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Date: 28 September 2011
Our Ref:
Your Ref:

Please contact: Margaret Rawding
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Dear Sirs

RE: LETTER OF REPRESENTATION

This representation letter is provided in connection with your audit of the Statement of Accounts of Sefton Metropolitan Borough Council (the "authority") including the consolidated financial statements of the authority and its subsidiary (together the "group") for the year ended 31 March 2011 for the purpose of expressing an opinion as to whether the Statement of Accounts of the authority gives a true and fair view, and has been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom and the Best Value Accounting Code of Practice. Subsequent references in this letter to "the Statement of Accounts" refer to both the financial statements of the authority and the consolidated financial statements of the group.

My responsibilities as Chief Financial Officer for preparing the financial statements are set out in the Statement of Responsibilities for the Statement of Accounts. I am also responsible for the administration of the financial affairs of the authority. I also acknowledge that I am responsible for making accurate representations to you.

I confirm that the following representations are made on the basis of enquiries of other chief officers and members of Sefton Metropolitan Borough Council and the group with relevant knowledge and experience and, where appropriate, of inspection of supporting documentation sufficient to satisfy myself that I can properly make each of the following representations to you.

I confirm, to the best of my knowledge and belief, and having made the appropriate enquiries, the following representations:

Financial Statements

I have fulfilled my responsibilities, for the preparation of the Statement of Accounts in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in



the United Kingdom; in particular the financial statements give a true and fair view in accordance therewith.

All transactions have been recorded in the accounting records and are reflected in the financial statements.

Significant assumptions used by the authority and group in making accounting estimates, including those surrounding measurement at fair value, are reasonable.

All events subsequent to the date of the financial statements for which the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom requires adjustment or disclosure have been adjusted or disclosed.

The effects of uncorrected misstatements are immaterial, both individually and in the aggregate, to the financial statements as a whole. A list of the uncorrected misstatements is attached to this letter.

Those charged with governance believe that the amounts that remain unadjusted are considered to be immaterial to the financial statements and arise as a matter of differing judgements for an appropriate level of accounts receivable impairments,

Information Provided

I have taken all the steps that I ought to have taken in order to make myself aware of any relevant audit information and to establish that you (the authority's auditors) are aware of that information.

I have provided you with:

- Access to all information of which I am aware that is relevant to the preparation of the financial statements such as records, documentation and other matters, including minutes of the Council and relevant management meetings;
- Additional information that you have requested from us for the purpose of the audit; and
- Unrestricted access to persons within the group from whom you determined it necessary to obtain audit evidence.

So far as I am aware, there is no relevant audit information of which you are unaware.

Fraud and non-compliance with laws and regulations

I acknowledge responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.

I have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

I have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the group and involves:

- Management;
- Employees who have significant roles in internal control; or
- Others where the fraud could have a material effect on the financial statements.

I have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the authority and group's financial statements communicated by employees, former employees, analysts, regulators or others.

I have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.

I am not aware of any instances of actual or potential breaches of or non-compliance with laws and regulations which provide a legal framework within which the authority and the group conducts its business and which are central to the authority's and the group's ability to conduct its business or that could have a material effect on the financial statements.

I am not aware of any irregularities, or allegations of irregularities including fraud, involving members, management or employees who have a significant role in the accounting and internal control systems, or that could have a material effect on the financial statements.

Related party transactions

I confirm that we have disclosed to you the identity of the authority and group's related parties and all the related party relationships and transactions of which we are aware.

Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of Section 3.9 of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom.

We confirm that we have identified to you all senior officers, as defined by the Accounts and Audit Regulations 2011, and included their remuneration in the disclosures of senior officer remuneration.

Employee Benefits

I confirm that the authority has made you aware of all employee benefit schemes in which employees of the authority and the group participate.

Contractual arrangements/agreements

All contractual arrangements (including side-letters to agreements) entered into by the authority and the group have been properly reflected in the accounting records or, where material (or potentially material) to the financial statements, have been disclosed to you.

The authority and the group has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.

I have disclosed all material agreements that have been undertaken by the authority in carrying on its business.

VAT Shelter Income

We believe that the income accrued totalling £8,502,000 within the financial statements from One Vision Housing Limited is accurately stated and recoverable revenue for the Council.

Assets and liabilities

The authority and the group has no plans or intentions that may materially alter the carrying value and where relevant the fair value measurements or classification of assets and liabilities reflected in the financial statements.

In my opinion, on realisation in the ordinary course of the business the current assets in the balance sheet are expected to produce no less than the net book amounts at which they are stated.

The authority has no plans or intentions that will result in any excess or obsolete inventory, and no inventory is stated at an amount in excess of net realisable value.

The authority and the group has satisfactory title to all assets and there are no liens or encumbrances on the authority's and the group's assets, except for those that are disclosed in the financial statements.

I confirm that we have carried out impairment reviews appropriately, including an assessment of when such reviews are required, where they are not mandatory. I confirm that we have used the appropriate assumptions with those reviews.

Details of all financial instruments, including derivatives, entered into during the year have been made available to you. Any such instruments open at the yearend have been properly valued and that valuation incorporated into the financial statements. When appropriate, open positions in off-balance sheet financial instruments have also been properly disclosed in the financial statements.

Litigation and claims

I have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements and such matters have been appropriately accounted for and disclosed in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom.

One Vision Housing Litigation

I confirm that the Council is not considered liable for the claim for the costs of replacing the cladding and the disclosure as a contingent liability is appropriate.

Taxation

I have complied with UK taxation requirements and have brought to account all liabilities for taxation due to the relevant tax authorities whether in respect of any corporation or other direct tax or any indirect taxes. I am not aware of any non-compliance that would give rise to additional liabilities by way of penalty or interest and I have made full disclosure regarding any Revenue Authority queries or investigations that we are aware of or that are ongoing.

In particular:

- In connection with any tax accounting requirements, I am satisfied that our systems are capable of identifying all material tax liabilities and transactions subject to tax and have maintained all documents and records required to be kept by the relevant tax authorities in accordance with UK law or in accordance with any agreement reached with such authorities.
- I have submitted all returns and made all payments that were required to be made (within the relevant time limits) to the relevant tax authorities including any return requiring us to disclose any tax planning transactions that have been undertaken the authority's benefit or for the group's benefit or any other party's benefit.

- I am not aware of any taxation, penalties or interest that are yet to be assessed relating to either the authority or the group or any associated company for whose taxation liabilities the authority may be responsible.

Retirement benefits

All significant retirement benefits that the authority and the group is committed to providing, including any arrangements that are statutory, contractual or implicit in the authority's and the group's actions, wherever they arise, whether funded or unfunded, approved or unapproved, have been identified and properly accounted for and/or disclosed.

All settlements and curtailments in respect of retirement benefit schemes have been identified and properly accounted for.

The following actuarial assumptions underlying the valuation of retirement benefit scheme liabilities are consistent with my knowledge of the business and in my view would lead to the best estimate of the future cash flows that will arise under the scheme liabilities:

2009/2010

2010/2011

	<u>Long-term expected rate of return on assets in the scheme:</u>	
7.5%	Equity Investments	7.5%
4.5%	Government Bonds	4.4%
5.2%	Other Bonds	5.1%
6.5%	Property	6.5%
0.5%	Cash/Liquidity	0.5%
7.5%	Other Assets	7.5%
	<u>Mortality assumptions (years):</u>	
20.4	Longevity at 65 for current pensioners: Men	21.4
23.2	Longevity at 65 for current pensioners: Women	24.1
21.3	Longevity at 65 for future pensioners: Men	22.8
24.1	Longevity at 65 for future pensioners: Women	25.7
	<u>Other assumptions</u>	
3.3%	Rate of Inflation - RPI	3.4%
n/a	Rate of Inflation - CPI	2.9%
4.55%	Rate of increase in salaries	4.4%
3.3%	Rate of increase in pensions	2.9%
5.6%	Rate for discounting scheme liabilities	5.5%
50%	Take-up of option to convert annual pension into retirement lump sum	50%

The authority participates in the Teachers' Pension Scheme that is a defined benefit scheme. I confirm that the authority's share of the underlying assets and liabilities of this scheme cannot be identified and as a consequence the scheme has been accounted for as a defined contribution scheme.

Disclosures

Where appropriate, the following have been properly recorded and adequately disclosed in the financial statements:

- The identity of, and balances and transactions with, related parties.
- Losses arising from sale and purchase commitments.
- Agreements and options to buy back assets previously sold.
- Assets pledged as collateral.

The authority and group has recorded or disclosed, as appropriate, all formal or informal arrangements with financial institutions involving compensating balances or other arrangements involving restrictions on cash balances and line of credit or similar arrangements.

The authority and group has recorded or disclosed, as appropriate, all liabilities, both actual and contingent, and has disclosed in the financial statements all guarantees that we have given to third parties, including oral guarantees made by the authority and the group on behalf of an affiliate, member, officer or any other third party.

Sefton New Directions

I confirm that Sefton New Directions is considered to be a going concern for the foreseeable future.

As minuted by the Audit and Governance Committee at its meeting on 28 September 2011

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Margaret Rawding
(Head of Corporate Finance & ICT)

.....
Councillor Richard Hands
(Chair, Audit and Governance Committee)

For and on behalf of: SEFTON METROPOLITAN BOROUGH COUNCIL

Date: 28 September 2011