for the schools to use them. Under this license agreement, the rights of use of the land and buildings have not transferred to the school and have therefore not been included in the Council's Balance Sheet.

Academies are not included on the Council's Balance Sheet as the Council does not control their use. When a school on the Council's Balance Sheet transfers to Academy status the Council has treated this transfer as a disposal for nil consideration on the Balance Sheet rather than an impairment.

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 and one Special Educational Needs School. The contract includes Hard Facilities Management for a period of 25 years from service commencement, with a contract expiry date of 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 had previously 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. However, during 2013/14 three of the Centres for Learning transferred to Academy status and the Council has treated this transfer as a disposal for nil consideration 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. On 1 April 2016, the Council created a new organisation (Volair Ltd) to deliver leisure services across the borough. Volair is a wholly owned subsidiary of the Council and a not for profit company. As such, from April 2016, the income and expenditure relating to leisure services are not included in the Council's single entity accounts.

Single Status
The Council has undertaken a comprehensive job evaluation exercise as part of the local implementation of the national single status agreement. While there has been a one-off cost to the Council in respect of implementing the revised pay arrangements, the settlement that has been reached ensures that the outcome 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.

Note 4 - 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 2017 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

- Property, Plant and Equipment – assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance on them. 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 2017, the value of Property, Plant and Equipment held on the Balance Sheet is £442.708m.

- Provisions – a provision is included in the Balance Sheet at 31 March 2017 of £5.542m 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 2017, the total pension liability, including Teachers Pensions is £382.422m, however a 0.1% increase in the assumed discount rate would reduce the pension liability by £18.676m, and a 1 year increase in assumed life expectancy would increase the liability by £21.193m.

Note 5 - Events After the Balance Sheet Date

The Statement of Accounts was authorised for issue by the Executive Director (Resources) on 30 June 2017. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2017, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

Note 6a - Note to the Expenditure and Funding Analysis

	2016/17			
	Net Capital Statutory Adjustments	**Net Pensions Statutory Adjustments**	**Other Statutory Adjustments**	**Total Adjustments**
	£000	**£000**	**£000**	**£000**
Adult Social Care	2,963	510	0	3,473
Children's Social Care	(175)	295	0	120
Council Wide	(464)	39	0	(425)
Customer and Employees	507	343	0	850
Early Help	1,587	156	0	1,743
Economic Development	19,011	109	0	19,120
Education Improvement and Inclusion Service	6,186	100	0	6,286
Environmental Health	12	62	0	74
Financial Management and Exchequer Services	0	184	0	184
Governance	0	89	0	89
Neighbourhoods	1,202	377	0	1,579
Policy and Partnerships	0	123	0	123
Public Health and Wellbeing	6,661	99	0	6,760
Regeneration and Housing	16,906	129	0	17,035
Safeguarding and Quality Assurance	571	83	0	654
Schools	20,497	1,214	0	21,711
Net Cost of Services	**75,464**	**3,912**	**0**	**79,376**
Other Income and Expenditure	(16,473)	10,368	(7,010)	(13,115)
Difference between the Statutory Charge and the Surplus or Deficit in the Comprehensive Income and Expenditure Statement	**58,991**	**14,280**	**(7,010)**	**66,261**

	2015/16			
	Net Capital Statutory Adjustments	**Net Pensions Statutory Adjustments**	**Other Statutory Adjustments**	**Total Adjustments**
	£000	**£000**	**£000**	**£000**
Adult Social Care	156	561	0	717
Children's Social Care	0	321	0	321
Council Wide	(487)	63	0	(424)
Customer and Employees	741	386	0	1,127
Early Help	277	174	0	451
Economic Development	(7,415)	131	0	(7,284)
Education Improvement and Inclusion Service	0	109	0	109
Environmental Health	0	72	0	72
Financial Management and Exchequer Services	0	218	0	218
Governance	0	98	0	98
Neighbourhoods	849	426	0	1,275
Policy and Partnerships	0	149	0	149
Public Health and Wellbeing	1,098	250	0	1,348
Regeneration and Housing	1,537	148	0	1,685
Safeguarding and Quality Assurance	1	87	0	88
Schools	17,619	1,430	0	19,049
Net Cost of Services	**14,376**	**4,623**	**0**	**18,999**
Other Income and Expenditure	(17,983)	10,132	(7,095)	(14,946)
Difference between the Statutory Charge and the Surplus or Deficit in the Comprehensive Income and Expenditure Statement	**(3,607)**	**14,755**	**(7,095)**	**4,053**

<u>Adjustments for Capital Purposes</u>
This column adds in depreciation and impairment and revaluation gains and losses in the service line, and for:

- Other operating expenditure – adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets.
- Financing and investment income and expenditure – the statutory charges for capital financing i.e., Minimum Revenue Provision and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices.
- Taxation and non-specific grant income and expenditure – capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from those receivable in the year to those receivable without conditions or for which conditions were satisfied during the year. The Taxation and Non-Specific Grant Income and Expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.

<u>Net Change for Pensions Adjustments</u>
Net change for the removal of pension contributions and the additional of IAS19 Employee Benefits pension related expenditure and income:

- For services this represents the removal of the employer pension contributions made by the Council as allowed by statute and the replacement with current service costs and past service costs.
- For the Financing and investment income and expenditure the net interest on the defined benefit liability in charged to the Comprehensive Income and Expenditure Statement.

<u>Other Differences</u>
Other differences between amounts debited or credited to the Comprehensive Income and Expenditure Statement and amounts payable or receivable to be recognised under statute:

- For Financing and investment income and expenditure the other differences column recognises adjustments to the General Fund for the timing difference for premiums and discounts.
- The charge under Taxation and non-specific grant income and expenditure represents the difference between what is chargeable under statutory regulations for council tax and business rates that was projected to be received at the start of the year and the income recognised under generally accepted accounting practices in the Code. This is a timing difference as any difference will be brought forward in future Surpluses or Deficits on the Collection Fund.

Note 6b - Segmental Analysis of Income and Expenditure

Income and Expenditure on a segmental basis is analysed below:

	2016/17	
	Revenues from External Customers	**Depreciation and Amortisation**
	£000	**£000**
Adult Social Care	(12,670)	348
Children's Social Care	(181)	0
Council Wide	(978)	(463)
Customer and Employees	(1,987)	104
Early Help	(586)	318
Economic Development	(1,777)	1,011
Education Improvement and Inclusion Service	(291)	1,473
Environmental Health	(1,254)	12
Financial Management and Exchequer Services	(2,269)	0
Governance	(487)	0
Neighbourhoods	(7,090)	1,235
Policy and Partnerships	(691)	0
Public Health and Wellbeing	(223)	1,426
Regeneration and Housing	(3,662)	4,823
Safeguarding and Quality Assurance	(374)	1
Schools	(2,918)	2,218
Total Managed by Segments	**(37,438)**	**12,506**

	2015/16	
	Revenues from External Customers	**Depreciation and Amortisation**
	£000	**£000**
Adult Social Care	(12,077)	196
Children's Social Care	(84)	0
Council Wide	(357)	0
Customer and Employees	(1,484)	465
Early Help	(934)	279
Economic Development	(4,084)	1,627
Education Improvement and Inclusion Service	(431)	0
Environmental Health	(873)	0
Financial Management and Exchequer Services	(2,796)	0
Governance	(176)	0
Neighbourhoods	(7,298)	981
Policy and Partnerships	(620)	0
Public Health and Wellbeing	(3,416)	1,481
Regeneration and Housing	(2,874)	3,901
Safeguarding and Quality Assurance	(332)	0
Schools	(3,716)	4,764
Total Managed by Segments	**(41,552)**	**13,694**

Note 7 - Expenditure and Income Analysed by Nature

The Council's expenditure and income is analysed as follows:

2015/16 £000	Nature of Expenditure or Income	2016/17 £000
(168,681)	Fees, charges and other service income	(148,627)
(14,513)	Support Service recharge income	(14,112)
(14,834)	Interest and investment income	(7,255)
(99,410)	Income from local taxation	(103,576)
(318,262)	Government grants and contributions	(295,445)
159,880	Employee benefits expenses	154,739
14,513	Support service recharge expenditure	14,112
377,423	Other service expenses	351,626
27,166	Depreciation, amortisation and impairment	43,257
26,980	Interest payments	26,859
20,245	Precepts and levies	19,603
17	Payments to Housing Capital Receipts Pool	14
1,494	Gain or loss on disposal of non-current assets	33,581
12,019	**Surplus or Deficit for Year**	**74,776**

Note 8 - Adjustments between Accounting Basis and Funding Basis under Regulations

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the 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.

2016/2017	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£000	£000	£000	£000
Adjustments to the Revenue Resources				
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:				
Pension cost (transferred to (or from) the Pensions Reserve)	(14,280)			14,280
Financial Instruments (transferred to the Financial Instruments Adjustments Account)	5			(5)
Council tax and NDR (transfers to or from the Collection Fund)	5,731			(5,731)
Holiday pay (transferred to the Accumulated Absences reserve)	(321)			321
Equal pay settlements (transferred to the Unequal Pay / Back Pay Account)	1,596			(1,596)
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	(68,016)		(5,529)	73,545
Adjustments between Revenue and Capital Resources				
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	1,512	(1,512)		
Administrative costs of non-current asset disposals (funded by a contribution from the Capital Receipts Reserve)	0	0		
Payments to the government housing receipts pool (funded by a transfer from the Capital Receipts Reserve)	(14)	14		
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	0			0
Mitigation of operating leases as lessee reclassified as finance leases upon transition to IFRS	0	0		
Statutory Provision for the repayment of debt (transfer to the Capital Adjustment Account)	5,407			(5,407)
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	2,118			(2,118)
Adjustments to Capital Resources				
Use of the Capital Receipts Reserve to finance capital expenditure		1,069		(1,069)
Application of capital grants to finance capital expenditure			5,495	(5,495)
Cash payments in relation to deferred capital receipts		(20)		20
Total Adjustments	**(66,261)**	**(449)**	**(34)**	**66,744**

2015/2016	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£000	£000	£000	£000
Adjustments to the Revenue Resources				
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:				
Pension cost (transferred to (or from) the Pensions Reserve)	(14,755)			14,755
Financial Instruments (transferred to the Financial Instruments Adjustments Account)	6			(6)
Council tax and NDR (transfers to or from the Collection Fund)	5,752			(5,752)
Holiday pay (transferred to the Accumulated Absences reserve)	67			(67)
Equal pay settlements (transferred to the Unequal Pay / Back Pay Account)	1,271			(1,271)
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	(8,816)		(5,002)	13,818
Adjustments between Revenue and Capital Resources				
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	1,042	(1,042)		
Administrative costs of non-current asset disposals (funded by a contribution from the Capital Receipts Reserve)	0	0		
Payments to the government housing receipts pool (funded by a transfer from the Capital Receipts Reserve)	(17)	17		
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	0			0
Statutory Provision for the repayment of debt (transfer to the Capital Adjustment Account)	7,816			(7,816)
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	5,545			(5,545)
Adjustments to Capital Resources				
Use of the Capital Receipts Reserve to finance capital expenditure		1,052		(1,052)
Application of capital grants to finance capital expenditure			4,714	(4,714)
Cash payments in relation to deferred capital receipts		(27)		27
Other adjustments	(1,964)	0	0	1,964
Total Adjustments	**(4,053)**	**0**	**(288)**	**4,341**

Note 9 - Transfers to/from 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.

	Balance at 1 April 2015	Transfers In 2015/16	Transfers Out 2015/16	Balance at 31 March 2016	Transfers In 2016/17	Transfers Out 2016/17	Balance at 31 March 2017
	£000	£000	£000	£000	£000	£000	£000
General Fund Reserves:							
Approved Budget Investments	(22,819)	(16,430)	19,336	**(19,913)**	(4,201)	9,446	**(14,668)**
Service Commitments	(9,886)	(3,169)	6,514	**(6,541)**	(3,806)	4,337	**(6,011)**
Budget Strategy Reserve	(8,150)	(2,366)	1,432	**(9,084)**	(587)	4,982	**(4,688)**
Workforce Remodelling	(3,633)	(1,535)	4,382	**(786)**	(4,274)	2,441	**(2,619)**
Centres for Learning	0	(32,762)	29,335	**(3,427)**	(37,364)	34,227	**(6,564)**
Insurance Fund	(1,381)	(346)	346	**(1,381)**	0	20	**(1,361)**
Street Lighting PFI	0	(4,316)	477	**(3,840)**	(306)	565	**(3,581)**
Stockbridge Village Regeneration	(31)	0	0	**(31)**	0	3	**(27)**
Future Schooling in Knowsley Development	(212)	0	212	**0**	0	0	**0**
School Balances	(11,221)	(6,462)	9,448	**(8,235)**	(2,846)	5,800	**(5,281)**
Youth Employment Gateway	(4,072)	(15)	3,885	**(202)**	0	77	**(125)**
Total Earmarked Reserves	**(61,405)**	**(67,401)**	**75,367**	**(53,439)**	**(53,384)**	**61,899**	**(44,925)**

Notes

(a) The Approved Budget Investments, Service Commitments, Budget Strategy Reserve and the Workforce Remodelling Reserve are funding for the future financial commitments of the Council's services.

(b) Centre's For Learning Reserve - Sinking fund to finance the costs of the new Centres for Learning across the Borough.

(c) Insurance fund - Contributions to offset the cost of future insurance claims.

(d) Street Lighting PFI - Contributions to development work on the street lighting private finance initiative scheme.

(e) Stockbridge Village regeneration - To fund development work associated with the redevelopment of Stockbridge Village.

(f) Future Schooling in Knowsley - To fund ongoing development costs of the Future Schooling In Knowsley Programme.

(g) School Balances - Balances held on delegated budgets to fund future schools expenditure.

(h) Youth Employment Gateway - Grant funding allocated to the Liverpool City Region and held by the Council as Accountable Body.

Note 10 - Other Operating Expenditure

2015/16 £000		2016/17 £000
956	Precepts	1,005
19,289	Levies	18,598
17	Payments to the Government Housing Capital Receipts Pool	14
1,494	Gains/losses on the Disposal of Non-Current Assets	25,595
1,800	Other	9,362
23,556	**Total Other Operating Expenditure**	**54,574**

Note 11 - Financing and Investment Income and Expenditure

2015/16 £000		2016/17 £000
16,848	Interest payable and similar charges	16,491
10,132	Net interest on the net defined benefit liability (asset)	10,368
(1,126)	Interest receivable and similar income	(1,183)
(11,337)	Income and expenditure in relation to investment properties and changes in their fair value	(4,326)
14,517	**Total**	**21,350**

Note 12 - Taxation and Non-Specific Grant Income

2015/16 £000		2016/17 £000
(41,817)	Council tax income	(44,445)
(57,593)	Non-domestic rates income and expenditure	(59,131)
(49,625)	Non-ringfenced government grants	(43,855)
(11,681)	Capital grants and contributions	(8,569)
(160,716)	**Total**	**(156,000)**

Note 13 - Property, Plant and Equipment

Movements to 31 March 2017

	Land and Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant and Equipment
	£000	£000	£000	£000	£000	£000	£000
Cost or Valuation							
at 1 April 2016	328,758	59,525	224,048	8,069	1,947	0	**622,347**
Additions	2,160	2,286	7,869	306	0	0	**12,621**
Revaluation increases/(decreases) recognised in the Revaluation Reserve	25,108	0	0	246	0	0	**25,353**
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(28,500)	0	0	(210)	0	0	**(28,710)**
Derecognition – disposals	(20,078)	0	0	0	0	0	**(20,078)**
Reclassifications and transfers	(2,588)	0	0	0	(1,875)	0	**(4,463)**
at 31 March 2017	**304,859**	**61,811**	**231,917**	**8,410**	**72**	**0**	**607,070**
Accumulated Depreciation and Impairment							
at 1 April 2016	(56,496)	(53,568)	(40,061)	(1,029)	(72)	0	**(151,226)**
Depreciation charge	(5,164)	(2,023)	(4,920)	(158)	0	0	**(12,265)**
Impairment losses/(reversals) recognised in the Revaluation Reserve	(205)	0	0	0	0	0	**(205)**
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	(666)	0	0	0	0	0	**(666)**
at 31 March 2017	**(62,531)**	**(55,591)**	**(44,981)**	**(1,187)**	**(72)**	**0**	**(164,362)**
Net Book Value							
at 31 March 2017	**242,328**	**6,220**	**186,937**	**7,223**	**0**	**0**	**442,708**
at 31 March 2016	**272,262**	**5,957**	**183,987**	**7,040**	**1,875**	**0**	**471,122**

Movements to 31 March 2016

	Land and Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant and Equipment
	£000	£000	£000	£000	£000	£000	£000
Cost or Valuation							
at 1 April 2015	307,688	56,952	209,806	7,458	833	0	**582,737**
Additions	2,806	2,573	14,706	611	29	0	**20,725**
Revaluation increases/(decreases) recognised in the Revaluation Reserve	23,214	0	0	0	1,125	0	**24,339**
9Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	299	0	0	0	0	0	**299**
Derecognition – disposals	(2,066)	0	(464)	0	0	0	**(2,530)**
Reclassifications and transfers	(3,182)	0	0	0	(40)	0	**(3,222)**
at 31 March 2016	**328,759**	**59,525**	**224,048**	**8,069**	**1,947**	**0**	**622,347**
Accumulated Depreciation and Impairment							
at 1 April 2015	(38,157)	(50,918)	(35,437)	(880)	(43)	0	**(125,435)**
Depreciation charge	(5,981)	(2,650)	(4,624)	(149)	0	0	**(13,404)**
Impairment losses/(reversals) recognised in the Revaluation Reserve	(416)	0	0	0	0	0	**(416)**
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	(11,942)	0	0	0	(29)	0	**(11,971)**
at 31 March 2016	**(56,496)**	**(53,568)**	**(40,061)**	**(1,029)**	**(72)**	**0**	**(151,226)**
Net Book Value							
at 31 March 2016	**272,263**	**5,957**	**183,987**	**7,040**	**1,875**	**0**	**471,122**
at 31 March 2015	**269,531**	**6,034**	**174,369**	**6,578**	**790**	**0**	**457,302**

Property, Plant and Equipment Revaluations

	Other Land and Buildings	Vehicles, Plant, Furniture and Equipment	Community Assets	Total
	£000	£000	£000	£000
Carried at historical cost	14,260	6,220	5,921	26,401
Valued at current value as at:				
31/03/2017	89,398	0	923	90,321
31/03/2016	80,540	0	0	80,540
31/03/2015	7,187	0	0	7,187
31/03/2014	46,620	0	382	47,002
31/03/2013	4,324	0	0	4,324
Total Cost or Valuation	**242,329**	**6,220**	**7,226**	**255,775**

Note 14 - Heritage Assets

2016/17	**Public Art**	**Total**
	£000	**£000**
Opening Balance	496	496
Depreciation	(20)	(20)
Closing Balance	**476**	**476**

2015/16	**Public Art**	**Total**
	£000	**£000**
Opening Balance	442	442
Additions	69	69
Depreciation	(15)	(15)
Closing Balance	**496**	**496**

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 2015/16 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.

Note 15 - Investment Properties

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.

31 March 2016 £000	Investment Property Income and Expenditure	31 March 2017 £000
(1,835)	Rental income from investment property	(2,507)
632	Direct operating expenses from investment property	676
(1,203)	**Net (gain)/loss**	**(1,831)**

31 March 2016 £000	Investment Property Movements in Year	31 March 2017 £000
51,306	Balance at start of year	61,248
	Additions:	
113	Subsequent expenditure	1,840
0	Disposals	(164)
10,134	Net gains/losses from fair value adjustments	2,659
	Transfers:	
(305)	to/from Property Plant and Equipment	1,152
61,248	**Balance at the end of the year**	**66,735**

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

In estimating the fair value of the Council's Investment Properties, the highest and best use of the properties is deemed to be their current use. The Council's Investment Properties have been assessed as Level 1 (quoted prices in active markets for identical assets) on the fair value hierarchy for valuation purposes.

Note 16 - 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.

31st March 2016				31st March 2017		
Internally Generated Assets	**Other Assets**	**Total**		**Internally Generated Assets**	**Other Assets**	**Total**
£000	**£000**	**£000**		**£000**	**£000**	**£000**
			Balance at start of year:			
98	9,195	9,293	Gross carrying amounts	98	9,387	9,485
32	**503**	**535**	**Net carrying amount at start of year**	**12**	**439**	**451**
			Additions:			
0	192	192	Purchases	0	197	197
(20)	(256)	(276)	Amortisation for the period	(10)	(211)	(221)
12	**439**	**451**	**Net carrying amount at end of year**	**2**	**425**	**427**
			Comprising:			
98	9,387	9,485	Gross carrying amounts	98	9,584	9,682
(86)	(8,948)	(9,034)	Accumulated amortisation	(96)	(9,159)	(9,255)
12	**439**	**451**		**2**	**425**	**427**

The carrying amount of intangible assets is amortised on a straight line basis.

Note 17 - Financial Instruments

A financial instrument is any contract which gives rise to a financial asset of one entity and a financial liability of another. Non-exchange transactions, such as those relating to taxes and government grants, do not give rise to financial instruments.

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 (PWLB) and commercial lenders
- short-term loans from other local authorities
- bank overdraft;
- finance leases
- Private Finance Initiative (PFI) contracts; 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 classifications:

Loans and receivables:

- Cash in hand
- bank accounts and deposit accounts
- fixed term deposits with banks and building societies; and
- trade receivables for goods and service delivered, including an indemnity deposit placed in the Local Authority Mortgage Scheme (LAMS).

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

- money market funds and other collective investment schemes managed by a fund manager
- certificates of deposits and covered bonds issued by banks and building societies; and
- bonds issued by multilateral development banks and UK companies.

Financial Instruments

	Long-term 31 March 2016 £000	Long-term 31 March 2017 £000	Current 31 March 2016 £000	Current 31 March 2017 £000
Investments				
Loans and receivables	16	2,516	30,103	24,072
Available-for-sale financial assets	17,863	18,597	5,046	0
Total investments	**17,879**	**21,113**	**35,149**	**24,072**
Debtors				
Loans and receivables	4,267	4,217	0	0
Other	0	0	32,100	0
Total included in Debtors	**4,267**	**4,217**	**32,100**	**0**
Borrowings				
Financial liabilities at amortised cost	(103,497)	(109,546)	(20,235)	(12,902)
Total included in Borrowings	**(103,497)**	**(109,546)**	**(20,235)**	**(12,902)**
Other Long Term Liabilities				
PFI and finance lease liabilities	(139,687)	(134,905)		
Total other long term liabilities	**(243,184)**	**(244,451)**		
Creditors				
Financial liabilities carried at contract amount			(48,699)	0
Other	0	0	0	0
Total Creditors	**0**	**0**	**(48,699)**	**0**

Income, Expense, Gains and Losses

	2017				
	Financial Liabilites: Liabilities measured at amortised cost	**Financial Assets: Loans and receivables**	**Financial Assets: Available-for-sale assets**	**Assets and Liabilities at Fair Value through Profit and Loss**	**Total**
	£000	**£000**	**£000**	**£000**	**£000**
Interest expense	16,372	0	0	0	16,372
Total expense in Surplus or Deficit on the Provision of Services	**16,372**	**0**	**0**	**0**	**16,372**
Interest income	-	(502)	(673)	0	(1,175)
Total income in Surplus or Deficit on the Provision of Services	**0**	**(502)**	**(673)**	**0**	**(1,175)**
Gains on revaluation	-	-	(1,999)	-	(1,999)
Losses on revaluation	-	-	9	-	9
Amounts recycled to the Surplus or Deficit on the Provision of Services after impairment	-	-	0	-	0
Surplus/deficit arising on revaluation of financial assets in Other Comprehensive Income and Expenditure	**-**	**-**	**(1,990)**	**-**	**(1,990)**
Net (gain)/loss for the year	**16,372**	**(502)**	**(2,663)**	**0**	**13,207**

	2016				
	Financial Liabilites: Liabilities measured at amortised cost	**Financial Assets: Loans and receivables**	**Financial Assets: Available-for-sale assets**	**Assets and Liabilities at Fair Value through Profit and Loss**	**Total**
	£000	**£000**	**£000**	**£000**	**£000**
Interest expense	16,695	0	0	0	16,695
Total expense in Surplus or Deficit on the Provision of Services	**16,695**	**0**	**0**	**0**	**16,695**
Interest income	-	(386)	(730)	0	(1,116)
Total income in Surplus or Deficit on the Provision of Services	**0**	**(386)**	**(730)**	**0**	**(1,116)**
Gains on revaluation	-	-	(1,298)	-	(1,298)
Losses on revaluation	-	-	56	-	56
Amounts recycled to the Surplus or Deficit on the Provision of Services after impairment	-	-	0	-	0
Surplus/deficit arising on revaluation of financial assets in Other Comprehensive Income and Expenditure	**-**	**-**	**(1,242)**	**-**	**(1,242)**
Net (gain)/loss for the year	**16,695**	**(386)**	**(1,972)**	**0**	**14,337**

The interest expense excludes statutory transferred debt interest of (and therefore differs from the figure reported in Comprehensive Income and Expenditure Statement by) £0.119m in 2016/17 (£0.153m in 2015/16).

The interest income excludes statutory transferred debt interest of (and therefore differs from the figure reported in Comprehensive Income and Expenditure Statement by) £0.007m in both 2015/16 and £0.007m in 2016/17.

The increase in interest payable and similar charges in 2016/17 reflects the increase in interest payments in relation to the Council’s Private Finance Initiative Schemes. There was also a net gain on revaluation of the Councils Available for Sale Assets of £1.990m in 2016/17 which is discussed below in c) Fair Value of Assets and Liabilities – Available for Sale.

Note 17b - Fair Value of Assets and Liabilities

Financial assets classified as available for sale assets and all derivative assets and liabilities are carried in the Balance Sheet at fair value. For most of these assets, including bonds, money market funds and pooled funds, the fair value being taken from the market price. The fair value of other instruments have been estimated calculating the net present value of the remaining contractual cash flows at 31st March 2017.

Financial assets classified as loans and receivables and all non-derivative financial liabilities are carried in the Balance Sheet at amortised cost. Their fair values have been estimated by calculating the net present value of the remaining contractual cash flows at 31 March 2017, using the following methods and assumptions:

- Loans borrowed by the Council have been valued by discounting the contractual cash flows over the whole life of the instrument at the appropriate market rate for local authority loans.
- The value of "Lender's Option Borrower's Option" (LOBO) loans have been increased by the value of the embedded options. Lenders' options to propose an increase to the interest rate on the loan have been valued according to a proprietary model for Bermudan cancellable swaps. Borrower's contingent options to accept the increased rate or repay the loan have been valued at zero, on the assumption that lenders will only exercise their options when market rates have risen above the contractual loan rate.
- The fair values of other long-term loans and investments have been discounted at the market rates for similar instruments with similar remaining terms to maturity on 31 March 2017.
- The fair values of finance lease assets and liabilities and of PFI scheme liabilities have been calculated by discounting the contractual cash flows (excluding service charge elements) at the appropriate AA-rated corporate bond yield
- No early repayment or impairment is recognised for any financial instrument.
- The fair value of short-term instruments, including cash, money market funds, call accounts, trade payables and receivables is assumed to be a reasonable approximation to the carrying amount.

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.

Fair values are shown in the table below, split by their level in the fair value hierarchy:

- Level 1 – fair value is only derived from quoted prices in active markets for identical assets or liabilities, e.g. bond prices
- Level 2 – fair value is calculated from inputs other than quoted prices that are observable for the asset or liability, e.g. interest rates or yields for similar instruments
- Level 3 – fair value is determined using unobservable inputs, e.g. non-market data such as cash flow forecasts or estimated creditworthiness

The fair values calculated are as follows:

	Fair Value Level	31 March 2016 Carrying Amount £000	31 March 2016 Fair Value £000	31 March 2017 Carrying Amount £000	31 March 2017 Fair Value £000
Financial Liabilities held at amortised cost					
LOBO fixed loans	2	17.496	26.889	11.090	18.931
PWLB fixed loans	2	102.769	137.029	102.732	156.523
Market Long Term loans	2	0.000	0.000	6.406	10.823
Market temporary loans	2	1.000	1.000	0.000	0.000
PFI & Finance Leases	2	139.402	212.996	139.905	216.751
Liabilities for which fair value is not disclosed					
Trade payables		48.699	48.699	45.221	45.221
		309.366	426.613	305.354	448.249
Financial Assets held at fair value (avaialble for sale assets)					
Money Market Funds (cash equivalents)	1	0.000	0.000	16.324	16.324
Certificates of deposits (non cash equivalents)	2	4.004	4.004	0.000	0.000
Certificates of deposits (cash equivalents)	2	6.040	6.040	0.000	0.000
Fund Managers	1	8.257	8.257	8.661	8.661
Bonds	1	10.648	10.648	9.936	9.936
Financial Assets held at amortised cost					
Fixed Term Deposits and notice accounts (non cash equivalents)	2 (Note i)	30.119	30.119	26.588	26.588
Fixed Term Deposits & notice accounts (cash equivalents)	2 (Note i)	6.016	6.016	10.012	10.012
Instant Access Accounts (cash equivalents)	2 (Note i)	0.000	0.000	0.500	0.500
Trade Receivables	n/a / 2 for LAMS	36.366	36.402	29.035	29.095
		101.450	101.486	101.056	101.116

Note i) Fair Value Level 2 calculations do not apply to short term instruments as the Council deems their carrying amount to be a reasonable approximation of their fair value. Trade receivables includes a debtor in relation to the Councils Local Authority Mortgage scheme which has been calculated using level 2 fair values. The Council deems all other trade receivables carrying amounts to be a reasonable approximation of their fair value.
Cash balances of £6.865m on 31 March 2016 and £3.046m overdrawn on 31 March 2017 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 2017 is £180.561m. This represents a variance of £24.038m when compared to the valuations above, prepared using rates available for new loans.

Private Finance Initiatives (PFI)
The fair value is higher because the implicit interest rate on the Councils PFI contracts is higher than current long term interest rates. PFI rates also include an element to cover the risks around construction, which is no longer present.

Financial Assets

Fixed term deposits and notice accounts
The carrying amounts of all the Council's short term deposits and cash equivalents are deemed to be a reasonable approximation of the fair value. The £0.002m of investments in 3.5% Treasury Stock is also included here.

Available for Sale
Available for sale assets are carried in the balance sheet at their fair value of £34.921m. The equivalent amortised cost of the Council's Available for Sale Assets is £32.931m. The fair value is higher than the amortised cost by £1.990m because the yields achieved on the Councils bonds and most fund manager investments are higher than the yields of equivalent bonds at the balance sheet date.

Trade Receivables - Local Authority Mortgage Scheme Indemnity Deposit

On 22 July 2013 the Council placed a £1m indemnity deposit with Lloyds TSB bank plc for five years for the purpose of assisting first-time buyers onto the property ladder through the Local Authority Mortgage Scheme. By indemnifying lenders for up to 20% of the value of a mortgage, the scheme intends to help first-time buyers who can afford mortgage repayments, but not the initial deposits to buy a house within Knowsley.

The £1m indemnity deposit in Lloyds TSB bank plc is therefore shown as a Long Term Debtor in the Balance Sheet at 31 March 2017 and included within Trade Receivables in the above Fair Value table.

The Fair Value of the £1m indemnity deposit is greater than the carrying amount by £0.060m at the balance sheet date. This is because the interest rate receivable on the £1m indemnity deposit is greater than the rates available for similar investment deposits at the balance sheet date.

Note 18 - Inventories

	Consumable Stores	
	2015/16 £000	**2016/17 £000**
Balance outstanding at start of year	530	530
Purchases	3,234	3,402
Recognised as an expense in the year	(3,234)	(3,398)
Balance Outstanding at Year End	**530**	**534**

Note 19 - Debtors

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

31 March 2016 £000		**31 March 2017 £000**
4,515	Central Government Bodies	3,942
5,606	Other Local Authorities	1,506
771	NHS Bodies	1,921
0	Public Corporations and Trading Funds	6
21,208	Other Entities and Individuals	17,444
32,100	**Total Debtors**	**24,818**

Each line is presented net of allowance for non-collection. As at 31 March 2017 the total allowance for non-collection was £9.289m (£7.862m at 31 March 2016).

Note 20 - Cash and Cash Equivalents

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

31 March 2016 £000		**31 March 2017 £000**
6,865	Cash and Bank balances	(3,046)
12,056	Short Term Deposits	26,836
18,921	**Total Cash and Cash Equivalents**	**23,790**

Note 21 - Assets Held for Sale

Current 31 March 2016 £000		Current 31 March 2017 £000
17,072	Balance outstanding at start of year	19,126
326	Additions	153
	Assets newly classified as held for sale:	
3,527	- Property Plant and Equipment	3,311
(3,453)	Revaluation losses	(1,376)
2,275	Revaluation gains	0
(621)	Impairment losses	(7,986)
0	Assets sold	(7,041)
19,126	**Balance Outstanding year end**	**6,186**

Note 22 - Creditors

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

31 March 2016 £'000		31 March 2017 £'000
(13,323)	Central Government Bodies	(19,025)
(728)	Other Local Authorities	(624)
(694)	NHS Bodies	(2,299)
(7)	Public Corporations and Trading Funds	(5)
(33,947)	Other Entities and Individuals	(23,269)
(48,699)	**Total Creditors**	(45,222)

Note 23 - Provisions

A number of provisions have been set aside at 31 March 2017 to cover the following liabilities:

Current Provisions

2016/17	Equal Pay Back Pay	Respite Provision	Collection Fund - Business Rates Appeals	Other	Total
	£000	£000	£000	£004	£000
Opening Balance	(500)	(91)	0	0	(591)
Increase in provision during year	0	0	0	(135)	(135)
Utilised during year	0	68	0	0	68
Other movements	250	0	(2,802)	0	(2,552)
Closing Balance	**(250)**	**(23)**	**(2,802)**	**(135)**	**(3,209)**

2015/16	Equal Pay Back Pay	Respite Provision	Collection Fund - Business Rates Appeals	Other	Total
	£000	£000	£000	£004	£000
Opening Balance	(1,000)	0	0	(8)	(1,008)
Increase in provision during year	(715)	(91)	0	0	(806)
Utilised during year	1,215	0	0	8	1,223
Other movements	0	0	0	0	0
Closing Balance	**(500)**	**(91)**	**0**	**0**	**(591)**

Long Term Provisions

2016/17	Collection Fund - Business Rates Appeals	Insurance	Equal Pay Back Pay	Public Health Property Costs	Street Lighting PFI	Impact on General Fund of Collection Fund Deficit	Land Charges Fees	Other	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Opening Balance	(4,309)	(6,938)	(6,931)	(962)	(918)	(549)	(48)	(16)	(20,671)
Increase in provision during year	(957)	(1,286)	(1,910)	0	(307)	0	0	0	(4,460)
Utilised during year	596	2,064	3,798	93	35	0	48	0	6,634
Other movements	2,802	0	(250)	0	0	0	0	0	2,552
Closing Balance	**(1,868)**	**(6,161)**	**(5,292)**	**(869)**	**(1,190)**	**(549)**	**0**	**(16)**	**(15,945)**

2015/16	Collection Fund - Business Rates Appeals	Insurance	Equal Pay Back Pay	Public Health Property Costs	Street Lighting PFI	Impact on General Fund of Collection Fund Deficit	Land Charges Fees	Other	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Opening Balance	(5,119)	(6,403)	(9,516)	0	(613)	(6,729)	(298)	(16)	(28,694)
Increase in provision during year	(666)	(1,852)	0	(962)	(338)	0	(120)	0	(3,938)
Utilised during year	1,476	1,317	2,585	0	33	6,180	370	0	11,961
Other movements	0	0	0	0	0	0	0	0	0
Closing Balance	**(4,309)**	**(6,938)**	**(6,931)**	**(962)**	**(918)**	**(549)**	**(48)**	**(16)**	**(20,671)**

Detail of Provisions

Business Rates Appeals (Collection Fund):
Since 2013/14, guidance for the National Non-Domestic Rates Return requires the Council to provide for the cost of all potential backdated appeals expected to be incurred in the current and future years. This significant risk previously arose under the former national pool arrangement for Business Rates, but under the Business Rates Retention System the cost now falls in full on the Collection Fund. Knowsley's share of this cost is estimated at £4.670m and is provided for within the Collection Fund, and therefore reflected on the consolidated Balance Sheet.

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.

Equal Pay Act (Amendment) Regulations 2003: As in previous years, the 2016/17 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.

Public Health Property Costs: Since 2013/14, the Council has been responsible for Public Health services, including the costs of accommodation associated with the delivery of these services. The Council has received a schedule of accommodation that it is liable for with indicative costs that NHS Property Services will charge. The Council (Public Health services) is currently occupying the accommodation. However, no lease agreement has been signed and the actual amounts due are not yet known, so a provision of £0.869m has been set aside for this liability.

Land Charges Fees: for repayment of fees relating to Land Charges.

2015/16	**Total Provisions**	**2016/17**
£000		**£000**
(29,701)	Opening Balance	(21,262)
(4,745)	Increase in provision during year	(4,595)
13,184	Utilised during year	6,702
0	Unwinding of discounting	0
(21,262)	**Closing Balance**	**(19,155)**

Note 24 - Usable Reserves

Capital Receipts Reserve

31 March 2016 £000		31 March 2017 £000
0	Balance 1 April	0
(1,042)	Capital Receipts in year	(1,512)
(27)	Deferred Receipts realised	(20)
17	Capital Receipts Pooled	14
1,052	Capital Receipts used for financing	1,069
0	**Balance 31 March**	**(449)**

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.

Capital Grants Unapplied

31 March 2016 £000		31 March 2017 £000
(2,144)	Balance 1 April	(2,431)
(5,002)	Capital grants recognised in year	(5,529)
4,715	Capital grants and contributions applied	5,494
(2,431)	**Balance 31 March**	**(2,466)**

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.

Note 25 - Unusable Reserves

31 March 2016 £000		31 March 2017 £000
(70,575)	Revaluation Reserve	(83,621)
(1,242)	Available for Sale Financial Instruments Reserve	(1,990)
(197,824)	Capital Adjustment Account	(153,215)
5	Financial Instruments Adjusmtent Account	0
295,882	Pension Reserve	382,422
(20)	Deferred Capital Receipts Reserve	0
(938)	Collection Fund Adjustment Account	(6,669)
2,299	Unequal Pay Back Pay Account	3,448
2,191	Accumulated Absences Account	2,512
29,779	**Total**	**142,887**

Revaluation Reserve

31 March 2016 £000		31 March 2017 £000
(45,658)	**Balance 1 April**	(70,575)
(27,447)	Upward revaluation of assets	(30,743)
3,525	Downward revaluation of assets and impairment losses not charged to the Surplus or Deficit on the Provision of Services	5,595
(23,922)	**Surplus or deficit on revaluation of non-current assets not charged to the Surplus or Deficit on the Provision of Services**	**(25,148)**
748	Difference between fair value depreciation and historical cost depreciation	1,027
0	Accumulated gains on assets sold or scrapped	11,075
748	**Amount written off to the Capital Adjustment Account**	**12,103**
217	Other movements to the Surplus or Deficit on Provision of Services	0
(1,960)	Other movements to Other Comprehensive Income and Expenditure	0
(70,575)	**Balance 31 March**	**(83,621)**

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.

Available for Sale Financial Instruments Reserve

31 March 2016 £000		31 March 2017 £000
(1,112)	Balance 1 April	(1,242)
(130)	Upward revaluation of investments	(748)
(1,242)	**Balance 31 March**	**(1,990)**

The Available for Sale Financial Instruments Reserve contains the gains made the Council arising from increases in the value of its investments that have quoted market process or otherwise do not have fixed or determinable payments. The balance is reduced when investments with accumulated gains are revalued downwards or impaired and the gains are lost, or disposed of and the gains are realised.

Capital Adjustment Account

31 March 2016 '£000		31 March 2017 '£000
(193,514)	**Balance 1 April**	(197,824)
27,189	Charges for depreciation and impairment of non-current assets	22,313
(299)	Revaluation losses on non-current assets	28,710
276	Amortisation of intangible assets	221
2,423	Revenue expenditure funded from capital under statute	3,213
2,530	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	27,284
32,119	Reversal of Items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement	81,740
(748)	Adjusting Amounts written out of the Revaluation Reserve	(12,103)
31,371	**Net written out amount of the cost of non-current assets consumed in the year**	69,637
(1,052)	Use of Capital Receipts Reserve to finance new capital expenditure	(1,069)
(12,881)	Capital Grants and Contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(11,031)
(7,816)	Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	(5,407)
(5,545)	Capital expenditure charged against the General Fund and HRA balances	(2,118)
(27,295)	**Capital financing applied in year:**	(19,625)
(10,134)	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	(2,659)
1,748	Other movements	(2,745)
(197,824)	**Balance 31 March**	**(153,215)**

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.

Financial Instruments Adjustment Account

31 March 2016 £000		31 March 2017 £000
11	**Balance 1 April**	5
(6)	Proportion of premiums incurred in previous financial years to be charged against the General Fund balance in accordance with statutory requirements	(5)
(6)	Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	(5)
5	**Balance 31 March**	0

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.

Pension Reserve

31 March 2016 £000		31 March 2017 £000
314,819	Balance 1 April	295,882
(33,692)	Remeasurements of the net defined benefit (liability)/asset	72,260
28,055	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	28,103
(13,300)	Employer's pensions contributions and direct payments to pensioners payable in the year	(13,823)
295,882	**Balance 31 March**	**382,422**

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.

Deferred Capital Receipts Reserve

31 March 2016 £000		31 March 2017 £000
(47)	Balance 1 April	(20)
27	Transfer to the Capital Receipts Reserve upon receipt of cash	20
(20)	**Balance 31 March**	**0**

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.

Collection Fund Adjustment Account

31 March 2016 £000		31 March 2017 £000
4,815	Balance 1 April	(938)
(5,752)	Amount by which council tax and non-domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(5,731)
(938)	**Balance 31 March**	**(6,669)**

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.

Unequal Pay Back Pay Account

31 March 2016 £000		31 March 2017 £000
3,570	**Balance 1 April**	2,299
0	Increase in provision for back pay in relation to Equal Pay cases	(1,303)
(1,271)	Cash settlements paid in the year	(293)
(1,271)	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	(1,596)
0	Other movements	2,745
2,299	**Balance 31 March**	**3,448**

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.

Accumulated Absences Account

31 March 2016 £000		31 March 2017 £000
2,258	**Balance 1 April**	2,191
(2,258)	Settlement or cancellation of accrual made at the end of the preceding year	(2,192)
2,191	Amounts accrued at the end of the current year	2,513
(67)	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in year in accordance with statutory requirements	321
2,191	**Balance 31 March**	**2,512**

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.

Note 26 - Cash Flow from Operating Activities

The cash flows for operating activities included the following items:

The cash flows for operating activities include the following items:

31 March 2016 £000		31 March 2017 £000
(1,044)	Interest received	(1,163)
16,835	Interest paid	16,523
(304)	Dividends received	(342)
15,487	**Total**	**15,018**

The cash flows for operating activities include the following items:

31 March 2016 £000		31 March 2017 £000
(13,419)	Depreciation	(12,285)
(13,471)	Impairment and downward valuations	(30,751)
(276)	Amortisation	(221)
0	Increase/(decrease) in impairment for bad debts	0
(10,479)	Increase/(decrease) in creditors	10,061
10,673	(Increase)/decrease in debtors	(7,246)
530	(Increase)/decrease in inventories	4
(14,755)	Movement in pension liability	(14,280)
(2,530)	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	(35,270)
15,963	Other non-cash movements charged to the surplus or deficit on provision of services	7,097
(27,764)	**Total**	**(82,891)**

The surplus or deficit on the provision of services has been adjusted for the following items which are investing and financing activities:

31 March 2016 £000		31 March 2017 £000
304	Proceeds from short-term (not considered to be cash equivalents) and long-term investments (includes investments in associates, joint ventures and subsidiaries)	923
1,042	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	1,512
11,681	Any other items for which the cash effects are investing or financing cash flows	8,569
13,027	**Total**	**11,004**

Note 27 - Cash Flow from Investing Activities

The cash flows for investment activities included the following items:

31 March 2016 £000		31 March 2017 £000
18,132	Purchase of property, plant and equipment, investment property and intangible assets	12,065
54,876	Purchase of short-term and long-term investments	33,085
2,853	Other payments for investing activities	0
(1,069)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(1,531)
(35,604)	Proceeds from short-term and long-term investments	(43,603)
(9,299)	Other receipts from investing activities	(6,384)
29,889	**Net cash flows from investing activities**	**(6,368)**

Note 28 - Cash Flow from Financing Activities

31 March 2016 £000		31 March 2017 £000
(1,000)	Cash receipts of short-term and long-term borrowing	0
(6,868)	Other receipts from financing activities	(908)
4,016	Cash payments for the reduction of outstanding liabilities relating to finance leases and on-Balance-Sheet PFI contracts	4,776
255	Repayments of short-term and long-term borrowing	1,252
0	Other payments for financing activities	(6,509)
(3,597)	**Net cash flows from financing activities**	**(1,389)**

Note 29 - 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.

2015/16 £000	Building Cleaning	2016/17 £000
(3,583)	Income	(4,008)
3,419	Expenditure	3,616
(164)	**Net Surplus / Deficit for Year**	**(392)**

2015/16 £000	Highways	2016/17 £000
(35)	Income	(65)
197	Expenditure	304
162	**Net Surplus / Deficit for Year**	**239**

2015/16 £000	Licensing	2016/17 £000
(443)	Income	(805)
497	Expenditure	637
54	**Net Surplus / Deficit for Year**	**(168)**

2015/16 £000	School Meals	2016/17 £000
(6,465)	Income	(6,387)
4,991	Expenditure	5,626
(1,474)	**Net Surplus / Deficit for Year**	**(761)**

2015/16 £000	Transport	2016/17 £000
(2,526)	Income	(2,391)
1,577	Expenditure	1,729
(949)	**Net Surplus / Deficit for Year**	**(662)**

2015/16 £000	**Trading Operations Total Income and Expenditure:**	**2016/17 £000**
(13,052)	Income	(13,656)
10,681	Expenditure	11,910
(2,371)	**Net Surplus / Deficit for Year**	**(1,746)**

Building Cleaning - the provision of building cleaning services to schools and other Council owned buildings

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.

Licensing - the inspections, control, supervision and granting of licenses for hackney carriages, private hire vehicles, operator licences, street trading, marriage venues, gambling, scrap metal.

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

Transport - the provision, management and maintenance of Council owned vehicles and small plant.

Note 30 - Agency Services

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 £0.143m in 2016/17 (£0.141m in 2015/16).

2015/16 £000	**Cost of Collection (Business Rates)**	**2016/17 £000**
(141)	Income	(143)
0	Expenditure	0
(141)	**Net Surplus/Deficit on the Agency Arrangement**	**(143)**

Note 31 - 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.

The Council is involved with one pooled budget hosted by the Council's Adult's Social Care Service. This pooled budget covers the three areas below:

- 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.

2015/16 £000	Mental Health, Community Support Services and Adults with Learning Disabilities	2016/17 £000
(20,845)	Authority Funding	(21,453)
(11,725)	Partner Funding	(10,745)
(32,570)	Total Pooled Funding	(32,198)
20,652	Authority Expenditure	23,575
11,616	Partner Expenditure	11,633
32,268	Expenditure	35,208
(302)	**Net Surplus/Deficit on the Pooled Budget**	**3,010**
(193)	**Authority Share of the Net Surplus / Deficit**	**2,122**

In addition, the Council operates a Better Care Fund (BCF) in partnership with the Clinical Commissioning Group, which creates a local single pooled budget to incentivise the NHS and local Government to work more closely together around people, placing their well-being as the focus of health and care services. During 2016/17, £4.808m of BCF was used to fund the above pools.

Note 32 - Members' Allowances

31 March 2016 £'000		31 March 2017 £'000
863	Salaries	593
863	**Total Members' Allowances**	**593**

During 2016/17 there was a reduction in the number of elected members form 63 to 45. Further details can be obtained from the Assistant Executive Director Governance, Municipal Buildings, Huyton.

Note 33 - Officers' Remuneration

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

Senior Officer Remuneration

2016/17		Salary, Fees and Allowances	Pension Contribution	Total
		£0	**£0**	**£0**
Chief Executive - M Harden	**2016/17**	161,600	41,208	**202,808**
	2015/16	160,000	40,800	**200,800**
Assistant Chief Executive	**2016/17**	103,020	26,270	**129,290**
	2015/16	102,000	26,010	**128,010**
Executive Director (Children)	**2016/17**	113,120	28,846	**141,966**
	2015/16	112,000	28,560	**140,560**
Executive Director (Place)	**2016/17**	106,386	27,128	**133,514**
	2015/16	105,333	26,860	**132,193**
Executive Director (Resources)	**2016/17**	103,020	26,270	**129,290**
	2015/16	102,000	26,010	**128,010**
Assistant Executive Director (Neighbourhoods)	**2016/17**	97,869	24,957	**122,826**
	2015/16	96,900	24,710	**121,610**
Assistant Executive Director (Customer and Employees)	**2016/17**	95,294	24,300	**119,594**
	2015/16	94,350	24,059	**118,409**
Assistant Executive Director (Policy and Partnerships)	**2016/17**	95,294	24,300	**119,594**
	2015/16	94,350	24,059	**118,409**
Assistant Executive Director (Economic Development)	**2016/17**	95,294	24,300	**119,594**
	2015/16	94,350	24,059	**118,409**
Assistant Executive Director (Regeneration and Housing)	**2016/17**	95,294	24,300	**119,594**
	2015/16	94,350	24,059	**118,409**
Assistant Executive Director (Public Health and Wellbeing)	**2016/17**	95,524	24,300	**119,824**
	2015/16	94,350	23,428	**117,778**
Assistant Executive Director (Governance)	**2016/17**	87,567	22,330	**109,897**
	2015/16	86,700	22,109	**108,809**
Assistant Executive Director (Adult Social Care)	**2016/17**	85,760	21,904	**107,664**
	2015/16	86,284	22,109	**108,393**
Assistant Executive Director (Children's Social Care)	**2016/17**	87,567	22,330	**109,897**
	2015/16	86,234	22,109	**108,343**
Assistant Executive Director (Early Help)	**2016/17**	87,567	22,330	**109,897**
	2015/16	83,451	21,280	**104,731**
Assistant Executive Director (Safeguarding and Quality Assurance)	**2016/17**	97,869	24,957	**122,826**
	2015/16	51,142	10,296	**61,438**
Assistant Executive Director (Education and Early Intervention)	**2016/17**	0	0	**0**
	2015/16	17,863	3,788	**21,651**
Total	**2016/17**	**1,608,045**	**410,030**	**2,018,075**
	2015/16	**1,561,657**	**394,305**	**1,955,962**

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.

The Council's annual Pay Policy Statement (approved by the Council on 9 March 2016) sets out the roles of the Council's senior managers, 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.

1. 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.

2. The Executive Director (Children) also fulfils the statutory responsibility of Director of Children's Services as set out in the Children's Act 2004.

3. The Executive Director (Resources) also fulfils the statutory role of Chief Finance Officer as set out in the Local Government Act 1972.

4. The Assistant Executive Director (Policy and Partnerships) also fulfils the statutory responsibility of Scrutiny Officer as set out in the Local Government Act 2000.

5. The Assistant Executive Director (Public Health and Wellbeing) also fulfils the statutory responsibility of Director of Public Health as set out in the Health and Social Care Act 2012.

6. The Assistant Executive Director (Governance) also fulfils the statutory responsibility of Monitoring Officer for the Authority as set out in the Local Government and Housing Act 1989.

7. The Assistant Executive Director (Adult Social Care) also fulfils the statutory responsibility of Director of Adult Social Services as set out in the Local Authority Social Services Act 1970.

8. The post of Assistant Executive Director (Safeguarding and Quality Assurance) was created during 2015/16 as part of the Council's review of Senior Officer structure.

9. The post of Assistant Executive Director (Education and Early Intervention) was deleted during 2015/16 as part of the Council's review of Senior Officer structure.

Officer Remuneration

	2015/16	2016/17
£50,001 to £55,000	60	48
£55,001 to £60,000	54	48
£60,001 to £65,000	21	29
£65,001 to £70,000	25	28
£70,001 to £75,000	13	16
£75,001 to £80,000	12	15
£80,001 to £85,000	7	2
£85,001 to £90,000	3	7
£90,001 to £95,000	7	0
£95,001 to £100,000	1	8
£100,001 to £105,000	2	2
£105,001 to £110,000	2	1
£110,001 to £115,000	1	1
£115,001 to £120,000	0	0
£120,001 to £125,000	1	0
£155,001 to £160,000	1	0
£160,001 to £165,000	0	1
Total	**210**	**206**

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 (i.e. excluding employees' pension contributions). 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.

Exit Packages

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 (£)	
	2015/16	2016/17	2015/16	2016/17	2015/16	2016/17	2015/16	2016/17
£0-£20,000	20	8	114	76	134	84	964,806	500,798
£20,001 - £40,000	3	0	12	9	15	9	415,801	255,508
£40,001 - £60,000	3	0	6	3	9	3	414,751	140,209
£60,001 - £80,000	1	0	3	2	4	2	271,503	138,255
£80,001 - £100,000	0	0	1	0	1	0	89,661	0
£100,001 - £150,000	0	0	2	5	2	5	246,642	607,077
£150,001 to £200,000	0	0	1	3	1	3	180,269	496,174
£200,001 to £250,000	0	0	1	1	1	1	226,231	229,266
£250,001 to £300,000	0	0	0	1	0	1	0	272,089
Total	**27**	**8**	**140**	**100**	**167**	**108**	**2,809,664**	**2,639,376**

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.

Note 34 - External Audit Costs

From 1 April 2015, KPMG LLP were appointed the external auditors of the Council. In 2016/17, Knowsley MBC incurred the following fees relating to external audit and inspection:

2015/16 £000		2016/17 £000
140	Fees payable to external auditors with regard to external audit services carried out by the appointed auditor for the year	111
0	Fees payable in respect of other services provided by external auditors during the year	14
140	**Total**	**125**

Note 35 - 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 2013. The Schools Budget includes elements for a range of educational services provided on an authority wide basis and for the Individual Schools Budget (ISB), which is divided into a budget share for each maintained school.

Details of the deployment of the Dedicated Schools Grant receivable for 2016/17 are shown in the following table.

DSG Receivable for 2016/17	Central Expenditure £000	Individual Schools Budget £000	Total £000
Final DSG for year before Academies recoupment			113,098
Academy figure recouped for year			(21,479)
Total DSG after academy recoupment			**91,619**
Plus: Brought forward from previous year			(67)
Less: Carry forward to following year (agreed in advance)			0
Agreed initial budgeted distribution in year	**20,043**	**71,509**	**91,552**
In year adjustments	(67)	67	0
Final budget distribution for year	**19,976**	**71,576**	**91,552**
Less: Actual central expenditure	(19,825)		(19,825)
Less: Actual ISB deployed to schools		(71,576)	(71,576)
Plus: Local Authority contribution for year	0	0	0
Carry forward to 2017/18	**151**	**0**	**151**

DSG Receivable for 2015/16	Central Expenditure £000	Individual Schools Budget £000	Total £000
Final DSG for year before Academies recoupment			113,234
Academy figure recouped for year			(17,151)
Total DSG after academy recoupment			**96,083**
Plus: Brought forward from previous year			(35)
Less: Carry forward to following year (agreed in advance)			0
Agreed initial budgeted distribution in year	**18,430**	**77,618**	**96,048**
In year adjustments	(139)	139	0
Final budget distribution for year	**18,291**	**77,757**	**96,048**
Less: Actual central expenditure	(18,358)		(18,358)
Less: Actual ISB deployed to schools		(77,757)	(77,757)
Plus: Local Authority contribution for year	0	0	0
Carry forward to 2016/17	**(67)**	**0**	**(67)**

Note 36 - Grant Income

Grant Income Credited to Taxation and non-specific Grant Income and Expenditure

31 March 2016 £000		31 March 2017 £000
(49,443)	Revenue Support Grant	(41,043)
(182)	Non-Ringfenced Grant	(2,812)
(2,336)	Department for Transport	(2,449)
(1,553)	Education Funding Agency	(1,277)
(5,667)	Local Sustainability Transport Fund / Sustainable Transport Enhancement Package	(3,739)
(2,125)	Other	(1,104)
(61,306)	**Total**	**(52,425)**

Credited to Services

31 March 2016 £000		31 March 2017 £000
(96,083)	Dedicated Schools Grant	(91,637)
(77,788)	Housing Benefit Rebates Grant	(72,887)
(23,184)	Private Finance Initiative Subsidy	(23,157)
(16,925)	Public Health Grant	(17,899)
(15,612)	Adult Personal Social Services Grant	(13,248)
(9,013)	Pupil Premium	(8,485)
(1,903)	New Homes Bonus	0
(1,868)	Education Services Grant	(1,623)
(1,852)	Local Enterprise Partnership	0
(1,321)	Skills Funding Agency	(1,030)
(1,218)	Education Funding Agency	(1,122)
(1,110)	Benefit Verification Framework / Fraud Incentive / Tax Credits	(1,302)
(1,065)	Disabled Facilities Grant	(2,078)
(906)	Universal Infant School Meals	(1,017)
(547)	Stronger Families	(747)
(540)	Council Tax Freeze Grant	0
(526)	Lottery	(148)
(470)	PE Grant	(459)
(406)	Youth Justice Board	(358)
(179)	Cities Youth Contract	0
(4,440)	Other	(4,125)
(256,956)	**Total**	**(243,022)**

Grants Receipts in Advance (Capital Grants) - Current Liabilities

31 March 2016 £000		31 March 2017 £000
(943)	Standards Fund	(944)
(9)	Other	(45)
(952)	**Total**	**(990)**

Note 37 - Related Parties

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 2016/17:

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. Grant receipts outstanding at 31 March 2017 are shown in Note 23 (Short term Creditors) and Note 37 (Capital Grants Receipts in Advance).

Subsidiary and Associated Companies
Details of the Council's interests in companies are set out in Note 3 to the Accounts.

Other Public Bodies

- Knowsley Clinical Commissioning Group
  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. 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, and is subject to annual revision and update to reflect changes such as the inclusion of the Better Care Fund. The latest Section 75 Agreement was revised with effect from 1 April 2016.

- Pension Fund
  Full details of the Council's Pension Fund transactions are disclosed in Note 45 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 who have expressed an interest. Transactions to Knowsley Housing Trust consisted of £4.915m in payments (£5.315m in 2015/16) and £0.813m in receipts (£0.803m in 2015/16). At 31 March 2017 outstanding debtors totalled £0.028m (£0.039m at 31 March 2016) and creditors totalled £0.036m (£0.042m at 31 March 2016).

Transactions relating to Other Public Bodies also included:

- 5 Boroughs Partnerships £7.113m (£6.754m in 2015/16)
  One Council Member has expressed an interest. At 31 March 2017 there were outstanding debtors of £0.103m (£0.048m at 31 March 2016) and creditors totalled £0.140m (£0.039m at 31 March 2016).

- Merseytravel £0.274m (£0.132m in 2015/16)
  The Board included two Council Members out of a total of three Members who have expressed an interest. At 31 March 2017 outstanding debtors totalled £0.092m (£0.008m at 31 March 2016) and creditors totalled £0.013m (£0.028m at 31 March 2016).

- Police and Crime Commissioner for Merseyside £0.164m (£0.064m in 2015/16)
  The Board included one Council Member out of a total of two Members who have expressed an interest. At 31 March 2017 outstanding debtors totalled £0.295m (£0.090m at 31 March 2016) and no creditors (no creditors at 31 March 2016).

- Merseyside Fire Authority £0.395m (£0.113m in 2015/16)
  The Board included two Council Members out of the five Members who have expressed an interest. At 31 March 2017 outstanding debtors totalled £0.086m (no debtors at 31 March 2016) and creditors totalled £0.222m (£0.009m at 31 March 2016).

- Liverpool City Region Combined Authority £0.518m (Apart from the Levy, there were no other transactions in 15/16)
  The Board includes two Council Members out of the nine Members who have expressed an interest. At 31 March 2017 there were no outstanding debtors (no debtors at 31 March 2016) and no creditors (no creditors at 31 March 2016).

- Merseyside Recycling and Waste Authority
  The Board included one Council Member. Apart from the Levy, there were no other transactions. At 31 March 2017 outstanding debtors totalled £0.036m (£0.036m at 31 March 2016) and no creditors (no creditors at 31 March 2016).

- Wirral MBC £4.368m (£4.385m in 2015/16)
  One Council Member has expressed an interest. At 31 March 2017 there were no outstanding debtors (no debtors at 31 March 2016) and creditors totalled £0.037m (£0.185m at 31 March 2016).

Members' and Officers' Interests

Members of the Council have direct control over the Council's financial and operational policies. During 2016/17, works and services totalling £5.644m were commissioned from organisations in which five Members and two Officers had an interest. Contracts were entered into in full compliance with the Council's Constitution. Payments and grants totalling £35.244m were paid to housing associations, hospital trusts, and voluntary organisations, in which there were 105 expressions of interest from Members and five from Officers. In all cases, the relevant Members have declared their interest and taken no part in any prejudicial discussion or decision relating to the transactions.

Note 38 - 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.

Capital Expenditure and Capital Financing

31 March 2016 £000		31 March 2017 £000
287,488	Opening Capital Financing Requirement	284,042
	Capital Investment:	
20,725	Property Plant and Equipment	12,621
113	Investment Property	1,840
192	Intangible Assets	197
326	Assets Held for Sale	153
69	Heritage Assets	0
2,423	Revenue Expenditure Funded from Capital Under Statute	3,213
0	Other Capital Expenditure	(2,745)
23,848	**Total Capital Spending**	15,278
	Sources of Finance:	
(1,052)	Capital receipts	(1,069)
(12,881)	Government Grants and other contributions	(11,031)
	Sums set aside from revenue:	
(5,545)	- Direct revenue contributions	(2,118)
(7,816)	- Minimum revenue provision	(5,407)
(27,294)	**Total Sources of Finance**	(19,625)
284,042	**Closing Capital Financing Requirement**	**279,695**

Explanation of movements in year

31 March 2016 £000		31 March 2017 £000
(6,269)	Increase in underlying need to borrow (unsupported by government financial assistance)	(4,347)
283	Assets acquired under finance leases	0
3,010	Assets acquired under PFI contracts	0
(470)	Other movements	0
(3,446)	**Increase/(decrease) in Capital Financing Requirement**	**(4,347)**

Note 39 - Leases

Finance Leases

The Council has acquired its community information network under finance lease which has now come to an end. During 2015/16 the Council entered into a finance lease for the purchase of server infrastructure over five years. The assets acquired under these leases are carried as Property, Plant and Equipment in the Balance Sheet at the following net amounts:

Authority as Lessee - Finance Leases

The assets acquired under these leases are carried as Property, Plant and Equipment in the Balance Sheet at the following net amounts:

31 March 2016 £000		31 March 2017 £000
787	Vehicles, Plant, Furniture, Equipment and Other	384
787	**Total**	**384**

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:

The minimum lease payments are made up of the following amounts:

31 March 2016 £000		31 March 2017 £000
	Finance lease liabilities (net present value of minimum lease payments):	
(64)	- current	(80)
(288)	- non-current	(208)
(164)	Finance costs payable in future years	(99)
(516)	**Minimum lease payments**	**(387)**

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

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

Minimum Lease Paymenmts			Finance Lease Liabilities	
31 March 2016 £000	31 March 2017 £000		31 March 2016 £000	31 March 2017 £000
(129)	(129)	Not later than one year	(64)	(80)
(387)	(258)	Later than one year and not later than five years	(287)	(208)
(516)	**(387)**	**Total**	**(351)**	**(288)**

Note 40 - Service concession arrangements

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

Movement in PFI Assets

2016/17	Centres for Learning	Street Lighting	Total
	£000	£000	£000
Cost or Valuation			
at 1 April 2016	58,601	48,354	106,955
Additions	1	0	1
Revaluation increases/(decreases) recognised in the Revaluation Reserve	0	0	0
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	0	0	0
Derecognition – disposals	(16,928)	0	(16,928)
at 31 March 2017	**41,674**	**48,354**	**90,028**
Accumulated Depreciation and Impairment			
at 1 April 2016	(3,290)	(16,319)	(19,609)
Depreciation charge	(1,082)	(668)	(1,750)
at 31 March 2017	**(4,372)**	**(16,987)**	**(21,359)**
Net Book Value			
at 31 March 2017	**37,304**	**31,367**	**68,671**
at 1 April 2016	**55,311**	**32,035**	**87,346**

Movement in PFI Assets

2015/16	**Centres for Learning**	**Street Lighting**	**Total**
	£000	**£000**	**£000**
Cost or Valuation			
at 1 April 2015	54,714	45,344	100,058
Additions	55	3,010	3,065
Revaluation increases/(decreases) recognised in the Revaluation Reserve	6,654	0	6,654
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(2,821)	0	(2,821)
at 31 March 2016	**58,602**	**48,354**	**106,956**
Accumulated Depreciation and Impairment			
at 1 April 2015	(2,208)	(15,702)	(17,910)
Depreciation charge	(1,082)	(617)	(1,698)
at 31 March 2016	**(3,290)**	**(16,319)**	**(19,609)**
Net Book Value			
at 31 March 2016	**55,312**	**32,035**	**87,347**
at 1 April 2015	**52,506**	**29,642**	**82,148**

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 were Council owned and these Centres were included in the Council's Balance Sheet. However, during 2013/14 three of these Centres for Learning transferred to Academy status and the Council treated this transfer as a disposal for nil consideration on the 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.

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.

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 for the Centres for Learning and Tay Valley Lighting for Street Liing.. This liability is split between long and short term liabilities on the Balance Sheet and comprises the following figures.

Movement in PFI Liabilities

2016/17	Centres for Learning	Street Lighting	Total
	£000	£000	£000
Balance outstanding at start of year	(113,492)	(30,492)	(143,985)
Payments during the year	4,067	517	4,583
Balance outstanding at year-end	**(109,426)**	**(29,976)**	**(139,402)**

2015/16	Centres for Learning	Street Lighting	Total
	£000	£000	£000
Balance outstanding at start of year	(117,118)	(27,873)	(144,991)
Payments during the year	3,626	390	4,016
Capital expenditure incurred in the year	0	(3,010)	(3,010)
Balance outstanding at year-end	**(113,492)**	**(30,493)**	**(143,985)**

The outstanding payments due for the whole of the PFI contracts are detailed in the table below.

Payments due under PFI schemes - 2016/17

Reimbursement of Capital Expenditure	**Centres for Learning**	**Street Lighting**	**Total**
	£000	**£000**	**£000**
Payable within one year	(4,118)	(586)	(4,704)
Payable within two to five years	(17,206)	(3,159)	(20,365)
Payable within six to ten years	(29,281)	(6,299)	(35,580)
Payable within eleven to fifteen years	(36,777)	(7,370)	(44,147)
Payable within sixteen to twenty years	(22,044)	(12,562)	(34,606)
Total	(109,426)	(29,976)	(139,402)

Interest	**Centres for Learning**	**Street Lighting**	**Total**
	£000	**£000**	**£000**
Payable within one year	(8,247)	(2,756)	(11,003)
Payable within two to five years	(29,977)	(10,375)	(40,352)
Payable within six to ten years	(28,929)	(10,833)	(39,762)
Payable within eleven to fifteen years	(16,508)	(7,721)	(24,229)
Payable within sixteen to twenty years	(2,602)	(2,743)	(5,345)
Total	(86,263)	(34,427)	(120,692)

Payment for Services	**Centres for Learning**	**Street Lighting**	**Total**
	£000	**£000**	**£000**
Payable within one year	(4,491)	(1,532)	(6,023)
Payable within two to five years	(19,933)	(6,575)	(26,508)
Payable within six to ten years	(25,042)	(9,457)	(34,499)
Payable within eleven to fifteen years	(29,332)	(13,202)	(42,534)
Payable within sixteen to twenty years	(15,136)	(10,686)	(25,822)
Total	(93,934)	(41,452)	(135,386)

Note 41 - Impairment Losses

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 £9.016m (£12.277m in 2015/16).

Note 42 - Termination Benefits

The Council terminated the contracts of 108 employees during 2016/17, incurring liabilities of £2.639m (£2.810m in 2015/16). The payments were made to officers who left the employment of the Council to enable the Council to realise the approved budget savings.

Note 43 - Pension Schemes Accounted for as Defined Contribution Schemes

The Council participates in the following pension schemes:

Local Government Pension Scheme

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 pension's liabilities with investment assets.

The transactions that are included in the 2016/17 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.

Teachers Pension 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.

NHS Pension Scheme

From 1 April 2013, Public Health responsibilities transferred from primary care trusts to local authorities. NHS staff have also transferred to the Council who have maintained their membership in the NHS Pension Scheme. The Scheme provides specified benefits and the Council contributes towards the cost by making contributions based on a percentage of the members' pensionable salaries. The scheme is an unfunded defined benefit scheme but 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 2016/17 the Council paid £0.119m to the NHS Pension Scheme in respect of former NHS staff retirement benefits (£0.155m in 2015/16).

Note 44 - Defined Benefit Pension Scheme

The amount included in the Balance Sheet arising from the Council's obligation in respect of its defined benefit plans are as follows:

General Fund Transactions

2015/16 LGPS	2015/16 Teachers Additional Unfunded Pensions		2016/17 LGPS	2016/17 Teachers Additional Unfunded Pensions
£000	**£000**		**£000**	**£000**
		Comprehensive Income and Expenditure Statement		
		Cost of Services		
		Service cost comprising:		
17,011	0	Current service cost	15,524	0
218	0	Past service cost	0	0
694	0	(Gain) / loss from curtailments	2,211	0
		Financing and Investment Income and Expenditure:		
9,547	585	Net interest expense	9,773	595
27,470	**585**	**Total charged to Surplus and Deficit on Provision of Services**	**27,508**	**595**

Other post-employment benefits charged to the Comprehensive Income and Expenditure Statement

2015/16 LGPS	2015/16 Teachers Additional Unfunded Pensions		2016/17 LGPS	2016/17 Teachers Additional Unfunded Pensions
£000	£000		£000	£000
		Remeasurement of the net defined benefit liability comprising:		
15,863	0	Return on plan assets (excluding the amount included in the net interest expense)	(111,923)	0
0	0	Actuarial gains and losses - experience	(23,965)	0
0	0	Actuarial gains and losses arising on changes in demographic assumptions	(12,563)	(960)
(49,051)	(504)	Actuarial gains and losses arising on changes in financial assumptions	220,128	1,922
0	0	Other movements in the liability / (asset)	0	(379)
(5,718)	**81**	**Total charged to the Comprehensive Income and Expenditure Statement**	**99,185**	**1,178**

Movement in Reserves Statement

2015/16 LGPS	2015/16 Teachers Additional Unfunded Pensions		2016/17 LGPS	2016/17 Teachers Additional Unfunded Pensions
£000	£000		£000	£000
(27,470)	(585)	Reversal of net charges made to the Surplus or Deficit on the Provision of Services	(27,508)	(595)
		Actual amount charged against the general fund balance for pensions in the year:		
11,824		Employers' contributions payable to scheme	12,373	
	1,476	Retirement benefits payable to pensioners		1,450

2015/16		Pensions Assets and Liabilities Recognised in the Balance Sheet	2016/17	
LGPS	Teachers Additional Unfunded Pensions		LGPS	Teachers Additional Unfunded Pensions
£000	£000		£000	£000
(850,743)	(18,219)	Present value of the defined obligation	(1,058,843)	(17,947)
573,080	0	Fair value of plan assets	694,368	0
(277,663)	(18,219)	Value of Assets / (Liabilities)	(364,475)	(17,947)
0	0	Other movements in the (liability) / asset	0	0
(277,663)	**(18,219)**	**Net (liability) / asset arising from the defined benefit obligation**	**(364,475)**	**(17,947)**

2015/16		Movement in the the Value of Scheme Assets	2016/17	
LGPS	Teachers Additional Unfunded Pensions		LGPS	Teachers Additional Unfunded Pensions
£000	£000		£000	£000
581,380	0	Opening fair value of scheme assets	573,080	0
18,997	0	Interest income	20,432	0
		Remeasurement gain / (loss):		
(15,863)	0	- The return on plan assets, excluding the amount included in the net interest expense	111,923	0
11,824	1,476	Contributions from employer	12,373	1,450
4,742	0	Contributions from employees into the scheme	4,661	0
(28,000)	(1,476)	Benefits / transfers paid	(28,101)	(1,450)
573,080	**0**	**Closing value of scheme assets**	**694,368**	**0**

2015/16		Movements in the Fair Value of Scheme Liabilities	2016/17	
LGPS	**Teachers Additional Unfunded Pensions**		**LGPS**	**Teachers Additional Unfunded Pensions**
£000	**£000**		**£000**	**£000**
(876,585)	(19,614)	Opening balance at 1 April	(850,743)	(18,219)
(17,011)	0	Current service cost	(15,524)	0
(28,544)	(585)	Interest cost	(30,205)	(595)
(4,742)	0	Contributions from scheme participants	(4,661)	0
		Remeasurement gains and losses:		
0	0	- Actuarial gains / (losses) - experience	23,965	0
0	0	- Actuarial gains / (losses) from changes in demographic assumptions	12,563	960
49,051	504	- Actuarial gains / (losses) from changes in financial assumptions	(220,128)	(1,922)
0	0	- Other	0	379
(218)	0	Past service cost	0	0
(694)	0	Gains / (losses) on curtailments	(2,211)	0
28,000	1,476	Benefits / transfers paid	28,101	1,450
(850,743)	**(18,219)**	**Balance as at 31 March**	**(1,058,843)**	**(17,947)**

Local Government Pension Scheme - Assets comprised of:

Fair value of scheme assets

2015/16				2016/17		
Quoted	**Unquoted**	**Total**		**Quoted**	**Unquoted**	**Total**
£000	**£000**	**£000**		**£000**	**£000**	**£000**
0	**0**	**0**	**Cash and cash equivalents**	**23,609**	**0**	**23,609**
0	**0**	**0**	**Total Assets**	**519,456**	**174,912**	**694,368**

The significant assumptions used by the actuary have been:

2015/16	LGPS	2016/17
Long term expected rate of return on assets		
Mortality assumptions		
Longevity at retirement for current pensioners		
22.5	Men	21.9
25.4	Women	24.7
Longevity at retirement for future pensioners		
24.9	Men	24.9
28.2	Women	27.7
Other assumptions		
2%	Rate of inflation	2%
3.5%	Rate of increase in salaries	3.5%
2%	Rate of increase in pensions	2%
3.6%	Rate for discounting scheme liabilities	3.6%

Impact of assumptions on the obligation:

Increase by 1% £000	LGPS Assumption	Decrease by 1% £000
21,193	Longevity	0
19,011	Rate of inflation	0
3,961	Rate of increase in salaries	0
0	Rate of increase in pensions	0
0	Rate for discounting scheme liabilities	18,676

The significant assumptions used by the actuary have been:

2015/16	Teachers Additional Unfunded Pensions	2016/17
Long term expected rate of return on assets		
Mortality assumptions		
Longevity at retirement for current pensioners		
22.5	Men	13.1
25.1	Women	15.6
Longevity at retirement for future pensioners		
0	Men	0
0	Women	0
Other assumptions		
0%	Rate of inflation	2.3%
0%	Rate of increase in salaries	0%
0%	Rate of increase in pensions	2.3%
0%	Rate for discounting scheme liabilities	2.5%

Impact of assumptions on the obligation:

Increase by 1% £000	Teachers Additional Unfunded Pensions Assumption	Decrease by 1% £000
696	Longevity	0
159	Rate of inflation	0
0	Rate of increase in salaries	0
0	Rate of increase in pensions	0
158	Rate for discounting scheme liabilities	0

Note 45 - Contingent Liabilities

There are no significant contingent liabilities at 31 March 2017 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.

Note 46 - Contingent Assets

The Council had no contingent assets as at 31 March 2017.

Note 47 – Nature and Extent of Risks Arising from Financial Instruments

The Council has adopted CIPFA's Code of Practice on Treasury Management (and subsequent amendments) and complies with The Prudential Code for Capital Finance in Local Authorities (both revised in November 2011).

As part of the adoption of the Treasury Management Code, the Council approves a Treasury Management Strategy before the commencement of each financial year. The Strategy sets out the parameters for the management of risks associated with Financial Instruments. The Council also produces Treasury Management Practices specifying the practical arrangements to be followed to manage these risks.

The Treasury Management Strategy includes an Annual Investment Strategy in compliance with the Department for Communities and Local Government Guidance on Local Government Investments. This Guidance emphasises that priority is to be given to security and liquidity, rather than yield. The Council's Treasury Management Strategy and its Treasury Management Practices are based on seeking the highest rate of return consistent with the proper levels of security and liquidity.

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

- Credit risk – the possibility that the counterparty to a financial asset will fail to meet its contractual obligations, causing loss to the Council;
- Liquidity risk – the possibility that the Council might not have cash available to make contracted payments on time; and
- Market risk – the possibility that an unplanned financial loss will materialise because of changes in market variables such as interest rates or equity prices.

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 only placed with organisations of high credit quality as set out in the Treasury Management Strategy. These include commercial entities with a minimum long-term credit rating of A-, the UK government, other Local Authorities, Police and Crime Commissioners and organisations without credit ratings upon which the Council has received independent investment advice. Recognising that credit ratings are imperfect predictors of default, the Council has regard to other measures including credit default swap and equity prices when selecting commercial entities for investment.

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. The "-

“denotes relative status within major categories.

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 measure the intrinsic creditworthiness of a financial institution, and reflect Fitch's opinion on the likelihood that the entity will fail. Fitch views a bank as having failed when it either:

- has defaulted, i.e. stopped servicing its senior obligations to third-party, non-government creditors (unless this is a result of legal restrictions), completed a distressed debt exchange in respect to these obligations, or entered bankruptcy proceedings; or
- requires extraordinary support, or needs to impose losses on subordinated obligations, to restore its viability

However, Fitch does not view a bank as having failed when:

- it has defaulted as a result of legal restrictions on servicing its obligations, while the bank itself remains solvent and liquid; or
- external support made available, or losses imposed on subordinated obligations, were in the agency's view not necessary to restore the bank's viability

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 was “a-” that denotes a high fundamental credit quality.

Fitch’s support ratings reflect the agency's view on the likelihood that a financial institution will receive extraordinary support, in case of need, to prevent it defaulting on its senior obligations. Extraordinary support typically comes from one of two sources: the rated entity's shareholders (institutional support) or the national authorities of the country where it is domiciled (sovereign support). However, in some circumstances support ratings may also reflect potential support from other sources, e.g. international financial institutions, regional governments or expected acquirers of the rated entity. 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 5.

The Council’s maximum exposure to credit risk in relation to its investments in banks and building societies of £71.437m cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Council’s deposits, but there was no evidence at the 31 March 2017 that this was likely to happen.
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 on 31 March 2017 £000	Total Exposure 31 March 2017 (per balance sheet) £000
	Country Long Term Rating	**Fitch Long Term Rating**	**Fitch Short Term Rating**	**Fitch Viability Rating**	**Fitch Support Rating**		
UK Banks	UK AA+	A	F1	a	2	£10m / up to 6 months	10,000
UK Banks	UK AA+	A+	F1	a	5	£10m/ up to 13 months	22,900*
UK Banks	UK AA+	A	F1	a	5	£10m/ up to 100 days	1,500
Money Market Fund (Ireland)	IR A	AAA				£10m/ up to 12 months	7.120
Money Market (Luxembourg)	LX AAA	AAA				£9.2m/up to 12 months	9.200
UK Covered Bond	UK AA	A-	F1	a-	5	Max period and amount to be agreed with Advisor prior to investing	1.073
Corporate Bond	UK AA	AA				£10m / max period to be agreed with Advisor prior to investing	3.939
Supernational Bond	AAA					£10m / max period to be agreed with Advisor prior to investing	4.924
Fund Managers	UK AA	Not applicable				max period to be agreed with Advisor prior to investing	11.071
UK Treasury Stock	Not applicable 2					Not applicable	0.002
Total Exposure to Credit Risk from Investments at 31 March 2017							71.729
Accrued interest at 31 March 2017							292
Total Exposure to Credit Risk including accrued interest at 31 March 2017							71.437

* Maximum investment was reduced with this counterparty from £25m to £10m during 2016/17 so no further investments were placed with this counterparty. The Council is however holding £22.900m of cash deposits with this counterparty until maturity. The £22.900m of investments were made during 2016/17 without any breaches in deposit limits or durations on the dates of placing the investments.

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 2016 (carrying amount of contractually based debtors) £000	Historical Experience of default %	Historical Experience adjusted for market conditions at 31 March 2016 %	Estimated Maximum exposure to default and uncollectability £000
Total Investments (per previous table)	71,437	0	0	0
Mortgagors	33	0	0	0
LAMS Debtor	1,000	0	0	0
Employee Related Debtors	170	0	0	0
Other Debtors	16,644	12.29	13.71	2,282
Total	**89,284**			**2,282**

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.

Mortgages

On 31 March 2017 the Council held 17 mortgage accounts with outstanding loan amounts of £0.030m. Three of these accounts have arrears, totalling £0.014m, one of which is less than 6 months behind in their payments. It has not been necessary to refer any accounts for legal action in 2016/2017. 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.

On 31 March 2017 the Local Authority Mortgage Scheme (LAMS) had provided assistance through the provision of indemnity to enable 51 mortgages. Of the £1m indemnity fund £0.905m has been taken up as indemnity. The scheme closed in July 2016 consequently there will be no further indemnity offered. There are 30 schemes nationally, one of which is in Knowsley, which are in arrears. None of these have resulted in a repossession. The 'Knowsley' mortgage which is in arrears has an indemnity value of £0.018m. This case was first reported as being in arrears in April 2016. Lloyds Bank will be in the process of attempting to agree a repayment plan with the mortgage holder.

Employee related debtors e.g. car loans and salary sacrifice schemes 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 2017 include £15.837m of contractually based other entities and individuals, £0.710m of contractually based other local authority debtors and £0.097m of contractually based housing association debtors. The Council does not generally allow credit for customers, such that £5.158m 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	3,012
Three to six months	624
Six months to one year	413
More than one year	1,109
	5,158

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.

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 from the Public Works Loans Board, other local authorities 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 2017	Lender Offer Borrower Option Maturity at 31 March 2017	Long Term Loans at 31 March 2017	Temporary Loans Maturity at 31 March 2017	Total Maturity at 31 March 2017	Actual % Maturity of Fixed Rate Borrowing at 31 March 2017
		£000	£000	£000	£000	£000	
Under 12 months	30%	1,460	11,090	106	1,000	13,656	11
1-2 years	20%	4	0	0	0	4	0
2-5 years	50%	1,162	0	0	0	1,162	1
5-10 years	80%	1,169	0	0	0	1,169	1
10 years and above	100%	98,937	0	6,300	0	105,237	87
		102,732	11,090	6,406	1,000	121,228	

Transferred debt has been excluded from the above table as it is a contractual obligation through local government reorganisation in 1974 and 1986 and administered by other local authorities on behalf of the Council.

The Council had £11,090m 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 £11.090m LOBO's shown in the fixed rate maturity period of under 12 months, the Council has a LOBO with a principal balance of £6m that became callable from 25 November 2013 and a LOBO with a principal balance of £5m that became callable from 8 September 2015.

The Council had a LOBO with a principal balance of £6.300m that became callable from 1 May 2012 however, during 2016/17 the lender of the £6.300m LOBO waived their right to change the applicable rate of interest on the loan. As a result of this waiver, the loan had effectively become a fixed rate loan at its current interest rate and maturity. There is no risk that this rate will change in the future.

If a 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.

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 – the interest expense will rise;
- borrowings at fixed rates – the fair value of the liabilities will fall;
- investments at variable rates – the interest income will rise;
- Investments at fixed rates – the fair value of the assets will fall.

Investments classed as "loans and receivables" 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 2017. Movements in the fair value of fixed rate investments classed as "available for sale" would be reflected in Other Comprehensive Income and Expenditure if realised.

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 2017, 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 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.

If all interest rates had been 1% higher on 31 March 2017 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)	13
Decrease in fair value of available for sale financial assets (no impact on Comprehensive Income and Expenditure)	769
Decrease in fair value of fixed rate borrowings liabilities (no impact on Comprehensive Income and Expenditure)	33,787

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 £0.211m financial assets and £0.002m 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

The market prices of the Council's fixed rate bond investments and its units in pooled funds are governed by prevailing interest rates and the market risk associated with instruments is managed alongside interest rate risk.

The Council's investment in a pooled property fund is subject to the risk of falling commercial property prices. The risk is limited by the Council's maximum exposure to property investments of £5m.

The Council's investment in pooled equity funds is subject to the risk of falling share prices. The risk is limited by the Councils maximum exposure to equity investments of £3m.

Note 48 - Trust Funds

Capital Vaue of Fund 2015/16 £000	Other Funds	Capital Vaue of Fund 2016/17 £000
828	King George V Playing Fields	829
43	Huyton Distress Fund	43
19	Charles McGhee	0
55	Fred Curran	16
20	Mayors Charity	18
33	Other	11
998	**Total**	**917**

The Council administers the King George V Playing Fields Trust Fund as sole trustee. This trust fund is a permanent Endowment from the sale of land left to KMBC from benefactors

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

Huyton Distress Fund - Long standing trust fund – for hardship cases within the area of Huyton;

Charles McGhee - Established in 1982 – to provide holidays for the disabled who reside in the borough;

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; and

Mayors Charity - Established in 1975 – to raise funds for charitable purposes in the borough as the trustees see fit.

Collection Fund

The Collection Fund (England) is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers and distribution to local authorities and the Government of council tax and business rates. The Collection Fund balance sheet meanwhile is incorporated into the Council's consolidated balance sheet.

31 March 2016				31 March 2017		
Business Rates £000	**Council Tax £000**	**Total £000**	**Collection Fund**	**Business Rates £000**	**Council Tax £000**	**Total £000**
			INCOME:			
	(50,745)	(50,745)	Council Tax Receivable		(53,703)	(53,703)
(45,019)		(45,019)	Business Rates Receivable	(44,850)		(44,850)
(91)	0	(91)	Transitional Protection Payments Receivable	0	0	0
(45,110)	**(50,745)**	**(95,855)**	**Total amounts to be credited**	**(44,850)**	**(53,703)**	**(98,553)**
			EXPENDITURE:			
			Apportionment of Previous Year Surplus/Deficit:			
(5,772)		(5,772)	Central Government	(5,343)		(5,343)
(5,659)	1,092	(4,567)	Knowsley MBC	(5,236)	413	(4,823)
(115)	60	(55)	Merseyside Fire and Rescue Authority	(107)	23	(84)
0	134	134	Police and Crime Commissioner for Merseyside	0	52	52
			Precepts, demands and shares:			
20,494		20,494	Central Government	20,635		20,635
20,085	41,599	61,684	Knowsley MBC	20,222	44,238	64,460
410	2,331	2,741	Merseyside Fire and Rescue Authority	413	2,432	2,845
0	5,208	5,208	Police and Crime Commissioner for Merseyside	0	5,432	5,432
			Charges to Collection Fund:			
643	1,351	1,994	Increase/(decrease) in allowance for impairment	0	1,358	1,358
1,359		1,359	Increase/(decrease) in allowance for appeals	1,953		1,953
0		0	Transitional Protection Payments Payable	55		55
141		141	Charge to General Fund for allowable collection costs for non-domestic rates	143		143
31,586	**51,775**	**83,361**	**Total amounts to be debited**	**32,734**	**53,947**	**86,681**
(13,524)	**1,030**	**(12,494)**	**(Surplus)/Deficit arising during the year**	**(12,117)**	**244**	**(11,873)**
12,454	**(1,516)**	**10,938**	**(Surplus)/Deficit b/f at 1 April 2016**	**(1,069)**	**(487)**	**(1,556)**
(1,069)	**(487)**	**(1,556)**	**(Surplus)/Deficit c/f at 31 March 2017**	**(13,186)**	**(243)**	**(13,428)**

Notes to the Collection Fund

Note 1 - Council Tax

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, with individual charges being calculated by estimating the amount of income required to be taken from the Collection Fund by the Council for the forthcoming year and dividing this by the tax base.

The tax base for 2016/17 was 33,364 (32,617 in 2015/16). The tax base was approved at the Council meeting on 27 January 2016 and was calculated as follows:

Council Tax Income

2016/17

Band	Valuation band limits	Calculated no of dwellings	Ratio to band D	Equated No of dwellings
	£	No		No
A	Upto and including - 40,0000	37,425	6/9	24,950
B	40,001 - 52,000	13,595	7/9	10,574
C	52,001 - 68,000	8,977	8/9	7,980
D	68,001 - 88,000	3,937	9/9	3,937
E	88,001 - 120,000	1,590	11/9	1,943
F	120,001 - 160,000	276	13/9	399
G	160,001 - 320,000	128	15/9	213
H	More than - 320,001	17	18/9	34
			Adjustment	(16,666)
			Council tax base	33,364

2015/16

Band	Valuation band limits	Calculated no of dwellings	Ratio to band D	Equated No of dwellings
	£	No		No
A	Upto and including - 40,0000	37,257	6/9	24,838
B	40,001 - 52,000	13,441	7/9	10,454
C	52,001 - 68,000	8,932	8/9	7,940
D	68,001 - 88,000	3,916	9/9	3,916
E	88,001 - 120,000	1,556	11/9	1,902
F	120,001 - 160,000	269	13/9	389
G	160,001 - 320,000	129	15/9	215
H	More than - 320,001	17	18/9	34
			Adjustment	(17,071)
			Council tax base	32,617

Collection Fund surpluses (or deficits) declared by the billing authority in relation to council tax are apportioned (or proportionately charged) to the relevant precepting bodies in the subsequent financial year. For Knowsley, the council tax precepting bodies are the Police and Crime Commissioner for Merseyside (PCCM) and the Merseyside Fire and Rescue Authority (MFRA).

The Council has a statutory requirement to prepare an estimate each January of the surplus or deficit on council tax expected to arise at the end of the financial year. In January 2016 it was estimated that there would be a £0.487m council tax surplus on the Collection Fund (£1.286m surplus in January 2015) and therefore this would be due back to the preceptors in 2016/17.

Note 2 - Business Rates

The Council collects business rates for its area based on local rateable values provided by the Valuation Office Agency (VOA) multiplied by a uniform business rate set nationally by Central Government. For 2016/17 the total rateable value at the year end is £104.15m (£104.95m in 2015/16). The national multipliers for 2016/17 were 48.4p for qualifying small businesses, with the standard multiplier being 49.7p for all other businesses (48p and 49.3p respectively in 2015/16).

In 2013/14 the administration of the former National Non-Domestic Rate (NNDR) changed following the introduction of a Business Rates Retention Scheme which aims to give Councils a greater incentive to grow businesses but also increases the financial risk due to volatility and non-collection of rates. Instead of paying into the pool, local authorities now retain a proportion of the total collectable business rates due. In the case of Knowsley the local share is 49%. The remainder is distributed to preceptors: 50% to Central Government and 1% to the Merseyside Fire & Rescue Authority (MFRA).

The business rates shares payable for 2016/17 were estimated before the start of the financial year as £20.635m to Central Government, £20.222m to Knowsley and £0.413m to MFRA. These sums have been paid in 2016/17 and charged to the Collection Fund in year. The actual income from business ratepayers for 2016/17 was £44.850m (£45.019m in 2015/16).

In addition to the local management of business rates, authorities are expected to finance appeals made in respect of rateable values as defined by the VOA and hence business rates outstanding at 31 March 2017. As such, authorities are required to make a provision for these amounts. Appeals are charged and provided for in proportion to the precepting shares. The total successful prior year appeals awarded and charged to the provision during 2016/17 was £1.216m, with a further increase to the provision of £1.953m, leaving a total of £9.529m at 31 March 2017 to cover future payments for those appeals still pending. Knowsley's 49% share of the provision (£4.669m) is included in its consolidated balance sheet.

The forecast Business Rates Collection Fund in-year surplus of £3.405m (as reported to the Council on 25 January 2017) was primarily based on expectations for improvements in the rateable value of properties in the Borough. However, at the outturn stage the Council's latest expectations regarding increases in the cost of appeals required a further £1.953m to be set aside in the Collection Fund provision for appeals. This reduced the final in-year surplus to £1.452m.

In January 2016 it was estimated that the Collection Fund would be carrying a £10.686m cumulative deficit at the end of 2015/16 and that this would therefore be recovered from the Council's preceptors in 2016/17. Under the national Business Rates Retention Scheme, the Council retains a 49% share of the total collectable business rates. The remainder is distributed to preceptors: 50% to Central Government and 1% to the Merseyside Fire & Rescue Authority (MFRA). Any declared deficit must be recovered from preceptors in these proportions in the following financial year.

Knowsley's 49% share of the declared deficit (£5.236m) was therefore charged to the General Fund in 2016/17. The actual position at the end of 2016/17 as reported in these Accounts is a cumulative surplus of £13.185m at 31 March 2017. This has confirmed that the declared (and recovered) 2015/16 deficit was over-estimated. This will be incorporated into the estimated position for 2017/18 which will be formally declared in January 2018.

In January 2015 the Council declared an estimated 2014/15 deficit to be recovered from preceptors during 2015/16. While this deficit was properly recovered, the Council has identified that the 2015/16 Collection Fund Income and Expenditure Account did not reflect this recovery. The 2015/16 position has therefore been restated in the 2016/17 Accounts.

Independent auditor's report to the members of Knowsley Metropolitan Borough Council

We have audited the financial statements of Knowsley Metropolitan Borough Council for the year ended 31 March 2017 on pages 17 to 122. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014. Our audit work has been undertaken so that we might state to the members of the Authority, as a body, those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the members of the Authority, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Executive Director (Resources) and auditor

As explained more fully in the Statement of the Executive Director (Resources) Responsibilities, the Executive Director (Resources) is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, and for being satisfied that the financial statements give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are 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 Executive Director (Resources); and the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Narrative Statement to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2017 and of the Authority's expenditure and income for the year then ended;
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

Matters on which we are required to report by exception

The Code of Audit Practice requires us to report to you if:

- the Annual Governance Statement which accompanies the financial statements does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' (CIPFA/SOLACE 2016 Edition); or
- the information given in the Narrative Statement for the financial year for which the financial statements are prepared is not consistent with the financial statements; or
- any matters have been reported in the public interest under Section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of, the audit; or
- any recommendations have been made under Section 24 of the Local Audit and Accountability Act 2014; or
- any other special powers of the auditor have been exercised under the Local Audit and Accountability Act 2014.

We have nothing to report in respect of these matters.

Conclusion on Knowsley Metropolitan Borough Council’s arrangements for securing economy, efficiency and effectiveness in its 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.

Auditor’s responsibilities

We are required under Section 20(1) (c) of the Local Audit and Accountability Act 2014 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 Comptroller and Auditor General (C&AG) requires us to report to you our conclusion relating to proper arrangements.

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

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by C&AG in November 2016, as to whether Knowsley Metropolitan Borough Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The C&AG determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether Knowsley Metropolitan Borough Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.

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, Knowsley Metropolitan Borough Council 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 issued by the C&AG in November 2016, 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 ended 31 March 2017.

Certificate

Delay in certification of completion of the audit

Due to work on the WGA Return not being completed by the 29 September 2017 we cannot formally conclude the audit and issue an audit certificate until we have completed the work necessary to issue our assurance statement in respect of the Authority's Whole of Government Accounts consolidation pack. We are satisfied that this work does not have a material effect on the financial statements or on our value for money conclusion.

Due to outstanding conclusion on matters raised by an elector in a previous period, furthermore, we cannot formally conclude the audit and issue an audit certificate until matters raised by a local authority elector in respect of the 2013/14 accounting period have been concluded. We are satisfied that this work does not have a material effect on the financial statements or on our value for money conclusion.

Timothy Cutler
For and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
1 St Peter's Square
Manchester
M2 3AE
29 September 2017

Glossary

AAA FITCH RATING
Highest credit quality - ‘AAA’ ratings 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.

ACCRUALS
Sums included in the final accounts to recognise revenue and capital income and expenditure earned or incurred in the financial year, but for which actual payment had not been received or made as at 31 March.

ACTUARIAL GAINS AND LOSSES
For a defined benefit pension scheme, the changes in actuarial surpluses or deficits that arise because:
· Events have not coincided with the actuarial assumptions made for the last valuation (experience gains and losses); or
· The actuarial assumptions have changed

ASSET
An item having value to the authority in monetary terms. Assets are categorised as either current or non-current
· A current asset will be consumed or cease to have material value within the next financial year (e.g. cash and stock);
· A non-current 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
Using cash provided by another party to pay for expenditure, on the basis of an agreement to repay the cash at a future point, usually incurring additional interest charges over and above the original amount.

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

CAPITAL EXPENDITURE
Expenditure on the acquisition of a fixed asset, which will be used in providing services beyond the current accounting period, or expenditure which adds to and not merely maintains the value of an existing fixed asset.

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 PROGRAMME
The capital schemes the Authority intends to carry out over a specific period of time.

CAPITAL RECEIPT
The proceeds from the disposal of land or other fixed assets. Proportions of capital receipts can be used to finance new capital expenditure, within rules set down by the government but they cannot be used to finance revenue expenditure.

CIPFA
The Chartered Institute of Public Finance and Accountancy

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

COMMUNITY ASSETS
Assets that the 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 historical buildings.

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT
The 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.

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 benefits pension scheme's liabilities, expected to arise from employee service in the current period.

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.

DEFINED BENEFIT PENSION SCHEME

Pension schemes in which the benefits received by the participants are independent of the contributions paid and are not directly related to the investments of the scheme.

DEPRECIATION

The measure of the cost of wearing out, consumption or other reduction in the useful economic life of the Authority's fixed assets during the accounting period, whether from use, the passage of time or obsolescence through technical or other changes.

DISCRETIONARY BENEFITS (PENSIONS)

Retirement benefits, which the employer has no legal, contractual or constructive obligation to award and are awarded under the Authority's discretionary powers such as the Local Government (Discretionary Payments) Regulations 1996.

EQUITY

The Authority's value of total assets less total liabilities.

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 RETURN ON PENSION ASSETS
For a funded defined benefit scheme, this is the average rate of return, including both income and changes in fair value but net of scheme expenses, which is 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.

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
Grants made by the government towards either revenue or capital expenditure in return for past or future compliance with certain conditions relating to the activities of the Authority. These grants may be specific to a particular scheme or may support the revenue spend of the Authority in general.

HOUSING BENEFITS
A system of financial assistance to individuals towards certain housing costs administered by authorities and subsidised by central government.

IMPAIRMENT
A reduction in the value of a fixed asset to below its recoverable amount, the higher of the asset's fair value less costs to sell and its value in use.

INFRASTRUCTURE ASSETS
Fixed assets belonging to the Authority that cannot be transferred or sold, on which expenditure is only recoverable by the continued use of the asset created. Examples are highways, footpaths and bridges.

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

INVESTMENTS (PENSION FUND)
The investments of the Pension Fund will be accounted for in the statements of that fund. However, authorities are also required to disclose, as part of the disclosure requirements relating to retirement benefits, the attributable share of the pension scheme assets associated with their underlying obligations.

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.

LIQUID RESOURCES
Current asset investments that are readily disposable by the Authority without disrupting its business and are either:
· Readily convertible to known amounts of cash at or close to the carrying amount; or

· Traded in an active market.

LONG-TERM CONTRACT
A contract entered into for the design, manufacture or construction of a single substantial asset or the provision of a service (or a combination of assets or services which together constitute a single project), where the time taken to substantially complete the contract is such that the contract activity falls into more than one accounting period.

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.

NET BOOK VALUE
The amount at which fixed assets are included in the Balance Sheet, i.e. their historical costs or current value less the cumulative amounts provided for depreciation.

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

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

NON-DOMESTIC RATES (NDR)
The Non-Domestic Rate is a levy on businesses, based on a national rate in the pound set by central government and multiplied by the assessed rateable value of the premises they occupy. In England it is collected by the Authority on behalf of itself, central government and major preceptors. In Scotland it is collected by the Authority on behalf of central government and then redistributed back to support the cost of services.

NON-OPERATIONAL ASSETS
Fixed assets held by the Authority but not directly occupied, used or consumed in the delivery of services. Examples are investment properties, assets under construction or assets surplus to requirements pending sale or redevelopment.

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 Authority in the pursuit of its strategy and in the direct delivery of those services for which it has either a statutory or discretionary responsibility.

PAST SERVICE COST (PENSIONS)
For a defined benefit pension scheme, the increase 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 introduction of, or improvement to retirement 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.

PRECEPT
The levy made by precepting authorities by billing authorities, requiring the latter to collect income from Council Tax on their behalf.

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.

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 LOAN BOARD (PWLB)
A Central Government Agency, which provides loans for one year and above to authorities at interest rates only slightly higher than those at which the government can borrow itself.

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.

REVENUE EXPENDITURE
The day-to-day expenses of providing services.

REVENUE EXPENDITURE CAPITALISED UNDER STATUTE (REFCUS)
Expenditure which ordinarily would be revenue, but is statutorily defined as capital. Examples of REFCUS include grants of a capital nature to voluntary organisations and back pay expenditure capitalised under Secretary of State Direction.

REVENUE SUPPORT GRANT
A grant paid by Central Government to authorities, contributing towards the general cost of their services.

STOCKS
Items of raw materials and stores an authority has procured and holds in expectation of future use. Examples are consumable stores, raw materials and products and services in intermediate stages of completion.

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

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

USEFUL ECONOMIC LIFE (UEL)
The period over which the Authority will derive benefits from the use of a fixed asset.