Sefton Council

STATEMENT OF ACCOUNTS 2015/2016

As presented to the Audit and Governance Committee on 21 September 2016

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1 NARRATIVE REPORT

Introduction

The Council has just completed its sixth year of reducing resources across the Authority. This has placed significant challenges for all sevices, not only to devise and implement change, but also to manage the continuing increase in demand for services to vulnerable adults and children. As an Authority, this year's overall financial plan has been delivered with only minor variations to the original plan approved in March 2015. This could only be achieved with the hard work and dedication of the staff and partners of Sefton Council, and I thank them for their ongoing support in achieving a tough financial plan. This has enabled general balances to be broadly maintained at the same level, which will assist the Authority to transform its services over the next three years of further significant reductions in resources available to Sefton.

The layout of the Accounts of all local authorities is governed by the Chartered Institute of Public Finance and Accountancy. In previous years, the Explanatory Foreword focused on key financial information and challenges, but did not include a wider view of the Authority. From 2015/2016 onwards, this Narrative Report will replace the Foreword and aims to enhance the key financial summary with more general information on: -

- An overview of Sefton Council;
- Performance information 2015/2016
- Financial overview;
    - 2015/2016 and 2016/2017 Revenue Budget Process / Council Tax
    - Financial risks up to 2019/2020
    - Revenue Financial Performance of the Council 2015/2016
    - Capital Strategy / Programme 2015/2016
- An explanation of the Financial Statements

A new Funding Analysis has also been introduced as part of the Narrative Report which provides a direct reconciliation between the way local authorities are funded and the budget; the aim being to provide a new funding analysis in a way that is accessible to the lay-reader.

The time available for preparing / publishing the Statement of Accounts is to reduce in line with Government changes. The requirement for the 2017/2018 financial year will be for local authorities to close their Accounts by 31 May and for them to be audited by 31 July. Whilst this will in itself bring challenges to Finance and related staff (and to the auditors) to actually achieve these deadlines, it will in future provide additional time to support service departments on the development of new methods of service provision, in order to balance the budget over the coming years.

The Government's drive to restructure the economy is continuing, with additional challenges for local government, particularly for metropolitan authorities such as Sefton. As a result, further significant budget reductions are facing the Council until 2019/2020; currently estimated at £64m. This is on top of the £169m of reductions already imposed on Sefton. It is anticipated that the impact of this change will fall on all areas of Council services and on many services that will be visible to the general public. This will be a significant challenge.

An overview of Sefton Council

Key information on Sefton

Sefton is a Metropolitan Borough Council, providing the full range of local authority services to the residents of Sefton. Located on the west coast of England between Liverpool in the south and Lancashire in the north / northwest, with The Council covers the area from Bootle in the South, through Seaforth, Waterloo, Crosby, Thornton, Altcar, Ince Blundell, Lunt, Freshfield and Formby, up to and including Birkdale, Ainsdale, Southport and Crossens in the North. It also includes the areas of Maghull, Lydiate and parts of Melling and Aintree. It is responsible for providing services to approximately 273,000 residents, local businesses and industry.

As a local authority, Sefton is accountable to Central Government and the electorate. It is responsible for continuously looking to improve its services to ensure that it meets the needs of the local community. Each service has to ensure that the local taxpayers are receiving "value for money" by delivering high quality outcomes.

Sefton, like other metropolitan districts, has been particularly adversely affected by Government grant cuts since 2010. As a result, the level of budget reductions the Council has been required to implement has had a major impact of service levels / support. The Council has prioritised key care service (elderly and children) in resource allocations made to date. Further reductions in resources in the coming years will challenge this principle.

Sefton Councillors in 2015/2016

The Council is composed of 66 councillors (three for each of the Borough's 22 wards), with one-third elected three years in every four. The political analysis of the councillors as at May 2015 is identified below: -

Labour	42
Liberal Democrats	16
Conservative	7
Independent	1

As at May 2016, this changed.

Councillors are democratically accountable to residents of their ward. The overriding duty of councillors is to the whole community, but they have a special duty to their constituents, including those who did not vote for them.

Councillors have to agree to follow a Code of Conduct to ensure high standards in the way they undertake their duties. The Audit and Governance Committee trains and advises them on the Code of Conduct which is set out in Chapter 2 of The Constitution.

The local elections in May 2015 resulted in Labour gaining two seats, the Liberal Democrats losing one seat and the Conservative Independent losing one seat.

One Council

"One Council" is how the Council develops and delivers its core purpose.

These are the key areas the Council will need to concentrate on to improve outcomes for our communities. It does not automatically mean that the Council will fund lots of activity in all these areas. It is more likely, as our resources reduce, that the Council's influence and community leadership will have the greatest impact in most of these areas.

Together we are Sefton – a great place to be!
We will work as one Sefton for the benefit of local people, businesses and visitors

Our Promise, We will:
Put people at the heart of what we do.
Listen, value and respect each other's views
Develop a culture of challenge, ownership, innovation and improvement
Be ambassadors for Sefton.
Be responsive and efficient.
Be clear about what we can and cannot do.

As Leaders We will:
Give direction.
Be honest.
Show confidence.
Be bold.
Be visible.
Communicate.
Inspire.
Be accountable.

We will work in partnership with the public, partners, providers, businesses, visitors to enable us all to:

Be responsible – everyone to take ownership of their lives.
Respect each other.
Have pride in the Borough.
Get involved and have a say about the services that are delivered and the places in which we live and work.
Challenge each other and question what we all do.

The Council has also agreed the following high level priorities:

Economy – the Council wants as many people as possible to have the right employment skills and to have a job. The Council will use some of its resources and assets to facilitate growth by creating the environment for businesses to flourish and working with business to support growth.

The Most Vulnerable – people who have complex care needs and are unable to support themselves will need the Council's care services. However, the Council can also help people to help themselves and work in partnership with others such as the NHS to ensure more joined up care.

Health & Wellbeing – enjoying good physical and mental wellbeing should be everyone's personal priority. There are huge health inequalities in Sefton. The Council's service delivery will have to focus on the most vulnerable but working with the NHS and the voluntary sector the Council can better co-ordinate services and most importantly facilitate people doing things for themselves and their families.

Resilient Communities – helping to build confident and resilient communities will mean less reliance on public sector support and much more effective social networks. This is a very challenging outcome to achieve. Supporting individuals and communities to manage and overcome adverse conditions such as debt, loneliness and unemployment is not a short-term fix but it will deliver more sustainable outcomes.

Environment – the natural environment is one of Sefton's greatest assets. The Council will need to maintain the safety of the natural and built environment and work with others to protect the essential elements.

Reshaping the Council – ensuring the Council is in a position to achieve these priorities.

Management Structure

Councillors

Along with many other authorities, a Leader and Cabinet management structure has been implemented. The Council appoints the Leader of the Council, approves those matters which are part of the Council's policy framework and provides an opportunity through questioning and debate for the Cabinet to be held to account.

The Cabinet has to make decisions which are in line with the Council's overall policies and budget. If it wishes to make a decision which is outside the budget or policy framework, this must be referred to the Council as a whole to decide.

Individual Members of the Cabinet make decisions on service issues within their area of responsibility (portfolio) under delegated powers set out in Chapter 5 of the Constitution.

There are four Overview and Scrutiny Committees which support the work of the Cabinet and the Council as a whole. They allow citizens to have a greater say in Council matters by holding public inquiries into matters of local concern:

- Overview and Scrutiny Committee (Adult Social Care)
- Overview and Scrutiny Committee (Children's Services and Safeguarding)
- Overview and Scrutiny Committee (Regeneration and Skills)
- Overview and Scrutiny Committee (Regulatory, Compliance and Corporate Services)

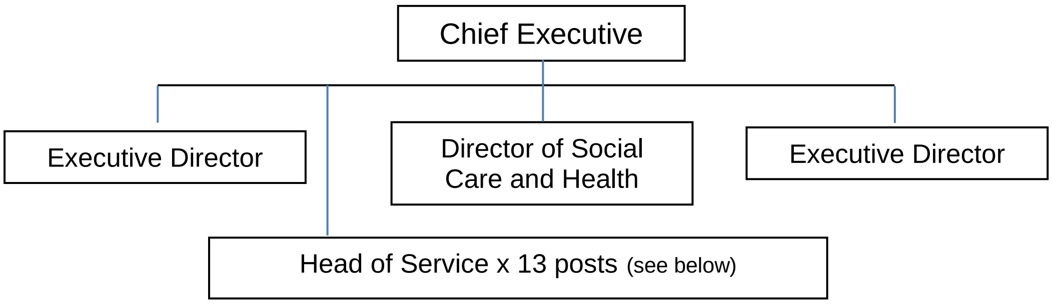
These lead to reports and recommendations which advise the Cabinet and the Council as a whole on its policies, budget and service delivery. The Committees also monitor the decisions of the Cabinet.

There is also the opportunity for the public to ask questions or submit petitions directly to the Council.

At the start of the financial year, the Leader of the Council was Peter Dowd. However, following his election to Parliament, the Deputy Leader, Ian Maher, was selected by the Labour Group to become Leader.

Strategic Management Board

The structure aims to reflect the need for departments to collaboratively work together as 'One Council' and thereby maximise capacity and avoid duplication. In support of the politicians, the senior management structure is identified below. As part of the process to review management responsibilities, and make cost reductions, a new structure was implemented during 2015/16. Two new Executive Director posts were introduced with roving portfolios and will provide organisational capacity to help enable reform across the whole authority. They will be a pivotal part of the new senior team and will work closely with the Heads of Service and partners to deliver the priorities and changes we need to make across the council and region. The Director of Social Care and Health will focus on the strategic management of the Council's key care service functions. Heads of Service are responsible for the day to day management / direction of their services. The managers below form the Strategic Leadership Board.



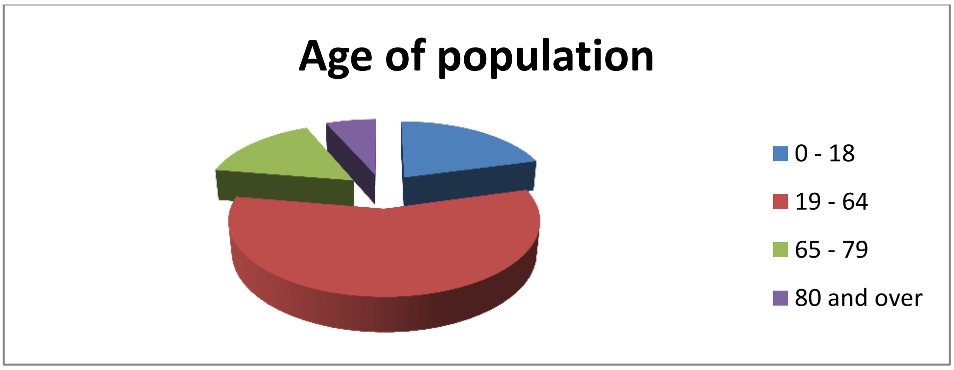
Locality Services – Commissioned, Locality Services – Provision, Adult Social Care, Children's Social Care, Health & Wellbeing, Corporate Support, Strategic Support, Communities, Regulation and Compliance, Commissioning Support & Business Intelligence, Schools & Families, Inward Investment & Employment, Regeneration & Housing. The Strategic Management Board is supported by the Chief Finance Officer and the Chief Personnel Officer.

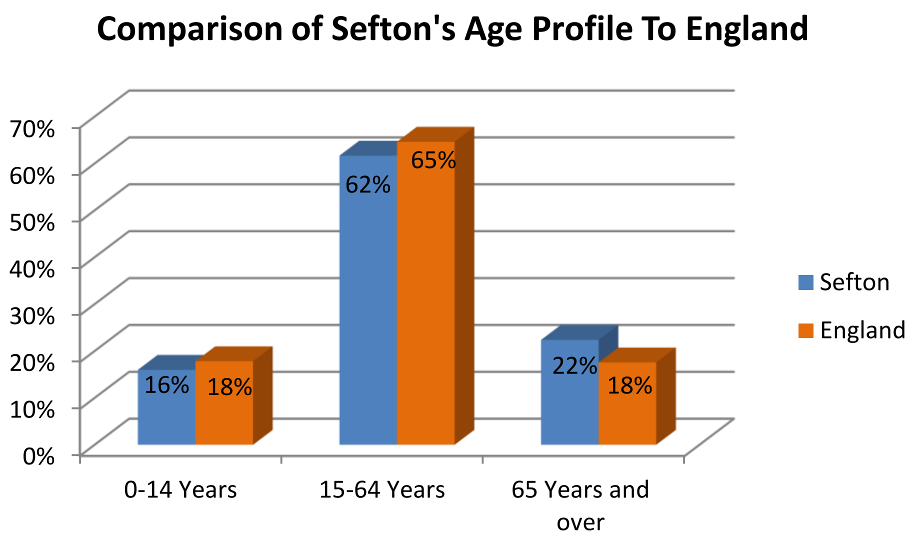
Other Employees

At the start of April 2015 the Council employed 2,707 people (excluding school-based employees). As part of the process to reduce costs to ensure a balanced budget, roles and responsibilities have changed and the number of employees has reduced considerably over recent years. With regard to 2015/2016, there was a reduction of 60 staff. Since 2010, when the austerity measures were imposed, the Council has reduced the number of full-time equivalent staff by 21%.

Age Profile of Sefton Residents

The age profile of residents is important to local authorities as it influences where / what services are provided. The latest Office for National Statistics Mid-Year Estimates for 2014 indicated that Sefton's total population was just in excess of 273,000. The figures also showed that Sefton has in excess of 22% of its residents aged 65 and over; this is above the national average. This has an impact on the level of resources that the Authority incurs for elderly care provision. Sefton has one of the highest proportions of elderly residents across the country (further information in the Social paragraph).





Performance information 2015/2016

Political

The Chancellor of the Exchequer announced the Spending Review in November 2015. Major changes to Local Government funding were announced including the phased move to a complete localisation of Business Rates by 2020. This will be linked to the phasing out of the Revenue Support Grant over the same period and the transfer of funding responsibilities from central to local government. It is anticipated that these changes will commence from 2018 onwards and are likely to be phased in up to 2020. A consultation is being undertaken by DCLG to determine the method by which local authorities collectively will be able to retain 100% of Business Rates to fund services and this will include consideration of the re-distribution nationally of the Business Rates which will underpin the new funding regime. Sefton and the other Liverpool City Region authorities have expressed an interest in piloting the development of Business Rates retention to influence the Government in its deliberation of the methodology. The outcome of this major change is unlikely to be known until late 2016 or 2017.

There is a new power for authorities to levy up to 2% Council Tax Precept, specifically to finance adult social care expenditure. The Chancellor also announced a move to a national funding formula for schools. Also, the Government is planning to integrate Health and Social Care – no specific timescales have been announced.

The Liverpool City Region agreed a devolution deal with the Government in November 2015, including investment to boost the Merseyside economy. Whilst the impact of this was not felt in 2015/2016, it is likely to have a significant influence on Merseyside's and Sefton's ability to drive forward the local economy in the future. Voters will choose a directly elected Mayor in May 2017, who will take on new powers as part of plans to take power out of Whitehall and hand it back to local people. This includes power over local transport budgets and franchised bus services and increased responsibility over employment support and skills provision. This deal also includes control over investment worth £30 million a year for the next 30 years. A total of £900m will help unlock the huge economic potential of the River Mersey and the new Liverpool2 "Superport" as well as maximising the opportunities from the HS2 rail-link.

Following the 2015 General Election result, the Conservative Government has published the austerity programme for local authorities until 2019/2020.

Economy

The Borough has a mixed economy ranging from industry, commerce and tourism The Port of Liverpool is actually in Sefton, not Liverpool. The opening of "Liverpool 2", the new deep water container terminal is expected to provide many opportunities to improve the economy further.

Sefton is part of the Liverpool City Region and the embryonic "Northern Power House" which is expected to provide further impetus to the local economy in the future.

<u>Latest available key data on the Sefton economy</u>

- The unemployment rate in Sefton as at April 2016 stands at 3.2%, the fifteenth highest rate across the North West and is significantly higher than the national average (1.8%). In aggregate over the last year, unemployment in Sefton as well as across Great Britain, has shown signs of an downward trend, which is in contrast to the regional picture which sees unemployment remaining constant. Within Linacre ward, levels of unemployment (7.8%) are considerably higher than elsewhere within Sefton;
- The economic activity rate in Sefton is 76.2%, 1½% lower than the UK.
- There are currently 121,000 Sefton residents in employment (73.4%).
- The average weekly earnings for residents in Sefton is £471, or £23,922 per annum, 15% lower than the UK average.
- 53.3% of residents are educated to NVQ Level 3 or above.
- Sefton's Rank of Average Score in the Indices of Multiple Deprivation (IMD) 2015 was 76th out of 326 local authorities (326 being the least deprived). Sefton's position has deteriorated by 16 places since the IMD 2010.
- There are 38 Sefton LSOA's (Lower Super Output Area – used in census collection) in the most deprived 10% across England. Compared to 34 in 2010.
- There are 5 Sefton LSOA's in the most deprived 1% of LSOAs, compared to 3 in the 2010 IMD. 4 are in Linacre Ward, the other is in Derby Ward.
- 63 LSOAs have a deprivation score less than in 2010 – meaning they are less deprived. 126 (two-thirds) of LSOAs have an increased deprivation score, indicating they have become more deprived

Social Care

At 22%, Sefton has the 7th highest proportion of over 65's both across the 39 North West local authorities, and is the second highest amongst it comparator authorities (The Chartered Institute of Public Finance & Accountancy's assessment of those authorities with social characteristics most closely aligned to Sefton) of which there are 16. The proportion is higher than those seen across both the North West and England as a whole where over 65's account for 18% of the population in both areas.

Sefton also has the 5th highest proportion aged 85 and over residents across the North West, at 3% of the overall population, again higher than the regional and national proportions of 2%. Sefton has the highest proportion of 85 and overs when compared to its comparator authorities.

The number of residents over 65 is projected to increase steadily between 2012 and 2037 for males the increase is projected to be 54% (25,000 to 39,000) and an increase for females of 39% (34,000 to 48,000). This means an overall 65+ population increase of 46% rising from 59,000 in 2012 to 86,000 by 2037.

Greatest increases are amongst those aged 85 and above with the male over 85 population rising by almost 192% (3,000 to 7,000) between 2012 and 2037. For female the increase is projected to be 103% (5,000 to 11,000).

The rate of increase in the over 65 population of 46% compared to overall population increases of just 2% means that by 2037 one in three Sefton residents will be age 65 or over.

Projected reductions in working age population of 11% compared to increases in the over 65 population will mean the proportion of the adult population of the borough that is of pensionable age will be 39% by 2037, compared to 28% in 2012.

Latest available information shows that the number of Sefton care home residents over the age of 65 in 2015 is 2,659, this equates to 4% of the overall over 65 population. By 2030 it is projected that this figure will increase by 47% to more than 3,900 residents over the age of 65 living in care homes.

Predominantly older residents living in care homes are over 85, currently accounting for more than half (1,487 of 2,659) of over 65 in residential care. By 2030 it is estimated that almost two thirds of residents of care homes over the age of 65 will be more than 85 years of age

Communities

There is an increase in demand for certain services including Adult Social Care and the greater requirement for personalisation of services by placing the individual at the centre of their care decisions.

The rising cost of living set against the economic challenges being faced means that the number of people in debt or in danger of falling into debt is rising.

The National Living Wage increased to £7.20 per hour in April 2016 for over-25s only. It is uncertain how its introduction will affect local small businesses and low-paid local sectors such as childcare and retail.

Sefton's teenage pregnancy rate is one of the lowest in the North West, Sefton are ranked 61st out of 152 authorities according to the Office of National Statistics. A total of 101 girls aged 15 to17 became pregnant in 2014, a rate of 21.1 per 1,000 girls in the age bracket. Between 2006 and 2014, there was around a 37% decrease in the number of teenage conceptions in Sefton and that the Council's Public Health team works closely with partners to make sure that our young people have access to reliable information and education about sexual health.

Legal

Finance Act 2015 and National Insurance Contributions (Rate Ceilings) Act 2015 – include legislation to ensure that there would be no rise in the Income Tax rate, VAT or National Insurance before 2020. It also raises the Income Tax threshold to £12,500 by 2020.

Academies Act 2010 and Education Act 2011 – Although the government have dropped plans to force all schools to become academies the government will still encourage schools to convert with the resulting loss to Council grant funding and possible reduction on service level agreement funding from schools.

Local Audit and Accountability Act 2014 – this Act included measures to abolish the Audit Commission in March 2015 and replace it with a new Local Audit Framework. It also extended the Council Tax Referendum provisions.

Mental Capacity Act 2015 – developments in the law relating to people without capacity and the deprivation of liberty safeguarding are putting increasing pressures on the Council to ensure we comply with the law in this area.

The Health and Social Care Act 2012 - introduced substantial changes to how the NHS in England is organised and run, with responsibility for public health transferring to Local Authorities with effect from April 2013. In addition, from October 2015, the children's 0-5 health visitor services transferred to Councils with funding added to the Public Health ring-fenced grant.

The Welfare Reform and Work Act 2016 – received royal assent in March 2016 and includes wide-ranging provisions covering employment and the apprenticeships targets, support for troubled families and life chances, the benefit cap, social security and tax credits, loans for mortgage interest and social housing rents.

The Childcare Act 2016 – received royal assent in March 2016 and includes free childcare for young children of working parents and the publication of information about childcare and related matters by Local Authorities in England.

Accounts and Audit Regulations 2015 – which has changed the timeline for the production and approval of Local Authorities Statement of Accounts.

The Enterprise Act 2016 received royal assent in May 2016 and it makes provision relating to the promotion of enterprise and economic growth; provision about Sunday opening hours and Sunday working; and provision restricting exit payments in relation to public sector employment.

The Housing and Planning Act 2016 received royal assent in May 2016 and it contains provisions relating to start homes, neighbourhood planning, local planning, planning permission and compulsory purchases.

The European General Data Protection Regulations have been finalised and whilst they will not come into force until 2018 they place significant demands on the Council together with significantly increased fines for data breaches.

The Queen's Speech on 18 May 2016 announced a Neighbourhood Planning and Infrastructure Bill 2016-17. The purpose of the Bill was described in the Government's background briefing notes as being to:
• Support the Government's ambition to deliver one million new homes, whilst protecting those areas that we value most including the Green Belt.
• Deliver the homes and infrastructure that this country needs.
• Transform the way we plan for major infrastructure projects in this country

Sefton's Legal Services team has scooped a top national industry award - Public Sector Team of the Year. The Legal 500 Awards are based on market research interviews with UK legal practitioners to discover good practice over a 12 month period.

Tourism

Sefton has over 22 miles of coastline boasting a number of beautiful beaches and stunning natural beauty. Attractions range from Gormley's "Iron Men" on the beach in Crosby, to the Pinewoods (and red squirrels) in Formby, to the iconic attraction of Southport, with its elegant shopping in classic Victorian surroundings.

Southport has hotels, attractions, restaurants and pubs, with one of the oldest piers in the UK stretching across Southport beach. It is rumoured that Napoleon re-modelled certain parts of Paris based on his knowledge of Southport during his stay in the town back in the mid-19th century. Southport also hosts the annual Air Show and Flower Show.

The Southport Air Show was confirmed as the Liverpool City Region Tourism Awards 'People's choice' winner. The Air Show was also shortlisted for Large Tourism Event of the Year and Tourism Experience of the Year. The British Musical Fireworks Championship (held in Southport) was shortlisted for Small Tourism Event of the Year.

There are many world class golf courses within Sefton and the Open Championship will again be held at Birkdale in 2017. The areas reputation for golf is known nationwide and is known as "England's Golfing Capital" due to the number and variety of top quality courses. This attracts visitors from the across the UK and many from the United States, Europe and Japan.

Technology / Systems

The Council continues to improve and develop its digital offering to customers. The sefton.gov.uk website was redesigned and relaunched in 2015. Two-way communication & interaction via Twitter is growing in popularity, with the Sefton Council Twitter account now having 12,000 followers. Work continues to increase the number of online transactional services, to enable self-service on a a variety of services 24 hours a day. Residents are also being supported through WebChat.

Councillors are to be provided with Samsung Android tablet devices, in order to enable them to be able to carry out their duties, and interact with customers in a more efficient and responsive way. This will also see a phased reduction in the use of paper and printing for Council meeting documentation. This rollout commences in 2016.

A new financial management system – Agresso – was implemented in 2015, in conjunction with Halton Borough Council. This system will offer a more cost-effective and accessible system, enabling Council services to better manage their budgets. Further development will continue in 2016/2017 and beyond.

Sefton Council renewed its Wide Area Network (WAN) in 2016, which will see this core infrastructure being upgraded and modernised to support the business as it adopts new ways of working and rationalises its accommodation.

The Council's back-up data centre was implemented in this period, with final testing taking place in 2016/2017. This facility will enable the Council to continue to operate in the event of the loss of the primary data centre.

Other initiatives include: the implementation of public, guest and corporate Wi-Fi in key Council buildings; the introduction of Mobile Device Management software to secure and manage our mobile devices; and continued development of key systems.

Sefton 2030

Senior managers from across the Authority have recently undertaken conversations with employees, partners, Cabinet members and reviewed previous engagement activities with our communities and local businesses. These groups express want they want to see in Sefton in 2030 and the following themes have emerged consistently: -

- Resilient people and places
- Growing, living and ageing well
- A great place to live, work and play
- Activities, sociability and hosting
- Image, culture and environment
- Accessible and linked
- Right for business
- Digital, Science & Technology Technological

Financial Overview

2015/2016 and 2016/2017 Revenue Budget Process / Council Tax

The ongoing Government austerity programme means that further significant budget reductions (£54.706m) are required through 2015/2016 into 2016/2017. The Council agreed that identifying budget reductions for both years (rather than just considering 2015/16 in isolation), would be the most effective way of planning / implementing the required savings. Specific options to contribute to the budget shortfall were identified, including a 1.99% increase in Council Tax. However, the remaining deficit of £4.910m for the two-year plan was held against the Council's Reserves, pending further clarity on future funding settlements following the General Election in May 2015. Councillors were reminded that the use of one off resources should only occur in setting a robust financial plan when there is a clear short term requirement and that these are not used to avoid making budget savings.

Not all the approved savings to 2015/2016 were achieved by March 2016. However, the Council did identify underspending in other areas, as well as achieving some savings agreed for 2016/2017 earlier than originally planned. This has enabled enabled the outturn position to be an underspend of £2.376m.

Financial risks up to 2019/2020

The budget reductions identified in the budget plan to 2019/2020 highlight the growing level of financial risks the Council will be facing over the coming years and the level of risk which it is possible to mitigate. The financial forecasts themselves are only estimates of future political, economic, environmental and demographic forecasts which contain many variables and degrees of uncertainty.

The budget proposals made to date contain some risks, given the extent and the impact of the £169m savings Sefton will have faced to March 2017. The Council has been made aware of the consultations conducted since 2011 in determining the equality impact and risks of the reductions and reconfigurations of services. All options require close monitoring of implementation and delivery and any non-achievement reported and corrected in a timely way.

The 2015/2016 and 2016/2017 represent the fifth and sixth successive year of budget reductions for Sefton Council and has required more challenging solutions to achieve a balanced budget and two year financial plan. The approach approved by Council, was to undertake a risk based assessment of services and to identify those services which most closely aligned to the strategic priorities identified in the Council report of 22 January 2015.

The 2016/2017 budget has been deliberately and strategically constructed to facilitate leadership and management capacity to focus on the development of a three year financial plan to cover the period 2017/2018 to 2019/2020. Over this three year plan the level of change needed to create a financially sustainable Council will be greater than before. The risks which the Council will face over this period will increase with the further reduction in grant funding and greater reliance on income from Business Rates and new commercial opportunities.

In order to inform the allocation of a significantly reduced resource the core purpose of the Council is set as:

- Protect the most vulnerable i.e. those people who have complex care needs with no capacity to care for themselves and no other networks to support them;
- Commission and provide core services which meet the defined needs of communities and which are not and cannot be duplicated elsewhere;
- Enable/facilitate economic prosperity i.e. maximise the potential for people within Sefton to be financially sustainable through employment/benefit entitlement;
- Facilitate confident and resilient communities which are less reliant on public sector support and which have well developed and effective social support networks; and
- The delivery of budget and policy changes approved by Council in March 2015 is progressing largely in line with the plans set out and the risks to this are reported to Cabinet and Overview and Scrutiny (Regulatory, Compliance and Corporate Services) on a regular basis.

Early budget forecasts for 2017/2018 and future years clearly indicate further reductions in expenditure in excess of £64m to 2019/2020. It is therefore imperative that the financial stability of the Authority is maintained as the level of risk will increase as expenditure levels reduce further. The financial robustness of the Authority will only be sustained if actions are implemented in a timely manner to achieve future budget requirements. The scale of future reductions and risks cannot be overstated. The Council will be faced with budget gaps which will require both the development of new sources of income as well as significant reduction in the expenditure on services. The decisions in future years will be challenging for all sectors of our communities and the Council will need to provide strong leadership in seeing through these changes to minimise the negative impacts that delays in rationalisation and income generation could cause.

Revenue Financial Performance of the Council 2015/2016

Non-School General Fund Net Expenditure

The General Fund encompasses expenditure relating to the day-to-day running of the Council. Transactions relating to Schools' delegated budgets are included within the General Fund but because Schools are entitled to retain any year-end balances for future use, the General Fund balances are analysed according to whether or not they belong to Schools.

On 5 March 2015, the Council approved a revenue budget for 2015/2016 of £218.068m, which included £0.894m relating to the expenditure of Parish Councils. At that time it was anticipated that balances for non-school budgets would total £6.938m at 31 March 2015. As a result of an underspend of £1.458m in 2014/2015 the anticipated year-end balances position was revised to £8.396m. The 2015/2016 Budget assumed the use of balances of £1.239m. In addition, Cabinet on 3 September 2015 approved supplementary estimates of £1.355m in light of the underspend from 2014/2015. Therefore anticipated balances as at 31st March 2016 were forecast to be £5.802m.

Overall, actual expenditure for 2015/2016 on General Fund services (excluding Schools' delegated expenditure) was £2.376m lower than the Base Estimates. This has reduced General Fund Balances by £0.218m rather than the £2.594m estimated.

The Authority's reported Non-School General Fund balances at 31 March 2016 are therefore £8.178m as shown in the following table:

Non-School General Fund Balances	**£m**	**£m**
Actual Non-School General Fund Balances at 31 March 2015		-8.396
Less underspend in comparison to the 2015/2016 Base Estimate:		
- Budgeted Use of Balances 2015/2016	2.594	
- Underspend in 2015/2016	-2.376	
Actual Use of Balances in 2015/2016		0.218
Actual Non-School General Fund Balances at 31 March 2016		-8.178

A comparison of actual expenditure to budgeted expenditure is shown below:

	Budget	**Actual**	**Variance**
	£m	**£m**	**£m**
Net Revenue Expenditure			
Services			
Strategic Management	2.816	2.795	-0.021
Commissioning Support and Business Intelligence	2.361	1.940	-0.421
Strategic Support	0.486	0.506	0.020
Adult Social Care	84.242	84.499	0.257
Children's Social Care	24.870	28.686	3.816
Communities	10.835	10.787	-0.048
Corporate Support	4.632	3.728	-0.904
Health and Wellbeing	23.456	23.239	-0.217
Inward Investment and Employment	2.574	2.584	0.010
Locality Services - Commissioned	19.359	18.774	-0.585
Locality Services - Provision	9.298	9.946	0.648
Regeneration and Housing	4.003	4.089	0.086
Regulation and Compliance	5.379	4.615	-0.764
Schools and Families	27.235	27.200	-0.035
Total Service Net Expenditure	**221.546**	**223.388**	**1.842**
Reversal of Capital Charges	-13.376	-13.376	-
Corporate Items	10.770	7.202	-3.568
Levies	35.072	35.072	-
Parish Precepts	0.894	0.894	-
Total Net Expenditure	**254.906**	**253.180**	**-1.726**
Financed by:			
Council Tax Payers	-108.623	-108.623	-
Revenue Support Grant	-51.007	-51.007	-
Business Rates Top-Up	-24.262	-24.262	-
Retained Business Rates	-34.175	-34.175	-
General Government Grants	-34.245	-34.895	-0.650
Total Financing	**-252.312**	**-252.962**	**-0.650**
Amount Funded from General Balances	**2.594**	**0.218**	**-2.376**

For clarity, brief definitions some services are noted below to help the reader understand what some of the functions that are provided: -

- Commissioning Support and Business Intelligence – responsible for effective strategic and operational business decisions and undertaking effective evidence based commissioning

- Communities – Services include amenities and support for local neighbourhoods, youths, parks and libraries and arts.

- Locality Services – Commissioned – Commissioning services for the management & maintenance of the Council’s road, coast and countryside infrastructure and for specialist transport for vulnerable adults and children.

- Locality Services – Provision – The delivery of key services including refuse collection / recycling, street cleansing, burials and cremation, school meals and crossing patrols.

- Regulation and Compliance – The provision of environmental health, trading standards, legal and electoral services.

The main variances relate to two key areas:

Children’s Social Care – a variance of £3.816m primarily relates to demand pressures for Children’s social services, particularly for residential placements.

Corporate Items – a variance of -£3.568m mainly due to savings on treasury management costs (£0.917m) and budgeted contingency amounts not being required in the year (£1.903m).

Schools

In accordance with the Fair Funding Scheme for Financing Schools, individual schools are able to carry forward any underspend on their budgets. Conversely, an overspend against budgets become the first call on future available resources. Net expenditure on schools, whether incurred directly from delegated budgets or spent against centrally retained budgets by the LEA in support of schools, is funded from the ring-fenced Dedicated Schools Grant (DSG).

The DSG was overspent by £0.073m in 2015/2016. This comprised an underspend of £0.009m across Individual Schools’ delegated budgets, offset by an increase in the level of DSG school funds held by the Local Authority during 2015/2016, in respect of the Supply Teachers scheme (£0.082m). In addition, balances of £0.624m relating to schools that converted to academies at the end of 2014/2015 were transferred to those schools. Movements in Schools’ balances during 2015/2016 can be summarised as follows:

Schools’ Balances	**£m**
Schools’ balances as at 1 April 2015	-17.446
Transfer of balances to Academies	0.624
Overspend on Schools’ Delegated Budgets	0.073
Schools’ balances at 31 March 2015	-16.749

In addition, there was an overspend on the non-delegated element of the DSG funding. The over spend on the non-delegated part of DSG (£0.942m) impacts on certain Earmarked Reserves relating to schools. These reserves amounted to £5.013m as at 31 March 2015 and have therefore reduced to £4.071m at the end of 2015/2016.

Capital Strategy / Programme 2015/2016

The Capital Programme Capital Allocation 2015/2016 report was approved by Council on 5 March 2015. The process used to arrive at the allocations in the report follows the revised Capital Allocations Framework and Capital Strategy that was approved by Council on 28 February 2013. This outlined the use of a single capital pot into which all non-ring fenced funds are placed, and for which bids are made in order to secure funding for capital schemes. Ring fenced grants are those that must be spent in line with the grant conditions. As part of this process a new Members group was set up known as the Strategic Capital Investment Group (SCIG). The purpose of the group is to review and assess bids received for capital funding from the single capital pot in order to recommend to Cabinet and Council a Capital Investment Plan. As part of this process an initial "gateway assessment" of bids is undertaken by a Capital Investment Bids Panel consisting of the Council's Heads of Service. This panel offers suggestions to SCIG as to the assessment of bids considered within the framework of the Capital Allocation Framework and Capital Strategy.

Capital expenditure is principally funded from four areas:

Capital Grants and Contributions – grants from Central Government and other grant funding bodies such as European grants, lottery funding and contributions from private developers.

Capital Receipts – proceeds from the sale of the Council's capital assets.

Revenue – financing capital expenditure from the Council's revenue resources.

Prudential Borrowing – this is external borrowing undertaken by the Council that has to be repaid. The Council will only borrow where plans are sustainable, affordable, prudent and offer value for money.

The Capital Programme 2015/2016 report highlighted grant funding of £10.254m with capital receipts of £3m, giving a total fund of £13.254m. Of this balance resources were required from previous approvals of £0.353m, and £5.297m was considered to be pre-allocated which consisted of the Disabled Facilities Grant, and Local Integrated Transport Block grant and Highway Maintenance Block grant. The balance of the funding of £7.6m was the allocated to schemes via the single capital pot bidding process.

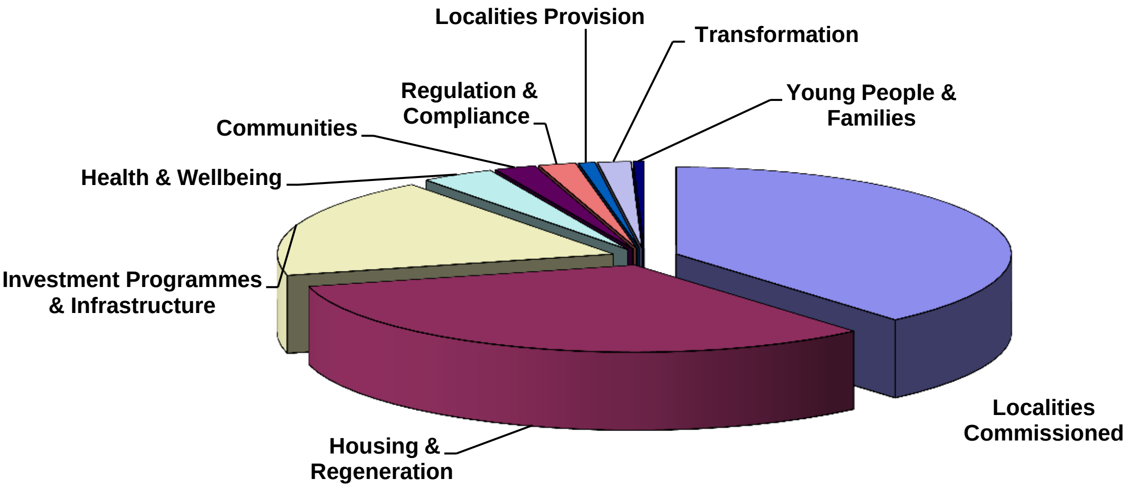
It should be noted that due to changes in the allocation of grant funding, the Disabled Facilities Grant is now awarded as part of the Bettercare Fund and will be administered from 2016/17 by both the Council and the Sefton Clinical Commissioning Groups and will no longer form part of the single capital pot process.

Capital Expenditure in 2015/2016
In 2015/2016 the Authority spent £29.246m on capital projects. Examples of some of the major areas of spend include expenditure on the Thornton to Switch Island Link Road (£5.277m), REECH project (£1.027m), Leisure Centre improvements (£1.028m), and Business Growth Grants (£1m).

The analysis of capital spending (by departmental categories) and its financing is summarised below-

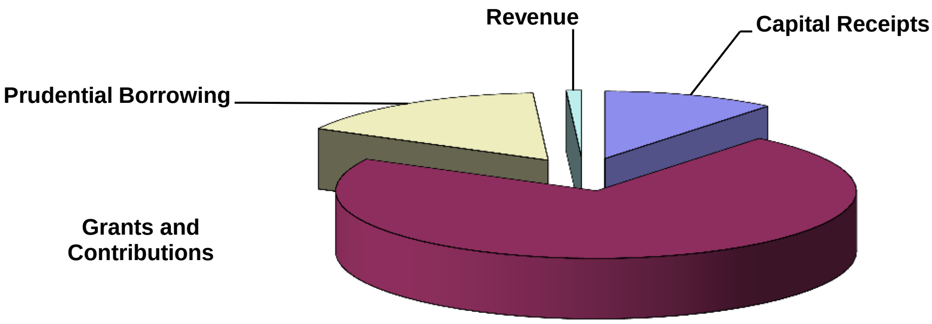
Sefton's Capital Expenditure for 2015/2016

Service	£m	%
Localities - Commissioned	12.401	37
Housing & Regeneration	10.367	31
Children's	5.993	18
Health & Wellbeing	1.151	3
Communities	0.642	2
Regeneration & Compliance	0.578	2
Localities - Provision	0.257	1
Corporate Support	0.168	1
Older People	0.121	0
Transformation	0.051	0
Tourism	0.012	0
Capitalisation	1.616	5
	33.357	100



Financing of Sefton's 2015/2016 Capital Expenditure

Source of Finance	£m	%
Capital Receipts	3.564	11
Grants and Contributions	23.785	71
Revenue	0.330	1
Prudential Borrowing	5.678	17
	33.357	100



Total capital expenditure consists of additions to fixed assets of £29.246m (Property, Plant and Equipment £22.823mm, Investment Properties £0.034m, Intangible Assets £0.179m) and revenue expenditure funded from capital under statute of £10.321.

An explanation of the Financial Statements

The Statement of Accounts is intended to give clear information about the Authority's finances. It is intended to answer:

- What did the Authority's services cost in the year of account?
- Where did the money come from to pay for these services?
- What were the Authority's assets and liabilities at the year-end?

Wherever possible the contents have been written in plain English and technical terms have been used sparingly. Where the use of technical terms has been unavoidable, a simple explanation has been included in the Glossary (see pages 147 to 154).

The Authority is required by law to follow proper accounting practices and this Statement of Accounts attempts to present fairly the financial position and transactions of the Authority.

The Statement was certified by the Head of Corporate Resources on 21 September 2016.

In accordance with recommended practice, the Authority's Accounts present:

(a) Movement in Reserves Statement (page 23)

This statement shows the movement in the year on the different reserves held by the Authority, analysed into ‘usable reserves’ (i.e. those that can be applied to fund expenditure or reduce local taxation) and unusable reserves. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the Authority’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 / 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.

(b) Comprehensive Income and Expenditure Statement (page 25)

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.

(c) Balance Sheet (pages 27 - 28)

The Balance Sheet shows the value as at 31 March 2016 of the assets and liabilities recognised by the Authority. The net assets of the Authority (assets less liabilities) are matched by the reserves held by the Authority. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the authority may use to provide services, subject to the need to maintain a prudent level of reserves, and any statutory limitations on their use. The second category of reserves are those that the Authority is not able to use to provide services.

(d) Cash Flow Statement (page 29)

The Cash Flow Statement shows the changes in cash and cash equivalents of the Authority during the reporting period. The statement shows how the Authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities.

(e) Notes to the Financial Statements (pages 31 - 109)

The notes to the Movement in Reserves Statement, Comprehensive Income and Expenditure Statement, Balance Sheet and Cash Flow Statement. It also includes the accounting policies employed by Sefton to comply with the CIPFA Code of Practice of Local Authority Accounting subject to any exceptions detailed in the note.

This statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund in accordance with section 89 of the Local Government Finance Act 1988 (as amended by the Local Government Finance Act 1992).

The Collection Fund shows the transactions of the Billing Authority in relation to the collection of Council Tax and Non-Domestic rates and provides details of how this income has been distributed to Sefton MBC (including Parish Precepts), the Merseyside Police and Crime Commissioner, the Merseyside Fire and Rescue Authority, and Central Government.

This section incorporates the accounts of both Sefton and its wholly owned subsidiary, Sefton New Directions Limited, to provide details of the Council's financial activities as a Group.

The Annual Governance Statement is the formal statement that recognises, records and publishes an authority's governance arrangements as defined in the CIPFA / SOLACE Governance Framework. It is required to be published with the accounting statements but does not form part of the accounting statement and is therefore not covered by the Auditors' opinion.

Changes to Accounting Policy during the Year

This Statement of Accounts is prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2015/2016 (the Code).

The International Accounting Standards Board (IASB) issued International Financial Reporting Standard (IFRS) 13 Fair Value Measurement in May 2011. The standard defines fair value as 'the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date'. The fair value measurement is based on the hypothetical transaction that could take place in the principal or (in its absence) the most advantageous market. This IFRS only became applicable to local government accounts in 2015/16. The 2015-16 accounting code also relates to fair value disclosures e.g. Public Works Loan Board and Private Finance Initiative schemes.

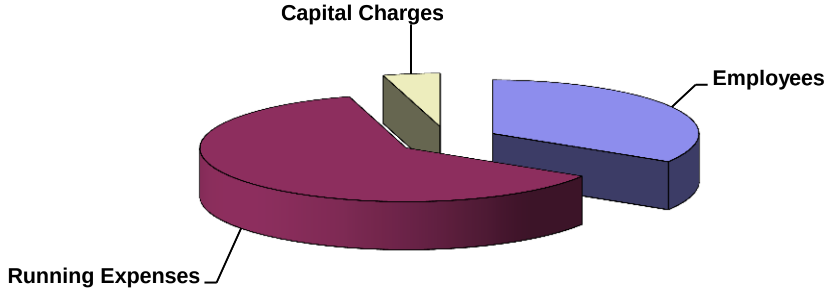
Local authorities have to make an annual statement setting out their Minimum Revenue Provision (MRP) policy i.e. how they propose to repay debt. The guidance provides for each authority to determine its own MRP within the given framework and also requires that the amount of MRP charged is a prudent amount. Sefton Council, along with many other authorities, has reviewed its policy in respect of making an annual charge for MRP. The change agreed by Council is so that the MRP charge on the pre 2008 balance will be calculated via an annuity over 50 years rather than on a 4% reducing balance. This has the effect of fully providing for the debt over a 50 year period, whereas under the 4% basis the debt is never fully provided for which is considered imprudent. This links the charges to revenue more closely to the life of the asset.

Analysis of the Income and Expenditure Account

The tables and charts below summarise the Authority's **gross** revenue expenditure within the General Fund for 2015/2016 and highlights the main sources of General Fund Financing for 2015/2016.

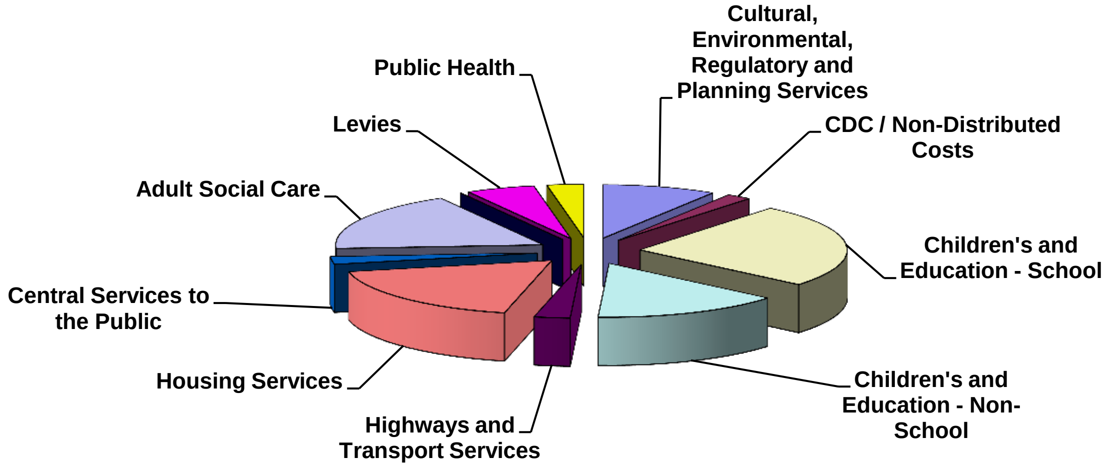
Gross Expenditure on Services (including Levies) (by Expenditure Type)

Expenditure Type	£m	%
Employees	221.795	34
Running Expenses	404.735	62
Capital Charges	29.246	4
	655.776	100



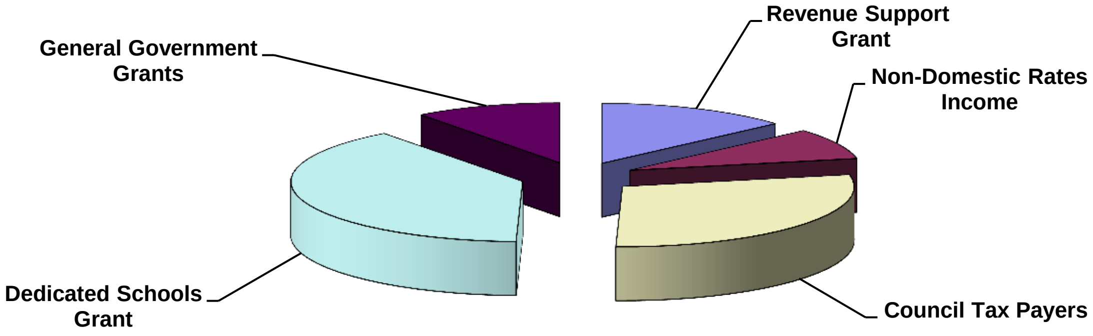
Gross General Fund Expenditure on Services (including Levies)

Service	£m	%
Adult Social Care	117.125	18
Corporate and Democratic Core (CDC) / Non-Distributed Costs	12.610	2
Central Services to the Public	15.040	2
Children's and Education Services - Non-School	96.296	15
- School	166.084	25
Cultural, Environmental, Regulatory and Planning Services	58.450	9
Highways and Transport Services	18.302	3
Housing Services	117.989	18
Public Health	18.768	3
Levies	35.112	5
	655.776	100



Main Sources of General Fund Financing for 2015/2016

Source of Income	£m	%
Revenue Support Grant	51.007	14
General Government Grants	38.660	10
Non-Domestic Rates Income	31.572	8
Council Tax Payers	108.248	29
Dedicated Schools Grant	148.771	39
	378.258	100



The Gross expenditure (identified on page 17) is financed by the major grants shown above, other smaller revenue grants and contributions received by the Council (Note 19 on page 52) and fees and charges.

Other Financial Commitments

On 18 September 2001, the Council entered into an agreement under a Private Finance Initiative with Waterfront Leisure (Crosby) Limited for the provision and operation of a leisure centre in Crosby. Under the terms of the agreement Waterfront Leisure constructed the centre and will operate it for a period of 25 years in accordance with the Council's specification. Payments of £1.239m were made under this contract in 2015/2016 (£1.221m in 2014/2015) with government grants of £0.561m received in the year (£0.561m in 2014/2015). The contract is uplifted by price inflation on 1 April each year.

Borrowing / Investments

The Council's arrangements for long-term borrowing and investments correspond to the Council's Treasury Management Policy and Strategy documents. These were drawn up to comply with the Chartered Institute of Public Finance and Accountancy's Code of Practice for Treasury Management in Local Authorities.

Under Section 3(1) of the Local Government Act 2003, the Council must approve an overall borrowing limit before the beginning of each financial year. For 2015/2016 this limit was set at £168.500m; the Council stayed within this figure during the year.

As at 31 March 2016, the Council had outstanding borrowing of £110.963m (£121.160m as at 31 March 2015). This includes local authority bonds, stocks, mortgages and loans from the Public Works Loans Board (PWLB). As at 31 March 2016, borrowing of £10.000m, plus accrued interest of £0.766m, was due to be repaid within 12 months, of which £10.000m represents the principal element of maturity loans that will mature in the year.

During 2015/2016, no new long term borrowing from the PWLB was required to fund capital expenditure. Principal of £10.000m was repaid during the year of which £10.000m related to maturity loans.

Interest on long term borrowing from the PWLB totalled £5.156m during the year.

In line with its Treasury Management Policy and Strategy the Council makes daily investment decisions. As at 31 March 2016, the Council had short-term investments of £17.098m (£10.110m as at 31 March 2016). In addition, the Council had short-term deposits with banks and building societies of £21.558m (£39.074m as at 31 March 2015). The Council has also entered into long term investments in 2015/2016 with the Church and Charities Local Authority (CCLA) Property Fund (£5.362m) and the Funding Circle (£0.010m).

Pension Liability

As at 31 March 2016 there was a net deficit on the Local Government Pension Scheme Fund attributable to Sefton of £334.464m (£350.084m as at 31 March 2015). This will be reviewed periodically (normally every three years) by the Fund's actuary and steps will be taken to address the deficit via increased contributions over the remaining working life of employees.

The latest valuation was completed during 2013/2014. This set the contribution rates for 2014/2015 to 2016/2017 and the deficit payments required over the three years as part of a 22 year deficit recovery period.

In April 2014 the Council made a one-off payment to the Merseyside Pension Fund of £28.645m relating to its pension deficit liability for 2014/2015, 2015/2016 and 2016/2017. The Council received a significant discount for making the one-off payment rather than paying contributions over the three years. The Council has temporarily utilised £9.934m of Earmarked Reserves in 2015/2016 to fund part of the payment. Earmarked Reserves will be increased again in 2016/2017 when no deficit recovery payment is required.

As at 31 March 2016 there was a net deficit relating to unfunded Teachers' Pensions attributable to Sefton of £10.963m (£12.054m as at 31 March 2015). The Council has budgeted to make these payments until there is no longer a liability.

Provisions, Contingencies, Write-Offs and Material Charges or Credits

The 2015/2016 accounts include a provision for the cost of NNDR appeals. This provision is required as a result of the introduction of business rates retention from 1 April 2013. The accounts also recognise a contingent liability resulting from appeals that have not yet been lodged with the Valuation Office Agency. The total value of the Provision as at 31 March 2016 is £15.928m (£10.127m as at 31 March 2015). Sefton's share of the Provision as at 31 March 2016 is £7.805m (£4.962m as at 31 March 2015).

The only material write-offs in 2015/2016 relate to revaluation losses on the Authority's assets. These total £9.6m (£26.3m in 2014/2015).

General Balances and Reserves

The Financial Overview on pages 10 to 12 show the General Balances of the Council split between Delegated Schools' and Non-Delegated Services. The Council's 2015/2016 Revenue Budget assumed the use of £2.594m of Non-Delegated Services' General Balances which would therefore reduce to £5.802m. The actual use of reserves was £0.218m, resulting in a year-end balance of £8.178m. This level of Balances is considered necessary given the level of savings being implemented by the Council and the risks inherent in this.

The Council has £17.901m of capital resources available as at 31 March 2016 (£20.278m as at 31 March 2015). These are amounts already received that will be used to fund the Council's Capital Investment Plan in 2016/2017 (see pages12 to 14).

The Council also has £59.155m of Earmarked Reserves (£45.316m as at 31 March 2015). These are described in Note 38. This includes previously received revenue grants and contributions that have yet to be applied and reserves that relate to schools. Earmarked Reserves are held by the Council to fund anticipated future expenditure of a non-recurring nature. If these resources were not available then the expenditure would need to be funded from the Council's in-year Revenue Budget which would require additional savings to be made in order to make funding available.

The Council also has £70.517m of Unusable Reserves as at 31 March 2015 (£36.975m as at 31 March 2015). These are accounts required under accounting regulations and are not available to support Council expenditure.

Material Events after the Reporting Date

There have been no material events after the reporting date up to the date the accounts have been authorised for issue.

Conclusion

During the 2015/2016 financial year, the Council has continued to experience significant additional spending pressures, but has been able to contain such costs within budget. The overall outturn position is an underspend which has been used to increase General Balances from the level budgeted for.

Decisions taken for the 2016/2017 budget are expected to reduce General Fund balances to £7.309m. However, the further financial challenges from the Government's austerity drive and the current economic climate will mean that budgets will need to be closely monitored during 2016/2017 to ensure the Council maintains its financial standing position. In addition, further realistic and achievable savings will need to be identified and agreed for 2016/2017, depending on whether there are further reductions to Government funding, to ensure a robust balanced budget is approved by Council.

Once again, the Accounts have been closed within the statutory deadline of 30 June. My thanks go to all staff that have invested considerable efforts to achieve this deadline.

The Statement of Accounts is a complex document and is prepared within the guidelines set by the Chartered Institute of Public Finance and Accountancy. However, I would be interested to receive any suggestions as to how the Accounts, or the Executive Summary, could be improved. Please contact me at the address on page 157.

Stephan Van Arendsen
Head of Corporate Resources

2 STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The Authority's Responsibilities

The Authority 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 Sefton that officer is the Head of Corporate Resources.

- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.

- Approve the Statement of Accounts.

The Head of Corporate Resources Responsibilities

The Head of Corporate Resources is responsible for the preparation of the Authority's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

In preparing this Statement of Accounts, the Head of Corporate Resources has:

- selected suitable accounting policies and then applied them consistently;

- made judgements and estimates that were reasonable and prudent;

- complied with the local authority Code.

The Head of Corporate Resources has also:

- kept proper accounting records which were up to date;

- taken reasonable steps for the prevention and detection of fraud and other irregularities.

Head of Corporate Resources Statement

I certify that this Statement of Accounts gives a true and fair view of the financial position of Sefton Metropolitan Borough Council at 31 March 2016, and its income and expenditure for the financial year ended 31 March 2016.

Stephan Van Arendsen
Head of Corporate Resources
Date: 21 September 2016

Statement by the Chair of the Audit and Governance Committee

I confirm on behalf of the Council that these accounts were approved by the Audit and Governance Committee at its meeting held on 21 September 2016.

Councillor Robert Brennan
Chair, Audit and Governance Committee
Date: 21 September 2016

3 MOVEMENT IN RESERVES STATEMENT

This statement shows the movement in the year on the different reserves held by the Authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and unusable reserves. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the Authority'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 / 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.

Movements in Reserves in 2015/2016	General Fund Balance £000	Earmarked Reserves Account £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	**Total Usable Reserves £000**	Unusable Reserves (Notes 40 to 47) £000	**Total Authority Reserves £000**
Balance at 1 April 2015	-25,842	-45,316	-7,139	-13,139	-91,436	-36,975	-128,411
Movements in Year							
Deficit on the provision of services	22,086	0	0	0	22,086	0	22,086
Other Comprehensive Income and Expenditure	0	0	0	0	0	-63,523	-63,523
Total Comprehensive Income and Expenditure	22,086	0	0	0	22,086	-63,523	-41,437
Adjustments between accounting basis and funding basis under regulations (Note 4)	-35,010	0	1,737	4,751	-28,522	28,522	0
Net Increase before Transfers to Earmarked Reserves	-12,924	0	1,737	4,751	-6,436	-35,001	-41,437
Transfers to / from Earmarked Reserves (Note 38)	13,839	-13,839	0	0	0	0	0
Decrease / Increase (-) in Year	915	-13,839	1,737	4,751	-6,436	-35,001	-41,437
Balance at 31 March 2016	-24,927	-59,155	-5,402	-8,388	-97,872	-71,976	-169,848

Movements in Reserves in 2014/2015	General Fund Balance £000	Earmarked Reserves Account £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	**Total Usable Reserves £000**	Unusable Reserves (Notes 40 to 47) £000	**Total Authority Reserves £000**
Balance at 1 April 2014	-27,858	-60,653	-7,231	-11,801	-107,543	-111,848	-219,391
Movements in Year							
Deficit on the provision of services	9,989	0	0	0	9,989	0	9,989
Other Comprehensive Income and Expenditure	0	0	0	0	0	80,991	80,991
Total Comprehensive Income and Expenditure	9,989	0	0	0	9,989	80,991	90,980
Adjustments between accounting basis and funding basis under regulations (Note 4)	7,364	0	92	-1,338	6,118	-6,118	0
Net Increase before Transfers to Earmarked Reserves	17,353	0	92	-1,338	16,107	74,873	90,980
Transfers to / from Earmarked Reserves (Note 38)	-15,337	15,337	0	0	0	0	0
Increase in Year	2,016	15,337	92	-1,338	16,107	74,873	90,980
Balance at 31 March 2015	-25,842	-45,316	-7,139	-13,139	-91,436	-36,975	-128,411

4 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.

2014/2015			Note		2015/2016		
Gross Expenditure	Gross Income	Net Expenditure / Income (-)			Gross Expenditure	Gross Income	Net Expenditure / Income (-)
£000s	£000s	£000s			£000s	£000s	£000s
				Continuing Operations			
112,239	-26,002	86,237		Adult Social Care	117,125	-32,684	84,441
14,752	-8,304	6,448		Central Services to the Public	15,040	-7,784	7,256
276,447	-207,358	69,089		Children's and Education Services	262,380	-197,168	65,212
9,169	-1,205	7,964		Corporate and Democratic Core	7,848	-142	7,706
29,243	-10,700	18,543		Cultural and Related Services	23,427	-11,973	11,454
23,944	-14,848	9,096		Environmental and Regulatory Services	25,128	-11,898	13,230
26,464	-12,704	13,760		Highways and Transport Services	18,302	-7,140	11,162
115,847	-112,307	3,540		Housing Services	117,989	-113,176	4,813
6,094	0	6,094	5	Non-Distributed Costs	4,762	0	4,762
16,202	-7,373	8,829		Planning Services	9,895	-5,583	4,312
17,896	-20,215	-2,319		Public Health	18,768	-21,100	-2,332
648,297	**-421,016**	**227,281**		**Net Cost of Services**	**620,664**	**-408,648**	**212,016**
				Other Operating Income and Expenditure			
		872		Precepts paid to Parish Councils			894
		37,602		Levies			35,112
		10		Contribution to Housing Pooled Capital Receipts			2
		156		Loss on the disposal of non-current assets			0
		6,424		Loss / Gain (-) on Disposal of Assets Held for Sale			-176
		-727	7	Other Operating Income			-903
		0		Transfer of School Balances to Academies			624
		44,337					35,553
				Financing and Investment Income & Expenditure			
		6,739	8	Interest payable and similar charges			6,362
		10,942	56	Net Interest on the Net Pension Defined Benefit Liability			11,327
		-660		Interest Receivable			-754
		-1,295	9	Trading Operations			-1,180
		-1,520	22	Income and Expenditure on Investment Properties			-1,865
		-1,513	22	Changes in the Fair Value of Investment Properties			-1,699
		-241		Gain on the disposal of Investment Properties			-76
		0		Probation Service Transferred Debt – Reclassification of Amount Owed by Sefton			1,234
		12,452					13,349
				Taxation and Non-specific Grant Income			
		-104,340		Income from Council Tax			-108,248
		-33,380		Non-Domestic Rates Income			-31,572
		-112,302	19	Non-Ringfenced Government Grants			-89,667
		-24,059	19	Capital Grants and Contributions			-9,345
		-274,081					-238,832
		9,989		**Deficit on Provision of Services**			**22,086**
		-7,830	41	Surplus on Revaluation of non-current assets			-26,071
		-59	44	Surplus on Revaluation of Available for Sale Financial Assets			-304
		88,880	46	Re-measurement of the Net Defined Benefit Liability			-37,148
		80,991		**Other Comprehensive Income and Expenditure**			**-63,523**
		90,980		**Total Comprehensive Income and Expenditure**			**-41,437**

5 BALANCE SHEET

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Authority. The net assets of the Authority (assets less liabilities) are matched by the reserves held by the Authority. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the authority 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 Authority is not able to use to provide services. This category of reserves includes 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 2015 £000s		Note	31 March 2016 £000s
541,495	Property, Plant and Equipment	20	559,554
11,057	Heritage Assets	21	11,057
41,758	Investment Property	22	43,552
1,041	Intangible Assets	23	999
5,070	Long Term Investments	25	5,373
5,890	Long Term Receivables	26	4,933
606,311	**Long-Term Assets**		625,468
10,110	Short Term Investments	27	17,098
1,259	Assets Held for Sale	28	4,912
684	Inventories	29	624
39,811	Short Term Receivables	30	35,930
2,611	Prepayments		3,604
38,650	Cash and Cash Equivalents	31	20,084
93,125	**Current Assets**		82,252
-10,963	Short Term Borrowing	58	-10,766
-42,405	Short Term Payables	32	-40,069
-14,199	Receipts in Advance		-11,163
-937	Provisions	34	-200
-2,288	Deferred Liabilities	35	-2,230
-70,792	**Current Liabilities**		-64,428
-9,958	Provisions	34	-12,110
-110,197	Long Term Borrowing	59	-100,197
-17,940	Deferred Liabilities	35	-15,710
-362,138	Pensions Liability	56	-345,427
-500,233	**Long Term Liabilities**		-473,444
128,411	**Net Assets**		**169,848**

31 March 2015 £000s	Balance Sheet (Continued)	Note	31 March 2016 £000s
	Reserves		
	Usable Reserves		
-17,446	General Fund - Delegated Schools	37	-16,749
-8,396	General Fund - Non Delegated Services	37	-8,178
-45,316	Earmarked Reserves	38	-59,155
-7,139	Capital Receipts Reserve	39	-5,402
-13,139	Capital Grants and Contributions Unapplied	40	-8,388
-91,436			-97,872
	Unusable Reserves		
-77,587	Revaluation Reserve	41	-94,905
-318,300	Capital Adjustment Account	42	-321,990
665	Financial Instruments Adjustment Account	43	606
-59	Available for Sale Financial Instruments Reserve	44	-362
-278	Deferred Capital Receipts Reserve	45	-200
362,138	Pensions Reserve	46	345,427
-8,049	Collection Fund Adjustment Account	47	-5,071
4,495	Accumulated Absences Account	48	4,519
-36,975			-71,976
-128,411	**Total Reserves**		**-169,848**

The Notes on pages 31 to 109 form part of the financial statements.

6 CASH FLOW STATEMENT

The Cash Flow Statement shows the changes in cash and cash equivalents of the Authority during the reporting year. The statement shows how the Authority 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 Authority are funded by way of taxation and grant income or from the recipients of services provided by the Authority. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Authority's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Authority.

2014/2015 £000s		Note	2015/2016 £000s
	Operating Activities		
9,989	Net deficit on the provision of services		22,086
-30,603	Adjustments to net surplus or deficit on the provision of services for non-cash movements		-48,208
18,261	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities		10,329
-2,353	Net cash flows from Operating Activities	51	-15,793
	Investing Activities		
26,289	Purchase of property, plant and equipment, investment property and intangible assets		25,193
5,010	Purchase of short-term and long-term investments		7,000
0	Other payments for investing activities		0
-2,071	Proceeds from the sale of property, plant and equipment, investment property and intangible assets		-1,394
-10,000	Proceeds from short-term and long-term investments		0
-25,561	Other receipts from investing activities		-8,342
-6,333	Net cash flows from Investing Activities		22,457
	Financing Activities		
0	Cash receipts of short- and long-term borrowing		0
-4,612	Other receipts from financing activities		-698
1,849	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts		1,851
3,243	Repayments of short- and long-term borrowing		10,605
0	Other payments for financing activities		144
480	Net cash flows from Financing Activities		11,902
-8,206	**Net decrease / increase (-) in cash and cash equivalents**		**18,566**
-30,444	Cash and cash equivalents at the beginning of the reporting period		**-38,650**
-38,650	**Cash and cash equivalents at the end of the reporting period**	31	**-20,084**

7 NOTES TO THE FINANCIAL STATEMENTS

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

Amendments to Accounting Standards

The Code of Practice on Local Authority Accounting in the United Kingdom (the Code) requires disclosure of information relating to the expected impact of an accounting change that will be required by a new standard that has been issued but not yet adopted. This applies to the adoption of the following new or amended standards within the 2016/2017 Code:

a) Amendments to IAS 19 Employee Benefits (Defined Benefit Plans: Employee Contributions)

b) Amendment to IFRS 11 Joint Arrangements (Accounting for Acquisitions of Interests in Joint Operations)

c) Amendment to IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets (Clarification of Acceptable Methods of Depreciation and Amortisation)

d) Amendment to IAS 1 Presentation of Financial Statements (Disclosure Initiative)

It is anticipated that amendments to a) to d) above will not have a material impact on the information provided in the financial statements.

Presentation of the Accounts in 2016/2017

The 2016/2017 Code also introduces changes to the format of the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement and the introduction of the new Expenditure and Funding Analysis. These changes will impact on the way the accounts are presented. The Code requires implementation from 1 April 2016 so there is no impact on the 2015/2016 Statement of Accounts.

Change in Accounting Policy for the Highways Network Asset in the 2016/2017

The 2016/2017 Code introduces a change in accounting policy for the Highways Network Asset.

From 2016/2017 the Council will need to recognise a new asset category on the Balance Sheet, the Highways Network Asset. This will be disclosed as a separate line on the Council's Balance Sheet and separately in the notes to the accounts. Highways network assets (roads, bridges, footways, street furniture etc.) are currently recorded in the Balance Sheet as Infrastructure Assets under the heading of Property Plant and Equipment. From 2016/2017 Local Authorities will need to value their Highways Network Asset using a Depreciated Replacement Cost basis rather than the current valuation basis of Depreciated Historical Cost. It is expected that this change in accounting policy will result in a significant increase in the value of these assets and would normally require retrospective restatement of the Council's Balance Sheet from 1 April 2015. However, CIPFA/LASAAC has introduced transitional arrangements so that this change will only be applied from 1 April 2016 with no requirement to restate the information in the prior year. As a result there will be no impact on the amounts reported in the 2015/2016 Statement of Accounts.

2 CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

In applying the accounting policies set out in Note 61, the Authority 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:

- There is a high degree of uncertainty about future levels of funding for local government (see Narrative Report). However, the Authority has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Authority might be impaired as a result of a need to close facilities and reduce levels of service provision.

- The Council has a material interest in Sefton New Directions Limited, an entity which conducts some of the Council's adult and social care activities. It has been deemed that Sefton New Directions Limited is a subsidiary of the Council and group accounts are required to be prepared.

- The Authority is deemed to control the services provided under the outsourcing agreement for financial transaction services with Arvato. Assets to the value of £2m were transferred to Arvato for a value of £1 at the start of the contract. At the end of the contract the assets revert back to the Council for nil cost. These assets will be in full working order as a refresher clause is within the contract. This contract has been treated as a service concession.

- The Council have agreed to share any proceeds of former council house sales if they are subsequently sold by One Vision Housing Limited. The agreement lasts until 31 March 2037 and the amount received will depend on the number of sales each year. These are treated as capital receipts in the year.

- Sefton has joint working arrangements with NHS Sefton for the provision of intensive care packages for service users with a learning disability and the provision of an Integrated Community Equipment Service. In total £3.278m has been expended on both services, split 50/50. The Council does not consolidate both elements in to its financial statements but only accounts for its own expenditure (see Note 11).

- The Council has given a number of warranties for up to 17 years (One Vision Housing Limited) and 35 years (Prudential Trustee Company Limited) in respect of statements, title, encumbrances, planning matters, statutory obligations, adverse orders, tenancies, information and statistics supplied, sales off, disputes and litigation, rights of entry to maintain and repair, absence of adverse replies, electricity sub-stations and shop leases, leasehold property, way leaves, telecommunications and works undertaken. In addition warranties for 20 years have been given to both parties in respect of claims for asbestos and a warranty not exceeding £100,500,000 for up to 20 years in respect of environmental pollution has been given to One Vision Housing Limited. The Council has set aside a prudent level of resources in case it is required to pay out under these warranties.

- As part of the voluntary stock transfer an agreement was reached with One Vision Housing Limited to share their VAT that they can claim from HM Revenue and Customs. This arrangement is unique to councils and registered social landlords upon transfer. Sefton's share of reclaimable VAT is likely to be in the region of £0.1m until the end of the agreement on 30 October 2016. The Council accounts for the income only as it becomes due in the year.

- Investment properties have been estimated using the identifiable criteria under IFRS of being held for rental income or for capital appreciation. These properties have been assessed using these criteria, which is subject to interpretation.

- The Council has examined its leases, and classified them as either operational or finance leases. In some cases the lease transaction is not always conclusive and the Council uses judgement in determining whether the lease is a finance lease arrangement that transfers substantially all the risks and rewards incidental to ownership. In reassessing the lease the Council has estimated the implied interest rate within the lease to calculate interest and principal payments.

- The Council does not recognise Voluntary Aided, Academies or Free schools on its Balance Sheet. All other types of school are recognised on the Council's Balance Sheet.

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

The preparation of financial statements requires management to make judgements, estimates and assumptions that amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for the revenues and during the year. However, the nature of estimation means that actual outcomes could differ from those estimates.

The key judgements and estimation uncertainty that have a significant risk of causing material adjustment to the carrying of assets and liabilities within the next financial year are as follows (note that the percentages quoted are for illustrative purposes only and are not an indication of the potential impact):

Item	**Uncertainties**	**Effect if Actual Results Differ from Assumptions**
Property, Plant and Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Authority will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets. The total value of PP&E as at 31 March 2016 is £558.096m.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge for assets would increase by £0.815m for every year that useful lives had to be reduced.
Provision for Legal Claims against the Council	The Authority has made a provision of £0.200m for the potential cost of settlements of legal claims made against the Council.	An increase in the cost of settlements of 10% would have the effect of adding £0.020m to the provision needed.
Provision for NNDR Appeals	A provision has been made in respect of appeals against the rateable value of business properties. The provision represents the best estimate of the amount that would be repaid to businesses in respect of business rates charged up to 31 March 2016. The total provision recorded on the Collection Fund is £15.928m (Sefton's share is £7.805m). This estimate has been calculated using the Valuation Office (VOA) ratings list of appeals outstanding and an analysis of previous successful appeals. However, the actual success of outstanding appeals may be materially different from the experience of previous appeals.	The appeals provision calculation assumes a 9.50% reduction in the Rateable Value on appeals outstanding against the 2005 list and 9.43% against the 2010 list, except for Surgeries and Health Centres where a reduction of 63% has been assumed. An increase in successful appeals of 1% against both lists would require an increase of £1.422m in the total provision (Sefton's share would be £0.697m).
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Authority with expert advice about the assumptions to be applied. As at 31 March 2016 the value of assets was £992.013m and liabilities was £646.586m. The net liability is therefore £345.427m.	The effects on the net pensions liability of changes in individual assumptions can be measured. The impact of changes in individual assumptions are shown in Note 56, as required by the Code of Practice.

Arrears	At 31 March 2016, Sefton had a net balance of sundry debtor accounts issued by the Authority but not yet paid of £11.584m. A review of significant balances suggested that an impairment of doubtful debts of approximately 19% (£2.212m) was appropriate for these accounts. At 31 March 2016, Sefton had a balance of Council Tax arrears (including Court Costs) of £15.903m. A review of significant balances suggested that an impairment of doubtful debts of approximately 33% (£5.282m) was appropriate for these accounts. At 31 March 2016, Sefton had a balance of NNDR arrears (including Court Costs) of £1.441m (Sefton's share only). A review of significant balances suggested that an impairment of doubtful debts of approximately 33% (£0.481m) was appropriate for these accounts. At 31 March 2016, Sefton had a balance of Housing Benefit arrears of £6.915m. A review of significant balances suggested that an impairment of doubtful debts of approximately 42% (£2.904m) was appropriate for these accounts. However, in the current economic climate it is possible that such allowances would not be sufficient.	If collection rates were to deteriorate, a doubling of the amount of the impairment of doubtful debts would require an additional £10.879m to be set aside as an allowance.

4 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 Authority in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Authority to meet future capital and revenue expenditure.

Descriptions of the reserves that the adjustments are made against can be found in the relevant notes for each reserve.

Adjustments in 2015/2016	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Unusable Reserves £000
Adjustments primarily involving the Capital Adjustment Account:				
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:				
Charges for depreciation of non-current assets	-17,172			17,172
Revaluation losses on non-current assets	-9,597			9,597
Movements in the market value of Investment Properties	1,699			-1,699
Amortisation of intangible assets	-221			221
Capital grants and contributions applied	9,873			-9,873
Revenue expenditure funded from capital under statute - Gross	-10,321			10,321
Revenue expenditure funded from capital under statute – Related Capital Grants and Contributions	9,688			-9,688
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	-353			353
Amortisation of Deferred Income re. Crosby PFI Scheme	107			-107
Probation Service Transferred Debt – Reclassification of amount owed by Sefton	-1,234			1,234

Adjustments in 2015/2016 Continued	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Unusable Reserves £000
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:				
Statutory provision for the financing of capital investment	4,350			-4,350
Capital expenditure charged against the General Fund	330			-330
Adjustments primarily involving the Capital Grants Unapplied Account:				
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	436		-436	
Reversal of capital grants and contributions unapplied previously credited to the Comprehensive Income and Expenditure Statement	-964		964	
Application of grants to capital financing transferred to the Capital Adjustment Account			4,223	-4,223
Adjustments primarily involving the Capital Receipts Reserve:				
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	605	-605		
Release of Capital Receipts used to increase Provisions	425	-425		
Transfers to Usable Capital Receipts not relating to the disposal of assets	789	-789		
Use of the Capital Receipts Reserve to finance new capital expenditure		3,564		-3,564
Contribution from the Capital Receipts Reserve to finance payments to the Government capital receipts pool	-2	2		
Transfer from Deferred Capital Receipts Reserve upon receipt of cash		-10		10
Adjustments primarily involving the Deferred Capital Receipts Reserve:				
Reduction of Capital Receipts Deferred re. Leased Out Buildings	-68			68
Adjustment primarily involving the Financial Instruments Adjustment Account:				
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	59			-59
Adjustments primarily involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	-36,050			36,050
Employer's pensions contributions and direct payments to pensioners payable in the year	15,613			-15,613
Adjustments primarily involving the Collection Fund Adjustment Account:				
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income and non-domestic rates income calculated for the year in accordance with statutory requirements	-2,978			2,978
Adjustment primarily involving the Accumulated Absences Account:				
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	-24			24
Total Adjustments	-35,010	1,737	4,751	28,522

The table below provides comparative figures for 2014/2015:

Adjustments in 2014/2015	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Unusable Reserves £000
Adjustments primarily involving the Capital Adjustment Account:				
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:				
Charges for depreciation of non-current assets	-15,325			15,325
Revaluation losses on non-current assets	-26,273			26,273
Movements in the market value of Investment Properties	1,513			-1,513
Amortisation of intangible assets	-266			266
Capital grants and contributions applied	14,689			-14,689
Revenue expenditure funded from capital under statute - Gross	-6,589			6,589
Revenue expenditure funded from capital under statute – Related Capital Grants and Contributions	5,914			-5,914
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	-7,770			7,770
Amortisation of Deferred Income re. Crosby PFI Scheme	108			-108
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:				
Statutory provision for the financing of capital investment	10,586			-10,586
Capital expenditure charged against the General Fund	329			-329
Adjustments primarily involving the Capital Grants Unapplied Account:				
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	9,370		-9,370	
Application of grants to capital financing transferred to the Capital Adjustment Account			8,032	-8,032
Adjustments primarily involving the Capital Receipts Reserve:				
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	1,344	-1,344		
Utilisation of Capital Receipts to increase Provisions	-425	425		
Transfers to Usable Capital Receipts not relating to the disposal of assets	727	-727		
Use of the Capital Receipts Reserve to finance new capital expenditure		1,741		-1,741
Contribution from the Capital Receipts Reserve to finance payments to the Government capital receipts pool	-10	10		
Transfer from Deferred Capital Receipts Reserve upon receipt of cash		-13		13
Adjustments primarily involving the Deferred Capital Receipts Reserve:				
Reduction of Capital Receipts Deferred re. Leased Out Buildings	-131			131

Adjustments in 2014/2015 Continued	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Unusable Reserves £000
Adjustment primarily involving the Financial Instruments Adjustment Account:				
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	59			-59
Adjustments primarily involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	-31,823			31,823
Employer's pensions contributions and direct payments to pensioners payable in the year	43,676			-43,676
Adjustments primarily involving the Collection Fund Adjustment Account:				
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income and non-domestic rates income calculated for the year in accordance with statutory requirements	7,579			-7,579
Adjustment primarily involving the Accumulated Absences Account:				
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	82			-82
Total Adjustments	7,364	92	-1,338	-6,118

5 NON-DISTRIBUTED COSTS

Non-distributed costs included in the Comprehensive Income and Expenditure Statement can be analysed between costs relating to retirement benefits and other non-distributed costs as shown below:

2014/2015 £000s	Non-Distributed Costs	2015/2016 £000s
1,023	Retirement Benefits - Curtailment Cost	981
4,317	Impairment Charges on Surplus Assets	3,164
754	Other Non-Distributed Costs	617
6,094	**Total**	4,762

6 AMOUNTS REPORTED FOR RESOURCE ALLOCATIONS DECISIONS

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the Service Reporting Code of Practice.

However, decisions about resource allocation are taken by the Authority's Cabinet (which has been designated the Council's Chief Operating Decision Maker) on the basis of budget reports analysed across services departments. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

- The cost of retirement benefits is based on cash flows (payment of employer's pensions contributions) rather than current service cost of benefits accrued in the year.
- Some prudential borrowing costs relating to vehicle and equipment purchases are recorded as departmental expenditure.
- Support service income and expenditure is reported gross by the recharging department in the Management Reports, they are reported net in the accounts so that the expenditure is only reported once against the department receiving the service.

The income and expenditure of the Authority's principal departments recorded in the budget reports for the year is as follows:

Departmental Income and Expenditure in 2015/2016	Adult Social Care £000	Children's Social Care £000	Corporate Services £000	Schools and Families £000	Other Services £000	**Total £000**
Fees, Charges and Other Service Income	-15,570	-1,364	-38,744	-14,229	-54,967	-124,874
Grants and Contributions	-17,236	-1,464	-106,105	-170,749	-5,119	-300,673
Total Income	-32,806	-2,828	-144,849	-184,978	-60,086	**-425,547**
Employee Expenses	9,986	10,791	9,601	141,986	51,174	223,538
Other Service Expenditure	99,111	18,814	121,365	63,423	68,757	371,469
Support Service Recharges	6,892	1,638	19,676	4,883	8,027	41,116
Depreciation and Impairment	476	36	606	3,900	8,358	13,376
Total Expenditure	116,465	31,279	151,248	214,192	136,315	**649,499**
Net Expenditure	83,659	28,451	6,399	29,214	76,229	**223,952**

Departmental Income and Expenditure in 2014/2015	Vulnerable People £000	Young People And Families £000	Corporate Finance and ICT £000	Other Services £000	**Total £000**
Fees, Charges and Other Service Income	-21,663	-18,538	-22,192	-59,222	-121,615
Grants and Contributions	-3,601	-182,365	-110,507	-5,281	-301,754
Total Income	-25,264	-200,903	-132,699	-64,503	**-423,369**
Employee Expenses	10,317	161,351	3,651	51,400	226,719
Other Service Expenditure	102,324	90,162	124,945	65,830	383,261
Support Service Recharges	2,366	1,982	8,902	17,865	31,115
Depreciation and Impairment	373	3,970	0	11,336	15,679
Total Expenditure	115,380	257,465	137,498	146,431	**656,774**
Net Expenditure	90,116	56,562	4,799	81,928	**233,405**

The majority of Income and Expenditure recorded under Corporate Services (Corporate Finance & ICT in 2014/2015) relates to payments of Housing Benefit and the cost of administering this benefit on behalf of Central Government.

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

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

2014/2015 £000		2015/2016 £000
233,405	**Net expenditure in the Departmental Analysis**	223,952
-4,382	Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis	-11,293
-1,742	Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement	-643
227,281	**Cost of Services in Comprehensive Income and Expenditure Statement**	212,016

Reconciliation to Subjective Analysis

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

2015/2016	Departmental Analysis £000	Amounts not reported to management for decision making £000	Amounts not included in I&E £000	Allocation of Recharges £000	**Cost of Services £000**	Corporate Amounts £000	**Total £000**
Fees, charges & other Service Income	-124,874	-1,325	7,363	41,303	**-77,533**	-7,363	**-84,896**
Interest and investment income	0	0	0	0	**0**	-2,722	**-2,722**
Income from council tax	0	0	0	0	**0**	-108,248	**-108,248**
Income from non-domestic rates	0	0	0	0	**0**	-31,572	**-31,572**
Other Operating Income	0	0	0	0	**0**	-2,602	**-2,678**
Government grants and contributions	-300,673	-30,442	0	0	**-331,115**	-99,012	**-430,127**
Total Income	**-425,547**	**-31,767**	**7,363**	**41,303**	**-408,648**	**-251,519**	**-660,167**
Employee Expenses	223,538	1,987	-3,046	0	**222,479**	14,396	**236,875**
Other service expenses	371,469	4,833	-4,937	-147	**371,218**	5,052	**376,270**
Support Service Recharges	41,116	40	0	-41,156	**0**	0	**0**
Depreciation amortisation, impairment and changes in fair value	13,376	13,614	-23	0	**26,967**	23	**26,990**
Interest Payments	0	0	0	0	**0**	6,362	**6,362**
Precepts and Levies	0	0	0	0	**0**	36,006	**36,006**
Payment to Housing Capital Receipts Pool	0	0	0	0	**0**	2	**2**
Loss on Disposal of non-current assets / Investment Properties	0	0	0	0	**0**	-252	**-252**
Total Expenditure	**649,499**	**20,474**	**-8,006**	**-41,303**	**620,664**	**61,589**	**682,253**
Surplus or deficit on the provision of services	**223,952**	**-11,293**	**-643**	**0**	**212,016**	**-189,930**	**22,086**

The table below shows comparative figures for 2014/2015:

2014/2015	Departmental Analysis £000	Amounts not reported to management for decision making £000	Amounts not included in I&E £000	Allocation of Recharges £000	**Cost of Services £000**	Corporate Amounts £000	**Total £000**
Fees, charges & other Service Income	-121,615	-1,050	0	38,480	**-84,185**	-7,273	**-91,458**
Interest and investment income	0	0	0	0	**0**	-2,219	**-2,219**
Income from council tax	0	0	0	0	**0**	-104,340	**-104,340**
Income from non-domestic rates	0	0	0	0	**0**	-33,380	**-33,380**
Other Operating Income	0	0	0	0	**0**	-2,481	**-2,481**
Government grants and contributions	-301,754	-35,077	0	0	**-336,831**	-136,361	**-473,192**
Total Income	**-423,369**	**-36,127**	**0**	**38,480**	**-421,016**	**-286,054**	**-707,070**
Employee Expenses	226,719	-2,667	0	0	**224,052**	13,615	**237,667**
Other service expenses	383,261	7,756	-1,742	-6,612	**382,663**	3,280	**385,943**
Support Service Recharges	31,115	753	0	-31,868	**0**	0	**0**
Depreciation amortisation, impairment and changes in fair value	15,679	25,903	0	0	**41,582**	64	**41,646**
Interest Payments	0	0	0	0	**0**	6,739	**6,739**
Precepts and Levies	0	0	0	0	**0**	38,474	**38,474**
Payment to Housing Capital Receipts Pool	0	0	0	0	**0**	10	**10**
Loss on Disposal of non-current assets / Investment Properties	0	0	0	0	**0**	6,580	**6,580**
Total Expenditure	**656,774**	**31,745**	**-1,742**	**-38,480**	**648,297**	**68,762**	**717,059**
Surplus or deficit on the provision of services	**233,405**	**-4,382**	**-1,742**	**0**	**227,281**	**-217,292**	**9,989**

7 OTHER OPERATING INCOME

An analysis of amounts of Other Income not included in the Net Cost of Services but credited to the Comprehensive Income and Expenditure Statement is shown below:

2014/2015 £000s	Other Income	2015/2016 £000s
-673	Capital Receipts re. Former Council Dwellings	-641
-53	Other Capital Receipts not relating to the Disposal of Council Assets	-148
86	Other Capital Receipts not relating to the Disposal of Council Assets – Reversal of amount credited in 2013/2014	0
-87	Sefton’s share of a VAT Shelter Agreement with One Vision Housing	-114
-727		-903

8 INTEREST PAYABLE AND SIMILAR CHARGES

Charges to the Comprehensive Income and Expenditure Account during the year were as follows:

2014/2015 £000s		2015/2016 £000s
5,714	External Interest Charges	5,428
498	Finance Charge re. Leasing Agreements	478
475	Finance Charge re. PFI Schemes	456
52	Transferred Service debt charges	0
6,739	**Total**	6,362

9 TRADING OPERATIONS

The Council operates a number of services as trading organisations. A number trade with the private sector / general public and are shown within "Total Cost of Services" in the Comprehensive Income and Expenditure Statement; these are shown in Table 1. The second table identifies services that are separately identified in the Comprehensive Income and Expenditure Statement under Financing and Investment Income and Expenditure.

Table 1: Trading services which are included within the Total Cost of Services

2014/2015			Activity	2015/2016		
Income £000s	Expenditure £000s	Deficit / Surplus (-) £000s		Income £000s	Expenditure £000s	Deficit / Surplus (-) £000s
-1,266	2,474	1,208	Other Commercial Land and Buildings	-1,317	2,420	1,103
-317	595	278	Southport and Other Markets	-332	550	218
-736	794	58	Commercial Cleansing Services	-855	931	76
-767	3,831	3,064	Arts Operations / Development	-1,026	2,618	1,592
-371	587	216	Netherton Activity Centre	-307	590	283
-6,505	12,726	6,221	Sports Facilities	-6,297	9,175	2,878
-6,525	6,270	-255	School Meals & Welfare Catering	-7,107	6,853	-254
-3,194	1,458	-1,736	Cemeteries and Crematoria Services	-3,192	1,391	-1,801
-511	555	44	Tourism Related Facilities in Southport	-511	-716	-1,227
-20,192	29,290	9,098	**Total Trading Deficit for Year**	-20,944	23,812	2,868

Table 2: Trading services included under Financing and Investment Income and Expenditure

2014/2015			Activity	2015/2016		
Income £000s	Expenditure £000s	Deficit / Surplus (-) £000s		Income £000s	Expenditure £000s	Deficit / Surplus (-) £000s
-2,332	2,397	65	Building Cleaning	-2,410	2,467	57
-4,941	3,581	-1,360	Vehicle Maintenance	-4,953	3,716	-1,237
-7,273	5,978	-1,295	**Total Trading Surplus for Year**	-7,363	6,183	-1,180

Descriptions of the services and significant changes in the surplus or deficit on trading services can be explained as follows:

Trading Service	**Reason for change**
Other Commercial Land and Buildings: The leasing and rental, at market rates, of commercial land and buildings owned by the Council.	No significant change.
Southport Market: The operation of Southport Indoor Market and any Farmers' Markets that occur in the Borough.	No significant change.
Commercial Cleansing Services: The operation of various cleansing services on a commercial basis including Trade Waste, Clinical Waste and Skip Hire.	Gross income has increased by £0.119m due to increased activity and increases in charges for Bulky Waste collections. Gross expenditure has increased by £0.136m, mainly due an increase in capital charges of £0.091m.
Arts Operations / Development: Provision of all arts activities within the Borough including the operation of The Atkinson cultural centre.	Gross income has increased by £0.259m, mainly due to increased activity at the Atkinson. Gross expenditure has reduced by £1.212m, mainly due to a revaluation gain on the Atkinson of £1.121m.
Netherton Activity Centre: The operation of the Centre which includes leisure and library facilities as well as a youth club, beauticians, crèche and Jake's Sensory World.	Gross income has reduced by £0.064m due to reduced activity at the centre.
Sports Facilities: The provision of sports facilities within Sefton including the direct operation of Bootle Leisure Centre, Crosby Lakeside Adventure Centre, Dunes Splashworld, Litherland Sports Park and Meadows Leisure Centre. It also includes the third party operation of Crosby Leisure Centre and Formby Pool.	Gross expenditure has reduced by £3.551m. In 2014/2015 there were revaluation losses of £1.870m whilst in 2015/2016 there have been revaluation gains of £0.784m, a reduction of £2.654m. In addition there has been a reduction in premises costs of £0.608m and a reduction in costs of £0.330m due to the termination of a fitness suite contract during the year.
School Meals and Welfare Catering: The provision of a catering service to certain schools within the Borough.	No significant change.
Cemeteries and Crematoria Services: The operation of two Crematoria in Southport and Thornton and Cemeteries in Birkdale, Bootle, Southport and Thornton.	No significant change.
Tourism Related Facilities: The operation of Southport Pier and various other facilities at the seafront in Southport.	Gross expenditure has reduced by £1.270m, mainly due to a revaluation gain on Southport Pier of £1.247m.

Trading Service	**Reason for change**
Building Cleaning: The provision of building cleaning services to schools and other Council owned buildings.	No significant change.
Vehicle Maintenance: The provision, management and maintenance of Council owned vehicles and small plant.	No significant change.

10 SIGNIFICANT AGENCY INCOME AND EXPENDITURE

The Authority carried out work to the value of £0.738m on behalf of the Highways Agency and received fees of £0.832m according to agreed charging in 2015/2015 (£0.548m value of work and £0.559m fees in 2014/2015). The surplus was transferred to revenue in the year.

11 POOLED BUDGETS

Under section 75 of the National Health Service Act 2006, local authority and NHS bodies are able to enter into joint working arrangements with the NHS. Pooled funds, with resources provided by local and health authorities, offer the opportunity for the provision of seamless health and social services. Partners remain accountable for their services that are part of the pooled budget. A key feature of the pool is that the use of resources will be dictated by the needs of clients, rather than respective contributions.

Provision of intensive care packages for service users with a learning disability

Sefton Council has a joint working arrangement with NHS Sefton for the provision of intensive care packages for service users with a learning disability. Contributions of £1.118m from NHS Sefton (£1.312m in 2014/2015) and £1.089m from Sefton Council (£1.346m in 2014/2015), £2.208m in total (£2.658m in 2014/2015), have been fully expended on purchasing of care packages to meet the health and social care needs of this client group. Sefton's contribution has been financed from within the Adult Social Care budget and is included in the Comprehensive Income and Expenditure Statement under this heading.

Provision of an Integrated Community Equipment Service

Sefton has a joint working arrangement with NHS Sefton for the provision of an Integrated Community Equipment Service, providing an appropriate range of equipment to meet assessed needs and to support intermediate care, hospital discharge, rehabilitation and independent living in the community. Contributions of £0.523m from NHS Sefton (£0.512m in 2014/2015) and £0.547m from Sefton Council (£0.527m in 2014/2015), have been fully expended on the provision of this service. Sefton's contribution has been financed from within the Adult Social Care budget and is included in the Comprehensive Income and Expenditure Statement under this heading.

Better Care Fund

The Council operates a pooled fund in partnership with South Sefton Clinical Commissioning Group (CCG) and Southport and Formby CCG. The fund is hosted by the Council.

The Better Care Fund creates a local single pooled budget to incentivise the integration of health and social care and encourage the NHS and Local Government to work more closely together around people, placing their well-being as the focus of health and care services. Locally, the primary aims of the fund are:

- Self-Care, Well Being and Prevention – development of services to strengthen community resilience and provide choice in terms of service access, seeking to narrow the gap between those communities with the best and worst health and well-being outcomes,

- Integrated Care at Locality Level – building on the existing Virtual Ward and Care Closer to Home initiatives to have a comprehensive, fully integrated model of care built around the communities in localities
- Intermediate Care and Reablement – seeking to reduce hospital admissions and re-admissions, reduce the need for ongoing care and support by assisting with regaining of independence and to reduce the number of long term residential and nursing care placements

Financial performance in the year to 31st March 2016 was as follows:

	£'000
Contributions	
South Sefton CCG	11,839
Southport & Formby CCG	8,273
Sefton Council	2,808
Total Contributions	**22,920**
Total Expenditure	**22,140**
Variance	**780**

The variance relates to capital expenditure in the pooled fund arrangement. Part of the Council's contribution into the fund was from the Social Care Capital Grant (£0.849m). The grant is to be utilised as a contribution to the £2.4m capital scheme to modernise Day Care. Expenditure of £0.069m was incurred in 2015/2016. The balance of the capital grant available, £0.780m, will be carried forward into 2016/2017 and applied against the continuing capital expenditure in that year.

The Better Care Fund in total amounted to £24.231m, with £1.811m relating to the non–elective admissions reduction target. The CCG's could only release the full value of this funding into the pool if the admissions reduction was met. In 2015/2016 £0.301m was released into the fund from this source. In addition the CCG's contributed a further £0.199m into the pool to support Adult Social Care services.

12 EXTERNAL AUDIT COSTS

The following fees relating to external audit and inspection were charged to the Comprehensive Income and Expenditure Account.

2014/2015 £000		2015/2016 £000
169	Fees for external audit services carried out by the appointed auditors	199
14	Fees payable for the certification of grant returns	23
4	Fees payable in respect of any other services	0
-14	Rebate from the Audit Commission	0
173	**Total**	222

13 LONG-TERM CONTRACTS

Arvato: During 2008/2009 the Authority entered into a ten year contract agreement with Arvato Public Sector Services Limited to manage the following services: Information Technology, Transactional Human Resources and Payroll, Benefits, Revenues and Customer Contact. The contract commenced on 1 October 2008. Payments of £15.066m were made under this contract in 2015/2016 (£15.470m in 2014/2015). The contract is uplifted by pay and price inflation on 1 April each year. There are a number of variable elements within the contract but given the nature of the variable elements they are not expected to have a significant impact on the accounts, there was no reduction in the contract value in 2015/2016 (a reduction of £0.003m in 2014/2015). In addition, the Council can procure additional works outside of the core contract the value of which was £2.521m in 2015/2016 (£1.026m in 2014/2015).

Formby Pool Trust: The Authority has a long-term contract agreement with Formby Pool Trust to operate the Formby Pool and Leisure Centre. The initial contract agreement was for 10 years starting on 1 January 2007. The Authority has been in negotiation with the Trust during 2016 and has extended the agreement for a further 10 years under a new financial arrangement. Payments to the contractor are increased each year in line with the Retail Price Index. Contract payments of £0.324m were made in 2015/2016 (£0.299m in 2014/2015). The 2015/2016 payment includes an additional payment of £0.020m, of which £0.015m relates to underpayments made previous years.

Ambassador Theatre Group: The Authority operates a long-term contract agreement with Ambassador Theatre Group to manage the Floral Hall and Southport Theatre complex. The current agreement expired on 31 March 2015 but has been extended to 30 September 2016, during which time the contract will be put out to tender. Whilst negotiations are taking place Ambassador Theatre Group, as the preferred operator, will continue to manage the Theatre on a 3 month rolling contract (which can be terminated by either side). Payments to the contractor are increased each year in line with the Retail Price Index. Contract payments of £0.347m were made in 2015/2016 (£0.347m in 2014/2015).

Sefton New Directions Limited: On 1 April 2007 the Council established Sefton New Directions Limited as a wholly owned subsidiary company for the provision of Social Care. The Council entered into a services agreement with Sefton New Directions Limited which will continue until March 2017. In consideration of the care services provided, the Council pays a charge. The charge in 2015/2016 was £8.167m (£8.294m in 2014/2015). The charges for the remainder of the term of the contract will be agreed by the parties on an annual basis with any adjustments or alterations to the charge, for changes to services, being in accordance with the provisions of the agreement.

Waterfront Leisure: On 18 September 2001, the Council entered into an agreement under a Private Finance Initiative with Waterfront Leisure (Crosby) Limited for the provision and operation of a leisure centre in Crosby. Under the terms of the agreement Waterfront Leisure constructed the centre and will operate it for a period of 25 years in accordance with the Council’s specification. Payments of £1.239m were made under this contract in 2015/2016 (£1.221m in 2014/2015) with government grants of £0.561m received in the year (£0.561m in 2014/2015). The contract is uplifted by price inflation on 1 April each year.

14 MEMBERS’ ALLOWANCES

The Council has a Cabinet style management structure with a scheme for Members’ Allowances. The Council is made up of 66 Members. There were 73 Members who were paid allowances (some for only part of the year) as shown below:

2014/2015 £000s		2015/2016 £000s
568	Basic Allowances	578
189	Special Responsibility Allowances	190
3	Expenses	2
760	**Total**	770

No Members were paid a salary in either year.

15 EMPLOYEES' EMOLUMENTS IN EXCESS OF £50,000

The Accounts and Audit (England) Regulations require the Authority to disclose the number of employees (including teaching staff) whose remuneration in the year was £50,000 or more in bands of £5,000. The definition of remuneration excludes employer pension contributions but includes:

(i) all taxable amounts paid to, or receivable by, employees, including sums due by way of expenses allowances;

(ii) the estimated money value of all other benefits received by employees, otherwise than in cash; and,

(iii) redundancy payments paid to employees who have left the employment of the Authority during the year.

Readers should note that the tables below include Senior Officers' remuneration, which is also disclosed separately in Note 16.

Teaching Staff (including Voluntary Aided Schools)				
2014/2015		Remuneration Band	2015/2016	
Employed on 31/03/15	Left during the year		Employed on 31/03/16	Left during the year
57	3	£50,000 - £54,999	50	1
27	1	£55,000 - £59,999	41	1
29	1	£60,000 - £64,999	24	0
27	1	£65,000 - £69,999	27	0
6	1	£70,000 - £74,999	6	1
5	0	£75,000 - £79,999	6	0
1	1	£80,000 - £84,999	1	0
1	0	£85,000 - £89,999	1	0
2	0	£90,000 - £94,999	1	0
1	0	£95,000 - £99,999	2	0

Non-Teaching Staff (including schools)				
2014/2015		Remuneration Band	2015/2016	
Employed on 31/03/15	Left during the year		Employed on 31/03/16	Left during the year
26	0	£50,000 - £54,999	24	3
6	0	£55,000 - £59,999	6	2
4	0	£60,000 - £64,999	6	0
3	2	£65,000 - £69,999	4	3
5	1	£70,000 - £74,999	3	2
2	0	£75,000 - £79,999	2	1
4	0	£80,000 - £84,999	2	2
4	0	£85,000 - £89,999	2	0
0	0	£90,000 - £94,999	1	1
2	0	£95,000 - £99,999	0	0
0	0	£100,000 - £104,999	0	0
0	0	£105,000 - £109,999	0	1
0	1	£110,000 - £114,999	0	1
1	1	£115,000 - £119,999	0	0
0	0	£120,000 - £124,999	0	0
0	0	£125,000 - £129,999	0	0
0	0	£130,000 - £134,999	0	0
1	0	£135,000 - £139,999	1	0
0	0	£140,000 - £144,999	0	1
0	0	£225,000 - £229,999	0	1

16 SENIOR OFFICERS' REMUNERATION

The following tables provide details of the remuneration paid to senior officers as defined in the Accounts and Audit Regulations. The pension contribution shown in the tables is the employer's contribution to the local government pension scheme.

Senior Officers remuneration in 2015/2016:

Post holder Information	Notes	Salary (Including fees and allowances) £	Expense Allowances £	Compensation for loss of office £	Total Remuneration excluding pension contributions £	Pension Contributions £	**Total Remuneration including pension contributions** £
Chief Executive		135,059	0	0	135,059	34,018	169,077
Deputy Chief Executive	(b)	5,689	0	0	5,689	0	5,689
Executive Director	(c)	45,130	0	0	45,130	11,316	56,446
Executive Director	(d)	36,104	0	0	36,104	9,080	45,184
Director of Social Care and Health (formerly Director of Older People)	(e)	64,659	0	0	64,659	16,254	80,913
Head of Strategic Support (formerly Head of Transformation Services)	(f)	65,097	0	0	65,097	16,370	81,467
Head of Commissioning Support & Business Intelligence (formerly Head of Commissioning and Partnerships)	(g)	73,015	0	0	73,015	17,773	90,788
Director of Public Health	(h)	17,112	0	0	17,112	2,791	19,903
Head of Communities (formerly Head of Governance & Civic Services)	(i)	66,565	0	0	66,565	16,711	83,276
Head of Schools and Families (formerly Head of Learning and Support)	(j)	81,193	0	0	81,193	18,483	99,676
Head of Regulation and Compliance (formerly Head of Corporate Legal Services)	(k)	75,952	0	0	75,952	19,068	95,020
Head of Regeneration and Housing (formerly Director of Built Environment)	(l)	37,076	0	0	37,076	9,195	46,271
Head of Inward Investment and Employment (formerly Head of Economy and Tourism)	(m)	69,667	0	0	69,667	17,570	87,237
Head of Children's Social Care (formerly Director of Young People and Families)	(n)	59,093	0	0	59,093	14,655	73,748
Head of Adult Social Care (formerly Head of Vulnerable People)	(o)	84,959	0	0	84,959	20,387	105,346
Head of Locality Services - Provision (formerly Head of Direct Services)	(p)	75,400	0	0	75,400	18,961	94,361
Head of Locality Services - Commissioned (formerly Director of Street Scene)	(q)	93,219	0	0	93,219	21,070	114,289
Head of Corporate Support (formerly Director of Corporate Services)	(r)	93,219	0	49,852	143,071	233,732	376,803
Chief Finance Officer (formerly Head of Corporate Finance and ICT)	(s)	86,874	0	0	86,874	21,894	108,768

a) The Council undertook a review of the Senior Management structure in May 2015. This generated significant savings contributing to a reduction of £1.3m in the costs of management posts across the Council. The new structure became effective on 1st August 2015 although some posts were appointed to at a later date. In 2014/2015 Senior Officers were deemed to be members of the Strategic Leadership Team (SLT). In 2015/2016 Senior Officers are deemed to be members of an expanded Senior Leadership Board (SLB). Costs shown for members of SLB include the costs of their previous post if applicable even if they weren't members of SLT.

b) The Deputy Chief Executive left on 10th April 2015 and the post deleted.

c) The Executive Director was appointed on 1st November 2015.

d) The Executive Director was appointed on 1st December 2015.

e) The Director Social Care and Health was appointed on 14th September 2015. This post was previously filled via a shared arrangement with Halton Borough Council. The substantive post had a full time equivalent salary of between £90,000 and £95,000.

f) The Head of Strategic Support assumed their new position on 1st September 2015.

g) The Head of Commissioning Support & Business Intelligence assumed their new position on 1st August 2015.

h) The Director of Public Health left on 30th June 2015. Since 1st February 2016 the post has been filled via a shared arrangement with Knowsley Borough Council. The substantive post has a full time equivalent salary of between £90,000 and £95,000.

i) The Head of Communities assumed their new position on 1st August 2015.

j) The Head of Schools and Families assumed their new position on 1st August 2015.

k) The Head of Regulation and Compliance assumed their new position on 1st August 2015.

l) The Head of Regeneration and Housing assumed their new position on 1st August 2015 and left on 31st August 2015. The post has been appointed to in 2016/2017.

m) The Head of Inward Investment and Employment assumed their new position on 1st August 2015.

n) The Head of Children's Social Care assumed their new position on 1st August 2015 and left on 30th September 2015. A new Head of Children's Social Care was appointed on 22nd February 2016.

o) The Head of Adult Social Care assumed their new position on 1st August 2015.

p) The Head of Locality Services - Provision assumed their new position on 1st August 2015.

q) The Head of Locality Services - Commissioned assumed their new position on 1st August 2015.

r) The Head of Corporate Support assumed their new position on 1st August 2015 and left on 10th April 2016.

s) The Chief Finance Officer assumed their new position on 1st August 2015.

Senior Officers remuneration in 2014/2015:

Post holder Information	Notes	Salary (Including fees and allowances) £	Expense Allowances £	Compensation for loss of office £	Total Remuneration excluding pension contributions £	Pension Contributions £	**Total Remuneration including pension contributions** £
Chief Executive		135,059	0	0	135,059	32,518	167,577
Deputy Chief Executive		119,340	0	0	119,340	0	119,340
Director of Corporate Services		89,460	0	0	89,460	21,548	111,008
Director of Young People and Families		98,574	0	0	98,574	23,705	122,279
Director of Older People	(a)	0	0	0	0	0	0
Director of Built Environment		89,610	0	0	89,610	21,533	111,143
Director of Street Scene		89,460	0	0	89,460	21,513	110,973
Director of Public Health		119,485	0	0	119,485	16,728	136,213
Head of Corporate Finance and ICT		83,474	0	0	83,474	20,219	103,693

t) The Director of Older People took Voluntary Early Retirement in April 2014. This post was filled via a shared arrangement with Halton Borough Council. The substantive post had a full time equivalent salary of between £90,000 and £95,000.

17 EXIT PACKAGES / TERMINATION BENEFITS

The number of exit packages with total cost per band and the total cost of the compulsory and other redundancies are set out in the tables below:

Exit Packages in 2015/2016

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
£0 - £20,000	10	92	102	£0.588m
£20,001 - £40,000	3	23	26	£0.684m
£40,001 - £60,000	1	8	9	£0.457m
£60,001 - £80,000	1	6	7	£0.500m
£80,001 - £100,000	2	1	3	£0.255m
£100,001 - £120,000	0	0	0	£0.000m
£120,001 - £140,000	0	1	1	£0.131m
£140,001 - £160,000	1	0	1	£0.141m
£160,001 - £180,000	1	0	1	£0.161m
£180,001 - £200,000	1	0	1	£0.197m
£260,001 - £280,000	0	1	1	£0.262m
Total	20	132	152	£3.376m

Exit Packages in 2014/2015

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
£0 - £20,000	19	54	73	£0.423m
£20,001 - £40,000	2	6	8	£0.230m
£40,001 - £60,000	3	6	9	£0.453m
£60,001 - £80,000	0	4	4	£0.301m
£80,001 - £100,000	1	2	3	£0.254m
Total	25	72	97	£1.661m

18 DEDICATED SCHOOLS' GRANT

The council's expenditure on schools is funded primarily by grant monies provided by the Education Funding Agency, the Dedicated Schools Grant (DSG). DSG is ring-fenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the School Finance and Early Years (England) Regulations 2014. The Schools Budget includes elements for a range of educational services provided on an authority-wide basis and for the Individual Schools Budget, which is divided into a budget share for each maintained school.

Details of the deployment of DSG receivable for 2015/2016 are as follows:

	Central Expenditure £000s	Individual Schools Budget £000s	Total £000s
Final DSG for 2015/2016			-192,737
Academy figure recouped for 2015/16			43,966
Total DSG after Academy Recoupment			-148,771
Brought forward from 2014/2015 (Note a)			-5,013
Carry forward to 2016/2017 agreed in advance			5,013
Agreed initial budgeted distribution in 2015/2016	-1,603	-147,168	-148,771
In year adjustments (Note b)	0	-216	-216
Final budgeted distribution in 2015/2016	-1,603	-147,384	-148,987
Actual central expenditure (Note c)	1,971		1,971
Actual DSG Funding deployed to Schools / Early Years and High Needs		148,326	148,326
Local authority contributions in 2015/2016 (Note d)	-368	0	-368
Total Carry forward to 2016/2017	0	942	-4,071

Notes:

(a) The balance carried forward reported in the 2014/2015 accounts was £4.917m. This has been increased by £0.096m to £5.013m in the statement above. This is due to the reversal of an overpayment to St Michael's Academy.

(b) In order to provide additional funding to schools, it was agreed to release £0.120m of Central DSG reserves through the Schools formula funding for 2015/2016 towards curriculum development. In addition, £0.045m from unused Growth Fund contingency funding was applied, as this funding must be recirculated through the schools formula in accordance with the Early Years and Schools Financial Regulations. In addition, a further amount of £0.052m from reserves has been used towards setting the schools' budget for the year. This was to equalise the difference between the funding available and the requirements for funding assessed through the factor calculations in the schools formula.

(c) There was an overspend in the year due to the costs of demolishing Beach Road School (£0.214m) and the extra costs of meeting requests for support from the schools causing concern DSG central contingency fund over and above the resources available (£0.154m).

(d) This is a contribution from LEAs Closed Schools balances reserve.

19 GRANT INCOME

Grants and contributions credited to the Comprehensive Income and Expenditure Statement

The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement:

2014/2015 £000s	Credited to Taxation and Non-specific Grant Income	2015/2016 £000s
	Non-Ringfenced Government Grants	
-70,731	Revenue Support Grant	-51,007
-23,807	Non-Domestic Rates Top-Up Grant	-24,262
-4,390	Education Services Grant	-3,368
-2,617	New Homes Bonus	-3,249
-2,334	Business Rates Relief - S31 Grant	-2,955
0	Care Act New Burdens Funding	-1,937
0	Independent Living Fund - Transition Funding	-1,500
-6,989	NHS funding to Support Social Care and Benefit Health	0
-1,434	Other Non-Ringfenced Government Grants	-1,388
-112,302		-89,666

2014/2015 £000s	Credited to Taxation and Non-specific Grant Income	2015/2016 £000s
	Capital Grants and Contributions	
-4,128	Local Transport Plan Grant	-3,797
-3,981	Department for Education Capital Grants	-2,689
0	Merseytravel - A565 Route Management	-980
0	Department of Health – Adult Social Care Transformation	-849
-682	Environment Agency - CERMS Grant	-425
-11,487	Department for Transport – Thornton Switch Island Link	0
-740	Department of Health – Capital Investment in Community Capacity	0
-524	Heritage Lottery Fund – Kings Gardens	0
-110	Regional Growth Fund	0
-2,407	Other Capital Grants and Contributions	-1,569
0	Reversal of capital grants and contributions unapplied previously credited to the Comprehensive Income and Expenditure Statement	964
-24,059		-9,345

2014/2015 £000s	Grants Credited to Services	2015/2016 £000s
	Revenue Grants	
-159,722	Dedicated Schools Grant	-148,771
-106,769	Housing Benefit Subsidy	-102,566
-19,952	Public Health Grant	-20,796
-10,505	Pupil Premium	-9,071
-7,697	Education Funding Agency	-7,894
-1,614	Universal Infant Free School Meals	-2,785
-1,587	Housing Benefit Administration	-1,451
-729	Skills Funding Agency	-790
-400	Innovation Grant Funding	-716
-716	Local Sustainable Transport Fund	0
-692	PE and Sport Funding	-712
-712	Discretionary Housing Payments	-600
-561	PFI Grant	-561
-835	Troubled Families Programme	-549
-465	Local Council Tax Support Administration	-454
-533	Youth Justice Board	-446
-308	Arts Council	-428
0	Department of Energy and Climate Change	-418
-761	Local Welfare Provision Grant	-381
0	LIF Transition Funding	-332
0	Transformation Challenge Award Fund	-332
0	Heritage Lottery Grant	-330
-322	NNDR Administration Grant	-327
-311	Crime and Disorder Reduction	0
-189	Police and Crime Commissioner	-189
0	Unaccompanied Asylum Seeking Children	-181
-173	Waste Collection Support	0
-2,661	Other Revenue Grants	-2,980
-318,214		-304,060
	Capital Grants	
-5,914	Capital Grants utilised to fund Revenue Expenditure Funded from Capital Under Statute	-9,688
	Contributions	
-5,937	Merseyside Recycling & Waste Authority	0
-4,288	Health Contributions	-16,966
-1,300	Merseyside Integrated Transport Authority	0
-852	Other Local Authorities	-70
-95	Scottish Power	0
-74	Southport Tourist Business Network	-113
-62	Ministry of Justice	0
-14	Merseyside Sports Partnership	-65
-81	Other Contributions	-152
-12,703		-17,366

20 PROPERTY PLANT AND EQUIPMENT

Movement on Balances

Movements in 2015/2016:

	Other Land and Buildings £000s	Vehicles Plant and Equipment £000s	Infrastructure Assets £000s	Community Assets £000s	Surplus Assets £000s	Assets Under Construction £000s	Total £000s
Cost or Valuation							
At 1 April 2015	357,552	21,968	170,999	19,926	14,719	15,855	601,019
Additions	5,197	1,682	8,430	328	1,948	5,238	22,823
Revaluations - recognised in the Revaluation Reserve	20,738	0	0	0	1,538	0	22,276
Revaluations – recognised in the Surplus/Deficit on the Provision of Services	-4,075	0	0	0	-3,164	0	-7,239
Derecognition - Disposals	0	0	0	0	0	0	0
Reclassifications	52	0	20,401	0	-3,855	-20,664	-4,066
At 31 March 2016	379,464	23,650	199,830	20,254	11,186	429	634,813
Accumulated Depreciation and Impairment							
At 1 April 2015	-6,736	-9,725	-43,063	0	0	0	-59,524
Depreciation Charge	-9,496	-3,401	-4,275	0	0	0	-17,172
Revaluations - recognised in the Revaluation Reserve	3,795	0	0	0	0	0	3,795
Accumulated Depreciation written out upon impairment	-2,358	0	0	0	0	0	-2,358
Derecognition - Disposals	0	0	0	0	0	0	0
Reclassifications	0	0	0	0	0	0	0
At 31 March 2016	-14,795	-13,126	-47,338	0	0	0	-75,259
Net Book Value							
At 1 April 2015	350,816	12,243	127,936	19,926	14,719	15,855	541,495
At 31 March 2016	364,669	10,524	152,492	20,254	11,186	429	559,554

Movements in 2014/2015:

	Other Land and Buildings	Vehicles Plant and Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total
	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Cost or Valuation							
At 1 April 2014	391,392	28,728	164,227	18,851	11,996	5,221	620,415
Additions	5,338	2,319	6,772	1,075	939	10,641	27,084
Revaluations - recognised in the Revaluation Reserve	-420	0	0	0	1,031	0	611
Revaluations – recognised in the Surplus/Deficit on the Provision of Services	-24,222	0	0	0	-5,023	0	-29,245
Derecognition - Disposals	-6,112	-9,079	0	0	-568	0	-15,759
Reclassifications	-8,424	0	0	0	6,344	-7	-2,087
At 31 March 2015	357,552	21,968	170,999	19,926	14,719	15,855	601,019
Accumulated Depreciation and Impairment							
At 1 April 2014	-14,464	-15,720	-38,957	0	0	0	-69,141
Depreciation Charge	-8,135	-3,084	-4,106	0	0	0	-15,325
Revaluations - recognised in the Revaluation Reserve	7,219	0	0	0	0	0	7,219
Accumulated Depreciation written out upon impairment	3,006	0	0	0	0	0	3,006
Derecognition - Disposals	5,529	9,079	0	0	0	0	14,608
Reclassifications	109	0	0	0	0	0	109
At 31 March 2015	-6,736	-9,725	-43,063	0	0	0	-59,524
Net Book Value							
At 1 April 2014	376,928	13,008	125,270	18,851	11,996	5,221	551,274
At 31 March 2015	350,816	12,243	127,936	19,926	14,719	15,855	541,495

Depreciation

Depreciation is provided for on the straight-line basis over an asset's estimated useful life as detailed below:

Asset Type	Basis	Estimated Life
Other Land and Buildings	Straight-line	10 to 75 Years
Vehicles, Plant and Equipment (excluding Computers)	Straight-line	5 to 10 Years
Vehicles, Plant and Equipment (Computers)	Straight-line	5 Years
Infrastructure Assets	Straight-line	40 Years
Community Assets	Not Depreciated	-
Surplus Assets	Not Depreciated	-
Assets Under Construction	Not Depreciated	-

The usual estimated useful life of different categories of Other Land and Buildings assets are detailed below. For individual assets the valuer may determine that a lower estimated useful life is more appropriate for that asset:

Asset Type	Estimated Life
Southport Cultural Centre (The Atkinson)	75 Years
Schools and Educational Establishments	50 Years
Civic Buildings	50 Years
Social Care Establishments	40 to 50 Years
Libraries	40 Years
Leisure Facilities	30 Years
Garages / Depots	10 Years

Capital Commitments

At 31 March 2016, the Authority has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2016/2017 and future years which are budgeted to cost £6.312m. Similar commitments at 31 March 2015 were £15.220m. The major commitments are:

Scheme	Expenditure approved and contracted at 31 March 2016 £000s
Devolved Formula Capital Schemes	993
A565 Route Management – South Road Junction	630
Litherland Moss Remodelling	619

Revaluations

Valuations are carried out as part of a rolling programme over a five-year cycle.

All freehold and leasehold land and properties which comprise the Authority's property portfolio have been valued by Mr. A. Bond (MRICS). Mr Bond is part of the Council's own qualified in-house valuers. On 1 October 2008 the Council's own in-house valuers transferred to Capita Symonds but in October 2013 transferred back to the Council.

Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors.

The Council's own in-house valuers have considered valuation uncertainty and market instability insofar as those properties valued this year are concerned and reflected any changes in the valuations supplied.

The table below shows the dates and amounts of valuations for each class of Property, Plant and equipment included in the balance sheet:

	Other Land and Buildings £000s	Vehicles Plant and Equipment £000s	Infrastructure Assets £000s	Community Assets £000s	Surplus Assets £000s	Assets Under Construction £000s	Total £000s
Cost or Valuation							
Carried at Historical Cost	123,398	23,650	199,830	20,254	0	429	367,561
Leased in Buildings	9,199	0	0	0	0	0	9,199
Valued at Current Value in:							
2015/2016	217,936	0	0	0	3,242	0	221,178
2014/2015	26,867	0	0	0	3,779	0	30,646
2013/2014	1,125	0	0	0	390	0	1,515
2012/2013	881	0	0	0	199	0	1,080
2011/2012	58	0	0	0	3,576	0	3,634
At 31 March 2016	379,464	23,650	199,830	20,254	11,186	429	634,813

Note: Leased in Buildings are valued at 'point of lease inception' only.

21 HERITAGE ASSETS

A heritage asset is an asset that is held due to its historical, artistic, scientific, technological, or environmental qualities, and is maintained principally for its contribution to knowledge and culture.

Movements in Heritage Assets during the year were as follows:

2014/2015				2015/2016		
Art Collection £000s	Other £000s	Total £000s		Art Collection £000s	Other £000s	Total £000s
9,397	1,660	11,057	Balance at the start of the year	9,397	1,660	11,057
0	0	0	Additions (Expenditure)	0	0	0
0	0	0	Disposals	0	0	0
0	0	0	Revaluations	0	0	0
0	0	0	Depreciation	0	0	0
9,397	**1,660**	**11,057**	**Balance at the end of the year**	**9,397**	**1,660**	**11,057**

The Art Collection consists principally of a ceramic collection, a silver collection, works of art and an Egyptology collection and is described in more detail below. Other Heritage Assets consists of several war memorials and the art installation "Another Place".

CERAMICS

The Authority owns a large collection of ceramics and china. The collection consists of 186 pieces of Crown Derby "Imari", and 757 pieces of Tuscan Ware, and is mainly held at Bootle Town Hall with further collections at the Atkinson. Due to the age of the collection no accurate records are maintained of how the collection was acquired. An inventory of the collection is made at both Bootle and Town Hall and the Atkinson.

A Collection Development Policy is in place which defines the scope of future collecting activity. When assets are bequeathed to the Authority appropriate documentation is completed to transfer the right of ownership to the Authority. It is not the Authority's policy to dispose of these assets although appropriate procedures and documentation are available for completion should an asset be disposed of. Loans of heritage assets are made to other registered museums and galleries.

Certain items are on public display within Bootle and Southport Town Halls and the Atkinson. Requests to view those items not on public display would require written request to be submitted.

The Authority has a conservation management policy and plan for heritage assets.

SILVER

The Authority owns 251 pieces of silverware, consisting of an eclectic mix of cups, salvers, and civic regalia. The collection was principally acquired by donation. An inventory of the collection is held at both Bootle and Southport Town Halls.

The policy for acquisition, disposal, management, and public access of the silver collection is the same as for the ceramic collection. However, those assets in use, such as maces, are regularly reviewed for wear and tear that requires repair.

ARTWORKS

The Authority holds approximately 3,500 artworks at the Atkinson with a further 30,000 items of social and natural history. The gallery collection consists of paintings, prints, and sculpture. The museum collection consists of paintings, photographs, postcards, furniture, costume, natural history, archaeology, and Egyptology. The majority of assets were donated to the Authority, although some items were purchased, whilst others were transferred from other museums.

Some records of assets are held on various systems, but an on going project is in place to document all items on the Authority's collection management database. This process is documented within the Authority's Documentation Procedural Manual, a copy of which is available from the Authority.

The policy for acquisitions and disposals are contained within the Collection Development Policy for the Atkinson, copies of which are available from the Authority.

The Authority does loan such items to other galleries and museums.

The Authority has a conservation management policy and plan for heritage assets. An Emergency Plan is in place in case of an incident of fire or flood.

The Art Collection is reported in the Balance Sheet at insurance valuation which is based on market values. The insurance valuation for the collection of oil paintings was last updated in 2005. The Authority considers that obtaining updated valuations for the collection would involve disproportionate cost. This is because of the diverse nature of the assets and the lack of comparable market values makes valuation expensive. As the valuations are for insurance purposes only, there is an inherent limitation on the precise valuation of Heritage Assets.

22 INVESTMENT PROPERTY

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

2014/2015 £000s		2015/2016 £000s
-1,559	Rental Income from Investment Property	-1,893
39	Direct operating expenses arising from Investment Property	28
-1,520	Net gain	-1,865

There are no restrictions on the Authority's ability to realise the value inherent in its investment property or on the Authority's right to the remittance of income and the proceeds of disposal.

At 31 March 2016, the Authority had no contractual obligations for the construction or enhancement of investment property in 2016/2017 and future years. There were also no similar commitments at 31 March 2015.

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

2014/2015 £000s		2015/2016 £000s
38,362	Balance at the start of the year	41,758
14	Additions – Subsequent expenditure	34
-109	Disposals	-24
1,513	Net gains / losses (-) from fair value adjustments	1,699
	Transfers to (-) / from:	
1,978	- Property, Plant & Equipment	85
41,758	**Balance at the end of the year**	**43,552**

Fair Value Hierarchy
All the Council's investment properties have been value assessed as Level 1 on the fair value hierarchy for valuation purposes (see Note 61 Statement of Accounting Policies (i) for an explanation of the fair value levels).

Valuation Techniques Used to Determine Level 1 Fair Values for Investment Property
The fair value of investment property has been measured using a market approach, which takes into account quoted prices for similar assets in active markets, existing lease terms and rentals, research into market evidence including market rentals and yields, the covenant strength for existing tenants, and data and market knowledge gained in managing the Council's Investment Asset portfolio. Market conditions are such that an active market is in place and observable inputs are available leading to the properties being categorised as level 1 on the fair value hierarchy.

In estimating the fair value of the Council's properties, the highest and best use has been considered as part of the valuation process.

23 INTANGIBLE ASSETS

Intangible assets held by the Authority relate entirely to purchased software licences. Expenditure on purchased software licences is amortised to the relevant service revenue accounts on a straight-line basis over an estimated economic life of three years.

The amortisation of £0.221m charged to revenue in 2015/2016 (£0.266m in 2014/2015) was charged to the ICT Administration cost centre and then absorbed as an overhead across all the service headings in the Net Expenditure of Services. It is not possible to quantify exactly how much of the amortisation is attributable to each service heading.

At 31 March 2016, the Authority had no contractual obligations for the construction or enhancement of intangible assets in 2016/2017 and future years. There were also no similar commitments at 31 March 2015.

Movements in purchased software licences during the year were as follows:

2014/2015 £000s	**Purchased Software Licences**	2015/2016 £000s
2,687	Gross Carrying Amount	2,764
-1,457	Accumulated Amortisation	-1,723
1,230	Net carrying amount at start of the year	**1,041**
121	Purchases in the year	179
-266	Amortisation in the year	-221
-44	Revaluations	0
1,041	**Net carrying amount at the year end**	**999**
	Comprising:	
2,764	Gross Carrying Amount	2,943
-1,723	Accumulated Amortisation	-1,944
1,041		**999**

24 CAPITAL EXPENDITURE AND CAPITAL FINANCING

The total amount of capital expenditure incurred in the year is shown in the table below 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 Authority, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Authority that has yet to be financed. The movements in CFR is analysed in the second part of this note.

2014/2015 £000s	**Capital Financing Requirement**	2015/2016 £000s
208,314	Opening Capital Financing Requirement	200,723
0	Probation Service Debt Reclassified in 2015/16 (see Note 26)	1,234
	Capital Expenditure:	
27,084	Property, Plant and Equipment	22,823
14	Investment Properties	34
121	Intangible Assets	179
6,589	Revenue expenditure funded from capital under statute	10,321
	Sources of Finance	
-1,741	Capital Receipts	-3,564
-28,635	Grants and Contributions	-23,785
-329	Direct Revenue Contributions	-330
	Provision for Repayment of Debt	
-10,586	Statutory Provision for financing capital investment	-4,350
-108	Amortisation of Deferred Income re. Crosby PFI	-107
200,723	**Closing Capital Financing Requirement**	**203,178**

2014/2015 £000s	Explanation of movements in the year	2015/2016 £000s
	Decrease (-) / Increase in underlying need to borrow:	
3,145	Increase in underlying need to borrow	5,678
-10,694	Provision for Repayment of Debt	-4,457
-42	Over application of Government Grants in 2014/15	0
0	Probation Service Debt Reclassified in 2015/16	1,234
-7,591	**Increase in Capital Financing Requirement**	**2,455**

25 LONG TERM INVESTMENTS

31 March 2015 £000s		31 March 2016 £000s
10	The Funding Circle	10
5,059	Churches & Charities Local Authority LAMIT Property Fund	5,362
5,069		5,372
1	Sefton New Directions (see Note 51 for more details)	1
5,070	**Total**	**5,373**

26 LONG TERM RECEIVABLES

31 March 2015 £000s		31 March 2016 £000s
	Transferred Services	
127	Merseyside Residuary Body	121
1,513	Merseyside Probation Committee	267
1,640		388
	Other	
3,810	Long Term Sundry Debtor Accounts	4,180
261	Finance Lease Agreements	193
24	Mortgages	12
49	Car Loans to Officers	61
106	Loan to Plaza Community Cinema	99
4,250		4,545
5,890	**Total**	**4,933**

Merseyside Probation Committee

Following the transfer of the Merseyside Probation Committee from local authority control to the National Probation Service, on 1 April 2001, the five Merseyside district councils became responsible for repaying the debt still outstanding at that date. Sefton's share of the debt totalled £1.234m at 31 March 2015. This has been reclassified during 2015/16 and transferred to the Capital Adjustment Account (see Note 42). The remaining £0.278m is payable by the other four Merseyside district councils (£0.278m at 31 March 2015).

27 SHORT TERM INVESTMENTS

Short Term Investments were held with the following banks at the balance sheet date:

31 March 2015 £000s		31 March 2016 £000s
0	Barclays Bank	5,000
5,000	Bank of Scotland	5,000
0	Santander	7,000
5,000	Nationwide	0
10,000		17,000
110	Accrued Interest Receipts	98
10,110	**Total**	**17,098**

28 ASSETS HELD FOR SALE

2014/2015 £000s	**Movements in the year**	2015/2016 £000s
7,759	Balance Outstanding at start of the year	1,259
	Assets newly classified as held for sale:	
0	- Property, Plant and Equipment	3,982
	Revaluations	
10	Revaluation Gains	0
0	Revaluation Losses	0
-6,510	Assets Sold	-329
1,259	**Balance Outstanding at the year-end**	**4,912**

Fair Value Hierarchy
All the Council's Assets Held for Sale have been value assessed as Level 1 on the fair value hierarchy for valuation purposes (see Note 61 Statement of Accounting Policies (i) for an explanation of the fair value levels).

Valuation Techniques Used to Determine Level 1 Fair Values for Assets Held for Sale
The fair value of Assets Held for Sale have been measured using a market approach, which takes into account quoted prices for similar assets in active markets, existing lease terms and rentals, research into market evidence including market rentals and yields, the covenant strength for existing tenants, and data and market knowledge gained in managing the Council's Investment Asset portfolio. Market conditions are such that an active market is in place and observable inputs are available leading to the properties being categorised as level 1 on the fair value hierarchy.

In estimating the fair value of the Council's properties, the highest and best use has been considered as part of the valuation process.

29 INVENTORIES

Movements 2015/2016	Stores £000s	Work in Progress £000s	Total £000s
Balance Outstanding at the start of the year	648	36	684
Purchases	3,767	0	3,767
Recognised as an expense in the year	-3,795	-32	-3,827
Write-offs	0	0	0
Balance Outstanding at the year-end	620	4	624

Movements 2014/2015	Stores £000s	Work in Progress £000s	Total £000s
Balance Outstanding at the start of the year	596	27	623
Purchases	4,251	30	4,281
Recognised as an expense in the year	-4,199	-21	-4,220
Balance Outstanding at the year-end	648	36	**684**

30 SHORT TERM RECEIVABLES

31 March 2015 £000s		31 March 2016 £000s
	Amounts Falling Due Within One Year	
13,218	Central Government Bodies	5,981
3,590	HM Revenue and Customs	2,907
399	Academies	368
2,177	Other Local Authorities	2,173
3,680	NHS Bodies	6,333
12,438	Council Tax Payers	14,007
1,660	NNDR Payers	1,301
12,885	Other Entities and Individuals	13,705
43	Car Loans to Employees	34
50,090		46,809
	Less Impairment	
-4,958	Council Tax Payers	-5,282
-827	NNDR Payers	-481
-4,494	Other Entities and Individuals	-5,116
-10,279		-10,879
39,811	**Net Receivables**	**35,930**

31 CASH AND CASH EQUIVALENTS

The balance of Cash and Cash Equivalents is made up of the following elements:

31 March 2015 £000s		31 March 2016 £000s
62	Cash in hand of officers	58
-486	Bank current accounts	-1,532
39,074	Short-term deposits with banks and building societies	21,558
38,650	**Total Cash and Cash Equivalents**	**20,084**

32 SHORT TERM PAYABLES

31 March 2015 £000s		31 March 2016 £000s
-3,420	HM Revenue and Customs	-4,109
-9,577	Government Departments	-10,452
-2,586	Other Local Authorities	-3,395
-515	NHS Bodies	-1,185
-21,812	Other entities and individuals	-16,409
-4,495	Accumulated Absences	-4,519
-42,405	**Total**	**-40,069**

33 RECEIPTS IN ADVANCE

31 March 2015 £000s		31 March 2016 £000s
-5,920	Planning Section 106 Agreements	-5,634
-2,075	Rechargeable Works	-1,729
-603	Council Tax Payers	-546
-246	NNDR Payers	-413
-5,355	Other entities and individuals	-2,841
-14,199	**Total**	**-11,163**

34 PROVISIONS

Movements in provisions during 2015/2016 were as follows:

		1 April 2015 £000s	Additions in Year £000s	Applied In Year £000s	Released In Year £000s	31 March 2016 £000s
	Short-term					
(a)	Equal Pay Claims	-12	0	12	0	0
(b)	Claims against the Council	-925	0	51	674	-200
		-937	0	63	674	**-200**
	Long-term					
(c)	Internal Insurance Cover	-4,996	-982	1,654	19	-4,305
(d)	Provision for NDR Appeals	-4,962	-3,151	308	0	-7,805
		-9,958	-4,133	1,962	19	**-12,110**

Movements in provisions during 2014/2015 were as follows:

		1 April 2014 £000s	Additions in Year £000s	Applied In Year £000s	Released In Year £000s	31 March 2015 £000s
	Short-term					
(a)	Equal Pay Claims	-234	0	130	92	-12
(b)	Claims against the Council	0	-925	0	0	-925
		-234	-925	130	92	**-937**
	Long-term					
(c)	Internal Insurance Cover	-5,971	-2,239	3,214	0	-4,996
(d)	Provision for NDR Appeals	-2,271	-3,719	1,028	0	-4,962
		-8,242	-5,958	4,242	0	**-9,958**

(a) **Equal Pay Claims** – The Council has settled a number of Equal Pay claims brought by employees. Sefton previously established a provision to cover the potential costs of known claims that were expected to be settled in future years.

(b) **Claims against the Council** – Sefton has established a provision to cover potential payments relating to claims made against the Council and associated legal costs if the Council were not able to successfully defend the claims. The outcomes of the claims are expected to be known in 2016/2017.

(c) **Internal Insurance Cover** - The purpose of the insurance provision is to enable certain known uninsured losses to be met centrally, i.e., losses arising from the excesses that apply to the Authority's main insurance policies (Public Liability, Property, Employers Liability and Motor Insurance). The amount required to cover these uninsured losses is based on claims actually reported as outstanding. The timing of settlement of these claims is uncertain but is likely to be over a number of years. Based on an assessment by Sefton's insurance advisors (AON), the resources available in the Authority's Insurance Fund are in excess of known liabilities.

Included within this balance is an amount to cover potential liabilities following the announcement on the 13 November 2012 that the Municipal Mutual Insurance Limited (MMI) Scheme of Arrangement has now been triggered.

MMI was formed as a limited company by guarantee in 1903 and by 1974 some 90% of local authorities were insured by the company. Due to dramatic increases in claims, coincidental with a fall in the property market and poor investment environment, along with its inability to raise capital because of its mutual status, MMI's net assets fell below the minimum regulatory solvency requirement and the company went into run-off in September 1992.

The amount paid to the Council plus the amount outstanding under this arrangement is £3.655m, and under the Scheme or Arrangement a levy is chargeable on this amount. After the imposition of the levy, the Council is also liable to contribute to each and every subsequent claim paid by MMI on the Council's behalf, thereby creating an on-going financial obligation. The initial levy requested by the scheme administrator from the Council is a percentage of the total sum paid on behalf of the Council by MMI since 30 September 1992, less the first £50,000 of such payments. As a result and following assessment by a scheme actuary, a levy rate of 25% is being applied creating a liability to the Council of £0.901m (£0.541m of which was paid in January 2014 with £0.360m paid in May 2016). There is a possibility that the ultimate levy rate could eventually be higher than this and as such the Council has made a specific provision of £1.445m million in the accounts to cover this potential liability, based on an assessment by Sefton's insurance advisors.

(d) **Provision for NDR Appeals –** Following the introduction of the new business rates retention arrangements on 1 April 2013, the Council assumed the liability for refunding ratepayers who have successfully appealed against the rateable value of their properties. The timing of these refunds is uncertain but is expected to be made over several years. The provision covers the Council's locally retained share (49%) of the liability which has been estimated at £7.805m based on the rateable value of properties subject to appeal on 31 March 2016. This includes amounts that were previously paid over to Central Government in respect of 2012/2013 and prior years.

35 DEFERRED LIABILITIES

31 March 2015 £000s		31 March 2016 £000s
	Short Term	
-437	Merseyside Residuary Body	-438
-140	Finance Lease Liability – Crosby Baths PFI	-92
-1,001	Finance Lease Liability – Arvato	-963
-602	Finance Lease Liability – Property, Plant and Equipment	-630
-108	PFI Deferred Income	-107
-2,288	**Total Short Term**	**-2,230**
	Long Term	
-4,376	Merseyside Residuary Body	-3,938
-2,713	Finance Lease Liability – Crosby Baths PFI	-2,621
-4,300	Finance Lease Liability – Arvato	-3,337
-5,262	Finance Lease Liability – Property, Plant and Equipment	-4,632
-1,289	PFI Deferred Income	-1,182
-17,940	**Total Long Term**	**-15,710**

Wirral MBC manages debt on behalf of the former Merseyside Residuary Body. Sefton MBC (along with the other Merseyside Districts, Precepting and Levying Bodies), as a successor body, inherited debt relating to services transferred to its control. As at 31 March 2016 the amount outstanding in respect of Sefton MBC was £4.376m (£4.813m at 31 March 2015).

36 TRUST FUNDS

The Council acts as Sole Trustee of a number of legacies and bequests. Details of the transactions and the Committees controlling the funds are shown below. In compliance with the Code, Trust Funds have been excluded from the Council's Balance Sheet.

Portfolio and Name of Trust	Balance at 1 April 2015 £	Income £	Expenditure £	Balance at 31 March 2016 £
Children's Services				
Bootle Holiday Camp - Children	22,342	188	0	22,530
Wignall Scholarship	11,981	101	0	12,082
Corporate Services				
Netherton Green Trust	14,046	0	0	14,046
Other				
Mayor of Sefton's Charity Fund	3,484	0	0	3,484
Total	51,853	289	0	52,142
The balances are invested as follows:				
Government Securities	300			300
Sefton Cash Balances	51,553			51,842
Total	51,853			52,142

Children's Services Trust Funds

The Educational Trust Funds aim to help in the advancement of education and training of young people within the Sefton area by providing financial assistance to those who have difficulty in paying fees and by the award of prizes as rewards to deserving students.

Netherton Green Trust

The Netherton Green Trust Fund was set up prior to 1974 as a bequest, converted into shares with the former Mersey Docks and Harbour Company. These were subsequently redeemed in 2005/2006. The original sum was applied towards the upkeep of an area within the Borough called Netherton Green.

Mayor of Sefton's Charity Fund

This fund has a year-end of 30 June. The opening balance included in the Trust Fund Statement above is therefore as at 1 July 2015. The movements in the year were not available at the time these accounts were approved in June 2016. The opening balance in this note has been adjusted to reflect the Charity Fund's final audited accounts for 2014/2015.

37 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 accounting 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.

Movements in the Authority's General Fund Balances are detailed on pages 10 to 12 of the Narrative Report. General Fund Balances arise due to planned contributions or underspends in previous years. Amounts held by schools are to fund expenditure in future years and as a prudent measure against future uncertainty. General Fund Balances attributable to the Council are held as a prudent measure against future uncertainty.

38 EARMARKED RESERVES

The movements in earmarked reserves during the last two years are shown below:

	Movements in 2015/2016	1 April 2015 £000s	Transfers in £000s	Transfers Out £000s	31 March 2016 £000s
(a)	Modernisation Fund	-137	0	137	0
(b)	Environmental Warranty	-13,000	0	0	-13,000
(c)	Insurance Fund	-1,690	-19	0	-1,709
(d)	Transforming Sefton	-12,472	0	1,257	-11,215
(e)	Redundancy Reserve	-5,815	-2,557	2,918	-5,454
(f)	Capital Priorities Fund	-442	0	190	-252
(g)	Community Transition Fund	-315	-1,000	340	-975
(h)	Contamination Clearance	-1,500	0	0	-1,500
(i)	Rating Appeals / Reduction in NDR Income Reserve	-2,907	-541	0	-3,448
(j)	Recycling and Waste Development Fund	-3,583	0	282	-3,301
(k)	MRP Adjustment Reserve	0	-6,507	0	-6,507
(l)	Revenue Grants and Contributions Unapplied	-7,449	-4,437	3,415	-8,471
(m)	Schools' Earmarked Reserves	-7,345	0	1,310	-6,035
(n)	Other Earmarked Reserves	-8,138	-1,893	2,809	-7,222
	Total	**-64,793**	-16,954	12,658	**-69,089**
(o)	Temporary Use of Earmarked Reserves to Fund Pension Deficit Payment	19,477	-9,543	0	9,934
		-45,316	-26,497	12,658	**-59,155**

	Movements in 2014/2015	1 April 2014 £000s	Transfers in £000s	Transfers Out £000s	31 March 2015 £000s
(a)	Modernisation Fund	-536	0	399	-137
(b)	Environmental Warranty	-13,000	0	0	-13,000
(c)	Insurance Fund	-1,573	-117	0	-1,690
(d)	Transforming Sefton	-12,549	-818	895	-12,472
(e)	Redundancy Reserve	-5,974	-510	669	-5,815
(e)	Pensions Reserve	-798	0	798	0
(f)	Capital Priorities Fund	-747	0	305	-442
(g)	Community Transition Fund	-684	0	369	-315
(h)	Contamination Clearance	-1,500	0	0	-1,500
(i)	Rating Appeals / Reduction in NDR Income Reserve	-1,582	-2,380	1,055	-2,907
(j)	Recycling and Waste Development Fund	0	-3,583	0	-3,583
(l)	Revenue Grants and Contributions Unapplied	-6,511	-3,526	2,588	-7,449
(m)	Schools' Earmarked Reserves	-6,864	-1,070	589	-7,345
(n)	Other Earmarked Reserves	-8,335	-1,494	1,691	-8,138
	Total	**-60,653**	-13,498	9,358	**-64,793**
(o)	Temporary Use of Earmarked Reserves to Fund Pension Deficit Payment	0	0	19,477	19,477
		-60,653	-13,498	28,835	**-45,316**

(a) **Modernisation Fund** - The Council set up a reserve that was used to help the Council modernise its services and meet "one-off" invest to save costs. This reserve has now been fully utilised and any future costs will be met from the Transforming Sefton reserve.

(b) **Environmental Warranty** - The Council has provided a 35 year environmental warranty for the land / property that has been transferred to One Vision Housing Limited. This warranty requires the Council to remediate any environmental contamination found on these sites during the life of the warranty. Resources are being set-aside over the coming years as a prudent measure against a potential cost.

(c) **Insurance Fund** - The resources available in the Authority's Insurance Fund are in excess of known liabilities.

(d) **Transforming Sefton** – The Council is currently undertaking a Transformation Programme to deliver customer focussed services through a high performance culture whilst achieving significant ongoing savings. A reserve has been created to enable Sefton to progress the Programme over the next few years. In addition, it will be used to fund initiatives to support economic development in the Borough.

(e) **Redundancy Reserve** – The Council has to make significant savings over the next four years in order to meet the demands of reducing external resources and increased spending pressures which will result in redundancy costs associated with making these savings. In addition, the Council is required to pay contributions to Merseyside Pension Fund for the additional costs arising from employees taking early retirement. Resources have been set aside to fund these costs over the coming years (previously there was a separate Pensions Reserve but this has now been combined with the Redundancy Reserve).

(f) **Capital Priorities Fund** - Council on 28 February 2013 agreed to the establishment of a new one-off fund to invest in Council priorities including town centres, youth employment and the local economy.

(g) **Community Transition Fund** - Council on 28 February 2013 agreed to the establishment of a new one-off Community Transition Fund. The aim of this resource was to facilitate, where possible, the transfer of certain services to become community run and self-sustaining. Cabinet on 3 September 2015 agreed to increase the reserve by £1.000m as a result of the underspend achieved in 2015/2016.

(h) **Contamination Clearance Reserve** - During 2011/2012 it was identified there was a site in the Borough that was contaminated and there could be significant costs associated with clearing the contamination. It was therefore considered prudent to set resources aside to cover these potential costs.

(i) **Rating Appeals / Reduction in NDR Income Reserve** - Since 1 April 2013 the Council has retained 49% of Non-Domestic Rates (NDR) paid in the Borough. The Council has budgeted for a level of receipts in 2015/2016 and 2016/17 but there is a risk that this income will not be achieved due to the potential impact of appeals and the current economic situation. It is considered prudent to set-aside resources to offset the potential loss of income not otherwise covered by the business rates appeals provision.

(j) **Recycling and Waste Development Fund** – In 2014/2015 the Merseyside Recycling and Waste Authority redistributed resources they had been holding in a Sinking Fund to the councils on Merseyside to help develop their recycling and waste collection services. Sefton received £5.937m of which £2.354m was spent in 2014/2015 with an additional £0.724m spent in 2015/2016. The remaining £2.859m has been reserved to fund costs in future years.

(k) **MRP Adjustment Reserve** – In line with many other local authorities the Council has reviewed the way it calculates its statutory provision for the financing of capital investment. This has resulted in a saving in 2015/2016 which has been reserved to fund future budget pressures.

(l) **Revenue Grants and Contributions Unapplied** – In line with proper accounting practice, the Council credits the Income and Expenditure Account with grants and contributions as and when conditions for claiming the grant or contribution have been met. However, these amounts are required to fund expenditure on specific schemes in future years. They are therefore reserved to offset this future expenditure.

(m) **Schools' Earmarked Reserves –** There are a number of earmarked reserves held by the Council that relate to schools. These are created when schools close and their balances are passed back to the Council and are reserved to fund future school related activity.

(n) **Other Earmarked Reserves –** There are a number of other earmarked reserves held by the Council. These include the Formby Pool Sinking Fund (£0.854m), the Capital Reserve (£0.669m) and the Open Golf 2017 Reserve (£0.650m).

(o) **Temporary Use of Earmarked Reserves to Fund Pension Deficit Payment** - In April 2014 the Council made a one-off payment to the Merseyside Pension Fund of £28.645m relating to its pension deficit liability for 2014/2015, 2015/2016 and 2016/2017. The Council received a significant discount for making the one-off payment rather than paying contributions over the three years. To fund the payment, the Council was required to temporarily utilise £19.477m of Earmarked Reserves in 2014/2015. Earmarked Reserves have been increased by £9.543m in 2015/2016 and will be increased by a further £9.934m in 2016/2017 when no pension deficit contributions will need to be made by the Council. The Earmarked Reserves temporarily utilised will therefore be refunded by 2016/2017.

39 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 the year-end.

2014/2015 Total £000s		2015/2016 Total £000s
-7,231	Balance at 1 April	-7,139
	Receipts in the Year	
-1,344	Sale proceeds credited to the Comprehensive Income and Expenditure Account as part of the gain/loss on disposal of non-current assets	-605
-673	Capital Receipts from Former Council House Sales	-641
-54	Other Capital Receipts not relating to the Disposal of Council Assets	-148
-13	Transfer from Deferred Capital Receipts Reserve upon receipt of cash	-10
	Applied in the Year	
1,741	Applied to finance new capital expenditure	3,564
10	Payments to Housing Receipts Pool	2
425	Utilisation / Release (-) of Capital Receipts used to increase Provisions	-425
-7,139	**Balance at 31 March**	**-5,402**

40 CAPITAL GRANTS AND CONTRIBUTIONS UNAPPLIED

The Capital Grants and Contributions Unapplied Account (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.

2014/2015 £000s		2015/2016 £000s
-11,801	Balance at 1 April	-13,139
-9,370	Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	-436
0	Reversal of capital grants and contributions unapplied previously credited to the Comprehensive Income and Expenditure Statement	964
8,032	Transferred to the Capital Adjustment Account	4,223
-13,139	**Balance at 31 March**	**-8,388**

41 REVALUATION RESERVE

The Revaluation Reserve contains the gains made by the Authority arising from increases in the value of its Property, Plant and Equipment (and Intangible Assets). 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
- disposed 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.

2014/2015 £000s		2015/2016 £000s
-72,228	**Balance at 1 April**	-77,587
-26,519	Upward revaluation of assets	-31,753
18,689	Downward revaluation of assets and impairment losses not charged to Surplus/Deficit on the Provision of Services	5,682
-7,830	Surplus (-) / Deficit on revaluation of non-current assets not posted to the Surplus / Deficit on the Provision of Services	-26,071
1,823	Difference between fair value depreciation and historical cost depreciation	8,639
648	Accumulated gains on assets sold or scrapped	114
2,471	Amount written off to the Capital Adjustment Account	8,753
-77,587	**Balance at 31 March**	**-94,905**

42 CAPITAL ADJUSTMENT ACCOUNT

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Authority as finance for the costs of acquisition, construction and enhancement.

The Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Authority.

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.

Note 4 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve and Deferred Capital Receipts Reserve.

2014/2015 £000s		2015/2016 £000s
-329,140	**Balance at 1 April**	-318,300
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement	
15,325	Depreciation of non-current assets	17,172
26,273	Revaluation of non-current assets	9,597
266	Amortisation of intangible assets	221
675	Revenue expenditure funded from capital under statute	632
7,770	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	353
-108	Amortisation of Deferred Income re. Crosby PFI Scheme	-107
0	Probation Service Transferred Debt – Reclassified in 2015/16	1,234
50,201		29,102
	Amounts written out to the Revaluation Reserve	
-1,823	Difference between fair value depreciation and historical cost depreciation	-8,639
-648	Accumulated gains on assets sold or scrapped	-114
-2,471		-8,753
	Capital financing applied in the year	
-1,741	Capital receipts applied to finance capital expenditure	-3,564
-14,689	Capital Grants and Contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to finance capital expenditure	-9,873
-8,032	Transfer from the Capital Grants and Contributions Unapplied Account to finance capital expenditure	-4,223
-10,586	Statutory provision for the financing of capital investment	-4,350
-329	Capital expenditure charged to the General Fund	-330
-35,377		-22,340
	Other Movements	
-1,513	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	-1,699
-1,513		-1,699
-318,300	**Balance at 31 March**	**-321,990**

43 FINANCIAL INSTRUMENTS ADJUSTMENT ACCOUNT

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions.

The Authority uses the Account to manage premiums paid on the early redemption of loans. Premiums 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 Authority's case, this period is the unexpired term that was outstanding on the loans when they were redeemed.

2014/2015 £000s		2015/2016 £000s
724	**Balance at 1 April**	665
-59	Proportion of premiums incurred in previous financial years charged against the General Fund Balance in accordance with statutory requirements	-59
665	**Balance at 31 March**	**606**

44 AVAILABLE FOR SALE FINANCIAL INSTRUMENTS RESERVE

The Available for Sale Financial Instruments Reserve contains the gains made by the Authority arising from increases in the value of its investments that have quoted market prices 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
- disposed of and the gains are realised.

2014/2015 £000s		2015/2016 £000s
0	**Balance at 1 April**	-59
-59	Upward revaluation of investments	-303
-59	**Balance at 31 March**	**-362**

45 DEFERRED CAPITAL RECEIPTS RESERVE

The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of non-current assets but for which cash settlement has yet to take place. Under statutory arrangements, the Authority 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.

2014/2015 £000s		2015/2016 £000s
-422	**Balance at 1 April**	-278
131	Repayment of Long Term Debtor	68
0	Deferred capital receipts applied to finance leased out property	0
13	Transfer to the Capital Receipts Reserve upon receipt of cash	10
-278	**Balance at 31 March**	**-200**

46 PENSIONS RESERVE

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The Authority 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 Authority makes 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 Authority 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.

2014/2015 £000s		2015/2016 £000s
285,111	**Balance at 1 April**	362,138
88,880	Re-measurements (Liabilities and Assets)	-37,148
31,823	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	36,050
-43,676	Employer's pensions contributions and direct payments to pensioners payable in the year	-15,613
362,138	**Balance at 31 March**	**345,427**

47 COLLECTION FUND ADJUSTMENT ACCOUNT

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

2014/2015 £000s		2015/2016 £000s
-470	**Balance at 1 April**	-8,049
-7,579	Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax and non-domestic rates income calculated for the year in accordance with statutory requirements	2,978
-8,049	**Balance at 31 March**	**-5,071**

48 ACCUMULATED ABSENCES ACCOUNT

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

2014/2015 £000s		2015/2016 £000s
4,577	**Balance at 1 April**	4,495
	Transactions in Year	
-4,577	Settlement or cancellation of accrual made at the end of the preceding year	-4,495
4,495	Amounts accrued at the end of the current year	4,519
-82	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	24
4,495	**Balance at 31 March**	**4,519**

49 EVENTS AFTER THE BALANCE SHEET DATE

The Statement of Accounts was authorised for issue by the Head of Corporate Resources on 21 September 2016. 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 2016, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

50 RELATED PARTY TRANSACTIONS

The Council is required to disclose material transactions with related parties - bodies or individuals that have the potential to control or influence the council or to be controlled or influenced by the Council. Disclosure of these transactions allows an assessment of the extent to which the Council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Council.

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, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. Housing Benefits). Grants received from government departments are set out in the analysis in Note 19. In addition Sefton paid £11.319m to HM Revenue and Customs for Employers' National Insurance Contributions. Amounts owed from and to Central Government at 31 March 2016 are shown in Notes 30 and 32.

Members' Interests

Members of the Council have direct control over the Council's financial and operating policies. During 2015/2016, works and services to the value of £0.000m were commissioned from companies in which one or more Members have declared an interest. These are shown in the table below. Contracts were entered into in full compliance with the Council's standing orders. In addition, grants and payments for goods and services totalling £0.785m were made to voluntary organisations in which one or more Members have declared an interest. The most significant of these are shown in the table below. The grants were awarded by the Corporate Services Cabinet Member and were made with proper consideration of declarations of interest. The relevant Members did not take part in any discussion or decision relating to the grants.

2015/2016	Income £000s	Expenditure £000s	Receivables £000s	Payables £000s
Hugh Baird College	-17	631	31	-20
Imagine Independence Charity	0	133	0	0

2014/2015	Income £000s	Expenditure £000s	Receivables £000s	Payables £000s
Careers Connect	-1	712	0	0
Imagine Independence Charity	0	490	0	0
Nazareth House (Crosby)	0	452	0	0

Other Public Bodies

A number of Councillors are nominated to serve as representatives on other public bodies. These include, for example, Aintree University Hospital NHS Foundation Trust, British Destinations, Formby Pool Trust, Local Government Association, Merseyside Fire and Rescue Authority, Merseyside Integrated Transport Authority, Merseyside Pension Fund, Merseyside Police Authority, Merseyside Recycling and Waste Authority, One Vision Housing, Sefton Council for Voluntary Service and Sefton New Directions.

Significant transactions during the year and balances at year-end with related public bodies included:

2015/2016	Income £000s	Expenditure £000s	Receivables £000s	Payables £000s
Merseyside Police and Crime Commissioner	-43	13,186	12	0
Merseyside Fire and Rescue Authority	-26	6,562	6	0
Parish Councils	-55	988	15	0
Merseyside Integrated Transport Authority	-165	22,641	90	0
Merseyside Recycling and Waste Authority	-1,246	12,461	21	0
Merseyside Pensions Authority - Employers' Contributions	0	12,237	0	0
One Vision Housing Limited	-885	568	7	0
Formby Pool Trust	-18	514	4	-9
Sefton New Directions Limited	-57	8,451	233	0
Sefton CVS	-14	1,073	0	0

2014/2015	Income £000s	Expenditure £000s	Receivables £000s	Payables £000s
Merseyside Police and Crime Commissioner	-34	12,219	247	0
Merseyside Fire and Rescue Authority	-29	6,062	111	-28
Parish Councils	-5	1,241	0	0
Merseyside Integrated Transport Authority	-117	25,471	0	0
Merseyside Recycling and Waste Authority	-284	12,201	0	0
Merseyside Pensions Authority - Employers' Contributions	0	39,999	0	0
One Vision Housing Limited	-834	306	60	-1
Formby Pool Trust	-52	455	0	0
Sefton New Directions Limited	-735	8,913	125	0
Sefton CVS	-6	1,152	1	0

The amounts owed by the Merseyside Police Authority and Merseyside Fire and Rescue Authority are the net amounts of Council Tax outstanding (after allowing for the Provision for Bad and Doubtful Debts) that relates to these bodies. There is no Provision for Bad and Doubtful Debts for amounts due from other bodies as all amounts have been assessed as being fully collectable.

Officers' Interests

The Husband of the Head of Adult Social Care is an employee of Sefton CVS. The Chief Executive is a Council appointed Director of Sefton New Directions. The Head of Locality Services – Provision is a Council appointed representative on the Formby Pool Trust Board. The financial transactions for all these organisations have been disclosed in the table above under Other Public Bodies.

No senior officers received a car loan in 2015/2016, however there is one senior officer with a current car loan, the loan outstanding at the end of the year was £0.001m.

Subsidiary and associated companies

Details of the Council's interest in companies is set out in Note 52.

Note: Some organisations ceased to be related parties at the end of 2014/2015 so are not shown in 2015/2016.

51 CASH FLOW STATEMENT – OPERATING ACTIVITIES

The cash flows for operating activities include the following items:

2014/2015 £000s		2015/2016 £000s
-634	Interest received	-766
6,694	Interest paid	6,385

52 INTEREST IN COMPANIES

Sefton New Directions Limited

Sefton New Directions Limited was incorporated on 15 January 2007 and began trading on 1 April 2007. It is a wholly owned subsidiary of the Council. Its principal activity is providing Social Care Services for Adults and those with Learning and / or Physical Disabilities.

On 31 March 2016, the Company had net liabilities of £0.489m (£1.834m on 31 March 2015). In 2015/2016 the Company reported a pre-tax profit of £0.492m (a £1.859m profit in 2014/2015) and a profit of £0.298m after tax (a £1.451m profit in 2014/2015).

The Council has not received any dividends from the Company during 2015/2016 or 2014/2015.

Should the company be wound up, the Council has committed to meeting any accumulated deficit on the Merseyside Pension Fund plus any retirement costs in respect of the Company's employees. The accumulated deficit was estimated to be £4.391m at 31 March 2016 (£5.429m at 31 March 2015).

The Company's accounts for 2015/2016 have been audited and copies can be obtained from The Company Secretary, Sefton New Directions Head Office, Third Floor, The Investment Centre, 375 Stanley Road, Bootle, Merseyside, United Kingdom, L20 3EF.

53 OPERATING LEASES

Authority as a Lessee

The Council employs operating leases to obtain the use of certain vehicles and equipment. During 2015/2016 operating lease payments totalled £0.015m (£0.047m in 2014/2015).

In addition, the Council leases a number of properties from third parties under operating lease agreements. During 2015/2016 lease rentals paid for properties under these lease agreements totalled £0.101m (£0.119 in 2014/2015).

The future lease payments due under non-cancellable leases in future years are:

31 March 2015 £000s		31 March 2016 £000s
303	Not later than one year	220
401	Later than one year and not later than five years	299
4,637	Later than five years	1,838
5,341		2,357

Authority as a Lessor

The Council leases a number of properties to third parties under operating lease agreements. The assets leased include shops, offices, land and other commercial properties. These property leases are for economic development purposes to provide suitable affordable accommodation for local businesses. During 2015/2016 lease rentals received from these operating lease agreements totalled £1.387m (£1.559m in 2014/2015).

The future lease payments receivable under non-cancellable leases in future years are:

31 March 2015 £000s		31 March 2016 £000s
1,301	Not later than one year	1,571
4,787	Later than one year and not later than five years	5,470
251,015	Later than five years	259,507
257,103		**266,548**

54 FINANCE LEASES

Authority as Lessee

The Council has acquired a number of administrative buildings and its IT and telecommunications system under 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 2015 £000s		31 March 2016 £000s
4,632	Other Land and Buildings	3,995
0	Vehicles, Plant, Furniture and Equipment	0
4,632		3,995

The Authority 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 Authority and finance costs that will be payable by the Authority in future years while the liability remains outstanding. The minimum lease payments are made up of the following amounts:

31 March 2015 £000s		31 March 2016 £000s
	Finance lease liabilities (net present value of minimum lease payments):	
602	• Current	630
5,262	• Non-current	4,632
3,997	Finance costs payable in future years	3,577
9,861	Minimum lease payments	8,839

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

	Minimum Lease Payments		Finance Lease Liabilities	
	31 March 2015 £000s	31 March 2016 £000s	31 March 2015 £000s	31 March 2016 £000s
Not later than one year	1,022	1,022	602	630
Later than one year and not later than five years	3,181	2,640	1,751	1,287
Later than five years	5,658	5,177	3,511	3,345
	9,861	8,839	5,864	5,262

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2015/2016 £0.015m contingent rents were payable by the Authority (£0.015m were paid in 2014/2015).

Authority as Lessor

The Authority has leased out two properties on finance leases with remaining terms of between 1 and 5 years.

The Authority has a gross investment in the lease, made up of the minimum lease payments expected to be received over the remaining term and the residual value anticipated for the property when the lease comes to an end. The minimum lease payments comprise settlement of the long-term debtor for the interest in the property acquired by the lessee and finance income that will be earned by the Authority in future years whilst the debtor remains outstanding. The gross investment is made up of the following amounts:

31 March 2015 £000s		31 March 2016 £000s
	Finance lease debtor (net present value of minimum lease payments):	
68	• Current	49
194	• Non-current	145
19	Unearned finance income	11
79	Unguaranteed residual value of property	59
360	Gross investment in the lease	264

The gross investment in the lease and the minimum lease payments will be received over the following periods:

	Gross Investment in the Lease		Minimum Lease Payments	
	31 March 2015 £000s	31 March 2016 £000s	31 March 2015 £000s	31 March 2016 £000s
Not later than one year	96	74	76	55
Later than one year and not later than five years	264	190	205	150
Later than five years	0	0	0	0
	360	264	281	205

There is a possibility that worsening financial circumstances might result in lease payments not being made. The Authority collects the lease payments due by issuing sundry debtor accounts. The Council has set aside an allowance for uncollectible sundry debtor accounts of £2.122m at 31 March 2016 (£2.091m at 31 March 2015) to which any unrecoverable lease payments would therefore be charged.

55 PFI AGREEMENT / SERVICE CONCESSION

Crosby Leisure Centre

On 18 September 2001, the Council entered into an agreement under a Private Finance Initiative with Waterfront Leisure (Crosby) Limited for the provision and operation of a leisure centre in Crosby. Under the terms of the agreement Waterfront Leisure constructed the centre and will operate it for a period of 25 years in accordance with the Council's specification. The contractor has the obligation to maintain the building to a minimum acceptable condition and to procure and maintain the plant and equipment needed to operate the leisure centre. The building and any plant and equipment installed will be transferred to the Council at the end of the 25 year contract for nil consideration. The Council only has the right to terminate the contract if it pays within three months:

1. the senior cost;
2. any redundancy payments of the contractor that have been reasonably incurred;
3. all amounts shown in the base financial model as payable by the contractor from the termination date.

Payments

The Council will pay an annual unitary charge for the serviced facility. At the start of the contract it was estimated this would total £23.860m over the life of the concession period (25 years). The figure is subject to inflationary increases with potential reductions should the service provided fall below specified standards. The charge is also eligible for government grant. The centre was opened on 17 February 2003. Payments to the contractor in 2015/2016 were £1.239m (£1.221m in 2014/2015) with government grants of £0.561m received in the year (£0.561m in 2014/2015).

The outstanding commitments (Unitary Payments) due to be made to Waterfront Leisure (Crosby) Limited each year until the end of the contract in 2028 are required to be brought in to the Comprehensive Income and Expenditure Statement. In addition to this unitary payment, Waterfront Leisure generates income through the provision of goods and services, which has enabled a lower unitary payment charge.

The table below shows the outstanding commitment for the PFI contract and has been split between the key elements. It should be noted that the outstanding commitment has been inflated using the inflationary factors included within the original contract.

Commitments under PFI Contract	Reimbursement of Capital Expenditure £000s	Interest £000s	Service Charge £000s
Contract Payments in 2016/2017	92	385	738
Contract Payments between 2017/2018 and 2020/2021	549	1,493	3,025
Contract Payments between 2021/2022 and 2025/2026	1,289	1,400	4,136
Contract Payments between 2026/2027 and 2027/2028	783	313	1,796

Liabilities

Although the payments made to the contractor are described as unitary payments, they have been calculated to compensate the contractor for the fair value of the services they provide, the capital expenditure incurred and interest payable whilst the capital expenditure remains to be reimbursed. The liability outstanding to pay the liability to the contractor for capital expenditure incurred is as follows:

2014/2015 £000s		2015/2016 £000s
-2,965	Balance outstanding at start of year	-2,853
112	Payments during the year	140
-2,853	Balance outstanding at the year-end	-2,713

Property Plant and Equipment

The assets used to provide services at Crosby Leisure Centre are recognised on the Council's Balance Sheet. The following table shows the value of assets held under Crosby Leisure Centre PFI scheme at each Balance Sheet date and an analysis of the movement in those values:

2014/2015 £000s	Other Land & Buildings: PFI Assets	2015/2016 £000s
	Cost or Valuation	
7,451	Opening Balance at 1 April	7,090
2	Additions	20
-363	Revaluations	0
7,090	Closing Balance at 31 March	7,110
	Depreciation and Impairments	
-205	Opening Balance at 1 April	0
-205	Depreciation Charge	-193
410	Revaluations	0
0	Closing Balance at 31 March	-193
	Balance Sheet Amount	
7,246	Opening Balance at 1 April	7,090
7,090	Closing Balance at 31 March	6,917

Arvato Public Sector Services Limited

On 1 October 2008, the Council entered into an agreement with Arvato Public Sector Services Limited to manage the following services: Information Technology, Transactional Human Resources and Payroll, Benefits, Revenues and Customer Contact. The contract also contains an element for assets to be provided by arvato to deliver the services contained in the contract. This has been assessed as requiring the administrative plant and equipment assets involved to be accounted for in the same way as the PFI contract, i.e. on Balance Sheet with a corresponding liability. Depreciation is totally attributable to the principal charge. Any increase due to indexation (Contingent Rent) is removed from the Net Cost of Services and charged to Financing and Investment Income and Expenditure.

The Council only has the right to terminate the contract if it pays redundancy payments, breakage costs, service provider lost profit for the remainder of the contract, handover costs and direct losses. The service provider has the right to terminate the contract if it pays the Council's retendering costs, reprocurement costs, interim management costs handover costs and direct losses.

Payments

The contract price for the ten years was agreed at the start of the contract and yearly inflation is added to the contract price each 1 April based on the pay award and retail price index for the relevant year, subject to agreed service standards which are reviewed annually. Where necessary, variations to the contract price are negotiated and agreed following changes to statutory requirements or changes in demand.

At 31 March 2016, the amount of payments (at Balance Sheet date prices) due to be made under the agreement, separated into repayment of liability and service charges is as follows (no future interest costs can be established until a contingent rents is calculated in the year the actual 'unitary' charge is made)

Commitments under Service Concession	Repayment of Liability £000s	Service Charge £000s	Total £000s
Contract Payments in 2016/2017	963	15,430	16,393
Contract Payments between 2017/2018 and 2019/2020	3,337	23,197	26,534

Liabilities
An analysis of the movement in the value of the liabilities for both schemes is shown below:

2014/2015 £000s		2015/2016 £000s
-6,354	Balance outstanding at start of year	-5,302
1,052	Payments during the year	1,002
-5,302	Balance outstanding at the year-end	-4,300

Property Plant and Equipment / Intangible Assets
The following table shows the value of assets held under the arvato contract at each Balance Sheet date and an analysis of the movement in those values:

2014/2015		Arvato	2015/2016	
Vehicles, Plant & Equipment £000s	Intangible Assets £000s		Vehicles, Plant & Equipment £000s	Intangible Assets £000s
		Cost or Valuation		
8,186	1,355	Opening Balance at 1 April	8,186	1,355
0	0	Additions	0	0
8,186	1,355	Closing Balance at 31 March	8,186	1,355
		Depreciation and Impairments		
-2,811	-376	Opening Balance at 1 April	-3,713	-527
0	-151	Amortisation for the Year	0	-151
-901	0	Depreciation Charge	-850	0
-3,712	-527	Closing Balance at 31 March	-4,563	-678
		Balance Sheet Amount		
5,375	979	Opening Balance at 1 April	4,473	828
4,474	828	Closing Balance at 31 March	3,623	677

56 PARTICIPATION IN PENSION SCHEMES

As part of the terms and conditions of employment of its officers and other employees, the Authority offers retirement benefits. Although retirement benefits will not actually be payable until employees retire, the Authority has a commitment to make the payments that needs to be disclosed at the time that employees earn their future entitlement.

The Authority participates in three pension schemes:

Pension Schemes Accounted for as Defined Contribution Schemes

Teachers' Pension Scheme (TPS)
Teachers employed by the Authority are members of the Teachers' Pension Scheme, administered by Capita Teachers' Pensions on behalf of the Department for Education. It provides teachers with specified benefits upon their retirement, and the Authority contributes towards the costs of making contributions based on a percentage of members' pensionable salaries.

The Scheme is a multi-employer defined benefit scheme. 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. Valuations of the notional fund are undertaken every four years.

The scheme has approximately 7,000 participating employers and consequently the Authority 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 purpose of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme. As a proportion of the total contributions into the Teachers' Pension Scheme during the year ending 31 March 2016, the Authority's own contributions equate to approximately 0.26%.

In 2015/2016, the Council paid £9.948m to Teachers' Pensions in respect of teachers' retirement benefits, representing 15.5% of teachers' pensionable pay (contribution rates of 14.1% from 1st April 2015 to 31st August 2015 and 16.48% from 1st September 2015 to 31st March 2016. The figures for 2014/2015 were £9.648m and 14.1%. Contributions of £0.882m remained payable at the year-end. The contributions due to be paid in 2016/2017 are estimated to be £10.684m.

In cases of redundancy or early retirement in the interests of the efficiency of the service, the Authority is responsible for the cost of any additional benefits awarded that are outside the terms of the teachers' scheme. In 2015/2016 these contributions amounted to £1.211m, representing 1.89% of teachers' pensionable pay. The figures for 2014/2015 were £1.256m and 1.84%.

<u>NHS Pension Scheme</u>
As a result of the transfer of responsibility for Public Health to local authorities in April 2013, a number of staff also transferred who are members of the NHS Pension Scheme, administered by NHS Pensions on behalf of the Department of Health. It provides staff with specified benefits upon their retirement, and the Authority contributes towards the costs of making contributions based on a percentage of members' pensionable salaries.

The Scheme is a multi-employer defined benefit scheme. The scheme is unfunded and the Department of Health uses a notional fund as the basis for calculating the employers' contribution rate paid by local authorities. Valuations of the notional fund are undertaken every four years.

The scheme has approximately 9,000 participating employers and consequently the Authority 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 purpose of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme. As a proportion of the total contributions into the NHS Pension Scheme during 2015/2016, the Authority's own contributions equate to approximately 0.001% (0.002% in 2014/2015)

In 2015/2016, the Council paid £0.067m to NHS Pensions in respect of retirement benefits, representing 14.3% of the employees' pensionable pay. The figures for 2014/2015 were £0.141m and 14.0%. Contributions of £0.003m remained payable at 31 March 2016 (£0.012m at 31 March 2015). The contributions due to be paid in 2016/2017 are estimated to be £0.039m.

<u>Defined Benefit Schemes</u>

<u>Local Government Pension Scheme (LGPS)</u>
All employees not eligible to join the Teachers' Pension Scheme or the NHS Pension Scheme are, subject to certain qualifying criteria, eligible to join the Local Government Pension Scheme. Wirral Metropolitan Borough Council acts as the administering authority of the LGPS as lead authority for the Merseyside councils' scheme, the Merseyside Pension Fund (MPF). This is a funded defined benefit final salary scheme (career average revalued earnings scheme from 1 April 2014), meaning that the Authority and employees pay contributions into the fund, calculated at a level intended to balance the pension liabilities with investment assets.

In 2015/2016, the Council paid £12.971m to the MPF in respect of retirement benefits, representing 14.2% of employees' pensionable pay. The figures for 2014/2015 were £40.983m and 45.0%. Contributions of £1.603m remained payable at 31 March 2016 (£1.401m at 31 March 2015).

The amount paid in 2014/2015 included a one-off payment in April 2014 of £28.645m to cover the deficit recovery contributions for 2014/2015 to 2016/2017 (for which the Council received a discount). Contributions in 2015/2016 were significantly less as no deficit recovery contribution was required in the year (and won't be required in 2016/2017 either). The Council temporarily utilised £19.477m of Earmarked Reserves in 2014/2015 to fund part of the payment. Earmarked Reserves have been increased by £9.543m in 2015/2016 as no deficit recovery payment was required so £9.934m remains temporarily utilised. This amount will be added to Earmarked Reserves in 2016/2017 when again no deficit recovery payment is required.

In cases of redundancy or early retirement in the interests of the efficiency of the service, the cost of any added years awarded is borne by the Council and not the Local Government Pension Scheme. In 2015/2016 these contributions amounted to £1.431m representing 1.56% of pensionable pay. The figures for 2014/2015 were £1.437m and 1.58%.

The principal risks of the scheme to the Authority are the longevity assumptions, statutory changes to the scheme, structural changes to the scheme (i.e. large-scale withdrawals from the scheme), changes to inflation, bond yields and the performance of the equity investments held by the scheme. These are mitigated to a certain extent by the statutory requirements to charge the General Fund the amounts required by statute, as described in the accounting policies note.

Transactions Relating to Post-employment Benefits

The cost of retirement benefits is recognised in the Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge we are required to make against Council Tax is based on the cash payable in the year, so the real cost of retirement benefits are reversed out of the General Fund via the Movement in Reserves Statement.

The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year:

2014/2015		**Comprehensive Income and Expenditure Statement**	2015/2016	
LGPS £000s	TPS Unfunded Liabilities £000s		LGPS £000s	TPS Unfunded Liabilities £000s
		Cost of Services:		
19,402	0	Current Service Cost	23,284	0
1,023	0	Curtailment Cost	981	0
456	0	Administration Expenses	458	0
		Financing and Investment Income and Expenditure:		
10,448	494	Net Interest Cost	10,972	355
31,329	494	Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	35,695	355
88,182	698	Re-measurement of the Net Defined Benefit Liability	-36,913	-235
119,511	1,192	Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	-1,218	120

2014/2015		**Movement in Reserves Statement**	2015/2016	
LGPS £000s	TPS Unfunded Liabilities £000s		LGPS £000s	TPS Unfunded Liabilities £000s
-31,329	-494	Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post-employment benefits in accordance with the Code	-35,695	-355
		Actual amount charged against the General Fund for pensions in the year:		
42,420		• employers' contributions payable to the scheme	14,402	
	1,256	• retirement benefits payable direct to pensioners		1,211

Assets and Liabilities in Relation to Retirement Benefits

Pensions Assets and Liabilities Recognised in the Balance Sheet

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

2014/2015			2015/2016	
LGPS £000s	TPS Unfunded Liabilities £000s		LGPS £000s	TPS Unfunded Liabilities £000s
-1,004,616	-12,054	Present Value of the Defined Benefit Obligation	-981,050	-10,963
654,532	0	Fair Value of Plan Assets	646,586	0
-350,084	-12,054	Net Liability arising from defined benefit obligation	-334,464	-10,963

Reconciliation of Present Value of the Scheme Liabilities (Defined Benefit Obligation)

2014/2015			2015/2016	
LGPS £000s	TPS Unfunded Liabilities £000s		LGPS £000s	TPS Unfunded Liabilities £000s
839,065	12,118	Opening Balance at 1 April	1,004,616	12,054
19,402	0	Current Service Cost	23,284	0
36,355	494	Interest Cost on Pension Liabilities	31,734	355
5,989	0	Contributions from scheme participants	5,807	0
		Remeasurement Gains (-) and Losses:		
0	0	- Actuarial Gains / Losses arising from changes in demographic assumptions	0	0
134,382	664	- Actuarial Gains / Losses arising from changes in financial assumptions	-53,741	-235
0	34	- Experience Gains / Losses	0	0
-31,600	-1,256	Benefits paid	-31,631	-1,211
1,023	0	Curtailment Cost	981	0
1,004,616	12,054	Closing Balance at 31 March	981,050	10,963

Reconciliation of the Movements in the Fair Value of the Scheme (Plan) Assets

2014/2015			2015/2016	
LGPS £000s	TPS Unfunded Liabilities £000s		LGPS £000s	TPS Unfunded Liabilities £000s
566,072	0	Opening Balance at 1 April	654,532	0
25,907	0	Interest Income	20,762	0
		Remeasurement Gains / Losses (-):		
46,200	0	- The return on plan assets, excluding the amount included in the net operating expense	-16,828	0
42,420	1,256	Contributions from Employer	14,402	1,211
5,989	0	Contributions from Employees into the Scheme	5,807	0
-31,600	-1,256	Benefits paid	-31,631	-1,211
-456	0	Administration Expenses	-458	0
654,532	0	Closing Balance at 31 March	646,586	0

Local Government Pension Scheme Assets Comprised:

2014/2015			2015/2016	
Quoted £000s	Unquoted £000s		Quoted £000s	Unquoted £000s
19,834	**0**	Cash and Cash Equivalents	**22,227**	**0**
		Equities:		
156,171	0	- UK Quoted	139,847	0
197,145	0	- Global Quoted	195,059	0
353,316	**0**		**334,906**	**0**
		Bonds:		
32,727	0	- UK Government	29,668	0
16,952	0	- UK Corporate	15,663	0
63,882	0	- UK Index Linked	57,374	0
113,561	**0**		**102,705**	**0**
		Property:		
0	36,654	- UK Direct Property	0	37,059
2,160	8,705	- Property Managed (UK)	2,646	10,262
0	6,545	- Property Managed (Global)	0	7,620
2,160	**51,904**		**2,646**	**54,941**
		Alternatives:		
262	19,571	- Private Equity (UK)	124	23,747
0	17,934	- Private Equity (Global)	0	20,797
1,636	3,534	- Hedge Funds (UK)	1,637	3,494
0	19,963	- Hedge Funds (Global)	0	17,457
1,767	9,163	- Infrastructure (UK)	2,607	12,990
0	5,433	- Infrastructure (Global)	0	8,333
11,978	13,418	- Opportunities (UK)	11,194	18,448
1,964	7,134	- Opportunities (Global)	869	7,464
17,607	**96,150**		**16,431**	**112,730**
506,478	**148,054**	**Total Assets (Quoted / Unquoted)**	**478,915**	**167,671**
	654,532	**Total Assets**		**646,586**

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent upon assumptions about mortality rates, salary levels etc. Both the Local Government Pension Scheme and Teachers' Pension Scheme Unfunded Liabilities have been estimated by Mercer Human Resource Consulting, an independent firm of actuaries, estimates being based on the latest full actuarial valuation of the scheme as at 31 March 2013.

The principal assumptions used by the actuary have been:

2014/2015		2015/2016
	Mortality assumptions (years):	
22.4	Longevity at 65 for current pensioners: Men	22.5
25.3	Longevity at 65 for current pensioners: Women	25.4
24.8	Longevity at 65 for future pensioners: Men	24.9
28.1	Longevity at 65 for future pensioners: Women	28.2
	Other assumptions	
2.0%	Rate of Inflation - CPI	2.0%
3.5%	Rate of increase in salaries	3.5%
2.0%	Rate of increase in pensions - CPI	2.0%
3.2%	Rate for discounting scheme liabilities (LGPS)	3.5%
3.1%	Rate for discounting scheme liabilities (TPS Unfunded Liabilities)	3.4%

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. The assumptions for longevity, for example, assume that life expectancy increases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions are interrelated. The estimations in the sensitivity analysis have followed the accounting policies of the scheme, i.e. on an actuarial basis using the projected unit cost method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

	Impact on the Defined Benefit Obligation in the Scheme	
	Increase in Assumption	Decrease in Assumption
	£000s	£000s
Local Government Pension Scheme		
Longevity (increase or decrease in 1 year)	19,311	-19,311
Rate of Inflation (increase or decrease by 0.1%)	17,614	-17,614
Rate of Increase in Salaries (increase or decrease by 0.1%)	3,890	-3,890
Rate of Increase in Pensions (increase or decrease by 0.1%)	17,614	-17,614
Rate for Discounting Scheme Liabilities (increase or decrease by 0.1%)	-17,303	17,303
Teachers' Additional Unfunded Pensions		
Longevity (increase or decrease in 1 year)	452	-452
Rate of Inflation (increase or decrease by 0.1%)	78	-78
Rate for Discounting Scheme Liabilities (increase or decrease by 0.1%)	-77	77

Impact on the Authority's Cash Flows

The objectives of the Local Government Pension Scheme are to keep employers' contributions at as constant a rate as possible. The Council has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over the next 21 years. Funding levels are monitored on an annual basis. The most recent triennial valuation took place on 31 March 2013 and has set contributions levels for 2014/2015 to 2016/2017. This valuation took account of the changes to the scheme from 1 April 2014 which introduced a new career average revalued earnings scheme for future service rather than a final salary scheme. The next valuation will take place on 31 March 2016.

The total payments expected to be made to the local government pension scheme by the Council in the year to 31 March 2017 is £13.983m.

The total payments expected to be made by the Council to former teachers receiving additional unfunded pensions in the year to 31 March 2017 is £1.211m.

The weighted average duration of the defined benefit obligation for Local Government Pension Scheme members is 18 years in 2015/2016 (18 years in 2014/2015). The weighted average duration for former teachers receiving additional unfunded pensions is 7 years in 2015/2016 (7 years in 2014/2015).

57 CONTINGENT LIABILITIES

Business Rates Appeals: The Council has made a provision for Appeals that is its best estimate of the actual liability as at the year-end based on appeals that were outstanding at 31 March 2016. It is not possible to quantify appeals that have not yet been lodged with the Valuation Office Agency so there is a risk to the Council that national and local appeals may have a future impact on the accounts.

Collateral warranty by the Council in favour of the Security Trustee (Prudential Trustee Company Limited)

The Council has given a number of warranties for up to 35 years in respect of environmental pollution, statements, title, encumbrances, planning matters, statutory obligations, adverse orders, tenancies, information and statistics supplied, sales off, disputes and litigation, rights of entry to maintain and repair, absence of adverse replies, electricity sub-stations and shop leases, leasehold property, wayleaves, telecommunications and works undertaken.

In addition the following specific warranties have been given from the date of transfer (30 October 2006):

- Unlimited warranty for up to 35 years in respect of vires claims
- Warranty for up to 20 years in respect of claims in relation to asbestos, except that this shall not apply in respect of the first £10,685,780 of costs and expenses incurred in aggregate on asbestos works.

In aggregate the value of these warranties is limited to £100,500,000 plus any costs associated with interest and loan breakage costs due under the One Vision Loan Agreement.

Collateral warranty by the Council in favour of One Vision Housing Limited

The Council has given a number of warranties for up to 17 years in respect of statements, title, encumbrances, planning matters, statutory obligations, adverse orders, tenancies, information and statistics supplied, sales off, disputes and litigation, rights of entry to maintain and repair, absence of adverse replies, electricity sub-stations and shop leases, leasehold property, wayleaves, telecommunications and works undertaken.

In addition the following specific warranties have been given from the date of transfer (30 October 2006):

- Warranty not exceeding £100,500,000 for up to 20 years in respect of environmental pollution.
- Warranty for up to 20 years in respect of claims in relation to asbestos, except that this shall not apply in respect of the first £8,439,750 of costs and expenses incurred in aggregate on asbestos works.
- Unlimited warranty for up to 17 years in respect of vires claims.

Contamination Costs: During 2011/2012 it was identified there was a site in the Borough that was contaminated and there would be significant costs associated with clearing the contamination. Sefton has established an Earmarked Reserve of £1.500m to cover potential costs associated with clearing the contamination. There is a potential further liability if the costs of clearing the contamination are greater than currently envisaged.

Merseyside Pension Fund - Contractor Admission Bodies: The Council provides guarantees for any potential unfunded liabilities on the Merseyside Pension Fund for Sefton New Directions Limited and Arvato Public Sector Services Limited. The most recently notified value of the guarantee for Sefton New Directions Limited is £4.615m. The most recently notified value of the guarantee for Arvato Public Sector Services Limited is £9.539m. Sefton and Arvato’s parent company would jointly fund any future liability, the split dependent on the factors leading to the liability. The values are highly dependent on market conditions at the time of the valuation and can vary significantly between valuations.

Municipal Mutual Insurance: The Scheme of Arrangement for the above company was enacted during 2012/2013. The liability upon the Council as a scheme creditor cannot be fully estimated at this stage for unknown claims incurred but not reported between 1974 and 1992. Whilst the Council has considered the financial impact in producing its Statement of Accounts, by including resources in its Insurance Provision, there is a risk that the Council's financial liability could increase from this level.

Claims Against the Council: The Council has received claims seeking compensation relating to transactions with the Council. Sefton has established a provision of £0.200m to cover the potential payments and associated legal costs if the Council are not able to successfully defend the claims made against the Authority. There is a potential further liability if all aspects of the claims cannot be successfully defended.

58 CONTINGENT ASSETS

Plaza Community Cinema, Crosby: The Council provided financial assistance to the Trustees of the Plaza Cinema between 2006 and 2008. If the Cinema ceases to trade before 16 July 2016 then £100,000 will be due to the Council.

Receipts from Former Council House Sales: The Council have agreed to share any proceeds of former council house sales if they are subsequently sold by One Vision Housing Limited. The arrangement lasts until 31 March 2037 and the amount received will depend on the number of sales each year.

VAT Sharing Arrangement: As part of the voluntary stock transfer an agreement was reached with One Vision Housing Limited to share their VAT that they can claim from HM Revenue and Customs. This arrangement is unique to councils and registered social landlords upon transfer. This arrangement is due to end on 30 October 2016. Sefton's share of reclaimable VAT is likely to be in the region of £0.100m until the end of the arrangement.

59 FINANCIAL INSTRUMENTS

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability of another. Typical financial instruments include trade payables and borrowings (liabilities) and investments and trade receivables (assets).

Financial Instruments in so far as the Authority is concerned relate to investments, cash and cash equivalents, loans receivable, borrowings, trade payables and receivables.

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

	Long Term		Current	
	31/03/2015 £000s	31/03/2016 £000s	31/03/2015 £000s	31/03/2016 £000s
Investments				
Loans and receivables	11	11	10,110	17,098
Available for sale financial assets	5,059	5,362		
Cash and cash equivalents			39,136	21,616
Total investments	5,070	5,373	49,246	38,714
Receivables				
Loans and receivables	5,890	4,933		
Financial assets carried at contract amounts			39,811	35,930
Total Receivables	5,890	4,933	39,811	35,930
Borrowings				
Financial liabilities at amortised cost	110,197	100,197	10,963	10,766
Bank overdraft			486	1,532
Total borrowings	110,197	100,197	11,449	12,298
Other Long Term Liabilities				
PFI and finance lease liabilities	17,940	15,710		
Total other long term liabilities	17,940	15,710		
Payables				
Financial liabilities carried at contract amount			42,405	40,069
PFI and finance lease liabilities			2,288	2,230
Total payables			44,693	42,299

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

	31 March 2016		
	Financial Liabilities	Financial Assets	
	Liabilities measured at amortised cost £000s	Loans and receivables £000s	Total £000s
Interest expense	-6,362	0	
Interest payable and similar charges	-6,362	0	-6,362
Interest Receivable		754	
Income on Investment Properties	0	1,968	
Interest and investment income	0	2,722	2,722
Net loss (-) / gain for the year	-6,362	2,722	

Comparative figures for the previous financial year are made up as follows:

	31 March 2015		
	Financial Liabilities	Financial Assets	
	Liabilities measured at amortised cost £000s	Loans and receivables £000s	Total £000s
Interest expense	-6,739	0	
Interest payable and similar charges	-6,739	0	-6,739
Interest Receivable		660	
Income on Investment Properties	0	1,559	
Interest and investment income	0	2,219	2,219
Net loss (-) / gain for the year	-6,739	2,219	

Fair Value of Assets and Liabilities.

The Churches and Charities Local Authority LAMIT Property Fund asset is measured in the balance sheet (Long Term Investments) at fair value on a recurring basis.

Recurring Fair Value Measurements	Input level in Fair Value Hierarchy	Valuation technique used to measure Fair Value	31 March 2015 £000s	31 March 2016 £000s
Available for Sale - CCLA	Level 1	Unadjusted quoted prices in active markets for identical shares	5,059	5,362

The Fair Values of Financial Assets and Liabilities that are not measured at Fair Value but require a Fair Value disclosure.

Financial liabilities and financial assets represented by loans and receivables are carried in the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments (Level 2 Input – inputs other than quoted prices that are observable for the financial asset/ liability). We have used the following assumptions:

- The discount rate used in the net present value calculation is equal to the current rate in relation to the same instrument from a comparable lender. This rate will be the rate applicable in the market on the date of valuation (31st March 2016), for an instrument of the same duration.
- For PWLB debt the new borrowing rate has been used, as opposed to the premature repayment rate.

The fair value calculation has been based on the comparable new borrowing / deposit rate for the same financial instruments from a comparable lender. A consistent approach has been applied to assets and liabilities.

The purpose of the fair value valuation is to allow evaluation quantitatively of the Authority's financial position and performance with regard to each class of financial instrument, and also to indicate the extent of the Authority's risk exposure arising as a result of these transactions. The fair value also indicates the cost / benefits to the Council of retaining fixed interest borrowings and investments to maturity.

The fair values calculated are as follows:

	31 March 2015		31 March 2016	
	Carrying amount £000s	Fair value £000s	Carrying amount £000s	Fair value £000s
Borrowing	121,160	145,790	110,963	136,212
Other Short and Long-term liabilities	20,228	25,301	17,940	17,940

The fair value is more than the carrying amount because the Authority's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the rates available for similar loans at the Balance Sheet date. This commitment to pay interest above the current market rate increases the amount that the Authority would have to pay if the lender requested or agreed to early repayment of the loan.

	31 March 2015		31 March 2016	
	Carrying amount £000s	Fair value £000s	Carrying amount £000s	Fair value £000s
Loans and Receivables	10,110	10,112	17,098	17,104
Long-term Receivables	5,890	5,890	4,933	4,933

The fair value is more than the carrying amount because the Authority's portfolio of investments includes a number of fixed rate investments where the interest rate receivable is higher than the rates available for similar investments at the Balance Sheet date. This guarantee to receive interest above the current market rate increases the amount that the Authority would receive if it agreed to early repayment of the investments.

Short term receivables and payables are carried at cost as this is a fair approximation of the value.

60 NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

The Authority is required to disclose information, which enables the user of these statements of accounts to evaluate the nature and extent of any risk arising from Financial Instruments.

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

i) Credit risk – the possibility that other parties may fail to pay amounts due to the Authority;
ii) Liquidity risk – the possibility that the Authority may not have funds available to meet its commitments to make payments;
iii) Market risk – the possibility that financial loss may arise for the Authority as a result of changes in such measures as interest rates or stock market movements.

The Treasury Management Policy and Strategy documents approved by Council annually seek to limit the risk of potential adverse effects on resources available to fund services arising due to the impact of unpredictable movements in the financial markets on treasury management activity undertaken by the in-house team.

Credit Risk

The main element of credit risk the Authority is exposed to arises from deposits with banks, building societies and money market funds, as well as credit exposures to the Authority's customers.

This risk is managed through the Authority's Treasury Management Policy and Strategy documents approved by Council annually. These documents set out the limits in terms of value and duration over which investment can be made with the various Banks and Building Societies included on the Authority's Counter Party lending list. This counter party list is made up of the institutions that have been rated using the Fitch and Moody's scoring methodologies and any changes to the institutions rating that result in a non-compliance with the minimum criteria will see the institution taken off the counter party list.

Credit rating agencies such as Fitch and Moody's rate institutions depending upon:

- Long term ability to meet all of their most senior financial obligations on a timely basis
- Short term ability to meet financial obligations within a relatively short time period
- Individual rating attempts to assess how a bank would be viewed if it was entirely independent of any external support
- Support rating is the likelihood of a potential supporter's propensity and ability to support the institution

The sovereign rating is an additional rating criteria that is now used. It reflects the strength of a country's economy, and hence the ability of a country's Government to support its financial institutions.

The credit criteria in respect of Financial Assets held by the Authority is as detailed below:

Financial Asset Category	Criteria	Maximum Investment
Deposits with banks	Sovereign rating: AA+ Short Term: F1+ Long Term: A- Individual rating: C Support: 2 Active in sterling markets	£25m (the Authority currently operates a £15m operational limit)
Deposits with building societies	Short Term: F1 (Fitch) / P-1 (Moody) Active in sterling markets Minimum total assets: £2,000m	£25m (the Authority currently operates a £15m operational limit)
Deposits with money market funds	Sovereign rating: AAA	£15m

The above table demonstrates that the Authority will only invest in institutions that have the highest credit rating scores. For Banks, a risk score of F1+ (exceptionally strong credit quality), A- (high credit quality –low credit risk and considered to have a very strong capacity to pay financial commitments) and Building Societies that have a risk score of F1 (highest credit quality), P-1 (low risk).

The following analysis summarises the Authority's potential maximum exposure to credit risk at the balance sheet date. The figures represent the actual investment made and, based on experience of default and uncollectability over the last 11 financial years, adjusted to reflect current market conditions:

Estimated maximum exposure at 31/03/15		Amount at 31/03/16	Historical experience of default	Historical experience adjusted for market conditions at 31/03/16	Estimated maximum exposure to default & uncollectability at 31/03/16
£000s		£000s A	% B	% C	£000s (A x C)
0	Deposits with Banks	17,031	0	0	0
0	Deposits with Money Market	21,555	0	0	0
0	Deposits Other	43,665	0	0	0
537	Customers	12,524	3.55%	3.55%	445
537					**445**

The Authority has no history of non-repayment of investments. There were no instances of counterparties failing to meet contractual obligations in relation to deposits during the financial year, and whilst no guarantee can be given against default, the Authority does not expect any losses from non-performance by any of its counterparties in relation to deposits.

The Authority also reduces its exposure of credit risk by limiting the number of investments with a maturity period of between 1 and 5 years to a maximum of 40% of our total investments. This ensures that the Authority does not tie up all its funds for a long period of time, increasing the risk of a bank running into financial problems.

As mentioned previously, the Authority has changed its investment policy with banks and now only invests with extremely highly rated banks (with a Sovereign rating: AA+) that are backed by the Government in which the bank is situated. The profile of investments by country is shown below:

	Total Investments at 31 March 2015 £000s	Total Investments at 31 March 2016 £000s
United Kingdom Banks	10,110	17,098
Other: CCLA	5,059	5,362
Other: Funding Circle	10	10
	15,179	22,470

The Authority does not generally allow credit for customers, such that £9.973m of the £12.524m balance is past its due date for payment. The past due amount can be analysed by age as follows:

	31 March 2015 £000s	31 March 2016 £000s
Less than three months	3,492	2,914
Three months to one year	2,332	4,311
More than one year	5,102	5,299
	10,926	12,524

A provision for bad debts relating to customers exists which totals £2.212m at 31 March 2016 (£2.091m at 31 March 2015). This provision relates to a wide variety of assets of which none are individually significant. The provision was increased by £0.206m in 2015/2016 (£0.404m in 2014/2015) and £0.086m was written-off during the year (£1.505m in 2014/2015).

Of this debt £4.180m is secured against properties at 31 March 2016 (£3.810m as at 31 March 2015). These properties are held as collateral but cannot be pledged or resold unless the owner defaults.

Liquidity Risk

The Authority has a comprehensive cash flow management system that seeks to ensure that cash is available as needed. If unexpected movements happen, the Authority has ready access to borrowings from the Public Works Loans Board (PWLB) and Money Markets as a result of the annual Treasury Management Policy and Strategy documents approved by Council. The authority has set an affordable borrowing limit that reflects its underlying need to borrow for a capital purpose, and this includes an allowance for exceptional cash flow movements. There is thus no significant risk that the Authority will be unable to raise finance to meet its commitments.

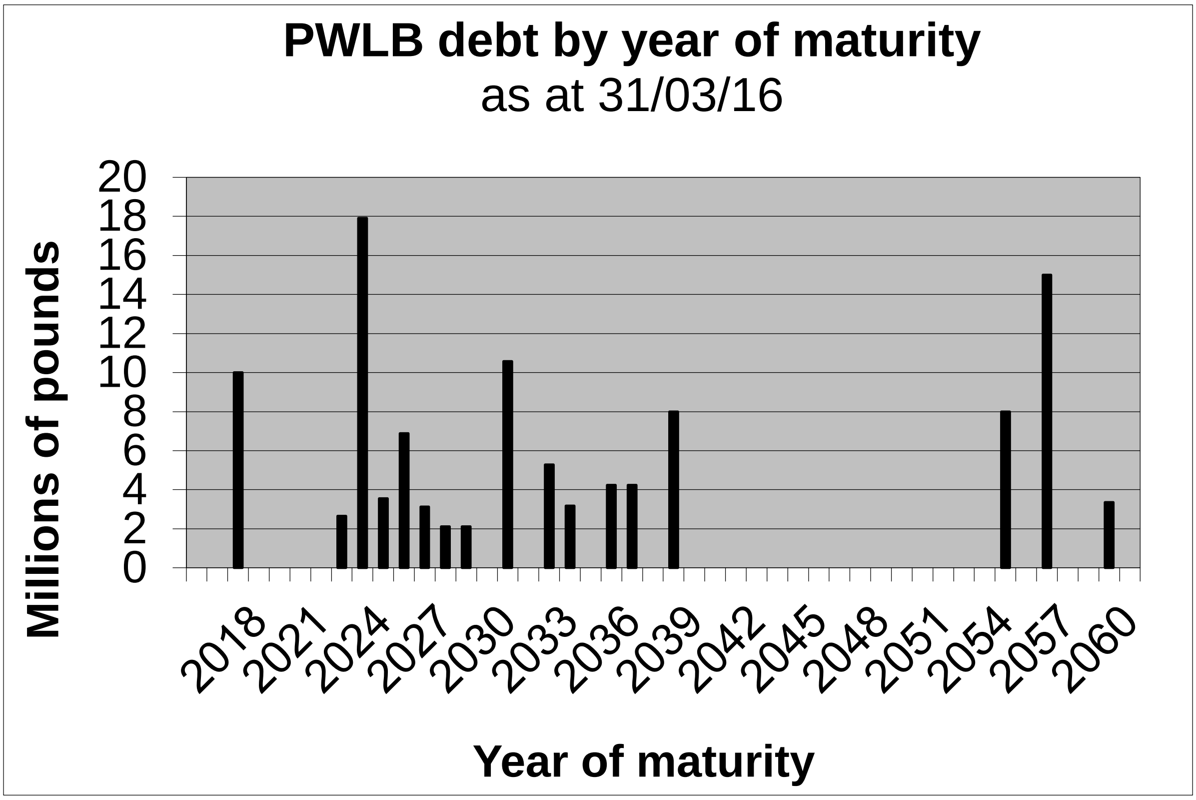
The risk for the Authority is that it will need to replace its borrowings at a time when interest rates are unfavourable, leading to additional ongoing financing costs. The strategy for the Council is to ensure that by careful planning of the repayment date for new and replacement loans, and (when economic to do so) the restructuring of debt, the maturity profile of its fixed rate loans do not exceed or fall below the limits for the periods set out below. These limits also ensure that the Authority does not have significant amounts of variable borrowing in the long term, exposing itself to major movements in interest rates. Analyses of the Council’s debt by type and maturity are shown in the following tables.

31 March 2015 £000s	Analysis of Loans by Type:	Range of Interest Rates Payable (%)	31 March 2016 £000s
121,140	Public Works Loan Board	2.17 – 7.13	110,943
0	Money Market		0
16	Individuals	0.00	16
0	Other Local Authorities		0
4	Other	6.50	4
121,160	**Total**		110,963

31 March 2015 £000s	Analysis of Loans by Maturity:	31 March 2016 £000s
10,963	Maturing within one year	10,766
10,000	Maturing in 1-2 years	0
0	Maturing in 2-5 years	0
30,966	Maturing in 5-10 years	34,086
17,929	Maturing in 10-15 years	14,809
12,693	Maturing in 15-20 years	16,924
12,231	Maturing in 20-25 years	8,000
0	Maturing in 25-30 years	0
0	Maturing in 30-35 years	0
8,000	Maturing in 35-40 years	23,000
18,358	Maturing in 40-45 years	3,358
20	Maturing in more than 45 years	20
121,160	**Total**	110,963

The Analysis of Loans by Type shows the total of loans that are due to be repaid within one year (shown as Short-Term Borrowing on the Balance Sheet) and those due to be repaid in more than one year (shown as Long-Term Borrowing on the Balance Sheet).

The maturity profile of the Council's PWLB debt only is shown in the following chart.



All trade and other payables are due to be repaid within one year.

Market Risk

a) Foreign Exchange Risk
The Authority has no financial assets or liabilities denominated in foreign currencies, and thus has no exposure to loss arising from movements in exchange rates.

b) Price Risk
Price risk arises on financial assets because of changes in commodity prices or equity prices. The Authority's holdings in the CCLA Local Authority Property Fund are held on the Balance Sheet at bid price. This is the expected return if the Authority decided to sell its holdings. The asset value will reflect fluctuations in Property Values and rents and are therefore exposed to risk arising from movements in the price of such assets due to changes in general economic conditions.

c) Interest Rate Risk
The Authority is exposed to significant risk in terms of its exposure to interest rate movements on its borrowings and investments. As an example of this, a rise in interest rate has the following effects:

i) Borrowings at variable rates – the interest expense charged to the surplus or deficit on the provision of services will rise;
ii) Borrowings at fixed rates – the fair value of the loan will fall;
iii) Investments at variable rates – the interest income credited to the surplus or deficit on the provision of services will rise;
iv) Investments at fixed rates – the fair value of the investment will fall.

Borrowings are carried at amortised cost on the Balance Sheet not fair value, and so nominal gains and losses on fixed rate borrowings would not impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure. However, changes in variable rates on borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services and affect the General Fund Balance.

The annual Treasury Management Policy and Strategy documents approved by Council contain a number of strategies for managing interest rate risk. To guard against the impact of adverse changes in interest rates, the maximum proportion of borrowing subject to variable interest rates is limited to 33% along with a maximum proportion of investments subject to variable rates limited to 40%.

During periods of falling interest rates, and where economic circumstances make it favourable, the Authority will look to reschedule its loans in order to limit its exposure to losses and so reduce its capital financing costs.

The in-house Treasury Management team receives professional advice and has an active strategy for assessing interest rate exposure via the use of indicators. This is used to establish and monitor the budget for capital financing costs, allowing any adverse changes to be accommodated. The monitoring of interest rate exposure assists with the decision as to whether new borrowing or investment undertaken is fixed or variable.

Based on the assessment strategy for interest rate risk if interest rates had been 1% higher with all other variables held constant on 31 March, the financial effect would be (note that the percentages quoted are for illustrative purposes only and are not an indication of the likely change):

31 March 2015 £000s		31 March 2016 £000s
587	Increase in interest receivable on variable rate investments (and resultant impact on the Surplus or Deficit on the Provision of Services)	649
14,915	Increase in fair value of fixed rate loans (no impact on Other Comprehensive Income and Expenditure)	14,442
-25	Increase in fair value of fixed rate investments (impact on Other Comprehensive Income and Expenditure)	-17
-985	Increase in fair value of financial liabilities (no impact on Other Comprehensive Income and Expenditure)	0

The impact of a 1% fall in interest rates would be as above but with the movements being reversed. The 1% variation chosen for sensitivity analysis can be treated as a flat line change, so a 5% variation will result in amounts totalling five times the amount included in the table above.

The Authority held no loans at variable rate at the Balance Sheet date so any movement in interest rates will have no effect on the Comprehensive Income and Expenditure Statement.

61 STATEMENT OF ACCOUNTING POLICIES

(a) GENERAL PRINCIPLES

The Statement of Accounts summarises the Council's transactions for the 2015/2016 financial year and its position at the year end of 31 March 2016. The Council is required to prepare an Annual Statement of Accounts by the Accounts and Audit (England) Regulations 2015 in accordance with proper accounting practices. These practices primarily comprise the *Code of Practice on Local Authority Accounting in the United Kingdom 2015/2016* and the *Service Reporting Code of Practice for Local Authorities 2015/2016*, supported by *International Financial Reporting Standards (IFRS)*.

The accounting convention adopted in the Statement of Accounts is primarily historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments. All accounting policies have been consistently applied.

The accounts have been prepared on a going concern basis. The assumption is that the Council will continue in operation for the foreseeable future.

(b) 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 provided by employees) are recorded as expenditure when the services are received rather than when payments are made.

- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure 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 debts may not be settled, the balance of receivables is written down and a charge made to revenue for the income that might not be collected.

(c) BUSINESS IMPROVEMENT DISTRICTS

A Business Improvement District (BID) scheme applies to an area in Southport Town Centre. The scheme is funded by a BID levy paid by non-domestic ratepayers. The Authority acts as principal under the scheme, and accounts for income received and expenditure incurred (including contributions to the BID project) within the relevant services within the Comprehensive Income and Expenditure Statement.

(d) CARBON REDUCTION COMMITMENT

The Council is required to participate in the Carbon Reduction Commitment (CRC) Energy Efficiency Scheme. This scheme has completed its introductory phase and the second phase of the scheme started in April 2013. The Council is required to purchase allowances retrospectively, on the basis of emissions (i.e. carbon dioxide produced as energy is used). As carbon dioxide is emitted (i.e. as energy is used), a liability and an expense are recognised.

The liability is measured at the best estimate of the expenditure required to meet the obligation, normally at the current market price of the number of allowances required to meet the liability at the reporting date. The cost to the Council is recognised and reported in the cost of the Councils services and is apportioned to services on the basis of energy consumption.

(e) 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 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 Authority has five different reserve accounts as at 31 March 2016 that it has determined to be Cash Equivalents.

In the Balance Sheet and 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.

(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 Property, Plant and Equipment and Intangible 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, revaluation and impairment losses or amortisation. However it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis determined by the Council in accordance with statutory guidance. Depreciation, revaluation and impairment losses are therefore replaced by the contribution in the General Fund Balance (Statutory Provision for the Financing of Capital Investment) by way of an adjusting transaction with the Capital Adjustment Account in the Movement of Reserves Statement for the difference between the two.

(g) EMPLOYEE BENEFITS

Benefits payable during employment
Short term employee benefits are those due to be settled within 12 months of the year end. They include such benefits as wages, 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 for services in the year in which the employees render service for the Council. An accrual is made for the cost of holiday entitlements (or any form of leave e.g. time off in lieu), earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following financial year, being the period in which the employee takes the benefit. The accrual is charged to 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 to which the holiday absence occurs.

Termination Benefits
Termination benefits are amounts payable as a result of a decision by the authority to terminate an officer's appointment before the normal retirement date or an officer's decision to accept voluntary redundancy in exchange for those benefits and are charged on an accruals basis to the appropriate service or, where applicable, to the Non Distributed Costs line in the Comprehensive Income and Expenditure Statement at the earlier of when the Authority can no longer withdraw the offer of those benefits or when the Authority recognises costs for a restructuring.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Authority 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 Council are members of three separate pension schemes:

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

These Schemes are defined benefits schemes in that they provide defined benefits to members (retirement lump sums and pensions) earned as employees working for the Council.

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

The Local Government Pension Scheme
The Local Government Scheme is accounted for as a defined benefits scheme:

- The liabilities of the 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 current earnings for current employees.

- Liabilities are discounted to their present value at current prices using a discount rate of 3.2% based on the indicative rate of return on high quality corporate bonds (based on a weighted average of 'spot yields' on AA rated corporate bonds).
- The assets of Merseyside Pension Fund attributable to the Council are included in the Balance Sheet at their fair value:
  - Quoted Securities – current bid price,
  - Unquoted securities – professional estimate,
  - Unitised securities- current bid price,
  - Property – market value.
- The change in the net pensions liability is analysed into the following components:

<u>Service cost comprising:</u>

- 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 employee worked.
- Past Service Cost - the increase in liabilities as a result of scheme amendment or curtailment whose effect relates to years of service earned in earlier years - debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs,
- Net Interest on the Net Defined Benefit Liability (Asset), i.e. net interest expense of the Authority - 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 year as a result of contribution and benefit payments.

<u>Remeasurements comprising:</u>

- The Return on Plan Assets – excluding amounts included in net interest on the net defined benefit liability (asset) – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
- Actuarial Gains and Losses - changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions - charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.

<u>Contributions paid to the Merseyside Pension Fund</u>

- 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 Authority 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 therefore measures the beneficial impact on the General Fund of being required to account for retirement benefits on the basis of cash flows rather than benefits which are earned by employees.

<u>Discretionary Benefits</u>

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

(h) EVENTS AFTER THE BALANCE SHEET DATE

Events after the Balance Sheet date 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.
- Those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

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

(i) FAIR VALUE MEASUREMENT

The Council measures some of its assets and liabilities at fair value at the end of the reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

a) in the principal market for the asset or liability, or

b) in the absence of a principal market, in the most advantageous market for the asset or liability.

The Council uses external Valuers to provide a valuation of its assets and liabilities in line with the highest and best use definition within the accounting standard. The highest and best use of the asset or liability being valued is considered from the perspective of a market participant.

Inputs to the valuation techniques in respect of the Council’s fair value measurement of its assets and liabilities are categorised within the fair value hierarchy as follows:

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

(j) FINANCIAL INSTRUMENTS

General Comment
A financial instrument is any contract that gives rise to a financial asset in one entity, and a financial liability in another. Most straight forward financial assets (receivables, bank deposits, investments etc.) and liabilities (payables, borrowings etc) are covered by this policy.

Financial Liabilities
Financial liabilities are recognised on the Balance Sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are subsequently 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 investment. 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.

For most of the borrowings that the Council has, this means that the amount 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.

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.

- Available for sale assets - assets that have a quoted market price and/or do not have fixed or determinable payments. The Council has one Available for Sale Asset.

Loans and receivables

Loans and receivables are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at 'fair value'. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the council has made, this means that the amount presented in the Balance Sheet is the principle outstanding plus or minus accrued interest and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

If an asset is identified as impaired because of the likelihood arising from a past event that payments due under a contract will not be made, the asset is written down and a charge made to the relevant service (for receivables specific to that service) or 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 or losses that result from the de-recognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

Available for Sale Assets

Available-for-sale assets are recognised on the Balance Sheet when the Authority 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, income (eg dividends) is credited to the Comprehensive Income and Expenditure Statement when it becomes receivable by the Authority.

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

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

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

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

Any gains and 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.

Warranties and Guarantees
The Council has entered into a number of Guarantees that are not required to be accounted for as Financial Instruments. These guarantees are reflected in the Statement of Accounts to the extent that at some future date a provision or earmarked reserve may have to be set up. These guarantees relate to:

- Housing stock transfer warranties,
- Pension guarantees related to contractor admissions bodies, such as New Directions, arvato and Capita Symonds.

(k) 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 effected.

(l) 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 authority where there is reasonable assurance that:

- The Authority 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 the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as payables. When conditions are satisfied, the grant or contribution is credited to the relevant services line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (Non-Ringfenced Government Grants and Capital Grants and Government 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 Reserve. Where it has been applied, it is posted to the Capital Adjustments Account. Amounts in the Capital Grants Unapplied Reserve are transferred to the Capital Adjustments Account once they have been applied to fund capital expenditure.

(m) HERITAGE ASSETS

A heritage asset is an asset that is held due to its historical, artistic, scientific, technological, or environmental qualities, and is maintained principally for its contribution to knowledge and culture. The Authority’s heritage assets are held in a number of locations, such as Town Halls and the Atkinson Centre.

The collection consists principally of a ceramic collection, a silver collection, works of art, an Egyptology collection, several war memorials, and the art installation “Another Place”. The collection is mainly valued on an insurance valuation basis. However, a number of war memorials are held that are valued at a nominal £1.

The assets are felt to have indeterminate lives and a high residual value; hence the Authority does not consider it appropriate to charge depreciation.

The Authority considers that obtaining valuations for the collection would involve disproportionate cost. This is because of the diverse nature of the assets and the lack of comparable market values.

Heritage Assets are recognised and measured (including the treatment of revaluation gains and losses) in accordance with the Authority's accounting policies on property, plant and equipment (note (q). The carrying amounts of Heritage Assets would be reviewed where there was evidence of impairment, e.g. where an item has suffered physical deterioration or breakage or where doubts arise about its authenticity. Any impairment would be recognised and measured in accordance with the Authority's general policies on impairment (see Impairment section of note (v)). If any items were disposed of, the proceeds would be accounted for in accordance with the Authority's general provisions relating to the disposal of property, plant and equipment. Disposal proceeds are disclosed separately in the notes to the financial statements and are accounted for in accordance with statutory accounting requirements relating to capital expenditure and capital receipts.

(n) 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 licenses) is capitalised when it is expected that the future economic benefits or service potential will flow from the intangible asset to the Council.

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

Intangible assets are carried at amortised cost. An intangible asset is amortised over its useful life to the relevant service lines in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired - any losses recognised are posted to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement of Reserves Statement and posted to the Capital Adjustments Account and (if sales proceeds exceed £10,000) the Capital Receipts Reserve.

(o) INTERESTS IN COMPANIES AND OTHER ENTITIES

The Council has a material interest in a company that is a subsidiary and is required to prepare group accounts. In the Council's own single entity accounts the interest in the company is recorded as a long term investment at cost.

In the group accounts transactions and balances between the Council and subsidiary are netted out on consolidation.

(p) INVENTORIES AND LONG TERM CONTRACTS

Inventories are included in the Balance Sheet at the lower of cost or net realisable value. The cost of inventories is assigned using the First-In-First-Out costing formula.

Long term contracts are accounted for on the basis of charging the Surplus or Deficit on the Provision of Services with the value of works and services received under the contract during the financial year.

(q) INVESTMENT PROPERTY

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 the production of goods or is held for sale.

Investment Properties are measured initially at cost. This is the amount of cash or cash equivalents paid or the fair value of other consideration given to acquire an asset at the time of its acquisition. They are subsequently measured at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arms-length. Properties are not depreciated but are revalued. An annual revaluation of all investment properties is undertaken. 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 General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any proceeds above £10,000) the Capital Receipts Reserve.

(r) LEASES

Leases have been classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to the ownership of property from the lessor to the lessee. All other leases are to be 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 a payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

THE COUNCIL AS A LESSEE

Finance Leases

Property, plant and equipment held under Finance leases will be recognised on the balance sheet at the commencement of the lease at its fair value measured at the leases inception (or the present value of the minimum lease payments if lower). The asset recognised will be matched by a liability for the obligation to pay the lessor. Initial direct costs of the Authority are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments will be apportioned between:

- A charge for the acquisition of the interest in the property, plant or equipment - applied to write down the lease liability,
- 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 is 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 (where ownership of the asset does not transfer to the Council at the end of the lease period).

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 revaluation 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 benefiting from the use of the leased property, plant and 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 (i.e. there is a rent free period at the commencement of the lease).

THE COUNCIL AS A LESSOR

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

Lease rentals receivable will be apportioned between:

- A charge for the acquisition of the interest in the property, plant or equipment - applied to write down the lease 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 is not permitted by Statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where a premium, 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 lease 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 Property, Plant and Equipment is fully provided for under separate arrangements for capital financing. Amounts are therefore 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 (i.e. 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 term on the same basis as rental income.

(s) OVERHEADS AND SUPPORT SERVICES

The costs of overhead and support services are charged to those services that benefit from them, in accordance with the costing principles of the CIPFA Service Reporting Code of Practice for Local Authorities 2015/2016. The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received with the exception of:

- Corporate and Democratic Core — costs relating to the Council's status as a multi functional, democratic organisation,

- Non Distributed Costs — the cost of discretionary benefits awarded to employees retiring early and impairment losses chargeable on Assets Held for Sale, Assets Under Construction and Surplus Assets.

These two cost categories are defined in the Service Reporting Code of Practice and accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of the Total Cost of Services.

(t) PRIOR YEAR ADJUSTMENTS, CHANGES IN ACCOUNTING POLICY AND ESTIMATES AND ERRORS

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

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

(u) PRIVATE FINANCE INITIATIVE 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 Authority carries the assets used under the contracts on its Balance Sheet as 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.

These 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 operator 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 (the profile of write downs is calculated on the same basis as for a finance lease);
- Lifecycle replacement costs - proportion of the amounts payable is posted to the Balance Sheet as a prepayment and then recognised as additions to Property, Plant and Equipment when the relevant works are eventually carried out.

(v) 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 (PP&E).

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 authority and the cost of the item can be measured reliably. Expenditure that remains but does not add to an assets potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

All expenditure, regardless of value, is capitalised if it relates to an existing asset. Expenditure on new assets under £10,000 is not capitalised but treated as Revenue Expenditure Funded from Capital Under Statute (REFCUS), with expenditure over £10,000 being capitalised.

Measurement

Assets are initially measured at cost, comprising:

- The purchase price,
- 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 initial estimate of the costs of dismantling and removing the item and restoring the site upon which it is located.

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

The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (i.e. it will not lead to a variation in the cash flows of the authority). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying value of the asset given up by the Authority.

Assets are then carried in the Balance Sheet using the following measurement bases:

- Infrastructure, community assets and assets under construction – depreciated historical cost,
- Non HRA dwellings and rented property - fair value, determined using the basis of existing use,
- All other assets - fair value, determined as the amount that would be paid for the asset in its existing use.

Where there is no market based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of fair value.

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

Assets included in the balance sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. (Exceptionally gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a 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 accumulated gains),
- 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 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 accumulated gains),
- 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, such assets that are not yet available for use (i.e. assets under construction) and assets held for a commercial return (i.e. investment properties).

Where an item of Property Plant or Equipment asset has major components whose cost is significant in relation to the total cost of the item, then the components are depreciated separately. CIPFA had allowed an amnesty so that only as assets were revalued did significant components need to be valued separately. Therefore buildings that hadn't been revalued since 2010/2011 may have previously contained significant components that had yet to be separated. As the Council has a five year revaluation programme, all components will have been separately valued by 2015/2016.

For those assets that have major components the percentage of the asset that makes up each component is shown below:

Asset Type	Building	Roof	Services	Externals	Total
Primary Schools	36%	11%	26%	27%	100%
Secondary Schools	50%	11%	22%	17%	100%
Sports Centres	49%	10%	23%	18%	100%
Libraries	49%	8%	28%	15%	100%

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 apparent 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 losses previously recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on 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 the 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.

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

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.

When an asset has been fully depreciated it is assumed, unless otherwise known, that the asset is disposed of or decommissioned in the following year. The gross value of the asset and the matching accumulated depreciation are then written out as disposals in that year.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts.

The written off value of disposals is not a charge against council tax, as the cost of Property, Plant and Equipment is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the capital adjustments account from the General Fund Balance in the Movement in Reserves Statement.

Schools

When a maintained school transfers to Foundation Trust or Academy status the transfer of the school is treated as a disposal. Voluntary Aided and Voluntary Controlled schools are not recognised on the Council’s Balance Sheet. The land and building are owned by the trustees of the school and the Council provides educational services under mere licence with no assignment of rights to the property. The trustees can terminate the arrangement at any time and as such the risks and rewards of the asset have not transferred to the school.

(w) PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

Provisions

Provisions are made where an event has taken place that gives the Authority 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 authority 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, and 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.

When payments are eventually made, they are charged to the provision carried within the Balance Sheet. Estimated settlements are reviewed at the end of each financial year - where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made) 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. an insurance claim), this is only recognised as income for the relevant service if it is virtually certain the reimbursement will be received if the Council settles the obligation.

Amounts required to settle any obligation have not been discounted when included in the accounts.

Claims against the Council

Sefton has established a provision to cover potential payments relating to claims made against the Council and associated legal costs if the Council were not able to successfully defend the claims. The outcomes of the claims are expected to be known in 2016/2017.This is accounted for in line with the normal policy above.

Internal Insurance Cover

The Authority has established a provision to cover the potential costs of certain known uninsured losses, i.e. losses arising from excesses that apply to the Authority's main insurance policies. This is accounted for in line with the normal policy above.

Provision for NDR Appeals

The Authority has established a provision to cover the potential costs for refunding ratepayers who have successfully appealed against the rateable value of their properties. The provision covers the Council's locally retained share (49%) of the cost. This is accounted for in line with the normal policy above.

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 authority. 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.

Contingent Assets

A contingent asset arises where an event has taken place that gives the Council 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 authority.

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 benefit or service potential.

(x) RESERVES

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When the 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 of Reserves Statement so that there is no net change against council tax for the expenditure.

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

(y) REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE (REFCUS)

Expenditure incurred during the year that may be capitalised under statutory provisions but that 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 from 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.

(z) VAT

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.

8 COLLECTION FUND

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

2014/2015	INCOME AND EXPENDITURE ACCOUNT	Note	2015/2016		
			Business Rates	Council Tax	Total
£000s			£000s	£000s	£000s
	INCOME				
	Council Tax				
-124,271	Income from Council Tax Payers			-128,946	-128,946
	Transfers from the General Fund				
-137	Hardship Relief			-122	-122
	Business Rates				
-75,493	Income from Business Ratepayers		-72,411		-72,411
	Contributions				
-3,048	Contributions towards previous year's deficit	2	0	0	0
-202,949	**Total Income**		**-72,411**	**-129,068**	**-201,479**
	EXPENDITURE				
	Distribution of Resources				
117,791	Precepts and Demands - Council Tax	4		122,191	122,191
61,890	Shares of Non-domestic Rates Income	5	65,580		65,580
857	Transitional Protection Payments		609		609
	Transfers to the General Fund				
322	Cost of Collection Allowance		327		327
120	Council Tax Benefit	6		132	132
	Impairment of Debts / Appeals				
0	Write-offs not charged to the provision	7	372	0	372
2,497	Provision for Bad and Doubtful Debts	7	870	1,862	2,732
5,491	Provision for Appeals	8	5,801		5,801
	Contributions				
1,141	Contributions towards previous year's surplus	2	4,165	5,325	9,490
190,109	**TOTAL EXPENDITURE**		**77,724**	**129,510**	**207,234**
-12,840	**MOVEMENT ON THE FUND BALANCE**		**5,313**	**442**	**5,755**
	COLLECTION FUND BALANCES				
952	Balances Brought Forward		-5,740	-6,148	-11,888
-12,840	Movement on the Fund Balance in Year		5,313	442	5,755
-11,888	**BALANCES AT YEAR END**		**-427**	**-5,706**	**-6,133**
	BALANCES TO BE ALLOCATED				
-2,870	Central Government		-214	0	-214
-8,050	Sefton MBC		-209	-4,862	-5,071
-629	Merseyside Police and Crime Commissioner		0	-583	-583
-339	Merseyside Fire and Rescue Authority		-4	-261	-265
-11,888			**-427**	**-5,706**	**-6,133**

NOTES TO THE COLLECTION FUND

1 COUNCIL TAX BASE

The Council's tax base, i.e., the number of chargeable dwellings in each valuation band for 2015/2016 (adjusted for dwellings where discounts apply) converted to a number of band D dwellings, has been calculated as follows:

Band	Number of Chargeable Dwellings After Discounts	Proportion of Band D Charge	Band D Equivalent Dwellings
A*	62.3	5/9	34.6
A	19,922.5	6/9	13,281.5
B	18,909.7	7/9	14,707.5
C	23,932.9	8/9	21,273.7
D	12,630.5	9/9	12,630.5
E	7,260.5	11/9	8,873.7
F	3,521.5	13/9	5,086.6
G	2,431.2	15/9	4,052.0
H	189.9	18/9	379.8
	88,860.5		80,320.0
Adjustment for estimated collection rate (97.50%)			-2,008.0
Adjustment for Ministry of Defence properties			7.0
Council Tax Base			78,319.0

* Properties subject to disabled relief

Band "D" Equivalent is the statutory method of expressing the cost of Council Tax for any given area if all properties are valued as a proportion of a band D property, e.g. band H, which is equivalent to twice the value of band D, would therefore be charged twice the band D equivalent.

2 COLLECTION FUND SURPLUS / DEFICIT (-) PAYMENTS IN THE YEAR

The following amounts were paid during the year in respect of the estimated collection fund surplus / deficit:

Council Tax	2014/2015 £000	2015/2016 £000
Sefton Council	972	4,536
Merseyside Police and Crime Commissioner	117	545
Merseyside Fire and Rescue Service	52	244
	1,141	5,325

Business Rates	2014/2015 £000	2015/2016 £000
Central Government	-1,524	2,082
Sefton Council	-1,494	2,041
Merseyside Fire and Rescue Service	-30	42
	-3,048	4,165

3 BUSINESS RATES MULTIPLIER AND RATEABLE VALUE

Under the arrangements for nationally uniform business rates, the Council collects rates for its area, which are based on local rateable values multiplied by a uniform rate. The multiplier rate was set at 49.3p in the pound in 2015/2016 (48.2p in 2014/2015).

At 30 March 2016 the total non-domestic rateable value was £179,608,508 in Sefton (£179,035,362 at 31 March 2015).

4 PRECEPTS AND DEMANDS ON THE COLLECTION FUND

The following precepts and demands have been made on the fund during the year:

Council Tax	2014/2015 £000	2015/2016 £000
Sefton Council (Including Parish Precepts)	100,337	104,087
Merseyside Police and Crime Commissioner	12,059	12,506
Merseyside Fire & Rescue Authority	5,395	5,597
	117,791	122,191

5 SHARES OF NON-DOMESTIC RATES INCOME

Business rates income is shared on the following basis:

Business Rates	Share %	2014/2015 £000	2015/2016 £000
Central Government	50%	30,945	32,790
Sefton Council	49%	30,326	32,134
Merseyside Fire & Rescue Authority	1%	619	656
	100%	61,890	65,580

6 TRANSFERS TO / FROM THE GENERAL FUND – COUNCIL TAX BENEFIT

Council tax benefit ceased to be paid from 1 April 2013 and was replaced by a local council tax reduction scheme in 2013/2014. At the time of the last subsidy claim there were still a number of claims for council tax benefit outstanding that related to a period before 1 April 2013. In order to fund the cost of these claims the Government allowed billing authorities to retain any amounts recouped as a result of previous overpayments. The amount recouped in the year exceeded outstanding payments made and the net income recorded was transferred to the General Fund at the year-end.

7 PROVISION FOR BAD AND DOUBTFUL DEBTS

The Collection Fund provides for bad debts on Council Tax and Business Rates arrears. The following movements on the bad debt provisions were recorded in the year:

Council Tax	2014/2015 £000	2015/2016 £000
Balance at 1 April	-4,973	-5,192
Write-offs in year	1,578	1,493
Increase / Decrease in Year	-1,797	-1,862
Balance at 31 March	-5,192	-5,561

Business Rates	2014/2015 £000	2015/2016 £000
Balance at 1 April	-1,519	-1,559
Written-off in year	660	1,559
Increase / Decrease in Year	-700	-870
Balance at 31 March	-1,559	-870

Business rate debts of £1.931m were written-off in the 2015/2016. This exceeded the total amount set-aside in the provision at the start of the year. As a result £0.372m was charged directly to the Collection Fund income and expenditure account.

8 PROVISION FOR APPEALS

The Collection Fund also provides for provision for appeals against the rateable valuation set by the Valuation Office Agency (VOA) not settled as at 31st March 2016. The table below shows the movements on the appeals provision in the year:

Business Rates	2014/2015 £000	2015/2016 £000
Balance at 1 April	-4,636	-10,127
Movement in the Year	-5,491	-5,801
Balance at 31 March	-10,127	-15,928

9 GROUP ACCOUNTS

The standard financial statements consider the Council only as a single entity. Sefton Council now conducts some of its adult and social care services activities through a wholly owned company, Sefton New Directions Limited, which began trading on 1 April 2007.

Thus a full picture of the Council's economic activities, financial position, service position, accountability for resources and exposure to risk is not presented in the Council's single entity financial statements. As a result, group financial statements are used to reflect the full extent of Sefton Council's involvement with its group undertakings in order to provide a clearer picture of the Council's activities as a group.

The following pages include:

- Group Movement in Reserves Statement,
- Group Comprehensive Income and Expenditure Statement,
- Reconciliation of the Single Entity Deficit / Surplus (-) on Provision of Services to the Group Deficit / Surplus (-) on Provision of Services,
- Group Balance Sheet,
- Group Cash Flow Statement, and,
- Notes to the Group Accounts.
- A summary of the financial statements for Sefton New Directions.

The financial positions of Sefton Council and Sefton New Directions have been consolidated to produce the Group Accounts with any transactions and balances between the two organisations netted out on consolidation.

The main effect of consolidation has been to increase revenue reserves by £1.661m (£1.363m increase as at 31 March 2015), representing the Authority's 100% share of accumulated net losses in the Company.

The Group Comprehensive Income and Expenditure Statement records a surplus for Sefton New Directions Limited of £1.345m (a £1.417m deficit in 2014/2015).

After adjusting for Movements on Reserves the surplus achieved by Sefton New Directions Limited in 2015/2016 was £0.298m (a £1.451m surplus in 2014/2015).

Both organisations have a financial year-end of 31 March.

Copies of the Company's accounts for 2015/2016 can be obtained from The Company Secretary, Sefton New Directions Head Office, Third Floor, The Investment Centre, 375 Stanley Road, Bootle, Merseyside, United Kingdom, L20 3EF.

GROUP MOVEMENT IN RESERVES STATEMENT

This statement shows the movement in the year on the different reserves held by the authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and unusable reserves. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the authority'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 /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.

Movements in Reserves in 2015/2016	Council Usable Reserves £000	New Directions Surplus £000	**Total Usable Reserves £000**	New Directions Pensions Reserve £000	Council Unusable Reserves £000	**Total Authority Reserves £000**
Balance at 1 April 2015	-91,436	-1,363	-92,799	3,198	-36,975	-126,576
Movements in Year						
Deficit / Surplus (-) on the provision of services	22,086	-298	21,788	0	0	21,788
Other Comprehensive Income and Expenditure	0	0	0	-1,046	-63,523	-64,569
Total Comprehensive Income and Expenditure	22,086	-298	21,788	-1,046	-63,523	-42,781
Adjustments between accounting basis and funding basis under regulations (Note 4 of single entity accounts)	-28,522	0	-28,522	0	28,522	0
Net Increase (-) / Decrease before Transfers to Earmarked Reserves	-6,436	-298	-6,734	-1,046	-35,001	-42,781
Transfers to / from Earmarked Reserves (Note 38 of single entity accounts)	0	0	0	0	0	0
Increase in Year	-6,436	-298	-6,734	-1,046	-35,001	-42,781
Balance at 31 March 2016	-97,872	-1,661	-99,533	2,152	-71,976	-169,357

Movements in Reserves in 2014/2015	Council Usable Reserves £000	New Directions Surplus £000	**Total Usable Reserves £000**	New Directions Pensions Reserve £000	Council Unusable Reserves £000	**Total Authority Reserves £000**
Balance at 1 April 2014	-107,543	88	-107,455	330	-111,848	-218,973
Movements in Year						
Deficit / Surplus (-) on the provision of services	9,989	-1,451	8,538	0	0	8,538
Other Comprehensive Income and Expenditure	0	0	0	2,868	80,991	83,859
Total Comprehensive Income and Expenditure	9,989	-1,451	8,538	2,868	80,991	92,397
Adjustments between accounting basis and funding basis under regulations (Note 4 of single entity accounts)	6,118	0	6,118	0	-6,118	0
Net Increase (-) / Decrease before Transfers to Earmarked Reserves	16,107	-1,451	14,656	2,868	74,873	92,397
Transfers to / from Earmarked Reserves (Note 38 of single entity accounts)	0	0	0	0	0	0
Increase in Year	16,107	-1,451	14,656	2,868	74,873	92,397
Balance at 31 March 2015	-91,436	-1,363	-92,799	3,198	-36,975	-126,576

GROUP 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.

2014/2015			Note		2015/2016		
Gross Expenditure	Gross Income	Net Expenditure / Income (-)			Gross Expenditure	Gross Income	Net Expenditure / Income (-)
£000s	£000s	£000s		Cost of Services	£000s	£000s	£000s
111,696	-26,952	84,744		Adult Social Care	117,580	-33,788	83,792
14,752	-8,304	6,448		Central Services to the Public	15,040	-7,784	7,256
276,447	-207,358	69,089		Children's and Education Services	262,380	-197,168	65,212
9,169	-1,205	7,964		Corporate and Democratic Core	7,848	-142	7,706
29,243	-10,700	18,543		Cultural and Related Services	23,427	-11,973	11,454
23,944	-14,848	9,096		Environmental and Regulatory Services	25,128	-11,898	13,230
26,464	-12,704	13,760		Highways and Transport Services	18,302	-7,140	11,162
115,430	-111,890	3,540		Housing Services	117,655	-112,842	4,813
6,094	0	6,094		Non Distributed Costs	4,762	0	4,762
16,202	-7,373	8,829		Planning Services	9,895	-5,583	4,312
17,896	-20,215	-2,319		Public Health	18,768	-21,100	-2,332
-73	0	-73	2	Exceptional Costs (New Directions)	0	0	0
647,264	**-421,549**	**225,715**		**Total Continuing Operations**	**620,785**	**-409,418**	**211,367**
				Other Operating Income and Expenditure			
		872		Precepts paid to Parish Councils			894
		37,602		Levies			35,112
		10		Contribution to Housing Pooled Capital Receipts			2
		156		Loss on the disposal of non-current assets			0
		6,424		Loss on Disposal of Assets Held for Sale			-176
		-727		Other Operating Income			-903
		0		Transfer of School Balances to Academies			624
		44,337					35,553
				Financing and Investment Income & Expenditure			
		6,741		Interest payable and similar charges			6,365
		10,661	7	Net Interest on the Net Pension Defined Benefit Liability			11,491
		-674		Interest Receivable			-764
		-1,295		Trading Operations			-1,180
		-1,520		Income and Expenditure on Investment Properties			-1,865
		-1,513		Changes in the Fair Value of Investment Properties			-1,699
		-241		Gain on the disposal of Investment Properties			-76
		0		Probation Service Transferred Debt – Reclassification of Amount Owed by Sefton			1,234
		12,159					13,506
				Taxation and Non-specific Grant Income			
		408		Taxation			194
		-104,340		Income from Council Tax			-108,248
		-33,380		Non-Domestic Rates Income			-31,572
		-112,302		Non-Ringfenced Government Grants			-89,667
		-24,059		Capital Grants and Contributions			-9,345
		-273,673					-238,638
		8,538		**Deficit on Provision of Services**			**21,788**
		-7,830		Deficit / Surplus (-) on Revaluation of non-current assets			-26,071
		-59		Surplus on Revaluation of Available for Sale Financial Assets			-304
		92,465	7	Re-measurement of the Net Defined Benefit Liability			-38,456
		-717		Deferred Tax re. Actuarial losses/gains on pension fund assets and liabilities for Sefton New Directions Limited			262
		83,859		**Other Comprehensive Income and Expenditure**			**-64,569**
		92,397		**Total Comprehensive Income and Expenditure**			**-42,781**

Reconciliation of the Single Entity Deficit / Surplus (-) on Provision of Services to the Group Deficit / Surplus (-) on Provision of Services

2014/2015 £000s		2015/2016 £000s
9,989	Deficit for the year on Provision of Services on the Authority Income and Expenditure Statement	22,086
-1,451	Surplus in the Group Income and Expenditure Statement Attributable to Group Entities (adjusted for Intra-Group Transactions)	-298
8,538	**Deficit for the year on Provision of Services on the Group Income and Expenditure Statement**	**21,788**

GROUP BALANCE SHEET

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Authority. The net assets of the Authority (assets less liabilities) are matched by the reserves held by the authority. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the Authority 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 Authority is not able to use to provide services. This category of reserves includes 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 2015 £000s		Note	31 March 2016 £000s
541,694	Property, Plant and Equipment	8	559,775
11,057	Heritage Assets		11,057
41,758	Investment Property		43,552
1,041	Intangible Assets		999
5,070	Long Term Investments		5,373
5,890	Long Term Receivables		4,933
606,510	**Long-Term Assets**		625,689
10,110	Short Term Investments		17,098
1,259	Assets Held for Sale		4,912
684	Inventories		624
39,830	Short Term Receivables	9	35,848
2,611	Prepayments		3,604
41,939	Cash and Cash Equivalents	10	23,563
96,433	**Current Assets**		85,649
-10,963	Short Term Borrowing		-10,766
-43,051	Short Term Payables	11	-40,478
-14,199	Receipts in Advance		-11,163
-1,290	Provisions	12	-299
-2,288	Deferred Liabilities		-2,230
-71,791	**Current Liabilities**		-64,936
-9,958	Provisions		-12,110
-110,197	Long Term Borrowing		-100,197
-17,940	Deferred Liabilities		-15,710
-366,481	Pensions Liability	7	-349,028
-504,576	**Long Term Liabilities**		-477,045
126,576	**Net Assets**		**169,357**

31 March 2015 £000s	Balance Sheet (Continued)	Notes	31 March 2016 £000s
	Reserves		
	Usable Reserves		
-17,446	General Fund - Delegated Schools		-16,749
-8,396	General Fund - Non Delegated Services		-8,178
-1,363	New Directions - Profit and Loss Account		-1,661
-45,316	Earmarked Reserves		-59,155
-7,139	Capital Receipts Reserve		-5,402
-13,139	Capital Grants and Contributions Unapplied		-8,388
-92,799			-99,533
	Unusable Reserves		
-77,587	Revaluation Reserve		-94,905
-318,300	Capital Adjustment Account		-321,990
665	Financial Instruments Adjustment Account		606
-59	Available for Sale Financial Instruments Reserve		-362
-278	Deferred Capital Receipts		-200
365,336	Pensions Reserve	7	347,579
-8,049	Collection Fund Adjustment Account		-5,071
4,495	Accumulated Absences Account		4,519
-33,777			-69,824
-126,576	**Total Group Reserves**		**-169,357**

The Notes to the single entity accounts on pages 31 to 109, and to the Group Accounts on pages 121 to 131 form part of the financial statements.

GROUP CASH FLOW STATEMENT

The Cash Flow Statement shows the changes in cash and cash equivalents of the authority during the reporting year. The statement shows how the authority 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 authority are funded by way of taxation and grant income or from the recipients of services provided by the authority. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the authority's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the authority.

2014/2015 £000s		Note	2015/2016 £000s
	Operating Activities		
8,538	Net Deficit on the provision of services		21,788
-30,502	Adjustments to net surplus or deficit on the provision of services for non-cash movements		-48,178
18,261	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities		10,329
-3,703	Net cash flows from Operating Activities	13	-16,061
	Investing Activities		
26,464	Purchase of property, plant and equipment, investment property and intangible assets		25,270
5,010	Purchase of short-term and long-term investments		7,000
0	Other payments for investing activities		0
-2,071	Proceeds from the sale of property, plant and equipment, investment property and intangible assets		-1,394
-10,000	Proceeds from short-term and long-term investments		0
-25,561	Other receipts from investing activities		-8,342
-6,158	Net cash flows from Investing Activities		22,534
	Financing Activities		
0	Cash receipts of short- and long-term borrowing		0
-4,612	Other receipts from financing activities		-698
1,849	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts		1,851
3,243	Repayments of short- and long-term borrowing		10,605
0	Other payments for financing activities		144
480	Net cash flows from Financing Activities		11,902
-9,381	**Net decrease / increase (-) in cash and cash equivalents**		**18,375**
-32,558	Cash and cash equivalents at the beginning of the reporting period		-41,939
-41,939	**Cash and cash equivalents at the end of the reporting period**	10	**-23,564**

NOTES TO THE GROUP ACCOUNTS

1 INTRODUCTION

The notes below include details of where the inclusion of Sefton New Directions Limited has altered the disclosures within Sefton's single entity accounts. All other notes to the Group Financial Statements are as shown in the Notes to the single entity accounts.

2 EXCEPTIONAL COSTS

During the year New Directions incurred exceptional costs as follows:

2014/2015 £000		2015/2016 £000
0	Redundancy Costs	0
56	FRS17 Curtailment Costs re. Redundancies	0
-129	FRS17 Pension Costs Provision re. Redundancies	0
-73	**Total**	0

Exceptional items in the previous year includes the release of an over provision for changes in staffing structures that were provided for in prior periods.

3 DISCLOSURE OF AUDIT COSTS

Sefton New Directions Limited incurred the following fees relating to external audit and inspection.

2014/2015 £000		2015/2016 £000
13	Fees payable to Hazlewoods for external audit services	14
13	**Total**	**14**

Sefton's expenditure on audit costs is shown in Note 12 to the single entity accounts.

4 ASSETS ON OPERATING LEASES

Sefton New Directions Limited made operating lease payments of £0.074m in 2015/2016 relating to Land and Buildings and other assets (£0.066m in 2014/2015). Sefton New Directions was committed to making payments of £0.095m for operating leases in 2016/2017; £0.043m of this commitment is due to expire in one year and £0.052m is due to expire in over five years.

Sefton's expenditure on operating leases is shown in Note 53 to the single entity accounts.

5 AMOUNTS REPORTED FOR RESOURCE ALLOCATIONS DECISIONS

The analysis of income and expenditure by service on the face of the Group Comprehensive Income and Expenditure Statement is that specified by the Service Reporting Code of Practice.

The authority is also required to disclose this information in the way it is reported internally to management. The Authority's departmental income and expenditure analysis is provided in Note 6 to the single entity accounts. This remains unchanged when presented on a Group Basis and as a result is not repeated here.

The following tables provide a reconciliation between the departmental income and expenditure provided in Note 6 to the single entity accounts and (1) the cost of services and (2) the surplus or deficit on the provision of services shown in the Group Comprehensive Income and Expenditure Statement.

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

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

2014/2015 £000		2015/2016 £000
233,405	**Net expenditure in the Departmental Analysis**	223,952
-1,566	Net income of services and support services not included in the Analysis	-649
-4,382	Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis	-11,293
-1,742	Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement	-643
225,715	**Cost of Services in Group Comprehensive Income and Expenditure Statement**	211,367

Reconciliation to Subjective Analysis

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

2015/2016	Departmental Analysis £000	Sefton New Directions £000	Amounts not reported to management for decision making £000	Amounts not included in I&E £000	Allocation of Recharges £000	**Cost of Services £000**	Corporate Amounts £000	**Total £000**
Fees, charges & other Service Income	-124,874	-9,385	7,290	7,363	41,303	**-78,303**	-7,363	**-85,666**
Interest and investment income	0	0	0	0	0	**0**	-2,732	**-2,732**
Income from council tax	0	0	0	0	0	**0**	-108,248	**-108,248**
Income from NNDR	0	0	0	0	0	**0**	-31,572	**-31,572**
Other Operating Income	0	0	0	0	0	**0**	-2,602	**-2,602**
Government grants and contributions	-300,673	0	-30,442	0	0	**-331,115**	-99,012	**-430,127**
Total Income	-425,547	-9,385	-23,152	7,363	41,303	**-409,418**	-251,529	**-660,947**

2015/2016 (continued)	Departmental Analysis £000	Sefton New Directions £000	Amounts not reported to management for decision making £000	Amounts not included in I&E £000	Allocation of Recharges £000	**Cost of Services £000**	Corporate Amounts £000	**Total £000**
Employee Expenses	223,538	6,735	1,987	-3,046	0	**229,214**	14,560	**243,774**
Other service expenses	371,469	1,877	-3,782	-4,937	-147	**364,480**	5,052	**369,532**
Support Service Recharges	41,116	0	40	0	-41,156	**0**	0	**0**
Depreciation amortisation, impairment and changes in fair value	13,376	124	13,614	-23	0	**27,091**	23	**27,114**
Interest Payments	0	0	0	0	0	**0**	6,365	**6,365**
Precepts and Levies	0	0	0	0	0	**0**	36,006	**36,006**
Payment to Housing Capital Receipts Pool	0	0	0	0	0	**0**	2	**2**
Gain or Loss on Disposal of non-current assets	0	0	0	0	0	**0**	-262	**-262**
Taxation	0	0	0	0	0	**0**	194	**194**
Total Expenditure	**649,499**	8,736	**11,859**	**-8,006**	**-41,303**	**620,785**	**61,950**	**682,735**
Surplus or deficit on the provision of services	**223,952**	-649	**-11,293**	**-643**	**0**	**211,367**	**-189,579**	**21,788**

The table below shows comparative figures for 2014/2015:

2014/2015	Departmental Analysis £000	Sefton New Directions £000	Amounts not reported to management for decision making £000	Amounts not included in I&E £000	Allocation of Recharges £000	**Cost of Services £000**	Corporate Amounts £000	**Total £000**
Fees, charges & other Service Income	-121,615	-9,227	7,644	0	38,480	**-84,718**	-7,273	**-91,991**
Interest and investment Income	0	0	0	0	0	**0**	-2,233	**-2,233**
Income from council tax	0	0	0	0	0	**0**	-104,340	**-104,340**
Income from NNDR	0	0	0	0	0	**0**	-33,380	**-33,380**
Other Operating Income	0	0	0	0	0	**0**	-2,481	**-2,481**
Government grants and contributions	-301,754	0	-35,077	0	0	**-336,831**	-136,361	**-473,192**
Total Income	-423,369	-9,227	-27,433	0	38,480	**-421,549**	-286,068	**-707,617**
Employee Expenses	226,719	6,156	-2,667	0	0	**230,208**	13,334	**243,542**
Other service expenses	383,261	1,476	-938	-1,742	-6,612	**375,445**	3,280	**378,725**
Support Service Recharges	31,115	0	753	0	-31,868	**0**	0	**0**
Depreciation amortisation and impairment	15,679	29	25,903	0	0	**41,611**	64	**41,675**
Interest Payments	0	0	0	0	0	**0**	6,741	**6,741**
Precepts and Levies	0	0	0	0	0	**0**	38,474	**38,474**
Payment to Housing Capital Receipts Pool	0	0	0	0	0	**0**	10	**10**
Gain or Loss on Disposal of non-current assets	0	0	0	0	0	**0**	6,580	**6,580**
Taxation	0	0	0	0	0	**0**	408	**408**
Total Expenditure	656,774	7,661	23,051	-1,742	-38,480	**647,264**	68,891	**716,155**
Surplus or deficit on the provision of services	233,405	-1,566	-4,382	-1,742	0	**225,715**	-217,177	**8,538**

6 EMPLOYEES' EMOLUMENTS IN EXCESS OF £50,000

Sefton New Directions Limited had 341 employees during 2015/2016 (350 in 2014/2015). There was one employee whose remuneration was over £50,000 in 2015/2016 within the Band £65,000 to £69,999 (also one in 2014/2015).

Details of Sefton Employees' Emoluments are shown in Notes 15 and 16 to the single entity accounts.

7 PARTICIPATION IN PENSION SCHEMES

Sefton New Directions Limited employees are eligible to join the same Local Government Pension Scheme as those employees in Sefton.

The following transactions have been made in the Group Comprehensive Income and Expenditure Statement during the year:

2014/2015		**Comprehensive Income and Expenditure Statement**	2015/2016	
Sefton Council £000s	Sefton New Directions Limited £000s		Sefton Council £000s	Sefton New Directions Limited £000s
		Cost of Services:		
19,402	806	Current Service Cost	23,284	979
1,023	56	Curtailment Cost	981	0
456	0	Administration Expenses	458	0
		Financing and Investment Income & Expenditure:		
10,942	-281	Net Interest Cost	11,327	164
31,823	581	Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	36,050	1,143
88,880	3,585	Actuarial Losses / Gains (-) on Pension Assets and Liabilities	-37,148	-1,308
0	-717	Deferred Tax re. Actuarial losses on pension fund assets and liabilities for Sefton New Directions Limited	0	262
120,703	3,449	Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	-1,098	97

Pensions Assets and Liabilities Recognised in the Balance Sheet

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

2014/2015			2015/2016	
Sefton Council £000s	Sefton New Directions Limited £000s		Sefton Council £000s	Sefton New Directions Limited £000s
-1,016,670	-36,634	Present Value of the Defined Benefit Obligation	-992,013	-36,157
654,532	31,205	Fair Value of Plan Assets	646,586	31,766
0	1,086	Related Deferred Tax Assets	0	790
-362,138	-4,343	Net Liability arising from defined benefit obligation	-345,427	-3,601

Assets and Liabilities in Relation to Retirement Benefits

Reconciliation of present value of scheme liabilities

2014/2015			2015/2016	
Sefton Council £000s	Sefton New Directions Limited £000s		Sefton Council £000s	Sefton New Directions Limited £000s
851,183	29,572	1 April	1,016,670	36,634
19,402	806	Current Service Cost	23,284	979
36,849	1,340	Interest Cost on Pension Liabilities	32,089	1,200
5,989	205	Contributions by scheme participants	5,807	215
135,080	5,290	Remeasurement Gains (-) and Losses	-53,976	-2,154
-32,856	-635	Benefits paid	-32,842	-717
1,023	56	Curtailment Cost	981	0
1,016,670	36,634	31 March	992,013	36,157

Reconciliation of fair value of scheme assets:

2014/2015			2015/2016	
Sefton Council £000s	Sefton New Directions Limited Restated £000s		Sefton Council £000s	Sefton New Directions Limited £000s
566,072	27,472	1 April	654,532	31,205
25,907	1,621	Interest Income	20,762	1,036
46,200	1,705	Remeasurement Gains / Losses (-)	-16,828	-846
43,676	837	Employer contributions	15,613	891
5,989	205	Contributions by scheme participants	5,807	215
-32,856	-635	Benefits paid	-32,842	-717
-456	0	Administration Expenses	-458	-18
654,532	31,205	31 March	646,586	31,766

The liabilities show the underlying commitments that the Authority and Sefton New Directions Limited have in the long-run to pay additional retirement benefits. The total liability of £349m has a substantial impact on the net worth of the Group as recorded in the Balance Sheet, resulting in an overall balance of £172m.

The deficit for Sefton New Directions Limited on the Local Government Pension Scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme Actuary.

Basis for Estimating Assets and Liabilities

All assumptions are the same as for Sefton Council (shown in Note 56 to the Notes to the single entity accounts) except for the rate for discounting scheme liabilities which is 3.6%.

8 PROPERTY, PLANT AND EQUIPMENT

The Property, Plant and Equipment (PP&E) figure in the Group Balance Sheet includes £0.214m for Vehicles, Plant and Equipment of Sefton New Directions Limited at 31 March 2015 (£0.185m at 31 March 2015) and £0.008m for Land and Buildings (£0.014m at 31 March 2015). Details of Sefton's PP&E are shown in Note 20 to the single entity accounts.

9 CURRENT ASSETS

The Current Assets figure in the Group Balance Sheet includes £0.088m for Receivables of Sefton New Directions Limited at 31 March 2016 (£0.102m at 31 March 2015). Details of Sefton's Receivables are shown in Note 30 to the single entity accounts.

10 CASH AND CASH EQUIVALENTS

The balance of Cash and Cash Equivalents held by Sefton MBC and Sefton New Directions Limited are shown below:

31 March 2015 £000s		31 March 2016 £000s
38,650	Sefton MBC - Cash and Cash Equivalents	20,084
3,289	Sefton New Directions Limited - Bank Deposits	3,479
41,939	**Total Cash and Cash Equivalents**	23,563

11 CURRENT LIABILITIES

The Current Liabilities figure in the Group Balance Sheet includes £0.579m for Payables of Sefton New Directions Limited at 31 March 2016 (£0.646m at 31 March 2015). Details of Sefton's Payables are shown in Note 32 to the single entity accounts.

12 PROVISIONS

The Current Liabilities figure in the Group Balance Sheet includes £0.099m for Short Term Provisions of Sefton New Directions Limited at 31 March 2016 (£0.352m at 31 March 2015). Details of Sefton's provisions are shown in Note 34 to the single entity accounts. Movements in New Directions' provisions during the year were as follows:

	2015/16	1 April 2014 £000s	Additions in Year £000s	Applied In Year £000s	Released In Year £000s	31 March 2015 £000s
	Short-term					
(a)	Restructuring Costs	-347	0	268	0	-79
(b)	Deferred Tax	-5	-15	0	0	-20
		-352	**-15**	**268**	**0**	**-99**

Comparable figures for the previous year are shown below:

	2014/15	1 April 2014 £000s	Additions in Year £000s	Applied In Year £000s	Released In Year £000s	31 March 2015 £000s
	Short-term					
(a)	Restructuring Costs	-528	0	181	0	-347
(b)	Deferred Tax	0	-5	0	0	-5
		-528	**-5**	**181**	**0**	**-352**

(a) **Restructuring Costs** – Restructuring costs reflects a provision for severance payments as management made and communicated a formal decision prior to 31 March 2014 to eliminate certain positions. Some payments were made in the years ending 31 March 2015 and 31 March 2016. The full amount was not utilised during the year ended 31 March 2016 due to the longer than expected process of implementing restructuring and liaising with trade unions. Such factors are the main uncertainties regarding the timing and quantum of payments yet to be made.

(b) **Deferred Tax** – This relates to the difference between accumulated depreciation and amortisation and capital allowances (-£0.034m) and other timing differences (£0.014m).

13 CASH FLOW STATEMENT – OPERATING ACTIVITIES

The cash flows for operating activities include the following items:

2014/2015 £000s		2015/2016 £000s
-646	Interest received	-776
6,694	Interest paid	6,388

14 STATEMENT OF ACCOUNTING POLICIES

The Accounting Policies adopted by Sefton New Directions are listed below. The Accounting Policies of Sefton Council are described in Note 61 to the single entity accounts.

Statement of compliance
These financial statements were prepared in accordance with Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

Basis of preparation
These financial statements have been prepared using the historical cost convention except for, where disclosed in these accounting policies, certain items that are shown at fair value.

The company is exempt from preparing a cash flow statement as 90% or more of the voting rights are held within the group.

Summary of significant accounting policies and key accounting estimates
The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Name of parent of group
These financial statements are consolidated in the financial statements of Sefton Metropolitan Borough Council.

The financial statements of Sefton Metropolitan Borough Council may be obtained from the company's registered office.

Revenue recognition
Turnover comprises the fair value of the consideration received in respect of the provision of social care services, where the amounts receivable relate to a period which covers the balance sheet date, that amount is apportioned over the period to which it relates.

Contracted financial income is recognised in accordance with the terms of the contract.

Supporting People Funding Income and other grant income is recognised when the income is receivable provided conditions for receipt have been complied with.

Government grants
Government grants are recognised based on the accrual model and are measured at the fair value of the asset received or receivable. Grants are classified as relating either to revenue or to assets. Grants relating to revenue are recognised in income over the period in which the related costs are recognised. Grants relating to assets are recognised over the expected useful life of the asset. Where part of a grant relating to an asset is deferred, it is recognised as deferred income.

Tax
The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except that a change attributable to an item of income or expense recognised as other comprehensive income is also recognised directly in other comprehensive income.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the company operates and generates taxable income.

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements and on unused tax losses or tax credits in the company. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

The carrying amount of deferred tax assets are reviewed at each reporting date and a valuation allowance is set up against deferred tax assets so that the net carrying amount equals the highest amount that is more likely than not to be recovered based on current or future taxable profit.

Tangible assets
Tangible assets is stated in the statement of financial position at cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

The cost of tangible assets includes directly attributable incremental costs incurred in their acquisition and installation.

Depreciation
Depreciation is charged so as to write off the cost of assets, over their estimated useful lives, as follows:

Asset class	Depreciation method and rate
Leasehold improvements	10% straight line basis
Fixtures & fittings	20% straight line basis
Office equipment	20% straight line basis

Cash and cash equivalents
Cash and cash equivalents comprise cash on hand and call deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value.

Trade debtors
Trade debtors are amounts due from customers for services performed in the ordinary course of business.

Trade debtors are recognised initially at the transaction price. They are subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for the impairment of trade debtors is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of the receivables.

Trade creditors
Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if the company does not have an unconditional right, at the end of the reporting period, to defer settlement of the creditor for at least twelve months after the reporting date. If there is an unconditional right to defer settlement for at least twelve months after the reporting date, they are presented as non-current liabilities.

Trade creditors are recognised initially at the transaction price and subsequently measured at amortised cost using the effective interest method.

<u>Provisions</u>
Provisions are recognised when the company has an obligation at the reporting date as a result of a past event, it is probable that the company will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

<u>Leases</u>
Leases in which substantially all the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to profit or loss on a straight-line basis over the period of the lease.

<u>Share capital</u>
Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments. If payment is deferred and the time value of money is material, the initial measurement is on a present value basis.

<u>Defined contribution pension obligation</u>
A defined contribution plan is a pension plan under which fixed contributions are paid into a pension fund and the company has no legal or constructive obligation to pay further contributions even if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

Contributions to defined contribution plans are recognised as employee benefit expense when they are due. If contribution payments exceed the contribution due for service, the excess is recognised as a prepayment.

<u>Defined benefit pension obligation</u>
Typically defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognised in the Balance Sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the reporting date minus the fair value of plan assets. The defined benefit obligation is measured using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future payments by reference to market yields at the reporting date on high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.

Actuarial gains and losses are charged or credited to other comprehensive income in the period in which they arise.

<u>Financial instruments</u>
Classification
Financial instruments are classified and accounted for according to the substance of the contractual arrangement, as financial assets, financial liabilities or equity instruments. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities. Where shares are issued, any component that creates a financial liability of the company is presented as a liability on the balance sheet, The corresponding dividends relating to the liability component are charged as interest expenses in the profit and loss account.

Recognition and measurement
All financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value(which is normally the transaction price excluding transaction costs), unless the arrangement constitutes a financing transaction. If an arrangement constitutes a financing transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Financial assets and liabilities are only offset in the statement of financial position when, and only when there exists a legally enforceable right to set off the recognised amounts and the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Impairment
Assets, other than those measured at fair value, are assessed for indicators of impairment at each balance sheet date. If there is objective evidence of impairment, an impairment loss is recognised in profit or loss as described below.

A non-financial asset is impaired where there is objective evidence that, as a result of one or more events that occurred after initial recognition, the estimated recoverable value of the asset has been reduced. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use.

The recoverable amount of goodwill is derived from measurement of the present value of the future cash flows of the cash-generating units ('CGUs') of which the goodwill is a part. Any impairment loss in respect of a 'CGU' is allocated first to the goodwill attached to that CGU, and then to other assets within that CGU on a pro-rata basis.

Where indicators exist for a decrease in impairment loss, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised. Where a reversal of impairment occurs in respect of a CGU, the reversal is applied first to the assets (other than goodwill) of the CGU on a pro-rata basis and then to any goodwill allocated to that CGU.

For financial assets carried at amortised cost, the amount of an impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at cost less impairment, the impairment loss is the difference between the asset's carrying amount and the best estimate of the amount that would be received for the asset if it were to be sold at the reporting date.

Where indicators exist for a decrease in impairment loss, and the decrease can be related objectively to an event occurring after the impairment was recognised, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired financial asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised.

15 SEFTON NEW DIRECTIONS SUMMARY FINANCIAL STATEMENTS

Profit and Loss Account

2014/2015 £000		2015/2016 £000
9,226	Turnover	9,385
-6,780	Cost of Sales	-7,643
2,446	Gross Profit	1,742
-954	Administrative Expenses	-1,093
1,492	Gross Profit	649
73	Costs of reorganisation and restructuring	0
296	Other interest receivable and similar income	-154
-2	Interest payable and similar charges	-3
1,859	Profit before Tax	492
-408	Taxation	-194
1,451	**Profit for the financial year**	298

Statement of Comprehensive Income

2014/2015 £000		2015/2016 £000
1,451	**Profit for the financial year**	298
-3,585	Actuarial gain / loss (-) recognised on defined benefit pension scheme	1,308
717	Deferred tax ctuarial gain / loss (-) recognised on defined benefit pension scheme	-261
-2,868		1,047
-1,417	**Profit for the financial year**	1,345

Balance Sheet

2014/2015 £000		2015/2016 £000
	Fixed Assets	
199	Tangible Assets	222
	Current Assets	
102	Debtors	88
3,289	Cash at bank and in hand	3,480
3,391		3,568
-729	**Creditors: Amounts falling due within one year**	-579
2,662	**Net Current Assets**	2,989
2,861	**Total assets less current liabilities**	3,211
-352	Provision for liabilities	-99
2,509	Net assets excluding pension liability	3,112
-4,343	Net pension liability	-3,601
-1,834	**Net liabilities**	**-489**
	Capital and reserves	
1	Called up share capital	1
-1,835	Retained earnings	-490
-1,834	**Total equity**	**-489**

10 ANNUAL GOVERNANCE STATEMENT

1. SCOPE OF RESPONSIBILITY

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

1.2 In discharging this overall responsibility, Sefton Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, which includes arrangements for the management of risk.

1.3 Sefton Council has approved and adopted a Code of Corporate Governance, which is consistent with the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*. This statement explains how Sefton Council has complied with the code and also meets the requirements of the Accounts and Audit Regulations 2015, which requires all relevant bodies to prepare an Annual Governance Statement.

2. THE PURPOSE OF THE GOVERNANCE FRAMEWORK

2.1 The governance framework comprises the systems and processes, culture and values, by which the authority is directed and controlled and its activities through which it accounts to, engages with and leads its communities. It enables the authority to monitor the achievement of its strategic objectives and corporate vision and to consider whether those objectives have led to the delivery of appropriate services that are value for money. The Councils governance arrangements are designed to manage risk to a reasonable level, the arrangements cannot eliminate risk but can provide reasonable assurance of the Annual Governance Statement.

2.2 The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot remove all risk of failing to achieve our policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to:-

i. identify and prioritise the risks that could prevent the Council from achieving its policies, aims and objectives;
ii. assess how likely it is that identified risks will happen and what would be the potential impact if they did; and
iii. manage the risks efficiently, effectively and economically.

2.3 The governance framework has been in place at Sefton Council from the 1 April 2015 and up to the date of the approval of the statement of accounts.

2.4 The following paragraphs summarise the core principles of Sefton Councils Governance Framework and reflect the arrangements in place to meet the six core principles of effective governance, which are:

- Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area;
- Members and officers working together to achieve a common purpose with clearly defined functions and roles;
- Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour;
- Taking informed and transparent decisions which are subject to effective scrutiny and managing risk;
- Developing the capacity and capability of members and officers to be effective; and
- Engaging with local people and other stakeholders to ensure robust public accountability.

3. THE GOVERNANCE FRAMEWORK

3.1 The key elements of Sefton's systems and processes that comprise the Council's governance arrangements are:

- The Vision for the Council has been expressed in "One Council." This encompasses the priorities for the Council, its promises, what the leaders of the organisation are committed to and how the Council will work in partnership with the public, partners, providers and businesses;

- Members articulate their priorities for the Council in the Medium Term Financial Plan and Budget 2015-2017;

- The Constitution establishes the roles and responsibilities of the executive, non-executive and scrutiny functions. It also sets out delegation arrangements to Members and Officers, Financial Procedure Rules, Member / Officer Protocols and other supporting procedures of how decisions are taken and the processes and controls required to manage risk;

- The Head of Paid Service / Chief Executive is responsible and accountable to the authority for all aspects of operational management;

- The Head of Regulation & Compliance as Monitoring Officer is responsible for ensuring that agreed procedures are followed and that all applicable statutes and regulations are complied with;

- The Chief Finance Officer as Section 151 Officer is responsible for ensuring that appropriate advice is given on all financial matters, for keeping proper financial records and accounts and for maintaining an effective system of financial control;

- Procedures rules, policies and internal management processes are established for Financial Management, Procurement, Health and Safety, Whistleblowing and Complaints Handling, Anti-Fraud and Corruption and Information Governance and Data Security;

- The Constitution sets out Codes of Conduct, which define the standards of behaviour for members and employees;

- All decisions made by Committees, Council, Cabinet, Cabinet Members are recorded and published on line for transparency;

- An Audit and Governance Committee is responsible for independent assurance on the adequacy of the risk management framework and the associated control environment, the independent scrutiny of the Council's financial performance to the extent that it affects the Council's exposure to risk and weakens the control environment; and for overseeing the financial reporting process;

- The Council has a Risk Strategy, Policy and Risk Management Handbook and the Audit And Governance Committee review the Council Corporate Risk Register quarterly and are responsible for monitoring the effective development and operation of Risk Management within the Council;

- Senior Management utilise Management Accountability Frameworks as a means of managing risk and performance;

- An Internal Audit function is resourced and maintained with regular reports to the Audit and Governance Committee;

- An External Audit function reports to "those charged with governance" in respect of the Annual Accounts of the Council;

- Reports relating to Fraud are provided to the Audit and Governance Committee on a quarterly basis, incorporating both proactive work undertaken and with regards investigation work undertaken;

- All major projects have their own project boards and risk registers and the Strategic Capital Investment Group reviews major investment strategies of the Council;
- Induction and development training is provided for members;
- The Public Engagement and Consultation Standards Panel co-ordinates and ensures the quality of public engagement and consultation;
- Annual accounts are published on a timely basis to communicate the Council's activities and achievements and its financial position and performance;

4. REVIEW OF EFFECTIVENESS

4.1 Sefton Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control.

The review of effectiveness is informed by the work of senior managers within the authority who have responsibility for the development and maintenance of the governance environment, the Chief Internal Auditor's annual report, which includes a report on the effectiveness of internal audit and also by comments made by the external auditors and other review agencies and inspectorates.

The process that has been applied in maintaining and reviewing the effectiveness of the governance framework is outlined as follows:

4.2 The Council continues to assess how its overall corporate governance responsibilities are discharged in line with the CIPFA Code of Corporate Governance (based on the new CIPFA/SOLACE guidance on ensuring 'Good Governance in Local Government') and the addendum "Delivering Good Governance in Local Government Framework" published in 2012.

4.3 The Constitution is periodically reviewed by the Head of Regulation & Compliance (Monitoring Officer) Amendments have been undertaken in 2015/16 have been reported to the Council's Audit & Governance Committee in accordance with the Council's Constitution and the Terms of Reference of the Committee. However, the Constitution has not been updated to reflect the New Management Structure or new Schemes of Delegation.

4.4 The Councils review of effectiveness of the system of internal control is informed by:

- the work undertaken by Internal Audit during the year
- the review of Internal Audit and compliance with the Public Sector Internal Audit Standards
- the work undertaken by the external auditor and reported in the annual audit and inspection letter
- other work undertaken by independent inspection bodies
- The Governance Review

4.5 The key aspects of the review of effectiveness are:

Council Planning and Outcomes

4.6 There is a clear vision of the outcomes which the Council wants to achieve for local people set out in "One Council."

4.7 The Council operates a planning process which integrates all aspects of strategic, operational and financial planning which has the full involvement of members and all senior managers of the Council. This ensures financial plans realistically support the delivery of the Council's priority outcomes and strategy obligations in the short and medium terms.

4.8 The Council has outlined objectives for each service in its Service Standards document.

4.9 The Council prepares and utilises the Sefton Strategic Needs Assessment to inform Council strategies, including the Health and Wellbeing Strategy, and in turn is a factor which informs budget allocation.

4.10 The budget process for 2016/17 was subject to robust challenge by councillors and involved consultation with residents and communities.

4.11 The Council has rationalised the use of reserves to identify resources for investment and it is the intention to draw reserves together with a view to prioritising investment.

Performance Management

4.12 Management Accountability Frameworks are prepared by each Service / Directorate as a means of identifying mitigating actions for the key risks facing the delivery of objectives for Council services.

4.13 The Council intends to review and improve its performance management arrangements in 2016/17.

Constitution Review

4.14 The Council's Constitution has been subject to regular in-depth review at the Audit and Governance Committee throughout the year.

4.15 This has included a review of the Council's Confidential Reporting (Whistleblowing) arrangements, which was presented to the Audit and Governance Committee in March 2015.

Statutory Officers

4.16 The statutory functions undertaken by the Head of Paid Service, Monitoring Officer and S.151 Officer were effectively fulfilled during 2015/16 and up to the date of this report.

Decision Making and Scrutiny

4.17 The Cabinet is responsible for the key decisions of the Council. The Cabinet met frequently and made decisions in line with the Council's overall policies and budget. The decisions of the Cabinet were subject to scrutiny through four Overview and Scrutiny Committees and Management Board, which met regularly during the year.

4.18 The Overview and Scrutiny Committees have reviewed a wide variety of reports, including joint working arrangements and Sefton Housing Strategy 2016-2020, Sefton Mental Health Strategic Plan 2015-20, Liverpool City Region Combined Authority Scrutiny, Care Act 2014, Sefton Education Strategy, and Local Plan updates.

4.19 All decisions made by Committees, Council, Cabinet, Cabinet Member (under their delegated powers) and Chief Officer executive decisions are recorded and published on line for transparency. Delegations arrangements for Cabinet Members are reviewed annually as part of the appointments process. The Council publishes a calendar of meetings and deadlines for the submission of agenda items; agendas and reports are produced promptly and provided to the relevant Members.

Audit and Governance Committee

4.20 The Audit and Governance Committee provides independent assurance on the adequacy of the Council's governance environment. All parties are represented on the Audit and Governance Committee.

4.21 The Committee met regularly during 2015/16, considering reports, from the Chief Internal Auditor including the Annual Internal Audit Report, the S.151 officer, the Monitoring officer and the External Auditor.

Internal Audit

4.22 The Council takes assurance about the effectiveness of the governance environment from the work of Internal Audit which provides independent and objective assurance across the whole range of Council activities. It is the duty of the Chief Internal Auditor to give an opinion, at least annually, on the adequacy and effectiveness of internal control within the Council.

4.23 Based upon the work of Internal Audit during 2015/16, the Acting Chief Internal Auditor provided the Council with an overall fair assurance opinion on the arrangements for gaining assurance through the governance framework and on the controls reviewed as part of the Internal Audit programme. A

"Fair" Opinion is summarised as there being some weaknesses in key areas and the application of key controls examined. The level of assurance remained at a similar level from 2014/15.

4.24 Internal audit carried out follow up reviews in areas where a weak or poor opinion was initially given. This ensured that recommendations made had been implemented as agreed by management.

4.25 The Public Sector Internal Audit Standards were introduced from April 2013. A self-assessment of Internal Audit's compliance with the Standards has been undertaken and presented to the Audit and Governance Committee in June 2015. This self-assessment identified several areas where development and improvement is required, which allowed the formation of an Action Plan. Work on completion of the Action Plan will be undertaken during 2016/17.

Risk Management

4.26 The Council managed its risks during 2015/16 in accordance with the Council's Risk Management Handbook. Quarterly risk management reports were submitted to the Audit and Governance Committee.

4.27 The Internal Audit Plan for 2016/17, presented to the Audit and Governance Committee in March 2016, is based upon the key risks faced by the Council identified in Risk Registers, such that Internal Audit will provide assurance on the effectiveness of the internal control framework during 2016/17.

4.28 It was intended for the Council to develop its risk framework further in 2015/16 with the standardisation of Departmental / Section / Risk Registers as part of the process to further embed risk management throughout the Council. Further actions are required in 2016/17 to fully implement these actions.

External Audit

4.29 PwC was the Council's appointed External Auditor, however during 2015/16 PwC was replaced by Ernst & Young. The work of the Council's External Auditor includes an examination of the Council's financial statements and an assessment of the degree to which the Council delivers value for money in the use of its resources.

4.30 In PwC's Annual Report for 2014/15, it stated "whilst there are clear challenges it would appear that the Council has appropriate arrangements in place to secure economy, efficiency and effectiveness.

Other External Inspections

4.31 Sefton's Local Plan was submitted to the Secretary of State for independent examination in August 2015. Following two examination hearings an initial findings document was issued in February 2016 where the inspector's conclusion stated "subject to the modifications proposed by the Council and a small number of other changes, I am likely to find the Sefton Local Plan sound". The inspector's full report is expected in September 2016.

Fraud

4.32 The Audit and Governance Committee received regular reports related to counter fraud and fraud investigations throughout 2015/16.

4.33 In October 2015 the Benefit Fraud Team transferred to Department for Work and Pensions (DWP) as part of the Single Fraud Investigation Service. All cases in relation to Housing Benefit Fraud will now be investigated by DWP.

4.34 Actions set out in the previous Annual Governance Statement relating to improvements in Strategic Counter Fraud arrangements have not been implemented. However, a comprehensive review of the Council's position in relation to the CIPFA Code of Practice on Managing the Risk of Fraud and Corruption has been undertaken and work will commence during 2016/17 to implement measures to address any gaps identified.

Member Development

4.35 Induction training was provided for new members during 2015/16 and member training and development sessions were provided.

4.36 Training has also been provided to members of the Audit and Governance Committee.

Consultation and Engagement

4.37 The Public Consultation and Engagement Panel met regularly during 2015/16 and received a wide variety of reports on how the Council engages with residents and the public, including reports in relation to the Bootle Development Strategy, Post 16 Transport Policy 2017-18, Southport Development Strategy, NHS South Sefton and NHS Southport & Formby and Transportation & Highway Infrastructure Services.

Third Party Assurance

4.38 The Council has introduced assurance reviews on the fundamental systems operated by arvato on behalf of Sefton Council. These reviews have been undertaken on a bi-monthly basis with a number of key assurances being addressed. Additional Internal Audit work has been planned for a number of of areas where additional assurance is required. The bi-monthly review process will continue into 2016/17.

5. SIGNIFICANT GOVERNANCE ISSUES

5.1 Sefton Council continues to face very significant financial challenges associated with a significant reduction in Central Government funding which is expected to result in further considerable savings to be made over the next 3 financial years. The Council's Medium Term Financial Strategy is reflective of these pressures and will be subject to annual review to ensure the Council can recognise these challenges and have plans in place to address these. This is becoming increasingly more difficult as efficiency opportunities become exhausted and will result in the Council planning for significant service changes in future years.

5.2 The Annual Governance Statement process allows the Council to identify any significant actions it is proposing to undertake its corporate governance arrangements. The following includes an outline of actions taken or proposed to deal with significant governance issues.

5.3 Constitution

The Council's revised management restructure is complete in June 2016 and all services will review their Schemes of Delegation and inform the Constitutional revisions accordingly. A review of the Council's Constitution should be undertaken and where required amendments made to reflect changes to roles and responsibilities. Once amended the Constitution should be formally approved and available on the council's intranet. The delegations from Council to Cabinet, Cabinet Members and Officers will be updated where necessary.

5.4 Code of Corporate Governance

The Code of Corporate Governance has been reviewed during 2015/16 and where appropriate updated in accordance with CIPFA Guidance on Good Governance in the Public Sector. The updated Code of Corporate Governance will be presented to the September 2016 meeting of the Audit and Governance Committee. A process for the overseeing the implementation of the Code of Corporate Governance in future years should be introduced with methods explored for the monitoring of governance throughout the Council with more widespread senior management input.

5.5 Schools Governance

Internal Audit undertook a small number of thematic school audits during 2015/16 and whilst there were no significant issues arising from these reviews, internal audit coverage remains low in this area. Further thematic school reviews are planned for in the internal Audit Annual Plan 2016/17.

Work has continued to support specific schools governing bodies especially where issues relating to governance are of public concern.

5.6 Public Sector Internal Audit Standards (PSIAS)

The self-assessment against the Public Sector Internal Audit Standards identified partial compliance. Improved compliance with the standards will be developed in 2016/17 by means of an action plan. Progress will be reported to Audit & Governance Committee.

5.7 Risk Management

The Council's Risk Management arrangements need enhancing in order that both Corporate and Service risks are effectively identified and managed. This will aid the embedding of risk management throughout the Council.

The Council Management Structure approved in 2015 has been completed in 2016. The filling of all Heads of Service posts will enable a full review of the Scheme of Delegation and risk management to be completed. During 2016 the Council's leadership will be preparing for a three year financial plan covering the period 2017 to 2020. The plan will need to reflect a very significant reduction in resources over this period and the level of risk and the approach to risk management during this period will for a key part of the plan.

5.8 Managing the Risk of Fraud

The Council needs to formally assess its position against the CIPFA Code of Practise on Managing the Risk of Fraud and Corruption. The permanent appointment to the role of Chief Internal Auditor for June 2016 will assist progress in determining the approach the Council will take to developing the management of risk and a counter fraud policy. The Internal Audit team continues to investigate fraud cases and refer to the Police and other bodies as appropriate.

5.9 Procurement

An external review of one of the Council's key procurement exercises was undertaken, resulting in a number of significant weaknesses being identified in relation to corporate procurement. A comprehensive Action Plan has been prepared to address the findings of the review, and Internal Audit will undertake follow up work so as to ensure that the issues highlighted are addressed.

6. STATEMENT

6.1 We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of the effectiveness and will monitor the implementation and operation as part of the next annual review.

Signed	**Robert Brennan** **Chair, Audit and Governance Committee**
	Margaret Carney **Chief Executive**
Date	

ANNUAL GOVERNANCE STATEMENT 2015/2016

SIGNIFICANT GOVERNANCE ISSUES - ACTION PLAN

AGS Ref	Governance Issue	Actions Planned To Address The Issue	Responsible Officer(s)	Target Date
5.3	**The Council's Constitution does not reflect the new management structure.**	The Council's Constitution should be updated to reflect the Council's new management structure. The Scheme of Delegation should be reviewed and updated as required.	Head of Regulation & Compliance/S.151 Officer	September 2016
5.4	**The Code of Corporate Governance has not been formally adopted.**	The updated Code of Corporate Governance should be presented to Audit & Governance Committee during 2016/17.	Head of Regulation and Compliance.	September 2016
5.4	**There is no effective process for the maintenance and review of the Code of Corporate Governance throughout the year and the monitoring of the implementation of the actions from the Annual Governance Statement.**	A process for the regular review of the implementation of the Code of Corporate Governance should be reinstated with reporting to the Audit and Governance Committee. Methods of engaging senior management, such as via Assurance Statements, in the review of governance arrangements to be agreed and communicated.	Head of Regulation and Compliance / S.151 Officer	September 2016
5.5	**Schools Governance**	Internal Audit coverage of Schools Governance to be reviewed and presented to the Audit and Governance Committee.	Chief Internal Auditor	November 2016
5.6	**Public Sector Internal Audit Standards**	Actions identified from the self-assessment of Internal Audit against the Public Sector Internal Audit Standards to be addressed and reported back to the Audit and Governance Committee.	Chief Internal Auditor	January 2017
5.7	**Risk Management**	Development of the Council's Risk Framework. Standardisation of Departmental / Section / Operational Risk Register	Head of Corporate Resources/Risk & Audit Service Manager (CIA)	January 2017
5.8	**Counter Fraud Arrangements**	The Council should assess itself against and report to the Audit and Governance Committee on compliance with the CIPFA Code of Practice on Managing the Risk of Fraud and Corruption. Policies and Procedures relating to strategic counter fraud to be reviewed amended and approved. Training to be delivered to raise awareness of the Councils	Head of Corporate Resources / Risk & Audit Service Manager	December 2016

		counter fraud response. A Fraud Response Plan to be developed agreed and approved.		
5.9	**Corporate Procurement**	The Action Plan prepared in response to the external report on procurement must be delivered in accordance with the defined timescales. Internal Audit will verify progress and report this to the Audit and Governance Committee.	Head of Commissioning Support and Business Intelligence	December 2016

11 INDEPENDENT AUDITORS’ REPORT TO THE MEMBERS OF SEFTON METROPOLITAN BOROUGH COUNCIL

The Independent Auditor’s Report will be included in the final version of the Statement of Accounts following the conclusion of the audit of the accounts.

12 GLOSSARY

ACCOUNTABLE BODY

Projects financed from Government / European resources in some instances require grant claims from recognised legal entities, especially when a partnership or voluntary organisation is involved. This accountable body (usually the local authority) is held responsible for the proper completion of grant claims, ensuring that appropriate financial systems are in place and to receive and distribute the grant.

ACCRUALS

The concept that income and expenditure are recognised in the accounts as they are earned or incurred not as money is received or paid.

ACTUARIAL GAINS AND LOSSES

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

(i) Events have not coincided with the actuarial assumptions made for the last valuation (Asset and Liability Gains and Losses); or
(ii) The actuarial assumptions have changed.

AMORTISATION

The accounting technique of recognising a cost or item of income in the Income and Expenditure Account over a period of years rather than when the initial payment is made. Its purpose is to charge/credit the cost/income over the accounting periods that gain benefit for the respective item. The technique is supported by relevant accounting policies and practices.

AUTHORITY

Another term used to refer to the Council.

BALANCES

These represent accumulated monies of the Authority. Non-School General Fund balances may be utilised to reduce the amount to be met from Revenue Support Grant, NNDR and local taxpayers. School balances can be used by schools to finance future years' expenditure.

BEST VALUE

The Local Government Act 1999 introduced the principle of Best Value and places a statutory duty on authorities to provide economy, efficiency and effectiveness in the provision of its services.

BUSINESS IMPROVEMENT DISTRICT

Business Improvement Districts are business led partnerships which are created through a ballot process to deliver additional services to local businesses.

Business Improvement Districts cover a defined area in which a levy is charged on all business rate payers in addition to the business rates bill. This levy is used to develop projects which will benefit businesses in the local area.

CAPITAL CHARGES

A charge to service revenue accounts to reflect the cost of fixed assets used in the provision of services.

CAPITAL EXPENDITURE

Capital expenditure is the acquisition of a fixed asset or expenditure which adds to the value of the existing fixed asset (e.g. building of a school). It can be spent either directly by the local authority or indirectly in the form of grants to other persons or bodies.

CAPITAL RECEIPTS

The proceeds from the sale of capital assets which, subject to various limitations, can be used to finance Capital Expenditure or to repay leasing charges or outstanding debt on assets originally financed through loan. A proportion of capital receipts may need to be set aside to meet future liabilities.

CHARTERED INSTITUTE OF PUBLIC FINANCE AND ACCOUNTANCY (CIPFA)

CIPFA is the leading professional accountancy body for public services, which has responsibility for setting accounting standards in Local Government.

CODE OF PRACTICE ON LOCAL AUTHORITY ACCOUNTING IN GREAT BRITAIN (THE CODE)

The Statement of Accounts is produced in accordance with CIPFA's Code of Practice on Local Authority Accounting in Great Britain, which is updated annually. The Code specifies the principles and practices of accounting required to prepare a Statement of Accounts which "presents fairly" the financial position and transactions of a local authority.

COMMUNITY ASSETS

These are assets that the Authority intends to hold indefinitely, have no determinable useful life and may have restrictions on their disposal. Examples include parks and historic buildings.

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 local authority's control.

CONTINGENT LIABILITY

A condition that exists at the balance sheet date, where the outcome will be confirmed only on the occurrence or non-occurrence of one or more uncertain future events. Where a material loss can be estimated with reasonable accuracy a contingent liability is accrued in the financial statements. If, however, a loss cannot be accurately estimated or the event is not considered sufficiently certain, it will be disclosed in a note to the balance sheet.

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.

COUNCIL TAX

A property based tax levied on all domestic properties in the Borough. The banding (and resultant sums due) is based on independent assessed property values. The Council sets levels of Council Tax on an annual basis under relevant statutory provisions.

CURRENT SERVICE COSTS (PENSIONS)

The increase in the present value of a defined benefit scheme's liabilities expected to arise from employee service in the current year.

CURTAILMENT

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

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

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

DEFERRED CAPITAL RECEIPTS

Deferred Capital Receipts are derived from the sale of Assets receivable over an agreed period of time, principally mortgages relating to the sale of Council houses.

DEFERRED CREDITS

These represent capital income to be received in the future, when disposals have taken place, and deferred payments have been agreed e.g. the principal outstanding from the sale of Council houses.

DEFINED BENEFIT SCHEME

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

DEFINED CONTRIBUTION SCHEME

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

DEPRECIATED REPLACEMENT COST (DRC)

A method of valuation that provides a recognised proxy for the market value of specialised properties.

DEPRECIATION

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

DISCRETIONARY BENEFITS

Retirement benefits that the employer has no legal, contractual or constructive obligation to award and which are awarded under the Authority's discretionary powers.

EARMARKED RESERVES

Earmarked reserves are created by setting resources aside for future events or to equalise expenditure between years. Earmarked reserves do not affect service expenditure in the year of creation.

EMOLUMENTS

Amounts paid to or receivable by an employee including expenses allowances chargeable to tax, and the estimated money value of any other benefits received by an employee other than in cash.

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.

EXISTING USE VALUE (EUV)

The estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arms-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion assuming that the buyer is granted vacant possession of all parts of the property and disregarding potential alternative uses and any other characteristics that would cause its market value to differ from that needed to replace the remaining service potential at least cost.

EXPECTED RATE OF RETURN (ON PENSIONS ASSETS)

For a funded defined benefit scheme, the average rate of return, including both income and changes in fair value but net of scheme expenses, expected over the remaining life of the related obligation on the actual assets held by the scheme.

FAIR VALUE

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

FAIR FUNDING

Under Section 48 of the School Standards Framework Act 1998, Local Education Authorities (LEAs) are required to have schemes dealing with the financing of schools. These govern the financial relationship between maintained schools and LEAs from the inception of the new funding framework on 1 April 1999

FINANCE LEASE

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

FIXED ASSETS

Assets that yield benefits to the Local Authority and the services it provides for a period of more than one year.

GENERAL FUND

This is the account where costs are charged for the year of the major functions for which the Authority is responsible (excluding the Collection Fund). Income to the Fund includes charges made by the Authority, specific Government and other grants and receipts from the Collection Fund.

HERITAGE ASSETS

Heritage assets are assets that are held by the Authority principally for their contribution to knowledge or culture.

IMPAIRMENT

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

INFRASTRUCTURE ASSETS

These include facilities to enable other developments to take place, including roads, street lighting and coastal defence works.

INTANGIBLE FIXED ASSET

“Non-financial” fixed assets that do not have physical substance but are identifiable and are controlled by the Authority through custody or legal rights. Purchased intangibles (e.g. software licences) are capitalised at cost, whilst internally developed intangibles are only capitalised where there is a readily ascertainable market value for them.

INTEREST COST (PENSIONS)

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

INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

Defined Accounting Standards that must be applied by all reporting entities to all financial statements in order to provide a true and fair view of the entity’s financial position, and a standardised method of comparison with financial statements of the other entities.

INVENTORIES

Amounts of unused or unconsumed stocks held in expectation of future use. Inventories are comprised of the following categories:

- Goods or other assets purchased for resale
- Consumable stores
- Raw materials and components
- Products and services in intermediate stages of completion
- Finished goods

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.

LOCAL MANAGEMENT OF SCHOOLS (FAIR FUNDING)

The Authority is required to delegate responsibility for the management of a large proportion of its Nursery, Primary, Secondary and Special School budgets to schools. Individual schools are allocated a share of the budget through a formula mechanism, which distributes funds primarily on the basis of age weighted pupil numbers.

LONG-TERM CONTRACTS

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 substantially to complete the contract is such that the contract activity falls into different accounting periods. Some contracts with a shorter duration than one year should be accounted for as long-term contracts if they are sufficiently material to the activity of the period.

MARKET VALUE

The estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arms-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

NATIONAL NON-DOMESTIC RATES (NNDR)

These are often referred to as Business Rates, and are a levy on business properties based on a national rate in the pound applied to the ‘rateable value’ of the property. The Government determines that national rate poundage. Local Authorities collect the sums due, but the proceeds are split, with 50% paid to Central Government, 1% paid to the Merseyside Fire and Rescue Authority and 49% retained by the Council.

NET BOOK VALUE

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

NET CURRENT REPLACEMENT COST

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

NET REALISEABLE VALUE

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

NON-OPERATIONAL ASSETS

These are assets, which are held by the authority but not directly occupied, used or consumed in the delivery of services. Examples include assets that are surplus to requirements, pending sale or redevelopment.

OPERATING LEASES

In an operating lease, the ownership of the asset remains with the leasing company and the annual rent is charged to the annual service account. Expenditure financed by operating leases does not count against capital allocations.

OPERATIONAL ASSETS

These are assets that are held and occupied, used or consumed in the direct delivery of services for which the Authority is responsible.

PAST SERVICE COST / GAIN

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

PAYABLES

Amounts owed by the Authority for goods and services provided for which payment has not been made by the end of the financial year.

POOLED BUDGET

Arrangement permissible under the Health Act 1999 and National Health Service Act 2006 that provides an opportunity for partners to bring money together, in a discrete fund, to pay for the services that are an agreed part of the pooled fund arrangement for the client group who are to benefit from one or all of the services. Instead of users being inconvenienced by disputes about Health and Local Authority responsibilities, organisations will agree at the outset the range of Health and Local Government services to be purchased and provided from a pooled fund.

PRECEPT

This is a charge issued by the Merseyside Police and Crime Commissioner, Merseyside Fire and Rescue Authority (and Parish Councils where appropriate), which is collected by the Council on their behalf by adding the precept to its own Council Tax.

PRIOR YEAR ADJUSTMENTS

Those material adjustments applicable to prior years arising from changes in accounting policies and from the correction of fundamental errors. They do not include normal recurring corrections and adjustments of accounting estimates made in prior years.

PROVISIONS

Provisions represent sums set aside for liabilities or losses, which are certain to arise but, owing to their inherent nature, cannot be quantified with any certainty.

PUBLIC WORKS LOANS BOARD (PWLB)

An arm of Central Government which is the major provider of loans to finance long term funding requirements for Local Authorities.

RECEIVABLES

Sums of money due to the Authority but not received by the end of the financial year.

RELATED PARTY TRANSACTION

A related party transaction is the transfer of assets or liabilities or the performance of services by, to or for a related party irrespective of whether a charge is made. Related party transactions include the provision of services to a related party.

The materiality of related party transactions should be judged not only in terms of their significance to the authority, but also in relation to its related party.

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

A reserve is an amount, which has been set aside for a specific purpose in one financial year and carried forward to meet expenditure in future years. Reserves include earmarked reserves set aside for specific policy purposes and balances that represent resources set aside for purposes such as general contingencies and cash flow management.

RETIREMENT BENEFITS

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

i. An employer’s decision to terminate an employee’s employment before the normal retirement date, or
ii. An employee’s decision to accept voluntary redundancy in exchange for those benefits, because these are not given in exchange for services rendered by employees.

REVENUE SUPPORT GRANT (RSG)

This is a Government grant in aid of Local Authority services generally. It is based on the Government's assessment of how much an authority needs to spend in order to provide a standard level of service.

REVENUE EXPENDITURE

This is money spent on the day-to-day running costs of providing services (e.g. salary costs). It is usually of a constantly recurring nature and produces no permanent asset.

SCHEME LIABILITIES

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

SECTION 52 / 106 AGREEMENTS

The Council is able to restrict or regulate the development or use of land by requiring that a developer deposit funds with the Authority when granting planning permission. The funds are either used directly by the Authority to undertake work, such as providing access from the existing highway to a new development, or held as a deposit which is refundable to the developer when the conditions attached to the planning permission, such as landscaping work, are complied with. The statutory basis for such agreements is currently contained within Section 106 of the 1990 Town and Country Planning Act and previously, within Section 52 of the 1971 Town and Country Planning Act.

SERVICE REPORTING CODE OF PRACTICE (SERCOP)

A CIPFA Code established to modernise the system of Local Authority accounting and reporting to ensure that it meets the changed and changing needs of modern Local Government; particularly the duty to secure and demonstrate best value in the provision of services.

The Code establishes ‘proper practice’ with regard to consistent financial reporting below the Statement of Accounts level and is statutory force in England by regulations made under the Local Government Act 2003.

SET ASIDE CAPITAL RECEIPTS

These are receipts that have to be reserved under the Local Government and Housing Act 1989 and can only be used to repay external debt or in substitution for new external borrowing.

SETTLEMENT

An irrevocable action that relieves the employer of the primary responsibility for a pension obligation and eliminates significant risks relating to the obligation and the assets used to effect the settlement. Settlement includes the transfer of scheme assets and liabilities relating to a group of employees leaving the Authority’s scheme.

SPECIFIC GOVERNMENT GRANTS

These are designed to aid particular services or reimburse the costs of payments made to claimants. Examples of specific grants include Dedicated Schools Grant, Standards Fund and Housing and Council Tax Benefit Subsidy. Assistance may also be given in aid of specific capital expenditure, e.g. Housing Market Renewal Grant and Stronger Safer Communities Fund.

STATUTORY PROVISION FOR THE FINANCING OF CAPITAL INVESTMENT

This is the amount required to be set aside from revenue for the repayment of external loans. It is calculated in accordance with the Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2008 [SI 2008/414], in conjunction with the DCLG guidance on the minimum revenue provision (published in February 2012).

TREASURY MANAGEMENT

This is the process by which the Authority controls its cash flow and its borrowing and lending activities.

TRUST FUNDS

These are funds administered by the Council on behalf of charitable organisations and/or specific organisations.

USABLE CAPITAL RECEIPTS

These are receipts which, after allowing for the proportion to be set aside, may be used to finance capital expenditure.

USEFUL LIFE

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

13 ABBREVIATIONS

A & G	Audit and Governance
CCG	Clinical Commissioning Group
CDC	Corporate and Democratic Core
CERMS	Continuous Emission Rate Monitoring System
CFR	Capital Financing Requirement
CIA	Chief Internal Auditor
CIPFA	Chartered Institute of Public Finance and Accountancy
CPI	Consumer Price Index
CRC	Carbon Reduction Commitment
CVS	Council for Voluntary Service
DCLG	Department of Communities and Local Government
DRC	Depreciated Replacement Cost
DSG	Dedicated Schools Grant
EUV	Existing Use Value
HCF&ICT	Head of Corporate Finance and ICT
HCLS	Head of Corporate Legal Services
HCP	Head of Corporate Personnel
HMRI	Housing Market Renewal Initiative
HR	Human Resources
HRA	Housing Revenue Account
IAS	International Accounting Standards
ICT	Information and Communication Technology
FRS	Financial Reporting Standard
IFRS	International Financial Reporting Standard
LASAAC	Local Authority (Scotland) Accounts Advisory Committee
LEA	Local Education Authority
LGPS	Local Government Pension Scheme
MBC	Metropolitan Borough Council
MMI	Municipal Mutual Insurance Limited
MPF	Merseyside Pension Fund
MRICS	Member of the Royal Institution of Chartered Surveyors

NHS	National Health Service
NDR	Non-Domestic Rates
PCT	Primary Care Trust
PFI	Private Finance Initiative
PP&E	Property, Plant and Equipment
PWLB	Public Works and Loans Board
REECH	Renewables and Energy Efficiency in Community Housing
RSG	Revenue Support Grant
SOLACE	Society of Local Authority Chief Executives
SERCOP	Service Reporting Code of Practice
TPS	Teachers' Pension Scheme
VAT	Value Added Tax
VOA	Valuation Office Agency

14 USEFUL ADDRESSES

Additional financial information on Sefton MBC and related organisations is usually available at libraries throughout the Borough and on our website (www.sefton.gov.uk). Further copies are also available upon request to the following addresses.

Sefton Council

Head of Corporate Resources,
Magdalen House
30 Trinity Road
Bootle
L20 3NJ

Sefton New Directions

Sefton New Directions Limited Annual Financial Statements can be obtained from:

Sefton New Directions Limited Head Office,
Third Floor,
The Investment Centre,
375 Stanley Road,
Bootle,
Merseyside,
United Kingdom
L20 3EF

Pension Fund Information

The Merseyside Pension Fund's Annual Report can be obtained from:

The Pension Manager
Merseyside Pension Fund,
PO Box 120,
7th Floor,
Castle Chambers,
43 Castle Street,
Liverpool
L69 2NW

CONTACT US

If you have any questions or comments on the Statement of Accounts please write to the Head of Corporate Resources at the above address. We would particularly like to hear from you if you have any suggestions on how the accounts could be improved.